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EDITED TRANSCRIPT

TREE.OQ - Q2 2020 LendingTree Inc Earnings Call

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Co. reported 2Q20 results.

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Youssef Squali

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the LendingTree, Inc. Second Quarter 2020 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions) I would now like to hand the call over to your speaker today, Trent Ziegler, Head of Investor Relations. Please go ahead, sir.

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

Great. Thank you, Ursula, and thanks to everybody on the call for joining this morning to discuss LendingTree's Second Quarter 2020 Financial Results. On the call with me this morning are Doug Lebda, LendingTree's Chairman and CEO; and J. D. Moriarty, Chief Financial Officer.

Before I hand the call over, I'll quickly remind everyone that during today's call, we may discuss LendingTree's expectations for future performance. Forward-looking statements are typically preceded by words such as we expect, we believe, we anticipate or other similar statements. These forward-looking statements are subject to risks and uncertainties, and LendingTree's actual results could differ materially from the views expressed today.

Many, but not all of the risks we face are described in LendingTree's periodic reports filed with the SEC. We may also discuss a variety of non-GAAP measures on the call today, and I refer you to today's press release and shareholder letter, both available on our website at investors.lendingtree.com for the comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP. And with that, I'll turn it to Doug.

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

Thanks, Trent, and thank you to everyone for joining the call. As a reminder, last quarter, we took a new approach to managing these calls. We published a detailed letter to shareholders on our Investor Relations website and used our time on the conference call to address your questions. We received positive feedback on that approach. So we're doing the same approach this morning.

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As Trent mentioned, our letter to shareholders was posted on our IR website earlier this morning. I'd like to give just a few comments, and we can get right to your questions. First, I've been consistently amazed at how well our team has executed in this challenging period.

Despite material headwinds in certain product categories and the difficulties of a remote work environment, our team remains especially focused on optimizing every aspect of our business in the near term while continuing to innovate and drive better outcomes for consumers and our partners over the long haul. In addition to terrific execution, our better-than-expected quarter results are a testament to the flexibility of our model and the durability of this company.

And with the recent financing activity we just completed in July, our balance sheet is particularly strong, leaving us well positioned to capitalize on the accelerating evolution of Consumer Finance.

And with that, operator, we can open the line for questions.

QUESTIONS AND ANSWERS

Operator

Your first question comes from your Youssef Squali with Truist.

Youssef Squali

So just a couple of questions. On the consumer segment, it looks like most of the card issuers are back. That's basically what we've been hearing from some channel checks. And I think even in your letter you kind of talked about that. But their level of spend is still obviously very depressed. One, what kind of KPIs are they kind of waiting for to kind of increase their spend? Is it just really just all macro? And second, anything you can do on your end to kind of sweeten the deal, so to speak, to maybe get them to commit more spending.

And lastly, what have you seen so far in July, just in terms of demand for the 3 key components of the business refi's credit card insurance?

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

Let me hit some of that and then J.D. definitely chime in, and we should also -- we'll also talk a little bit about student here in Q3, too. The card issuers are definitely back. Spend is definitely lower. And our focus is, as you said, on winning. And so we want to make sure that we've got more budget than our competitors. That we're doing marketing better than our competitors and that our business is better than competitors. And we believe that it is based on everything that we've seen and based on our conversations with the credit card companies. Their spend will come back. What we're hearing is it's not as much macro as much as it is more micro, which is they need to understand what the performance of their current loan losses are -- loan portfolios are before they're going to materially take on new loans.

And I would say that, that is, if you think about it, the overall theme of where LendingTree is right now, which is we're a marketplace for -- between consumers. We're looking for money and small businesses looking for money and lenders who are looking to lend it for all types of loans. Right now, unless it's a government-backed loan, which is why mortgage is still low the other -- in the private lending market, those areas are challenged. And we're winning, and they're going to come back. I think the personal loan market is not going to be dead forever. The private student loan market is not going to be dead forever, which is a big Q3 business for us. And we're doing fine. So in this environment, what I told us, we said last quarter is make sure that our people are safe, make sure the business is safe and then lean in and look for opportunities. And that's what we've been doing.

J.D., do you want to add?

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

Sure. So Youssef, I guess I would just say, in card, we're encouraged that issuers are back, okay? Now -- and your channel checks are reflecting that. What your channel checks don't reflect is when they have a reduced payout or tightened underwriting.

But we're happy that they're back and that the major issuers are dipping their toe in the water now. So that's great. I don't know that the -- them getting more committed spend will be a function of KPIs in our network as much as it will be confidence in consumer spend. Right? Think about why they're issuing a card, what they care about when they issue a new card. Obviously, the creditworthiness of that consumer, but also they want spend.

They want a return for it. So as we see consumer spend -- consumer spending increase, which it has been, fortunately. And we saw the article in the journal yesterday talking about what consumers have seemingly done with the stimulus money that's out there. That actually does create a good backdrop for them. But when we think about how we're planning for the remainder of the year, we're not anticipating resurgence. We think it's going to take some time. If we're pleasantly surprised that it's better, great. We're encouraged that they're on the network. Now what can we do to induce them to spend more? And we're thinking about that in a very long-term way.

Right. So we're using this period of time to try to test new experiences with issuers and to try to take market share and win, as Doug said. So do those things manifest themselves in Q3 and Q4? No, probably not. There are things that help us win next year. And they probably drag a bit in Q3 and Q4, and that anticipation is reflected in the way that we've guided for the consumer business or what we have in our forecast for the consumer business for the rest of the year. So that's card.

So we're certainly encouraged that they're back, but they're back in a very small way. I'd rather more of them be back in a small way than have it be isolated to 1 or 2 insurers. The good news is it's somewhat broad in terms of them coming back.

You asked another question, which is as we start the third quarter here, how does the trend line feel in each of refinance and card and insurance. And I would say that in insurance, we've had very good acceleration, which we're thrilled with. That, in July, we're certainly double-digit to mid-teens growth in insurance, which we're very happy with. And so we're really thrilled with the performance there. Now the standout in the second quarter was refinance. We did enjoy extraordinary margins in the beginning of the quarter. Those had normalized in June, and we've seen steady improvement in July. But I don't -- we're not anticipating. When you look at our guide, we're not anticipating that, that margin environment resumes in refinance at all. We're being somewhat conservative with that aspect. And we just want to take market share, as Doug said.

Card, we've touched on. The other areas of consumer worth noting, effectively, we projected when we went in May, and we said 60% to 80% in consumer, it ended up being 71%. We've largely prepared for the remainder of the year for that consumer business to be slow to come back. The only other one worth noting is student. And so when you look at our guide, you have to recognize that student was a huge win a year ago in the third quarter. That was a business where revenue grew 64% year-on-year. And given everything that's going on with fall semester enrollment deferment and reduce tuition spend, that market is going to be down 30%, and we have prepared for our business to be down more than that because we just don't have as many lenders looking for new student borrowers. So that's worth noting as well as we think about the third quarter.

Youssef Squali

Okay. Super helpful.

Operator

Your next question comes from Kunal Madhukar with Deutsche Bank.

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

I have a question on the mortgage space. And you mentioned a number of like new products and new innovations and new initiatives that you were doing that really resonated with the lenders. Can you talk about that? And can you talk about how that has improved your market share in terms of the total loans that passed through your system, versus the total refi volumes that happened in the market in general?

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

I'll take the second one first. So market share declines in this type of environment. However, in this type of environment in mortgage. However, in this type of environment, the market is growing substantially and all your -- and what you're trying to do is make sure that you're growing wallet share that while your lenders are staying with you and continuing to bid with you and hopefully, shutting off or decreasing on your competitors. And that's what we're seeing. And the new experiences, the reasons we've been able to do that have been, as we've improved our, call it, CRM capabilities, and we are having more interactions with the consumer on our own. We are then able to, call it, curate particularly with My LendingTree and be able to deliver a "exclusive" lead to a lender. They're still getting choice. They're still -- and they're -- but it's -- after they are able to make a more of a selection, and we're able to then send one lead to one lender while still giving choice with other lenders.

And because of that, lenders are able to have higher conversion rates through their clogged systems. So in mortgage, as many shareholders have heard me talk about before, you've got a somewhat people that -- while you've got in mortgage, all the capital you want right now because it's government backed in the conforming space, you get clogged in a refi environment around your existing customers coming back to you and other people coming in for free if you're a lender. And the great news of this year is we were able to have more of that volume stick with us, which has enabled us to have an outsized Q2. And the flip side of that, while we were having great lender performance, as J.D. alluded to, our marketing costs went down dramatically because those lenders and our competitors pulled out of the online ad marketplaces.

And so our cost of acquisition went down. And so as J.D. said, we're seeing -- we're assuming that, that normalizes going forward. However, the great news is that wallet share typically coming out of a situation like this completely sticks. And so as we're talking to personal loan lenders, we want to make sure those guys are with us more than with our competitors, same thing in mortgage, same thing in card, same thing in student, same thing in insurance. And if we keep growing the wallet share and keep getting that percentage of the spend and that helps on the marketing side, too.

J.D., anything you want to add?

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

No. I don't have a lot to add. I mean I think, Kunal, we're really happy with the product innovation. It's everything from exclusive leads to a product that we're really happy with that is a midyear launch, which is a local loan officer product.

It's all under this theme of CRM of greater identification at the top of the funnel as to where that consumer should go. And product efficacy like that is going to manifest itself in better wallet share. In a period like this, market share is never going to look great because there's just so much organic that all lenders get.

So you've got a denominator problem there when you look at market share. And we're focused on from an execution perspective is wallet share. We're really happy with that. And so that's the strategy in mortgage. And really, the strategy across all products. It just so happens that the product innovation in mortgage and insurance has been really extraordinary.

Operator

Your next question comes from Nat Schindler with Bank of America Merrill Lynch.

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Nathaniel Holmes Schindler - *BofA Merrill Lynch, Research Division - Director*

Two questions. One quickly on the insurance product. You mentioned insurance being affected basically by market dynamics of people not buying cars and that's taking you down from growth to basically flat year-over-year. You have a competitor in the space that is predicting fairly high growth in this category this quarter. Obviously, they haven't reported. But is there anything else going on dynamic? And how are you doing versus competitors? And the second question is, you're calling for EBITDA guidance next quarter where the margins are roughly half what they were this quarter. Is there anything other than mix that is really driving that change?

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

Sure. J.D., do you want to take both of those?

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

Yes, sure. In terms of insurance, I think recognized it in March when COVID first started, we certainly saw some impact from declining interest in new cars, in turn, new insurance, et cetera. And it has been a gradual climb back through the quarter. Through the second quarter, and we're thrilled with the recent performance in terms of insurance.

Now as it relates to competitors, we approach the insurance business much the way we do all of our businesses, which is wallet share and gains with our carriers, right? And so when you look at year-over-year gains, you got to realize we're operating off of a pretty big base, and we're happy with the growth in -- not only the growth in revenue, but the absolute profitability of our insurance business. We're particularly happy in insurance, with the product innovation that's going on there. So I don't spend too much time worrying about absolute growth rates.

I worry about the health of the business. And in that respect, we're really happy with insurance. So I think we're going to get to the end of 2020 and say that we have not only a bigger business, but a healthier one and great prospects for 2021. So that's insurance.

As it relates to the margin in Q3, you got to recognize we're not getting contribution from our consumer business. And one of the businesses in there. One of the big businesses in there is personal loans, which, as we've always talked about, is one of our highest margin big businesses because it's so tied to My LendingTree. And so recognize when personal loans is diminished for all the obvious reasons that we're experiencing. That is going to factor into Q3.

So that is mix, and that is most of it. I mentioned students, so that's just a tough comp issue. And then we've assumed normalized margins in mortgage. Now there are a few things in there, Q2 to Q3 on the OpEx line that are worth noting. We did -- some of that is hiring.

We paused hiring in Q2 briefly, and we asked our teams to come back with a plan B. And the mandate on plan B was that hires that are made in the back part of this year have to be with the mind, obviously, to 2021 and the opportunity there.

And so we're actually very happy that people came forward with aggressive plan Bs. And so we will have some lift in hiring in Q3, which is reflected in our guide. There is also, Nat, worth noting a fairly meaningful pickup in rent expense in Q3. We are moving -- next year in Q1, we will move to our new headquarters. But from an accounting perspective, that rent expense needs to be recorded as soon as the building is technically available. And so that is embedded in here, and that is the facilities expense, just the new headquarters is $1.65 million of expense in Q3. Hiring is about $1.5 million. Do I think there will be some favorability there? Likely. And then there is some technology spend associated with the new headquarters as well. Tech expense ends up being -- well, that's both new headquarters and some -- what I would call scaling expense on the tech side, that's about $1.2 million.

The one notable thing, we do have about $350 million of expense in there. We expanded benefits for employees around COVID and also added a work-from-home stipend, all things we were happy to do for our employees. So there are some things in there on the OpEx fund that are worth calling out, but most of it, Nat, is mix. And I think conservatism around what we think margins could be in mortgage. Where we -- when we spoke

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to you in May and we gave our 1 quarter forward guide, we were conservative, and we're going to continue to take that approach for the time being.

Nathaniel Holmes Schindler - *BofA Merrill Lynch, Research Division - Director*

Just quickly, J.D., with those expenses, we should see -- assume those expenses continue indefinitely. So this new margin level should be -- other than mix shift changes should be a new normal that you grow from?

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

Well, not everything in there is going to be indefinitely. Recognize that the facilities expense has heightened in these 2 quarters, and it will start to normalize next year, right? We're paying for more facilities for a short period of time that we need.

Furthermore, the technology that is more onetime -- sorry, go ahead.

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

Yes. And on the facilities thing, keep in mind right now, as J.D. said, from an accounting perspective, we're literally paying for a building that is theoretically available to us, but it's still being constructed. So it's -- we're duplicating expenses. We've still got facilities in Charlotte, where people will be able to go back to. And from an accounting perspective, we're adding on another expense from a building that's still being constructed. So that's the double count there. So that definitely goes away. And the only thing -- other thing I'd add is as these loan types come back, as these product categories come back, then things return to the old normal, hopefully, plus additional wallet and market share.

Operator

Your next question comes from Jed Kelly with Oppenheimer.

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

Great. Just to kind of follow-up on the nonvariable marketing expenses or your operating expenses. They're not that different from what you initially laid out at your Investor Day back in December. So does that mean like you believe you can get back to that revenue level in the next 18 to 24 months? Or just how should we be thinking about the overall recovery? And when can you get back to your original guidance that you laid out at the beginning of 2020?

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

J.D., do you want to start? I'll finish.

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

Yes, yes, yes. Jed, they're lower, they're not dramatically lower. When we went to people and said plan B, we didn't say, give us your bare minimum. We said really think about -- don't think about the annual budget, think about the needs for the business over the next 18 months. And so we are staging that hiring. The hiring piece of it is lower. The -- it is lower. It is not dramatically lower, and it is absolutely reflecting the fact that we do see that revenue opportunity coming back. We would be enabling plan B if we didn't.

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So you're just seeing a different timing of that hiring relative to us pausing a bit in Q2. And then staging the hiring a little bit differently in light of the changed environment.

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

And the only thing I would add is, this is all project and financially driven. So if you started the bottoms up, you have a certain amount of fixed cost to run the company. You need a finance department. You need a -- you need headquarters, if you will. And then after that, a lot of the costs are driven variably, which are, obviously, the cost. Nothing is variable in the short run, but they're variable in the long run. And even -- and so when you have call center and marketing, obviously, which is the biggest variable, but even inside of technology, those projects are still done even though over a longer-term basis, on an IRR-focused way.

So what you're seeing is if we're holding, for example, tech cost constant, that means that underlying those costs are projects that they're working on that are going to make us money, and we have confidence in them. So while we didn't -- while we laid off the gas pedal because -- and in order to do that -- because underlying that, pulling off the gas pedal is that your unit economics are changing in the midst of COVID. And you're not sure where they're going to be. And then once you get confidence in those, you go in that again, okay, go back on. And in this -- of our third financial crisis, we really did try to lean in once we knew that our employees were safe and the business was safe and that the business was going to be solid. And then as we said, we're just focused on winning. And so there are still great things that we're doing. And so the work in product and tech and in mortgage, for example, from last year came home this year. The work that we were doing last year in product and tech would have come home in some of these other small business. However, that market went away, the market comes back. That business is, I think, better than it was before. So I'm thrilled with the resilience of the business and the fact that we're not losing money at a period like this.

I mean if you go back in time and you look at how things have happened in other financial crises, they were very, very, very difficult for this company. And instead, we're making money and we're beating our competitors and doing very well. And able to access the capital markets, the M&A market is going to be very interesting, and we get to go now hunt for opportunities as opposed to being on the defensive.

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

Okay. I guess just a follow-up on the M&A commentary, Doug. Is there anything new that you're looking at with the additional capital? Or is it still looking at opportunities on the asset side of the consumer balance sheet or anything else that you've seen because of this pandemic that's more interesting?

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

J.D. can comment more. We are -- we always have a very robust pipeline, and we're always looking at it. We're always between strategy and finance, trying to make sure that we're doing the right things. And now we've got a lot of dry powder, the biggest change that I've seen are valuations coming down, as you would expect, because what we're experiencing, a smaller company is experiencing, however, it's massively more magnified because they don't have the brand awareness, they don't have the history with prior customers and all of their tech already built necessarily, et cetera, et cetera, et cetera. So you start to see valuations coming back into a realistic mode rather than 50x revenue 3 years out kind of things.

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

The only thing I would add -- yes, the only thing I would add, Jed, is that we get asked -- we commonly get asked the question, like are more things coming your way because of this? The answer is yes, more interesting companies are coming our way, but not all for the same reason. It's not a scenario of everybody being distressed. In fact, in some respects, this period of time has actually demonstrated the attributes of some of our target companies or the companies that we just tracked over the years. And so in some cases, some of those companies are experiencing a greatly diminished cost to acquire customers. And so that's actually giving them more runway.

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And so we've got to analyze is that a sustainable dynamic or not, right? We've experienced in some of our businesses, so we have good experience with it. So it's changed a little bit. What I would say is the volume of things that are coming over to us is increasing. Certainly, if somebody is narrowly dependent on 1 or 2 areas like credit card or personal loans, those are companies that are having trouble right now for the most part. Our focus areas continue to be the same. Generally, the asset side is interesting. We've mentioned small business in the past. That continues to be interesting.

We think that category will be very interesting longer term. And so no, the categories are still the same, and I'd say we're busier, and we're really encouraged.

Operator

Your next question comes from Mark Mahaney with RBC.

Mark Stephen F. Mahaney - *RBC Capital Markets, Research Division - MD & Lead Internet Research Analyst*

I think I had 2 questions. One is that My LendingTree revenue contribution was a little on the lower side, but I think that's just largely due to the weakness in personal loans. I know that's a big MLT category. So just if you could confirm that. And then the other question was the variable marketing margin was unusually high this quarter. Is there anything that you could pull from that, that could make it sustainable going forward or at least pull up that VMM from where it was historically? Or is this just a, I don't know, cyclical reality of where the business is, and it's natural to expect that to kind of float back down to those mid-30s levels?

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

Let me start, and then I'll let J.D. add on. On My LendingTree, yes, firm personal loans. When you sign up for My LendingTree, you're getting alerts to save you money. Typically that will also improve your credit and the easiest thing is credit card consolidation or other debt consolidation into a personal loan.

And with personal loan lenders pulling back, there are fewer savings opportunities. So you just -- I can't say it as many people money. And that's okay because we only want to send the right message to the right person at the right time with no odds. On the VMM piece, it was obviously unusually high on a percentage basis this quarter. Because of the very low payout -- the very low cost of acquisition in mortgage that I talked about before, things that we would learn from this period going forward would be just the continued emphasis and effort on recurring revenue and the -- get you in for your first transaction, awesome. And then keep you here for the rest of your life, exceptional. And that's where we're just continuing to focus on that. And as J.D. said on the M&A side, that's where, as you look at things even on the asset side, it just -- it brings in more customers, more ways you can save the money, more interactions, more ways of engagement and that, hopefully, over time, not hopefully, it will means less dependence on paid marketing. Now the other thing I would add, though, is can you know this from other Internet companies is if you're -- these VMM dollars matter way more to us than VMM percentage because we'll mark it up to the last profitable dollar. And that changes intraday, intra week and the more products you have, the more you can also move that across products as well, too, if you've got your marketing analytics, right, which we've got pretty well nailed. J.D.?

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

Yes. That's -- I mean, listen, that's the part, Mark, that makes answering. The first part of the question, Doug nailed it. It's mostly just -- it's personal loans. And as that business opportunity, the revenue opportunity goes away, that contribution from My LendingTree is going to go away. And furthermore, and we've called this out in May, acquisition of My LendingTree consumers is going to be somewhat diminished because of PL interest diminishing. And so as that comes back, you'll see My LendingTree's contribution come back.

The second question, the thing that makes it hard to answer is we're always going to go after the opportunity. And so there are going to be periods of time when we are going to be able to enjoy great margins with no degradation to the revenue opportunity. We just experienced that in mortgage

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for a period of time and had great margins. But ultimately, what we're trying to do is take wallet share and go after the dollars. And so there's a range there on margin. Part of Nat's question before was what is the new normal we're most focused on is that we are able to navigate whatever environment comes our way because when we have one product that's struggling for obvious reasons, something else is picking up the slack and executing to make up the difference. That's what we're thrilled with, and that's how we're going to manage the business.

Operator

Your next question comes from John Campbell with Stephens Inc.

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

Back to My LendingTree, just really good user growth despite the market pressure. I don't know if you guys can talk about your approach to kind of capturing more users and as best as you can tell, how much of that growth is kind of simply organically driven versus maybe more direct marketing spend? And then any plans to kind of pull harder on that lever, I guess, as the backdrop firms up a bit?

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

So I'll start, and then J.D. can add on. Right now, it is mostly organically driven through interest from our other loan products coming in for filling out QFs. And we had plans, and they are still there that as the unit economics come back, we absolutely want to lean into marketing of that. The good news of COVID is it's given us more time to get the product even better. We've got some really exciting product launches now in the back half of the year on that. And everything underlying it really comes down to the unit economics. So as you've got more alerts that you're able to send out, your revenue per customer is going to go down and your -- therefore, you can't go do the marketing, go do the advertising. So that is doing extremely well off of organic growth, and we've gotten better and better at getting opt-ins there. So that's where that is. And it's -- I'm actually really, really pleased because the product is very good.

People love it. The users are growing and the economics will come back. And for everybody and even on mortgage, a little bit on Mark's question, the unit economics underpin everything that you do. So in mortgage, for example, and underlying unit economics for lenders is really their conversion rate from a "lead" or a call or a click into a funded loan. So as we help lenders improve their conversion rates by those better user experiences by understanding more about our customer then they improve their bids. So in mortgage, for example, we were able to retain better than we otherwise would have bids because of the movement of our product of where we were. And so then our unit economics in mortgage were better on the revenue side. And on the cost side, were also better on downside. And then you just -- we're basically marketing against capacity and how much lenders can handle. And because of exclusive, they could handle more. So that helped. But it obviously, you're still bumping up against their other organic capacity. And the same thing is true in My LendingTree. So users continue to grow, satisfaction continues to grow. The product gets better as the lenders come back, but that thing is going to sing even louder than already it is.

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

Okay. That makes sense. I appreciate that, Doug. And then last one for me. I know it's still early, but any new findings or kind of developments with Stash? And then maybe how you guys are thinking about the kind of integration road map and how it's going to weave into My LendingTree over time?

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

I'm happy you asked that. We are integrating, and we've got teams working on it, and I'm going to ask J.D. to comment more because he's sitting on the Board there. And we are excited about where we're headed with them. And I'm going to leave it at that and hand it over to J.D.

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

Sure. So we -- John, we're really excited about it. I think you're going to see some things roll out. I'm not sure they'll be totally evident via channel checks, but you'll see some things roll out probably starting in September and through the end of the year. And there will be a few different categories. One will just be pure marketing partnerships, meaning how do we migrate somebody from a LendingTree experience to a Stash experience from a marketing perspective. And we're trying to do that with being true to kind of the consumer experience, right, and make sure that we're not screwing up that experience for either consumer, right? The -- I think you'll start to see some of that.

Now one of the interesting things that happened is in this environment, for Stash, I mentioned earlier that a number of companies have seen their cost to acquire customers go down. That has made it a little bit more of a moving target to make it work for them and for us. And so we're working through that, but I think you'll see something in September there. Now the thing that we're really excited about, however, is the opportunity for us to bring some of LendingTree's capabilities to them. Keep in mind, when we talked about them, very product-centric company with a great user experience. What they've not had are any credit products. So what you're most likely to see first is them -- their consumers have access to personal loans. And that's something that when they've done consumer surveys, that's something that's of interest there as well as their consumers have access to essentially the My LendingTree platform. And we're calling powered by LendingTree, which is essentially credit score plus our intelligence stack. So everything we've built in My LendingTree rolling through to their customers. And those are probably the first 2 real applications of product between the 2 companies. Over time, what we'd like to get to is to say, okay, let's take that Stash product and make it available to the My LendingTree consumer. But we're going slowly, so we do it right, and we're really excited about everything that we can do with them.

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

Okay. Good update.

Operator

Your next question comes from Eric Wasserstrom with UBS.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Just a couple of questions, please. The first is, we've touched a lot on elements of the cost structure. But Doug, I just wanted to revisit maybe the philosophy around investment. Of course, historically, there's been, let's call it, excess revenues, a lot of that has gone into driving future growth. And so I'm just curious to understand how you're thinking about the medium-term growth opportunity at this particular point, given that there's so -- it's such an unusual market condition and there may be, in fact, some permanent destruction to lending capacity in certain verticals.

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

It's a great question. As I said, everything is ROI based. And so you got to pause and then you got to go back and make sure your ROIs are right, and this is speaking from your CEO, who's also an accountant. So these things really matter to me. And so once -- however, if they're still positive, you've got to go do them. And I believe the opportunity around CRM is so fantastically great. And when I say CRM, I mean it in the true sense of customer relationship management, not only what I just alluded to in terms of getting repeat usage but in addition, and you followed us forever, the conversion rates, and you can just take one example. If we can take the mortgage refinance conversion rate from 2% to 3%, 4%, wherever it is today. Okay, because I don't want to give exact numbers to the 10, 15s when it was in 2005, '06, '07 now very, very different market than where everybody could obviously get a loan. However, technology has advanced.

And we still see, for example, over half of the customers who are coming to LendingTree are even tire kickers, they're actually going and getting loans, sometimes from people on our own network. And obviously doing the same old thing they've always done, which is using LendingTree to shop and use it with somebody else, totally fine. And by the way, in a declining rate environment, that gets even more exacerbated because you

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go get a 3% rate on LendingTree today. And then when you show up at your other bank, it's 2.5% tomorrow or they move it from a 30-year fix to a 5/1 ARM.

So as we are more interactive inside of the log and experience in LendingTree, those conversion rates move up, the bids move up and the opportunity just inside of our network is astounding. And I could move over to personal loans, too, and we could talk about approval rates and our level of integration with our lenders. And the fact that a whole bunch of those people go underserved that could go served if -- as we have better integrations with our lenders, and we've got some really exciting things going on there. Then you move over to credit card and you start to talk about the same type of things and being able to get preapproved offers. And when you look at -- the easy way to say it is leakage. If you just converted the people who are on our site or touching us today in a slightly more effective way, you grow the business dramatically without even factoring in that your marketing is now more efficient. And that's why the product investment continues because it's still positive. And pulling back on it would be the wrong way to go, at least from my perspective as a shareholder and from our other shareholders who sit on the Board, and we're -- and the fact that we're doing it, I think, shows our confidence in it because when the stock tanked when everybody was worried, the easiest thing to do would be to go throw out a bunch of stuff. But the good news is that we had tracks laid down last year between finance and strategy. We're able to affect things. We're able to know -- we're able to know our tech capacity better. And the project still make a heck of a lot of sense. And so until they don't, we're going to do it.

Now inside of that, I will also say that when the tide goes out, internally, you also see process that need fixed, areas that you were too bureaucratic, areas where you're not moving fast enough, and all of that gets sticks to. So that's a great opportunity for our employees. I told them that now is the opportunity to fix everything that was bugging you at LendingTree.

And it's an opportunity to fix contract process and all the internal things that actually make the business run smoother, and that's all happening, too. And part of that is because the specter of LendingTree, of you losing your job, not having something interesting to work on, et cetera, is not hanging over your head. We're going to see that you're health is safe, your job is safe. And now you're still doing interesting work. You're just doing it from a -- and that's our posture.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

And just maybe a couple of follow-ups. Doug, are you seeing any creation of capacity in the mortgage space through this refi cycle?

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

Yes. Absolutely. That is definitely -- so the move to exclusive is definitely helping us and lenders, streamline of technology is absolutely helping. So you can look at a quicken loans and their rocket mortgage technology, which is less human necessary. And that, that -- then there are technology providers who are providing that across to other lenders as well. And all of that automation, so you can look at the Black Knights, you can look at the Optimal Blue, et cetera. And we work with all of these companies, and you can -- and then the Ellie Maes of the world and then the internally built systems as well is definitely making originations easier to do and removing some of that capacity constraint. If we get to the day where mortgage is money constrained, not human constrained, you could see -- then you would see liquidity in the housing market in the mortgage market, that would be really, really interesting, except for the cost to do it.

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

No, no. Obviously, Eric, some of your question is, like, are there new lenders emerging? It's not so much that we see new -- we're obviously going through a good cycle where they're making money. Doug's point is an important one, which is all the innovation around it enables them to have greater processing efficiency, et cetera. So that benefits us, right, in general. What we're seeing is actually some of those lenders who had been further down the stack for us in terms of activity getting more active. So a lender who used to be #10 on the network is now #3 on the network and things like that, which is reflective of added capacity, right?

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They are using that automation. They're using that technology to scale and thus becoming a -- and then they're able to be a bigger player on our network as a result of that added capacity. So that's -- it's not so much new entrants. Yes.

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

Yes. And that's actually a really interesting point because that is really talking about the long tail effect. And as smaller lenders can compete with the big guys, you get less revenue concentration, which is we always generally have revenue concentration inside of individual loan products as the winners win. However, the winners typically change, and that's what you're seeing. But seeing lenders who historically have not been able to compete with the bigger guys who can now compete inside of the marketplace.

And we help them and they help themselves, and we really work with them. That is a really, really good signal for me because that has been historically a challenge that you've had really a bifurcated marketplace and mortgage, where you've got the haves and have-nots and the have-nots have been living off of what the haves either don't want to do or can't do for the last few years. And now it's getting much more equal, and it's really interesting to launch.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Great. And then just last one for me. J.D., can you comment a little bit about how you're thinking about the balance sheet position going forward and your thoughts on leverage? And if there's continued room to maybe optimize leverage and even especially some of those -- some of the financial condition issues?

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

Yes. No, absolutely. So listen, we've had the good fortune of -- we -- if you think about the last 2 years, we issued a convert in May of 17 that just have our balance sheet, that cash enabled us to -- that cash, coupled with our revolver, enabled us to do the acquisitions that we did in late '17 and through '18. And then ultimately, when we acquired QuoteWizard and ValuePenguin, we utilized our revolver. And our revolver served us very well. And we knew that we had a cash-generative business. We had paid that revolver down quickly, and it was very efficient. But we did operate through 2019. And until recently, with less cash on hand than I would necessarily like.

It wasn't a problem because we had revolver capacity. We paid off -- prior to our investment in Stash, we had paid off $165 million on our revolver. And -- but we were operating with at any given time, 75 to 100 of cash. And for a company of our scale that's as acquisitive as we are, that's not really where I want to be. And so the recent financing enabled us to do a number of things. It enabled us to deal with near-term maturities, right? We bought in 130 of the existing convert with the proceeds from the new. We obviously have a bullish view on our stock because the equity outcome for us on that convert will not occur until north of $700 a share. And so we're able to tap the convert market again. We were able to pay off our revolver. And in terms of leverage, we're pretty comfortable with -- we will be comfortable with taking on leverage. I think we =in this scenario, we find ourselves now with the ability to maneuver from an M&A perspective. We have cash on hand, we can look at acquisitions of great scale, we'll continue, by the way, I think, very effectively to continue to do the small acquisitions, Eric, that you've seen us do and make grow faster.

Those are still things that can really contribute for us. But the financing enables us to really have a lot of flexibility to look at bigger things. You look back at QuoteWizard. At that point, it was our largest acquisition at $370 million. And it's had a huge contribution, 27% of last year's revenue and performing great this year.

So we want to be able -- in a position to affect things like that and not have it be contingent upon financing. And that's what the recent refinancing that we did will enable us to be acquisitive to take on leverage and be aggressive, which is what we should be doing right now.

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Operator

Your next question comes from Rob Wildhack with Autonomous Research.

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

I wanted to jump back to the mortgage discussion and the product development you highlighted there. Big picture, do you think that these innovations are something that can permanently reduce the impact that changes in capacity can have on your business?

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

Do you want to take a stab at that?

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

You can go ahead with that.

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

No, I'm sorry. Very short answer. The short answer is yes. The mortgage market has been over watching this now for 25 or so years. The mortgage market because it has been from a lender perspective, so cyclical. By the way, we've removed the cyclicality by the way we do pricing, et cetera has been underinvested in from a technology perspective because refi lenders are chock-full and just trying to make as much money as they can.

And when it flips, they're poor and losing money and trying to figure it out. And this is -- and so it makes them very difficult for them to plan for the long term. And so it's taken for better for worse, 25 years from when I thought it actually existed. And it's getting kind of almost there. But if you go back in time, you'll see like, oh, online loan applications from Mortgage.com in like 1999, I think. And seriously, it didn't grip. Microsoft was doing something in 2000 and -- with Freddie Mac that we were part of, and that didn't grip. So it's happening now. And as you've seen in areas like personal loans with companies like Prosper and LendingClub, et cetera, that market, we were able to sort of light and have it take off very quickly because it was less sensitive to credit cycles and that we thought, and you had people there who are online from the beginning as opposed to offline moving online. And you don't necessarily need humans to talk you through how to get a personal loan, like you do with a mortgage. So the answer is the long. Back to the short answer, absolutely. Sorry, go ahead.

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

No, no, please go ahead.

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

What I was going to say is one way to think about it is as we add products and make it so that it's not one solution, we increase our odds of expanding our addressable market, right? There are lenders, whether they're bank lenders or mortgage brokers for that matter, for whom the LendingTree solution has not historically worked. As we innovate the product and give it a different feel for different types of use cases, our odds of expanding our base of lenders increases. And that will diminish the volatility just by definition. Now that takes a long time, but some of the things that have occurred this past year that are largely directed at our existing lender base should actually be very extensible to a broader base of lenders, brokers, banks, et cetera. That's what we're excited about.

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

And I'll give you one example there. And that's a broadening of the lender base. One example there is many lenders operate with decentralized loan officers as opposed to having them in call centers.

And we've developed a solution now. We had a rudimentary solution a few years ago, but now lenders who have that, we can manage that. The challenge of managing that is you're not managing capacity at the entity level. So you're not saying lender X wants 1,000 new customers today, you have to say, they want 1,000 new customers. And they need them distributed 5 to this person in Des Moines, 6 in New York City to that person, 7 over here, 6 over there, and you got to manage that at a local level and managing that at the local level is -- gets you into more of a home adviser-like management, which is -- which requires more analytics, more liquid -- it's more complicated.

And we've got that now. So that enables us to expand the lender base as well. But yes -- and the lender technologies just continue to get better. So this is structurally different.

Operator

Your final question comes from Josh Lamers with William Blair.

Joshua Kapler Lamers - *William Blair & Company L.L.C., Research Division - Associate*

Okay. Just 2 quick ones for me. First for a couple of quarters now, you guys have noted that work-from-home element has been benefiting the insurance agent segment, while carriers probably remained a bit reluctant. So I'm hoping you could expand a bit on that a bit and why that's the case? And then second, I was hoping you could touch on the progression with the publisher platform.

Last December when you were talking about that, it sounded like a fairly large incremental opportunity that could take hold in the second half of 2020, although I recognize that COVID may be impacting that to a degree.

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

J.D., you want to take that?

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

Sure. Yes, what we've seen. Yes. I wouldn't say that it's clearly gain reluctant. What I would say is what we've seen in agent behavior during this COVID period is more interest in our services. So our agent business is doing very, very well. And perhaps agents working from home are being more aggressive, more commercial, but we've just seen a big uptick in the agent business. I wouldn't necessarily characterize it as reluctance of the carrier. And so we broadened our base of agents, and that's one of our best-performing businesses. The publisher platform has been excellent for us. And one of the really exciting things there is that, that whole orientation of having the publisher platform has enabled great synergy between LendingTree and QuoteWizard. As you think about, we can refer publishers who have a relationship with LendingTree into that funnel to be served by QuoteWizard, and we've seen a lot there that we're excited about. So the publisher business continues to do well. The agent business continues to do well. It's just -- it's an execution story really at QuoteWizard that we're thrilled with.

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

And I have -- that was perfect. I have nothing to add on to that.

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

The big -- I guess, one thing I would say, in insurance, that just thematic interesting thing when we -- QuoteWizard did an excellent job of penetrating certain carriers, and it was generally with one product. If you look at the success story there in the last year, it has been getting a carrier with whom you have a great relationship and they're buying clicks. To then say, okay, clicks and leads or clicks and calls. So it's really a product attach rate story. And so they continue to innovate with products that will expand the opportunity to just keep doing that. And so when I say it's an execution story, that's really the strategy, and something we're really happy with.

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

Any more questions, operator?

Operator

There are no further questions. I'll turn the call back over to you for closing remarks.

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

Great. Well, I just want to thank everybody for being here today. And I've said this already today, but I just want to reiterate it. At the start of COVID, I told our team, make sure people are safe, then make sure our business is safe. And when those 2 conditions are hit, lean in. Everybody else is freaking out, fix the stuff you always want to fix, look for companies that we want to buy, look for great people we want to hire and help our community and help our customers.

And that's what we did. So today, we're a much stronger company. We're tighter as a team. We use this crisis to hit the capital markets perfectly to raise more money, and we are now spending it judiciously in a world of opportunity. LendingTree is stronger and the LendingTree ecosystem is stronger, and we feel great about where we are going heading forward. And I want to thank you all for your continued support as fellow shareholders, and we look forward to talking to you in a few more months. Thank you.

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

Thank you.

Operator

Thank you for participating in today's conference. You may now disconnect.

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