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TREE.OQ - Q1 2021 LendingTree Inc Earnings Call

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**OVERVIEW:**

Co. reported 1Q21 results.

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

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

## CONFERENCE CALL PARTICIPANTS

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

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## PRESENTATION

**Operator**

Good day, ladies and gentlemen, and welcome to the LendingTree, Inc. First Quarter 2021 Earnings Conference Call. (Operator Instructions) As a reminder, this conference call is being recorded.

I would now like to turn the conference over to your host, Mr. Trent Ziegler, Vice President of Investor Relations.

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

Great. Thanks, operator, and thanks, everyone, for joining the call this morning to discuss LendingTree's First Quarter 2021 financial results. On the phone with me today are Doug Lebda, LendingTree's Chairman and CEO; and J.D. Moriarty, currently our CFO.

As a reminder to everyone, we posted a detailed letter to shareholders on our Investor Relations website earlier today. And for purposes of today's call, we'll assume that listeners have read that letter and we'll spend most of our time on Q&A.

Before I hand the call over to Doug, I also want to remind everyone that during today's call, we may discuss LendingTree's expectations for future performance. Any forward-looking statements we make 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 our periodic reports filed with the SEC. We will also discuss a variety of non-GAAP measures on the call today, and I refer you to today's press release and shareholder letter, both available on our website at investors.lendingtree.com for the comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP.

And with that, go ahead, Doug.

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

Thanks, Trent, and thanks to everyone for joining the call today. The first quarter's results demonstrate the core strength of our business and the continued momentum we're seeing across all of our segments. We once again substantially exceeded our prior guidance as -- and our perspective on the remainder of the year is improving as the economy continues to gradually reopen.

Our Home segment posted record revenue in Q1, as consumers and lenders increasingly turned to the LendingTree network to fulfill their mortgage needs. Our deep lender network, world-class marketing machine and product evolution have enabled us to continue to scale our mortgage business throughout market cycles.

Our Insurance business continues to perform consistently well as a market leader at scale and is clearly less susceptible to macroeconomic conditions. We continue to diversify and strengthen our insurance business by expanding into new traffic acquisition channels, expanding our carrier network and growing into adjacent categories, further adding to the durability of our business model as a whole.

And our Consumer segment continues to show tangible signs of recovery one quarter after another. We see clear signs of returning demand from our network of lenders, and it's only a matter of time before consumer demand begins to return to pre-pandemic levels. The economy is reopening, consumers are beginning to borrow and spend, and we're confident that our consumer businesses will continue to accelerate throughout the remainder of the year. In aggregate, we feel really good about the overall health of our business.

In addition to the quarter's results, we are also announcing this morning a realignment of our executive team to further propel the business forward, and I'd like to just touch on that briefly. The breadth and scale of our marketplace across categories is an undeniable asset and a core competitive advantage for LendingTree. And it's also become clear over the last several months that in order to sustain the levels of growth that we've historically delivered, certain aspects of our business deserve more focus, and we are organizing the company accordingly.

You can all read about this in this morning's press release, so I won't spell it out in too much great detail, but here's essentially what we're doing. Neil Salvage is going to continue to lead the core LendingTree business and will endeavor to streamline those key assets. Scott Peyree, who founded QuoteWizard, will continue to oversee all things insurance, which has different and unique end-market dynamics than our other businesses. Scott will begin reporting directly to me.

And I'm thrilled to announce that J.D. Moriarty will be moving into a bigger operational role, leading what we are calling LendingTree Next. This division of the company will encompass our more strategic initiatives, including our all-evolving consumer experience, My LendingTree, strategic partnerships, enterprise sales, corporate development and broader operations management.

And finally, with J.D.'s transition, Trent Ziegler, who you all know very, very well, will be assuming the role of CFO. Trent has a leadership position throughout our finance team in FD&A, Investor Relations and Treasury for the last 8 years, and this is a natural and well-deserved progression for him. These moves should signal our commitment to investing in this company for the long haul. While our core business is incredibly solid, we recognize the need to focus on continued innovation, and we are aligning our people to support those efforts.

I'd like to personally congratulate each of these leaders on their new roles. I'd also like to thank our HR team, our Board of Directors, who provide a great deal of thought leadership throughout our decision-making process. And with renewed energy, focus and support, I am incredibly confident in our ability to scale this company very long into the future. And with that, operator, let's open it for questions.

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Your first question comes from the line of Jamie Friedman from Susquehanna.

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

Trent, J.D., Scott, Neil, congratulations on the new assignments. I wanted to ask -- maybe address to Doug. So Tree has seen the economy through many transitions over the years, whether it was the global financial crisis or the dot-com bubble before that. Want to get your perspective in terms of COVID and today's reopening themes, Doug, would you say you're a beneficiary of reopening trade? And if so, which parts of the business? And why?

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

Reopening trade, I'm going to leave the technicals of that to you all. But I would say, here's where we think the future kind of recovery goes, which is really along the Consumer business. You hit on it that we've weathered many cycles. This past year was probably the first time in LendingTree's history where we were able to -- where we didn't see lenders shutting us off as their volume kicked up. And so we think we're going to continue to grow in mortgage. But definitely, in the Consumer businesses, that's where we expect to see a renewed growth. The credit card companies and the personal loan companies are starting to make loans again and then they move into the online channels, which is where they find LendingTree. So I think that's probably the most likely "reopening trade." J.D., what do you think?

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

Yes. Jamie, it's a good question. It is -- I think there are 2 ways of looking at it. Obviously, as you know, there are a number of companies that are clear -- what I would call, clear short-term beneficiaries or clear companies that got 5 years' worth of brand awareness through COVID without the marketing spend. We're certainly not in that category. However, I think longer term, we are absolutely a beneficiary. If you think about overall marketing spend for our financial services partners in any of our categories, whether that's in Home, whether that's in credit card, personal loan or Insurance, this, what we've just been through, we think, is going to move more and more of that spend online. It is going to force those who had not adopted to online channels of marketing to do so. That's going to take some time.

Now obviously, we've been through the short term of it. We think we're getting through the short term of it, and our results are testament to that. We're seeing signs of recovery there. Longer term, we think this is very, very good for our business. So most times people use the term reopening trade, they're thinking about a beneficiary in a 1- or 2-quarter way as the reopening of the economy, as you see things like New York City opening this morning. Geez, what does that mean for Q3, Q4? I think we will benefit some. I care much more about the long-term impact, which is more and more marketing spend is going to come online, and that's going to benefit each of our segments. So I do think so. I don't think we're as obvious as some of the other ones, but I think longer term for sure.

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**Operator**

Our next question comes from the line of Jed Kelly with Oppenheimer.

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

Great. Two, if I may. J.D. or Doug, can you talk about how we should look at the unit economics or margin in sort of the Consumer segment as products start to come back and particularly in credit card, personal loan? And then just with the new management structure, Doug, how does this tie into My LendingTree and some of the stuff you talked at your last Analysts Day in December 2019?

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

Sure. Yes, why don't I take the second one first, and then J.D. taking on economics?

So how this ties into my -- the new org ties into My LendingTree? My LendingTree and our [post-submit experience] are going to be reporting into J.D., where we're going to be doing a lot of experimentation and innovation. Not to say we're going to have that inside every one of our business units, but that's where we're really going to focus on continuing to get that to ramming speed. And the numbers are looking very, very positive from that front. And if you just think about what we're really trying to do at a high level is basically take one bucket, if you will, of product in tech work and be able to split it up into 3 different streams so that we can then move assets around them to -- as priorities change.

So there's definitely -- the next group within LendingTree is all about improving the unit economics, all about improving conversion rates, hopefully, getting step change improvements in NPS and then the Powered by LendingTree, which is co-branding, et cetera, with partners that's in J.D.'s world. And so I think it's going to give us a lot of focus in that world. It's also going to give our -- Neil and team a lot -- much more ability to focus there, and we're calling it internally, we're dividing and conquering. J.D, do you want to touch on unit economics?

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

Yes. Sure.

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

You can talk about your new role, too, if you want.

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

No. That's okay. I'd rather talk about unit economics, Doug. I'm just teasing. I -- Jed, we can obviously talk about that alignment at any length, but I think we're just excited to have dedicated focus on those things. I look at each of the things in my world as really being an extension of those core marketplace assets and then how do we use that competitive advantage to grow in an outsized way. So that's the thought process.

As it relates to unit economics, just stepping back from it and looking at Q1 a year ago, and that is one of the ways that we look at our business internally as well, and we've got to remind everybody that each of those businesses within consumer are not yet back to 2019 capacity. Or when we do our projection for where they'll be the end of this quarter, we're happy to see that our home business is, obviously, dramatically ahead and our Insurance business is meaningfully ahead.

But our small business, personal and credit card, are literally 50 -- mid-50% -- 54% for small business is our projection relative to where it was pre-COVID. Personal loans, 58-ish percent. Credit card 43%. And that's on a revenue basis. So that ripples through, obviously, on our margin profile as your question points out.

And so a year ago, when the consumer business was 42% of our revenue, it was also operating at a 36% margin. And the aggregate margin is still very healthy in Consumer. But as we've talked about, credit card is not. So let's just talk about the puts and takes on each of those because there are some things affecting both of them that are a little bit unique.

Personal loan margins remain healthy. The issue with personal loans is volume on the consumer side. So the lender demand is absolutely there. We have not yet seen a renewed consumer demand. We're starting to see signs of it, which is great. But obviously, all the stimulus money out there has had an impact on that. So the margin profile in that business, though, remains very, very strong for us. So we're happy with that. The lender demand is there. And as we see consumer demand come in with the return to consumers traveling, building up credit card balances, we will absolutely see a return in that personal loan business, and we're excited about that. Our guide is conservative in this business, in particular, this and credit card. We think for a good reason. We've approached the entire year with conservatism around consumer because just calling the timing is extraordinarily hard.

Now when you look at unit economics in credit card, those are sub-10% right now, okay, in terms of VMMs. So recognize that, that is a drag. We're -- we said this in the third quarter of last year. We said that when credit card returns, and we're seeing that revenue growth, revenue growth would lead contribution growth. And so what's going to impact that for us? I think on the last call, I said we're one aggressive issuer away from being able to garner some margin there, and that's kind of where we are. We're getting there.

Revenue per approval is moving up, which is great. But you know what else needs to move up? Approval rate. So that underwriting box that the credit card issuer is signing up for is improving, but it needs to move up a little bit higher, right? So we're spending marketing dollars to direct -- to redirect consumers to our credit card issuer partners. We're getting paid a certain amount per approval. And the more that they approve, the more that we will benefit.

Right now, as we try to build back revenue and take market share in card, we're doing so with a very modest VMM contribution, sub-10%. That's the right strategy for the business as we try to get more issuer wallet, and that's how we're going to rebuild the business. And I just -- looking back on it, it's a pretty -- it can be a very meaningful segment. And so we think it's the right strategy. This is a segment, obviously, $17.6 million of revenue in Q1, but $51 million in Q1 a year ago. We know the capacity is there. We've just got to take the steps to get back to that partner wallet, and that's what we're doing.

So as we look at the remainder of the year, we are conservative with respect to forecast. We think that margin is going to come back. We're probably most conservative in card, okay, and then a little bit more positive on personal loan. But the timing of personal loan is just hard because we know that consumers have not built up a great deal of credit card debt.

So that's -- it's the only business, Jed -- to your question on unit economics, it's the only business that's really operating at a structurally different margin profile. And that is -- that's by choice as we build it back. You know the drivers with respect to Home and why that's operating in a lower VMM at the moment. But personal loan is exactly where it was.

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

Got it. And then just one follow-up on it. Is there any -- out of personal loans, credit cards or small businesses, is any of those longer-term structurally impaired from COVID? Or do you think they can all get back to their 2019 margin profiles in the next 18 to 24 months?

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

No. I think...

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

Yes, J.D., go ahead and then I'll chime in.

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

Yes. I don't think they're structurally impaired with respect to margin whatsoever. We get some questions periodically where people want to focus on the buy now, pay later space, and is that stealing from credit cards. And I guess I would remind everybody that -- a couple of things. One, that is debt out there, and that is debt that will be refinanced. And then two, if that is indeed stealing from the credit card space, then customer acquisition actually goes up in terms of priority, right? You're going to need to -- a credit card issuer is going to need to grow their portfolios at some point. And so competition for the consumer is actually, ultimately, a good thing for us.

So no, I don't think any of them are structurally impaired. And then in small business, that's a business that continues to be really resilient. And I think that on the other side of PPP, where people understand kind of the health of a restaurant, the health of some of these small businesses, I think you're going to see a new class of small business lenders emerge. And so that will be a real benefit for us.

So no, I don't think any of them are structurally impaired, and I actually think that they could be better businesses on the other side of this.

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

And I totally agree. I was going to say not impaired, to J.D.'s point, as being better. I think during the past year, we've just seen it in every category. People are, obviously, more and more comfortable online and more and more of the consumer space is moving online, consumer lending space. And so I think it is going to be better post COVID than pre.

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**Operator**

Your next question comes from the line of Youssef Squali with Truist Securities.

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

Sorry about that. I had you guys on mute. Apologies. So congrats all around. So 2 quick questions for me. Back on My LendingTree, can you maybe just speak to where you are in the integration of nonpersonal loan products within My LendingTree? So where are you with credit cards, with mortgage, insurance, et cetera? And really, what are the gating factors there? Because we've been, obviously, talking about My LendingTree for a while, and there are clear advantages to you guys optimizing that business. so just maybe speak to that.

And then in terms of your guidance, I was just hoping that you'd maybe help us get a sense of what you guys are baking in, in terms of growth by segment. So Home is obviously doing really well. The Consumer business came in materially slower, but then again, I think in the letter, you guys fleshed out what happened. March ended up strong. So are we back to a 20%-plus trajectory for that segment -- I'm sorry, for the Insurance business, that is. And any kind of directional -- I guess, any kind of quantification of what you're baking for the consumer would be super helpful.

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

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

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

Yes, sure. So why don't I do this? I will take -- let me start with the My LendingTree question, and let's give some context around that. So a couple of things. Let me start with acquisition and we're going to get to the integration of other products. From an acquisition perspective, we've been very happy with each of the last 2 quarters, okay? So if you think about the fact that personal loans -- our growth of the My LendingTree base has been driven by our existing competitive advantage, our existing -- and largely our personal loan funnel, right? And so just to level set for everybody, Youssef, I think you get this, but personal loans is, obviously, the product that is most aligned.

For personal loans as a business to go through what it did in 2020 and be relatively dormant in Q4 and even in Q1 and for us to have this acquisition growth, that's the single best quarter we had in terms of new My LT users. We're thrilled with that. That means that our acquisition strategy to syndicate this platform to partners is working. And so we're really happy with that, and that is the beginning of a little bit less reliance on personal loans. Now that's on the acquisition side. Your question has to do with revenue. And clearly, personal loans is still very much tied to this business and will continue to because people log in and they're repeat users, et cetera.

But we made very good progress in the quarter in mortgage. Now obviously, when you look at the quarter that we had in mortgage, it's not surprising. But quarter-on-quarter, credit card -- just in terms of revenue contribution, credit card was up 26%. So that -- the alignment with other products is happening. A lot of the work that went on last year, Youssef, was sort of infrastructure. Plaid is sort of critical to that. It enables -- it's foundational to these other products.

So one of them, the most obvious, is insurance. And quite literally, just yesterday, we did launch a new integration in insurance. So we are chipping away at the strategy around getting insurance into My LT and having a differentiated offering there as well. And so that is tied to our agency business, which we've talked about, and we're trying to get bindable quotes. We want that experience in My LT to be a different experience for the consumer than they typically get. And so that's why it takes some time. But if you look, you're starting to see more and more insurance profiling within My LT. And that's the -- you look at our segments to get one of those -- one of the big segments really aligned is going to be huge for My LT.

Now -- so we think we're making great progress, recognized. We went into 2020 with great reliance on personal loan, and when that business tails off, you're going to see not only our revenue tail off, but our sign-ups tail off. We think we've countered that with this acquisition strategy, and we think you'll see meaningful progress in insurance in the back part of the year.

So that's the strategy. We've talked about a number of the initiatives within insurance. My LT is core to that relative to the agency strategy as well as the dealership app that we've talked about. So My LT is going to work hand-in-hand with that, and we think it will be pretty impactful. But core to it all is we've got to get this user base up, and so we're thrilled with the acquisition growth.

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

The only thing I would accentuate onto that is the notion of new experiences, which is -- as a member of My LendingTree, we obviously can push alerts to you for transactions as opposed to the consumer having to be self-directed in thinking about it. And as part of those new experiences, you also have credit improvement, et cetera.

So think of My LendingTree as both tied with LendingTree and its own separate flow in and its flow out. J.D. said that so far, we've been getting most of those users from our other loan types. Over time, that starts to change. And the numbers on My LendingTree from the consumer standpoint, from liking it, from NPS and saving consumers' money, it's definitely working.

The second question was related to -- I'm sorry, I just want to restate the second question. It was related to our guide and specifically consumer? I just want to be sure.

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

Well, it was actually really to just get a...

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

Oh, no, sorry, it was insurance and -- yes, sorry...

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

Yes it was mostly insurance, but also would love to get your take on your views of the sustainability of the strength in Home and then kind of the recovery slope in Consumer.

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

Yes. Why don't -- I think Trent's going to take that and then I can give additional commentary.

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

Yes. Youssef, as you've -- if you just look at the guide for Q2 relative to what we did in Q1, I think you recognize that in Q1, the Home numbers were pretty extraordinary, whether you look at it on a sequential growth basis or year-on-year. Some of that -- and this is hard to quantify, but some of that is probably related to rates moving up in the quarter and people getting off the fence with regard to refi activity.

So moving into Q2, we do assume that there is a little bit of sequential decline in Home, still very healthy and the declines are pretty modest. But offsetting that decline is surging Insurance business. We said the early part of Q1, we saw some challenges, but that we exited March, growing north of 30%. We expect that to continue into the second quarter.

And then with regard to Consumer, we've talked a lot about kind of our perspective on where that's headed. We, for guidance purposes, are continuing to be pretty conservative there, but we continue to expect kind of modest recovery across all the key businesses there, card, personal loans, small business. So that's kind of the revenue and marketing aspect of it.

From an OpEx standpoint, the guide does imply a step-up of $3 million to $4 million in OpEx, nonmarketing OpEx quarter-to-quarter. We called this out in the letter, but about $2 million of that increase is related to a very specific investment that we're making in the Insurance business to support the build-out of what we're trying to do on the Medicare agency side. So I think we're following that out. That will bear fruit later this year and for many years to come.

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

The only -- Youssef, the only thing -- Insurance, our largest segment -- Insurance had an extraordinary March, a difficult January and February, but the business overall remains a far more consistent one than many of our other segments. Doesn't have quite the tie to macro factors. So we are really happy with the performance in March and certainly the run rate in April. And so we have a lot of confidence in that business being the type of grower that we anticipated when we set our budget in December. So that March performance gives us all the confidence in that business.

The only other thing I should touch on is just this -- we talked about $2 million of expense in the quarter associated with Medicare. That's an investment decision. And one of the things that we're really happy with over the last couple of years at LendingTree is our -- not just our corp dev and acquisitions but also our internal investments. And this is a good example of one that we greenlit in January. And so we'll continue to build out a Medicare agency business, and that's a very seasonal business. So it will drag -- just to give you a sense, last year, we had, on average, about 15 agents in 2020. We finished the year with -- in January, we were at about 27. We have a plan to grow that by the end of the year to 150. And so that's going to drag a bit in Q2 and Q3 and should pay off meaningfully in Q4. And this is all part of that strategy of diversifying the Insurance business.

And so we know the unit economics. We know it because we were in that business last year. Now that we are confident in unit economics and the ability to execute, we're going to press on the gas there. And so when you look at that step up in OpEx, just recognize $2 million is from Medicare, about $500 million is from payroll taxes on stock options. So 2 things that are just worth calling out on the OpEx line.

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**Operator**

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

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

Just wanted to follow up on OpEx. You called out a good quarter in 1Q and then you mentioned a step-up in Q2. I'm wondering what drove the improvement in the first quarter and then how you're thinking about the OpEx trajectory beyond the second quarter.

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

Let me just hit slightly harder on something that J.D. just said about internal investments. I think that we'll talk about this. When you see us investing and calling it out, it generally means we've got a lot of confidence in that -- in the growth of that product, and we don't make those investments lately. Now I'll turn it over to you 2.

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

Sure. So Rob, listen, we obviously, last year as a company, when COVID hit and we saw revenue compress and VMD compress in certain of our businesses, we pressed pause, but we didn't do a full hiring freeze because we wanted to be in growth mode and put ourselves in a position to grow this year.

We did go to Plan B. So we obviously grew OpEx last year as a company, not as much as we had anticipated heading into 2020, but we grew OpEx. We're going into 2021 with a basic internal rule -- 2 internal rules: it needs to grow slower than VMD, and we need to head back in the direction of less than 20% of revenue.

Okay. Now obviously, when revenue compressed last year, that got out of whack. But we're trying to balance growth initiatives with OpEx. And so those are the 2 rules internally, and we're monitoring it monthly and quarterly and trying to see where we invest. And so Medicare is a good example of that, and we're going to lean into things like that. But then we're going to moderate the OpEx growth in the areas that are not growing. What I'm very happy about is that most of our expansion is in things like insurance that are growing really nicely.

So you should see in the subsequent quarters growth but a slowing rate in OpEx. That's our goal. And so we think -- what I ultimately care about is not any one given quarter but the aggregate year and are we starting to deliver on those promises, VMD growth relative to OpEx. That -- those are the marching orders internally.

In terms of incremental things to pay attention to, one thing worth noting, we were bearing incremental lease expense, which we talked about that because we are moving into a new headquarters building in Charlotte, and we had 2 leases. We are out of the second lease in Charlotte as of January. So that -- while you would think that would be included in Q1, the reality is we do have some OpEx that is tied to the relocation. So it won't quite normalize for another quarter or so. But it is starting to normalize there from a lease expense perspective.

Trent, anything I missed there?

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

No, I don't think anything specifically worth calling out. Just the expenses of getting into the new headquarters, which we do intend to start bringing people back into the office in the summer and over the next few months at least on an optional basis at first. So there will be some expenses associated with that but nothing major.

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**Operator**

Your next question comes from the line of John Campbell with Stephens, Inc.

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

I'd like to echo the congrats also on the leadership changes. I think that's pretty exciting. And big congrats to Trent. That's a well-deserved promotion for sure. But I jumped in a little late here, so I apologize if you guys already covered this. But when I see the term LendingTree Next, I really can't help but think that you guys may be hinting at an eventual deeper move kind of into the asset side of the consumer balance sheet. So maybe if you guys can talk to where you are in regards to that journey?

And then J.D., if you could maybe provide a quick update on the stash investment and kind of how that relationship's progressed since the JV investment?

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

Yes. When you say the asset side, just sort of what are you thinking there?

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

Bringing in savings, looking at more of maybe the wealth adviser role, selling leads into that, just more -- just anything outside of the debt side for consumers.

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

So yes, I wouldn't call the Next thing saying that we are -- it's not the reason -- the asset side is not the reason for the reorg, and we're going to continue to make inroads there. The financial adviser relationships, we think, is a natural extension. And we think there are -- so yes, and savings right now and also spending is sitting -- J.D. talked about the Plaid integration. With seeing all that data, we can be much smarter about how we're talking to consumers about it and how -- and can do some basic budgeting and encouraging people to save to achieve whatever their underlying financial goal is. J.D, do you want to take it from there?

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

Yes. Sure. So John, I guess I would just say it is -- the Consumer side will be part of it for sure, but it's broader than that. So My LT -- so within what we're calling Next, if you think about each of these areas, they're an extension off of our core marketplace assets. So My LendingTree, is an asset for us. It's been built off of the marketplace business. We need to take that to the next level and dedicate real focus for it, okay?

So that's -- so My LT is part of it. It is adjacent to what we call consumer experience. Now consumer experience could include, one, making sure, obviously, that we take our marketplace consumers and get them to reengage with My LendingTree. That's one piece of it. Another is saying, how do we reinvent a given consumer experience from what we have today? So today, in -- you come in for Home and we match you to multiple lenders. What about other consumer experiences that we might want to explore and innovate? That's within the consumer experience of Next.

Now another part of it is what we call Powered by LendingTree, and the idea is -- and I mentioned this syndication as being part of the strategy of growing My LT. Well, Powered by LendingTree is a little broader than that, right? Powered by LendingTree for any of our partners could be you want us to power a financial wellness platform. You want us to power a managed marketplace. You are a financial services partner that wants to monetize through loan products. That would be all in this partnership area.

So these are all things that are not in and of themselves marketplace assets, but they are extensions or growth off of that. Now also in there is corporate development. And so we'll continue to be acquisitive, but it's going to be very much tied to the overarching strategy that we're detailing here, which is, how do we get more -- how do we use our existing marketplace asset? How do we get higher-level partnerships? And then how do we use corporate development to augment that?

Now obviously, you've mentioned Stash. Stash is something -- we love the company. We invested in February of last year at a $700 million valuation. And they've done really well, and they recently raised money at $1.3 billion. We -- there are things that we're already doing with them, and we'll continue to try to partner and see how we can make both companies better. And that will be part of rounding out the My LT experience and how we interact with the consumer.

But think about all of this as a renewed focus on the consumer as well as an increasing focus on partnerships. That's the way I would think about Next.

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

Okay. That's a great rundown. And then one more quick one here on Insurance. If you guys can maybe just remind us just kind of broadly the mix of exposure to agents versus carrier spend. And then maybe if you could characterize the behavior or maybe level of competition in the space now.

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

I don't -- it's a great -- I don't know that we disclose or have disclosed that specific mix. So let me -- we can try to get you that number if we can, but I don't know that we've disclosed it. We saw great progress with agents throughout 2020, and actually the agent business powered right through COVID. I don't know that I have the exact mix, however.

Obviously, anybody who's in the Insurance business, when you look at top customers, the big carriers like Progressive and others are going to be highly -- a huge part of your revenue mix, but so were the big agencies like State Farm and Allstate partners, and I don't know if we have disclosed that.

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

Yes, I also don't think we've disclosed it. And it's important, but it's not overly important from the standpoint that some carriers operate through local agencies and local agents operate more centrally. And we can do calls, clicks, data leads and now agency. So we've basically got multiple ways to play with our clients for however it suits their business model the best.

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**Operator**

Our next question comes from the line of Mayank Tandon with Needham.

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**Kyle David Peterson** - *Needham & Company, LLC, Research Division - Associate*

Doug, this is actually Kyle Peterson for Mayank. Just wanted to touch on the Insurance performance in the quarter a little more and see if you guys could give any more color on kind of the technical issue with one of your large partners versus like did you guys see any impact from some of the severe winter weather in, like, Texas and some of the surrounding areas. Any additional color would be great.

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

Will you take that, J.D.?

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

Sure. We had -- which I think we referenced in our letter, we did have one carrier who had an outage for about 5 days that did have impact on us. And so that was not an issue relative to a couple of our carriers and where -- and specifically where they had call centers. But in terms of what we're calling out, there was about a 5-day outage that did impact us.

Do I think that the improved performance in March was more substantive, obviously, than anything like that? It's just improvement in the overall business and optimization. But yes, there was definitely an outage that impacted us for about 5 days.

**Kyle David Peterson** - *Needham & Company, LLC, Research Division - Associate*

Got it. And then I guess I just wanted to follow up. Did you guys notice any disruption or change in carrier demand during some of the winter storms kind of in the -- towards the middle of the quarter that impacted like Texas and the surrounding areas?

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

Not so much carrier demand. We did have like -- we did have 2 partners who had call centers there. So when we're routing our calls business and those were not staffed because of the weather, it did have impact. But it was not -- it was not ongoing, obviously, but it did have impact. So 2 of our partners did have less than fully staffed or unstaffed call centers.

**Kyle David Peterson** - *Needham & Company, LLC, Research Division - Associate*

Got it. That's helpful. And then I guess just one quick follow-up on the impact on stimulus. You guys called out that there's been some negative impacts on personal loan and credit card kind of just [reverberation] to it. Did you guys notice -- have some of that demand started to back up as some of the stimulus has worked its way through the system kind of as you guys have progressed through March and into April here?

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

Yes. So in -- on the Consumer side, we certainly -- on the personal -- let's just start with the personal. There's -- you're referring to the consumer demand, and that is actually what causes us to be fairly cautious with respect to guide. It's not to say that it's not better, it is. But it's -- the stimulus impact is still pretty real. And so when you look at our guide for the quarter, it's because we're being cautious on the consumer -- on the -- pardon me, we're being cautious in the Consumer segment on the consumer demand for both credit cards and personal loans.

Personal loans will typically -- even though that business is probably on balance healthier for us than credit card, personal loan will trail credit card, meaning, consumers will build up credit card balances. We have not yet really seen that. They will have to build up credit card balances for there to be demand for personal loans, right? That's the #1 use case.

So no, we have not had enough time passed to look at it and say that on the consumer side, there's a discernible change in terms of consumer interest in either credit cards or personal loan. What has gotten healthier is the partner dynamic, right? The credit card issuer and the personal loan lender are definitely desirous of growth. And so as the consumer recovers, we will benefit from that for sure. Our guide reflects some conservatism because calling the timing is just very hard in light of all the stimulus.

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

Yes, the only thing I would add is, as J.D. hit on it, how the balances come back, lenders are lending, a lot of the stimulus money, however, end up in bank accounts and savings and, obviously, in spending. And -- but it is definitely coming back, and I think it's good for the American consumer that they've got less debt and more dry powder. I think that sets us up well for the next several years.

**Operator**

Our next question comes from the line of Kunal Madhukar with Deutsche Bank.

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

Congratulations on the management changes. And I want to start with mortgages. I want to understand. You talked in your letter about how revenue per lead kind of improved. Can we disaggregate that into purchase and refi and maybe understand refi a bit better in terms of how volumes kind of trended over the quarter? Where they are now? And how is pricing kind of getting impacted by the volume trends?

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

Got it. So let me talk at a high level and then hand it over to J.D. So mortgage. Obviously, demand has been very, very high from a consumer standpoint, and our lenders have been doing very, very well as well and been very profitable. The lenders work on our system very much the way we work inside of Google. And so they're bidding based on segments of consumers and giving us the amount of volume that they're looking for.

RPL, or revenue per lead, has been doing better just because as the refinance volume has tapered off, then you have lenders saying, "I'd like to keep my pipelines full." And so then they'll expand their coverage, and they'll ask for more volume, maybe reduce their LTVs, et cetera. And then that pushes up -- that's why RPL gets pushed up. J.D., do you want to add on to that?

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

Sure. So I mean, Kunal, we went into 2021 knowing our cycle, knowing that we could push on RPL and end volume, right? And so you see this revenue strength. As a percentage of overall mortgage, while purchase grew meaningfully from where it was -- well, on a dollar basis, purchase grew meaningfully from where it was in the last 3 quarters, okay, so we're very happy with that, it's still a little less -- it was a little less than 10% of the aggregate. Now that's not surprising in a cycle like this, right? With rates where they are, our lenders are going to focus on refinance.

Then we monitor throughout the quarter, and we definitely did see a step-up in purchase in March. Some of that is seasonal, right? And so -- but we saw RPLs expand meaningfully in purchase and in refinance throughout the quarter. We would anticipate that in purchase season in the spring, we would anticipate purchase RPLs to move up further. Our guide for Q2 is more cautious with regard to refi just because we have to monitor how much potential refi volume is out there, right? So there's this substitution effect between refi and purchase that we know very, very well. And so we monitor that. And keep in mind, we're working with our lenders toward their mix as well.

So we're really happy with the progress in RPLs in Q1. I think we've guided for Q2 with some conservatism because of where rates moved and that volatility in rates. But the step-up in purchase and in home equity is intended to offset some of that. And so that's kind of what you have to balance during this point in the cycle.

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

And the only thing I'd add about what J.D. called substitution effect, if you think of this from the perspective of a mortgage company, you can underwrite and close any type of a home loan, a purchase, a refinance, even a home equity loan. But given your fixed capacity, you're going to go to the most profitable and easiest ones to close at the time of high volume. And so that's why lenders will self-select more into refinance during periods like last year. And then as their refinance volume starts to slow down, then they open up their purchase [filters].

And so you see a movement across those loan types. And at times in the past, people will look at a -- will look at our business and say, "Oh my gosh, you've got a lot of refinance business. Well, when that goes away, then you're going to be left with this purchase business." And the reality is, there's always still more refinance volume in the market because it's still small in terms of penetration, and lenders make that move into purchase, into smaller loan types and expanded coverage, and that improves RPL overall.

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

Great. One quick follow-up and then I have a question on My LendingTree. So as you look at like 2Q and in your projections for 2Q, are you thinking that purchase also declined sequentially or the decline -- the sequential decline is basically just in refi?

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

Yes. Just in refi.

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

Okay. Great. And then on the My LendingTree side, completely get the revenue contribution and what have you. Wanted to understand engagement. So you've been adding -- you've added a significant number of new folks during the quarter. What has been the engagement metric in terms of MAU or DAU or percentage of time that people are spending on the platform?

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

So I'm going to defer a little bit on this one because I'm not quite sure what we are willing -- what we're disclosing or not. But overall, what I would say is, My LendingTree continues to make penetration. And so our engagement numbers have definitely been going up. Particularly, what we've noticed is a very large increase in engagement once we link your accounts to My LendingTree. And that is probably somewhat that the consumer experience is better. It's also somewhat that people who are willing to take that step want to be more engaged. But those -- it's definitely improving. We can definitely see our way to profitable marketing just from that alone. We're continuing to add new feature sets inside of there. And then My LendingTree becomes a very -- mass personalization, helping every individual consumer who signs up for it.

J.D., do you want to talk on -- anything to add to that?

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

Yes. So we saw MAUs -- it improved in the quarter in the area of 10%. And so we're happy with that. So the engagement -- you can track -- we track engagement on a quarterly basis in terms of active users. We also track it with respect to retention. And so -- and then perhaps, most importantly, we track, obviously, NPS, and that was a plus 50 in the month of March. So we were very happy with that.

So the more that we put in feature sets, like Plaid and connected accounts, we're giving proactive credit updates, recurring expenses and subscriptions. That's a big milestone for us in terms of our Plaid feature set. And so we talked last year a lot about predicting cash flow, but there is some engagement that comes with those feature sets and so we're starting to see the benefit of that.

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

Okay. Great. And one last housekeeping. Purchase mortgage. You just mentioned that it was just under 10% of revenue. Was that under 10% of total LendingTree revenue or 10%...

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

No, no, no, mortgage revenue. So back out -- so not the Home segment, but mortgage revenue. So back out your non-Home equity and -- so -- but relative to percent of mortgage revenue.

Okay. And so to give you some sense, though, it was in that area each of the last 2 quarters. And it was 10 or less percent each of the last 3 quarters. So it's -- it stepped up meaningfully on an absolute dollar basis, but as a percentage of the overall mortgage business, it was still less than 10%.

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**Operator**

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

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

Congrats to all and Trent. Well deserved. Wanted to just make sure I'm thinking about the LendingTree Next in the right way. And in my thinking, there's -- some components that you guys detailed in the letter of LendingTree Next that are efforts that have been in place for a while as we've talked about. And so this seems like more of an emphasis to sort of further charge growth with those efforts and adding perhaps a couple of new ones on the enterprise side and partnership side. Should we expect incremental, sizable investments related to these and not just in 2Q, just sort of more generally?

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

Sure. So I'd like to think of this, as I said before, as kind of as a divide and conquer and to not have to have all of our executives sitting in the same sort of resource prioritization stuff across the organization. And we can basically break it up into areas. I think you would expect to see more investment, but the investment will come based on very specific ROIs that makes sense for us, and that will be a smart move. So J.D. talked about that process, and that's working very, very well. So that's where, for example, the Medicare agency came from was through that process and somebody saying, "Here's an investment we'd like to make." We look at it, greenlight it and then track it after that. J.D.?

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

Yes. I just -- Melissa, I would think of it as, you're right that things like My LendingTree are already well developed. Things like Powered by LendingTree are less developed, right? And so what we're recognizing is that something like My LendingTree has gotten to a certain scale and now it needs real focus, where, independent of our existing competitive advantage in our marketplace business, we might make some different decisions with respect to how you -- like, for instance, how you market My LT. You might orient the marketing differently. You might actually not just look at it as a more efficient marketing channel for the marketplace business, but you might really take an orientation that says, what does the consumer care about? What is really going to drive engagement? So we are going to focus on that.

Does that mean it's going to need more dollars? No, not necessarily. It's just going to be -- that's going to be a focus thing. So to Doug's point, where are we spending our time? We're going to be more efficient with respect to the focus on that and that consumer experience.

Then there are things like Powered by, where we think we can, in a relatively efficient way, leverage our existing assets, meaning, there are partners that we could, from a BD perspective, folks that we can partner with, and we already have a pretty big backlog of interested parties for whom we can power monetization. We can power a marketplace business. And that's just leverage, and so that will be very beneficial to the aggregate margin profile of the company over time. There might be some upfront investment, but I don't think it's going to be huge. It's going to be more of a focus, however, on essentially B2B on that side of the business.

And so that's the way that I would think about it. And then underpinning all of this is a focus on the consumer and what does that experience look like. So that could be redefining what the mortgage experience looks like and -- but that needs real, real focus independent of the existing marketplace business. So a bit more product orientation on the consumer is the way I would describe it.

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

Okay. That's really helpful. A follow-up question on the Home segment. I think I heard Trent speak to revenues coming off slightly in 2Q. I'm not sure if I heard that right. We're certainly noting the 1Q revenue peak in that category. But is it fair to assume that as we come off that peak in 1Q that the margin profile in that segment should also normalize and improve a bit?

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

It is. Yes, that's exactly right. We have managed that business for VMD gain, but obviously operated -- in a revenue growth environment, we're operating in -- where the VMMs are going to be a little bit lower because, ultimately, we're just trying to get as much VMD in the door as possible. And so yes, as we look at the macro environment and say, "Okay, refi volumes probably come down here." We've made assumptions about revenue being lower than the record revenue that we experienced in Q1. And yes, we'll -- we should enjoy a better margin profile in Q2.

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**Operator**

I am showing no further questions at this time. I would now like to turn the conference back to LendingTree Chairman and CEO, Doug Lebda.

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

Thank you very much, and thank you all for joining our call today, and thank you for your continued interest and attention for our company. If I could recap the last 12 to 14 months, I would say, it was obviously very intense, it was obviously incredibly interesting for our company. And I think we came through it as a much better company that is much stronger, that has a great balance sheet, that is very well positioned for the future. I think we're coming off of this with a much better team. I think we've learned as a team how we can work better together. We've learned how we can be honest and candid with each other and work through gnarly problems and put the best interest of the company ahead of any individuals ourselves.

We really focused a lot in the past 14 months on operational improvements, which are helping us continue to scale. I think we're incredibly well positioned vis-a-vis competitors. We feel very, very good about where we're sitting in the industry.

And then the last thing I would say is, as a founder of a company, it is incredibly gratifying and humbling to be able to work with the people that I get to work with every day and that we are able to promote from within. It just gives me the thrill of a lifetime to see people doing great things with their careers at every level in the organization. And I can't thank everybody at LendingTree enough for that. Thank you to our lenders, and we look -- thank you to our shareholders. We look forward to talking to you in 3 months. Have a great day.

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**Operator**

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

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