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John Campbell *Stephens Inc.* - Analyst
Kerry Rice *Needham & Company* - Analyst
Hamed Khorsand *BWS Financial* - Analyst
Josh Goldberg *G2 Investment Partners Management* - Analyst

PRESENTATION
Operator

Good day, ladies and gentlemen, and welcome to the LendingTree Incorporated third-quarter 2015 earnings conference call. (Operator Instructions). As a reminder, this conference call may be recorded.

I would now like to turn the conference over to Gabe Dalporto, Chief Financial Officer. You may begin.

Gabe Dalporto *LendingTree, Inc.* - CFO

Thanks, operator, and thanks to everyone for joining us today for LendingTree’s third-quarter 2015 earnings conference call.

First, a quick disclaimer. During this call we may discuss LendingTree's plans, expectations, outlook or forecast for future performance. These forward-looking statements are typically preceded by words such as we expect, we believe, we anticipate, we are looking to or other similar statements. These forward-looking statements are subject to risk and uncertainty and LendingTree Inc.’s actual results could differ materially from the views expressed today. Many but not all of the risks we face are described in LendingTree’s periodic reports filed with the SEC.

On this call we will discuss a number of non-GAAP measures and I’ll refer you to today's press release available on our website at investors.LendingTree.com for the comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP.

The third quarter marked our fourth consecutive quarter of record revenue and our seventh consecutive quarter of record variable marketing margin. We generated revenue growth of 69% year-over-year and accelerated from 8% sequential growth in the second quarter to 27% in Q3 and we once again translated our topline growth into profitability growing adjusted EBITDA to $11 million.

Let’s first discuss mortgage. Revenue from our mortgage products increased to $44.2 million in the third quarter, up a remarkable 38% compared to the third quarter last year and up 19% sequentially from our previous high. Our substantial growth in mortgage represents increases in both purchase and refinance and was driven primarily by our sales efforts. The addition of new lenders combined with expanding wallet share from existing lenders provided for improved monetization enabling us to invest heavily in marketing and to drive increased consumer traffic.

Our non-mortgage product, which performed exceptionally well, also experienced accelerated growth in the third quarter, recording year-over-year growth in every lending category. Revenue from non-mortgage products increased 176% year-over-year and 43% sequentially for a record $25.6 million and now comprises 37% of our total revenue.

Inside of non-mortgage, we are certainly pleased to see the continued success of our personal loans marketplace. At $15.6 million, revenue from our personal loans marketplace was up 35% quarter over quarter and 325% over third quarter 2014. As mentioned in the press release, credit cards...
has quickly emerged as a promising revenue driver delivering $2.7 million of revenue in the third quarter increasing from just $400,000 in Q2. Our growth in cards was driven by strong fundamentals including rapid volume growth supported by material price increases.

We now have direct relationships with all major issuers and we have garnered competitive pricing that supports growth in our marketing efforts. We believe that we represent only a small portion of this very large and growing category and that there is substantial opportunity ahead of us.

All in, we grew consolidated revenue by $14.7 million in the quarter to a total of $69.8 million. These results marked a new record for the Company and substantially exceed our prior guidance.

From a profitability standpoint, we delivered a new record of $24.3 million in variable marketing margin, up 46% over third-quarter 2014 also exceeding the high-end of our previous guidance. At 35% of revenue in the quarter, our variable marketing margin reflects increased television advertising costs as we continued to provide increased support to the LendingTree brand.

Adjusted EBITDA increased 90% year-over-year to a record $11 million exceeding the high-end of our guidance. On a per-share basis, the Company delivered adjusted net income per share of $0.79, up 93% versus the prior year and from a GAAP perspective, we recorded net income from continuing operations of $7.4 million or $0.59 per diluted share.

Finally, we generated real cash from the business as net cash provided by operating activities is over $31 million for the nine months ended September 30.

From a balance sheet perspective as you should have seen in the release, we closed last week on a five-year $125 million senior secured revolving credit facility. While we are certainly comfortable that we have sufficient working capital to run our business day to day, the revolver gives us additional flexibility to execute on attractive acquisition opportunities and support other strategic growth initiatives. While nothing is immediately actionable and the facility is undrawn for the time being, we will continue to explore attractive opportunities and are now better prepared to act.

In closing, the third quarter provided an opportunity for LendingTree to make measurable progress both operationally and financially in further scaling our business. Our record-breaking financial results reflect our team's proven ability to execute and gives us confidence to increase our guidance for the year.

Now I would like to turn it over to Doug who will add his comments on the business and discuss our outlook for the rest of the year and 2016.

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Thanks, Gabe, and thank you everyone for joining the call today. Now that Gabe has discussed our financial results for the quarter, I would like to share some perspective on the business and provide an update on our outlook for the remainder of this year and next.

As reflected in our results, LendingTree performed exceptionally well in the third quarter exceeding our own expectations and the Street’s expectations across the board. Our team is successfully scaling our business producing high quality consumer traffic while still growing our customer base.

In our mortgage business, this was a remarkably strong quarter. We continued to profitably ramp our sales efforts while at the same time meeting lenders’ cost per funded loan goals which is the highest priority among our network lenders. We have added 18 net new lenders in Q3 alone while at the same time significantly increasing sales within our existing network. We once again outperformed the overall mortgage industry and considering the quarter’s declining interest rate environment where lenders typically experience more organic volume, this is a significant accomplishment for us.

We are seeing growth in refinance and purchase and significant growth with major banks and retail mortgage companies. Additionally, our pay per call product continues to scale. We have added several new lenders to this product and they tell us consistently that we are helping them increase conversion rates, increase capacity to take more volume and scale their businesses with us.
Moving into our nonmortgage products, I am even more thrilled with our progress there. In personal loans, we continue to grow volume month over month with substantial increases from several different marketing channels. We have been investing heavily in growing revenue for this product and cross-selling personal loans to our existing customer base through email and My LendingTree. We remain deeply focused on improving conversion rates and in the third quarter even as lenders began to test into broader credit profiles, conversion rates continued to improve.

In the quarter, we facilitated an estimated $560 million in personal loan originations and our network of personal loan lenders which is now at 24 lenders continues to grow providing expanded coverage for consumers across the credit spectrum.

In our other nonmortgage businesses, the most exciting development for me is in our credit cards business which has experienced 17 times growth since January due primarily to sales, product enhancements and improved marketing with many more initiatives in the pipeline. We expect credit cards to continue a strong growth trajectory as issuers are highly interested in growing with us. I now truly believe that our credit card product will be a new growth engine for this Company.

Switching gears to My LendingTree. We have now grown the user base to more than 2 million consumers. It took us 11 months to get the first one million users and only five months for the second one million and sign-ups continue to accelerate. And we are continually improving the user experience. This quarter we rolled out new savings-based landing pages for mortgages, have added relevant savings alerts on the actions page of our free credit report product and introduced a social sharing component and also enhanced the credit score features.

Finally, I will briefly touch of marketing. Our financial success in the quarter enabled us to accelerate investment in our brand and we spent nearly $10 million on broadcast TV, radio and print. That is up more than $3 million from the prior quarter. We continue to believe that the LendingTree brand is our sustainable competitive advantage and you should expect to see continued investment to support that while still very profitably scaling our business.

With that context, I would like to provide our expectations for the rest of the year as well as 2016. For the full-year 2015, we now anticipate revenue to land in a range of $244 million to $247 million, up from prior guidance of $225 million to $230 million. That represents year-over-year growth of 46% to 48%. That implies Q4 revenue of $68.1 million to $71.1 million reflecting normal seasonality in our business in Q4. We expect variable marketing margin to end the year in the range of $89 million to $91 million implying fourth quarter VMM of $22 million to $24 million.

And adjusted EBITDA is expected to land in the range of $38.3 million to $38.8 million for the year, up from prior guidance of $35 million to $36 million and representing impressive growth of 75% to 78% versus 2014. The implied fourth-quarter adjusted EBITDA range of $9.5 million to $10 million represents year-over-year growth of 57% to 65%.

More importantly, I would like to also discuss our expectations for next year. For full-year 2016, we expect revenue to grow to $315 million to $320 million, a growth rate of 28% to 30% off the midpoint of our 2015 guidance. Embedded within that you should expect continued growth from both mortgage and nonmortgage categories. Without getting too specific, you should also expect mortgage revenues to generally continue sequential growth off of the elevated levels that we have achieved in the third quarter with non-mortgage revenues to continue to grow even as a percentage of the total.

Variable marketing margin for next year is anticipated to be in the range of $108 million to $112 million and we anticipate adjusted EBITDA in the range of $50 million to $52 million implying year-over-year growth of 30% to 35% over the midpoint of our 2015 guidance.

I continue to be thrilled with our performance this year and am very, very confident in our growth prospects heading into next year. As I’ve said before, LendingTree is still in the early days of a significant shift to online comparison shopping for all types of loans just like the Internet has enabled most other categories of consumer shopping. Our product will continue to improve, our sales pipeline is extremely strong and our team is executing very well.

The online market for our products is growing and LendingTree is continuing to grow wallet share with our lenders.

With that I’m happy to open it up for Q&A.
QUESTIONS AND ANSWERS

Operator

(Operator Instructions). John Campbell, Stephens Inc.

John Campbell - Stephens Inc. - Analyst

Good morning, congrats on a great quarter. I guess just first, Doug, credit card revenue, that is a really good result, something we were looking for, so nice work getting that done. But I know you mentioned you guys have relationships with multiple different issuers now but just curious as far as 3Q 2015 results, was that driven by one or two issuers or is that multiple? Is it kind of evenly spread?

Doug Lebda - LendingTree, Inc. - Chairman and CEO

It is definitely evenly spread. Some issuers still pay us more than others but the key thing for credit card is really simply this. Once we have now got a payout roughly equivalent to where let’s say a bank rate or Credit Karma is, then we can step on the marketing gas and use our marketing advantage to go get even more share and that is basically what we are doing. The expected value of a credit card user has increased substantially just as issuers get more comfortable with us and we are just marketing into that.

John Campbell - Stephens Inc. - Analyst

Got it. That makes sense. Doug, or I guess Gabe or Doug, on the mortgage I think you said that was expected to kind of sequentially grow each quarter. That is going to be a pretty good result if you think about the industry or the mortgage market kind of flipping to more of a headwind over the next few quarters. So what kind of gives you the confidence about the mortgage growth sequentially from here?

Doug Lebda - LendingTree, Inc. - Chairman and CEO

I think the mortgage growth really just just comes back to -- and non-mortgage as well -- just comes back to the penetration of the market. So LendingTree is facilitating roughly probably 1.5% of all the mortgages in the US. I think it is about 1.2, 1.3. That has increased substantially over the last few years. But we are in the early days of that moving online substantially so we are seeing lenders consistently increasing their buys with us, consistently shutting down other channels that they could work with and it is hitting their goals and they want more of it. So now we are getting lenders actually in some instances even scaling up just to take more LendingTree volume.

John Campbell - Stephens Inc. - Analyst

Got it, got it. Just if I could squeeze in one more here. On My LendingTree, just anything you can provide anecdotally as far as user conversions or any kind of net new sales you are seeing out of some of the guys who have signed up?

Doug Lebda - LendingTree, Inc. - Chairman and CEO

So I could but I would rather not at this time and the reason is it is just a competitive thing for us and our competitors all like to parse these conference calls and analyze them. I can tell you that the marketing to drive that customer is paying off within the first three or four months and is continuing to climb. So with those kind of payoffs, there is no reason that we can’t continue to grow that channel for both paid marketing as well as just organic volume that comes off of LendingTree and just organic volume from people hearing about it.
John Campbell - Stephens Inc. - Analyst

Excellent. Appreciate it. Thanks, guys.

Operator

Kerry Rice, Needham & Company.

Kerry Rice - Needham & Company - Analyst

Thanks. Great quarter, guys. Maybe back to the visibility question, you know inherently I guess within the customer acquisition and filling that funnel it is a little bit lumpy or there is not long-term contracts. Can you talk a little bit more about how you feel confident or why you feel confident to give 2016 guidance at this point?

Doug Lebda - LendingTree, Inc. - Chairman and CEO

So first off on 2016 guidance, our practice has always been to do it on the third quarter conference call and we just feel good about where we are particularly as you look at where the business is run rating today. I don’t think that the guidance we are putting out is that big of a leap.

In addition to that, really the whole physics of the business work on the customer acquisition costs against the expected revenue and with lenders increasing their buys like they are with credit policy expanding moving into lower loan amounts, moving into lower credit bands, some lenders moving into higher credit bands, that just has a turbo charging on the whole business which enables us to go out and market even more.

So I am thrilled that we were able to increase our off-line spend at the level that we were and still drive profitability and I would expect that to continue in the off-line spend helps the online spend and I’m hoping to get back to the days where the revenue is a lot higher and the marketing to drive that is even a lot higher. But we just have, we are just seeing it with lenders, they just keep wanting more from us and we just keep giving it to them.

Kerry Rice - Needham & Company - Analyst

Great. Second question is just around the personal loans business, can you talk a little bit about industry trends, particularly as price moves up are you finding a price per loan moves up? Are you seeing any of the lenders look for other channels or kind of shift any of the spending away from online channel to either partnership or I think I used to use a lot of direct mail but any color there?

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Sure. So one thing that we are actually seeing and this is believe it or not a good thing is that on a cost per funded loan basis we are seeing pricing actually go down and that is happening because conversion rates are going up. So because lenders are increasingly effective at closing these loans, their cost per funded loan goes down which obviously gives them room to not only up their bids but also to expand the population of customers that they want. So the trends I think are our friend in personal loans as well.

That said obviously particularly the online lenders, they do believe it or not a lot of direct mail for example and drive a lot of volume that way. They also get volume from Credit Karma and they get some volume from bank rate. But LendingTree hits their cost per funded loan goals and then the best brand in the business can go market against that.
In addition to that, I'm starting to hear some very good signals from the banks and the non-sort of just online lenders who I believe will aggressively get into this space because it is quite frankly not rocket science to have an instant approval online for a personal loan in the same way that big banks did it probably a decade ago even for home-equity loans where they also needed an appraisal or at least an automated valuation. Which I would say too home-equity I expect to be the next kind of growth engine to come back because we are getting a lot of good inquiries on home-equity as well and then we will start marketing back into that category also.

Gabe Dalporto - LendingTree, Inc. - CFO

Just to emphasize Doug's point around bank lenders and others, we see a lot of interest in launching even more personal loans lenders so we think that over time that market will just get deeper and deeper and more and more competitive for leads.

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Definitely the banks and major financial institutions are not going to cede a big category to the online lenders and they will be in the game as well.

Kerry Rice - Needham & Company - Analyst

All right. Thank you very much.

Operator

Hamed Khorsand, the BWS Financial.

Hamed Khorsand - BWS Financial - Analyst

Good morning. Could we start with you are talking very positively about what your conversion rates are and banks spending more with you but it is not transitioning to the EBITDA line. Why isn't there scale in the business, why are you spending so much on sales and marketing?

Doug Lebda - LendingTree, Inc. - Chairman and CEO

So the spend with LendingTree first off, I think we have talked about this before, we believe -- we market as far as we can to increase dollar profitability. So my analogy I like to use with investors is if we only had a 10% variable marketing margin but spent $1 billion on marketing and that all fell through to the bottom line, we would all be pretty happy. And I think what we did this quarter and I always call it out is we always try to -- we always endeavor -- it won't always happen knock on wood but the trend has been our friend for the last seven years and we have been able to execute. We always call out whenever we make additional investments in product, technology or marketing and in addition to that, the off-line advertising typically pays itself back over the next four to six months so if we have good news we continue to spend to grow the business. So we try to maintain a balance between revenue growth and sustained and increasing profitability and that is what we are doing.

EBITDA is up obviously about 90% year-over-year and 25% quarter-over-quarter so on a percentage basis, you will see those numbers move around but we focus on bottom-line dollars really.

Hamed Khorsand - BWS Financial - Analyst

Okay. And then on the My LendingTree side, can you provide us any kind of data as far as how the customer traction is after they sign up? Is there any improvement as far as how long they stay connected with My LendingTree and what you are seeing from the original one million customers that did sign up with you?
Doug Lebda - LendingTree, Inc. - Chairman and CEO

I won’t give specific numbers on this just because of competitive intelligence but we are definitely seeing monetization continue to increase the longer that people are on the site. In addition to that, it gets better for the new so-called cohorts who come on the site just because of the increased user experience, the better user experience, more frequency of alerts and just refining our logic in terms of when we reach out to people.

So one little small example is that for example every time we pull somebody’s credit there is obviously a cost to that so we are getting better at predicting what changes in people’s credit is and then when to send them alerts. And I expect that trend to continue and at some point we will report on all the monetization statistics of it. But it is safe to say that My LendingTree is definitely helping us to improve -- My LendingTree is definitely helping to improve our overall marketing costs and give us repeat business that is really staying sticky. And by the way, the consumers are loving it. We are getting great feedback that this is a great product for consumers and I think compared to the other ones out there, we are at least equal to if not a little better on some aspects.

Gabe Dalporto - LendingTree, Inc. - CFO

(multiple speakers) I will just add a few anecdotal points. If you look back or as we look back at some of the initial cohorts when we launched the product in June 2014 and July 2014, those cohorts are still generating pretty significant revenue on a revenue per user basis so we are seeing that over time we get repeat monetization even from some of our oldest cohorts.

Hamed Khorsand - BWS Financial - Analyst

Is it profitable yet?

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Absolutely. Even on a paid marketing basis, it is profitable as I said within the first three to four months and obviously if we are capturing you from organic volume off of LendingTree or just free traffic from the Web, it is even it is obviously very profitable. But yes, on a paid marketing basis just like all of our other products, we can advertise free credit reports and actually make that profitable pretty quickly.

Hamed Khorsand - BWS Financial - Analyst

All right. Great. Appreciate it. Thank you.

Operator

Josh Goldberg, G2 Investment Partners.

Josh Goldberg - G2 Investment Partners Management - Analyst

Good morning. First, obviously congratulations on just strong results. I really call out the whole team Doug, Nikul, Gabe, Neil, Trent, really just across the board almost 30% sequential growth and 69% year-over-year growth. Someone that has been in the company for this long, hard to believe but congratulations.

For me it sounds like the next real growth engine could be credit cards and if you look back at last year, personal loans kind of ticked up to about $3 million or so at this time last year and a year later it is $15 million. And obviously I know it is a different industry and different reasons why it
could grow faster or slower but do you feel that you are in position to have a credit card growth of that nature over the next 12 to 18 months? Then I have a follow-up.

**Doug Lebda - LendingTree, Inc. - Chairman and CEO**

Without getting into specific numbers and thank you for the kind words, I absolutely believe credit card can be the next significant growth engine for the Company. And if you look at our share, if you compare let’s say our penetration in the online mortgage category compared to some of our competitors and then you go over to credit card, we are just barely penetrating the credit card market. Obviously Bank Rate owns something called creditcards.com, which is I believe that is -- I think it is a $300 million business topline. I mean so there is significant increases that we can make in cards and we think the LendingTree brand plays incredibly well particularly compared to the brands out there.

So credit card is a unique animal in that you get improved monetization as credit card companies get comfortable with the quality and with your compliance and with the volume that you can send them and once you solve those challenges, the payouts go up and then we can step on the marketing gas.

**Josh Goldberg - G2 Investment Partners Management - Analyst**

Okay, great. And then just on the mortgage side obviously 38% topline growth in an environment where mortgage originations are not growing at that level. Is there some breakdown you can give us of purchase versus refi where you saw the upside relative to your expectations? And obviously the level of confidence that this will continue, it is clearly the number one market in terms of size overall. And like you said, you are less than 2% of that market even though it is a huge part of your revenue.

So maybe talk about what has really happened that is sort of the pig in the pole that kind of got things going here in the third quarter and why you see it going forward?

**Doug Lebda - LendingTree, Inc. - Chairman and CEO**

Got it. So purchase and refi are both growing and they are both growing and I know this might seem simplistic, they are growing because it works for the lenders and if it works, they want to do it more. And if we go back to a travel analogy or any kind of really search business analogy, once we get increased conversion rates, lenders want more of it, they up bids, they expand the categories that they are looking at, they reduce their loan amounts and we get tremendous leverage in our model off of not only conversion rate from lead to close but also the percentage of customers that we match and the number of times that we can match them.

If you think about LendingTree matching let’s say roughly 70% or 80% of mortgage customers with at least one lender, that is in Google terms back in the day imagine if 20% or 30% of the people didn’t have any paid search results and they weren’t able to monetize those customers. We are monetizing more customers, we are monetizing those customers better and it is happening because of increase conversion rates on both purchasing and refi.

**Gabe Dalporto - LendingTree, Inc. - CFO**

And to give a shout out to our sales team here, they have done a phenomenal job of really embedding deeply with our lenders, growing that wallet share, helping them understand where they can make money and how they can scale their businesses. Then also adding new lenders and banks have really kind of picked up their orders with us so we are trying to put ourselves in a position to dominate under any type of mortgage environment a rising rate or falling rate to have a deep bench of lenders that the economics work for that are continuing to ask for more volume. So really we have had some great progress on the sales side (multiple speakers).
Josh Goldberg - G2 Investment Partners Management - Analyst

How much success are you getting in some of these bigger Tier 1 banks which with your local product with some of your other new enhancements on mortgage can really have that funnel really pick up as well.

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Yes, I think that is (multiple speakers)

Gabe Dalporto - LendingTree, Inc. - CFO

When we are talking about banks, that is a big piece of the story is the top banks in the United States and we have got really good traction with them.

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Yes, and when I -- again I will give you my search analogy or even a travel analogy early days of online hotel shopping if you went and looked for a hotel in New York City you probably got the independents or the smaller hotels and then over time the big guys start playing and the big guys they want more volume. I was just at a bank conference a couple of weeks ago and when I compared the size of their marketing budgets to the amount that they are spending online, their online spend is a fraction of what their off-line spend is and their comparison-shopping spend with their marketplace spend is very, very small. So with the call product and the local introduction product, that business really helps to scale even with the biggest banks.

Josh Goldberg - G2 Investment Partners Management - Analyst

Okay, great. Thanks again. Congratulations and keep up the great work.

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Thank you.

Operator

(Operator Instructions). I am showing no further questions at this time. I would like to hand the call back over to Doug Lebda for any closing remarks.

Doug Lebda - LendingTree, Inc. - Chairman and CEO

Thank you very much, operator. Again, thank you to everybody else. It has been just a thrill to run this Company and to work with the team that we get to work with and just see the continued growth. And I seem to say this almost every quarter but I am still more optimistic than I have ever been. I keep getting more optimistic and it really is the simple notion that on the lender side we are getting great conversion rates from lenders. We are able to add new products, able to penetrate deeper into their spend. And on the other side of marketing, just leverage the LendingTree brand which is the best brand in the space which makes our off-line marketing very efficient and then obviously makes our online more efficient and penetration of these products today is very low.

Over the next even 10 years, it is going to track to something where I believe that consumers are going to be comparison shopping for loans as a standard in the same way they comparison shop online for everything else. And the best days are certainly ahead of us and we are still very much in the early innings here.
So thank you all very much. We will talk to you next quarter.

Operator
Ladies and gentlemen, thank you for participating in today's conference. That does conclude today's program. You may all disconnect. Have a great day, everyone.