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TREE.OQ - Q4 2020 LendingTree Inc Earnings Call

EVENT DATE/TIME: FEBRUARY 25, 2021 / 2:00PM GMT

OVERVIEW:

Co. reported 4Q20 results.

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the LendingTree, Inc. Fourth Quarter Conference Call. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Trent Ziegler, VP of Investor Relations. Please go ahead.

Trent Ziegler - *LendingTree, Inc. - VP of Finance & IR*

Great. Thank you, and thanks to everybody for joining the call this morning to discuss LendingTree's fourth quarter 2020 financial results. On the call with me this morning are Doug Lebda, LendingTree's Chairman and CEO; and J.D. Moriarty, Chief Financial Officer. As a reminder, once again, we posted a detailed letter to shareholders on our Investor Relations website earlier this morning. And with that, we will keep our prepared remarks relatively brief and spend the bulk of our time addressing your questions.

Before I hand the call over, I also want to remind everyone that during today's call, we may discuss LendingTree's expectations for future performance. Any forward-looking statements are subject to risks and uncertainties. And LendingTree'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.

We will also discuss a variety of non-GAAP measures on the call today. And I refer you to today's press release and shareholder letter, both available on our website at investors.lendingtree.com for the comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP.

And with that, I will turn it to Doug.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Thanks, Trent, and thank you to everyone for joining our call. Before we get into questions, I'd like to spend a few minutes giving you my perspective on the business and a few of the reasons why I'm increasingly encouraged by our prospects as we've successfully navigated the challenges of the past year and we enter 2021 with positive momentum and clear focus on our strategic priorities.

2020 was a year unlike any other. The pandemic growth wrought havoc on public health and safety. It brought massive unemployment and economic strain, in part, countered by unprecedented fiscal and monetary policy. While we've seen far-reaching changes in the way people live, work, consume and manage their money, the past has also presented many challenges and it has created great opportunity.

Despite headwinds in certain continuous areas or aspects of our business in 2020, we were able to maintain a healthy and productive workforce, along with a strong balance sheet, sustained positive cash flows, thanks to our diversified portfolio of businesses. Because of that, we were able to remain focused on execution, serving our customers and our partners without losing sight on our -- of our broader strategic objectives around innovation and scale.

Our fourth quarter's results reflect increasing momentum as strength in our Home and Insurance segments, combined with sustained recovery in Consumer, drove sequential growth in both revenue and adjusted EBITDA during what is typically a seasonally slower quarter. As we head into 2021 and the world begins to return to normal, as we all hope, we are focused on a broad range of strategic objectives across each and every one of our business segments that all serve to accomplish the greater objective of growing, engaging and delighting our customers while serving our partners in a more integrated and automated fashion. We look forward to highlighting those initiatives and our continued momentum as the year unfolds.

And with that, we'd love to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question is from the line of Youssef Squali with Truist Securities.

Youssef Houssaini Squali - *Truist Securities, Inc., Research Division - MD & Senior Analyst*

So a couple of questions. One, maybe, Doug, just stepping back and looking at the competitive front, just curious to know how you think about competition, particularly in the auto insurance, home loan industries, et cetera, and maybe how you think about competitors, like Credit Karma, now that they're part of Intuit and what advantages you guys see yourself having as competition ramps up from larger-scale players?

And then J.D., I know you guys are obviously not guiding to 2021. But can you maybe just flesh out for us the biggest areas of investment you're planning for this year? Because if I look at your margin guide for Q1, it looks like it's much lower than you guys have posted in a few years. So maybe if you can just flesh that out for us, that will be terrific.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Perfect. So on competition, we are obviously very, very mindful and we always want to be winning even if the market is growing. We don't want to just take credit for tailwinds. A couple it, obviously, talk about the one that you focused on, Credit Karma, we think we are at least now -- the good news is now everybody see numbers. And I think it's safe to say they're about our size. And I think it's safe to say we're more diversified and they're more concentrated. And so we feel really solid in our position there.

Now will they have a great product? And will we have a great product? We hope ours is better. We think ours is. We think our brand name is exceedingly strong. And there's a lot of things going on in that area that will expand in products even from just loans and alerts, as you've seen us -- and it will go beyond free credit scores into cash management and how you're doing budgeting, which we've done already. So I was honestly really happy to see our pacing versus them in the first time they had public numbers.

The other one that I would say that, just move to another subject, would be EverQuote, which now we've got -- obviously, they're a public company. And a time -- in the past few quarters from what we know, they're a little bigger than us. We're a little bigger than them. But I can tell you, as our company's, I think, now biggest shareholder, I am thrilled with where they're going and the things that they're doing in expanding the agency business, expanding new lines of insurance and their integration with My LendingTree. That's all really coming together.

So I think unless you're a diversified product set in fintech, it's going to be really hard to compete with a company that is more diversified across loans, insurance and all the partnerships we've got in investing, et cetera, et cetera. So it's just be getting there. J.D., do you want to take the next?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes, sure. Thanks, Youssef. They're both good questions. So let me just expand a little bit on the competitive landscape because when you talk about auto insurance specifically relative to EverQuote, and obviously, they've been public since the middle of '18, we have businesses that on a revenue scale basis, as Doug points out, we kind of trade quarters on who's bigger. We do enjoy better VMM margins generally. We also do admittedly have a little bit more dependence on SEM and we're diversifying that. As with all of our acquisitions, the strategy has been acquire a really good business and make it better through diversification of marketing channels.

And so within our QuoteWizard business, which is our insurance business, that's exactly what we're doing. And that's not the only diversification going on. We're actually expanding our agent business. We're expanding our Medicare business. And so I think as '21 goes on, you're going to see us continue the diversification within insurance. And that will just -- we're going to take a very good business and make it even better through diversification. So when you ask the question about investments, that's absolutely one of the areas where you're going to see us invest. And so that will tie into the next answer as it relates to margin.

We certainly, as Doug points out, now interestingly we have some public comparable -- competitors out there, Karma being one of them. We see what they're doing in, for instance, auto insurance. And they've talked about some of those initiatives. That's not new information to us, it's just newly public information. So the strategy is not tremendously different. When we think about insurance and specifically auto insurance, we look to what EverQuote is doing, we look to a couple of other players in the space. And we think we're a real leader in that space. We know we're a real leader in that space. So we're really happy with the diversification efforts in insurance specifically. And we see some great growth areas. I mentioned agency and Medicare specifically. But that's what you're going to see throughout '21.

As it relates to the margin question that you asked about investments, recognize that our guide is informed not just by investments that will go on throughout the year. But I think what's going on in Q1 specifically is really mix. And one of the things that we make an effort to do, since we run a diversified portfolio of businesses, is let them all operate independently with regard to strategy in the moment. So right now, in mortgage, as you've seen from us time and again, there's a great opportunity to drive VMD growth. But that VMD is going to come at probably lower VMM percentages as we enjoy great revenue growth. That's happening at the same time as we are rebuilding certain of our consumer businesses. So we highlighted pretty exceptional percentage growth in credit card in the fourth quarter. And we expect some of that growth to continue in the first quarter as we rebuild that business.

But I made the point on the last call that, that card business may not contribute at all to the bottom line as we rebuild it. And so recognize that you've got a mortgage business where you're getting incremental revenue growth at lower percentage margin, a card business that we're rebuilding at very modest margin because that's the right strategy for the business at the time. So it's really mix, but it's also our desire to let each business do the right thing strategically to grow. And so as you look at that card business, I need to remind everybody, in 2019, that was a $212 million business for us. And it was down at the trough, 85%. And we are growing it back but at small margins initially. And we're really happy with the progress in Q4.

But as we pencil that out in Q1, that contribution is going to be very modest. And when you combine that with the trend in mortgage, you can understand the guide. So that's really what's going on with Q1. There are a number of investments we're going to make throughout the year. We're really happy about the strategic plan for all of the businesses, My LendingTree included. But in terms of the margin in the Q1 guide, that's really the influence.

Operator

Your next question is from the line of Jed Kelly with Oppenheimer.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director & Senior Analyst*

Two, if I may. One, just circling back on My LendingTree. I think at your Analyst Day in 2019, you admitted that's the key to sort of expanding your terminal margins. So just where are we with the My LendingTree strategy? And how do you see driving increased consumer engagement? Is there any way to take advantage of sort of some of the enthusiasm we've seen with retail investing? And then just on the Home segment, J.D., you said it's expected to accelerate in 1Q. I mean, how should we see that trending throughout the balance of the year?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So I'll take My LendingTree first. On a -- from a product standpoint, we feel very, very, very good. From a strategic standpoint, we also feel very good. And the reason is just like how LendingTree diversified, and when we were 90% mortgage and 10% every other loan type, as we brought in other loan types, those not only add to the individual like credit card business or the personal loans business, it adds to the overall. On My LendingTree, the same thing is happening. So while we don't have the largest source of revenue for My LendingTree users, which is personal loans, because during the pandemic, appropriately so, people took their stimulus money, paid down their balances and so they weren't necessarily shopping for credit cards and personal loans.

Totally fine. But we're seeing members do well. We're seeing engagement do well. And we see a lot of new products that we can slot in there. So any -- we're looking at a number of individual product apps that could be folded into something even more broader, everything from identity theft, obviously credit repair. And we think that is a powerful source in that base as we can help improve people's credit that even if interest rates rise, which they will, that we can refinance people as they move up the credit sector. So I'm very happy with where that's going right now. J.D.?

John David Moriarty - *LendingTree, Inc. - CFO*

Jed, part of your -- yes. So Jed, part of -- so kind of two parts to the My LendingTree question, right? One is are we happy with the progress on the product? The answer to that is yes, absolutely. When we look back, however, at 2020, our strategy for sign-ups for driving members to My LendingTree has been dependent on personal loans, as Doug points out. And when personal loans goes backwards, we're -- our new sign-ups is going to flag. We're happy with the fourth quarter sign-ups, right? That's a pretty meaningful jump from 15.7 million to 16.6 million and certainly the most meaningful jump that we've had.

Now how is that happening in an environment where personal loans are still weak? We've -- you've heard us talk about syndicating our platform and working with partners. And we've mentioned H&R Block, and there are many other partners. Actually, there are other partners that are onboard and some that are in the pipeline. But effectively, what we're talking about is the syndication of My LendingTree and managed marketplaces. And right now, between H&R Block and one other key partner, we've driven 1.5 million new sign-ups. So that strategy that we've been talking about for well over a year is starting to bear fruit, which we're really excited about.

Then there's got to be the engagement of the product. And we talked about Plaid and the Plaid integration. And we've got to drive people to connect their accounts there. But the product is unquestionably much, much better than it was a year ago. And we're really excited about the new features that we'll add this year. So we actually look at the growth in sign-ups in Q4 amid an environment that was tough for personal loans as a real bright spot for My LT. And I think it suggests that, that strategy of syndicating the platform is a good one.

In terms of your question around mortgage, we've made a real effort to make sure that people understand the mortgage cycle for our mortgage lenders and our mortgage cycle, right? And that earlier in 2020, when there was tons of organic volume, that's a tough environment for us, when lenders are flush with organic volume. Well, as the year has progressed, our services have been more dearly valued. And you see that in our RPLs. Hard to say what inning we're in. Obviously, we're very mindful of this increase in rates, which is going to make the value proposition of a refinance a bit more challenging. Right now, we're certainly seeing a good RPL environment. And we need to work with our lenders to make sure that our leads convert. And that's really what's been going on under the hood.

We talked about different products that lenders can choose from and exclusive matches and the like. Those are all intended to drive conversion. And that's the subtle thing that's been going on within our Home business that we're really excited about. Because we think our product is just working better for our lenders, certainly better than it was in the last cycle, where it was kind of one product that you could either succeed with or not. We think we've really evolved our Home product specifically. So hard to call the cycle, but we're certainly seeing that there's -- as we've talked about in the past, as the refi cycle progresses for our lenders, we tend to lag that a bit and you're seeing our outperformance right now. So that was evident in Q4. And as we said, it's accelerating here in Q1, which is great to see.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And all I would add there is as people have heard in the past, in a refi boom, LendingTree -- or low rate interest rate environment in mortgage, LendingTree will tend to underperform because lenders don't need us. Because of the product changes and all the stuff under the hood that J.D. said and talked about, we've been able to dramatically increase lender capacity through this. And we have strong indications that, that volume is going to -- their needs and their volume is going to stick. In addition to that, you've now got new mortgage companies who are springing up. And the first place they're calling to get volume is us.

And they've also talked to other even startups, who are trying to go build a brand, any brand-new thing inside of mortgage. And their biggest problem is you've got to get customers that trust you. We've already got them. So we can now lean into marketing at lower percentages, but we maximize the dollars. And now with knowing also the My LendingTree LTVs, we can not only be marketing against the bulk of the payoff today, but we can be marketing as we know it in terms of the payoff tomorrow. And whether tomorrow is a day, a month, a quarter or 6 months, we've now got the ability to do that.

Operator

Your next question is from the line of Stephen Sheldon with William Blair.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

Wanted to follow up on My LendingTree, clearly great sequential member growth. Monetization there has been lower for the last 3 quarters. And I guess it was entirely from the pullback in personal loans. As you think about this year, 2022, potentially into 2023, is stronger monetization there highly dependent upon personal loans recovering? Or with some of the added member touch points, product integration, is better monetization there becoming much less dependent upon personal loans? Could we be hitting that point over the next couple of years?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So the short answer is definitely not going to be dependent on personal loans. We're working on new feature -- I don't want to say features, but even consumer experiences like inside of mortgage and inside of purchase mortgage, inside of more longer-term alerts that we can give to people. So the answer is we're definitely not going to be dependent on personal loans. Personal loans happens to be the easiest thing, right, that you can say to a consumer, "You've got a bunch of credit card debt. And we can tell you right now, we can consolidate that and you're paying this percent interest. You're going to pay a lot less over here, consolidate, get it done, right?" Like that's an easy thing to do. And as I said during COVID, a lot of consumers did that on their own.

7 years ago, none of us would ever have been talking about personal loans because it was sort of this -- it was something that was done by sort of subprime finance companies. Any time people are providing financing, we're going to provide a market for it. And so we're right there. And so while the My LendingTree revenue is -- in the cycle we've seen is dependent on personal loans, with everything else and the conversion and the after application touch points, the engagement is very, very good and I'm happy with it. I wish everybody in America had a My LendingTree account. And someday, we're going to get there. Because it will just tell you when to save money across every financial institution in the United States, across insurance and lending. Clearly, we're not there, but we're definitely on our way. J.D.?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. Let me -- Stephen, let me give you a good example of -- so I mean, the answer to your question is no. As you look out to '21, '22 -- later in '21 and '22, the dependence on personal loans should reduce fairly significantly. But one of the things that we're focused on, obviously, we want each of our businesses to drive new sign-ups. That's one thing. But we're really focused on making sure that we can actually have the consumer have a really good experience within My LT and across our products. So there are some foundational things you have to build first.

So one big question we often get is insurance integration. And that's not just driving sign-ups, but that's saying, "Okay, you're somebody who's in-market. This great insurance platform that we have, what are we doing to make that work with My LT?" Well, the agency initiative that we have within Insurance, when we talked in our letter -- in our shareholder letter about the app that -- the in-auto dealer app, well, the agency technology is the key to that, okay? So we have built this technology for the agency that supports the dealership app. But guess what it also supports? The ability to show a rate within My LT and any other cross-sell opportunities. And being able to show a rate is really important.

So as we build out that agency within Insurance, it will not only help diversify our Insurance business, which is wonderful, but it supports the cross-sell opportunity. It supports the integration with My LT. And so we're really happy with that. When does that manifest itself in terms of results? Probably the timeline that you're talking about, later '21, '22 in terms of My LT results. But I think if we're sitting here a year from now talking about My LT, that dependence on personal loans is quite a bit lower. And you should see actually Insurance and card and other businesses far better integrated with My LT, which will be awesome. And obviously, as you point out, that should actually really help our natural margin profile.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And J.D. hit on the B2B aspects of this a little bit. The co-branded with other partners is definitely working. And then that will work not only with lending, it also works with Insurance, the auto dealer app, for example. While it's only in a few auto dealers, it is having great impact. And when we look at the unit economics and the future of that, if it works at 3 auto dealers, it will work at 300. And there are things coming behind that. And that auto dealer app, for example, can give instant quoting with fully [viable] quotes for auto insurance that we will -- we're much more integrated on LendingTree. But those types of products can now migrate across everything else we have as we build out our ecosystem.

Operator

Your next question is from the line of John Campbell with Stephens.

John Robert Campbell - *Stephens Inc., Research Division - MD*

So I know this is probably impossible to directly piece out. But J.D. or Doug, I'm just curious about some bigger-picture thoughts around stimulus and how much that might be playing a factor kind of in the pace of recovery in Consumer?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So I think -- so I alluded to it before, I think it's definitely having a major impact. We've got lenders ready to lend and we've got consumers that aren't necessarily in the numbers they were before needing or wanting to borrow. And as much as that might not have our EBITDA higher in the year, from a company that's trying to help -- that our mission is really to help consumers get their help, everybody get their finances right, that's okay. So I'm fine with it. If people are paying down debt because the government is giving them free money, that's certainly better than borrowing it from a credit card company, and that hurts our business. For a few months' lag, that's fine because it's going to put them in a position where they now can become homeowners, they can start small businesses and they can engage with us in much more valuable products in the future.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. John, I guess -- yes, I would just say, it's really -- the stimulus is -- if it helps people get through, wonderful. But the uncertainty around it is what we need to get past for our partners, right? So let's talk about each business. If you're a credit card issuer and you're trying to -- you're looking at credit card balances, but you're trying to assess the impact on the consumer and how creditworthy are they, right, that influences how aggressive you're going to be in growing credit card -- new card issuance, right?

And so we're definitely seeing a number of our credit card issuers, we have, I think, 2 now back to pre-COVID underwriting standards, okay? So they obviously pulled back quite a bit. But we're now seeing finally a couple of them get back to the same underwriting standard. That's great. We're starting to see in credit card better offers, better product, right? So instead of 12-month balance transfer, it's 18 months. And so more inducement for the consumer. So we're seeing a little bit more aggressive behavior on the part of the credit card issuer, which is great to see and certainly a sign of confidence.

In personal loans, as we point out, if people don't have credit card balances, they're not going to have as much desire for a personal loan. And the stimulus obviously has definitely impacted that business. Interestingly in the small business, which had a great fourth quarter that we were very happy with, we definitely see a PPP impact. What we see is a lot of small businesses inquiring about loans, but the conversion rate is impacted by the uncertainty of PPP, right? So what are they going to get from the government impacts the follow-through of a small business owner to proceed with a non-PPP loan because they don't know what they're -- what's going to be available to them.

So I think the common ground on each of these is really a little bit of uncertainty. Personal loans is a little bit different. Every lender who was on the network pre COVID is back on. I think we disclosed that last quarter. We were thrilled with that. But really, personal loan is a little bit unique just because there's not as much consumer desire for that product right now, given the stimulus. So it's certainly having an impact. But as Doug points out, if it's helping our consumers get through this, it's going to be great for us long term.

John Robert Campbell - *Stephens Inc., Research Division - MD*

Okay. That's great color. A quick follow-up here. On the brand spend, I think last year, if I recall correctly, you guys had some committed spend. And then obviously, a portion of those kind of you were able to flex. But just curious for this year, if you guys have kind of earmarked a particular level of spend? And if so, how much of that is fully committed versus purely variable?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. So we kind of went into this year, assuming it would be similar to last. But we've taken steps so that we can flex it higher based on how certain businesses trend. And so you might see us later in the year stepping that up. It certainly -- it stepped up a little bit quarter-on-quarter here in the first quarter relative to the fourth, reflective of our business. But as the year progresses, you might see us step that up a little bit.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And the only thing I would add to that is we are always going to deliver or we're always going to do our best to deliver profits to our shareholders. And if we've got opportunities to invest for the future that are truly investments, not just spending money, but if J.D. Moriarty or somebody from our finance team says, "Yes, let's go spend this much money on this," above and beyond what we were thinking about because we're seeing new numbers and it's going to have a return, we're going to do it and we're going to tell you about it.

Operator

Your next question is from the line of Melissa Wedel with JPMorgan.

Melissa Marie Wedel - *JPMorgan Chase & Co, Research Division - Analyst*

Wanted to focus on Consumer as well. I'm trying to reconcile some of the comments you've made about -- I think it's particularly in par with having sort of a lower margin on that business as part issuers come back into the space. I'm trying to reconcile that with actually what was pretty strong margin in the Consumer category as a whole in 4Q. So I'm wondering what sort of offsetting areas of strength there were in that segment. And then I guess, second question would be around your partnership with Westlake and sort of understanding that better, how that differs from current offerings in auto and how we should think about that (inaudible)?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

J.D., do you want to take that?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes, absolutely. So Melissa, overall, the Consumer category does carry high margin because it also includes our -- of our big businesses, our personal loan business is our highest-margin business. So that business normally is weak in the fourth quarter relative to the third, right, because typically people run-up credit card balances and -- in the fourth quarter and then it's strong in the first quarter, okay? So that seasonality did not play out. And actually, personal loan was modestly bigger in the fourth quarter than it was in the third and card obviously grew.

Now the card business, as we look at each of our businesses, and we've been doing this since -- on a daily basis in light of COVID, one of the nice things about our model is obviously when the revenue opportunity goes down, so there's our cost structure. And so we've watched each of our businesses -- and you saw that in our mortgage business, for instance, in the second and third quarter when that margin expanded. Well, the card business is the only business that had days in 2020 where it actually lost money, right, where the cost to deliver volume to our card issuers exceeded the revenue opportunity. And so as payouts compressed in card, that was a tougher business to manage.

Now it wasn't losing money on a daily basis. But I'd say every kind of fifth day throughout 2020, it would seem to have a day where it might lose a little bit of money. And recognize that with card, we -- it's a month-to-month business. And as issuers want to profile new cards and we get certain payouts for those cards and we learn about those for the month ahead and what their goals are, we're trying to meet their volume goals. And the cost environment has been high. We've had to -- in the fourth quarter, we've got competitors in card who are driving that cost out. But now I would say that we are probably -- I mentioned that a couple of issuers are back to pre-COVID levels with respect to underwriting. That's the first sign. If their underwriting criteria is back, that's great.

What should follow from there is enthusiasm to grow. And when the RPLs -- or pardon me, when their payouts, I should say, move up a little bit and when we get, I'd say, a couple more -- 1 or 2 more issuers who want to grow, that should flip, meaning that the revenue opportunity will exceed the cost environment. We are strategically deciding to grow that business right now, meeting volume targets for issuers to take more of their market share as the months proceed and recognizing that it might be a break-even proposition in the card business as we try to build it back, right?

So with any one issuer, we're saying to them, "Okay, in January, how much of your spend can we get? Okay, great. Maybe we did that at a breakeven level for us in January. What can we do in February? Can we grow it?" That's the strategy. And when the network gets a little bit more robust, we'll start to be a profitable business there. But card specifically is going to drag on margin in Q1 relative to what Consumer is typically. The personal line business continues to enjoy pretty good margin profile, we just need revenue growth there. So it's really a mix of businesses. Now the other thing I would point out -- sorry, go ahead, Doug.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Go ahead. No, you. Sorry. Go ahead.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. No. I mean if you look at those businesses, that's card, personal loan. Small business was very strong in the fourth quarter. But we're preparing for that card business is going to grow with modest contribution. Sorry, go ahead.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. The only other thing I would add to sort of the conundrum of why you can have like the comments in card and then still have very good margins in Consumer, it goes back to in My LendingTree. Even with Consumer balance sheets being better, we can get a lot of "free" or already paid for transactions there happening later in their engagement with us. So that's the longer-term My LendingTree strategy, which is why you're seeing Consumer margins a little bit higher. But you're also not seeing us then yet saying, "Come to LendingTree and get a personal loan, right?" Like that would be a direct thing around personal loans.

And that comes -- and as that -- those economics work, we improve those. But in the meantime, you've got -- you still have a lot of My LendingTree traffic that is fed from all of those other loan types coming through. And that's what's enabling us to be able to still say, as J.D. said, "Let's grow the credit card business." If our lenders are paying us enough money that we can go market, great. We're certainly not going to lose money, but if we make $1 instead of losing $1 and we're going to get sign-ups and lifetime value and more customers in the front door engaging with us, that's the plan.

Operator

Your next question is from the line of Rob Wildhack with Autonomous Research.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

I wanted to follow up on My LT and engagement there. Wondering if you can share any additional color around usage and interactions. Are My LT users interacting with the platform more and more? And if so, how fast does that increase?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

J.D., do you want to give like numbers and then I'll hit overall?

John David Moriarty - *LendingTree, Inc. - CFO*

Sure.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Because there's some signs of goodness in there and it's funnel-perfect.

John David Moriarty - *LendingTree, Inc. - CFO*

The biggest thing, Rob, is really this Plaid integration, getting people to become connected accounts. So of those who are connecting their accounts -- and the real thing that we've got to drive this year is that, what's the call to action to get somebody to connect their accounts with Plaid? We're seeing their engagement up almost 30%. So that's great. And then we're seeing revenue per active user as a result of that connected account, that's up 20%.

So strategically, we want to drive people to engage their accounts, that's really important to us. But the monthly active users, we've got to get them to connect accounts. We think that's really the driver strategically throughout the year. So we're not -- we don't have a new set of like public metrics that we're going out with. But that strategy is certainly working. And we're really happy to see that.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And then the reason for that is if we can get you to connect your accounts, we have more opportunities to give you alerts. So the more we know about you, the more we can tell you how to save money. But we have -- and we have to get consumers to sort of take that next step. So the beautiful thing about our business model is we can drive you in to say, "Come get a mortgage, come get a personal loan, come get a credit card, compare (inaudible) for this." And we can also say, "Get a free credit score if you want." We can say, "Get identity theft insurance." And we can say, "Get it all together." So we've got many different marketable opportunities. But ultimately, we want you to whether you engage with -- whether you complete that first transaction or not, we want to make sure that we've got an account for you so that we can engage with you over other transactions. And that is starting to grow.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

Got it. That's really helpful. Just a follow-up, you've talked in the past about expanding the product set and the offering on the asset side of the Consumer balance sheet, but also today have highlighted a lot of current investment in existing businesses. So where does that asset side of the Consumer balance sheet rank as a priority for you guys? And just any updated thoughts you might have on the opportunity there?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So right on deposits, our deposits business is obviously not doing great because deposit rates are low right now. So it doesn't make sense to say, "Hey, deposit here versus there." However, longer term, I think the trends there are very good. J.D., do you want to add on?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. I mean right now, if you think about the asset side for us, Rob, it started with deposits. That's a modest business at this point. We've talked about 2 things around investments. One is obviously we've got an ownership stake in Stash, and we will continue to evolve how we partner with them. We're happy with some of the partnerships thus far. But they haven't yet manifested themselves in opportunities for My LT customers. That's a little bit more complicated. But over time, we think there will be the opportunity to offer investment products to the My LT base through that partnership, which will be great.

We also have, and we've talked about this, a business around investments. And so we've been developing content around investments. We're in the early stages of it, but we actually have partners who are engaging with us. And in the fourth quarter, we had a small amount of revenue in that investments vertical. So that -- think about that as providing customer acquisition services for the RIA channel, okay? So that will be a growing business at LendingTree over time as well.

But we're early days. But we think it's important, and we think it is something -- it's a natural extension of our business. But that's the way to think about it as kind of there's the Stash, which is a product for a first-time person to save and invest. That's a specific product, and we'll partner with them for that. And then kind of the marketplace experience for the registered investment adviser community. And we've talked about that, that's not a new opportunity. But we think it's a very natural extension of what we do.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And I would just add on by saying the Stash integration is going very well, both us helping monetize their users and helping -- and their investment product helping us and [RIAs] get engaged. The autos product, while it's to Insurance, could very quickly go into helping you buy a car, which is also obviously an asset. The overall cash flow analysis that we're doing on My LendingTree, we'll get very strong into savings. And then as J.D. playing out the RIA business, we think that for a certain segment of customers, they should be using a robo adviser. For another set of customers, they can be working with somebody at a different -- a very high end. And for the middle, there's a lot of people who want registered investment advisers to help them through retirement. They get very good earnings from those accounts. And it's a brand-new channel for us that is early stages showing very, very good signs of life.

Operator

Your next question is from the line of Jamie Friedman with Susquehanna.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

So you mentioned in the second page of the shareholder letter that the strength that you saw -- I'm trying to find it here. The trend that is persisting into the new year in terms of the strength that you saw earlier, I was hoping you could just elaborate on what it is that you may have seen quarter to date.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. I believe you're referring to the mortgage segment. Is that...

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

So let's see, it's -- yes.

John David Moriarty - *LendingTree, Inc. - CFO*

Is it the Home segment?

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Sorry, J.D. Oh, yes, it's Home. Sorry, it's in the second paragraph. So it says, "As previously discussed, much of the fourth quarter outperformance was driven by strength in the Home segment." I'm sorry, specific to Home, yes.

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. So it's -- listen, it's specific to Home, it played out as we expected it would, right? And we've talked about that, that we effectively, as the year 2020 progressed with rates and organic volume in the beginning of the year, we knew that there would be more desire for our services as the year progressed. And we knew that we would be able to drive revenue per lead, right? So as increased capacity, as we say, among our lenders, we expanded capacity. And when we expand capacity, what do we see? We see increase in RPL, okay? So our mortgage revenue per lead was up 35% over the prior year and then volume was up 15%.

So how are we getting there, right? That's year-over-year growth in the business of 51%. That has continued in the first quarter. And we're really happy with the performance. And so that's the mortgage cycle. I think we evolved the product over the last year. And we came into this cycle well prepared for it. And we're trying to make the most of it and work with our partners to be a more critical partner. So as I said before, hard to say where we are in that cycle. We've obviously seen rates tick up recently. That will make it a little bit harder for our lenders if they continue to be higher. But we -- what it does in the short run is obviously make our services that much more valuable.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Okay. And if I could just follow up with one on card. I know a lot of questions are focused on card. But are we generally in a balance transfer environment? Or are we more in a rewards-driven environment? How would you characterize what's going on right now?

John David Moriarty - *LendingTree, Inc. - CFO*

Yes. I think what you will see as card issuers come to the fore is more of a balance transfer focus. Having said that, credit card balances themselves are not high at the moment, right, so -- but they can make a lot of money on that product when they grow to expand their portfolios. Now the reward programs have been probably challenged a bit because of the absence of travel, right, so much of that is travel-centric. Having said that, I would expect that when people get back to more normalized travel, let's all hope, that the card issuers will be focused on reward cards.

So it's sort of hard to say right now, Jamie. We're principally focused on helping them grow again and -- on underwriting criteria and product. So we're starting to see, as I mentioned before, the balance transfer card that moves from 12 months to 18 months with 0 interest. That's the beginning of we want to grow cards. That's what we need to see. That's the anecdotal -- or pardon me, the anecdotal sign of our desire to grow. And I think it will probably beat balance transfer at the outset.

Operator

And your final question is from the line of Kunal Madhukar with Deutsche Bank.

Kunal Madhukar - *Deutsche Bank AG, Research Division - Research Analyst*

One, longer term, bigger picture, want to understand where you stand in the competitive landscape, like for marketing spend from financial services firms. Most of them have been spending online for the longest time. You've been around for the past over 20 -- almost 25 years. So it's not as if there is lack of awareness. So how do you get a bigger share of the advertising spend from the financial services firms?

And then second, and this is something more from personal experience, is I see a lot of like LendingTree ads all the time wherever I go online. And most of them are basically about refinancing. But I just refi-ed. I just refi-ed and I refi-ed through LendingTree. So you should know that I'm no longer in the market for refi. Why am I still getting those ads?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So let me -- so here's why. And let me tell you about the advertising works. And you're sort of experiencing there in the short run, the marketplace. So our ads will -- let's take online and offline a little bit separately. So in the online space, we are -- because of our economics and because of the long tail of all those lenders, those ads pay off. And there, you're seeing there generalized ads not necessarily targeted because you're a prior LendingTree customer. They're more general. And we do them because they work. And right now, they'd be more refi-focused because that's what our lenders demand, right? And then when they're not demanding that, you would see those generalized to some.

Hopefully, what you would also be seeing, in addition to ads on the Internet, is that now that you're a customer and you've refi-ed through us, you should be getting hopefully more targeted alerts and less of that. I will tell you that the ability to know a customer who's already there and then show them either more highly targeted ads -- so for example, you could go all the way to saying, "Hey, you don't need to see this ad to refinance because we always know you're a refinance customer, but you might be interested in this." It gets a little sort of privy and we don't -- so we don't necessarily go there. So current customers will see ads across the Internet and they definitely work. So that's how that works. Does that make sense?

Kunal Madhukar - *Deutsche Bank AG, Research Division - Research Analyst*

I'll take your word for it.

John David Moriarty - *LendingTree, Inc. - CFO*

So Kunal, it's J.D. Let me just -- the only thing I would expand on there -- and there's another part to your question as well, so I'll maybe address that. We just -- we're constantly trying to develop channels. And I think what you're reflecting is when you're seeing display ads. Well, we've seen great success in display over the last year. And we certainly wish that every -- that all of our channels became more -- become more personalized. We're principally focused on making sure that the My LT experience is more personalized, right?

So there, we should have more control over showing you an ad than we're going to necessarily in display. Display is going to be a function most often of what you're reading when you see it, right? So that's just the display channel, and we've seen great success there. We try to grow every channel as the year goes on. And that's what you're seeing is our -- when you see us have more presence in display, it means that it's working, as Doug points out. Now again, not as personalized as we like, we have longer-term goals, that's one of them.

The other question you asked is how do we get bigger, more committed spend from partners? And over time, that should be one of our great opportunities, given our diversification. And we have certain partners where they are structuring themselves, certain big bank partners, where they're structuring themselves to be more holistic and more comprehensive, right? So they want to talk about deposits combined with mortgage, combined with personal loans. But they're few and far between. We're trying to drive them there. But they tend to have people who are responsible for customer acquisition by product. They tend -- our partners tend to be more siloed. So we try to drive change and we try to get to more committed spend. But it's just -- you have to have organizational change on the partner side to get there. We also tend to have partners who exceed in one product more than another, right?

But the biggest opportunity exists within those big financial institution partners. And actually, if you look at our company versus 5 years ago to today, what you'd find is the top 10 customer base is a much healthier base than it was 5 years ago. 5 years ago, in our top 10 customer base, you would have seen some nonbank mortgage originators that the average investors never heard of. And today, everybody is pretty much a brand name financial institution, whether it's an insurance carrier or a credit card issuer or obviously the Rockets and loanDepots of the world that are newly public. So we've certainly seen our top 10 customers become bigger, more stable organizations over time. And the next leg of that should be the ability to drive to more holistic relationships with them.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And the only thing I would add is among those big customers, you're going to see those companies, whether they're banks, mortgage companies, you're seeing more of that, credit card companies, et cetera, if they're advertising both online and offline, that is both (inaudible) marketing costs because they want to build their brands, too. And we also see that when they do that, it helps their conversion rates on LendingTree. Just like when we're doing brand advertising on TV, it helps us inside of Google.

So if we're the search engine for money, we're going to have some companies that are going to be more, I won't say, reliant in a negative way on LendingTree, [called] partnered and you're going to have companies where we're interested in their business and they're also going to do their own advertising. And what we hear from the mortgage side right now, because of the improvements in products that JD talked about, that we've talked about in the past, we've got a lot of capacity from lenders. And we just need to be able to deliver it to them. And so you're seeing more marketing because we're marketing into that demand that they've got from us.

Operator

And I'm showing no further questions at this time. I would like to turn the conference back to Doug Lebda for closing remarks.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

So just a couple of closing thoughts. And these are all coming from your questions and just reflections as we've had this call. I am thrilled with how our team has come through COVID. During this past year, we have had ups and we've had downs and we've had people working very, very hard. And we've come out it a better company. We've come out it leaner. We've come out it with much more understanding of the right ways to do things and that we're a company that's on a continuous improvement cycle.

Second thing I would say, the core businesses are solid, where you can run every individual loan type, you could add on My LendingTree, everything is solid. Some will do better in times and some will do worse in times. And that is nearly the supply and demand economics of what's going on. Expect to see us continue to hopefully deliver and also invest. Because at the end of the day, you don't end up with 10 marketplaces in any industry, you end up with 1 or 2.

Next thing I would say, which is somewhat boring, but it's really impactful, is that throughout this last year and throughout the planning process we went through and the processes that we have laid in place, I think that we are now at a place where we've got the team and the processes, the brand and the capabilities to scale this company to a much larger company. And we intend to do that.

And then the last thing I would say to you all is always please know that, particularly now, that Liberty Media is not our largest shareholder, that I'm always talking to you as a CEO and I'm also talking to you as a shareholder, who has my entire net worth in this basically and has a passion to succeed. And more importantly than me, every single employee at LendingTree sees the mission the same way. So you've got 1,200 fired-up shareholders who are waking up every day trying to not only increase the value of our enterprise but do it the right way by helping consumers save them money and by helping our partners build big and enduring businesses around them. And I am really happy with where we are.

So thank you all very much for your time. Thank you for your attention to our company. And we look forward to talking to you soon.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for your participation, and have a wonderful day. You may all disconnect.
