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PRESENTATION

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(technical difficulty)

This is always one of my favorite days of the year. It's an opportunity for you all to ask us a lot of questions. It's an opportunity for us to get a lot of feedback, but more importantly, this day is the culmination of an absolute ton of work by a lot of people in this room. If you're here with LendingTree, raise your hand just so everybody can see you. We've all got nametags on. I would encourage you to everybody you see with a nametag. Feel free to ask them questions, what do they do, what do they like about LendingTree. Try to not ask them material, nonpublic information, if you would. But we want to be an open book with you all as we are internally and tell you why we're pumped about the company.

Now I'm going to ask everybody to read this. We will quiz you all later.

What I really want to do today is -- for the first 30 minutes is give you my thoughts on the business and why I am so incredibly thrilled about where we are. LendingTree, as you all know, was started in 1996. We are one of the earliest internet companies, and we're sitting today in even a better spot than we were a year ago. We love the rhythm of doing this every year. We tell you what we're going to do, we go and we do it, and then we come back, we adjust the strategy if we need to. But the good news about this year you're going to hear is we are entirely on track, and the market's forming exactly like we hoped.

So I'm going to give you my perspective as a CEO, but more importantly, and everybody in here, we all think of this business like we're investors too. I'm a large shareholder, everybody in here works at LendingTree. This is a large percentage of their wealth and what they're trying to do, and they're working their tails off every day to build their lives around this company and to make it a great one, and we are absolutely fired up.

So what I would like to talk to you today is first we're going reflect on the bigger picture and pull back and think about the strategy over a number of years. The second part of today that we want to do is hit on the key topics for the company for this year. The good news is, we -- our strategy from last year we'll revisit, but it's rough -- it's essentially moving it forward because we're executing on it, so there's not a lot of strategic change there. The market has formed the way we want. So we want to spend our time going through the things that you really care about.

Insurance. You're going to hear from Scott. Scott is a great entrepreneur; I'll introduce him in a minute. And you all need to understand that business. It -- the good news is, it's just like LendingTree. It's a performance marketing business. The guys at QuoteWizard are experts in performance marketing and has the same flywheel supply and demand effects as everything else in our business.

The second thing, even though -- we're going to talk about, even though mortgage is, obviously, a smaller part of our business, Sam is -- Sam Mischner is going to go deep on mortgage and talk about not only our current experience, what happened last year, but really play that going forward. The highlight that I want you to hear there is that we -- as you all know, we're going to go deep on our new borrower experience, and you're going to hear from one of our great lenders who's already making that work and so we'll take you through a case study of how we improve. But then you're also going to see how that's -- how that is working for consumers, and you're going to see how it's going to impact our numbers going forward.

The third thing is My LendingTree. You're going to see some new information on My LendingTree. You're going to hear from the guys who build it every day. You're going to hear from our new product -- new Head of Products, Sushil.

And then the last thing, importantly, is our marketing. This past year, as we optimized our business for variable marketing margin and EBITDA, what did that mean? That meant that we marketed less. Well, as the business has improved throughout the year, as we've added in all these new products, we have more things to market. We can now go offline next year. And in our plans is a very heavy investment in TV advertising and offline, and you're going to hear about that.

Another reason we're so fired up about marketing is that the consumer experience, as you see on My LendingTree and the new mortgage experience, is absolutely fantastic. By the way, for those of you, if you're at LendingTree and you're sitting and somebody is looking for a seat, swap with them, if you don't mind.

Then the last thing we're going to do is take you through numbers. We love setting out an annual expectation every year. We also -- and we don't need to give you the long-range presentation that is inside of our investor presentation because we're progressing on that course. So we're going to go into detail about the outlook for next year and break it down in some different ways for you, so you can really get your arms around the businesses that are growing and the businesses that we're fixing before they grow again, à la mortgage.

Now I don't like to read our press. But I thought this was a very good articulation of our company. Other than saying that we're old, this is a TechCrunch article that basically said we've been around a long time. I was really happy to know that Scott's been in the business almost as long as me, so I don't feel like a grandfather quite as much. But this really articulated LendingTree's business model. From day one, we focused on growth through profitability. Obviously, we've been around a long time so we know this business and we know how the flywheel works. But the way we think about growth in our numbers is this. Number one, you have to have the growth. But importantly, you have to have profitable growth. And you can invest in the short run, but you've got to know your unit economics so that you can grow profitably. The third thing we always think about is accountability. We love holding ourselves accountable. We've got a very good record of meeting expectations that you have and also being able to invest back in the business, but accountability is very, very -- is sort of ingrained in the LendingTree culture. And the last way we think about numbers is that we also need to invest in innovation so that we can scale and continue to grow the business. Investments to us, by the way, don't mean losing money. Investments for us mean that we're deploying capital for a return in the future that we measure and can return, whether it's an acquisition or a new ad campaign.

Now I mentioned accountability, and this is what we told you last year. And the good news is, what we told you last year is better this year. So if you liked the last year and the uncertainties go -- if you can all go back to last year and think of the uncertainties going into the mortgage business, is My LendingTree really going to scale, what's the opportunity, and it was the first time we were actually able to lay that out and really look at how big the business can be. And the good news is, number one, on the opportunity. The total addressable market is the same as it was last year, and consumers and lenders continue to move online. So the little chart in our investor presentation is getting bigger. We're continuing to gain share in that, and it continues to work for lenders. The good news is, the TAM is now bigger because we've added insurance, and we've added credit services. So now we've just bolted on 2 new big areas of the company, and as we'll talk about in the flywheel, those new products help our other products to improve the overall marketing.

Now on the flywheel, we said last year we're working for consumers, we went through how much money we're saving for consumers. That's gotten even better. Consumers have bona fide savings across all of our products, and you're going to hear about that when we talk about My LendingTree. We're actually saving consumers tens of thousands of dollars, and it's a thrill. And then the third thing I said is that the opportunity is now larger. And it's, as I said, not only because of insurance and credit services, but also putting those products inside of My LendingTree and then having My LendingTree, which has continued to scale. And by the way, as you look at the cohorts in My LendingTree, you're going to see that this continues to produce returns year after year after year, and we couldn't be more psyched.

So last year, we had 4 takeaways, and I don't like to normally read slides, but the data on here is important. We talked about the large and growing opportunity, that we're a scaled player, and we talked a lot about competition and how we're positioned. We talked about partner success, and we talked about our resilient model. What happened this year and why do I feel better than I did last year? The opportunities I said continues to get bigger. And we are going into new and adjacent markets. And as we're learning new markets, that enables us to get into even more markets, which enables us to market, which enables us to beat our competitors.

The scale play absolutely matters. In the -- even in the mortgage business, it's so fulfilling to hear from lenders how important LendingTree is to their business. Whether it's 20% of the business or 100% of business, we can help lenders at scale. And I can tell you when we did the due diligence on QuoteWizard, we heard exactly the same thing from all of their insurance carriers, that those relationships are great, they're well done, and they're at scale.

Obviously, we also grew in card, and the personal loan business, you're going to hear from Jamie, has been absolutely astounding, and we believe that's going to continue because of the simplicity of approval there.

Now we talked about partner success, something you need to realize in mortgage, and you're going to hear about that today. You've heard me talk about how we market right up to the point of us not being profitable. Well, in mortgage, this year, as lender profitability declined, as margins got tight, we added another layer of looking at how we send leads to lenders. And what we did is, we basically said we're only sending stuff that they will be able to profitably originate. So as consumer benefit declined in the industry, what LendingTree could have done, which a lot of other performance marketing companies do over time, is we could have continued to put marketing mix from display ads and lower-intent channels, lender -- it would have made money for us and lenders would have lost money. And then they would have reacted over time with lower pricing and you end up in a spiral down. Once we put that lid effectively on mortgage, we're able to operate it profitably and our lenders can operate it profitably. So that's what we did this year, and now what we do is, through RULO, we scale that opportunity up and once the conversion rates hit there, then that thing gets transitioned. So we've made a lot of focus on -- focusing on our suppliers. Both lenders and in the insurance carriers, you're going to hear about right pricing. It's something that's very important to make sure that you stay in partnership with your insurance companies.

Now on the model. I am so happy that for another year, despite a mortgage market that continues to go down, and it goes down in terms of originations, but importantly, in the refinance business, it goes down in terms of benefit. I said on the last call that there's only -- I believe it was 18 million or 1.8 million people that can actually get benefit from refinancing. It's as lowest it's ever been. However, that will change as rates change and property values change. So originations are low in refinance, and we're still doing quite well. And as the market changes and as our conversion rates change, we can grow right through that. Now in addition to that, we also now have the other products. Card continues to grow. Personal loans continues to grow. Deposits continues to grow, and some of those kernels are really going to start to -- are really going to take off as well this year. And by the way, we still did 30% growth despite those macro headwinds.

All right. So how did we do it? I think this chart is really cool. First, I would look at mortgage. Over the last 5 years, mortgage has gone from 90% of our business to 28% of our business, even as it's still grown. And keep in mind that, that 15% growth in mortgage was coming despite continual declines in mortgage as we continued to gain share of originations in mortgage. Obviously, you can see that we're projecting down, but now you'll start to see growth -- you'll see -- start to see sequential growth quarter-over-quarter as we're going to talk about.

Now why did this happen? We diversified strategically for a couple of reasons. One, it gives us more ARPU, revenue per user. The more things that we can show you, the more likelihood. And a simple example, you might come in for a mortgage, but go get a personal loan. The more products you have, the more revenue per user we can get. The second is marketable events. The more products we have, the more we can go to market and actually market them. And the third reason is customer need.

Now I also love seeing the acquisitions we've made. Acquisitions really became a fourth leg of LendingTree strategy, and it's worked really, really well. J.D., Chris Bither and team and a lot of people in this room looked through hundreds and hundreds of companies and ended up bringing in companies with the right culture, the right people and where we can get real revenues -- real revenue synergies right away, and these people, as you see, are really doing a lot for LendingTree.

Now why did -- how did we do that? How did we get organic growth? All right. I need to introduce a guy here named Michael. You're going to hear a lot about Michael today. Michael is a typical customer and we've got 10 million Michaels. The reason we do all this is for -- is our brand promise. And this is actually research. Our brand -- we go out and ask consumers what do you want from LendingTree, and they tell us, choice, education and support. And we are now able to absolutely deliver on this brand promise. Choice is not only choice of products, but also breadth of lenders. That's how you can save lenders -- consumers 500 basis points in personal loans between the low and the high bid. And then you bring in insurance and you bring in deposits.

Education. Nick Clements is here. He now runs all of our content businesses. We now put out great educational content, great PR, and it gets linked all over the web. It's incredibly high quality. You see it in high-quality magazines, et cetera, and then the tools and the calculators, which are really becoming an engagement tool over time as well and those -- all of this helps to bring in consumers for free. SEO is now a significant part of LendingTree's business, and it's really because the magnified team came in and then we made it even better.

Then the last thing is support. Consumers what we're seeing now is that they just want the right answer. They just want somebody who can hold their hand. So LendingTree's alerts, where you don't need to fill out a form ever again in your life, and where we can actually monitor your credit to tell you how you're doing and where we can now actually help you make your credit better so that you can get back into saving money and climb the ladder.

Now we've talked about diversification, and it really comes in 3 categories, and there's 3 key benefits from it. From 2013 to '17, we basically grew our categories. Because we grew these categories, both organically and through some very small acquisitions, we got significant growth off of a mortgage business that we were growing, but obviously, it was growing despite the market coming down. And so diversification gave us growth. This past year, diversification gave us a tremendous financial advantage. It gave us a financial advantage because as mortgage was being tough, we had other products to market. We could still go out and market personal loans. We could still go out and market credit cards. We had profitable ways to spend money and so we were able to grow the entire company despite a tough mortgage macro headwind. And now when you look at it going forward, and you're going to hear a lot about this today, particularly through My LendingTree and RULO, diversification becomes an operational advantage where we can absolutely take on competitors. That happens because the more alerts you have, the more ways you have to save consumers money, and that not only improves our revenue per user, it improves the engagement of the customer. And as that revenue goes up, we have then the ability to go out and market even more to go drive it, and that's how the flywheel continues to spin. And because we've got broader mix than our competitors, because we've got better monetization through debt, we can then use that as -- marketing as an advantage, and you'll hear in the My LendingTree conversation about private label and co-brand deals, where we're able to actively go win distribution against our competitors because our monetization's better, because we've got this financial advantage.

All right. Now with that, let me tell you what we're going to talk about.

So first up, you're going to see a lot of new people today, and that is by intent. So other than me up here, you won't hear from J.D. and Neil until Q&A at the end. We're going to start off with insurance, and you're going to hear from Scott. I'll introduce him in a minute. I am so thrilled. We've looked at insurance for 15 years at this company, and we've never found the right company to do it, and we've had fits and starts of trying build this on our own over the years, and we've never been able to do that either. Scott has -- and his team have built a great company. Then Sam's going to come up here. Sam is our -- not only runs product, he's also our Chief Revenue Officer, so he's responsible for all of sales at LendingTree, does a fantastic job. He's been digging into mortgage and running mortgage. He was with a mortgage company before LendingTree. And he's not only going to take you through the economics of mortgage in great detail, he's going to take you through our new customer experience, which we call RULO. He's also going to bring up a CEO of Better Mortgage, and this is really a great case study of how we work with a top lender, and you'll hear from Vishal, and it's just a great story. After lunch, you're going to hear about product. Sushil, who joined us from Match, and Jason Simon are going to talk about My LendingTree. And basically, if you think of My LendingTree, it's not only alerts, but it's getting rid of your sort of deproductizing LendingTree. You're just trying to give the consumer the best answer for any product that you can, and we've made a lot of progress there. After that, we're going to talk with both the lender and Jamie Saxe. Jamie runs all of our nonmortgage businesses and best tag is a real innovator in the personal loan space, came out of -- with a startup a few years ago and now he's growing phenomenally well. Brad Wilson, our Chief Operating Officer, you're going to hear about how we're using data better in marketing, how the flywheel is spinning and how we think about brand and where we're going in marketing. And then last, before Q&A, is Trent. Trent will take you through all the numbers, and then I, Neil and J.D. will come up and answer questions.

My hope at the end of this is that you're going to see what we see, which is our base is built. The company is very, very stable because of the diversification, because of the revenue mix, because of our financial position, that we don't have a lot of debt, that we've got a lot of cash. Our strategy now is crystal clear. The competitive set is pretty well known. We generally know who the players are and what their moves are. We can see ourselves winning in the market. The third thing is, I believe, this year, the model is absolutely proven. It's absolutely proven that you can make money at scale despite market conditions. You're not always going to get the growth that you had hoped. That's the market giving it to you. But people have heard me say years all the time that now with our mortgage business, the way we've got it positioned, the worst case you do is make money but not grow much. And if that's the worst case in this industry, that's a pretty good case. And then the last thing is that you've got a team here that can win. This team has run businesses bigger than this. All knows what they're doing. Our HR programs, our finance programs, the processes and the strategy that we're putting under this company so that we can run a much bigger company, you're going to see that from this team, and I'm incredibly thrilled. So thank you very much. Let's have a lot of fun, ask us a lot of questions, and let's enjoy today. Thank you.

All right. And with that, Scott gets to come up next. Scott Peyree -- we're trying to figure out how to pronounce his name this morning. Thank you, Scott. By the way, I mispronounced names. I got it wrong. Thank you. Scott is a real entrepreneur. He's done this twice and he's done it successfully. And interestingly, he's done it by bootstrapping his company, by financing it himself and growing very similar to the way that LendingTree grows, growing by finding a marketing niche, building a brand, doing right by your partners and then getting that flywheel going so that you can get growth, and his numbers are awesome. He's been in performance marketing since 2000, so he really gets all of these businesses. You can ask him about anything. He's an awesome leader, he's a great operator, and he really makes winning a ton of fun. He's brought a -- he and his team have brought even more enthusiasm to LendingTree, and we're thrilled to have him here. So Scott, take it away.

Scott Peyree - *QuoteWizard.com LLC - Co-founder & CEO*

Thank you, Doug. You can take your spot so I can put my notes up there. As all of you know, the deal to acquire QuoteWizard has just closed on November 1st, so I'd like to thank Doug and all the LendingTree team to make me the first person to present today, for obvious reasons. So where's the clicker? Is this the clicker?

Unidentified Company Representative

Yes.

Scott Peyree - *QuoteWizard.com LLC - Co-founder & CEO*

All right. So I got 30 minutes to give all of you a deep dive into the insurance performance marketing industry, so let's just dive right in.

So to start, obviously, insurance is a major industry, and to start at the bottom right here, as it matters to QuoteWizard more specifically is from an advertising perspective, it's a major industry. Also, $9 billion was spent last year by carriers, advertising their products to consumers. As you see here, these are the list of the top carriers from an advertising spend perspective. The check boxes are all of QuoteWizard's direct client relationships. So you can see we have, over the years, built direct relationships with 8 of the top 10 -- these 7 top-10 spenders and 8 of the top-10 spenders overall, which is a point of priority I'll talk more about later in the presentation.

Beginning, as you see at the top, it's important, on the bottom is just, in today's modern world, these consumers, they go online to shop for insurance. That's what they're doing, and they're also -- there's, obviously, major brands and a lot of brand awareness in this industry from a consumers perspective. But when they're going online shopping for insurance, they're going online to compare. And that's where QuoteWizard comes in. We are the company that they -- our goal is that when they're seeking out comparison shopping, they find us, and we provide them the strong comparison rates. And it's -- obviously, that's just -- the stats are up there, but that's just where the industry is today.

It's also an industry that's being disrupted by tech-driven engagement. I would say, really -- specifically over the past 5 to 6 years, the carriers have really started -- the carriers themselves -- I mean, obviously, there's a lot of companies like QuoteWizard pushing a lot of the industry, but the carriers themselves have been investing very heavily in tech and consumer engagement, on the right side, whether it's getting a quote for insurance, buying an insurance policy, filing a claim, there's just been a lot of advancements in the industry over the past 5 years, making it easier for a consumer to engage in a more automated way with the carriers. And on the left side, I would also call out sales, marketing and advertising has become way more sophisticated with the advertisers, especially over the past 4 or 5 years. They no longer just go out and blindly spend brand dollars anywhere and everywhere. There, obviously, is a lot of brand dollars spent, but they're becoming more and more sophisticated from a marketing and advertising perspective and tracking the performance of the consumers and making sure those consumers that they're advertising to are profitably -- most importantly profitably turning in the policies for them. And that's where QuoteWizard comes in. We are the leader of providing the high-intent consumers that will profitably turn in the policies for these carriers.

There's a lot on this slide. There's a number of digital marketing tailwinds, really, really helping out QuoteWizard in our business. I'll start with on insurance industry shifts, number three there, that's a really important one for us, and we'll -- I'll be talking about it more throughout this presentation, but it's just a general statement that has a lot of truth behind it, and that is a simple fact that the more sophisticated the carrier is that we work with, the more dollars they spend with us. And not just total dollars, dollars per consumer. They spend more per consumer with us because the more -- the better quoting processes they have, the more efficient they are as a business, the better they are at tracking advertising dollars, the more they see the value of our consumers and the more they spend with us. And the trend -- obviously, some carriers are way more sophisticated than others, just like any industry, right. But what we are seeing is generally all carriers are becoming more sophisticated at their own rates. And as carriers become more sophisticated every single time -- as they become more sophisticated, the dollars increase coming to QuoteWizard.

Talking about performance marketing shifts, some are on this slide. I highlight number one there. There's been a lot of industry consolidation over the past 5 or 7 years. It's definitely in industry where, I would say, the rich are getting richer, the poor are getting poorer. Luckily, we sit in a world of the rich right now. But it's really -- I would say, right now, it's probably about 3 of us that are of significant size and then it's kind of the rest after the 3 of us. Compare that to 10 years ago, there were probably 10 or 12 significant players in the industry. So obviously, that just makes bigger chunks of the pie for market share easier to have, a, as that pie gets continually growing over time, but then also just the barriers of entry. With the client relationships and the size of the business and the technology you need to have in place, it's just really, really difficult for a new entrant to get any sort of footing in this industry right now.

Then finally, the internal items helping QuoteWizard. And this -- 1 and 2 are kind of combined here, but this is important, and this is really one of the big differentiators of us compared to all of our competitors. And that's about transparency and right pricing. We've always had a philosophy, when we work with our clients, of trying to be open book and as transparent as possible. So if we drive traffic from a mobile phone Google-specific keyword group, we're telling the carrier that's exactly where they're coming from. But then what we ask for the carrier, the quid pro quo is like, okay, if we're going to be open and we're going to give you all this information, what you need to do is tell us how it's performing and provide us quote rates, policy rates and, more importantly, pays us the right price for the right consumer. If someone is converting real highly, pay me the price that I deserve for that. And so what has happened over time is just a trust is built. We get bigger budgets with these guys. There's the predictability. They know when they spend more with us. They know exactly what they're going to get out of it, and we just dominate monetization in the highest-quality traffic sources, which allows us to own the highest-quality traffic sources.

All right. This is just again -- this is just kind of a logo set -- a sample set of our carriers. I'll talk about it more in the future slides, but it is our core philosophy, especially as we're representing rates to consumers that are out there shopping for insurance is to work with many, if not all, of the carriers out there that are providing rates, and we are very proud of the relationships we have built over the years and having those direct relationships with all carriers because we feel it is very important. If you're going out and telling the consumer you're going to provide -- you're going to give them competitive rate set, you're really representing all the carriers. It's easier said than done. I'll explain it in the future slides.

So here, let's dive in more specifically to some QuoteWizard's specific items. So here's the QuoteWizard insurance platform. I won't go through all of these line-by-line, but a couple of things I would like to highlight here is, first off, as I alluded to with the monetization, the right pricing, we control mass volumes of very high-intent consumers. Our search marketing practice dominates the competition. We're probably more than double the next closest competitor as far as the amount of money that we spend with Google on a monthly basis in those consumers. And so what I would like to communicate is, this industry has been growing a lot. The insurance industry, especially from a performance marketing perspective, has been growing a lot over the past 5 years. And what I will say is, carriers have an insatiable demand for high-intent consumers. I would call it, damn, you're an unlimited [hit] demand for high-intent consumers coming through, and we are the leader in controlling high-intent consumers on our network. We've got millions and millions of them. So that means the carriers have strong desire to be working closer with us because we drive a lot of the policies that are generating on a quarterly basis.

Secondly, we're -- from a technology perspective, I'll get into some of our tech platforms more specifically later, but here I'd like just to highlight that we are a mobile-first company. We've invested very heavily in our mobile consumer engagement experience. If any of you guys go to QuoteWizard.com on your phones at any point, you can see it for yourselves, but we're really proud of what we've built there, and we feel it's a really slick experience for the consumers.

All right. Here's an overview of our products. So we have 4 major insurance products that we offer the consumers: auto, health, home and Medicare. Obviously, auto is the biggest, 79% of our business. It's one of the biggest insurance categories out there. Health is more focused on individual health, so that's why it's a little bit of a small category. So many people are on company plans. But the good news here, what I'd like to communicate is all 4 categories are growing -- have been growing very rapidly for us and continue to grow very rapidly for us. So it's not like, oh, well, auto insurance is blowing up and everything else is just middling along. All 4 categories have been growing significantly for us. Medicare is our newest product we've been offering. We just started investing heavily in that early 2018, so it's the smallest percentage wise. It will probably be the biggest percentage grower over the next few years. We've been having a lot of success there. Home insurance, especially with combining with LendingTree, we have -- we feel that's going to be a product that's really going to take off over the next year or 2, a lot of good synergies with the lending products, offering home insurance products to those consumers and vice versa. That said, auto and health, they're our biggest categories, but we -- they're going to continue growing rapidly. We are feeling really good about those products as well. So everything is looking really good in the insurance space right now.

So here is just kind of the quick overview of the development of the company. We founded the company in 2007. As Doug mentioned, I've been in the business since 2000 at another company called WorldClass Strategy that we sold in 2007 and I started QuoteWizard. And so as the life cycle of the business grew, really, the goal what we wanted to provide at the end of the day is a good consumer shopping experience for the consumers and products that the carriers profitably work with and they can bring on consumers at an efficient and profitable rate. So it just took time to build a lot of this stuff. It's -- the early days of the business, one of the hardest builds was essentially selling auto insurance leads to individual agents. That was largely what we did for the first 4 or 5 years of our business. It was one of the hardest builds to build. We managed 11,000 agents right now on our network. So it's a big system and platform, but that was just the core and then after we went in that, our goal was at 2 levels. We wanted to have all the products the carriers are interested in buying. So we built out -- as you see on here, we've built out a click product, and we've built out a calls product on top of our leads product we had, and then we wanted to cover multiple insurance categories. So after auto, we built out home and then we built out health and then we built out Medicare. In future years, there are additional products and additional insurance categories we plan on getting into. So it's not necessarily like this is the end of the road. This stuff will all continue to grow, but there's going to be more products and more insurance categories that we're going to continue to getting into in the future years.

All right. This is kind of a high-level outlines what I consider our competitive advantages out in the marketplace. So number one, proprietary products and core technology built in-house. Number two, product agnostic with clients. We want to work with the clients and the carriers how they want to work with us, and we're going to build products that will serve them effectively. Three, fully transparent regarding traffic and performance metrics. I talked about that a little bit earlier. And then finally, four, very talented leadership team. I've been around the industry forever, but all of my senior management has been around the industry forever, and we have a really, really good team of people at QuoteWizard.

So diving in more detail on some of these. So this is the consumer experience, but this is more -- will help me show and explain how our products work and how the carriers buy our products. So first few images there just kind of give good examples, like, you go to Google, you hit our [lander], you start going through our funnel. There's a lot -- I won't get into the detail, but there's a lot going on in the background as the consumers on the funnel. The funnel as you're answering questions, it will customize, ask more questions, ask fewer questions. We're always in the background matching you to potential carriers that would be interested in your GO, your demo as a consumer. And so it's a really, we call it, smartphone technology. It's really a slick process. But now consumer comes at the end. They complete their request for quote.

So 3 things happen. First off, the lead data that's generally on the form will go out to the lead buyers. So some good examples of that, State Farm is a large distributed agent base. Individual (inaudible) State Farm agent down the street buys leads. GEICO at the -- they buy it at the corporate level, and they e-mail out quotes to the consumers. So that's the leads that go out.

Down here, we have a call center in Sacramento. There's a number of major carriers that have big call centers, and they have inbound calls. So we essentially -- we're essentially calling on our own data to get the consumer on the phone and transferring them into the call center because those carriers have built their companies to accept them on calls. And then finally, they hit the Thank You page, which is click listings, similar to AdWords. It's a sophisticated insurance version of AdWords. Some carriers have invested very heavily in their online quoting process, and they want consumers sent directly to their corporate website. And so that's what the click products for us. So what's important about having these 3 products is, all the carriers have built their marketing and advertising operations differently from each other. Certain carriers only buy leads, some only buy calls, some only buy clicks. Some carriers buy 2 of the products, some buy all 3, depending on what the vision and the carrier you're working with. So at the end of the day, the only way to be working with all the carriers is to have all of the products. We are one of the very few companies in the industry that has done this. Most of our competitors only have one or maybe 2 products. We have all 3 of the major performance marketing products, which allows us to work with all the carriers, which then, coming back around, allows us to provide the best experience to the consumer, which, in my opinion, the best experience is saving the consumer money on insurance. That's what we're here to do by having the largest representation of carriers that allows to do that.

Here's just an overview of the percentage of revenues. So as you see, our leads and clicks products are about equal in size to each other. Our calls product is low at 8%, but where I would caveat that is our calls product is our newest product. We've just built our calls product out over the past 18 months. So it's the most rapidly growing product. We expect that percentage to rise over time. Clicks, this is actually 2018. This is the first year ever. The clicks is a bigger product than leads. It's how it's gone. That said, we're product agnostic. Leads could be a bigger product next year. It's just where the carrier demand is. That's what we care about.

So technology. I won't bore you guys to death with all our different property technology platforms. But what I will say is, one of our core philosophies in my personal core philosophies is any core product, core service, I have to own and operate that technology myself. I do not want to use off-the-shelf technology for anything as a core component of my business. And so I've built the tech team, and we've built the specific technologies around the core operations of our business. And so, A, that allows you to customize exactly what you're doing as far as the industry is concerned; and B, that makes sure all the technologies are working together very efficiently, which is nearly impossible to do with off-the-shelf technology. So just a high level, Rubk, that's a consumer engagement funnel smartphone technology. Delty, that's our click -- that's the Google AdWords sort of click platform. QuickBeam, this is similar to like a Marin software. This is our bidding algorithm, where we do our advertising placements. Everest, this manages our lead and call products. This is the admin system that all the agents log into to manage their accounts. And then Cello, and I want to say it's probably the most sophisticated piece of software we have, but that's the back-end distribution technology that's doing -- that's all the algorithms that are doing all of the carrier matching and consumer matching in the background as the consumer is engaging with our site, which is a pretty sophisticated platform. And obviously, it all revolves around our data warehouse and BI platform that sits in the middle.

All right. So again, getting back to the transparent relationships with clients. This is -- a lot going on here, but just focusing in the middle what I'd like to call the virtuous cycle of our relationships with our clients. Our core philosophy when working with clients has always been to have that open and transparent relationship with them. A lot of our competitors are what I call black box. They're kind of like (inaudible) [batch it up] and send you traffic, and trust us, it's all good. While we were more different, we're like, hey, we're just going to be open with you, and we want you providing feedback to us on how everything is performing, most importantly, give us the right pricing for the stuff that's performing really well. And so with all of the consumers we're bringing in, all of the data we're getting back, it's just that we're constantly able to improve our performance marketing platforms and drive higher and higher quantity of high-intent consumers. And as I said earlier, insurance carriers have an unlimited demand for high-intent consumers. And so building that system, having that loyalty from the carriers, the predictability, the trust, that's just really help open up budgets a lot for us, especially over the past 3 or 4 years as the carriers have gotten a lot more sophisticated themselves, right. That's a key part of it. They've got to be sophisticated enough to report back on performance and that has really happened aggressively over the past 3 or 4 years.

Well, I'd like -- the first thing I'd like to highlight here, you see the image of myself. That's a beautiful man up there. My barber last week got crazy with the shears and cut it all off. So if I appear a little weak up here on the stage is because I lost my strength from my hair getting chopped off. Anyway, this is an overview of our senior management team at QuoteWizard. As you see, it's just a lot of people with a lot of years of experience. The team -- we have 135 full-time operators at the QuoteWizard operation. That's not counting our call center reps that we track them separately. 135 full-time operators. A lot of people with a lot of years of experience. An important thing I'd like to note for everyone in this room is, with the transaction with LendingTree, the entire team has stayed intact. We haven't lost people. So everyone's around and everyone's working hard and excited about the next phase of growth for the business.

And then finally my final slide here is just why LendingTree? Why did I want to sell QuoteWizard to LendingTree? And there is a few things, but at the end of the -- when we went through this process, beginning of 2018, we knew we're going to go out to market and we knew we're going to sell the business, and we're talking to a number of investors and a number of strategic partners. And I will start with the top. At the end of the day, I knew what I needed to accomplish over the next 5 to 10 years is, I needed to expand into the consumer finance products with the goal of providing even a wider options to the consumer of the different products, consumer financial products they can shop for. And so LendingTree was just the obvious match, because I was able to avoid that 5- to 10-year build, and we just both companies at the end of the day saved 5 to 10 years of building out the other companies categories. So that's that was really exciting to me, which then leads into the second there is just cross-sell opportunities. We have a lot of great data in consumers coming through the QuoteWizard funnels. LendingTree has great data in consumers going through all of their funnels. And its -- there is a lot, a lot of cross marketing opportunities that we are all very excited to be engaging in, in the years to come. And it's not just about making more money, that's obviously a big part of it, but it's also about creating long-term. We want the consumers to view LendingTree as the place if you're shopping for anything, consumer finance at all, we want LendingTree to be first online. I go there. They have everything I could ever need. So I'll just go there. And it's going to take time and energy and a lot of hard work to get there, but we are much better positioned than anyone else to build out in the years to come.

Then finally, I've known a lot of LendingTree guys for a decent amount of time. I mean, we're in different industries as far as our end clients, but we're in the same industry as far as performance marketing is concerned. So I would say, I've been pleasantly surprised with how good of a cultural fit we are as a company. Our people are very similar to each other, already a month in, working very well with each other, and we're already moving on certain strategic items, which is I would say impressive on both sides. So I'm just really excited for the years to come and where we can take this thing. So there you go, that's QuoteWizard.

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

Well done, sir. So next up, first off Scott, thank you very much. He will be around all day and at dinner tonight so Q&A him to death. And he loves talking about his business. He does a great job. Couple other people I want to introduce: Ken Thompson, is on our board. And for you, he is leaving at lunch, but if you want to grab him until then, feel free. And next up is going to be Sam Mischner and Vishal Garg. Vishal is having some transportation issues. So we're hoping that he gets here by the time Sam finishes the mortgage story. Let me give you a brief history of Sam. Sam spent 11 years in the mortgage industry, starting as a loan officer. Was a good loan officer, became the Head of Sales, actually he left that company to start his own mortgage company so he's an entrepreneur as well, then he decided to come to LendingTree. He's run started off -- he's been with us for 5 years, running sales, then took over all of Chief Revenue Officer and also runs mortgage. He's been leading the transformation of RULO, and that's been great, and Vishal, let me -- to put perspective on Better Mortgage for you. Last year, we talked a lot about digital transformation of mortgage. Vishal's company Better Mortgage is a good example of that with a digital-first strategy, with people who aren't necessarily commissioned salespeople with an online most model. And it's a great business if he doesn't get here, go check it out but we'll be able to take you through a really good case study of how we work with lenders for that. So with that, Sam Mischner.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So let's get us to right place, okay. Good morning. So again, my name is Sam Mischner, I've been with LendingTree for a little over 5 years now. And like Doug said, I was actually a lender for a number of years and used LendingTree and some of LendingTree's competitors to grow my business. I always think about mortgage businesses as essentially kind of 3 buckets: there's marketing, sales and operations, and really as an owner operator of one of those companies you really try to figure out how do you leverage different pieces, how do you create like mini manufacturing plant and figure out how to kind of use like a brand like LendingTree to driving the marketing and then I really felt like my focus, if I use LendingTree then my focus could be on kind of sales and operational components. And it's really about I'll show in a minute but it's really about capacity management and how do you become efficient there and I'm excited to have Vishal here to kind of talk about the way they're viewing that world as well. So we'll walk through a little bit just kind of from a macro standpoint I'll stand over here I don't like podiums. But I think a lot you guys probably know this, but mortgage rates, for the last couple of years we've seen a benefit of some dips and this is kind of the first year in the last couple that we didn't see that. And so in 2016, obviously, we had Brexit, and I'll show in a minute what that kind of did to the mortgage industry, but rates went down. 2017, we also saw rate dip; 2018, was kind of first time we saw just steady increase. And what that really did is it kind of and I think Doug alluded to this in kind of his opening statement is it reduced the pool of eligible refinanced rate term and I want to emphasize rate term borrowers. There is a saying that's probably not the nicest we always kind of talk but low rates kind of create bad loan officers at times. And so as you have rates continue to go down and you have rate dips, it's a lot easier to refinance somebody at the point they have high rate, and you can get them a low rate. It's little bit more challenging at the point you have to find benefit and so we'll talk about that in the future as well. But that's kind of what happened I think everybody knows that. But what it does it says okay, you can't focus on rate term, you got to focus on other types of refinances and purchase. And so we'll talk about that. And so what did that do with our business? I'm trying to figure out if there is a pointer on here, okay, great. There is a button that says danger, and I'm not sure what that one does. It literally says danger on here. We won't press that one. Okay, so this your left side here, if you look at this gray, this is from MBA this is kind of the net production income of lenders. And so what happened during Brexit is lenders made a lot of money. And so they got flooded with organic traffic but so did we. So they made a lot of money. And so this is all kind of income of lenders.

What this reddish line here is LendingTree's refinance capacity, so I will take a step back. So in our mortgage business, our job, especially in the sales organization, is to build capacity on our network. And so I talked a minute ago as a lender how I thought about capacity. But as LendingTree we really think about capacity as, okay, if I bring 1 person in, I need to sell that 5 times. And so sales goes in and they try to get orders into our system and so they want lenders placing orders so that we can go and tell Brad and the marketing team to go drive more consumers in. And so that's -- what we can do is we actually have a simulation that we can run where we take all the orders in the system, and we match it up with historical costs, and we can figure out what is that optimal number of dollars we should spend, but also number of leads that we should drive.

So what we do is we said okay, this is an indication of capacity on our network. And so if we index it here in Brexit, we actually lost capacity because lenders were flooded with organic traffic. That was okay for us, because we had to spend less, and we're still able to drive a bunch because we were also flooded with organic traffic and lenders were healthy and profitable. So that worked. Here is the good news. And during that time, lenders quickly figured out how to capture more. So they added salespeople, they added operation people because they wanted to build out their own capacity to make sure they can take advantage as much as possible of the volume that was out there to be had. And so lenders, they ebb and flow up and down. So they're like okay, we've got lots coming in, we need to make sure we can capture it, rates started go up a little bit and what we were able to do is they started to get less organic traffic, so we were able to take that capacity they had built on their networks or in their operations and bring it on to our network. So what you will see is here, this is us going out and actually, grabbing capacity and putting it on our network.

And so they started to make less, because rates went up, and then we had another rate dip, and I showed a minute ago in July and we were able to maintain that capacity, but the problem was, is that all of sudden into this year lenders started to not make money and for the first time in a long time they actually lost money on loans. And so they will keep buying, and they will keep capacity on a network as long as they're profitable. The issue becomes is if they're not profitable, and that's when they start to either lay off loan officers, lay off underwriters or kind of look at other means.

And so at that point, that's when we actually when they started becoming profitable that's when we started to lose some capacity, okay. So take it to the flip side. Same exact orange reddish line. But at this point, it's no longer lender profitability, it's our cost per funded loan. So this is the amount of money it costs for a lender on our network to originate a loan using our marketing.

And so what we did this year, what we learned, is we figured out where the ceiling was. So as Doug alluded to a minute ago, that was a big, big difference is because before we'd always figured out hey, if rates are up or down we just know how to ebb and flow with that. But what we found out is hey, there's a certain point that the lenders become unprofitable and they can't kind of go above. And so kind of looking forward, what we've done is now because of and one really important piece because we get the data back from our lenders, we are able to now optimize to make sure we don't go above that lane. And so I call it our lane of operations, and so now we know where that high point is, and we know where we need to be, where we can actually gain capacity because the name of our game is actually making that trend reverse and making sure, we stay within that lane of profitability for lenders. And if we do that and we partner with marketing and figure that out, then we can start to grow. So I know that was a lot so I want to pause there, are there any questions about that?

Unidentified Participant

(inaudible)

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

You're fine. I know this is a little...

Unidentified Participant

So when you look at this ceiling of this 135 bps how does that vary between traditional bank lenders versus the new age lenders so like (inaudible) of the world?

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So this is not in bps and if a customer found a loan we actually didn't leave. We took that one off. This is just index to 100, so it's just saying it's 130% above where we starting the index on this piece. But to your question, it's more of cost per funded loan tolerance by different types of lenders. So it will vary based upon their cost structures, okay. So that's something. It's a great question actually to ask Vishal as well because I think what you will see is lenders have different cost structures and different tolerances based upon if they're consumer direct versus retail. If they're bank versus broker versus correspondent so it kind of diffs between all of them. The biggest thing to kind of notice is, honestly, in my opinion, retail versus consumer direct. Consumer direct has a line item usually, in their P&L where they allocate to marketing expense. And so sometimes it's 50 basis point, it's up to 200 basis points and it can kind of vary between there. But the issue sometimes we run into is retail. They don't have that separate line item. Because what they do is they pay higher basis points to loan officers, and they consider them as their marketing arm. And so what we try to figure out is who pays us? Is it the corporation or is it loan officer. And so we kind of always have to work with them to figure that out. And there is creative ways to do it. And we've gone to them, and we've done some hybrid models. We've done models where loan officers pay directly. We've done some kind of promotions so we're working through that. But I think, it really depends on kind of the business model of each lender. But I think what they're trying to figure out how to do is how do you actually bring down your cost to originate so they like they're trying to use technology to bring that down where regulations have made it more expensive. If they can shorten that time frame, I mean, moving from a 60-day to a 30-day close is like it's enormous and that's what Vishal will talk about a little bit more.

Okay. So at the end of the day, I think, we've figured out where this lane was, and now we kind of operate towards that. And so how do we do that? Well, this is illustrative to kind of show but each of these bubbles are different marketing channels. And so the easiest kind of way that we're doing that is optimizing our marketing channels. And so if you think about in 2 kind of -- the 2 axes here, one is our cost, our marketing cost to close the loans so how much does it cost us to spend in marketing to get a closed loan and then also how much does a lender have to pay us to get a closed loan, right. So those are the kind of 2 concepts here. So we put lenders' sustainability here, at the point it's above this line that means it's over their tolerance and so you really don't want to see much stuff over there. But if you did see stuff over there, then you want it to over here because that means it's still profitable for us.

The no man's land is if you don't want anything up here because that mean it's too expensive for us to drive it, and it's not profitable for lenders. And so what we're doing is closely monitoring to make sure that we're following both of those axes and that's kind of what Doug mentioned earlier, and because I think in the past that we didn't have to be this careful, but now we literally had to create these ceilings and so now we optimize to that. And so the trend that we want to see is all these bubbles moving into this area because that means it's profitable for us and it's profitable for lenders.

This is surgery with a hatchet. I think what we've done is we've now gone even beyond that and so we have created some dynamic routing, and again this is all based upon lenders giving us feedback. So if without lenders us giving us closed loan data and now some lenders are giving us locked data, contact data they're starting to see the value of giving us as much data as possible. We can optimize to marketing placement, and we can even optimize on lead-by-lead basis. So we've developed a lead-scoring system so we know the probability of every lead closing as it comes in and we continue to iterate off of that model.

And so that's kind of what we're doing operating the business. And then we also are talking about, kind of what we're doing long term. And we talked about RULO a bunch and I know a lot of people have heard it, but for those who haven't, RULO was an internal name that somehow became external and so now we're going with it, but essentially RULO -- just quickly essentially we wanted to make sure we created a product that was great for the borrower, great for the lender and great for LendingTree. And when you create this, it actually creates a triangle. The French word for that triangle is a RULO triangle. It's not spelled this way but that's kind of where the name came from because people I know always asking. This is our abbreviation of that, And so we wanted to figure out a model that went from our multi-form match experience today, but didn't go all the way to a rate table because I'll tell this if you look at my very first slide that talked about a number of refinances going down, rate tables are really suffering. If you have a rate table business that's hard because you are expecting consumer to come in, see rates and act on it, but there is no rates that actually benefit them and so I'm not sure how they're going to act. So there's something in the middle, and that's what we believe this borrower selection model, and that's what we're trying to aim towards.

And so essentially, we are taking the blend of the 2 and trying to figure that out, and I'll back up for a second, so what we're really doing is we're bringing people still through a form, we're still getting PII, so that we can give them real offers. But we're not releasing information to the -- or to the lenders right away. We're giving the borrower the ability to make a selection. Now if they do not make a selection, we are now taking on part of that sales component and so as LendingTree via our call center, via our CRM tactics, whatever it is doing different things on the website, and we are now part of that sales component and so we're going a little bit deeper in the funnel and being a little bit more like that sales agent to help the borrower move forward and make a selection.

And so we think it does a lot of things. One, for a consumer it's definitely better experience. We have -- it reduces kind of the unwanted phone calls, it improves NPS score, and it's more of an e-commerce site, and so we were very much -- we attracted people through digital means, but it really went offline pretty quickly, and now we have more of a smoother kind of digital transaction. For the lenders, it's a better experience for them. They're way more efficient. Their lock rates have gone up tremendously and they are able to sustain their economics. And so one of the key issues with the rate table business is that it's typically a race to the bottom. And so we are able to help lenders sustain their economics and keep some margin in this game, which makes them healthier. And for us, I think there's a lot of benefits here: One is, it creates some marketing efficiency, because now we're optimizing to the selection and not to just create a name and match somebody, which creates some really good rigor within our business. It helps us expand capacity. So before I talked about for every one lead, we need to sell it 5 times and that's really hard when you're facing some headwinds in a macro environment. But with RULO experience, now I only got to sell it once. And so our network capacity, literally it's 5x overnight because of it. There is also a monetization of other verticals. So today, we're forcing everybody that comes through mortgage to be matched to a mortgage that might not be the best thing for the individual. And so we're able to now select and give people honest answers like, hey, you shouldn't refinance right now. It's not right for you, but personal loan is a great option, credit card is a great option. And we were able to do that now and do it in a more pure way where it's going to open up a whole other world of just customer experience but also monetization for us. BD partnership expansion. I wanted to mention this one because the 2 bottom lines are things that I think that we didn't really think about, but we're actually seeing a lot of gains from this. We are able now to go and create BD partnerships with a better experience where we can treat each BD channel or each BD partnership as its own marketing channel.

For instance, we can go to a big name financial adviser and they have got a great client base that they want to serve with mortgages. And before they might have been reluctant to go through our normal experience because of the phone calls, we can say, hey, we'll put them on RULO, and now we can control it. And they might say, well, listen, I know that if they don't select, you might not -- you might call them, but we want to limit that. Normally, you call them 4x, but we want them to only get one phone call. We can make that change for that one individual partner. It might affect our monetization, but we can do it because now we control it. And so but with the RULO controlling more of the experience, it allows us to go out and do deals that we weren't able to do in the past. And last one that I really want to talk about. When we're talking to big banks that traditionally shied away from our experience a little bit and we made a lot of ground in last couple of years but some really large banks that were like hey, we can compete and there's a lot of people that have better technology, and we're not just as fast. That conversation is no longer the barrier. Now, the conversation is we love it, how do we figure it out, how do we integrate. And so before whenever I would meet with a big bank, it was, we were kind of selling against kind of this historical knowledge and now it's more of solutioning of how do we get them kind of onboarded and figured out. I think it just kind of opens up a whole new kind of group that we really we penetrated but we hadn't done enough with. So I want to touch a little bit too on the operational efficiency. If you think about -- if you just think if you are a lender today, you're going to get matched with 100 leads, you're going to contact 4 of them, you hope to lock 4, you're going to pull through 2 of them so you're going to have a 2% close rate. So this is a pretty typical lender funnel. And I think if you did this, you can make that economics work. For instance, if you paid $40 a lead, you're going to pay $4,000. You're going to covert 2 so your cost per funneled loan is going to be $2,000 or about 100 basis point -- 80 basis point to 100 basis points so this a pretty typical lender funnel but what I'll point out is there is a lot of inefficiencies by having to call 100 people to only close 2. So you flip over here to RULO what happens is now, we are weeding out 60 people because those are the people that didn't select them. They're literally getting matched to 40. They're contacting all of them because those people want to talk to them, and that's the way they're actually interacting. They're going to lock more of them now because there's less competition this person's already selected them and they're not getting phone calls from other people, they're going to close more and so they went from a 2% conversion to 5% to 8% on a conservative basis. So just from lender standpoint, the conversations and the feeling from loan officer or even the owner of the company is just completely different in this conversation. Yes?

Unidentified Participant

So what about the guys who are particularly good at working the 100? The Quickens, the loanDepot types. Those guys have built their advantage by being able to convert probably better than 2% and the other banks aren't as quick and fast. Does RULO take away their advantage? And how do they react?

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So it's a great question and there's a lot of answers to it. One is, I think, I don't want to give away anybody's close rates, but I think, there's lot of assumptions too, that speed used to be the way you won, right. And so the people that had dialers at first won, everybody has a dialer now. Everybody is fast. You can get -- you can sign up with any third party and get a dialer, and you are going to just as fast, right. And so like the conversions, the reality is conversions are coming down for everyone because of what I showed earlier, and so they're all receptive to this because of close rate improvement and efficiency. And so I don't have -- the problem I have is I don't have any lender coming to me and saying, hey, don't do this because this is working so well for me. It's not the case today because of the abundance of phone calls, because the pool is smaller, that you -- people always say we have a call problem, we don't have a call problem, we have a conversion problem. If this conversion was 10%, like lenders only call a lot because they have to do to try to get the return on their investment. So I guess, simply stated, I don't have any lenders that are literally saying, don't move to this type of model because this works so well for me, they are actually very receptive. What they're questioning is, how do we do this, how do they get the number of at bats, how do they win at this. And so any of the conversations with lenders like you mentioned, would be how do I win at this because I did win at this, but it's not where it needs to be, so I knew something has to shift, help me figure out how do win there. They're receptive, it's just -- what we have got to be very careful of in a model like this is, I would tell you this, today it works really well for borrowers, and really well for lenders. It doesn't work well enough for us yet or else you would see us scaling it a lot more, and that's what we're working on. But the part we have to be careful of is making sure, we have a really good algorithm that helps divvy up the pie correctly so we can still feed kind of our lenders. Now I'd say on the flip side for LendingTree, I love all of the lenders. I want them all to be healthy. I need a lot, I need way more lenders in this model than I need here, because I have to match if you think about this, I match this, 5 times so I need capacity for 500 slots in that grouping I only need 40 slots filled here, I'm selling, so think about this, I'm selling this 500 times, this is the same group I'm only selling it 40 times here.

It's a big difference for us too. Yes.

Unidentified Participant

So just on that final point. What -- how different are the economics to you today on that model versus the other and over time, how big do you think RULO gets?

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So I don't think we're going to answer the first one. I'll let J.D. and Trent if they want to from that piece of it but how big can this one go?

Unidentified Company Representative

Let me just say. The pricing right now is a little bit artificial because we're working with lenders that are good partners to come on, so the best indication of what that pricing would be, would be the conversion rate and we're seeing huge lists there. That's the way to think about the pricing. But like we're not forcing pricing parity, we're trying to get partners to work with us. So there's not really an indication.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

Yes, we have 8 lenders on today. They're meeting with us weekly like we're talking with -- I'll go through that in a minute, there are 8 lenders live we actually waiting list of like I think 20 to 30 that are waiting but we're almost like, we don't want to bring them all in at once because we want to make sure it works and we want to make sure we're getting the data back and we're seeing what's happening, we're seeing borrower engagement. And before we never really had to really focus on like when somebody got to an offer page what happened because we had already made the money so now we're a true eCommerce site. Think about RULO as if you went to any kind of online site, and you got to the checkout path, but you didn't hit checkout, our job is to get you to checkout so now we're focusing on how do we figure that out. And then where does it go? I mean, I think, we typically talk about, and I showed you those 2 graphs with our capacity. RULO almost eliminates the need to worry about capacity because of that 500 to 40, I mean, that's just huge difference. And so to me, then it's like okay where else can we market, how do we go continue to take share. And it's about -- it's marketing efficiencies and just continue to drive it in there. And then the other piece though the marketing efficiency that RULO creates is that it is a really good balance for us to making sure that we only spend money on stuff that's actually going to close because we only monetize when he makes a selection so it creates a really nice balance there as well. I don't know, I mean I'm excited about it, I think, that this is the hardest, but best time to do RULO because of the macro environment if we would've created this 2 years ago, I actually think we would've done it incorrectly. Because you're doing it in a low-rate environment you get bad reads, we're doing it in a tougher time so we're getting really good reads it's just a little bit more challenging. Yes?

Unidentified Participant

So the efficiency component of this is clear in terms of the (inaudible) but the absolute churn is actually the same number (inaudible). So like that net isn't necessarily growing the lenders' outcome, so how are lenders approaching that dynamic?

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So okay so a great question. It is the same number of closed loans -- well today, our goal is to get to the same number of closed loans on our network. But per lender, that could be different, right, because in this scenario, there is winners and losers here, right. And so I think that we're hoping to create more winners because it's a selection so we actually hope that like individual lenders see some gains. But yes, I think, it's getting to that parity at first, but then what happens after that. And so we haven't really gone beyond that yet because it's like our first step is just get to the same number of closed loans. If we can get there then we know we've got it, and then we can kind of go beyond that. But there was also 60 other people here that didn't make a selection. So we're now efficiently closing the same number of loans but now with the 60 other people what do we do with them? Like what product do they go to, how do we help them, they still have a need. Do they into My LendingTree, is it more of an incubation product we now purchase incubation. We've got all these different places. So to me, it's like if you could get the same number of closed loans, but you are only -- you are less than half of the people you are doing it from now you get this whole other group you can go and figure out. And so we're not there, but like to me that's the exciting piece it's like first steps first, get the right lenders, get the data, get the same number of closed loans, create efficiencies and then kind of expand it from there.

Okay. So here is where we are at. So today, this is very early, not statistically significant and this is an increase not the actual NPS. We're seeing more than 40 points better in NPS on our RULO versus our existing experience. We have 8 lenders live. This was 7 as of last week. It's 8 this week. We added 1 new in this week and we basically have 30 lenders in the pipeline. We're working on integration, are just kind of in the wait list.

And it's still less than 10% of our traffic. So we had a November 15 kind of internal goal to get a bunch of things done, Sushil and Nikul were really heavily involved, we wanted to make sure we had the technology infrastructure in place and so we had a couple big key pillar things that we wanted to get done. We were able to do that so that was done. We had a couple of key features that we wanted to roll out, that was done by November 15. Now we are really focusing on the enhancing some of these features. The 2 big ones that we're working on are Benefit Finder and Purchase Incubation, I'll talk about Benefit Finder in a second and then really focusing on selection rate optimization, how do we get more people to select? We're getting them there, we know who should select. How do we get them to select, and then making sure we're really integrated with our lenders.

Benefit Finder, so this probably the feature I'm most excited about and I said earlier, and again, I don't think it's probably the best statement to say. But I think low rates create bad loan officers. In a rising rate environment, there is still refinances to be had but the way to do that is to find benefit for customers. The best loan officers in the industry today will -- you will come in and you have $100,000 mortgage, and you got 3.5% rate, and you want a lower rate, the bad loan officer would say, sorry, rates are higher than that, we can't help you. A good loan officer would say what is your goal, what are you trying to do? And what they will do is they'll basically try to understand your home value, how much lendable equity, not just equity, but lendable equity you have, how much consumer debt you have, and try to figure out and structure a deal that will benefit you overall. And so that's what a good loan officer does today. We now have the technology to do that within our system where we can actually flag to see if this customer has a benefit.

And so it's a really big deal and what it will allow us to do in the future is say, hey, we know their home value, we have product, we get their credit because we get their PII, we know their mortgage balance, we know their other debts, and so now the technology will be able to say, can we benefit this customer. And so we're going to show them benefits, A, we're going also let loan officers know, hey, this person has this type of benefit. And so I'm super excited about this because the next version it will also let us do, and we haven't fully developed this yet is if you came in for $100,000, but your house is worth $200,000 and you got $20,000 of credit card debt, we won't even show you $100,000 loan that has higher rate that you never would have taken to begin with, we'll actually show you a counter offer of $120,000 loan that pays off your debt and saves you money every month, and that's what good loan officers are doing today and this is our first step towards kind of a virtual loan officer and helping, not only just taking over what they are doing but flagging, hey putting in the customer's mind, but also flagging the loan officer this is what we should be looking at. So stay tuned on this one. We just rolled out the first version. We're working on version 2.0, but I think, it's a really big deal, especially in this rate environment that we're in right now.

And the other thing I wanted to highlight too is that RULO, think about it as, as kind of a platform and Neil always talks about this is RULO is starting in mortgage. It doesn't necessarily have to just be mortgage, and so we have those 60 people that didn't do anything. We're going to have different products for them, but we also have our CRM, our call center, My LendingTree -- everything, it's essentially a hub that we're bringing people in and then help them, and it will tie in nicely with My LendingTree as well. And so, it's again, it's early innings but we had to build the right infrastructure which we have, we have to get the right partners, which we done and now it's about figuring out and optimizing to that.

Okay. So recap. Obviously, purchase, refinance, volume is shifting our strategy a bit, really focused on lender acquisition cost or what we call cost per funded loan and we know where that lane is, we know where we need to be and managing our capacity of the networks so those are kind of our main things. We are heavily focused on optimizing closed loans, while gaining capacity and share while at the same time this business model shift to RULO and kind of going deeper in the funnel. So these are kind of highlights of what we are focusing on in the mortgage business. So I'll pause there for a second. I know we're going to bring Vishal up in a minute, but I want to go through this case study. Any questions before I kind of move on to that.

Super excited to have Vishal here with us, as I'll let him introduce his company here in a second actually, you know what, maybe we will. Is Vishal here? Hey, Vishal. Why don't you come on down, and we'll go through this case study and then we'll jump right into our Q&A with him for a second. But thanks for joining us.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Great seeing you. Thanks for having me.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So I think, you've seen some of this, right, so we talked a little bit, but I'll let Vishal introduce himself, but I want to kind of walk through this case study. And so we kind of if you look at the left side it's this RULO funnel we kind of think about and the way we're monitoring everything, it submits how many of our borrowers are getting offers, how many are selecting. This is where we get paid. But selection really has 3 components of it, it's offer page, it's CRM and it's telephonic and ultimately, how many are locked and closing because we really care about this but the lenders really care about this so we got to make sure we're focused on the same thing. So we said okay, we've known Vishal for a while, we've been trying on and off I think and he'll go through it about working with LendingTree, but we knew that RULO could really work for them, for a couple of reasons: One, really competitive rates. They are digital first and their whole thought process is digital first. And they're tech savvy and nimble and we needed a partner like that, that we can really figure out how do we make adjustments quickly with them. And with our goal of getting selection rate up and higher lock pull through and so we got them on board, our hypothesis is our borrowers would like them because of their competitive rates, and we are right. So as soon as we got them on board, they started taking a big share of kind of the clicks this is we obviously didn't show exact numbers, but this is a really indexed to kind of other lenders, so they started taking the lion's share of the clicks. But as soon as that happened we also realized there was 2 issues: One, their lock rate was here and their goal was to be here for numbers for us to work. And second, is like I showed earlier selections have a lot of different components to it, one being telephone. And a lot of our lenders were getting phone calls from our call center and Better didn't have any way to do that. And so we were really missing out on a lot, so we got a lot of people clicking and nothing was happening. So we went to their offices in Soho, we met a bunch of times and the teams are working on it but 2 things: One is got our tech teams together, really worked on pre-populating, it's all about the hand off and Vishal will talk about this in a minute, but really working on that hand off and second, added the telephone piece. And so what resulted was, is we went from an original selection rate, which was just offer page to we added a telephone component, and we more than doubled their lock rate. So I think we are still early innings. But we are optimizing, we're iterating, and Vishal has committed, I have committed, we literally have teams now working on this weekly to figure this out. So with that, introduce Vishal, are we good to keep you on? I just wanted to make sure the time check. Okay. Good. I think we got about 20, 25 minutes, and you want water anything?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

I'm good.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

I'll grab my water but why don't you -- first of all, thank you for coming and why don't you introduce yourself, your company, and then we'll kind of jump into it.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Hi, my name is Vishal Garg, really happy to be here and support Sam and Doug and the amazing work that LendingTree is doing in making the mortgage business better for consumers. Our company is called Better Mortgage. I went to go get a mortgage 4 years ago, to buy our family's first place in Manhattan, and it was a harrowing experience. And my background is, I have spent now 20 years in FinTech, both as an investor, ran a distressed credit hedge fund as well as a consumer lending start-up guy. I started the first online student loan company, took it public in the 2000s. It was called myrichuncle.com. And I was surprised that the mortgage process was not nearly as advanced as what I had hoped it to be in 2013 when I first went to finance. So I said, there's got to be something better. I was kind of an unfortunately a little bored as an investor and I decided to get back into it. So we took a bunch of Silicon Valley technologists, our CTO is a former Head of Recommendations in machine learning at Spotify, built the Spotify recommendation features, 85% of the code in Discover Weekly, that is the product that like 50 million people a day consume is his. And we are brought in some folks on the product side, some great folks on the capital market side, and we took cover small mortgage bank, a mom-and-pop shop that was doing mostly phone based business. What we started to do was automate every aspect of what the nearly 28 people that are required to fundamentally market a mortgage and originate it do. And as we started doing more and more of the automation of the process, what we started to realize is that there are really truly amazing things that can happen, if we can market a product that takes the average time from closing from 57 days to something that can be done in one day. A commitment with the transaction from a regulatory standpoint closing in 10 days. There are amazing things if we can take the $8,700 cost of manufacturing that the industry has on average and bring it to a price point that is nearly 1/10 of that, and while we could make more money, we could take market share, the most important thing that we could do is we could visibly impact a large swath of American consumers financial wise because the mortgage payment for them is between 30% to 40% of their disposable income. So even a percentage point or half a percentage point, helps them in the context of a refinance dramatically change their personal balance sheet. And in the context of a purchase, helps them afford a better house in a better school district with a better commute and that's fundamentally life-changing life-affirming. And so that's what Better is about, Better is about getting you a better home, safer home, a home you can afford better.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So I always kid with Vishal. The name of their company always trip me up. Because we're like, oh Better is doing better. And you end up getting into this weird cycle of betters and it's a little confusing, but the good news is Better is doing better.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Yes, it is.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So before we kind of get into the LendingTree partnership, I'd love to get, thank you for the intro and talking a little bit about kind of just the clunkiness of mortgage and things we can do about it. But how are you viewing, obviously, this year it's a little interesting because I was telling everybody it's the first time in a long time that we haven't seen a rate dip, rates are starting to rise, refinance is down, purchase is not quite where we would want it to be, and so what are just kind of your outlook, your company's outlook, what are you planning or looking for to kind of in the next year?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

I think it's a really exciting time to be in the mortgage business, because a whole set of changes that probably should have taken place before and after the credit crisis, are finally, now starting to happen. So I think the credit crisis happened and the industry instead of moving forward 10 years actually moved backwards probably 20 years. So we went from it being 2018 in the mortgage industry to being 1978 in the mortgage industry. A lot of the technological innovation that had been taking place, got cast aside, there was a doubling down on physical infrastructure, the consumer needed more handholding than ever, the product selection became very basic, And I think that, that persisted as the rate environment was so low, consumers were getting so much utility out of a low rate that the industry really didn't feel the need to evolve, right. You could just keep doing the same thing you were doing and make really, really, really good money doing it, and I think this the first year that we are starting to see industry players either toss in their hat and say, I don't want to change, like that's okay, I'm going to get out while I'm ahead, or say well, I'm going to double down and actually embrace the future and really work to move the mortgage industry back into the 21st century.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

That's funny. You are basically saying the industry didn't have to event itself, with low rates like I said earlier, it creates bad loan officers, it also creates a sleepy industry.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Totally. Like if you look at like the Urban Institute, they do this monthly survey of mortgage originator profitability. And mortgage originator profitability actually went up like through the roof post the crisis because mortgage availability was low. And now, you see with the rate environment increasing, consumers are increasingly shopping around, which I think is, really great for LendingTree. They're seeking more utility from the product, rather than just being able to get a 3.5% rate and just well, how do I close that as fast as possible? Now it's, well, they're making more informed decisions.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

Yes. No, it makes sense. And then talking a little bit about just kind of -- I think, we've talked and I've heard you talk a lot about of kind of 2 things. One is, I think you are kind of known in the industry talking about loan officers and loan officers' commission, which I don't want to necessarily get into detail here, but also just like the digital transformation or digitizing of mortgage, like, what does that mean? What are the components of that? What trends have you seen? And can you talk a little bit about that?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Sure. So I think digitization sort of gets confused sometimes with like taking a process online, right? So if you guys might remember, like, I'm child of the dot com bubble. And so in the '90s, people would be like, oh, well, we have a website, right? So now mortgage companies say, we have a website. Well, it's very different from taking the Sears catalog online versus like really building Amazon. And so the question is, what does digitization mean? And a lot of people think digitization means putting up a website and letting consumers transact the mortgage, like upload their documents or fill out a form. So like Google Forms plus Dropbox doesn't mean digitization, that's just the very beginning. What digitization really permits is a completely different change in how the industry views the asset class. So I want to -- just to highlight 3 things. One, the uncertainty rate around the asset. The fact is that so many think mortgages drop out in the funnel, that it takes 60 days, even just from a hedging cost perspective where hedging costs are 1 basis point a day, 60 days means basically 60 basis points of hedging cost on a mortgage. So that's $1,800 dollars of cost for a consumer just in hedging costs. So if you can take the mortgage digital and shrink that time from 60 days down to 10 days, you can suddenly save 50 basis points on a $300,000 mortgage, $1,500. That's a lot of money for a consumer. Second, uncertainty. The discount rate on mortgages still is way wider in the market than it necessarily needs to be. And so, digitization creates certainty because you're getting data from verified third parties, rather than manually enter data at a bank branch, something that's mistyped or anything else like that. So fundamentally, we can lower the risk return profile necessary for any institutional investor to own mortgage-backed securities, which can be very good for the business because that can generate dramatically greater profitability if the data is coming from verified third sources.

And the third, it allows the consumers to shop around, which is, there is a company way back in the days in New York City, I've grown up here, called SYMS. And they had a motto saying, an informed consumer is our best customer. And so like a LendingTree consumer who is coming in and optimizing for both rate and for utility is an amazing consumer and the digitization of the process allows us as lenders to be able to say, well, this is a consumer who is actively seeking to get a better deal. They're obviously more well-informed. They're going to know how much they can afford in a better way than someone randomly walking into a bank branch. This consumer ideally, their string of cash flows should be at a lower discount rate, and so they should be worth more.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

So are consumers transacting digitally?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

They are.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

What are you seeing there? Like what trends are out there, and which ones aren't? And where is that kind of balance?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

I think you're so right. So we are so early. As I said, it's like the 1970s in the mortgage industry, and we have, when we first...

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

I think we did invent the dual monitor back in the day (inaudible) right?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

That's right. But when we talk about it -- like, when we started the company, we thought everybody would transact online. And as you can see from the data, there is a whole host of customers that are just not able to transact online today yet. It's not a self-start model. And what we had to -- we had to kind of take a step back and say, we need to meet the customer where they're at, not where we think they are. And your team has been amazing in helping us literally like in a kind way smacking us upside the head and telling us we're doing the wrong thing, we're leaving so much money on the table by not being open to different channels of communications for different type of consumers.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

It helps us, too.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Yes. But it had helped us a lot, like it made us a lot, lot better. And I think that's what so wonderful about the partnership, is that LendingTree, despite the fact that you're an older company, there is an amazing set of leadership. There is -- it's a founder-led company, and you have an ability to be nimble as a large company that is really amazing for someone like us to work with and then combined together, we can iterate on customer insights in a way that's truly, truly magical for the consumer. So you asked a question about what consumers are transacting online and which ones are not? So we actually -- we kind of break it out. We see a lot of consumers that are able to self serve tend to actually be second time, third time refinancers, home buyers. It's actually not like your 35-year-old that's able to self serve, it's actually your 55-year-old that's able to self serve, so we see a lot of that. A lot of first-time home buyers actually are looking for advice. And in an age where everything is done on the mobile, for a very large transaction, they actually prefer to talk to someone. Now it's very hard for us as a tech company to be able to talk to everyone, which we want to do, but what LendingTree is able to do for us because of the work that they've done on the call center side and being able to scale is they're able to deliver customers to us that are, one, great customers, great credit profile, great income profile; two, have intent to transact. And that's like when we buy ads on Facebook or Google, what we're doing is instigating demand, but we don't have intent to transact, and that's a signal that's important. And the third thing is validation. People don't know about Better Mortgage. We have a cool name, we are better.com. Hopefully, people will know about Better Mortgage in the future, but people know about LendingTree, and so LendingTree's validation of our platform is very valuable to us and helps the consumer, particularly one that's relatively unsure about who to go with, helps validate that choice for them.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

Yes, I think that make sense. And so -- I think, you've already started to do this transition, which is awesome, but I want to talk just a little bit about, just our partnership and -- because you're on both of our products, right? I mean, you're on our existing kind of flagship product, but you've also been a big partner in RULO. And so I think, you kind of hit on it, but what are your views on just where do we play in the ecosystem? How do we partner together? What's working? And then, I want to shift to kind of RULO and talk a little bit specifically on that.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

So as I said earlier, we've got a great partnership with LendingTree. We do buy -- a significant portion of our ad spend, our customer acquisition spend is spent with LendingTree. That number has been increasing dramatically. So I would say, it's a 5x or so from where it was last year, and we've actually cut back on some other channels and increased our spend on LendingTree, both on long-form and on RULO. We have really high regard for the RULO product and -- because it allows us to meet the customer where they're at, but you're helping guide that customer along that path. So some of the surfacing of what the customer is ideally seeking, right, what utility function do they want from this mortgages, is it a lower rate, is it a lower monthly payment, is it a term extension, is it a cash out, all of that helps surface and makes for a very productive conversation on our end on the stuff that we're really good at, which is automation of all the back-office processes, creating a large investor network, a matching engine that matches consumer attributes to investor criteria algorithmically. But what we are not as good at is that handholding in the early part of the journey, and so that works really well for us. On the long-form business, we think that that's a great channel for our customer that is seeking information across a range of lenders. And so, if they're seeking -- if they're unsure still as to who's going to get the rate or if they want to be talked to, it works for us, but we've had to improve ourselves and spend a lot of time building out systems to be able to compete with the folks who are really good at doing outbound calling. So we are not nearly as good at outbound calling, and you have to pick which battles you want to win in life. And so we have to work harder to get better at the long-form...

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

Better has got to get better.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Yes.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

I remember the entire conversation. I remember when we first started working, we actually created a strategy to where you would only get our existing leads on nights and weekends.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Yes.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

I was very early in it, but I think it was like because you weren't as good a caller, we're like, hey, let's figure that out. I think that worked, but it was harder to scale that way.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

I think it worked. It's harder to scale, and then eventually we realized, we needed to call nights and weekends. And it's kind of hard to get engineers to call nights and weekends. And then it's really hard to actually have people calling nights and weekends working next to engineers who are not -- and then -- so it's hard. So it's also not the best place to do it. It's not the cheaper industry.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

I think -- so for RULO particular, what are the next steps, like what do we need to do? How are we successful kind of together and what can we do better?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

I think there is so much value that we're looking at, particularly in the purchase market. Because with the data that you're now collecting on RULO, you can -- the consumer in purchase -- so the consumer in refinance is either save -- is seeking savings. The consumer in purchase is seeking certainty more than savings because they're already saving money versus renting, right? Like, let's say, they're renting and they're paying their landlord's mortgage plus a profit. So the consumer is less rate sensitive, but they're really sensitive to anything changing. So what I think RULO will provide you the ability to do over time is for a consumer who, let's say, is a first-time homebuyer, who is not sure about the recommendation, so 63% of first-time purchase mortgages are made basically through the mortgage broker channel, through local lenders. And those local lenders say a lot of things to consumers and

(technical difficulty)

old-school local retail stockbroker. And you don't know whether he has been a good performer until you actually have people who can show numbers. And then you see an ad and you say, wait, like my local stockbroker, he doesn't generate these returns, but like in the old days, Peter Lynch of Fidelity Magellan was generating these returns and so on and so forth. So if we bring it back to RULO, RULO can, because you have all this data, you can say, look, this lender closes on time, on close of escrow date 94% of the time. The remaining 6% of the time, closes within 5 days. So that would be amazing because I think that utility function you can uniquely provide, right? We as lenders don't have the ability to compare it against each other unless there is like an industry situation, but you can actually say...

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

We have become that trusted third-party that helps validate for you.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Right, you can tell them what percentage of time the rate changes. So if someone signed up for a 4.5% rate, most people are stretching when they buy their first home. It matters if that rate becomes 4.75%. So you can tell them that because you will have that data and you can inject certainty in the process. And I think if you can inject certainty in the process of purchase, that's magical.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

Yes, we think -- yes, it's interesting because when we think about purchase, I immediately go to purchase incubation because, I think, that's where we are trying to focus on how we knew people along the different stages, and we know that people at the end of the stage are -- do really well in our network, but the early ones are the ones we need to start figuring out. But I think, you're right. If we couple incubation with kind of this transparency, because we have a saying we always talk about it. We say in purchase, a great rate doesn't outweigh the risk of not getting in the home. And so we want to give them a great rate, but at the same time, we have to create that certainty. So I think, that's...

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

And the last thing, I mean, there is a $1 billion a year revenue business out there, right? If you look at Zillow, 71% of Zillow's revenues are paid for by mortgage brokers who pay for the leads on behalf of real estate brokers. And so if you think about that, that's an entire -- that's that customer channel that I'm talking about. And instead, if you were able to provide that consumer that certainty, then you'd be able to capture almost like $1 billion revenue stream right there.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

That's not our new goal, but that's, (inaudible). So -- no, I think you're right. What else? I want to make sure I get some time for questions. Anything else I missed or we should be talking about or things you wanted to make sure we chatted about?

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

I think you've got -- I think you're doing an amazing job. You've been an amazing partner for us, and we look forward to the day when 50% of your traffic is RULO and 50% long-form, and then 90% is RULO and then 10% long-form, and then 99%...

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

You're helping us get there, so we appreciate it, too. So while we do this, let's see if there is any questions for Vishal or myself before we kind of break for lunch. Not all at once. Okay. Cool. Well, that's it. Thank you for your time. We appreciate it, and thanks for coming out.

Vishal Garg - *Better Mortgage Corporation - Founder & CEO*

Thanks so much, Sam.

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

Thanks very much. You ended a couple of minutes early. If I could just get everybody's attention for logistics. Lunch is next door. We're going to come back here at 12:50 and pick up with the agenda. I want to thank these guys for what they did. And as I said, please feel free to ask anybody questions during the break, and thanks for being here.

(Break)

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

All right. If I could have your attention. If I could have your attention, please.

Well hopefully, you guys had a good morning, and gals. And again, if there are any questions, please feel free to ask us during the day. I'm thrilled next to introduce 2 awesome guys.

Sushil joined us less than a year ago as our Head of Product, came from Match. He will tell you a little bit about himself, but he's done a wonderful job taking over product. Nikul Patel, who had that job before and many others at the company, is our Head of Strategy, responsible for a lot of what you're seeing behind the scenes here today. But also with him is Jason Simon. Jason runs My LendingTree. And I think I got fired up when these guys gave this presentation at the board meeting. I get fired up every day when I sit in meetings with them, and I think you guys will, too.

So with that, take it away. You got 30 minutes on this one.

Jason Simon

So I'm going to start us off. Good afternoon, everybody. So as Doug said, Jason Simon, Senior Director of Product, and My LendingTree is a product that I've been sort of focused on for the last 3 years. It's been really exciting.

A quick background on myself. Prior to LendingTree, I was at a startup here in New York with a company where we were developing data indexing technology to help companies search and analyze large quantities of data. And that experience has, as you can imagine, translated really well. A lot of what I'm going to talk about has to do with data. It's a common thread that will be throughout my presentation and really throughout everything that we do at LendingTree.

But I'd like to start off with talking about a user journey or a story that I think is a visceral example of what we are building and why we are building it within My LendingTree. And typically, what I would do is I would spend quite a bit of time, and I'd walk through this user journey, and then I will talk about how we bring a user in and we sell them multiple products and we generate a lot of value by providing them alerts and everything. But in the interest of pacing, I'm going to cut to the chase because at the end of that whole thing, I usually say -- and by the way, this is a real user on our own platform and there's hundreds of thousands of users like this. And we're just going to talk about Michael, who is a real user on our platform, and there's hundreds of thousands of users like him.

So this is a great way to kind of talk about what My LendingTree is doing and why we're doing it. So Michael came to LendingTree to get a mortgage. And in the process of filling out that form and getting mortgage offers, he upsold into the My LendingTree experience. Now when I say upsell, there's not a paid upsell. It's just the time and consent that he is giving us to pull his credit and to do deeper analysis of his financial journey, his financial situation.

And so after he did that, over the course of the next 6 months, he engaged with us every once in a while. And we at a certain point, happens to be May 8, identified that he had equity in his home that he could take advantage of. And so we let him know that. We said, "Hey, Michael, you have equity in your home you can leverage. And in fact, you can take out equity to pay off some of your credit card debt." So that's what he did. He came back, he transacted with us. He paid off some debt. And then he continued down the journey here where he got some credit monitoring alerts, he continued that engagement. So now we've taken a transactional customer, and we've turned them into a customer that's loyal to our brand that's actually benefiting and it's had, what everybody in product calls, the aha moment of what we can provide a user on LendingTree, we're broader than just that original mortgage that he got.

And so by taking out that home equity loan, by paying off some debt, what Michael ended up doing and sort of by paying attention and keeping his finances top off mind with the alerts and the way that we are communicating with Michael, his credit score actually started to increase. And then what happened is he logged into the experience, and we had identified the fact that he could actually save money on his auto loan, and so he refinanced that. And so now, we've helped Michael continue his financial journey and sort of monitor his credit, monitor his finances, monitor when he can save and engaged with Michael, and he was able to continue to build out to make progress in his financial journey.

A month later, so in July, he did this auto lead. August -- towards the end of August, we said, "Hey, Michael, your utilization is getting a little out of control. You should do something about that. It's hurting your credit." So he thought about that for a little bit, but on August 31, he came in and did a refi with personal loans to move some of that debt off of his revolving accounts. And he continues to stay active with us. This is a user, and by the way, I don't know Michael. I just know his name, and I know the transactions he's had on our platform. But this is a user who's gone from a 668 to a 728 credit score, which has opened up some possibilities for him. My hope is that we continue to stay with Michael as he progresses through his financial journey. And that's really what we're all about. And that's why this is really exciting product. So I'm really excited, that's why the team is really excited that's working on My LendingTree.

And so what we're really doing -- and actually what LendingTree has always done is enabled users in their financial journey. A user doesn't say -- wake up one morning and say, I want a mortgage because I want a mortgage. They want a mortgage because they want a home. They want a personal loan because they want to pay off debt or may be make a big purchase. They want an auto loan because they want a car. They want to see their credit score because they're interested in moving forward in their financial journey. And so that's what we're building. And what we've done at My LendingTree is we've kind of centralized the intelligence in the platform around mobilizing users amongst each of our products to help them take that next step whatever that is. We're not here to be necessarily intrusive. We're here to genuinely identify opportunities for users to improve their lives.

And so if you think about that, on the left-hand side here, what we're actually doing is we're taking data that comes in the form of a credit file, but other data that we're getting, home valuation data, auto valuation data, et cetera. We're coupling that with our intelligence later, and I'll talk about this a little bit in a second. And we're using that data and that intelligence to connect users to products at the right time within the right context to provide real user value. And that's what My LendingTree has been working on for the last 4 years.

We've made a lot of progress and a lot of that progress is made under the hood, a lot of that progress is made in the data, a lot of that progress is made in what I'm going to talk about in a second, which is our engagement stack. But this is what -- this is effectively what we're doing, and we've seen a lot of success. And I'm going to talk a little bit about the product and then Sushil is going to come in and he's going to talk about some of the progress we've made with the numbers and the metrics, and you'll kind of see the proof in the pudding, so to speak.

On the right side here is a little bit of a forward-looking where are we going with My LendingTree. So -- and this, I think, is the first time we've really talked about this publicly. But My LendingTree right now, if you go to it, it's very much a credit score app. And then behind the scenes though, we've been expanding way beyond credit score and doing analysis that's leveraging our products, leveraging market conditions, leveraging additional data. And so what we're working on for 2019 is exposing more of a picture of a user's financial wellness, right? And so that's more than a credit score, although credit score is a huge component of that, but there's going to be other things as well, your debt to income, what assets do you own, et cetera. And so as we move into 2019, you're going to start to see the platform take shape even more as it relates to helping a user or enabling a user in their financial journey.

But this does another thing that's really important to us. If we just had a credit score and if our app was just focused on credit score, then the users' expectations and the way that they're step up when they come in is to see their credit score. Well, they see that immediately when they login and they see their credit score. Now, they're done. And so we don't have really as much of an ability to let them explore the tools, the resources and the applications that we built in a deeper way. And so we think by broadening this, and this has been validated with a lot of research that we've been doing over the past few years, by broadening the value proposition, by making this more of a financial wellness holistic application, we think that we're going to be able to engage our users on an even deeper level, budgeting, connecting bank accounts, things like that.

So I talked a little bit about how important data was and then the engagement stack that I had mentioned. And this is really what we've spent a ton of resources focused on. So we have what I'd like to call the engagement stack. And if you think about that as a pyramid, the foundation of that pyramid is going to be data. A large part of that in our world is credit data, behavioral data, transactional data. I said before, we have other data that we buy and that we acquire from other sources. On top of that foundation, data is not very useful unless it can be actionable. So on top of that foundation, we have analytics. On top of that, we have our data science group. On top of that, we have our monitoring capabilities. And now on top of that, finally, at the apex of the pyramid, is effectively the alert. The culmination of everything that we're doing, all of the work behind the scenes, all of the plumbing and infrastructure and intelligence to actually drive a single alert to a user at the right time, contextual, personalized and relevant, so that they know -- either are aware of something or they know when they're supposed to act and that builds trust. And if you look at somebody like Michael, Michael has already had that sort of aha moment that I mentioned earlier. He trusts us. He is actually acting on those engagements.

Another great example of this is just last quarter, if I look at a quarter-over-quarter comparison, we were able to increase our e-mail volume, which is a big part of our CRM or a big part of our alert infrastructure, by 50% in 2 really important triggered categories. One of them is savings alert, that's when every week, we're processing all of users though an analysis to identify if they can save money on any of the loans that they have. So one of those is savings alerts. And then the other one is what we call non-savings. This is a horrible name, and next year I'll make sure that we have a more accurate statement. But those are things like credit advice that we might send to a user or maybe somebody qualifies for a particular loan that they didn't qualify before, like a reverse mortgage. So in both of those categories, we increased our e-mail volume by 50%. Now you would think that an increase of 50% in e-mail volume would naturally decrease your open rates and your click rates, because you're just sending more e-mails to the same people, right? But that's not the case because the e-mails were generated through the engagement stack that I just had talked about, right? And so we actually had open rates for that. For instance, that non-savings category increased by over 130%. Open to click rates increased by over 60% for that same category and a similar story with the savings alerts. So that was actually due to us operating better across each of the axes of that engagement, sort of, pyramid that I mentioned.

And so what we're doing now is we've got that plumbing in place and we're iterating, and we're improving and we're staffing up in the right places, and we're really operating at a high-level and we're seeing quarter-over-quarter-over-quarter improvements in some of that -- some of those capabilities that leverage the engagement. And then, what that produces is financial confidence. It produces the ability for users to achieve their financial goals, to save money, et cetera. So that's -- those are the goals that we're sort of targeting, and we're leveraging the data and the intelligence on top of that to do that. So it's really, really exciting.

So this is -- if you haven't seen, this is what My LendingTree looks like. So as you can see, this desktop picture here, you can see, is very credit score-centric, which is great right now. It works really well. People -- it resonates with people a lot. It's something that we're going to be sort of transitioning a bit, as I alluded to, away from being a little bit more holistic, little bit aspirational.

And the other thing that I want to mention here is the importance of app in mobile. And this is something that -- and in 2017, 2016, really 2018, we've invested heavily, heavily, heavily in app. We've put the right people in the right places, we've hired the right teams. And this year, our app is taking off. Sushil is going to talk a little bit more about that, but we understand that the app is where it's at. Being in somebody's pocket has increased our engagement with our product significantly. And so we're going to be really focusing on that.

And this is why we wake up everyday and go to work. Our NPS within My LendingTree is 44, which is -- which we're really happy with. We obviously always want to improve it, but that's the highest NPS for any experience in LendingTree. So we think we've done a really good job. And better than looking at NPS, for me at least, and I look at this literally every day, is reviews and feedback that we get from people. And so in the App Store right now, if you go there, we've got a 4.8 out of 5, which I'm really happy with because people can be extremely fickle with mobile apps. If it crashes or they can't log in or there is some issue, they're going to let you know about it, and so this is a really, really great number.

And if I read this, this is the review that shows up on -- actually on the homepage of our app right now, I think. This app is like a dream come true. So I don't necessarily think we're trying to build an app that's a dream come true. I don't know if I necessarily agree with that, but this is somebody that went through an experience like Michael. This is somebody who has -- like, we've tangibly improved this person's life, and so they have something really, really astounding to say. So I love reading these things. Now we got negative feedback as well. And that's good because it helps us grow, helps us learn, et cetera. And then in the App Store, Apple creates these daily lists and it's kind of an unbiased perspective of apps within a category. And so I think, good, we've been for 3 or 4 months in their daily list right there at #3, 4 when you search for credit score.

Okay. So that's My LendingTree. And that's what we're building and more importantly why we're building it. We've seen a ton of success. We're going to get into those metrics in a second, but before I hand this over to Sushil, there's one more thing that I want to talk about, which I find extremely exciting.

We've taken all the capabilities that I just talked about, the engagement stack, the alert infrastructure, the entire suite of products and services that now extend beyond lending, and we've effectively wrapped that into a SaaS product that we can work with partners in a strategic alliance to build finance centers on other brands powered by LendingTree. And so this is something we started. If you all remember, earlier this year, we got into a partnership with H&R Block, and that was kind of a stepping stone towards this broader vision of building a SaaS product with the capabilities that we've been focusing on and building in My LendingTree.

So this month, actually, we'll have 2 additional partnerships that we're going to launch in the retail space. We think this is going to -- this is really going to power and sort of push our growth, but the thing that I'm most excited about is it's not just us taking our products and services and letting partners sell them through banner ads or something along those lines. It's a deep integration that builds a deep connection with our consumers. It helps those brands as well because they're tying financial wellness, financial literacy to their brand. At the same time, it increases our network for our lenders and the other products that we have. So we're massively increasing distribution by leveraging big bands out there. Next year, we're talking to big brands across many different industries, retail, finance, obviously, finance, media, benefits. And so we're going to have some really good announcements to make pretty quickly.

And with that, I'm going to hand it over to Sushil to talk about the key metrics and KPIs that we're seeing right now in My LendingTree.

Sushil Sharma - *LendingTree, Inc. - Chief Product Officer*

Thank you, Jason. So before we start, I'm Sushil. I lead the product and analytics team at LendingTree. Prior to that, I was at Match in a similar capacity. The verticals could be different but the underlying business drivers are very similar. How do you on board the consumer? How do you understand their need? And then, the ultimate goal is how do you match their needs to a provider or a lender on our platform?

So we'll dig into My LendingTree numbers. The framework of looking at these numbers is think about the users' journey, like, how do we acquire more users to our platform. These could be internal users who may have come to the platform for a particular need. For example, someone could be looking for a mortgage or a personal loan. How do we convert them as a My LendingTree consumer, so that we can have a deeper relationship with them. As of now, we are around 9.93 million. The second big tier, which Jason was talking about, is engagement. How do we engage users. This is both on within the app and on the web through the dashboard and also through our offline engagement. Offline plays a huge role in this space because it's very different than say, your Facebook, LinkedIn or dating where every day we can't come up with the new content. So in our case, the bigger thing is, if something changes in a credit file, we find an amazing offer, then how do we reengage the consumer back to the platform. If you look at the monthly active user metric, year-over-year, we are up around 29% on that one, and we'll dig deeper into these numbers in the coming slides.

The last one is around monetization, which is, with the number of products that we have on the platform, to some extent, our job becomes easier. The challenging part here is how do we sell the right product to the right consumer at the right time because some of these products are lifestyle based. It's super difficult to sell mortgage to someone who's not even in the market for mortgage. So in terms of broader category of products, we have -- now we have insurance, personal loan, credit cards. So in this slice, the key areas of focus for us is merchandising and better targeting of these products.

So let's look at the signup. So signups have shown steady growth rate over the years. Just so that everyone knows what these signups mean, these are different than My LendingTree users. These users have created log-in credentials on our platform. They have verified their identity and given us access to their consumer report. These 3 things are critical to establish long-term relationship with the consumer. What this helps us is anytime your credit score changes, then we are able to reactivate the consumer back to the platform.

Now where do we get these signups from? As of now, most of these signups, this is the internal flow, which is, someone was coming to the platform for a particular product need. So if you look at the pie chart up here, close to 70% come from web-form opt-ins and in web-form opt-ins, personal loan is the biggest product that is currently driving My LendingTree signups.

One area of focus for us in the recent weeks and months have been getting users directly on the platform and especially on apps. So apps, if you look at the direct slice for web and apps, is less than 10% of the whole pie. So in the last few weeks, we have been doubling down on our spend to drive app installs. So Brad and the marketing team have done a fabulous job, basically increasing our baseline by 2.6x. This is the graph to your left, which basically shows app installs per week. In a normal scenario, this would have been a great achievement, but once you look at the competition we have, just in the app world space, we're orders of magnitude away from competition. Great part about this thing is, it shows we have huge, huge room to grow. Just for Credit Sesame, we are 2x lower than them. The biggest one in the category, Credit Karma, we are 18x away from them. This just shows we have huge room to grow, and especially with the monetization that we have with our products, we'd be doubling down on the app spend.

Unidentified Participant

Do you have any idea how many people download multiple financial apps?

Sushil Sharma - *LendingTree, Inc. - Chief Product Officer*

We don't have the exact number, but just looking at App Annie, it's -- I would guess, it's like close to 3. In dating, it used to be 3 to 4. I don't think it's -- especially in app world, it won't be like a 1:1 relationship.

Unidentified Participant

Two questions. In terms of the apps and the user experience on the apps and where the apps are going to take you, how was the Credit Karma app different from -- how are you differentiating? And how do you reduce that gap from like (inaudible) to whatever?

Sushil Sharma - *LendingTree, Inc. - Chief Product Officer*

So I think the first half of the question is around differentiation in the app, and that is what Jason was alluding to. We are not just a credit score app. For example, if you look in the category like CreditWise and Experian, they still are pumping 4 to 5x our volume, which is a pure play credit score app. Now what credit score does is, it definitely gives the instant gratification, which in the app world is required because you download the app and here is your score. We are trying to add more layers on top of it. For example, the Michael story that you saw, that relationship is build over a period of like months and years. The key for us on apps would be how do we gain the consumer trust for the first week or 2. This way, when we start engaging then with offline alerts and app notifications, they would be coming back to the platform organically. On the monthly active user sites, the reason we look at this metric is what if we had a leaky bucket where we are just able to increase installs, but not monthly active users, year-over-year, we are up around 29% on this metric. The key drivers are, we have a much bigger user base and then we are able to reactivate and engage them at a much higher rate and stickiness, which is, especially in the app world, the ultimate measure as to how many people in a month are using your app.

So year-over-year, if you look at DAU/MAU, we are up around 16% on stickiness. For the overall LendingTree exchange, so if you look at this curve, so My LendingTree generates around 19% of the leads on LendingTree exchange. Note that this exchange does not include insurance, credit card and credit services. This is a pure play exchange that we run. And personal loans, which is this -- the green bar up here, personal loan accounts for around 60% of that revenue. The biggest opportunity that we see is in credit cards, which is just 5% slice of the current revenue stack. So in the coming weeks and months, merchandising of credit card and better targeting credit cards, that would be one area of focus for us.

So we look at ARPU -- so ARPU is basically how much revenue did we make in that period and how many users were active in that period. So we've been able to grow ARPU. Year-over-year, the growth is around 42%, which is a great story. And then, as we start doubling down on credit cards and integrating insurance products in our My LendingTree experience, we are hoping to further increase this.

Now if you take a step back -- like, this is a chart that excites me. I'm 3 months into the job, my background used to be in subscription. One great thing that subscription business models give is predictability of cash flow. So one of the first things I was trying to figure out is, if you look at the revenue by cohort, how does it look in the space? So this -- these quotes are the buy sign. For example, this orange bar you see up here, this is the revenue that we got from the users who sign up in what we're calling the 2016 cohort. If you look at the size of these bars, they do not follow a normal DK curve. That just shows that over a long period of time, we are able to extract similar incremental revenue from those cohorts. So this one is super exciting. It will help us build lifetime value models for a much longer period of time that marketing can then take and start spending against it. This is just a summary of the numbers since we talked about so many numbers around here. So Jason and I would be around. If you guys have further questions, feel free to ping us. Thank you. Yes?

Unidentified Participant

Just -- so you have this closing (inaudible) right, because...

Sushil Sharma - *LendingTree, Inc. - Chief Product Officer*

Yes, the actual MAU number is.

Unidentified Participant

And two, what is -- what are the other guys doing that are growing much faster, like Credit Karma and others, from a marketing standpoint that's different?

Sushil Sharma - *LendingTree, Inc. - Chief Product Officer*

Yes, I think Brad will talk about some of those things in the marketing section. Some slice of that has to be their effectiveness in building the brand and all of their campaigns are basically having the user download the app. Remember, this is just a story in the app world, not the whole web traffic. Thank you.

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

We are moving along. Next up, we have Jamie Saxe and Sabrina Basht. And while we are setting it up, Jamie has been with LendingTree about 5 years. He started off in business development with us, was in product management and now is the GM of our -- all of our nonmortgage businesses. Sabrina Basht is the Chief Strategy Officer for Marlette. They're a company that's 5 years old, startup in the personal loan world, doing an absolutely great job and has been working with LendingTree for 4 years. We're going to do a Q&A between the 2 of them, talking about personal loans and we'll probably save questions for the very end. But if we have a minute or 2, we might be able to take a couple. Take it away.

James Saxe

Great. Thanks, Doug. Can everyone hear me okay? Cool. Well, Sabrina, thank you for coming. I know you've been a partner with us for more than, I think, 4 years now. And it's been an important, an growing partner with us over the years, and I thank you for the partnership. And I know one thing, when I was at your office, a few weeks ago, what I said to you and your CDO and CMO was, in addition to being really good partners, I like working with you because you're just great people all around. I think you know this space really well, and you've been good partners and you treat your employees well, and I think it comes out both in your consumer experience and in just how you engage with partners like LendingTree.

So with that, I'd love to give you a chance to tell the audience a little bit about yourself and about your company.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Sure. So Sabrina Basht, I'm with Marlette Funding. I'm the Chief Strategy Officer and I also have responsibility for some marketing functions, including our brand, our insights and our design practice. I've been with the company since about 6 months after it launched, which was March of 2014. And Marlette Funding, we consider ourselves a financial technology and services provider for banks. We have a loan origination platform that originates Best Egg. We go to market as a consumer brand called Best Egg on behalf of Cross River Bank out of Teaneck, New Jersey. As I mentioned, we're nearing 5 years in age. We've done just about $6.7 billion in loan originations thus far. We serve primarily a prime consumer with your traditional 3 and 5-year fixed rate personal loans. We lend up to $50,000, and our rates are as low as 4.99%. And more recently, we're actually experimenting with some additional terms, so terms from 2 years to 7 years. So a little bit about us.

James Saxe

Great. Yes. And so I know -- I'm going to -- we synced up before this, we're going to try and answer, I think, some of the pressing questions that people likely have around the personal loan space. The industry has seen a really strong growth. I pulled some stats kind of before earlier today, and according to TransUnion, outstanding personal loan balances reached a high of $125.4 billion in Q2 of 2018, which was a rise of about 17.5% from the previous year. I think the quarter before that was about an 18% growth rate. Can you share your views on the market, as a whole, and kind of what you expect as we move into 2019?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Sure. So a couple of things. I mean, I think it's been a great time to be in consumer lending, and I think, we've actually created a space for ourselves for a couple of reasons. First, you have all these FinTechs, who have entered this space about 35% of the volume being generated by the FinTechs themselves. I think, second, we help to really educate the market. So we made credit available in the form of personal loan then through marketing efforts of ourselves and you guys, we actually help to educate the market on the value of personal loan and through platforms like yourselves, we've made it more accessible for consumers. And I think, the other thing is consumers in general are finding real value in the products, especially for those who want to borrow responsibly and who want to either pay down debt at a fixed rate under fixed terms or who would like to finance under the same idea.

Just to give you a sense, we as a company grew this year somewhere in the neighborhood of 25%. So we're outpacing the market in terms of growth. We think that everybody has heard that there are some signaling particularly in the bank category of folks who are pulling back a little bit in personal lending, but we think that the category as a whole will continue to grow next year, not quite at the same pace, but we think there'll still be growth in the category as there's still appeal and lots of opportunity when you compare it to other lending products in terms of market opportunity. We expect ourselves to continue to grow probably above the rate, again, that the market will grow. I think for us, the challenges that we kind of see in terms of growth, in particular, will be sort of a great agenda of investment on capabilities and features and a product that, I think, are really going to be appealing to the consumer and then kind of the headwinds that we face in terms of performance and just the general economic climate out there.

James Saxe

Yes. And I know overall, again, I went to trustee Google and pull up some stats. But I know overall delinquency rates across the category are still remaining pretty low. They're at about 3.21%. They're up slightly, because, I think, that more of the market has gone kind of mid and sub-prime, certainly not in your business. But do you think that we're kind of -- what's your take on whether we're nearing the end of the credit cycle and what kind of impacts that may have on the overall space? I know you kind of brushed upon it in your previous answer.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Yes. I mean, I guess, the thing is not just us, everybody is on alert. And I didn't mention this kind of an intro, but one of the things about our company, in particular, is our executive team came out of the card industry, and we lived through the last downturn. So I feel like everybody is highly sensitized to it. And so we are scrutinizing performance, we are talking to everybody in the industry, we are reading all of the tea leaves, and we are taking appropriate actions to prepare because as everybody knows, we are long in the cycle, and it appears like it would be something that should be forthcoming here relatively soon. All that being said, we're actually not seeing any indication in performance at all in our portfolio. So we still feel bullish about growth as it goes into next year, I will say that from an underwriting perspective, our models are calibrating to even a more prime consumer, not because we're actually seeing the behavior, but rather because we are anticipating, and we are kind of picking our places for that. But generally speaking, still feeling like, I mean, to some extent, for 1 year now what we've been saying is credit is just normalizing. I mean, it was so far below averages that we've kind of been thinking of it as just getting back to kind of normal, from our perspective, so.

James Saxe

Yes. Yes, I think we're seeing something similar, we're seeing really strong demand for the products from consumers and kind of an also very strong demand from the lenders. And people seem to be calibrating now to greater extent than they have in the years passed, which is a great sign to see.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Sure.

James Saxe

I'm not in the business of predicting the end of credit cycles. I'm also not in the business of predicting when the Feds going to raise interest rate, I've tried my hand at that and I'm always wrong. But can you talk a little bit about kind of what that -- if we have another increase or 2 over the coming months or year, what that impact could be for your company as we move there?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Sure. So for us, specifically, I guess, we see 2 things. One is, since a huge piece of our business is debt consolidation and most of that debt consolidation is coming from high interest rate credit card, we have actually found a real competitive advantage in the past year, as rates have risen to position ourselves as a better option for people to lock in to have a fixed rate and pay off their debts. So it is actually like with credit cards being typically more of a variable product, we have found it actually to be a competitive selling advantage. The other thing that I would say is, generally speaking, our model is a little bit different than, say, some of the bigger guys like a LendingClub or a Prosper in the sense that our model actually -- our capital providers take a random selection of loans from us. So everybody gets the same random selection. So it's no picking and choosing. So we actually manage to a return for our investors across all of our loan grades as opposed to buy loan grades and what that has done for us is despite the fact that rates have gone up, and that we have some level of obligation to meet returns that are commensurate with changes in the rates, we have been able to actually find places, where we can price more aggressively and still deliver the same type of performance, which again has been a competitive advantage for us. And one of the reasons that I believe that we have grown faster than what you see the category as a whole growing in the past year.

James Saxe

Great. Well, so switching gears a little bit, I know this is something you and I have talked about over the years, but we're starting to see more and more banks and some financial or some FinTech players entering the personal loan space. I think some of them are powering it themselves and kind of building the experience, some are using third parties, but can you just share your views on the competitive landscape, what you think that does for the consumer or what it does for your business as a whole as well?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Sure. Well, it's getting more and more crowded, that is definitely true. I was sharing with you earlier that I am blown away when I see direct mail volumes topping 2 billion pieces in this space. I mean, it just -- I came out of the credit card world, I was used to direct marketing, large volumes of direct mail, as a -- and but to see that level in the marketplace makes it challenging in the sense of, A, you have to be very differentiated. B, you have to be advanced in terms of how you're using your data and how you're targeting. But really, our big challenge is direct mail with more people in it becomes a crowded space, and we have to find ways to more efficiently acquire customers. So we -- when we started our business, we did all prescreen direct mail. So no full application. Within a year, we opened up, so that anyone could apply for the loan and now direct mail is only about 50% of the loans that we generate, and it's really working with partners like you guys that help us to be more efficient in terms of acquiring new loans in other channels outside of direct mail.

James Saxe

Okay. Thanks. And kind of the final thing I wanted to talk about is a little bit about really talking about your experience with working with LendingTree. I know we've -- I mentioned, it's been over 4 years, I think it's been a nice growth story, but I'd love to hear about, you've already mentioned that kind of why you work with LendingTree, what works well and also, if you have anything, like, what we can do better to help you achieve your growth plans?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Yes, thanks. So we have definitely enjoyed the partnership. And we work with several platforms to help our loan originations, but what I would say has really stuck with us about LendingTree is you're a meaningful source of new loans into our business, you are reliable and scalable in the sense of our originations forecast. But the thing that really sets you apart is, you're a good partner, you bring a level of transparency to this that really enables us to continually improve and get better at what we're doing. So I don't know, if you've shared out, but you do, A, provide us with more data than any other platform, where we can actually see not competitively anything that you wouldn't want to share, but we can see how we're positioned and we can make decisions on how to price and where we can do better. You give us diagnostics, you sit down with us on a quarterly basis to talk about the opportunities and I will tell you not -- there's not another platform that works to that level. We have felt, like, obviously, there are multiple customers here in the ecosystem and you have, obviously, the borrowers themselves, and then you have us as a customer, but we have always felt more so with you guys than any other platform that we are, you're an important customer. In other words, if you can make things work with us then we can make things collectively better for the consumer. And so, I think, those are the things that we have valued the most.

James Saxe

Great. Yes, one of the things that I've enjoyed about our partnership is, I think, we've both -- we've been growing the businesses at the same time. Now I know we're a 20 -year-old company, but the personal loans business is newer. And I think, we've both pushed each other to move forward. We're both trying to improve our customer experiences. I know I came in and I was really honored that you guys invited us to come and speak during your customer experience week. I enjoyed that and I know the team did as well. But it's been really fun to be a part of this combined growth story.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Yes, sounds great.

James Saxe

So I thank you for the partnership.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Yes, I thank you. It's been productive.

James Saxe

Great.

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

Any questions on PL?

James Saxe

Yes.

Unidentified Participant

And Sabrina, what other digital market channels are you using? And how have you changed your allocation of funds through them once they have gone past 2 years?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Yes. I mean, as I mentioned, so we started out 100% direct mail. And coming out of credit card that was sort of our sweet spot. Today, we have -- we used the platforms like LendingTree and their competitors. We have invested significantly in our organic and content strategy. We have paid search, everything that you would do, retargeting display, and so our investment, I don't know the exact numbers off the top of my head, but it's usually a third has shifted towards alternate channels away from direct mail. And we'll continue, like, if I look at our strategic investments next year, it is very much in looking at digital channels and partnerships.

Unidentified Participant

And then as we see more competition in this space, how willing are you to share your underwriting models with the different marketing channels?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Yes, that's a great question. So there is definitely this -- I mean, part of being more efficient would require that you would need to share more information, right? Because the more that our partners can understand specifically, who we're targeting and who we're approving for the loans, the better they can be at actually serving up those customers to us. So I'd say, we started out pretty uncomfortable, but we are getting more comfortable with it and to the extent that there are some options, where we feel that, that data is more secure and protected. I think that we will be more willing to share more of that underwriting to make it more efficient, I think we're going to have to.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

Jamie, I got the mic too. Incase you might need to raise your hand...

Unidentified Participant

Sabrina, I was just going to ask, do you think you'll spend more with LendingTree next year?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

That's a great question.

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

I can take that one if you want me to.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Yes. Sam, would you like us to spend more with you?

Sam Mischner - *LendingTree, Inc. - Chief Sales Officer & Head of Mortgage*

I think so. That would be helpful, but no.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

I mean, I think the thing is, again, it feels like we've been getting more efficient at getting the leads and the better we get at actually finding the people, the more we are willing to spend to get them. So I think we could -- I don't think we are in a position that we want to pay a lot more to receive leads, but I think we're going to get more efficient and the better we can target, we would spend to get them at that price, if there were more to be had. We absolutely would be willing to do that. Yes. Yes.

Unidentified Participant

Is there any discernible difference in the credit performance of the loans that you're getting from the lead gen channels or the digital channels versus direct mail?

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Well, the one thing I will say specifically is, our targeting models for direct mail are very much geared towards people who have high debt and that is a -- by design, right, the information that we have is credit bureau information, the best way to predict somebody who is likely to consolidate is to use that information's target versus, I think, the thing that we like about LendingTree is that we get debt consolidation, but we also get people who use the product for financing as well and generally speaking, people who use the loan for let's just say, home improvement or financing large ticket purchases are a better performing customer. So from that vantage point, I think it's more from our viewpoint, a mix, a different mix of customers, which ultimately lends itself to a better credit performance. Anything else?

James Saxe

All right. Well, thanks, again, for joining me. I appreciate you taking the Amtrak ride to up here from your office. But yes, thank you so much for the partnership and thanks for coming today.

Sabrina Basht - *Marlette Funding, LLC - Chief Strategy Officer of Best Egg*

Likewise, thank you.

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

All right. Next up, we have Brad Wilson who's going to talk about our marketing. As I mentioned earlier, we've got planned a fairly significant ad spend increase next year. He's going to tell you why and he's going to tell you all about it. And Brad has been with us 1.5 years, great experience prior to that in all different types of Internet companies, particularly travel and he's done a wonderful job with us. So Brad take it away.

Bradley E. Wilson - *LendingTree, Inc. - CMO*

Thanks, Doug. All right. Good afternoon, everybody. It's great to see everyone again. I think a question came up earlier around Credit Karma and our My LT sign-ups and, in particular, closing the gaps on apps. I can address that in a bit, if you can just sit tight. I think on Slide 12, we'll get into a little bit about that.

Look, I want to begin just by thanking all of you again for being here today. I know it's a lot of time out particularly in this busy season. So thank you, we love sharing our story, and thanks for spending the time with us today. I'm really excited about today and the story we're about to tell. In addition to that, it's been a somewhat of a turbulent year. I'm really proud of the team for the infrastructure that we've said, that's going to allow us to come up big next year.

So I'll talk a little about the title, which is, we've really laid the foundation this year, accelerated the flywheel. And we feel that we're ready to go out big next year with some brand advertising, and we'll talk a little bit about those pieces throughout the next half hour.

All right. But I think it's really good to remind and ground everybody, what we do here, we're as good as anyone in the U.S. And I want to talk about that piece, because we certainly have our gaps, but we spend a lot of money online. And predominantly, we all know it's digital today, and we do some brand advertising associated with that.

But I'm really proud of the increased in the spend this year, and I can talk about some of the channels specifically, we've unlocked some, not only some unique segments, but also growth in certain areas. But in addition to that, we've increased our margin, as you heard upfront from Doug and certainly Trent here shortly. So that is a phenomenal feat this year. In addition, what I'd say is, we both have leadership position in a lot of areas. So we've got the #1 brand in financial marketplaces online. We are the #1 impression share and click share provider within Google, and we could talk a little bit about that. We also have an improved customer relationship management experience. Now some of that is through, what you've heard with Jason and Sushil in My LT, but a lot of that is also, last year, if you remember, in the presentation I talked about the infrastructure where we're going to lay, by which we go back into market to appeal to customers for other products and services. So we've done a lot of work on that this year. And we'll talk some portion of that as well.

We've also leaned into mobile a little bit, because we have those 2 pieces. And then lastly, in Q3 of this year, as we were sort of laying the foundation for what we can do next year, we piloted our way into a My LT model, but also a new brand model, and I want talk a little bit about that. So you can see what to expect for 2019. So in short, what I would tell you is, we feel really, really good. We think we've improved this concept of the flywheel. And we've opened it up a little bit more through what we've learned in sort of higher level more reach broadcast advertising. And what we can get through existing customers. So we've strengthen this flywheel altogether.

All right. So diversification, obviously, is a big theme. I think everybody knows, we had about 70-plus-percent of revenue through nonmortgage products last quarter. I like to show this as an example, I mean, this probably isn't terribly foreign to you, but obviously, the dots represented here are the size of revenue of pieces of our business. And on the x-axis, you've got our VMD percentage or margin and y-axis, you got our revenue growth. This was the last year view. Now what's interesting when you look into 2018, the gray box sort of represents anything that I would say is high margin, call it 40% plus. The boxed area represents an area that's kind of 25% growth all the way up to hypergrowth of 250%. And so there's really 4 things I want to share this year, and I think a few of these you heard today. So number one, Doug alluded to this earlier. But we moved away from software demand businesses like mortgage and even at times in the credit card business. Number two, because these are such high margins businesses, we are able to throttle in to some of the nonmortgage products like we have before, and you could see some of the growth associated with the size of the bubbles. There is whole other area of other products, which were either new, meaning organic or acquired. So things like SnapCap, MagnifyMoney, deposit accounts that we had really nice growth with this year, purple represents one of those products. And then lastly now with insurance, you've heard the insurance story. We feel that there is tremendous synergies with these products and in particular with that company. There's a lot of things that we can do on that front. So someone had asked me earlier, I spent 5.5 years at Travelocity, and so part of my job was running the Travelocity business for Expedia, but also I did global rollouts on M&A. And we actually had diversification, but it was at really thin margins. Here, we have the benefit of really, really good margins. And so we can lean into a lot of areas and you can see how we can play with the portfolio altogether. So really good management of the VMD this year. And we've got a lot of room to play with some of these other smaller brands and make sure that we can keep powering through for better efficiency.

All right. I want to bring this up. Not to get too academic or professorial, but this is really -- I want to make this important point, because this was a message I gave to my team in an off-site in June of this year, and I think it really speak to some of the progress we made this year.

So it's hard to believe this book is 20-year-old, The Innovator's Dilemma by a Harvard professor, Clayton Christensen. And just to give a quick synopsis, one of his thesis points in the book was, "If you are a bigger company and an incumbent, you can do absolutely everything right and still lose market share." And the reason why that often happens is really twofold. So number one is, huge co, as he calls it or a tiny co. Huge cos often don't want to get in the business of smaller deals or smaller kind of revenue situations that, say, a niche or kind of an upstart will get into. That's the law of large numbers, there's quarterly pressures. And so oftentimes, they'll shy away from these things. The broader point, and point 2 is, oftentimes to reach new innovation, you have to fight through the downside of an S curve to get to the demand down the line. And especially being a public company, oftentimes, we're not willing to necessarily fight through what the downside of that cost may be to catch up to the demand later. The question around Credit Karma and My LT was very apropos, because, I think we found ourselves in that situation, I'm going to talk about that in a minute. But this was really relevant for our team because what I stressed was look, we need to do 3 things in the back half of this year with all the infrastructure we've laid and what we've done for people processing and capabilities, I challenge the team to do 3 things. I want us to maintain this idea of an incumbent strategy for what we do in terms of being the best pull marketing machine in the U.S. I certainly put us in that top class. Number two, I said, we have to now really start to get maniacal about customer needs. We did a whole needs, attitudes and behaviors segmentation, I'll talk a little about that in a second. And the number three is, we have to create and involve, create and evolve. We need to respond with new innovation, not just in products, but the marketing model to make sure that we're not leaving stuff on the table. So I think I mentioned last year, when had a conversation, because we were so accretive on television, it only leaves you with the ability to reach about 55% to 60% of the U.S. and you could only spend so much money. If you look at our competition, they will go out and reach 85% on any given week when they go to market, because they're not necessarily worried about making those dollars back in that week or in that 2-week period. So that's the type of disruption I wanted to urge and encourage our team to go figure out and I'm going to showcase some of that right now. But in turn, what I would say is, in my experience, I think if you go category-by-category, particularly across e-commerce companies across the web, I think the common dynamics on the winners are they have brand leadership in everything they do, they operate with an intense speed, and they operate with personalization at scale, I'm going to talk about some of these dynamics and each of the things we've done as well.

But lo and behold, what I would say is, the thing I'm really proud of and confident in this year is, we have now solidified ourselves as one of the best pull marketing machines in the U.S. possibly the planet. But now we've layered on this brand advertising and penetrated into other mediums like mobile and social, where we necessarily weren't as great as before, to where we can close the gap on some of the awareness and broadcast level to reach new audiences, but also engagement to make sure that we're converting at better fashion. So that's what you're going to see in the presentation today.

So today, I want to walk you through 2 parts. Part one is, what did we do in 2018 to build all this up. And then number two, I'm going to walk you to 2019 and how we intend to come out from a brand perspective. So let's get into 2018.

I want you to know that Doug referenced this earlier, this group is entirely anchored in our brand purpose. So at the beginning of the year, we set out and said, "Look, we need to understand the entire U.S. consumer landscape." We did what's called a needs, attitudes and behavior segmentation. We developed a point of view on that segmentation, including things where areas in which we were strong, areas in which we're weak and we did a number of testing, but the North Star of what we are trying to do is to help simplify financial decisions for life's meaningful moments of which we believe there are over 30 on average throughout people's lifetime, through choice, education and support. So in a lot of the communications you're going to see and Doug hit on them deeply earlier is, we believe that most people, the universal truth or commonality is that they want choice, education and support in their financial partnerships. So that is our North Star, and you will see that show up time and time again in our communications platform. This is what I showed you guys last year. So I said, fundamentally, we're trying to earn our way with our brand, be available and ready when consumers express intent to engage customers on the shopping experience and strengthen our relationship. So in short, we're going to cover basically 3 of these. I folded the middle part of the flywheel together, but we've absolutely improved the core flywheel execution this year, and I'm going to show you some data around that. In addition to that, we've strengthened our customer relationships, some of that through which you've heard of My LT, but also a little bit on the CRM front that I'm going to share there as well. And then while we didn't necessarily go hard in this year on brand, we did do some things to solidify certain positions across the web, but more importantly, we developed the infrastructure and the measurement by which we can go out to market, including a Q3 media test that was commensurate with the amount of spend we typically spend, but in a much more breakthrough fashion, and now we have sort of the data that suggests we can take this out nationally and so we'll share pieces of that. And I come back to, again, we've done all of this for sort of a brand lens, personalization scale and speed. And again, you're going to get data points along that -- along the way as well.

All right. So I would tell you this year has been interesting, because we have absolutely become a dominant player in the digital landscape. So when it comes to search engine marketing and display marketing. So search is, obviously, a vehicle that we use for the hand-raiser, it's a very high intent channel. In this case, you got someone typing in personal loans, I can tell you that across all the core products which you'll see here in a minute, we have a #1 position on impression share and click share, and we execute over 1 billion impressions a month by which we see or gain exposure, and we actually execute about 100 tests in any given month from a bid and lending partner -- a click, copy click on landing page perspective, but also our bid algorithms, which are proprietary and being constantly refined. On display media, with a lot of the Facebook stuff and Google and privacy and regulation, we saw a little bit of turbulence this year. We're still leader in this category. We're the 11th largest display media in the U.S. and the 28th largest display media company in terms of mobile in the U.S. and that's backed by Pathmatics in Q3. So still a very relevant player in that area. Social media, we absolutely cracked the code this year. Last year, we were predominantly 98% of what we did was on Facebook. This year, now we penetrated Twitter, LinkedIn, Pinterest, obviously Instagram, and we've got much more targeted on a mobile perspective and a much more targeted user perspective. That's been a big vehicle for growth particularly for some of our nonmortgage and other products this year, roughly 13% of all advertisements on the Facebook platform go to us in the financial services landscape. So only Intuit, I believe, is higher. And they're usually indexed heavily more in Q1, Q2.

Content marketing, I think we referenced this on some of the recent calls and conversations. We forged a very unique and strategic deal with new sites, such as MSN and CNN. So they have, if you look below the fold, these are representations of what's called these bins, that they would typically sell to advertisers. We have a strategic deal where, in essence, we can fill these bins at 100% and that first right of refusal who goes in there. And we're starting to scale that today, but the role it plays for us is, I go back to choice, education and support, this is a hugely beneficial education outlet for us. In addition to that, we see over 90 billion impressions. So later on, when I talk about some of the CRM aspects, we have a lot of people click through and even though if we don't monetize them immediately, some of the things that we're doing is that we're capturing the signal to write and understand who these people are on the database, not just in the shopping part that they're seeking out, but also how we think they are from an inferred perspective down the line. So this has been an excellent vehicle for us.

And then just thinking about the sort of brand and speed, Nick Clements for MagnifyMoney here has absolutely raised our game in authoritative content. I don't know what the number was last year, but it was nowhere near 300 and growing. He's got an unbelievable shop. It's purely authentic content based on what is happening in the marketplace with demand today, we use that not only in the Magnify site, but also on LendingTree and we try to get it into some of these media partners sites as well. Speed, we execute thousands of tests per month banner, copy testing and I mentioned even the bid algorithms are of each of these channels. And then lastly, personalization. I think last year at this time, I told you per profile, we had about 100 data elements were capturing on each person, it's now over 300. And we'll -- you'll see how and why we do that here in a second. But the whole idea is again there's some type of true personalization and the experience and tailor the experience so that we can get the engagement and eventually some monetization event with these customers down the line. So a dominant player in these areas.

Really quickly in search. This is a look at, it's Google data. The green line is ours, the orange line is the top 5 next competitors on average, even when you splinter apart that average, I can tell you we have the #1 leadership position. This is on impressions, but the same holds true for click share.

Home purchase, we've maintained our lead. Home equity, we've maintained that lead as well. Anytime you see these little dips here and there, we do what's kind of called keyword pruning. We have to get the profitability balance right, but as Sam and others alluded to earlier, we're also trying to make sure that we're keeping the cost per funded loan down and the health of the network in the good place as well.

Personal loans, we see the same thing. Had a very healthy lead this year. Some account restructuring led to that dip. And then our credit cards, that is a hugely, intensively competitive environment. So you got the likes of Credit Karma playing in that space. Certainly NerdWallet, you've got the banks, creditcards.com. We have a #1 position, if you were to splinter apart that orange line, there are times when we do lose that position. It's not that frequently, but it's very competitive. We've got some work to do on this front and we think we can get more. But the great thing here is not only have we made the #1 position. Sam talked about the test we were doing on RULO, on a percentage of traffic, one of the things that we actually made a point of emphasis in the back half of the year was we wanted to garner those My LendingTree sign-ups, and you'll see a little bit of that. But when you do that, you do introduce a little bit of a friction into this process. But point is #1 leadership position across all these products. Impressions and engagement continues to improve. So our number of impressions have risen almost 40% year-over-year in large part to what I talked about the growth in social media. But also the growth in the content marketing, so just great marketable events, as Doug likes to. Our total targetable users is up, and this isn't one of those things where we shrunk the denominator either, this is on our entire database. So this is defined as whether we have one attribute where we feel we can go back into market and target them and/or more and this is something we pay a lot of attention to. So I think last year I talked about our whole continuum here is around the CSAR methodology of going to market, Collect, Segment Align and Respond. And so we are in collection mode all the time for meaningful data, not just shopping data, but pieces of information, which we can use some inference to get machine learning in our model, but that's risen by 21% as well and you're going to see that that's helped the take rate on some of the QF engagements down the line. And then lastly, in spite of all that lift, we've seen about 9% reduction in the cost per acquisition on these digital channels. When you break that apart, that's in large part because of the big price discount that we've gotten for all those impressions, 30% less and about a 3% lift in conversion. Now I want to stress, 3% may sound paltry, but you got to consider a couple of things. Number one, we're up in a very difficult environment in mortgage. Number two is, we saw about 6 to 7 point swing from desktop to mobile, which always has less conversion. And number three, with RULO and My LT, particularly out of the gate, we actually had lower conversion. So 3% in this environment with that much more impressions is very, very impressive in what we see. So really good momentum there, we expect that to continue as well.

And in terms of tailoring the message in understanding the signal and data, I just want to give you guys just a quick example of how we do these things. So I'll talk about this in a minute, but we have a view on segmentation in the marketplace. So we believe there's about 7 different types of profiles of customers in the U.S. And we gearbox them into kind of what's their view on time to close in a mortgage, how frequently do they shift on credit cards, et cetera, et cetera. But when we go out to market, in the instance where we know somebody is shopping or in market for personal loan, we might go back at them normally, with just sort of kind of a generic personal loan test, and we're -- to the democratic maybe switching to accretive A, B. Now we're starting to use the insights from the segmentation to actually put in the proper copy points. This is a real test that was statistically significant and one not only against each other, but also versus the control. But segment A is a segment that absolutely at the highest end values, ratings and reviews. We're sticking ratings and reviews message in front of them. Segment B, doesn't necessarily care about ratings or reviews, but they want a personally thought through well-defined site. So that's the type of message we put in front of them. If it's overlapping behaviors, we -- the insight on loving to try something new first. We switch to copy up versus, say, instant gratification that is a different copy and then the mortgage refinance you can see the same thing. Down below we just put a control messaging for this segment B. But segment A absolutely values. They love to comparison shop and they have no problem starting the process just to see what they can get and no problem even talking to people on the phone. So this is just an example of all the iterations now we're starting to put forward, this is -- been all new in the last 3, 4 months. And we're trying to make sure that we refine the copy points that meets the needs of what we learned from that statistically significant survey basis and A, B segmentation.

All right. So My LT, this is will in part answer the question that we talked about earlier. So in the back half of the year, we had some good growth for My LT that Jason and Sushil covered. But we said, we have to find a new model here and about talk about why in the economics. So we said in the mobile experience, this is an example, where we put a smart banner out, front and center to download the app. In addition to that, Sushil and Jason did a great job of getting the rank up in the iOS and Android stores simply by playing on the word free credit score. So we did those things, also we worked in our form flow environments, particularly in auto and some in mortgage to accelerate the adoption with an opt out fashion in that blue box there, in our content areas we start to really proliferate, where we could get more sign-ups.

The main thing here though is we actually started putting more money into this. So in the past, we had a very limited spend and I'll showcase to you example how we did that. I think you guys went through a bunch of metrics on My LT, this is just one example, but I think we're pretty proud of passing NerdWallet, and we know we have a long way to go on Karma and Sesame. But here's the key point, in the past, if you look at the bar charts to the left, all we were doing from a paid perspective was essentially going into Google and looking at campaigns around free credit score. And when you do that, there's just not that much scale. Worse than that, you see the economics here. The RPU in green is just not that high, and worse than that, the cost to acquire that customer is higher than the RPU. So not that great. And by the way, when we got those customers, we weren't necessarily getting the best matching scores nor the best credit scores of those associated customers. We were leaving a lot on the table. What we decided to do in over 12-week period in Q3 was let's put some money into this, we went into Google universal app campaigns, we went into the Android and iOS download stores. We actually went to movie theater marketing. We actually gave a nod to My LT in some of the TV spots. And that's what we saw. So we saw a big uptick in sign-ups and in app downloads. And we saw them at mostly breakeven unit economics, we're slightly off. So what's interesting about that is look at the big difference in value and these customers, and we're just sigh of really breakeven on what these customers can do. We're optimistic we are going to close this gap for a couple of reasons. Two of the big metrics we watch is second engagement rate and third engagement rate over a 90-day period. Both those metrics are climbing or continue to climb. And so as we do that, we're going to continue to close this gap altogether. So what I would say is, this is a great example where we absolutely disrupted our model before we won't even attempted this. We just said, "Yes, we're capped up. We're going to do what we're going to do." And that's why, I think, you see such a big lead in the past from, Karma and Sesame, we now have a model, and we -- also the focus area on the gap, we have to go close by which we can put some sizable investment in here. So feeling great about this, particularly as we're lined up next year for a much bigger brand investment and this would certainly be part of that.

All right. So that gives you a sense for what we did this year in 2018. So 2019, let's talk about that and get into it. We've laid the foundation, and we're now at a point we're ready come out with some brand advertises. So let's talk about the starting point. Starting point is, we know we are #1 marketplace brand. We also know it's a low penetration category, we have the best monetization. We have extremely high aided awareness. So if people our brand, fantastic. But low unaided awareness, kind of low single digits, that's a great -- that's not a great place to be, but it is good, because I sort of cited and said, dominant brand, where once you start advertising, because you have such a high aided piece that can actually climb quickly. Our consideration today has been known as a mortgage product loan. So we're going to ship this idea of mortgage to a full marketplace product for credit, and deposit and insurance products. And as I mentioned last year and then earlier, because of the nature in which we go to the market, in essence, we've only been reaching about 60% in the U.S. And so if you look at our competitors set, they actually go out and market to about 85%, upwards of 88% of the United States. We can close that gap.

So what we did? I talked to you about, we went out and try to understand customers through needs, attitudes and behavior segmentation. Once we have that in place, and once we put together an infrastructure where we want to collect data on these users and then try to infer other pieces of data, we can write to our database and environment with some statistical significance at a balance sheet style scorecard every day, who we think they are and if we think we're winning share. But we want to go out and say, "We really needed new positioning, hierarchy and new purpose." So in the summertime this year, you probably saw the new logo. We're going to talk a little bit about that and what that did for us in terms of performance. After this, we said, we got to have a whole new go-to-market model. I mentioned to you in the past, typically the formula was we go buy cable television, we buy it every week, it'd be 50 to 52 weeks out of the year, and we try to make it as profitable as possible. Again, the challenge is you can only spend so much money when you do that. And then lastly, we've got all new measurement and collection mechanisms in place both from a short-term perspective and a far perspective. And we're trying to learn more and more about these people that come in to make sure that we're winning those 2 segments of the 7 that we desire as well as any other segment that comes in the door. So we really feel like we've got -- we've got now a model in place and the infrastructure to act fast to make sure that we're getting this kind of brand leadership position and then ultimately getting message -- messages that personalization and scale provided we don't win on that first engagement.

Okay. So now I just want to show you this really quickly, and then we're going to blow in to some of the stuff you're going to see on air. So when we did this understand the customers, the good news is there's a commonality across all of them and that they're all low penetration. This is a massively low penetration category. And there's low unaided awareness for our brand. On top of that, this group loves the comparison shop, and they will shop for loans online, and they like the My LendingTree product. So there is huge upside here in this area, just for these customers alone. There's hundreds of these dynamics in here, but I just want to give you a flavor of what I call kind of gearbox attributes that we look at and how we start to write, scoring with predictability of the database. But as an example, if you look at the blue segment. This was the one I was talking about earlier that suggest they like to start a loan process, just to see what they can get, whereas the green segment does not and ratings and review are particularly important for the green segment, whereas the blue it is not. So we look for these type of differences to make sure that we're messaging properly not only on advertisements, but also what we do inside of our own merchandising and CRM environments.

And what we've learned is over time, and certainly, the model in the machine learning has helped, this is an actual curve of QF completion rates, conversion, if you will, at deciles of predictability. So as you can see, when we start to break sort of this 80%, 90% range, we're getting up into the 10%, 20% spectrum. Now what's great about this is, when I had this conversation last year and even in Q1, Q2, if you were to look at the weights of our people in our database and these predicable scores, they would've been 0. Now we have people that were going to add significance into these score and into these containers. And I would tell you, we actually had a sizable portion going into kind of the 70-plus confidence in the predictability score and more. And so the idea is to make sure that we can understand who they are and get predicted with them and move more and more of these people down the line and then most importantly, get them back in and reengage them, so that we can actually get some monetization of that. But we've done a number of things this year as well beyond just building this type of infrastructure. We've added auto login for people who return, that's been a huge lift in terms of engagement. We've added SMS messaging in the consumer life cycle. I think Sam may have touched on it on the RULO experience, and certainly, we've increased the targetability as I referenced earlier. But all in all, what -- why I'm showing this to you is really for 2 reasons. I talked about that awareness gap upfront. We've got very low unaided awareness. We also have consideration where we're viewed as a mortgage product. I'm very confident, particularly with some of the media testing that we did. We can move from imprinted as a mortgage product to a loan marketplace product with the new communications coming out. In addition to that, consideration and usage is a metric that we're looking at as we go into market, I believe we can close that gap too because once we get an understanding of who these people are, we can engage them far better than before. So those are 2 of the gaps that I pay attention to in terms of the investment in which we're going out with. And I think we're going to do a nice job based on the data getting them back in.

Really quickly, we launched this new logo mid-year, and I'll tell you, I'm excited on a number of fronts. So this is just a spider chart. Some of the fluffy stuff that brand marketers look at from a functional attributes and emotional attributes perspective. I can tell you, we tested about 20 different logos before we chose one. This one far and away superseded all the other logos. But just to give you a sense of the old logo versus new. It's a pretty sizable gap in terms of stylish, memorable, unique on the functional attributes. On the emotional attributes as well, it's far more trustworthy, unique, empowering. Here is the other thing that's really interesting, when we looked at it from a socioeconomic perspective, so not just age but demographics, the one thing that really jumped out, this logo beat on all dimensions, but the one where it had the biggest gap and win in terms of consideration and usage for us was millennials. And that's an area that I felt that we were little softer exposed before. So a younger population basically said that they would engage us and use us more than ever when they were exposed to this logo. Better yet, when we get these things in marketplace, so we don't just like to kind of get the survey data, we actually like to test these things in marketplace. This was a particular test, it is not every test in whole. But I can tell you this is very consistent. This new logo is actually helping us in performance. So we're actually seeing anywhere from 2% to roughly 10% lift versus what we had before anytime we put these out in the marketplace. That is not usual. Anytime I see is -- see companies launch new logos, including the ones I've done before, you typically see a little degradation. This has got an immediate impact for us right way. So I stressed this earlier, I think this now particularly with some of the communications is going to move the imprint of the brand away from mortgage into marketplace altogether.

All right. So we've mentioned that we're going to come back here, come back on air on television, next year, I would tell you that we're going to do a bit more than that. This is -- these are some of the spots that we will run this year. And so we're working on a whole new campaign, but I'm surfacing these because we had a lot of learnings from these. So we've had -- our Doug led the spots. I see him talking out there, strapping young man. Doug typically registers as someone who's highly informational and highly trustworthy. But when we look at other things, he doesn't necessarily breakthrough as entertaining to say, Lenny. Lenny can breakthrough and draw your attention, but then he struggles a little bit on brand linkage and sort of that trustworthiness element. But what I love about the lower left spots is, these are what I call kind of animated spots. If you look at -- if you pay attention to kind of cable TV, there's a lot of these spots they'll come up with the graphics, they're very easy to produce and get them on air rather quickly. These register really high in the prescriptive understanding of the product, but leave a little bit to be desired in terms of usage as well as sort of the front-end consideration. Ballet Shoes was a spot that we launched in Q3, in 10 markets, so you may not have seen this one. This was more of a journey storytelling kind of a first iteration of what we would do with the brand. It was mostly home products based meaning, it's about a family, who got a mortgage and did refinance and then we also expose My LT. We did another one, which you'll see here in a minute around personal loans, but this was meant to be a little bit more holistic to what LendingTree can become. But we learned a lot about these through the years, through the past year, and what I would tell you is, we're probably going to net somewhere in between on this new campaign between, this bottom right one, Ballet Shoes and Doug more testimonial approach. And I'll tell you why here shortly, but you can expect this year we're going to come out big with a campaign. TV is going to be a big part of the arsenal, but so are emerging formats. We'll do podcast, we'll do some content marketing, but we're going to have a whole fulsome view of other things that we can do just outside of TV, TV will be a big part of that obviously, but there's going to be more to the campaign beyond that.

Really quickly, so I mentioned a few of these dimensions in terms of what we look through, but in my experience, and I've seen this in a lot of investment banking papers and I've seen this certainly in the travel category, and I did 7 years of study on this and I'd be happy to share more after or even tonight. I have found the most impact, near-term impact to happens when you can lift usage and consideration in your studies previous to go into market and also aftermarket, when you're measuring those things. So as consideration and usage go, you tend to see commercial visitation right thereafter. So that's sort of the back end of the equation and the nirvana breakthrough. But it starts with do you have a communication and advertisement that is at least memorable, then can you get someone -- have it memorable and linked to the brand, will you trust it? Do you find it relevant? Is it communicating the value proposition? So we have this new campaign coming out called, may the best loan win. It's an evolution of when banks compete, you win. And I think, as I mentioned earlier, what you can expect is imagine someone like Michael in the story that Jason and Sushil just told, Michael would be someone front and center in that campaign, talking about his journey with all of our products, not just a particular product. So that's a type of wins we're trying to come out with. And we also want to be holistic to a number of different products. If we go episodic and say, 15 seconds spots in that manner. We tested a number of different campaign concepts. And here's what I would tell you. When we looked at may the best loan win, this register quite nicely. The challenge was when we looked at other campaign concepts, they did as well. This is where we started to get separation. These concepts, when we put them through what's called an animatic form, so basically, you can do sort of a rough cut of a spot, and you seed it to a bunch of audiences particular our target segments, and we were getting marks that basically suggested yes, it clearly communicates a value proposition, and it's a product that I would use and consider altogether. I'm going to show you a couple of examples here in the second.

All right. 2019, what can you expect as I wrap up here? So in January, high demand -- this is a high demand period for personal loans and credit cards. So this is a spot we actually did run in Q3 ,and I'll share some of the results here. We're going to come out with it again in January, because the new campaign we're going to launch is not going to be ready till about late February, early March. For the first time ever too, we're going to build a CompareCards brand. And so you can imagine maybe down the line, QuoteWizard would be a fast follow. But the CompareCards brand is obviously high growth, high margin and what I love about this business is very little direct traffic today. So I think this is something where we can create some buoyancy for their direct visitation and I'm going to show you that spot here in a second.

What's going to be different? So we talked about the starting point, the big thing is again, anything we did in the past really only hit 2/3 of the U.S. at best. But we're going to have an all new communications platforms and Doug talked about choice, education and support, I mentioned it earlier, everything we do will have sort of the end benefits associated with that include in My LendingTree, whether it's a singular spot or part of the spot, but it's all going to be under the campaign thematic. We have not been -- we have not employed, say, 15 seconds spots as much as we probably should, it's very economical. So once we seed the marketplace with the idea in 30 seconds spots, we can get a lot more efficiency out of 15 seconds spots. So those are coming down the line. You'll hear this term omnibus marketplace position. Omnibus means all of our products. So not just mortgage, but all of our products you'll see play out in some of this communication, a multi-brand approach, which I just talked about, breakthrough media weight. So the strategy I described earlier was around 60 to 85 gross rating points. If you don't know what that means, we can talk about it later. This is going to accelerate that to 100 and beyond. And the reason is when we look at it, we saw breakthrough impact on revenue in QFs when we'd go out and do those things. We can do that because we're going to pulse it in on a market. We're going to go every 3, 4 weeks. Come out for a few weeks. 3, 4 weeks come out for a few weeks and not stay on all the time. And then we're going to have campaign communications beyond TV as I mentioned.

Why we have confidence in this? When we executed this test in Q3, what we saw was visits were up against control markets for the same 12-week period versus a prior 12-week period, up pretty well on direct, but revenue was way up. And then more importantly if you look down below, our Google brand search has skyrocketed. Absolutely skyrocketed. So we had a lot more people with intend to come in through a brand SCM and revenue went way up as well. So as we begin to pour these dollars, what I'd tell you is we feel really, really good about the outcome of the numbers and these are all that baked into the plans for next year. And we've built this for pliability. So as an example with these 2 spots as we go into market, I can pull in and out as need be on any given quarter basis. But let me show these 2 spots really quickly, and then we'll wrap up.

(presentation)

Bradley E. Wilson - *LendingTree, Inc. - CMO*

All right, so that's the 30-second spot. Yes, I necessarily love the word hate at times, but there's a bunch of alt lines, so that's meant to just give a quick hook on this idea of credit card and they pull people in. A couple of other things here, we got some product shots in there, you probably knows it was quick, but at the end you'll see comparing it rolls over a bunch of different situation whether it's miles, perks, loyalty rewards, low interest rates was not in there, but that could be another one. We're trying to get people to understand that there is a lot of different options for cards and a really high demand up here when people switch cards. I skipped over the personal loan spot in the interest of time, we'll get that out to you guys, it's in market now you can see it anyway. But we're excited about that spot as well and included in the new campaign coming in March.

So I'll close on this. Everything you see is going to come anchored back to this, this is the North Star for the group. We love the platform and position, by which we've come through for this. We've laid the groundwork. Hopefully, you've seen today that we've gotten better on the core flywheel execution. We've also strengthened the signals and collection of data we get back to make sure that we can go back in markets from the CRM perspective, and we've actually built the brand foundation for going out next year in a much bigger way than the company has in the past.

So thank you very much for the time. I'll be hanging out at back and look forward to talking to everyone later. So thanks, again, everybody.

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

We've been waiting for, while Trent is coming up here, I'll brag about him a little bit. Trent's been with our company 5 years in Investor Relations, he was wearing out a lot of shoe leather with me years and years ago, as we were trapezing through all your office. He is now our Treasurer, and he also -- thanks to you all, runs the third-highest and he's always embarrassed when I say that, the third best-rated IR program. So with that Trent give them the good news.

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

All right. Average at its finest, I guess. Look, thanks everybody for coming. I know it's been a long day, but I personally really appreciate everybody being here. Obviously, the team puts in a lot of hard work for this. And I think we're unique as a company our size because it needs to do these every year and so -- yes, I think we'll keep doing as long as we have something new to tell you, so hopefully you found today useful. And then my goal here, before we get into Q&A, with a Doug, Neil and J.D. is just to put a little bit of financial context around everything that you've heard today, some color around what we've done in 2018, and then some further context around what we expect to do into 2019.

So in an effort to be -- to hold ourselves accountable, we always like to look back and measure ourselves against what we've committed to in past. And so if you look back to what we told you 1 year ago today, right, coming into this year, we had a little bit of a tall task ahead of ourselves from an IR standpoint, from an expectation setting standpoint and that we were coming off 3 straight years of 50%-plus growth in terms of both revenue and EBITDA. And 2017 was a truly exceptional year and so we had a tall order managing, I think, the step down from 50% -- plus growth to something less than that. And so we set the bogey at about 30% coming into this year in terms of both revenue and EBITDA. So how did we do? All right, we said robust top line growth would continue. Year-to-date, we're up 23%. I'll call that robust. We said mortgage would grow 10% to 15% this year. Obviously, we missed the mark there. I think, we came out of the gates pretty strong, we grew the mortgage business 17% in the first quarter of this year, and then things have gotten a little bit tougher since, admittedly. We said the nonmortgage businesses would grow in excess of 35%, and they have. I think year-to-date our nonmortgage businesses collectively are up 47% this year. And obviously, we feel good about that and the diversification of the business has been a continuing theme as we progress throughout this year. We said we were going to manage the market share growth. Our philosophy and the way we approach the business is we want to drive this market online as fast as we can in a way that's profitable for the company and provide shareholder returns. In terms of the margin profile, we said 35% at the midpoint. We said it could range from 32% to 37% on this year and, obviously, we've trended towards the higher end of that. As a result of a couple of things, like we said, we were going to get more contribution from higher margin channels like SEO, like more contribution from My LendingTree. And clearly, we have gotten some of that. We've also benefited just from the sheer mixed shift in the business, right? The businesses that are growing faster are higher margin business for us, and you saw some of that in Brad's presentation. On this last point, I'm going to give us a yellow light, just -- which is to say that we have seen margin expansion this year, that was not the goal, that was an output and not an input, right? That was a function of the fact that we did dial back some of our paid efforts around mortgage. We did dial backs some of our branding efforts. But we'll take the margin expansion, we like that flexibility in the model and obviously, that's enable to us to deliver on the commitments that we set out beginning of the year. As it relates to the rest of the cost structure, sort of beneath paid marketing. I think the one thing to call out was that we intended to hire a lot of people this year. We have. We've nearly doubled the headcount base of the company from just over 500 at the end of last year to just shy of a 1,000 today. And some of that is through acquisition and otherwise, but we also noted that we would have the flexibility to manage that responsibly, if the top line trends didn't continue, and we did that as well. So we actually hired substantially less people. In terms of the core LendingTree business, we hired fewer people than we intended to at the beginning of the year, and that was all in an effort to be nimble and manage the business and deliver on that $145 million to $150 million of EBITDA that we promised a year ago, right? And so we said just, EBITDA will grow 30%, it will.

So since then, I want to kind of just put the year into context in terms of what we've communicated since. We put those numbers out there and after a really strong Q1, we reported that in April, we maintained our guide for the year. So despite, I think, beating our original expectations for the first quarter, admittedly we started to see some of the trends that have affected our mortgage business coming into play a little bit more, right? And so we weren't in a place to raise guidance, we were appropriately conservative in hedging our bets as it related to the mortgage business. Shortly after announcing Q1 in April, we announced the acquisition of the Ovation Credit Services business, which was not terribly impactful to our financials this year. And then just before announcing Q2 earnings in late July, we announced a Student Loan Hero deal, which was a little bit bigger, admittedly, than Ovation, but I think the bigger take away coming into Q2 was obviously the mortgage headline started to show up, right? And so we admittedly had to trim our full year revenue estimate fairly meaningfully. That said, we were able to maintain our commitment to growing EBITDA 30%. We upped our guidance on EBITDA to reflect the impact of the Student Loan Hero business.

And then moving into, obviously, the most recent quarter, we layered on the impact of 2 months of QuoteWizard, right, for November and December. And by and large, we didn't change guidance other than that. And so, as you think about what we committed to a year ago and what we're actually going to deliver, yes, we missed the revenue number a little bit due to headlines and mortgage, that surprised us. But at the end of the day, we're well on track to deliver (expletive) near what we promised 1 year ago. And at the bottom, I guess, just leading into the next talk point here, we did -- we are giving you a little bit of under the hood here in terms of what the contribution from the acquisitions has been on where we're sitting from a full year perspective today. So of the $770 million of revenue this year, $35 million to $40 million of that is admittedly from acquisitions and similarly on EBITDA, about $8 million to $10 million of the $152 million to $155 million. So, at the end of the day, we deliver on what we say we're going to deliver.

So speaking of M&A, you might recall from last year, we did a pretty detailed look at the CompareCards transaction 1 year later. We announced that deal in November of 2016 and we went into detail about how it had performed and the results on that were fantastic. That turned out to be about a 4x EBITDA transaction on a 1-year look back basis. And so as we've been more acquisitive, we've gotten into the discipline of doing the same thing with our Board of Directors. So we've done these deals. A year later, we go back and review them with the Board and do a postmortem and think about what went well, what hasn't gone well. And so I wanted to share some of the highlights from those as it relates to the deals that we made in -- or companies that we acquired in 2017.

So DepositAccounts and MagnifyMoney, we acquired in the Spring of 2017 and we announced them within about a week of one another. We actually announced the Deposits Deal first. That said, we probably would not have done that deal if it wasn't for the MagnifyMoney deal. With Magnify, what we got there -- Nick Clements is in the room and was the founder of that business. What we got with Nick and his team was really a launchpad for our ability to scale SEO across all of our businesses. So, to more SEO for the LendingTree business, but also the CompareCard business, the DepositAccounts business. The Student Loan Hero business is very content heavy business. And so Nick runs all of those efforts. And what we've seen is, revenue from SEO has more than doubled over the course of the last year, and now accounts for just shy of 10% of our overall revenue, but it accounts for nearly -- for more than 20% of our contribution margin, right? And so that's having a huge impact and you're seeing that start to be reflected on our margin profile. It is a positive accounts business. We really like that business. It's a small business today. It's more than doubled in just a short year since we bought it. That's a business that gives us a little bit of a hedge as rates go up. Obviously, that business is expected to perform better. And then finally, the SnapCap business was an effort for us to scale our capabilities and our lender base in the small business arena. And again, since that deal, we've more than doubled the VMD from the small business segment, and so we're thrilled with where we sit there.

So going on a little bit further on the M&A theme or just the balance sheet more broadly and how we think about it, if you go back and you look at the trajectory that we've been on, I think it all goes back to kind of late 2015. At that point, we were just shy of a billion dollar market cap company. I think we had 2 analysts covering us. We did an equity raise. We raised $100 million of about $115 a share. Now, despite the fact that our stock subsequently tanked for no good reason, in February of the following year, to about $70 and we used half of the proceeds from that equity raise to buy back stock, which turned out obviously to be a good trade, by and large, that deal enabled us to execute the CompareCards transaction. And I would argue that, that transaction has really been transformative for the business, right, and you can look at the inflection on the acceleration that we've seen in the business since then. Along the way, I won't read all of these to you, but along the way, I think J.D. has a good job of explaining that for a long time we had all the disadvantages of being a public company without any of the upside. What you're seeing from us now is that we're getting the advantages of being a public company, we have the ability to access capital markets very efficiently and then deploy that capital in a way that's obviously creating value for shareholders.

So sitting here today, right, we've got -- we're a little bit lighter on cash than we have been post the QuoteWizard deal, but we still got $225 million of revolver capacity and so we've got plenty of dry powder to continue to execute deals. We feel very comfortable with the leverage that we have, and so we're in no way precluded from continuing to execute the same strategy. So as you think about how we approach the balance sheet, right, A, we generate a lot of cash as a business and all of the companies that we acquire generate a lot of cash. We're very cash flow positive. The number one objective here is to make sure that we have the flexibility on the balance sheet to be able to execute on these M&A deals when we see them. Like when we see things that are attractive, we can execute on them without much pain. And what kind of deals do we want? I think we've had a pretty consistent track record of buying well. You want companies that are good operators, that you can find at reasonable prices, that can truly benefit by plugging into the LendingTree platform. And then finally, as it relates to our philosophy towards buying back shares, I think if you look back beyond, call it the last 18 months, we were very opportunistic. If we felt like the stock was overly cheap, we bought a ton of it and we didn't buy much otherwise. More recently, we've gotten a bit more disciplined and more consistent and thoughtful about our approach, particularly after the convertible deal that we launched in the spring of 2017. We want to be more mindful of dilution, and so our view is we have a view of the stock internally. We solve for an IRR over a 5-year period that is meant to exceed our cost of capital and that's kind of the benchmark and we put a grid in place that enables us to buy at those levels, targeting about 50% of free cash flow. And if the stock is irrationally dislocated, we think that return is much greater, we'll be a bit more aggressive.

So, what does that bring us into, into 2019. Look, we guided for 30% growth last year. We're going to guide for about 30% growth this year. The business is approaching $1 billion in revenue and we feel really good about that. So how did we get to that 30% growth. Admittedly, we expect the mortgage business to -- is likely to be down next year. And I want to square that with Doug's comments from the most recent earnings call where he said mortgage should grow significantly, right? Look, Doug is looking at a business that was at $73 million in the first quarter of this year. Subsequently, it went to $66 million, to $55 million, and it could get a little bit lower than that in the fourth quarter, as it typically does. He's looking at that and saying, yes, obviously it's going to grow from where it's at today and we believe that it will, now how does that translate into year-over-year growth. It's hard to take the business from the scale that it's at today, to back to where it was just 3 quarters ago. So we think the mortgage business is probably down meaningfully in the first half of the year and starting to get back to positive territory as we head into the back half of next year.

We think the non-mortgage businesses continue to grow at a really robust pace, 20%, 25% plus and then obviously we're getting some benefit from the insurance business and we think that can grow 20%-plus on a pro forma basis.

Again, from a margin profile perspective, not much change from what we've seen. Obviously, we are going to be spending more on brand, and so the return on that will be less than media, but we think over time we can manage that such that it doesn't materially affect our margin profile.

And finally, adjusted EBITDA growth, once again of about 30%.

So hit on this point a little bit more. The growth rate's here. Obviously what you've seen is the deceleration in the mortgage business has weighed on the growth profile of the business overall. So we're down to about 15% of growth organically.

Look, naturally, in the same way that we have decelerated this year, if we're going to get back to 30% growth, you're going to see acceleration throughout the cadence of next year, right? Sequentially, you should expect the business -- the growth rates to get progressively better as we head into next year. And so the comps are a little bit tough early, mainly because of the mortgage business, but, B, as we think about deploying that brand spend -- we're not deploying that brand spend to solve for optics of growth rates or otherwise. We're going to deploy the spend when we think it's most effective. And so we'll spend just as much in Q1 as we will in Q2 and Q3. My point in saying that is that it will impact margins more early on than it will later in the year, but that's okay. And then finally, from an OpEx standpoint, we've done a lot of hiring, as I said, throughout this year, right? And so we're going to bear the brunt of that as we head into next year. We think the hiring slows a little bit until we'll start to get more leverage from the fixed piece of the cost structure as we exit next year. And so I think the big take away here is expect growth to be accelerating throughout 2019.

And finally, again, right, just back to the theme of accountability. Look, we laid out -- 2 years ago from today, we laid out a set of 2020 targets and the point of that was to put what we were expecting -- at the time, 2017 was going to be a little bit of a slower year because we were preparing for mortgage rates to start to affect us earlier than they ultimately did. And so we put out a 2017 guidance in the context of a longer-term view that said that we would get to $800 million to $900 million of revenue by 2020 and $200 million of EBITDA by 2020. And so I'll just leave you with the fact that, look, we're a year ahead of schedule on that and so as you step back and you kind of put everything into context, like we continue to meet our commitments. I know this year has felt a little bit turbulent with the mortgage headlines, with the stock reacting the way that it has, but at the end of the day, if you go back and you put all this into context, we continue to deliver on our commitments, we've still got a business that's growing 30% a year and we all feel really, really good about it.

So with that, we'll move into Q&A.

QUESTIONS AND ANSWERS

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

By the way, we have a handheld mic. So if you have a question -- do we have more than one, we got a couple more. Just raise your hand if you got one and then whenever you get a mic, fire away.

Mark Stephen F. Mahaney - *RBC Capital Markets, LLC, Research Division - MD and Analyst*

Mark Mahaney at RBC. First, can you talk about, you just made this big play...

J. D. Moriarty - *LendingTree, Inc. - CFO*

Can you hear me now?

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

By the way, they're looking for mics for the webcast, that's why you all are getting mics.

Mark Stephen F. Mahaney - *RBC Capital Markets, LLC, Research Division - MD and Analyst*

Okay, Doug, J.D., Mark Mahaney at RBC. Two questions. One is, you just made this big play in the insurance vertical, and you think about the portfolio of verticals that you're in, are there still 1 or 2 missing pieces or do you feel like you're in all the consumer finance verticals you want and need to be in? And then secondly, it was kind of a question for Brad, but I'll ask you. On the marketing side, just talk briefly about your ROI on Google over the years, you think that's been relatively consistent? And what about the social media thing? Has that been working out for you in terms of marketing efficiency to Facebook?

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

So in terms of other verticals and then I'll let these guys talk marketing, there are definitely other verticals, I don't want to go into them, but there are definitely some adjacencies that we could do and they're going to run through our process just like everything else, but the strategy could continue.

Unidentified Company Representative

So what I would add to that is, don't even necessarily think new verticals, think adjacent verticals. So think QuoteWizard with SnapCap. So we've now got the ability to offer a small business insurance product through a small business lending platform that we already have. So I think what you're going to see is a lot of focus on, we've done a bunch of acquisitions over the past 24 months, how do we get all the synergies across them and really exploit the platform. On the question of social, I would say it remains an opportunity. It certainly is a pocket of consumers that we could definitely tap into. I will tell you it's one that has not been unbelievably successful to date for us, but Brad and the team are working very hard on cracking the code for it.

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

Next question. Yes? Whoever's got a mic, sorry. Eric, Eric. Either way. Jump off. Go for it.

Unidentified Company Representative

Go ahead, Eric.

Unidentified Analyst

Just a couple of questions. Can you -- for the 3 biggest products, can you help us understand their relative margin profile and what is the margin lift from My LendingTree sale within them?

Unidentified Company Representative

Sure. let me start there. And the one that stands out for the reasons that were cited is personal loans. And while we don't disclose individual margins, personal loans is the business on the platform that benefits most from My LendingTree. It is very aligned with My LendingTree. You can see how there's opt ins are dominated by personal loans and then the activity and the revenue attribution certainly is as well. So in the second and third quarter of the attributed myLT revenue, 65%, 70% of it is associated with personal loans. It's also a very responsive product. So it's getting the most organic traffic and thus it has the highest pure margin profile. If you're going through the big 3, you'd go personal loans, then card, then mortgage. Mortgage has a lot of heavy lifting associated with it. One of the things we're getting smarter about though internally is analyzing the draft that all these other businesses are getting from our mortgage funnel. And so we gave some statistics on that in the third quarter. I think as you look out over the next year, you're going to see us come forward with more analysis around the path of the consumer and how certain businesses are benefiting from our mortgage prominence. And that's something that we look at internally. We're not yet to the point where we're disclosing those statistics on a quarterly basis, but it's very evident to us that they're benefiting from that draft.

Unidentified Analyst

And just one follow-up. Within card, one of the headwinds that you cited this year was the transition from balance transfer to a pro-rewards base. It looks like now some of the marketing seems to contemplate that sort of a cyclic driver of reward. So how does that -- what should we expect that in terms of the relative growth of card versus its history as this -- as that transumes more likely a secular trend in a cyclical?

Unidentified Company Representative

I think in the plan obviously we have double-digit growth on cards. We expect to be able to achieve that. I actually met with one of our biggest card issuers this morning, and they're bullish on 2019. And I think the mix of cards will change as interest rates go up. I do think you'll see this continued push into the reward space. And I think for us as an opportunity, is how do you market the benefits of these cards better. And for the issuers, you're going to see them really play around with the benefits of these cards. So there was an issuer we're talking to that was going to play around with what cashback percentage you get for what different categories and allowing consumers to perhaps play with that. So we'll see. But I do think you're going to see that shift continue and Moriarty...

J. D. Moriarty - *LendingTree, Inc. - CFO*

And the only thing I would add is the reason that happens in that mix shift is because certain cards have higher payouts because of higher conversion rate. So that business works just like the other would. You can think of it as sort of moving from mostly refinanced to mostly purchase. You just have lower revenue per lead, lower conversion rates, which means you can market into those less. But if you look at them on an independent basis, you can do well in both of them.

Unidentified Company Representative

We -- I don't want to pound too much. We talked about the opportunity in myLT for card. Card is sort of not benefiting from myLT as much as it should. Ultimately, an environment where balance transfer cards are doing well or are prominent on the network or in the affiliate channel as the issuers talk about it, we're not in that environment this year. We've been able to take share despite that. Now what's going on under the hood in '18 is we've expanded our network of issuers dramatically since we acquired ComparedCards right over the 2-year period and, as Neil points out, we're going to be innovating with those issuers. But we will get back to an environment where the balance transfer card is important to them and it's important if we can use that myLT base to deliver them a high intent borrower. We're not just in that environment right now. If we can perform as we are in cards in this environment, we're really excited about it going forward.

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

Whoever's in the back.

Unidentified Analyst

I have 2 questions and if they've been answered I apologize because I joined late. So the first is on student loans. Given there is an initiative in the government to have less focus on their side versus more on the private side of student loan, is that something you're embedding in your forecast for '19 or '20 on the positive side? And then secondly, on mortgage, what sort of mix shift are you underwriting between refi versus purchase next year and any thoughts on both for '19 and '20?

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

So in the first one on student, I would say that business is still small and growing fast enough that we're not at the level of saying, "hey, we will on the marketing side, but it's not like we had to make big assumptions in our forecast on student loans. It's growing, it's growing great. The refi market's great. And any changes in the market will affect demand and if it's better for the lender, we'll be able to market into that. On mortgage, I believe our mix is about the same as it is right now. We look at the MBA data on mortgage as we make our projections. There's really nothing suggesting that we'll get back to a refi cycle. Right now, we're obviously in a purchase cycle. That is what we forecasted, go forward, is essentially no recovery with respect to refi. Now, obviously, the rate hikes are expected to go through the remainder of '19, but we haven't priced in any correction there other than obviously as Trent points out, our comps get easier, but not in the macro market. We haven't forecast that.

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

And I want to say something about products. Because we're talking a lot about individual products. When we're all talking internally, we're all trying to deproduct-ize LendingTree from the standpoint that you do get draft off of each other's products, there are macro environments that impact both your revenue and your cost generally the same. And so looking at individual macro trends, sometimes will look very different by the time you see it all shake out in our models. That's the whole diversification, the individual supply and demand of individual products. They all work differently, but the good news is the trends in all of them are moving in the generally right direction.

Unidentified Company Representative

And the last thing, to put a bullet on that, it's a great point is that, all we're really focused on is conversion. So if a consumer comes to LendingTree and we're able to serve them with a product. So in cards whether it's balance transfer or rewards, it doesn't matter. If we can convert that for the issuer, they're going to pay us for that conversion. And student loans, there is in school and refi, and we're in both. And so we're working very hard to be able to convert in both of those. Mortgage question's a great one. Whether it's purchase or refi, it doesn't matter. And what Sam and his team are working very hard on is getting the conversion on purchase as good at it was on refi. And when we can do that, the lenders will pay more, we'll be able to market more and the economics take care of themselves. So what Doug's really trying to illustrate is what LendingTree is trying to become is just we bring in the consumer and we serve them. So as rates go up, there's still the same amount of consumers that would like to refi, it just doesn't make sense. The great thing about LendingTree is we have a whole lot of other products that do make sense and so you're going to see us really work on the marketing to get the conversion up across the entire portfolio.

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

And we all said we weren't going to pile on top each other as we do it. The finer point even on that says look at it this way. If you move purchase mortgage conversion rates from 2% to 8%, that's house numbers by the way like you saw. That 4x increase in conversion rate will result in more than that in revenue per lead, which would enable us to go market the snot out of anything regardless of whatever the macro environment is because we're only 2% penetrated. So that's where we say conversion, conversion, conversion. You almost, at some level, already have enough people on the site. We got to get better at pull-through, sort of like what you heard with better today and what Sam was talking about.

Unidentified Analyst

And one follow-up. Beyond 2019, 2020 and beyond revenue guidance should we still expect 20% organic?

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

We are not establishing a 2020 guide rate. I will tell you that in 2016 when Doug called me and said, "Hey, can we give a 3-year guide?" And I said, "And have it be a soft guide?" And I said, "Yes, you can do it, just don't do it every year, it becomes hard." So that's why we didn't give a 3-year guide last year, we're not giving a 3-year guide this year. We do this every year. So no, we're giving you 2019 guidance and obviously we're going to have components of the business that are going to have varying growth rates, but that's what we're focused on right now.

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

Jed Kelly, Oppenheimer. Just on the guidance sort of implies that variable marketing dollars as a percentage of revenue stays flat with last year even though you're going to spend more on TV this year and pulling back on TV drove margin improvement this year, so if you can just help us triangulate how you get there?

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

Sure, pulling back on TV helped, but it wasn't the only driver on margin, right? At the end of the day, what you're seeing is the impact of myLT, the impact of content and then you're saying these higher-margin businesses become bigger percentage of the overall, right? So a lot of the -- it's not just personal loans, it's also the growing other that we talked about in the third quarter, those are high margin businesses for us. So we do think that we can land in the same zip code with respect to VMM percentage, but again, if we're going to manage this business for dollars and if you see a dip in a given period from a VMM percentage, it's because we're going after dollars and we saw a growth opportunity there.

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

And then one on insurance. I think in 2016, right, the carriers pulled back on marketing. QuoteWizard, a couple other competitors felt that impact. How do you, I guess, guard against another vertical pulling back on advertising if the auto carriers actually reduce budget again?

Unidentified Company Representative

I think, again, it goes back to -- we're trying to get the consumer in the door and serve them with the best product. So everyday we're managing across an entire portfolio and we can shift that marketing to a certain side if we need to. We don't see that coming in insurance from everything obviously we did a whole lot of research before we did the acquisition, but should it happen, A, we would assess, okay, what else is that consumer going to do, they've got to have insurance, and you think in a tough environment, they're going to shop. If the carriers pull back, that puts the onus on us to get conversion up. Again, it all goes back to conversion because they're going to buy volume somewhere. We need to make sure it's LendingTree. But in the worst-case scenario, we shift the marketing dollars to focus on a different product that's still in high demand and we just grind out through that period of time.

Unidentified Analyst

Thanks for taking the question. On mortgages and specifically the refi side, one of the things that you have previously talked about as when organic leads to lenders dries up, that is when they shift more and more dollars over to the LendingTree platform. This quarter, unless the CPFL, the cross profit and loan actually declined significantly, your share on refi may have declined sequentially or year-over-year even though you would expect that more dollars would come to your platform.

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

I could address the -- do we have a specific share number? But I (inaudible)

Unidentified Company Representative

No, it's not -- I think what you're inferring is you're looking at the growth in revenue or the change in revenue relative to the change in originations. And what I would say to you is there's been a very deliberate strategy this year, particularly in the back half of the year and going into next to drive down CPFL for the lender. The consequence of that will be lower revenue. So it's not as much of a direct correlation as you're assuming if you look at originations and revenue. We're strategically forsaking revenue to pay a long game with our lenders.

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

And that's important. I tried to call that out today when I talked about an additional cap, if you will. So what you've heard me say for years between refinance and purchase is that as you move into a purchase environment, lenders transition over and they will maintain capacity right up until the point that they stop making money. And that is true. So you normally see that, except we hit the point where they were stopping to make money. And so we said, we're going to reduce marketing in lower converting channels to help our lenders maintain a level of margin so they'll maintain their spend with us. By the way, anything happens with rates, that then helps us, on the other side, maintain that capacity. So we thought that was a really, really appropriate way to maintain capacity with our lenders through this and it puts even more pressure on conversion rate because that's then the way you can get another step change in the revenue per lead.

Unidentified Analyst

And a quick follow-up. One of the things that Brad mentioned was, you typically have about 30 key financial decisions. So you make 30 key financial decisions throughout your life. Have you tried to assess like for an average person what that could potentially mean for you in terms of potential lifetime revenue?

Unidentified Company Representative

Lifetime value of a consumer is probably the hottest issue inside of our company right now. It is more complex than it sounds on the surface, but we are absolutely trying to get the right message in front of the consumer at the right point in time to pull them back into LendingTree through free marketing, e-mail, just having them in the My LendingTree app and understanding what that number is because as you know and I know where you're going is, if we know what that number is, we can market to that number today. And when Doug says get the flywheel going, we can throttle down in a way you can't even imagine. So we're working hard at that, we're investing and growing our data science group, growing our analytics group and adding Sushil, obviously, who has a massive core competency here was a huge addition to helping us get there.

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

And one other cool thing on that, 30 transactions, that's at the current level of friction that people have. If all of a sudden your phone's going off saying, "Hey, would you like to save $100 on your mortgage this month." One click, boom, you'll probably have a lot more than 30 in your life.

Youssef Houssaini Squali - *SunTrust Robinson Humphrey, Inc., Research Division - MD & Senior Analyst*

Youssef Squali at SunTrust. Can you help quantify the marketing intensity that you're planning for in 2019? You qualified it and I was just hoping that you may be able to put some numbers on it. And assuming it hits the targets that you're planning on hitting, is it a 1-year thing or should we think of this as being a multiyear kind of rebranding project?

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

Sure. Well, it's up dramatically from this year. When I say dramatically, it's in the 3x to 4x area in terms of intended spend, to give you some idea. We're not going to commit to an actual number because as Brad said, we're going to be able to pulse and say, "Was that ad effective or not, should we keep spending money?" I think the bigger thing is, we now have a plan that is across the whole business and then specifically for individual products and much more responsive and that is going to be -- that's what we're planning on, okay, is to be amending it based on performance. And so it could actually pulse up dramatically above that if those ads are proving to be effective. What we're constantly looking at is, like when's that return going to kick in and if we're seeing early signs of return, we're going to spend more. But it will be the most that we've had in several years, by a long shot.

Unidentified Company Representative

And for us, marketing is gas and the more we're spending that, it's direct marketing business, so that we're marketing in demand. So if you see -- marketing spend is something that we always have as part of our company because it helps us to also move demand up and move volume up and down as lenders change their criteria.

Youssef Houssaini Squali - *SunTrust Robinson Humphrey, Inc., Research Division - MD & Senior Analyst*

Does it -- I was just going to ask as a follow-up, does this in any way change the time line of what you had internally for your projections of where did you get to that long-term EBITDA margins? I think you've historically talked about 20%, 25% margin or is that not even that important as long as you continue to grow the top line that's really the focus.

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

Yes, I mean, we're still very much in a market share gain mode, right, you look at each of our individual businesses and, again, we're trying to get away from the concept of thinking about individual businesses, but when you look at us sitting at 2% of mortgages, we're not managing this business to drive the margin higher. We happen to enjoy better margins this year for the reasons that we've discussed, but we're not at that stage of the game. This is still very much going to be go get the market share, go get top line.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

It's Hamed from BWS. So during the presentation Mark was talking about, you're seeing increase in Google search activity from some of the ads that you're spending on. Is that mean that you're spending 2x the cost to capture that customer because they're going back to Google to search for you again?

Unidentified Company Representative

I want to make sure we're referring to the same. You're referring to...

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

Why don't we have Brad answer that.

Bradley E. Wilson - *LendingTree, Inc. - CMO*

Yes. Is the question, Hamed, the effectiveness? Is it -- we're not doubling our cost per click. But I think what you're referring to is with the Google activity in response to the brand spend, you're saying, is that the question?

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

Yes, yes.

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

Okay. Schematically, you put up that Google response in connection with the brand spend. Brad, further explain that part of your presentation, I guess, is the question.

Bradley E. Wilson - *LendingTree, Inc. - CMO*

Okay, and then, am I assuming you're suggesting that the question that we're possibly paying for the customers again?

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

Yes.

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

I can actually understand that now that I understand it, but go ahead.

Bradley E. Wilson - *LendingTree, Inc. - CMO*

Yes, you can follow on. So we've looked at that data. So unlike travel, I say, where that's a huge problem, it's a far less problem here. So I go back to what I was referencing upfront. The good news is that not only is there low market share today, there's low awareness of these products. And I would tell you that, that's a very low percentage of people that we're paying for twice at this point.

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

So, but the -- and the important -- the thing is, you actually, in some ways, do. So just -- and it's people's search behavior. So you see a TV ad for LendingTree and instead of typing in LendingTree into your browser window, you type in LendingTree into a Google search bar and if we don't buy an ad there, guess who else will, and so a small percentage of our ad spend has to go to that, but you attribute that -- you bake that into the sauce of how much you spend on TV.

Bradley E. Wilson - *LendingTree, Inc. - CMO*

That's right. Let me just say this. It's a high class problem. If you go back even 2 years ago, we weren't getting sort of second, third order visits. We are now getting them and it's a metric we watch very closely.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

I had a second question as well. Could you talk about the ARPU benefit that you get when you have more of the conversion from My LendingTree subscribers?

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

Well, the ARPU benefit -- it's funny, I was just thinking about that, that if it's about 10% of revenue, your ARPU benefit is certainly in heck of a lot greater than 10% because not everybody's activating. So it's certainly more than 10% and I don't want to do math with J.D. sitting next to me, but it's higher. And then by the way, you get -- let's just say it's only 10%. If you moved revenue per lead from $20 to $22, that enables more than 10% more marketing because you get the lift back on the other way too.

Unidentified Company Representative

Correct. And we need to get product diversification. Right now, we do a really good job with personal loans inside of My LendingTree, not as much with credit cards or home equity or other products. So that's really where the opportunity is and to get the right message, again, in front of those consumers at different points in their life.

Unidentified Analyst

I just wanted -- inside of your revenue guidance regarding 20% to 25% growth in normal, excluding insurance. I don't know if you can sort of talk, sort of order of magnitude, which verticals are stronger than the others? And of the 20% to 25% how much is organic and how much is acquisition?

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

Yes, sure. The biggest 2 in that are obviously personal loans and card. We have assumed -- personal loans, obviously, a huge driver this year. We've tapered that growth rate back pretty significantly. So it's above the 20% to 25%. It's the strongest big business. For card, we're -- the numbers that are in the sell side consensus that were out there, I believe, most of the consensus had card at about 13%, which is consistent with our thought process for '19. Those are the 2 big drivers within non. There were some numbers out there in the sell side consensus around home equity. We're taking a fairly conservative view on home equity and everything kind of mortgage related, so that's probably the biggest disparity. There was a consensus number out there away from mortgage. So we're going to be more conservative on home equity as we go into next year, we just haven't seen it in the back half of this year from a trend perspective. But there's some other businesses, as we pointed out in Q3, that are enjoying triple digit growth rates. They're just smaller businesses. They're starting to add up, but that's where we have the growth rate for nonmortgage ex insurance.

Unidentified Analyst

And the split between of the 20% to 25%, how much is organic and how much is

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

Oh, sorry. No, on the nonmortgage, well, obviously, we're going to anniversary on things like student and we hit real scale there. No, that's mostly organic or obviously acquired here in the first half -- or, sorry, I should say the middle of '18. So no, the inorganic piece of that is actually very, very small. I mean, Ovation's still not really going to contribute in a meaningful way next year. Student does, although we forecast actually -- the interesting thing we got this question earlier on student. Because it's a refi business in a rising rate environment, our forecasts for student when we did that deal were very draconian with respect to overall volumes and we still knew that we could make money in that deal and we thought there was real value to just getting to scale. As Neil points out, we're both in, in school and refi. There's real strategic value there.

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

Wow, we're getting close to wearing you out.

Unidentified Analyst

Just a couple quick questions and really just remarkable growth story for the last 5 years thinking about the company at $93 million of revenue, getting to $1 billion is pretty remarkable. Just credit card on the My LendingTree, when is that going to be implemented and how significant can that be for your VMM and the credit card business?

Unidentified Company Representative

Yes, so credit card is there. One of the things that's unique about the credit card product is issuers will not necessarily pay you the same acquisition on different platforms. So believe it or not, we may have the exact same credit card on CompareCards, but we get a very different payout on LendingTree cards. So, Jamie, who runs that has been working very hard with the issuers to show them that the quality of the consumers is the same in both places and get the payouts up. So we've made tremendous progress there. And Jason was actually just showing me some new things he's doing inside of My LendingTree. So now, would be my answer, that we're going to really try to scale on the cards out there.

Unidentified Analyst

And just a comment about insurance. I mean, the biggest take away all the time when I hear you guys speak is your ability to really have a brand and that marketing presentation will show that you guys versus the other 5 in your group that you're sizably ahead, that's incremental VMM, incremental marketing dollars that nobody else could compete. When I look at an insurance company like QuoteWizard that just does not have the scale that you have and you can layer on your brand and your marketing on that. I don't see why this can't be a home run like the CompareCards deal where they're doing a very, very high cost revenue per lead, they're doing $7 million and 17. Obviously, they're doing over $10 per lead. You guys can really monetize that and drive a tremendous amount of EBITDA in that segment

Unidentified Company Representative

Yes, I would say, agree 100%. I have the pleasure of doing a lot of the diligence calls with the carriers and really got a good sense of where they're trying to go over the next several years, and it was very clear. Everything Scott got up here and said, the appetite for growth is massive. They're all starting to invest more into digital channels and they're looking for partners at the end of the day, again, it's about conversion that can get them high-quality consumers that convert into policies. The part that's so exciting and, again, I know Sushil is already salivating about is, all that data that comes through QuoteWizard when you pair it with all the data coming through LendingTree, keep in mind, we have an auto lending business that's a decent business, but we've had some struggle scaling it. Now with the QuoteWizard consumer, there's some real opportunities and that's what I'm talking about, not necessarily new businesses, but the ability to scale out products we're already in. So we agree. I mean, when we looked at this deal, we're excited as could be and the best part about QuoteWizard is, there's more scale than Compare was we bought it. It's a phenomenal team. And to Scott's point, the teams are already working together and the idea flows are just insane. So one of the biggest parts we probably have not really spoken about through all these acquisitions is, it has raised the talent of our senior leadership to a level beyond I could have ever imagined coaching up. So with the guys we already had in house and the guys we've acquired like Nick and others, it's amazing, what we're going to be able to do. So glad you said that.

Unidentified Analyst

I was really just talking more about just the fact that in a rising interest rate environment, the insurance industry is growing and doing better. It's just when the industry is going to spend more on advertising next year versus '18 in an environment where they're so far behind on online spend, it seems like the ideal time for you to get into that segment.

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

Amen.

Unidentified Company Representative

We agree. And don't forget about DepositAccounts too. So we own DepositAccounts.com, which is another business that was benefiting.

Unidentified Company Representative

That was good timing, that was good timing. Yes, but the parallels to CompareCards are pretty appropriate, and if you think about it, it's a big category and we got in at scale and that's the biggest thing that we think we can drive as we go forward. I think in some respects it's better because you can diversify between auto, home and health, which you can't really do in card.

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

And, hopefully, over time at scale, one of the challenges, insurance is getting closer and closer to bindable quotes, the more business you can provide, the more you can hopefully get to continue to improve the user experience as well, which drives up conversion, which drives up marketing.

Michael Matthew Tarkan - *Compass Point Research & Trading, LLC, Research Division - MD, Director of Research & Senior Research Analyst*

Mike Tarkan, Compass Point. We heard from Marlette talking about recalibrating the model maybe a little towards more of a prime customer, and I'm wondering, are you seeing any signs or broader signs of your lender base tightening whether certain categories or just overall big picture?

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

Jamie, you had a really good. Is Jamie Saxe here? You had a really good -- did you hear that question? Because you had a really good answer to that outside.

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

You're talking about Prime versus sub-Prime and how things might skew differently and why, but the short answer is like we're not seeing the default rate notion of prime and subprime. As it again, see if it -- sorry.

Unidentified Company Representative

So I think that as more and more players have come -- players meaning lenders have come into this space...

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

Adverse selection versus -- because that's what it was, it was the adverse selection versus credit seeking.

Unidentified Company Representative

So I think as more and more lenders have come into space we're starting to see that they're each finding the pockets that they really operate best in. We've seen it in the prime side certainly with more and more banks coming into the space. We've seen it in the mid prime and kind of near prime area, and we've seen it in the subprime space, a lot of the fintech players really starting to operate at scale lending to those customers. And so I think what we're seeing is that the market is segmenting and people are finding their pockets. And as some may scale down, there's others that are always looking to broaden and look for these profitable pockets of traffic. So I think the answer is that our approach with the marketplace, we think, is solid because we have all these players that are constantly looking to grow and whilst some may be down, others may be up at the same time.

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

Yes. No more questions for you. This might be our last question. So if you got anymore, try to get them in. We got one more.

Unidentified Analyst

So just a couple of follow-ups on mortgage. I think the MBA for next year is forecasting something like a $1.5 trillion marketplace, but if you actually just aggregate up from the originators, it looks like that can be too high by $200 billion to $300 billion. So would that potentially influence your -- the outcome for you guys next year?

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

I think it would have to be why. So if it's -- if it were economy driven, the lenders weren't doing it, might be different than if it's rate driven. But overall, I think what J.D. said, you'll be pulling your marketing in, you'd probably have the same EBITDA and a different revenue profile.

J. D. Moriarty - *LendingTree, Inc. - CFO*

And we can manage the EBIT. Of all the businesses that we feel like we've been conservative about, given where we sit here in the fourth quarter with refi activity, we feel like we have layered in enough conservatism in the mortgage.

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

The other thing I was thinking of earlier, the discipline that we've had to go through in mortgage this year because it's been moving a lot generally in the tough direction, it has really sharpened, I think, our marketing edge as any tick back up in revenue for leads going to be very helpful.

Unidentified Analyst

And just last one from me. Just when you forecast like the secular rate of consumer debt formation is something like 6% or 7%, obviously volatile and less in a downturn and all that stuff, but yet, just kind of secular. And some of that, of course is -- that doesn't contemplate consolidation, which would run through your marketplace, right, if someone is seeking one -- changing one from a debt for another. But just in terms of that as a baseline, recognizing that I'm not trying of pin you down to a revenue expectation, like what does that mean for you in terms of a secular growth rate?

Unidentified Company Representative

The total quantum of debt?

Unidentified Analyst

Yes.

Unidentified Company Representative

Well, I guess what I would say is -- and you heard our personal loan panelist talking about, yes, we watch that quantum of debt, we watch the quantum of personal loans that are out there, but we also watch the behavior, and they don't see signs of that tapering back. I think, ultimately, when we made our forecast for next year in both personal loan and card, we were mindful of exactly that, where we are in the cycle, the whole late cycle piece of it. And candidly, our growth rates for both of those businesses would have been higher based on their -- where they're trending today if it were not for concern about that macro. So we obviously think about that, but then we watch the behavior and we watch -- we watch the behavior of the consumer in both PL and card and we check on the health of our issuers and lenders there. The latter both feel really good, but we taper back our growth expectations for that same reason.

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

And the last question and I'll wrap up for a minute.

Unidentified Analyst

So there was an article, I think, earlier last month on Credit Karma, sort of getting the underwriting models from some of the lenders. I mean, are you guys working on a similar program?

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

Yes. I think, quite frankly, we've been doing that since the day we started the company. So our filtering system from day one was meant to mimic the credit bands of lender so you didn't need to put it through a full underwriting, and so those filters mimic and then we go get the same instantaneous approvals from a decision engine, such that they're real offers for those consumers side-by-side. So that was some interesting marketing spend and something we've been doing, we think, for 18 years.

Unidentified Company Representative

It's essentially filters. In some respects, what some lenders will tell you is that they're forcing it on them to operate with them that way, which isn't really the way that we want to operate. And in each business and with each lender, we're trying to respond to them with products that work for the way that they want to work with us, right, but there was some good PR associated with that, I think, more than anything else.

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

Thank you. Awesome. Good job, guys. Appreciate it. I just want to say something real quickly. First off, I want to thank our finance team and I want to thank Maggie for putting this on. Thank you, all. You guys are great. Second thing I just want to close with and I don't like to do this, but we're going through -- because it's off the cuff, but I was trying to trace out the history of where we started out today, and so here's where we've been from 8 years. First, we had to get the right business model, we had to change our pricing to upfront pricing, we had to get rid of our lending tree loan business. Then we had to get our product mix right. We had to get diversification through organic growth. Then J.D. comes along, we had to get our capital structure right. We had to start buying back our stock at the right times, we had to start issuing stock at the right times. And then we had to get our customer experience right, RULO, My LendingTree, content SEO, by the way, not always done, but going to continue. We had to scale through M&A, then we had to get the right people. I wrote down literally everybody in our executive team, except for me and Trent have changed in the last 2 years. CFO, President, Product, HR, Technology, GM's of all the businesses and the new General Counsel in the next couple of months. We now have the right team. We got our data right, you heard about that. And now we basically need to scale this thing. And the scaling, and you heard it importantly around data, that we've cracked the code on the paid marketing around My LendingTree, which will enable that to scale. And I think we've now proven ourselves through the mortgage market. So we are incredibly excited about the business. We hope you feel it too and we look forward to working with you this year and thank you very much.