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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the Quarterly Period Ended September 30, 2022  
or  
 **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File No. 001-34063
- 



**LendingTree, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**26-2414818**  
(I.R.S. Employer Identification No.)

**1415 Vantage Park Dr., Suite 700, Charlotte, North Carolina 28203**

(Address of principal executive offices)(Zip Code)

**(704) 541-5351**

(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.01 par value per share	TREE	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of October 31, 2022, there were 12,785,635 shares of the registrant's common stock, par value \$.01 per share, outstanding, excluding treasury shares.

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PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements*

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	<i>(in thousands, except per share amounts)</i>			
<b>Revenue</b>	<b>\$ 237,836</b>	<b>\$ 297,450</b>	<b>\$ 782,937</b>	<b>\$ 840,214</b>
Costs and expenses:				
Cost of revenue <i>(exclusive of depreciation and amortization shown separately below)</i>	14,105	15,020	44,240	42,849
Selling and marketing expense	176,875	206,475	565,569	589,143
General and administrative expense	39,540	40,126	115,802	114,926
Product development	14,043	13,384	42,413	39,142
Depreciation	5,274	4,808	15,024	12,969
Amortization of intangibles	6,582	10,345	21,574	32,967
Change in fair value of contingent consideration	—	(196)	—	(8,249)
Restructuring and severance	—	47	3,760	47
Litigation settlements and contingencies	(7)	22	(41)	360
<b>Total costs and expenses</b>	<b>256,412</b>	<b>290,031</b>	<b>808,341</b>	<b>824,154</b>
<b>Operating (loss) income</b>	<b>(18,576)</b>	<b>7,419</b>	<b>(25,404)</b>	<b>16,060</b>
Other (expense) income, net:				
Interest expense, net	(5,720)	(11,826)	(19,990)	(31,881)
Other income	1,523	—	1,806	40,072
(Loss) income before income taxes	<b>(22,773)</b>	<b>(4,407)</b>	<b>(43,588)</b>	<b>24,251</b>
Income tax (expense) benefit	(135,910)	1	(133,956)	455
Net (loss) income from continuing operations	<b>(158,683)</b>	<b>(4,406)</b>	<b>(177,544)</b>	<b>24,706</b>
Loss from discontinued operations, net of tax	(1)	(54)	(4)	(3,516)
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (158,684)</b>	<b>\$ (4,460)</b>	<b>\$ (177,548)</b>	<b>\$ 21,190</b>
<b>Weighted average shares outstanding:</b>				
Basic	12,758	13,268	12,794	13,194
Diluted	12,758	13,268	12,794	13,797
<b>(Loss) income per share from continuing operations:</b>				
Basic	\$ (12.44)	\$ (0.33)	\$ (13.88)	\$ 1.87
Diluted	\$ (12.44)	\$ (0.33)	\$ (13.88)	\$ 1.79
<b>Loss per share from discontinued operations:</b>				
Basic	\$ —	\$ —	\$ —	\$ (0.27)
Diluted	\$ —	\$ —	\$ —	\$ (0.25)
<b>Net (loss) income per share:</b>				
Basic	\$ (12.44)	\$ (0.34)	\$ (13.88)	\$ 1.61
Diluted	\$ (12.44)	\$ (0.34)	\$ (13.88)	\$ 1.54

The accompanying notes to consolidated financial statements are an integral part of these statements.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	September 30, 2022	December 31, 2021
	<i>(in thousands, except par value and share amounts)</i>	
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 285,538	\$ 251,231
Restricted cash and cash equivalents	127	111
Accounts receivable (net of allowance of \$2,356 and \$1,456, respectively)	96,330	97,658
Prepaid and other current assets	28,466	25,379
<b>Total current assets</b>	<b>410,461</b>	<b>374,379</b>
Property and equipment (net of accumulated depreciation of \$33,211 and \$28,315, respectively)	64,848	72,477
Operating lease right-of-use assets	69,770	77,346
Goodwill	420,139	420,139
Intangible assets, net	64,189	85,763
Deferred income tax assets	—	87,581
Equity investments	174,580	158,140
Other non-current assets	6,308	6,942
Non-current assets of discontinued operations	—	16,589
<b>Total assets</b>	<b>\$ 1,210,295</b>	<b>\$ 1,299,356</b>
<b>LIABILITIES:</b>		
Current portion of long-term debt	\$ 2,484	\$ 166,008
Accounts payable, trade	4,583	1,692
Accrued expenses and other current liabilities	84,464	106,731
Current liabilities of discontinued operations	—	1
<b>Total current liabilities</b>	<b>91,531</b>	<b>274,432</b>
Long-term debt	813,395	478,151
Operating lease liabilities	90,532	96,165
Deferred income tax liabilities	8,059	2,265
Other non-current liabilities	281	351
<b>Total liabilities</b>	<b>1,003,798</b>	<b>851,364</b>
Commitments and contingencies (Note 13)		
<b>SHAREHOLDERS' EQUITY:</b>		
Preferred stock \$.01 par value; 5,000,000 shares authorized; none issued or outstanding	—	—
Common stock \$.01 par value; 50,000,000 shares authorized; 16,140,103 and 16,070,720 shares issued, respectively, and 12,784,637 and 13,095,149 shares outstanding, respectively	161	161
Additional paid-in capital	1,177,409	1,242,794
Accumulated deficit	(704,895)	(571,794)
Treasury stock; 3,355,466 and 2,975,571 shares, respectively	(266,178)	(223,169)
<b>Total shareholders' equity</b>	<b>206,497</b>	<b>447,992</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,210,295</b>	<b>\$ 1,299,356</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the Nine Months Ended September 30, 2022**  
**(Unaudited)**

	Common Stock			Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	
	Total	Number of Shares	Amount			Number of Shares	Amount
	<i>(in thousands)</i>						
<b>Balance as of December 31, 2021</b>	<b>\$ 447,992</b>	<b>16,071</b>	<b>\$ 161</b>	<b>\$ 1,242,794</b>	<b>\$ (571,794)</b>	<b>2,976</b>	<b>\$ (223,169)</b>
Net loss and comprehensive loss	(10,826)	—	—	—	(10,826)	—	—
Non-cash compensation	15,080	—	—	15,080	—	—	—
Purchase of treasury stock	(43,009)	—	—	—	—	379	(43,009)
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes	(3,086)	49	—	(3,086)	—	—	—
Cumulative effect adjustment due to ASU 2020-06	(65,303)	—	—	(109,750)	44,447	—	—
<b>Balance as of March 31, 2022</b>	<b>\$ 340,848</b>	<b>16,120</b>	<b>\$ 161</b>	<b>\$ 1,145,038</b>	<b>\$ (538,173)</b>	<b>3,355</b>	<b>\$ (266,178)</b>
Net loss and comprehensive loss	(8,038)	—	—	—	(8,038)	—	—
Non-cash compensation	17,335	—	—	17,335	—	—	—
Issuance of common stock for stock options, employee stock purchase plan, restricted stock awards and restricted stock units, net of withholding taxes	341	21	—	341	—	—	—
<b>Balance as of June 30, 2022</b>	<b>\$ 350,486</b>	<b>16,141</b>	<b>\$ 161</b>	<b>\$ 1,162,714</b>	<b>\$ (546,211)</b>	<b>3,355</b>	<b>\$ (266,178)</b>
Net loss and comprehensive loss	(158,684)	—	—	—	(158,684)	—	—
Non-cash compensation	15,575	—	—	15,575	—	—	—
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes and cancellations	(880)	(1)	—	(880)	—	—	—
<b>Balance as of September 30, 2022</b>	<b>\$ 206,497</b>	<b>16,140</b>	<b>\$ 161</b>	<b>\$ 1,177,409</b>	<b>\$ (704,895)</b>	<b>3,355</b>	<b>\$ (266,178)</b>

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
**For the Nine Months Ended September 30, 2021**  
**(Unaudited)**

	Common Stock				Treasury Stock		
	Total	Number of Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Number of Shares	Amount
	<i>(in thousands)</i>						
<b>Balance as of December 31, 2020</b>	\$ 364,761	15,766	\$ 158	\$ 1,188,673	\$ (640,909)	2,641	\$ (183,161)
Net income and comprehensive income	19,049	—	—	—	19,049	—	—
Non-cash compensation	16,436	—	—	16,436	—	—	—
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes	(4,801)	31	—	(4,801)	—	—	—
Other	(2)	—	—	(2)	—	—	—
<b>Balance as of March 31, 2021</b>	\$ 395,443	15,797	\$ 158	\$ 1,200,306	\$ (621,860)	2,641	\$ (183,161)
Net income and comprehensive income	6,601	—	—	—	6,601	—	—
Non-cash compensation	18,294	—	—	18,294	—	—	—
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes	30	159	2	28	—	—	—
<b>Balance as of June 30, 2021</b>	\$ 420,368	15,956	\$ 160	\$ 1,218,628	\$ (615,259)	2,641	\$ (183,161)
Net loss and comprehensive loss	(4,460)	—	—	—	(4,460)	—	—
Non-cash compensation	17,074	—	—	17,074	—	—	—
Issuance of common stock for stock options, restricted stock awards and restricted stock units, net of withholding taxes	(1,894)	13	—	(1,894)	—	—	—
Other	(6)	—	—	(6)	—	—	—
<b>Balance as of September 30, 2021</b>	\$ 431,082	15,969	\$ 160	\$ 1,233,802	\$ (619,719)	2,641	\$ (183,161)

The accompanying notes to consolidated financial statements are an integral part of these statements.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Nine Months Ended September 30,	
	2022	2021
<i>(in thousands)</i>		
Cash flows from operating activities attributable to continuing operations:		
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (177,548)</b>	<b>\$ 21,190</b>
Less: Loss from discontinued operations, net of tax	4	3,516
Net (loss) income from continuing operations	(177,544)	24,706
Adjustments to reconcile net (loss) income from continuing operations to net cash provided by operating activities attributable to continuing operations:		
Loss on impairments and disposal of assets	4,261	2,651
Amortization of intangibles	21,574	32,967
Depreciation	15,024	12,969
Non-cash compensation expense	47,990	51,804
Deferred income taxes	133,943	(455)
Change in fair value of contingent consideration	—	(8,249)
Gain on investments	—	(40,072)
Bad debt expense	2,708	1,823
Amortization of debt issuance costs	5,443	3,756
Write-off of previously-capitalized debt issuance costs	—	1,066
Amortization of debt discount	1,475	22,297
Reduction in carrying amount of ROU asset, offset by change in operating lease liabilities	(890)	13,015
Changes in current assets and liabilities:		
Accounts receivable	(1,380)	(43,688)
Prepaid and other current assets	(6,271)	(2,762)
Accounts payable, accrued expenses and other current liabilities	(19,146)	7,537
Income taxes receivable	(389)	10,322
Other, net	(469)	(794)
<b>Net cash provided by operating activities attributable to continuing operations</b>	<b>26,329</b>	<b>88,893</b>
Cash flows from investing activities attributable to continuing operations:		
Capital expenditures	(8,970)	(30,515)
Equity investments	(16,440)	(1,180)
<b>Net cash used in investing activities attributable to continuing operations</b>	<b>(25,410)</b>	<b>(31,695)</b>
Cash flows from financing activities attributable to continuing operations:		
Proceeds from term loan	250,000	—
Repayment of term loan	(625)	—
Repayment of 0.625% Convertible Senior Notes	(169,659)	—
Payments related to net-share settlement of stock-based compensation, net of proceeds from exercise of stock options	(3,292)	(6,666)
Purchase of treasury stock	(43,009)	—
Payment of debt issuance costs	(4)	(5,995)
Payment of original issue discount on undrawn term loan	—	(2,500)
Other financing activities	—	(31)
<b>Net cash provided by (used in) financing activities attributable to continuing operations</b>	<b>33,411</b>	<b>(15,192)</b>
<b>Total cash provided by continuing operations</b>	<b>34,330</b>	<b>42,006</b>
Discontinued operations:		
Net cash (used in) provided by operating activities attributable to discontinued operations	(7)	3,330
<b>Total cash (used in) provided by discontinued operations</b>	<b>(7)</b>	<b>3,330</b>
<b>Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents</b>	<b>34,323</b>	<b>45,336</b>
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	251,342	170,049
<b>Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period</b>	<b>\$ 285,665</b>	<b>\$ 215,385</b>

The accompanying notes to consolidated financial statements are an integral part of these statements.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**NOTE 1—ORGANIZATION**

**Company Overview**

LendingTree, Inc. is the parent of LT Intermediate Company, LLC, which holds all of the outstanding ownership interests of LendingTree, LLC, and LendingTree, LLC owns several companies (collectively, “LendingTree” or the “Company”).

LendingTree operates what it believes to be the leading online consumer platform that connects consumers with the choices they need to be confident in their financial decisions. The Company offers consumers tools and resources, including free credit scores, that facilitate comparison-shopping for mortgage loans, home equity loans and lines of credit, reverse mortgage loans, auto loans, credit cards, deposit accounts, personal loans, student loans, small business loans, insurance quotes, sales of insurance policies and other related offerings. The Company primarily seeks to match in-market consumers with multiple providers on its marketplace who can provide them with competing quotes for loans, deposit products, insurance or other related offerings they are seeking. The Company also serves as a valued partner to lenders and other providers seeking an efficient, scalable and flexible source of customer acquisition with directly measurable benefits, by matching the consumer inquiries it generates with these providers.

The consolidated financial statements include the accounts of LendingTree and all its wholly-owned entities, except Home Loan Center, Inc. (“HLC”) subsequent to its bankruptcy filing on July 21, 2019, which resulted in the Company's loss of a controlling interest in HLC under applicable accounting standards. Intercompany transactions and accounts have been eliminated. The HLC Bankruptcy case was closed on July 14, 2021. The HLC entity was legally dissolved in the first quarter of 2022. *See* Note 16—Discontinued Operations for additional information.

**Discontinued Operations**

The LendingTree Loans business, which consisted of originating various consumer mortgage loans through HLC (the “LendingTree Loans Business”), is presented as discontinued operations in the accompanying consolidated balance sheets, consolidated statements of operations and comprehensive income and consolidated statements of cash flows for all periods presented. The notes accompanying these consolidated financial statements reflect the Company's continuing operations and, unless otherwise noted, exclude information related to the discontinued operations. *See* Note 16—Discontinued Operations for additional information.

**Basis of Presentation**

The accompanying unaudited interim consolidated financial statements as of September 30, 2022 and for the three and nine months ended September 30, 2022 and 2021, respectively, have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). In the opinion of management, the unaudited interim consolidated financial statements have been prepared on the same basis as the audited financial statements, and include all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the Company's financial position for the periods presented. The results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022, or any other period. The accompanying consolidated balance sheet as of December 31, 2021 was derived from audited financial statements included in the Company's annual report on Form 10-K for the year ended December 31, 2021 (the “2021 Annual Report”). The accompanying consolidated financial statements do not include all of the information and footnotes required by GAAP for annual financial statements. Accordingly, they should be read in conjunction with the audited financial statements and notes thereto included in the 2021 Annual Report.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES**

**Accounting Estimates**

Management is required to make certain estimates and assumptions during the preparation of the consolidated financial statements in accordance with GAAP. These estimates and assumptions impact the reported amount of assets and liabilities and

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

disclosures of contingent assets and liabilities as of the date of the consolidated financial statements. They also impact the reported amount of net earnings during any period. Actual results could differ from those estimates.

Significant estimates underlying the accompanying consolidated financial statements, including discontinued operations, include: the recoverability of long-lived assets, goodwill and intangible assets; the determination of income taxes payable and deferred income taxes, including related valuation allowances; fair value of assets acquired in a business combination; contingent consideration related to business combinations; litigation accruals; contract assets; various other allowances, reserves and accruals; assumptions related to the determination of stock-based compensation; and the determination of right-of-use assets and lease liabilities.

The Company considered the impact of the COVID-19 pandemic on the assumptions and estimates used when preparing its financial statements including, but not limited to, the allowance for doubtful accounts, valuation allowances, contract asset and contingent consideration. These assumptions and estimates may change as new events occur and additional information is obtained. If economic conditions caused by the COVID-19 pandemic do not recover as currently estimated by management, such future changes may have an adverse impact on the Company's results of operations, financial position and liquidity.

### **Certain Risks and Concentrations**

LendingTree's business is subject to certain risks and concentrations including dependence on third-party technology providers, exposure to risks associated with online commerce security and credit card fraud.

Financial instruments, which potentially subject the Company to concentration of credit risk at September 30, 2022, consist primarily of cash and cash equivalents and accounts receivable, as disclosed in the consolidated balance sheet. Cash and cash equivalents are in excess of Federal Deposit Insurance Corporation insurance limits, but are maintained with quality financial institutions of high credit. The Company requires certain Network Partners to maintain security deposits with the Company, which in the event of non-payment, would be applied against any accounts receivable outstanding.

Due to the nature of the mortgage lending industry, interest rate fluctuations may negatively impact future revenue from the Company's marketplace.

Lenders and lead purchasers participating on the Company's marketplace can offer their products directly to consumers through brokers, mass marketing campaigns or through other traditional methods of credit distribution. These lenders and lead purchasers can also offer their products online, either directly to prospective borrowers, through one or more online competitors, or both. If a significant number of potential consumers are able to obtain loans and other products from Network Partners without utilizing the Company's services, the Company's ability to generate revenue may be limited. Because the Company does not have exclusive relationships with the Network Partners whose loans and other financial products are offered on its online marketplace, consumers may obtain offers from these Network Partners without using its service.

Other than a support services office in India, the Company's operations are geographically limited to and dependent upon the economic condition of the United States.

### **Litigation Settlements and Contingencies**

Litigation settlements and contingencies consists of expenses related to actual or anticipated litigation settlements.

### **Recently Adopted Accounting Pronouncements**

In August 2020, the FASB issued ASU 2020-06, which simplifies the accounting for convertible instruments, amends the derivatives scope exception guidance for contracts in an entity's own equity, and amends the related earnings-per-share guidance. Under the new guidance, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, or that do not result in substantial premiums accounted for as paid-in capital. As a result, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. Additionally, the new guidance requires the if-converted method to be applied for all convertible instruments when calculating diluted earnings per share. This ASU is effective for annual and interim reporting periods beginning after December 15, 2021, with early adoption permitted for periods beginning after December 15, 2020. An entity may adopt the amendments through either a modified retrospective method of transition or a fully retrospective method of transition.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company adopted ASU 2020-06 on January 1, 2022 using the modified retrospective transition approach and recognized the cumulative effect of initially applying ASU 2020-06 as a \$44.4 million adjustment to the opening balance of accumulated deficit, comprised of \$60.8 million for the interest adjustment, net of \$16.4 million for the related tax impacts. The recombination of the equity conversion component of our convertible debt remaining outstanding caused a reduction in additional paid-in capital and an increase in deferred income tax assets. The removal of the remaining debt discounts recorded for this previous separation had the effect of increasing our net debt balance. ASU 2020-06 also requires the dilutive impact of convertible debt instruments to utilize the if-converted method when calculating diluted earnings per share and the result is more dilutive. The prior period consolidated financial statements have not been retrospectively adjusted and continue to be reported under the accounting standards in effect for those periods. See Note 12 —Debt for further information.

The cumulative effect of the changes made to the consolidated January 1, 2022 balance sheet for the adoption of ASU 2020-06 were as follows (*in thousands*):

	December 31, 2021	Adjustments due to ASU 2020-06	January 1, 2022
<b>Assets:</b>			
Deferred income tax assets	\$ 87,581	\$ 23,979	\$ 111,560
<b>Liabilities:</b>			
Current portion of long-term debt	\$ 166,008	\$ 3,213	\$ 169,221
Long-term debt	478,151	86,069	564,220
<b>Shareholders' equity:</b>			
Additional paid-in capital	\$ 1,242,794	\$ (109,750)	\$ 1,133,044
Accumulated deficit	(571,794)	44,447	(527,347)

The adoption of ASU 2020-06 did not impact our cash flows or compliance with debt covenants.

**Recently Issued Accounting Pronouncements**

The Company has considered the applicability of recently issued accounting pronouncements by the Financial Accounting Standards Board and have determined that they are not applicable or are not expected to have a material impact on our consolidated financial statements.

**NOTE 3—REVENUE**

Revenue is as follows (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Home	\$ 64,927	\$ 112,422	\$ 240,809	\$ 345,408
Credit cards	24,298	26,914	81,426	66,975
Personal loans	37,701	33,803	115,209	73,879
Other Consumer	40,662	39,294	113,238	92,740
Total Consumer	102,661	100,011	309,873	233,594
Insurance	70,231	84,837	232,025	260,714
Other	17	180	230	498
<b>Total revenue</b>	<b>\$ 237,836</b>	<b>\$ 297,450</b>	<b>\$ 782,937</b>	<b>\$ 840,214</b>

The Company derives its revenue primarily from match fees and closing fees. Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied and promised services have transferred to the customer. The Company's services are generally transferred to the customer at a point in time.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Revenue from Home products is primarily generated from upfront match fees paid by mortgage Network Partners that receive a loan request, and in some cases upfront fees for clicks or call transfers. Match fees and upfront fees for clicks and call transfers are earned through the delivery of loan requests that originated through the Company's websites or affiliates. The Company recognizes revenue at the time a loan request is delivered to the customer, provided that no significant obligations remain. The Company's contractual right to the match fee consideration is contemporaneous with the satisfaction of the performance obligation to deliver a loan request to the customer.

Revenue from Consumer products is generated by match and other upfront fees for clicks or call transfers, as well as from closing fees, approval fees and upfront service and subscription fees. Closing fees are derived from lenders on certain auto loans, business loans, personal loans and student loans when the lender funds a loan with the consumer. Approval fees are derived from credit card issuers when the credit card consumer receives card approval from the credit card issuer. Upfront service fees and subscription fees are derived from consumers in the Company's credit services product. Upfront fees paid by consumers are recognized as revenue over the estimated time the consumer will remain a customer and receive services. Subscription fees are recognized over the period a consumer is receiving services.

The Company recognizes revenue on closing fees and approval fees at the point when a loan request or a credit card consumer is delivered to the customer. The Company's contractual right to closing fees and approval fees is not contemporaneous with the satisfaction of the performance obligation to deliver a loan request or a credit card consumer to the customer. As such, the Company records a contract asset at each reporting period-end related to the estimated variable consideration on closing fees and approval fees for which the Company has satisfied the related performance obligation but are still pending the loan closing or credit card approval before the Company has a contractual right to payment. This estimate is based on the Company's historical closing rates and historical time between when a consumer request for a loan or credit card is delivered to the lender or card issuer and when the loan is closed by the lender or approved by the card issuer.

Revenue from the Company's Insurance products is primarily generated from upfront match fees and upfront fees for website clicks or fees for calls. Match fees and upfront fees for clicks and call transfers are earned through the delivery of consumer requests that originated through the Company's websites or affiliates. The Company recognizes revenue at the time a consumer request is delivered to the customer, provided that no significant obligations remain. The Company's contractual right to the match fee consideration is contemporaneous with the satisfaction of the performance obligation to deliver a consumer request to the customer.

The contract asset recorded within prepaid and other current assets on the consolidated balance sheets related to estimated variable consideration was \$12.2 million and \$9.1 million at September 30, 2022 and December 31, 2021, respectively.

The contract liability recorded within accrued expenses and other current liabilities on the consolidated balance sheets related to upfront fees paid by consumers was \$0.9 million and \$0.8 million at September 30, 2022 and December 31, 2021, respectively. During the first nine months of 2022, the Company recognized revenue of \$0.8 million that was included in the contract liability balance at December 31, 2021. During the first nine months of 2021, the Company recognized revenue of \$0.7 million that was included in the contract liability balance at December 31, 2020.

Revenue recognized in any reporting period includes estimated variable consideration for which the Company has satisfied the related performance obligations but are still pending the occurrence or non-occurrence of a future event outside the Company's control (such as lenders providing loans to consumers or credit card approvals of consumers) before the Company has a contractual right to payment. The Company recognized increases to such revenue from prior periods. This increase was \$0.1 million in the third quarter of 2022, and was \$0.4 million in the third quarter of 2021.

**NOTE 4—CASH AND RESTRICTED CASH**

Total cash, cash equivalents, restricted cash and restricted cash equivalents consist of the following (*in thousands*):

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 285,538	\$ 251,231
Restricted cash and cash equivalents	127	111
<b>Total cash, cash equivalents, restricted cash and restricted cash equivalents</b>	<b>\$ 285,665</b>	<b>\$ 251,342</b>

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 5—ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts.

The Company determines its allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are past due, previous loss history, current and expected economic conditions and the specific customer's current and expected ability to pay its obligation. Accounts receivable are considered past due when they are outstanding longer than the contractual payment terms. Accounts receivable are written off when management deems them uncollectible.

A reconciliation of the beginning and ending balances of the allowance for doubtful accounts is as follows (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Balance, beginning of the period</b>	\$ 2,300	\$ 1,473	\$ 1,456	\$ 1,402
Charges to earnings	679	678	2,708	1,823
Write-off of uncollectible accounts receivable	(623)	(645)	(1,808)	(1,724)
Recoveries collected	—	—	—	5
<b>Balance, end of the period</b>	<b>\$ 2,356</b>	<b>\$ 1,506</b>	<b>\$ 2,356</b>	<b>\$ 1,506</b>

**NOTE 6—GOODWILL AND INTANGIBLE ASSETS**

The balance of goodwill, net and intangible assets, net is as follows (*in thousands*):

	September 30, 2022	December 31, 2021
Goodwill	\$ 903,227	\$ 903,227
Accumulated impairment losses	(483,088)	(483,088)
<b>Net goodwill</b>	<b>\$ 420,139</b>	<b>\$ 420,139</b>
Intangible assets with indefinite lives	\$ 10,142	\$ 10,142
Intangible assets with definite lives, net	54,047	75,621
<b>Total intangible assets, net</b>	<b>\$ 64,189</b>	<b>\$ 85,763</b>

**Goodwill and Indefinite-Lived Intangible Assets**

The Company's goodwill at each of September 30, 2022 and December 31, 2021 consists of \$59.3 million associated with the Home segment, \$166.1 million associated with the Consumer segment, and \$194.7 million associated with the Insurance segment.

At June 30, 2022, the Company assessed the qualitative factors in its impairment testing of goodwill and determined that the effects of the challenging interest rate environment, consumer price inflation, and the decline in the Company's market capitalization required a quantitative impairment test be performed. The quantitative goodwill impairment test found that the fair value of each reporting unit exceeded its carrying amount, indicating no goodwill impairment. The Company will monitor the recovery of the Insurance reporting unit. The property and casualty auto industry is experiencing challenges caused by inflation, supply chain challenges, and rising severity and frequency of claims. Changes in the timing of the recovery compared to current expectations could cause an impairment to the Insurance reporting unit.

Intangible assets with indefinite lives relate to the Company's trademarks.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Intangible Assets with Definite Lives**

Intangible assets with definite lives relate to the following (*in thousands*):

	Cost	Accumulated Amortization	Net
Technology	\$ 74,900	\$ (71,108)	\$ 3,792
Customer lists	77,300	(29,248)	48,052
Trademarks and tradenames	10,700	(8,497)	2,203
<b>Balance at September 30, 2022</b>	<b>\$ 162,900</b>	<b>\$ (108,853)</b>	<b>\$ 54,047</b>

	Cost	Accumulated Amortization	Net
Technology	\$ 87,700	\$ (69,369)	\$ 18,331
Customer lists	77,300	(24,668)	52,632
Trademarks and tradenames	11,700	(7,767)	3,933
Website content	26,100	(25,375)	725
<b>Balance at December 31, 2021</b>	<b>\$ 202,800</b>	<b>\$ (127,179)</b>	<b>\$ 75,621</b>

Amortization of intangible assets with definite lives is computed on a straight-line basis and, based on balances as of September 30, 2022, future amortization is estimated to be as follows (*in thousands*):

	Amortization Expense
Remainder of current year	\$ 3,682
Year ending December 31, 2023	8,602
Year ending December 31, 2024	6,747
Year ending December 31, 2025	6,259
Year ending December 31, 2026	5,504
Thereafter	23,253
<b>Total intangible assets with definite lives, net</b>	<b>\$ 54,047</b>

**NOTE 7—EQUITY INVESTMENTS**

In January 2022, the Company acquired an equity interest in EarnUp Inc. (“EarnUp”) for \$15.0 million. The company is a consumer-first mortgage payment platform that intelligently automates loan payment scheduling and helps consumers better manage their money and improve their financial well-being.

On February 28, 2020, the Company acquired an equity interest in Stash Financial, Inc. (“Stash”) for \$80.0 million. On January 6, 2021, the Company acquired an additional equity interest for \$1.2 million. On October 18, 2021, the Company entered into a stock transfer agreement with third parties to sell a portion of its Stash equity securities for \$46.3 million. The Company sold \$35.3 million in October and closed on an additional \$11.0 million in November 2021. The Company recorded a realized gain of \$27.9 million based on the sale of Stash equity securities under the stock transfer agreement, which is included within other income on the consolidated statement of operations and comprehensive income. Stash is a consumer investing and banking platform. Stash brings together banking, investing, and financial services education into one seamless experience offering a full suite of personal investment accounts, traditional and Roth IRAs, custodial investment accounts, and banking services, including checking accounts and debit cards with a Stock-Back® rewards program.

The equity securities do not have a readily determinable fair value and, upon acquisition, the Company elected the measurement alternative to value its securities. The equity securities will be carried at cost less impairment, if any, and subsequently measured to fair value upon observable price changes in an orderly transaction for the identical or similar investments with any gains or losses recorded to the consolidated statement of operations and comprehensive income. In 2021, the Company recorded a net unrealized gain on the investment in Stash of \$95.4 million as a result of an adjustment to the fair

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

value of the Stash equity securities based on observable price changes, which is included within other income on the consolidated statement of operations and comprehensive income.

As of September 30, 2022, there have been no impairments to the acquisition cost of the equity securities.

**NOTE 8—ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities consist of the following (*in thousands*):

	September 30, 2022	December 31, 2021
Accrued advertising expense	\$ 48,162	\$ 59,150
Accrued compensation and benefits	8,954	16,330
Accrued professional fees	3,021	1,887
Customer deposits and escrows	7,442	7,546
Contribution to LendingTree Foundation	—	3,333
Current lease liabilities	8,909	8,595
Other	7,976	9,890
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 84,464</b>	<b>\$ 106,731</b>

**NOTE 9—SHAREHOLDERS' EQUITY**

Basic and diluted income per share was determined based on the following share data (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Weighted average basic common shares</b>	<b>12,758</b>	<b>13,268</b>	<b>12,794</b>	<b>13,194</b>
Effect of stock options	—	—	—	452
Effect of dilutive share awards	—	—	—	96
Effect of Convertible Senior Notes and warrants	—	—	—	55
<b>Weighted average diluted common shares</b>	<b>12,758</b>	<b>13,268</b>	<b>12,794</b>	<b>13,797</b>

For the third quarter and first nine months of 2022, the Company had losses from continuing operations and, as a result, no potentially dilutive securities were included in the denominator for computing diluted loss per share, because the impact would have been anti-dilutive. Accordingly, the weighted average basic shares outstanding was used to compute loss per share. Approximately 0.1 million and 0.2 million shares related to potentially dilutive securities were excluded from the calculation of diluted loss per share for the third quarter and first nine months of 2022 respectively, because their inclusion would have been anti-dilutive. Approximately 0.4 million shares related to potentially dilutive securities were excluded from the calculation of diluted loss per share for the third quarter of 2021.

For the third quarter of 2022, the weighted average shares that were anti-dilutive, and therefore excluded from the calculation of diluted income per share, included options to purchase 1.0 million shares of common stock and 0.5 million restricted stock units. For the first nine months of 2022, the weighted average shares that were anti-dilutive, and therefore excluded from the calculation of diluted income per share, included options to purchase 1.0 million shares of common stock and 0.4 million restricted stock units. For the third quarter of 2021, the weighted average shares that were anti-dilutive, and therefore excluded from the calculation of diluted income per share, included options to purchase 0.9 million shares of common stock and 0.2 million restricted stock units. For the first nine months of 2021, the weighted average shares that were anti-dilutive included options to purchase 0.4 million shares of common stock and 0.1 million restricted stock units.

The convertible notes and the warrants issued by the Company could be converted into the Company's common stock, subject to certain contingencies. See Note 12—Debt for additional information. On January 1, 2022, the Company adopted ASU 2020-06 using the modified retrospective method. Following the adoption, the if-converted method is used for diluted net income per share calculation of our convertible notes. Prior to the adoption of ASU 2020-06 the dilutive impact of the

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

convertible notes was calculated using the treasury stock method. See Note 2—Significant Accounting Policies for additional information.

Approximately 1.2 million shares and 2.1 million shares related to the potentially dilutive shares of the Company's common stock associated with the 0.50% Convertible Senior Notes due July 15, 2025 and the 0.625% Convertible Senior Notes due June 1, 2022 were excluded from the calculation of diluted loss per share for the third quarter and first nine months of 2022, respectively, because their inclusion would have been anti-dilutive. Shares of the Company's stock associated with the warrants issued by the Company in 2017 and 2020 were excluded from the calculation of diluted loss per share for the third quarter and first nine months of 2022 and 2021 as they were anti-dilutive since the strike price of the warrants was greater than the average market price of the Company's common stock during the relevant periods.

Shares of the Company's common stock associated with the 0.50% Convertible Senior Notes due July 15, 2025 were excluded from the calculation of diluted income per share for the third quarter and first nine months of 2021 and shares of the Company's common stock associated with the 0.625% Convertible Senior Notes due June 1, 2022 were excluded in the third quarter of 2021 as they were anti-dilutive since the conversion price of the notes was greater than the average market price of the Company's common stock during the relevant periods.

The employee stock purchase plan did not have a material impact to the calculation of diluted shares.

**Common Stock Repurchases**

In each of February 2018 and February 2019, the board of directors authorized and the Company announced the repurchase of up to \$100.0 million and \$150.0 million, respectively, of LendingTree's common stock. During the nine months ended September 30, 2022, the Company purchased 379,895 shares of its common stock pursuant to this stock repurchase program. At September 30, 2022, approximately \$96.7 million of the previous authorizations to repurchase common stock remain available.

**NOTE 10—STOCK-BASED COMPENSATION**

Non-cash compensation related to equity awards is included in the following line items in the accompanying consolidated statements of operations and comprehensive income (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	\$ 417	\$ 371	\$ 1,252	\$ 1,231
Selling and marketing expense	2,198	1,805	6,522	5,583
General and administrative expense	11,212	13,233	32,685	38,658
Product development	1,748	1,665	6,448	6,332
Restructuring and severance	—	—	1,083	—
<b>Total non-cash compensation</b>	<b>\$ 15,575</b>	<b>\$ 17,074</b>	<b>\$ 47,990</b>	<b>\$ 51,804</b>

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Stock Options**

A summary of changes in outstanding stock options is as follows:

	Number of Options	Weighted Average Exercise Price <i>(per option)</i>	Weighted Average Remaining Contractual Term <i>(in years)</i>	Aggregate Intrinsic Value <sup>(a)</sup> <i>(in thousands)</i>
<b>Options outstanding at January 1, 2022</b>	<b>676,293</b>	<b>\$ 169.71</b>		
Granted <sup>(b)</sup>	157,632	103.54		
Exercised	—	—		
Forfeited	(20,089)	205.97		
Expired	(6,475)	256.11		
<b>Options outstanding at September 30, 2022</b>	<b>807,361</b>	<b>155.20</b>	<b>5.47</b>	<b>\$ 3</b>
<b>Options exercisable at September 30, 2022</b>	<b>489,581</b>	<b>\$ 126.08</b>	<b>3.39</b>	<b>\$ 3</b>

(a) The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price of \$23.86 on the last trading day of the quarter ended September 30, 2022 and the exercise price, multiplied by the number of shares covered by in-the-money options) that would have been received by the option holder had the option holder exercised these options on September 30, 2022. The intrinsic value changes based on the market value of the Company's common stock.

(b) During the nine months ended September 30, 2022, the Company granted stock options to certain employees with a weighted average grant date fair value per share of \$53.21, calculated using the Black-Scholes option pricing model, which vesting periods include (1) immediate vesting on grant date (b) earlier of one year from grant date and the Company's annual meeting of stockholders for 2023 and (c) three years from grant date.

For purposes of determining stock-based compensation expense, the weighted average grant date fair value per share of the stock options was estimated using the Black-Scholes option pricing model, which requires the use of various key assumptions. The weighted average assumptions used are as follows:

Expected term <sup>(1)</sup>	5.00 - 6.00 years
Expected dividend <sup>(2)</sup>	—
Expected volatility <sup>(3)</sup>	53 - 56%
Risk-free interest rate <sup>(4)</sup>	1.62 - 3.23%

(1) The expected term of stock options granted was calculated using the "Simplified Method," which utilizes the midpoint between the weighted average time of vesting and the end of the contractual term. This method was utilized for the stock options due to a lack of historical exercise behavior by the Company's employees.

(2) For all stock options granted in 2022, no dividends are expected to be paid over the contractual term of the stock options, resulting in a zero expected dividend rate.

(3) The expected volatility rate is based on the historical volatility of the Company's common stock.

(4) The risk-free interest rate is specific to the date of grant. The risk-free interest rate is based on U.S. Treasury yields for notes with comparable expected terms as the awards, in effect at the grant date.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**Stock Options with Market Conditions**

A summary of changes in outstanding stock options with market conditions at target is as follows:

	Number of Options with Market Conditions	Weighted Average Exercise Price <i>(per option)</i>	Weighted Average Remaining Contractual Term <i>(in years)</i>	Aggregate Intrinsic Value <sup>(a)</sup> <i>(in thousands)</i>
<b>Options outstanding at January 1, 2022</b>	<b>700,209</b>	<b>\$ 236.01</b>		
Granted	47,639	195.10		
Exercised	—	—		
Forfeited	—	—		
Expired	(13,163)	378.95		
<b>Options outstanding at September 30, 2022</b>	<b>734,685</b>	<b>230.79</b>	<b>5.94</b>	<b>\$ —</b>
<b>Options exercisable at September 30, 2022</b>	<b>481,669</b>	<b>\$ 195.10</b>	<b>4.85</b>	<b>\$ —</b>

(a) The aggregate intrinsic value represents the total pre-tax intrinsic value (the difference between the Company's closing stock price of \$23.86 on the last trading day of the quarter ended September 30, 2022 and the exercise price, multiplied by the number of shares covered by in-the-money options) that would have been received by the option holder had the option holder exercised these options on September 30, 2022. The intrinsic value changes based on the market value of the Company's common stock.

As of September 30, 2022, a maximum of 422,537 shares may be earned for achieving superior performance up to 167% of the remaining unvested target number of shares. As of September 30, 2022, no additional performance-based nonqualified stock options with a market condition had been earned.

**Restricted Stock Units**

A summary of changes in outstanding nonvested restricted stock units ("RSUs") is as follows:

	RSUs	
	Number of Units	Weighted Average Grant Date Fair Value <i>(per unit)</i>
<b>Nonvested at January 1, 2022</b>	<b>308,068</b>	<b>\$ 226.55</b>
Granted	402,960	101.14
Vested	(125,961)	243.60
Forfeited	(79,112)	167.83
<b>Nonvested at September 30, 2022</b>	<b>505,955</b>	<b>\$ 131.60</b>

**Restricted Stock Units with Performance Conditions**

A summary of changes in outstanding nonvested RSUs with performance conditions is as follows:

	RSUs with Performance Conditions	
	Number of Units	Weighted Average Grant Date Fair Value <i>(per unit)</i>
<b>Nonvested at January 1, 2022</b>	<b>—</b>	<b>\$ —</b>
Granted	16,000	83.25
Vested	—	—
Forfeited	—	—
<b>Nonvested at September 30, 2022</b>	<b>16,000</b>	<b>\$ 83.25</b>

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A maximum of 24,000 shares may be earned for achieving superior performance up to 150% of the target number of shares.

**Restricted Stock Awards with Market Conditions**

A summary of changes in outstanding nonvested RSAs with market conditions at target is as follows:

	RSAs with Market Conditions	
	Number of Awards	Weighted Average Grant Date Fair Value <i>(per unit)</i>
<b>Nonvested at January 1, 2022</b>	<b>26,674</b>	<b>\$ 340.25</b>
Granted	2,927	340.25
Vested	(29,601)	340.25
Forfeited	—	—
<b>Nonvested at September 30, 2022</b>	<b>—</b>	<b>\$ —</b>

**Employee Stock Purchase Plan**

In 2021, the Company implemented an employee stock purchase plan (“ESPP”), under which a total of 262,731 shares of the Company's common stock were reserved for issuance. As of September 30, 2022, 243,929 shares of common stock were available for issuance under the ESPP. The ESPP is a tax-qualified plan under Section 423 of the Internal Revenue Code. Under the terms of the ESPP, eligible employees are granted options to purchase shares of the Company's common stock at 85% of the lesser of (1) the fair market value at time of grant or (2) the fair market value at time of exercise. The offering periods and purchase periods are typically six-month periods ending on June 30 and December 31 of each year. During the nine months ended September 30, 2022, 13,259 shares were issued under the ESPP.

During the nine months ended September 30, 2022, the Company granted employee stock purchase rights to certain employees with a grant date fair value per share of \$20.96, calculated using the Black-Scholes option pricing model. For purposes of determining stock-based compensation expense, the grant date fair value per share estimated using the Black-Scholes option pricing model required the use of the following key assumptions:

Expected term <sup>(1)</sup>	0.50 years
Expected dividend <sup>(2)</sup>	—
Expected volatility <sup>(3)</sup>	49 - 73%
Risk-free interest rate <sup>(4)</sup>	0.19 - 2.51%

- (1) The expected term was calculated using the time period between the grant date and the purchase date.
- (2) No dividends are expected to be paid, resulting in a zero expected dividend rate.
- (3) The expected volatility rate is based on the historical volatility of the Company's common stock.
- (4) The risk-free interest rate is specific to the date of grant. The risk-free interest rate is based on U.S. Treasury yields for notes with comparable expected terms as the employee stock purchase rights, in effect at the grant date.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**NOTE 11—INCOME TAXES**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	<i>(in thousands, except percentages)</i>			
Income tax (expense) benefit	\$ (135,910)	\$ 1	\$ (133,956)	\$ 455
Effective tax rate	(596.8)%	— %	(307.3)%	(1.9)%

For the third quarter and first nine months of 2022, the effective tax rate varied from the federal statutory rate of 21% primarily due to expense of \$139.7 million to record a full valuation allowance against our net deferred tax assets, excess tax expense of \$1.8 million and \$4.7 million, respectively, resulting from vesting of restricted stock in accordance with ASU 2016-09 and the effect of state taxes. For the third quarter and first nine months of 2021, the effective tax rate varied from the federal statutory rate of 21% in part due to an excess tax expense of \$0.9 million and an excess tax benefit of \$7.4 million, respectively, resulting from employee exercises of stock options and vesting of restricted stock in accordance with ASU 2016-09 and the effect of state taxes.

During the third quarter of 2022, the Company recorded tax expense of \$139.7 million to establish a full valuation allowance against its net deferred tax assets due to historical cumulative pre-tax losses and continued pre-tax losses in the quarter. Management regularly reviews the deferred tax assets for recoverability based on historical taxable income, projected future taxable income, the expected timing of the reversals of existing taxable temporary differences, and tax planning strategies. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. In determining the amount of the valuation allowance, the Company considered the scheduled reversal of deferred tax liabilities. The Company will maintain a full valuation allowance on net deferred tax assets until there is sufficient evidence to support the reversal of some or all of the allowance. Should there be a change in the valuation allowance in the future, the income tax provision would increase or decrease in the period in which the allowance is changed.

The indefinite carryforward period for certain deferred tax assets means that indefinite-lived deferred tax liabilities can be considered as support for realization of such deferred tax assets including post December 31, 2017 net operating loss carryovers, which can affect the need to record or maintain a valuation allowance for deferred tax assets. At September 30, 2022 the Company maintains a valuation allowance of \$146 million against its net deferred tax assets.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Income tax benefit (expense) - excluding excess tax expense from valuation allowance and excess tax (expense) benefit on stock compensation	\$ 5,512	\$ 939	\$ 10,372	\$ (6,900)
Income tax expense from valuation allowance	(139,670)	—	(139,670)	—
Excess tax (expense) benefit on stock compensation	(1,752)	(938)	(4,658)	7,355
Income tax (expense) benefit	\$ (135,910)	\$ 1	\$ (133,956)	\$ 455

**NOTE 12—DEBT**
**Convertible Senior Notes**
2025 Notes

On July 24, 2020, the Company issued \$575.0 million aggregate principal amount of its 0.50% Convertible Senior Notes due July 15, 2025 (the “2025 Notes”) in a private placement. The issuance included \$75.0 million aggregate principal amount of 2025 Notes under a 13-day purchase option which was exercised in full. The 2025 Notes bear interest at a rate of 0.50% per year, payable semi-annually on January 15 and July 15 of each year, beginning on January 15, 2021. The 2025 Notes will mature on July 15, 2025, unless earlier repurchased, redeemed or converted.

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The initial conversion rate of the 2025 Notes is 2.1683 shares of the Company's common stock per \$1,000 principal amount of 2025 Notes (which is equivalent to an initial conversion price of approximately \$461.19 per share). The conversion rate will be subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change prior to the maturity of the 2025 Notes or if the Company issues a notice of redemption for the 2025 Notes, the Company will, in certain circumstances, increase the conversion rate by a specified number of additional shares for a holder that elects to convert the 2025 Notes in connection with such make-whole fundamental change or to convert its 2025 Notes called for redemption, as the case may be. Upon conversion, the 2025 Notes will settle for cash, shares of the Company's stock, or a combination thereof, at the Company's option. It is the intent of the Company to settle the principal amount of the 2025 Notes in cash and any conversion premium in shares of its common stock.

The 2025 Notes are the Company's senior unsecured obligations and will rank senior in right of payment to any of the Company's indebtedness that is expressly subordinated in right of payment to the 2025 Notes; equal in right of payment to any of the Company's unsecured indebtedness that is not so subordinated; effectively junior in right of payment to any of the Company's secured indebtedness, including borrowings under the senior secured credit facility, described below, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of the Company's subsidiaries.

Prior to the close of business on the business day immediately preceding March 13, 2025, the 2025 Notes will be convertible at the option of the holders thereof only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on, and including the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period in which, for each trading day of that period, the trading price (as defined in the 2025 Notes) per \$1,000 principal amount of 2025 Notes for such trading day was less than 98% of the product of the last reported sale price of the common stock and the conversion rate on each such trading day;
- if the Company calls such 2025 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the notes called for redemption; or
- upon the occurrence of specified corporate events including but not limited to a fundamental change.

Holders of the 2025 Notes were not entitled to convert the 2025 Notes during the calendar quarter ended September 30, 2022 as the last reported sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on June 30, 2022, was not greater than or equal to 130% of the conversion price of the 2025 Notes on each applicable trading day. Holders of the 2025 Notes are not entitled to convert the 2025 Notes during the calendar quarter ended December 31, 2022 as the last reported sale price of the Company's common stock, for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on September 30, 2022, was not greater than or equal to 130% of the conversion price of the 2025 Notes on each applicable trading day.

On or after March 13, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2025 Notes, holders of the 2025 Notes may convert all or a portion of their 2025 Notes regardless of the foregoing conditions.

The Company may not redeem the 2025 Notes prior to July 20, 2023. On or after July 20, 2023 and before the 41<sup>st</sup> scheduled trading day immediately before the maturity date, the Company may redeem for cash all or a portion of the 2025 Notes, at its option, if the last reported sale price of the common stock for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period (and including the last trading day of such period) ending on, and including the last trading day immediately preceding the date of notice of redemption is greater than or equal to 130% of the conversion price on each applicable trading day. The redemption price will be equal to 100% of the principal amount of the 2025 Notes to be

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redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. No sinking fund is provided for the 2025 Notes.

Upon the occurrence of a fundamental change prior to the maturity date of the 2025 Notes, holders of the 2025 Notes may require the Company to repurchase all or a portion of the 2025 Notes for cash at a price equal to 100% of the principal amount of the 2025 Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

If the market price per share of the common stock, as measured under the terms of the 2025 Notes, exceeds the conversion price of the 2025 Notes, the 2025 Notes could have a dilutive effect, unless the Company elects, subject to certain conditions, to settle the principal amount of the 2025 Notes and any conversion premium in cash.

*Accounting for the Notes After Adoption of ASU 2020-06*

The Company adopted ASU 2020-06 on January 1, 2022 as further described in Note 2—Significant Accounting Policies. Following the adoption of ASU 2020-06, the 2025 Notes are recorded as a single unit within liabilities on the consolidated balance sheets as the conversion features within the 2025 Notes are not derivatives that require bifurcation and the 2025 Notes do not involve a substantial premium. Debt issuance costs to issue the 2025 Notes were recorded as direct deduction from the related liability and amortized to interest expense over the term of Notes. The new guidance also requires the if-converted method to be applied for all convertible instruments when calculating diluted earnings per share. See Note 2—Significant Accounting Policies for additional information.

*Accounting for the Notes Before Adoption of ASU 2020-06*

The initial measurement of convertible debt instruments that may be settled in cash was separated into a debt and an equity component whereby the debt component was based on the fair value of a similar instrument that does not contain an equity conversion option. The separate components of debt and equity of the Company's 2025 Notes were determined using an interest rate of 5.30%, which reflects the nonconvertible debt borrowing rate of the Company at the date of issuance. As a result, the initial components of debt and equity were \$455.6 million and \$119.4 million, respectively. Financing costs related to the issuance of the 2025 Notes were approximately \$15.1 million, of which \$12.0 million were allocated to the liability component and are being amortized to interest expense over the term of the debt and \$3.1 million were allocated to the equity component.

In the first nine months of 2022, the Company recorded interest expense on the 2025 Notes of \$4.4 million which consisted of \$2.1 million associated with the 0.50% coupon rate and \$2.3 million associated with the amortization of the debt issuance costs. In the first nine months of 2021, the Company recorded interest expense on the 2025 Notes of \$20.3 million which consisted of \$2.2 million associated with the 0.50% coupon rate, \$16.4 million associated with the accretion of the debt discount, and \$1.7 million associated with the amortization of the debt issuance costs.

As of September 30, 2022, the fair value of the 2025 Notes is estimated to be approximately \$411.8 million using the Level 1 observable input of the last quoted market price on September 30, 2022.

A summary of the gross carrying amount, unamortized debt cost, debt issuance costs, and net carrying value of the liability component of the 2025 Notes, all of which is recorded as a non-current liability in the September 30, 2022 consolidated balance sheet, are as follows (*in thousands*):

	September 30, 2022	December 31, 2021
Gross carrying amount	\$ 575,000	\$ 575,000
Unamortized debt discount	—	87,994
Debt issuance costs	8,496	8,855
<b>Net carrying amount</b>	<b>\$ 566,504</b>	<b>\$ 478,151</b>

2022 Notes

On May 31, 2017, the Company issued \$300.0 million aggregate principal amount of its 0.625% Convertible Senior Notes due June 1, 2022 (the "2022 Notes") in a private placement. The Company settled the outstanding balance of the 2022 Notes of \$169.7 million in cash on June 1, 2022. The initial conversion rate of the 2022 Notes was 4.8163 shares of the Company's

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common stock per \$1,000 principal amount of 2022 Notes (which is equivalent to an initial conversion price of approximately \$207.63 per share).

*Accounting for the Notes After Adoption of ASU 2020-06*

The Company adopted ASU 2020-06 on January 1, 2022 as further described in Note 2—Significant Accounting Policies. Following the adoption of ASU 2020-06, the 2022 Notes are recorded as a single unit within liabilities on the consolidated balance sheets as the conversion features within the 2022 Notes are not derivatives that require bifurcation and the 2022 Notes do not involve a substantial premium. Debt issuance costs to issue the 2022 Notes were recorded as direct deduction from the related liability and amortized to interest expense over the term of Notes. The new guidance also requires the if-converted method to be applied for all convertible instruments when calculating diluted earnings per share. See Note 2—Significant Accounting Policies for additional information.

*Accounting for the Notes Before Adoption of ASU 2020-06*

The separate components of debt and equity of the Company's 2022 Notes were determined using an interest rate of 5.36%, which reflects the nonconvertible debt borrowing rate of the Company at the date of issuance. As a result, the initial components of debt and equity were \$238.4 million and \$61.6 million, respectively. Financing costs related to the issuance of the 2022 Notes were approximately \$9.3 million, of which \$7.4 million were allocated to the liability component and are being amortized to interest expense over the term of the debt and \$1.9 million were allocated to the equity component.

On July 24, 2020, the Company used approximately \$234.0 million of the net proceeds from the issuance of the 2025 Notes to repurchase approximately \$130.3 million principal amount of the 2022 Notes, including the payment of accrued and unpaid interest of approximately \$0.1 million, through separate transactions with certain holders of the 2022 Notes. Of the consideration paid, \$126.0 million was allocated to the extinguishment of the liability component of the notes, while the remaining \$107.9 million was allocated to the reacquisition of the equity component and recorded as a reduction to additional paid-in capital in the consolidated statement of shareholders' equity. The Company recognized a loss on debt extinguishment of \$7.8 million in the third quarter of 2020, which is included in interest expense, net in the consolidated statements of operations and comprehensive income.

In the first nine months of 2022, the Company recorded interest expense on the 2022 Notes of \$0.8 million which consisted of \$0.4 million associated with the 0.625% coupon rate and \$0.4 million associated with the amortization of the debt issuance costs. In the first nine months of 2021, the Company recorded interest expense on the 2022 Notes of \$7.1 million which consisted of \$0.8 million associated with the 0.625% coupon rate, \$5.6 million associated with the accretion of the debt discount, and \$0.7 million associated with the amortization of the debt issuance costs.

A summary of the gross carrying amount, unamortized debt cost, debt issuance costs and net carrying value of the liability component of the 2022 Notes, are as follows (*in thousands*):

	September 30, 2022		December 31, 2021
Gross carrying amount	\$	—	\$ 169,659
Unamortized debt discount		—	3,260
Debt issuance costs		—	391
<b>Net carrying amount</b>	<b>\$</b>	<b>—</b>	<b>\$ 166,008</b>

**Convertible Note Hedge and Warrant Transactions**

2020 Hedge and Warrants

On July 24, 2020, in connection with the issuance of the 2025 Notes, the Company entered into Convertible Note Hedge (the "2020 Hedge") and warrant transactions with respect to the Company's common stock. The Company used approximately \$63.0 million of the net proceeds from the 2025 Notes to pay for the cost of the 2020 Hedge, after such cost was partially offset by the proceeds from the warrant transactions.

On July 24, 2020, the Company paid \$124.2 million to the counterparties for the 2020 Hedge transactions. The 2020 Hedge transactions cover 1.2 million shares of the Company's common stock, the same number of shares initially underlying the 2025 Notes, and are exercisable upon any conversion of the 2025 Notes. The 2020 Hedge transactions are expected generally to

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reduce the potential dilution to the Company's common stock upon conversion of the 2025 Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2025 Notes, as the case may be, in the event that the market price per share of common stock, as measured under the terms of the 2020 Hedge transactions, is greater than the strike price of the 2020 Hedge transactions, which initially corresponds to the initial conversion price of the 2025 Notes, or approximately \$461.19 per share of common stock. The 2020 Hedge transactions will expire upon the maturity of the Notes.

On July 24, 2020, the Company sold to the counterparties, warrants (the "2020 Warrants") to acquire 1.2 million shares of the Company's common stock at an initial strike price of \$709.52 per share, which represents a premium of 100% over the last reported sale price of the common stock of \$354.76 on July 21, 2020. On July 24, 2020, the Company received aggregate proceeds of approximately \$61.2 million from the sale of the 2020 Warrants. If the market price per share of the common stock, as measured under the terms of the 2020 Warrants, exceeds the strike price of the 2020 Warrants, the 2020 Warrants could have a dilutive effect, unless the Company elects, subject to certain conditions, to settle the 2020 Warrants in cash.

The 2020 Hedge and 2020 Warrants transactions are indexed to, and potentially settled in, the Company's common stock and the net cost of \$63.0 million has been recorded as a reduction to additional paid-in capital in the consolidated statement of shareholders' equity.

2017 Hedge and Warrants

On May 31, 2017, in connection with the issuance of the 2022 Notes, the Company entered into Convertible Note Hedge (the "2017 Hedge") and warrant transactions with respect to the Company's common stock. The Company used approximately \$18.1 million of the net proceeds from the 2022 Notes to pay for the cost of the 2017 Hedge, after such cost was partially offset by the proceeds from the warrant transactions.

On May 31, 2017, the Company paid \$61.5 million to the counterparties for the 2017 Hedge transactions. The 2017 Hedge transactions initially covered 1.4 million shares of the Company's common stock, the same number of shares initially underlying the 2022 Notes, and were exercisable upon any conversion of the 2022 Notes. The 2017 Hedge transactions were expected generally to reduce the potential dilution to the Company's common stock upon conversion of the 2022 Notes and/or offset any cash payments the Company was required to make in excess of the principal amount of the converted 2022 Notes, as the case may be, in the event that the market price per share of common stock, as measured under the terms of the 2017 Hedge transactions, was greater than the strike price of the 2017 Hedge transactions, which initially corresponded to the initial conversion price of the 2022 Notes, or approximately \$207.63 per share of common stock. The 2017 Hedge transactions expired on June 1, 2022 upon the maturity of the Notes.

On May 31, 2017, the Company sold to the counterparties, warrants (the "2017 Warrants") to acquire 1.4 million shares of the Company's common stock at an initial strike price of \$266.39 per share, which represents a premium of 70% over the last reported sale price of the common stock of \$156.70 on May 24, 2017. On May 31, 2017, the Company received aggregate proceeds of approximately \$43.4 million from the sale of the 2017 Warrants. If the market price per share of the common stock, as measured under the terms of the 2017 Warrants, exceeds the strike price of the 2017 Warrants, the 2017 Warrants could have a dilutive effect, unless the Company elects, subject to certain conditions, to settle the 2017 Warrants in cash. As of September 30, 2022, there were 0.8 million warrants outstanding. The warrants expire ratably from October 14, 2022 through December 12, 2022.

The 2017 Hedge and 2017 Warrants transactions are indexed to, and potentially settled in, the Company's common stock and the net cost of \$18.1 million was recorded as a reduction to additional paid-in capital in the consolidated statement of shareholders' equity.

To the extent of the repurchases of the 2022 Notes noted above, the Company entered into agreements with the counterparties for the 2017 Hedge and 2017 Warrants transactions to terminate a portion of these call spread transactions effective July 24, 2020 in notional amounts corresponding to the principal amount of the 2022 Notes repurchased. The Company received \$109.9 million and paid \$94.3 million as a result of terminating such portions of the 2017 Hedge and 2017 Warrants, respectively. The net \$15.6 million was recorded as an increase to additional paid-in capital in the consolidated statement of shareholders' equity.

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**Credit Facility**

On September 15, 2021, the Company entered into a credit agreement (the “Credit Agreement”), consisting of a \$200.0 million revolving credit facility (the “Revolving Facility”), which matures on September 15, 2026, and a \$250.0 million delayed draw term loan facility (the “Term Loan Facility” and together with the Revolving Facility, the “Credit Facility”), which matures on September 15, 2028. The proceeds of the Revolving Facility can be used to finance working capital, for general corporate purposes and any other purpose not prohibited by the Credit Agreement. On May 31, 2022, the Company received proceeds of \$250.0 million from the Term Loan Facility and on June 1, 2022, used \$170.2 million of the proceeds to settle the Company’s 2022 Notes, including interest. The remaining proceeds of \$79.8 million may be used for general corporate purposes and any other purposes not prohibited by the Credit Agreement. The Credit Facility replaces the Company’s \$500.0 million five-year senior secured revolving credit facility (the “Amended Revolving Credit Facility”) which was entered into on December 10, 2019. As of September 30, 2022, the Company had \$249.4 million of borrowings outstanding under the Term Loan Facility bearing interest at the LIBO option rate of 6.87% and had no borrowings under the Revolving Facility. As of December 31, 2021, the Company had no borrowings outstanding under the Credit Facility. As of September 30, 2022, borrowings of \$2.5 million under the Term Loan Facility are recorded as current portion of long-term debt on the consolidated balance sheet.

The full amount of the Revolving Facility will be available on a same-day basis, with respect to base rate loans and upon advance notice with respect to LIBO rate loans, subject to customary terms and conditions. Under certain conditions, the Company will be permitted to add one or more term loans and/or increase revolving or term loan commitments under the Credit Facility by an amount set at the greater of \$116.0 million and 100% of consolidated EBITDA (subject to adjustments for certain prepayments), plus an unlimited amount provided that the first lien net leverage ratio does not exceed 3.00 to 1.00. Additionally, up to \$20.0 million of the Revolving Facility will be available for the issuance of letters of credit. At each of September 30, 2022 and December 31, 2021, the Company had outstanding one letter of credit issued in the amount of \$0.2 million.

The Company’s borrowings under the Credit Facility bear interest at annual rates that, at the Company’s option, will be either:

- a base rate generally defined as the sum of (i) the greater of (a) the prime rate of Truist Bank, (b) the federal funds effective rate plus 0.5% and (c) the LIBO rate (defined below) on a daily basis applicable for an interest period of one month plus 1.0% and (ii) an applicable percentage of 1.25% to 1.75% for loans under the Revolving Facility and 2.75% to 3.00% for loans under the Term Loan Facility, in each case, based on a first lien net leverage ratio; or
- a LIBO rate generally defined as the sum of (i) the rate for Eurodollar deposits for the applicable interest period and (ii) an applicable percentage of 2.25% to 2.75% for loans under the Revolving Facility and 3.75% to 4.00% for loans under the Term Loan Facility, in each case, based on a first lien net leverage ratio.

Interest on the Company’s borrowings is payable quarterly in arrears for base rate loans and on the last day of each interest rate period (but not less often than three months) for LIBO rate loans.

The Credit Facility contains a restrictive financial covenant, which is set at a first lien net leverage ratio of 2.50 to 1.00, except that this may increase by 0.50:1.00 for the four fiscal quarters following a material acquisition. The financial covenant will be tested only if the loans and certain other obligations under the Revolving Facility exceed \$20.0 million as of the last date of any fiscal quarter (starting with the fiscal quarter ending on December 31, 2021). The Credit Facility also includes a restricted payment covenant which is set at a total net leverage ratio of 4.0 to 1. In addition, the Credit Facility contains mandatory prepayment events, affirmative and negative covenants and events of default customary for a transaction of this type. The covenants, among other things, restrict additional indebtedness, liens, mergers or certain fundamental changes, asset dispositions, dividends and other restricted payments, transactions with affiliates, loans and investments and other matters customarily restricted in credit agreements of this type. The Company is required to make mandatory prepayments of the outstanding principal amount of loans under the Term Loan Facility with the net cash proceeds from certain disposition of assets and the receipt of insurance proceeds upon certain casualty and condemnation events, in each case, to the extent not reinvested within a specified time period, from excess cash flow beyond stated threshold amounts, and from the incurrence of certain indebtedness. The Company has the right to prepay its term loans under the Credit Agreement, in whole or in part, at any time without premium or penalty, subject to certain limitations and a 1.0% soft call premium applicable during the first six months following the closing date.

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The Company was in compliance with all covenants at September 30, 2022.

The Credit Facility requires the Company and certain of its subsidiaries to pledge as collateral, subject to certain customary exclusions, substantially all of its assets, including 100% of the equity in certain domestic subsidiaries and 65% of the voting equity, and 100% of the non-voting equity, in certain foreign subsidiaries. The obligations under the Credit Facility are unconditionally guaranteed on a senior basis by the Company's material domestic subsidiaries, which guaranties are secured by the collateral.

With respect to the Revolving Facility, the Company is required to pay an unused commitment fee quarterly in arrears on the difference between committed amounts and amounts actually borrowed under the Revolving Facility equal to an applicable percentage of 0.25% to 0.50% per annum based on a first lien net leverage ratio. The Company is required to pay a letter of credit participation fee and a letter of credit fronting fee quarterly in arrears. The letter of credit participation fee is based upon the aggregate face amount of outstanding letters of credit at an applicable percentage of 2.25% to 2.75% based on a first lien net leverage ratio. The letter of credit fronting fee is 0.125% per annum on the face amount of each letter of credit.

With respect to the Term Loan Facility, the Company was required to pay an unused commitment fee quarterly in arrears on the difference between committed amounts and amounts actually borrowed under the Term Loan Facility equal to an applicable LIBO rate plus an applicable percentage of 3.75% to 4.00% per annum based on a first lien net leverage ratio.

The Company recognized \$1.1 million in additional interest expense in 2021 due to the write-off of certain unamortized debt issuance costs associated with the Amended Revolving Credit Facility. In addition to the remaining unamortized debt issuance costs associated with the Amended Revolving Credit Facility, debt issuance costs of \$2.8 million related to the Revolving Facility are being amortized to interest expense over the life of the Revolving Facility. Debt issuance costs of \$3.5 million related to the Term Loan Facility and the original issue discount of \$2.5 million paid on the undrawn term loan facility were amortized to interest expense over the delayed draw access period, until such time that the loans thereunder are drawn. These deferred costs are included in prepaid and other current assets and other non-current assets in the Company's consolidated balance sheet.

In the first nine months of 2022, the Company recorded interest expense related to its Revolving Facility of \$1.1 million which consisted of \$0.4 million in unused commitment fees, and \$0.7 million associated with the amortization of the debt issuance costs. In the first nine months of 2022, the Company recorded interest expense related to the Term Loan Facility of \$13.5 million which consisted of \$4.9 million associated with borrowings bearing interest at the LIBO rate, \$5.1 million in unused commitment fees, \$2.0 million associated with the amortization of the debt issuance costs, and \$1.5 million associated with the amortization of the original issue discount.

In the first nine months of 2021, the Company recorded interest expense related to its revolving credit facilities of \$3.0 million which consisted of \$1.8 million in unused commitment fees, and \$1.2 million associated with the amortization of the debt issuance costs. In the first nine months of 2021, the Company recorded interest expense related to the Term Loan Facility of \$0.7 million which consisted of \$0.4 million in unused commitment fees, \$0.2 million associated with the amortization of the debt issuance costs, and \$0.1 million associated with the amortization of the original issue discount.

## **NOTE 13—CONTINGENCIES**

### **Overview**

LendingTree is involved in legal proceedings on an ongoing basis. In assessing the materiality of a legal proceeding, the Company evaluates, among other factors, the amount of monetary damages claimed, as well as the potential impact of non-monetary remedies sought by plaintiffs (e.g., injunctive relief) that may require it to change its business practices in a manner that could have a material and adverse impact on the Company's business. With respect to the matters disclosed in this Note 13, unless otherwise indicated, the Company is unable to estimate the possible loss or range of losses that could potentially result from the application of such non-monetary remedies.

As of September 30, 2022 and December 31, 2021, the Company had litigation settlement accruals of \$0.1 million in continuing operations. The litigation settlement accruals relate to litigation matters that were either settled or a firm offer for settlement was extended, thereby establishing an accrual amount that is both probable and reasonably estimable.

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**NOTE 14—FAIR VALUE MEASUREMENTS**

Other than the convertible notes and warrants, as well as the equity interests, the carrying amounts of the Company's financial instruments are equal to fair value at September 30, 2022. See Note 12—Debt for additional information on the convertible notes and warrants, and see Note 7—Equity Investments for additional information on the equity interests in Stash and EarnUp.

In 2018, the Company acquired all of the outstanding equity interests of QuoteWizard.com, LLC (“QuoteWizard”). In the third quarter and first nine months of 2021, the company recorded \$0.2 million and \$8.2 million, respectively, of income for the change in fair value of the contingent consideration related to the QuoteWizard acquisition. The earnout was completed in 2021 and there were no earnout payments related to the acquisition in 2021.

Contingent consideration payments related to acquisitions are measured at fair value each reporting period using Level 3 unobservable inputs. The changes in the fair value of the Company's Level 3 liabilities are as follows (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021		2021	
<b>Contingent consideration, beginning of period</b>	<b>\$</b>	<b>196</b>	<b>\$</b>	<b>8,242</b>
Transfers into Level 3		—		—
Transfers out of Level 3		—		—
Total net losses (gains) included in earnings (realized and unrealized)		(196)		(8,242)
Purchases, sales and settlements:				
Additions		—		—
Payments		—		—
<b>Contingent consideration, end of period</b>	<b>\$</b>	<b>—</b>	<b>\$</b>	<b>—</b>

**NOTE 15—SEGMENT INFORMATION**

The Company manages its business and reports its financial results through the following three operating and reportable segments: Home, Consumer and Insurance. Characteristics which were relied upon in making the determination of the reportable segments include the nature of the products, the organization's internal structure, and the information that is regularly reviewed by the chief operating decision maker for the purpose of assessing performance and allocating resources.

The Home segment includes the following products: purchase mortgage, refinance mortgage, home equity loans and lines of credit, and reverse mortgage loans. The Consumer segment includes the following products: credit cards, personal loans, small business loans, student loans, auto loans, deposit accounts, and other credit products such as credit repair and debt settlement. The Insurance segment consists of insurance quote products and sales of insurance policies in the agency businesses.

The following tables are a reconciliation of segment profit, which is the Company's primary segment profitability measure, to income before income taxes and discontinued operations. Segment marketing expense represents the portion of selling and

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marketing expense attributable to variable costs paid for advertising, direct marketing and related expenses, that are directly attributable to the segments' products. This measure excludes overhead, fixed costs and personnel-related expenses.

	Three Months Ended September 30, 2022				
	Home	Consumer	Insurance	Other	Total
	<i>(in thousands)</i>				
Revenue	\$ 64,927	\$ 102,661	\$ 70,231	\$ 17	\$ 237,836
Segment marketing expense	40,810	56,868	47,663	228	145,569
<b>Segment profit (loss)</b>	<b>24,117</b>	<b>45,793</b>	<b>22,568</b>	<b>(211)</b>	<b>92,267</b>
Cost of revenue					14,105
Brand and other marketing expense					31,306
General and administrative expense					39,540
Product development					14,043
Depreciation					5,274
Amortization of intangibles					6,582
Restructuring and severance					—
Litigation settlements and contingencies					(7)
<b>Operating loss</b>					<b>(18,576)</b>
Interest expense, net					(5,720)
Other income					1,523
<b>Loss before income taxes and discontinued operations</b>					<b>\$ (22,773)</b>

	Three Months Ended September 30, 2021				
	Home	Consumer	Insurance	Other	Total
	<i>(in thousands)</i>				
Revenue	\$ 112,422	\$ 100,011	\$ 84,837	\$ 180	\$ 297,450
Segment marketing expense	70,905	55,295	58,227	83	184,510
<b>Segment profit</b>	<b>41,517</b>	<b>44,716</b>	<b>26,610</b>	<b>97</b>	<b>112,940</b>
Cost of revenue					15,020
Brand and other marketing expense					21,965
General and administrative expense					40,126
Product development					13,384
Depreciation					4,808
Amortization of intangibles					10,345
Change in fair value of contingent consideration					(196)
Restructuring and severance					47
Litigation settlements and contingencies					22
<b>Operating income</b>					<b>7,419</b>
Interest expense, net					(11,826)
<b>Loss before income taxes and discontinued operations</b>					<b>\$ (4,407)</b>

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	Nine Months Ended September 30, 2022				
	Home	Consumer	Insurance	Other	Total
	<i>(in thousands)</i>				
Revenue	\$ 240,809	\$ 309,873	\$ 232,025	\$ 230	\$ 782,937
Segment marketing expense	154,043	176,985	165,770	643	497,441
<b>Segment profit (loss)</b>	<b>86,766</b>	<b>132,888</b>	<b>66,255</b>	<b>(413)</b>	<b>285,496</b>
Cost of revenue					44,240
Brand and other marketing expense					68,128
General and administrative expense					115,802
Product development					42,413
Depreciation					15,024
Amortization of intangibles					21,574
Restructuring and severance					3,760
Litigation settlements and contingencies					(41)
<b>Operating loss</b>					<b>(25,404)</b>
Interest expense, net					(19,990)
Other income					1,806
<b>Loss before income taxes and discontinued operations</b>					<b>\$ (43,588)</b>

	Nine Months Ended September 30, 2021				
	Home	Consumer	Insurance	Other	Total
	<i>(in thousands)</i>				
Revenue	\$ 345,408	\$ 233,594	\$ 260,714	\$ 498	\$ 840,214
Segment marketing expense	225,884	130,877	168,024	542	525,327
<b>Segment profit (loss)</b>	<b>119,524</b>	<b>102,717</b>	<b>92,690</b>	<b>(44)</b>	<b>314,887</b>
Cost of revenue					42,849
Brand and other marketing expense					63,816
General and administrative expense					114,926
Product development					39,142
Depreciation					12,969
Amortization of intangibles					32,967
Change in fair value of contingent consideration					(8,249)
Restructuring and severance					47
Litigation settlements and contingencies					360
<b>Operating income</b>					<b>16,060</b>
Interest expense, net					(31,881)
Other income					40,072
<b>Income before income taxes and discontinued operations</b>					<b>\$ 24,251</b>

**NOTE 16—DISCONTINUED OPERATIONS**

The results of discontinued operations include litigation settlements and contingencies and legal fees associated with legal proceedings against LendingTree, Inc. or LendingTree, LLC that arose due to the LendingTree Loans business or the HLC bankruptcy filing.

**LENDINGTREE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The components of net loss reported as discontinued operations in the accompanying consolidated statements of operations and comprehensive income are as follows (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Revenue</b>	\$ —	\$ —	\$ —	\$ —
Loss before income taxes	—	(103)	(6)	(4,717)
Income tax benefit	(1)	49	2	1,201
<b>Net loss</b>	<b>\$ (1)</b>	<b>\$ (54)</b>	<b>\$ (4)</b>	<b>\$ (3,516)</b>

**NOTE 17—RESTRUCTURING ACTIVITIES**

In the first quarter of 2022, the Company completed a workforce reduction of approximately 75 employees, and in the second quarter of 2022 completed a workforce reduction of approximately 25 employees. The Company incurred total expense of \$3.8 million consisting of employee separation costs of \$2.7 million and non-cash compensation expense of \$1.1 million due to the accelerated vesting of certain equity awards. All employee separation costs are expected to be paid by the first quarter of 2023.

	Accrued Balance at December 31, 2021	Income Statement Impact	Payments	Non-Cash	Accrued Balance at September 30, 2022
<b>2022 action</b>					
Employee separation payments	\$ —	\$ 2,677	\$ (2,518)	\$ —	159
Non-cash compensation	—	1,083	—	(1,083)	—
	<b>\$ —</b>	<b>\$ 3,760</b>	<b>\$ (2,518)</b>	<b>\$ (1,083)</b>	<b>159</b>

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Cautionary Statement Regarding Forward-Looking Information**

This report contains “forward-looking statements” within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, as amended by the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements related to our anticipated financial performance, business prospects and strategy; anticipated trends and prospects in the various industries in which our businesses operate; new products, services and related strategies; and other similar matters. These forward-looking statements are based on management's current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict. The use of words such as “anticipates,” “estimates,” “expects,” “projects,” “intends,” “plans” and “believes,” among others, generally identifies forward-looking statements.

Actual results could differ materially from those contained in the forward-looking statements. Factors currently known to management that could cause actual results to differ materially from those in forward-looking statements include those matters discussed or referenced in Part II, Item 1A. *Risk Factors* included elsewhere in this quarterly report and Part I, Item 1A. *Risk Factors* of the 2021 Annual Report.

Other unknown or unpredictable factors that could also adversely affect our business, financial condition and results of operations may arise from time to time. In light of these risks and uncertainties, the forward-looking statements discussed in this report may not prove to be accurate. Accordingly, you should not place undue reliance on these forward-looking statements, which only reflect the views of LendingTree, Inc.'s management as of the date of this report. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results or expectations, except as required by law.

### **Company Overview**

LendingTree, Inc. is the parent of LT Intermediate Company, LLC, which holds all of the outstanding ownership interests of LendingTree, LLC, and LendingTree, LLC owns several companies.

We operate what we believe to be the leading online consumer platform that connects consumers with the choices they need to be confident in their financial decisions. Our online consumer platform provides consumers with access to product offerings from our Network Partners, including mortgage loans, home equity loans, reverse mortgage loans, auto loans, credit cards, deposit accounts, personal loans, student loans, small business loans, insurance quotes and other related offerings. In addition, we offer tools and resources, including free credit scores, that facilitate comparison shopping for loans, deposit products, insurance and other offerings. We seek to match consumers with multiple providers, who can offer them competing quotes for the product, or products, they are seeking. We also serve as a valued partner to lenders and other providers seeking an efficient, scalable and flexible source of customer acquisition with directly measurable benefits, by matching the consumer inquiries we generate with these Network Partners.

Our My LendingTree platform offers a personalized comparison-shopping experience by providing free credit scores and credit score analysis. This platform enables us to monitor consumers' credit profiles and then identify and alert them to loans and other offerings on our marketplace that may be more favorable than the terms they may have at a given point in time. This is designed to provide consumers with measurable savings opportunities over their lifetimes.

We are focused on developing new product offerings and enhancements to improve the experiences that consumers and Network Partners have as they interact with us. By expanding our portfolio of financial services offerings, we are growing and diversifying our business and sources of revenue. We intend to capitalize on our expertise in performance marketing, product development and technology, and to leverage the widespread recognition of the LendingTree brand, to effect this strategy.

We believe the consumer and small business financial services industry is still in the early stages of a fundamental shift to online product offerings, similar to the shift that started in retail and travel many years ago and is now well established. We believe that like retail and travel, as consumers continue to move towards online shopping and transactions for financial services, suppliers will increasingly shift their product offerings and advertising budgets toward the online channel. We believe the strength of our brands and of our partner network place us in a strong position to continue to benefit from this market shift.

The LendingTree Loans business is presented as discontinued operations in the accompanying consolidated balance sheets, consolidated statements of operations and comprehensive income and consolidated statements of cash flows for all periods

presented. Except for the discussion under the heading “Discontinued Operations,” the analysis within Management’s Discussion and Analysis of Financial Condition and Results of Operations reflects our continuing operations.

### **Economic Conditions**

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly growing outbreak of a novel strain of coronavirus (“COVID-19”). The pandemic has significantly impacted the economic conditions in the U.S., as federal, state and local governments react to the public health crisis, creating significant uncertainties in the U.S. economy. The downstream impact of various lockdown orders and related economic pullback are affecting our business and marketplace participants to varying degrees. We are continuously monitoring the impacts of the current economic conditions related to the COVID-19 pandemic and the effect on our business, financial condition and results of operations.

Of our three reportable segments, the Consumer segment was most impacted as unsecured credit and the flow of capital in certain areas of the market have contracted. Most of our selling and marketing expenses are variable costs that we adjust dynamically in relation to revenue opportunities to profitably meet demand. Thus, as our revenue was negatively impacted during the COVID-19 pandemic, our marketing expenses generally decreased in line with revenue.

During the first nine months of 2022, the challenging interest rate environment combined with annual inflation persistently running above 8% has presented additional challenges for many of our mortgage lending and insurance partners. We have seen the most significant impact in our Home segment as mortgage rates have nearly doubled over the first nine months of 2022, causing a sharp decline in refinance volumes and more recent pressure on purchase activity. Although our Insurance segment continues to rebound from the trough in the fourth quarter of 2021, the recovery has been slower than expected as demand from our carrier partners remains volatile as premium increases continue to chase inflation.

### **Segment Reporting**

We have three reportable segments: Home, Consumer, and Insurance.

### **Recent Business Acquisitions**

On February 28, 2020, we acquired an equity interest in Stash for \$80.0 million. On January 6, 2021 we acquired an additional equity interest for \$1.2 million. Stash is a consumer investing and banking platform. Stash brings together banking, investing, and financial services education into one seamless experience offering a full suite of personal investment accounts, traditional and Roth IRAs, custodial investment accounts, and banking services, including checking accounts and debit cards with a Stock-Back® rewards program. In the fourth quarter of 2021, we sold a portion of our investment in Stash for \$46.3 million, realizing a gain on the sale of \$27.9 million.

In January 2022, the Company acquired an equity interest in EarnUp for \$15.0 million. EarnUp is a consumer-first mortgage payment platform that intelligently automates loan payment scheduling and helps consumers better manage their money and improve their financial well-being. *See* Note 7—Equity Investments for additional information on the equity interest in EarnUp.

### **North Carolina Office Properties**

Our new corporate office is located on approximately 176,000 square feet of office space in Charlotte, North Carolina under an approximate 15-year lease that contractually commenced in the second quarter of 2021.

With our expansion in North Carolina, in December 2016, we received a grant from the state that provides up to \$4.9 million in reimbursements through 2029 beginning in 2017 for investing in real estate and infrastructure in addition to increasing jobs in North Carolina at specific targeted levels through 2021, and maintaining the jobs thereafter. Additionally, the city of Charlotte and the county of Mecklenburg provided a grant that will be paid over five years and is based on a percentage of new property tax we pay on the development of a corporate headquarters. In December 2018, we received an additional grant from the state that provides an aggregate amount up to \$8.4 million in reimbursements through 2032 beginning in 2021 for increasing jobs in North Carolina at specific targeted levels through 2024, and maintaining the jobs thereafter.

**Recent Mortgage Interest Rate Trends**

Interest rate and market risks can be substantial in the mortgage lead generation business. Short-term fluctuations in mortgage interest rates primarily affect consumer demand for mortgage refinancings, while long-term fluctuations in mortgage interest rates, coupled with the U.S. real estate market, affect consumer demand for new mortgages. Consumer demand, in turn, affects lender demand for mortgage leads from third-party sources, as well as our own ability to attract online consumers to our website.

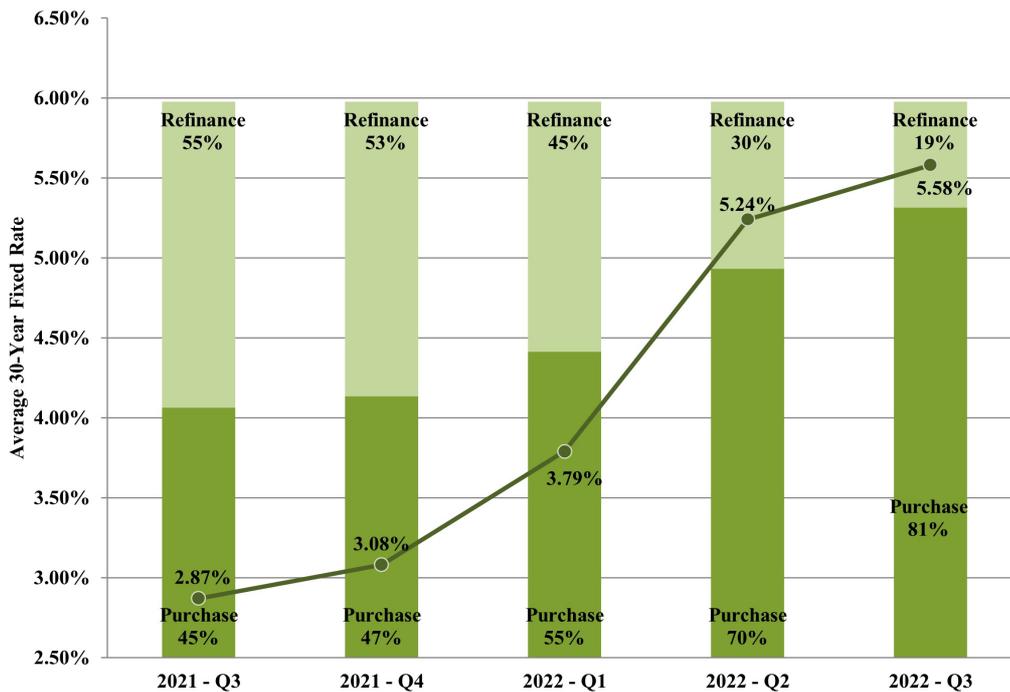
Typically, when interest rates decline, we see increased consumer demand for mortgage refinancing, which in turn leads to increased traffic to our website and decreased selling and marketing efforts associated with that traffic. At the same time, lender demand for leads from third-party sources typically decreases, as there are more consumers in the marketplace seeking refinancings and, accordingly, lenders receive more organic mortgage lead volume. Due to lower lender demand, our revenue earned per consumer typically decreases, but with correspondingly lower selling and marketing costs.

Conversely, when interest rates increase, we typically see decreased consumer demand for mortgage refinancing, leading to decreased traffic to our website and higher associated selling and marketing efforts associated with that traffic. At the same time, lender demand for leads from third-party sources typically increases, as there are fewer consumers in the marketplace and, accordingly, the supply of organic mortgage lead volume decreases. Due to high lender demand, we typically see an increase in the amount lenders will pay per matched lead, which often leads to higher revenue earned per consumer. However, increases in the amount lenders will pay per matched lead in this situation is limited by the overall cost models of our lenders, and our revenue earned per consumer can be adversely affected by the overall reduced demand for refinancing in a rising rate environment.

We dynamically adjust selling and marketing expenditures in all interest rate environments to optimize our results against these variables.

According to Freddie Mac, 30-year mortgage interest rates increased from a monthly average of 3.10% in December 2021 to a monthly average of 6.11% in September 2022. On a quarterly basis, 30-year mortgage interest rates in the third quarter of 2022 averaged 5.58%, compared to 2.87% in the third quarter of 2021 and 3.08% in the fourth quarter of 2021.

**HISTORICAL MIX OF MORTGAGE ORIGINATION DOLLARS**



Typically, as mortgage interest rates rise, there are fewer consumers in the marketplace seeking refinancings and, accordingly, the mix of mortgage origination dollars will move toward purchase mortgages. According to Mortgage Bankers Association (“MBA”) data, total refinance origination dollars decreased to 19% of total mortgage origination dollars in the third quarter of 2022 compared to 53% in the fourth quarter of 2021. In the third quarter of 2022, total refinance origination dollars decreased 82% from the fourth quarter of 2021 and 84% from the third quarter of 2021. Industry-wide mortgage origination dollars in the third quarter of 2022 decreased 52% from the fourth quarter of 2021 and 55% from third quarter of 2021.

In October 2022, the MBA projected 30-year mortgage interest rates to increase during 2022, to an average 6.7% for the year. According to MBA projections, the mix of mortgage origination dollars is expected to move back towards purchase mortgages with the refinance share representing approximately 30% for 2022.

### **The U.S. Real Estate Market**

The health of the U.S. real estate market and interest rate levels are the primary drivers of consumer demand for new mortgages. Consumer demand, in turn, affects lender demand for purchase mortgage leads from third-party sources. Typically, a strong real estate market will lead to reduced lender demand for leads, as there are more consumers in the marketplace seeking financing and, accordingly, lenders receive more organic lead volume. Conversely, a weaker real estate market will typically lead to an increase in lender demand, as there are fewer consumers in the marketplace seeking mortgages.

According to Fannie Mae data, existing-home sales decreased 24% in the third quarter of 2022 compared to the fourth quarter of 2021, and 22% compared to the third quarter of 2021. Fannie Mae predicts an overall decrease in existing-home sales of approximately 18% in 2022 compared to 2021.

### **MyLendingTree**

We consider certain metrics related to MyLendingTree set forth below to help us evaluate our business and growth trends and assess operational efficiencies. The calculation of the metrics discussed below may differ from other similarly titled metrics used by other companies, securities analysts or investors.

We continued to grow our user base and added 0.8 million new users in the third quarter of 2022, bringing cumulative sign-ups to 23.9 million at September 30, 2022. We attribute \$29 million of revenue in the third quarter of 2022 to registered MyLendingTree members across the LendingTree platform.

Our focus on improving the MyLendingTree experience for consumers remains a top priority. Becoming an integrated digital advisor will greatly improve the consumer experience, which we expect to result in higher levels of engagement improved membership growth rates, and ultimately stronger financial results.

**Results of Operations for the Three and Nine Months ended September 30, 2022 and 2021**

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
	<i>(Dollars in thousands)</i>							
Home	\$ 64,927	\$ 112,422	\$ (47,495)	(42) %	\$ 240,809	\$ 345,408	\$ (104,599)	(30) %
Consumer	102,661	100,011	2,650	3 %	309,873	233,594	76,279	33 %
Insurance	70,231	84,837	(14,606)	(17) %	232,025	260,714	(28,689)	(11) %
Other	17	180	(163)	(91) %	230	498	(268)	(54) %
<b>Revenue</b>	<b>237,836</b>	<b>297,450</b>	<b>(59,614)</b>	<b>(20) %</b>	<b>782,937</b>	<b>840,214</b>	<b>(57,277)</b>	<b>(7) %</b>
Costs and expenses:								
Cost of revenue <i>(exclusive of depreciation and amortization shown separately below)</i>	14,105	15,020	(915)	(6) %	44,240	42,849	1,391	3 %
Selling and marketing expense	176,875	206,475	(29,600)	(14) %	565,569	589,143	(23,574)	(4) %
General and administrative expense	39,540	40,126	(586)	(1) %	115,802	114,926	876	1 %
Product development	14,043	13,384	659	5 %	42,413	39,142	3,271	8 %
Depreciation	5,274	4,808	466	10 %	15,024	12,969	2,055	16 %
Amortization of intangibles	6,582	10,345	(3,763)	(36) %	21,574	32,967	(11,393)	(35) %
Change in fair value of contingent consideration	—	(196)	196	100 %	—	(8,249)	8,249	100 %
Restructuring and severance	—	47	(47)	(100) %	3,760	47	3,713	7,900 %
Litigation settlements and contingencies	(7)	22	(29)	(132) %	(41)	360	(401)	(111) %
<b>Total costs and expenses</b>	<b>256,412</b>	<b>290,031</b>	<b>(33,619)</b>	<b>(12) %</b>	<b>808,341</b>	<b>824,154</b>	<b>(15,813)</b>	<b>(2) %</b>
<b>Operating (loss) income</b>	<b>(18,576)</b>	<b>7,419</b>	<b>(25,995)</b>	<b>(350) %</b>	<b>(25,404)</b>	<b>16,060</b>	<b>(41,464)</b>	<b>(258) %</b>
Other (expense) income, net:								
Interest expense, net	(5,720)	(11,826)	(6,106)	(52) %	(19,990)	(31,881)	(11,891)	(37) %
Other income	1,523	—	1,523	— %	1,806	40,072	(38,266)	(95) %
<b>(Loss) income before income taxes</b>	<b>(22,773)</b>	<b>(4,407)</b>	<b>(18,366)</b>	<b>(417) %</b>	<b>(43,588)</b>	<b>24,251</b>	<b>(67,839)</b>	<b>(280) %</b>
Income tax (expense) benefit	(135,910)	1	(135,911)	— %	(133,956)	455	(134,411)	— %
<b>Net (loss) income from continuing operations</b>	<b>(158,683)</b>	<b>(4,406)</b>	<b>(154,277)</b>	<b>(3,502) %</b>	<b>(177,544)</b>	<b>24,706</b>	<b>(202,250)</b>	<b>(819) %</b>
Loss from discontinued operations, net of tax	(1)	(54)	(53)	(98) %	(4)	(3,516)	(3,512)	(100) %
<b>Net (loss) income and comprehensive (loss) income</b>	<b>\$ (158,684)</b>	<b>\$ (4,460)</b>	<b>\$ (154,224)</b>	<b>(3,458) %</b>	<b>\$ (177,548)</b>	<b>\$ 21,190</b>	<b>\$ (198,738)</b>	<b>(938) %</b>

**Revenue**

Revenue decreased in the third quarter of 2022 compared to the third quarter of 2021, and in the first nine months of 2022 compared to the first nine months of 2021, due to decreases in our Home and Insurance segments, partially offset by an increase in our Consumer segment.

Our Consumer segment includes the following products: credit cards, personal loans, small business loans, student loans, auto loans, deposit accounts, and other credit products such as credit repair and debt settlement. Many of our Consumer segment products are not individually significant to revenue. Revenue from our Consumer segment increased \$2.7 million, or 3%, in the third quarter of 2022 from the third quarter of 2021. Revenue from our Consumer segment increased \$76.3 million, or 33%, in the first nine months of 2022 from the first nine months of 2021, primarily due to increases in our personal loans, small business loans, and credit cards. Many of our products in the Consumer segment experienced increases in revenue in the third quarter and first nine months of 2022 from the third quarter and first nine months of 2021 due to the recovery from the impacts of the COVID-19 pandemic.

Revenue from our personal loans product increased \$3.9 million, or 12%, to \$37.7 million in the third quarter of 2022 from \$33.8 million in the third quarter of 2021, and increased \$41.3 million, or 56%, to \$115.2 million in the first nine months of

2022 from \$73.9 million in the first nine months of 2021 primarily due to an increase in the number of consumers completing request forms.

Revenue from our credit cards product decreased \$2.6 million, or 10%, to \$24.3 million in the third quarter of 2022 from \$26.9 million in the third quarter of 2021 primarily due to a decrease in the number of consumer clicks. Revenue from our credit cards product increased \$14.5 million, or 22%, to \$81.4 million in the first nine months of 2022 compared to \$67.0 million in the first nine months of 2021, due to an increase in revenue earned per click.

For the periods presented, no other products in our Consumer segment represented more than 10% of revenue; however, certain other Consumer products experienced notable changes. Revenue from our small business loans product increased \$1.3 million, or 9%, in the third quarter of 2022 compared to the third quarter of 2021, primarily due to an increase in revenue earned per consumer. Revenue from our small business loans product increased \$19.8 million, or 62%, in the first nine months of 2022 compared to the first nine months of 2021, primarily due to an increase in revenue earned per consumer and an increase in the number of consumers completing request forms.

Our Home segment includes the following products: purchase mortgage, refinance mortgage, home equity loans, and reverse mortgage loans. Revenue from our Home segment decreased \$47.5 million, or 42%, in the third quarter of 2022 from the third quarter of 2021, and \$104.6 million, or 30%, in the first nine months of 2022 compared to the first nine months of 2021, primarily due to a decrease in revenue from our refinance mortgage product, partially offset by increases in our home equity and purchase mortgage products. Revenue from deposits increased \$2.4 million, or 134%, in the third quarter of 2022 compared to the third quarter of 2021, and \$3.3 million, or 52%, in the first nine months of 2022 compared to the first nine months of 2021, primarily due to increases in both revenue earned per consumer and in the number of consumers. Revenue from student loans decreased \$3.3 million, or 40%, in the third quarter of 2022 compared to the third quarter of 2021, primarily due to a decrease in the number of consumers. Revenue from student loans decreased \$5.8 million, or 43%, in the first nine months of 2022 compared to the first nine months of 2021, primarily due to revenue earned per consumer.

Revenue from our mortgage products decreased \$58.1 million, or 63%, to \$34.5 million in the third quarter of 2022 from \$92.6 million in the third quarter of 2021, and decreased \$139.6 million or 47%, to \$156.9 million in the first nine months of 2022 from \$296.5 million in the first nine months of 2021. Revenue from our refinance mortgage product decreased \$58.8 million in the third quarter of 2022 compared to the third quarter of 2021, and \$150.4 million in the first nine months of 2022 compared to the first nine months of 2021, due to a decrease in the number of consumers completing request forms as interest rates have risen. Revenue from our purchase mortgage product increased \$10.8 million in the first nine months of 2022 compared to the first nine months of 2021, primarily due to an increase in revenue earned per consumer.

Revenue from our home equity loans product increased \$10.0 million, or 52%, to \$29.0 million in the third quarter of 2022 from \$19.0 million in the third quarter of 2021, and increased \$34.0 million, or 73%, to \$80.5 million in the first nine months of 2022 from \$46.5 million in the first nine months of 2021, primarily due to increases in consumers completing request forms and in revenue earned per consumer.

Revenue from our Insurance segment decreased \$14.6 million, or 17%, to \$70.2 million in the third quarter of 2022 from \$84.8 million in the third quarter of 2021 due to decreases in the number of consumers seeking insurance coverage and in revenue earned per consumer. Revenue from our Insurance segment decreased \$28.7 million, or 11%, to \$232.0 million in the first nine months of 2022 from \$260.7 million in the first nine months of 2021 due to a decrease in the number of consumers seeking insurance coverage, partially offset by an increase in revenue earned per consumer.

#### **Cost of revenue**

Cost of revenue consists primarily of costs associated with compensation and other employee-related costs (including stock-based compensation) relating to internally-operated customer call centers, third-party customer call center fees, credit scoring fees, credit card fees, website network hosting, and server fees.

Cost of revenue decreased in the third quarter of 2022 from the third quarter of 2021 by \$0.9 million. Cost of revenue increased \$1.4 million in the first nine months of 2022 from the first nine months of 2021, due to an increase in website network hosting and server hosting fees.

Cost of revenue as a percentage of revenue increased to 6% in the third quarter of 2022 compared to 5% in the third quarter of 2021, and increased to 6% in the first nine months of 2022 compared to 5% in the first nine months of 2021.

## Selling and marketing expense

Selling and marketing expense consists primarily of advertising and promotional expenditures and compensation and other employee-related costs (including stock-based compensation) for personnel engaged in sales or marketing functions. Advertising and promotional expenditures primarily include online marketing, as well as television, print and radio spending. Advertising production costs are expensed in the period the related ad is first run.

Selling and marketing expense decreased in the third quarter of 2022 compared to the third quarter 2021 by \$29.6 million and decreased in the first nine months of 2022 from the first nine months of 2021 by \$23.6 million, primarily due to the changes in advertising and promotional expense discussed below. Additionally, compensation and benefits decreased \$1.2 million in the third quarter of 2022 compared to the third quarter 2021.

Advertising and promotional expense is the largest component of selling and marketing expense, and is comprised of the following:

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<i>(Dollars in thousands)</i>								
Online	\$ 145,478	\$ 185,214	\$ (39,736)	(21) %	\$ 495,662	\$ 527,073	\$ (31,411)	(6) %
Broadcast	15,152	3,065	12,087	394 %	16,762	6,881	9,881	144 %
Other	2,514	3,268	(754)	(23) %	10,948	12,891	(1,943)	(15) %
<b>Total advertising expense</b>	<b>\$ 163,144</b>	<b>\$ 191,547</b>	<b>\$ (28,403)</b>	<b>(15) %</b>	<b>\$ 523,372</b>	<b>\$ 546,845</b>	<b>\$ (23,473)</b>	<b>(4) %</b>

In the periods presented, advertising and promotional expenses are equivalent to our variable marketing expense. See Variable Marketing Margin below for additional information on variable marketing expense.

Revenue is primarily driven by Network Partner demand for our products, which is matched to corresponding consumer requests. We adjust our selling and marketing expenditures dynamically in relation to anticipated revenue opportunities in order to ensure sufficient consumer inquiries to profitably meet such demand. An increase in a product's revenue is generally met by a corresponding increase in marketing spend, and conversely a decrease in a product's revenue is generally met by a corresponding decrease in marketing spend. This relationship exists for our Home, Consumer, and Insurance segments.

We adjusted our advertising expenditures in the third quarter and first nine months of 2022 compared to the third quarter and first nine months of 2021 in response to changes in Network Partner demand on our marketplace. We will continue to adjust selling and marketing expenditures dynamically in response to anticipated revenue opportunities.

## General and administrative expense

General and administrative expense consists primarily of compensation and other employee-related costs (including stock-based compensation) for personnel engaged in finance, legal, tax, corporate information technology, human resources and executive management functions, as well as facilities and infrastructure costs and fees for professional services.

General and administrative expense decreased in the third quarter of 2022 compared to the third quarter of 2021, due to a \$2.6 million decrease in compensation and benefits, partially offset by an increase in technology expenses of \$1.6 million. General and administrative expense increased in the first nine months of 2022 compared to the first nine months of 2021 primarily due to increases in technology of \$4.2 million, loss on assets of \$1.6 million, other tax expense of \$1.5 million, an increase in travel and entertainment expenses of \$1.5 million, and an increase in fees and charges of \$1.3 million, partially offset by decreases in compensation and benefits of \$7.6 million and a decrease in professional fees of \$1.8 million.

General and administrative expense as a percentage of revenue in the third quarter of 2022 was 17% compared to 13% for the third quarter of 2021, and 15% for the first nine months of 2022 compared to 14% for the first nine months of 2021.

## Product development

Product development expense consists primarily of compensation and other employee-related costs (including stock-based compensation) and third-party labor costs that are not capitalized, for employees and consultants engaged in the design, development, testing and enhancement of technology.

Product development expense increased in the third quarter and first nine months of 2022 compared to the third quarter and first nine months of 2021 as we continued to invest in internal development of new and enhanced features, functionality and business opportunities that we believe will enable us to better and more fully serve consumers and Network Partners.

#### **Amortization of intangibles**

The decrease in amortization of intangibles in the third quarter and first nine months of 2022 compared to the third quarter and first nine months of 2021 was due to certain intangible assets associated with our recent business acquisitions becoming fully amortized.

#### **Contingent consideration**

During the third quarter and first nine months of 2022, we did not record contingent consideration expense. All earnouts were completed prior to 2022.

During the third quarter and first nine months of 2021, we recorded an aggregate gain of \$0.2 million and \$8.2 million respectively, due to adjustments in the estimated fair value of the earnout payments related to the QuoteWizard acquisition.

#### **Restructuring and severance**

In the first quarter of 2022, we completed a workforce reduction of approximately 75 employees, and in the second quarter of 2022 completed a workforce reduction of approximately 25 employees. The Company incurred total expense of \$3.8 million consisting of employee separation costs of \$2.7 million and non-cash compensation expense of \$1.1 million due to the accelerated vesting of certain equity awards. All employee separation costs are expected to be paid by the first quarter of 2023.

#### **Interest expense**

Interest expense decreased in the third quarter and first nine months of 2022 compared to the third quarter and first nine months of 2021 primarily due to the adoption of ASU 2020-06 on January 1, 2022, whereby we derecognized the remaining debt discounts on the 2022 Notes and 2025 Notes and therefore no longer recognize any amortization of debt discounts as interest expense partially offset by an increase in interest from our Term Loan Facility. *See Note—2 Significant Accounting Policies* for additional information.

#### **Other income**

For the first nine months of 2021, other income primarily consists of a \$40.1 million gain on our investment in Stash as a result of an adjustment to the fair value based on observable market events. *See Note 7—Equity Investments* for additional information on the equity interest in Stash.

#### **Income tax expense**

For the third quarter and first nine months of 2022, the effective tax rate varied from the federal statutory rate of 21% primarily due to expense of \$139.7 million to record a full valuation allowance against our net deferred tax assets, excess tax expense of \$1.8 million and \$4.7 million, respectively, resulting from vesting of restricted stock in accordance with ASU 2016-09 and the effect of state taxes. *See Note 11—Income Taxes* for additional information on the valuation allowance.

For the third quarter and first nine months of 2021, the effective tax rate varied from the federal statutory rate of 21% in part due to an excess tax expense of \$0.9 million and an excess tax benefit of \$7.4 million, respectively, resulting from employee exercises of stock options and vesting of restricted stock in accordance with ASU 2016-09 and the effect of state taxes.

## Segment Profit

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	\$ Change	% Change	2022	2021	\$ Change	% Change
<i>(Dollars in thousands)</i>								
Home	\$ 24,117	\$ 41,517	\$ (17,400)	(42) %	\$ 86,766	\$ 119,524	\$ (32,758)	(27) %
Consumer	45,793	44,716	1,077	2 %	132,888	102,717	30,171	29 %
Insurance	22,568	26,610	(4,042)	(15) %	66,255	92,690	(26,435)	(29) %
Other	(211)	97	(308)	(318) %	(413)	(44)	(369)	(839) %
<b>Segment profit</b>	<b>\$ 92,267</b>	<b>\$ 112,940</b>	<b>\$ (20,673)</b>	<b>(18) %</b>	<b>\$ 285,496</b>	<b>\$ 314,887</b>	<b>\$ (29,391)</b>	<b>(9) %</b>

Segment profit is our primary segment operating metric. Segment profit is calculated as segment revenue less segment selling and marketing expenses attributed to variable costs paid for advertising, direct marketing and related expenses that are directly attributable to the segments' products. See Note 15—Segment Information in the notes to the consolidated financial statements for additional information on segments and a reconciliation of segment profit to pre-tax income from continuing operations.

### Home

Our home equity product achieved record revenue in the third quarter of 2022, with a 52% increase in the third quarter of 2022 from the third quarter of 2021. Purchase revenue increased 4% in the third quarter of 2022 compared to the third quarter of 2021 despite volumes declining 29% in the third quarter of 2022 compared to the third quarter of 2021. Revenue per lead for purchase loans continues to expand having become more valuable to our lending partners in this difficult origination market. However, limited home inventory and overall affordability is expected to continue to weigh on overall home sale volumes.

The 30-year fixed mortgage rate at the end of the third quarter, as measured by the Freddie Mac Mortgage Market Survey, reached the highest level recorded since 2006 at 6.7%, negatively impacting already depressed loan origination volumes. The number of consumers with an incentive to refinance has dropped to levels last seen in January 2000, according to the August 2022 Black Knight Mortgage Monitor. Near record home prices coupled with higher mortgage rates led to a 24% decrease in existing home sales in September 2022 compared to September 2021.

Our home lending partners continue to adjust their origination capacity to the rapidly changing housing market. As a result, revenue in the Home segment decreased 42% to \$64.9 million in the third quarter of 2022 from the third quarter of 2021, with segment profit of \$24.1 million in the third quarter of 2022, a decrease of 42% from the third quarter of 2021. Importantly, our variable model allowed us to generate a 37% segment margin in the third quarter, which was consistent with that of the third quarter of 2021, as decreased revenue per lead was offset by a similar decline in cost per lead.

### Consumer

Growth in our Consumer segment continued, although the pace of growth has slowed as expected, with revenue of \$102.7 million in the third quarter of 2022, an increase of 3% from the third quarter of 2021, and segment profit of \$45.8 million in the third quarter of 2022, an increase of 2% from the third quarter of 2021.

Personal loans revenue of \$37.7 million in the third quarter of 2022 increased 12% from the third quarter of 2021 as debt consolidation remains attractive with consumer credit card balances continuing to rise. Many of our partners have tightened their underwriting criteria in order to reduce portfolio risk given recession fears, focusing their customer acquisition activity on consumers with somewhat higher credit quality.

Small business performed well this quarter, achieving revenue growth of 9% in the third quarter of 2022 compared to the third quarter of 2021. We continue to focus on lender performance to grow originations and improve conversion rates. By optimizing our marketing mix, we have aimed to increase the quality of our leads which benefits lenders and increases profitability. We are working on providing new product offerings and expanding data capabilities to provide real-time borrower cash flow insights, with a focus on being a valued partner to our lenders to gain share in this quickly evolving market over time.

Our credit card business generated revenue of \$24.3 million in the third quarter of 2022, a decrease of 10% from the third quarter of 2021, as high levels of competition in the quarter drove a decline in volume. Revenue per click growth continued in the quarter, increasing 3% in the third quarter of 2022 from the third quarter of 2021. Margins in the segment remain lower than historical levels as we prioritize capturing partner spend and maximizing variable marketing dollars. We aim to continue to diversify our marketing mix to pursue more profitable marketing channels and partnerships to expand our reach and attract more consumers.

Our student loan business, which typically has seasonally strong performance in the third quarter, continues to be negatively impacted by the extension of the government's loan payment moratorium. However, loan payments are expected to resume beginning in 2023. We believe borrowers will be looking for opportunities to refinance their student debt as payments have been paused since the onset of the pandemic. Our deposits business is growing quickly again as consumers are looking to capitalize on higher interest rates for their savings.

## Insurance

The auto and home insurance industry continues to be impacted by persistent industry headwinds, supply chain issues, rising accident severity and frequency, and more recently hurricane losses. Although consumer search volumes are running at all-time highs, the difficult operating environment for our carrier partners limited growth in the quarter. Revenue was \$70.2 million in the third quarter of 2022, a decrease of 17% from the third quarter of 2021. Segment profit of \$22.6 million in the third quarter of 2022 decreased 15% from the third quarter of 2021.

We do not expect property & casualty carriers to return with meaningful budget increases until next year. Most of our top partners have lowered budgets due to profitability concerns and outsized losses from Hurricane Ian. Given our focus on lead quality and margin performance, we believe we are well positioned to capture additional share of carrier marketing spend when budgets begin to grow again.

## Variable Marketing Margin

We report variable marketing margin as a supplemental measure to GAAP. This measure is the primary metric by which we measure the effectiveness of our marketing efforts. Variable marketing margin is a measure of the efficiency of our operating model, measuring revenue after subtracting variable marketing and advertising costs that directly influence revenue. Our operating model is highly sensitive to the amount and efficiency of variable marketing expenditures, and our proprietary systems are able to make rapidly changing decisions concerning the deployment of variable marketing expenditures (primarily but not exclusively online and mobile advertising placement) based on proprietary and sophisticated analytics. We believe that investors should have access to the same set of tools that we use in analyzing our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP but should not be considered a substitute for or superior to GAAP results. We provide and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures discussed below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Revenue	\$ 237,836	\$ 297,450	\$ 782,937	\$ 840,214
Variable marketing expense	163,144	191,547	523,372	546,845
<b>Variable marketing margin</b>	<b>\$ 74,692</b>	<b>\$ 105,903</b>	<b>\$ 259,565</b>	<b>\$ 293,369</b>

Below is a reconciliation of selling and marketing expense to variable marketing expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	<i>(in thousands)</i>			
Selling and marketing expense	\$ 176,875	\$ 206,475	\$ 565,569	\$ 589,143
Non-variable selling and marketing expense	(13,731)	(14,928)	(42,197)	(42,298)
<b>Variable marketing expense</b>	<b>\$ 163,144</b>	<b>\$ 191,547</b>	<b>\$ 523,372</b>	<b>\$ 546,845</b>

The following is a reconciliation of net (loss) income from continuing operations to variable marketing margin (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net (loss) income from continuing operations</b>	<b>\$ (158,683)</b>	<b>\$ (4,406)</b>	<b>\$ (177,544)</b>	<b>\$ 24,706</b>
Adjustments to reconcile to variable marketing margin:				
Cost of revenue	14,105	15,020	44,240	42,849
Non-variable selling and marketing expense <sup>(1)</sup>	13,731	14,928	42,197	42,298
General and administrative expense	39,540	40,126	115,802	114,926
Product development	14,043	13,384	42,413	39,142
Depreciation	5,274	4,808	15,024	12,969
Amortization of intangibles	6,582	10,345	21,574	32,967
Change in fair value of contingent consideration	—	(196)	—	(8,249)
Restructuring and severance	—	47	3,760	47
Litigation settlements and contingencies	(7)	22	(41)	360
Interest expense, net	5,720	11,826	19,990	31,881
Other income	(1,523)	—	(1,806)	(40,072)
Income tax expense (benefit)	135,910	(1)	133,956	(455)
<b>Variable marketing margin</b>	<b>\$ 74,692</b>	<b>\$ 105,903</b>	<b>\$ 259,565</b>	<b>\$ 293,369</b>

(1) Represents the portion of selling and marketing expense not attributable to variable costs paid for advertising, direct marketing and related expenses. Includes overhead, fixed costs and personnel-related expenses.

### Adjusted EBITDA

We report Adjusted EBITDA as a supplemental measure to GAAP. This measure is the primary metric by which we evaluate the performance of our businesses, on which our marketing expenditures and internal budgets are based and by which, in most years, management and many employees are compensated. We believe that investors should have access to the same set of tools that we use in analyzing our results. This non-GAAP measure should be considered in addition to results prepared in accordance with GAAP but should not be considered a substitute for or superior to GAAP results. We provide and encourage investors to examine the reconciling adjustments between the GAAP and non-GAAP measures discussed below.

#### Definition of Adjusted EBITDA

We report Adjusted EBITDA as net income from continuing operations adjusted to exclude interest, income tax, amortization of intangibles and depreciation, and to further exclude (1) non-cash compensation expense, (2) non-cash impairment charges, (3) gain/loss on disposal of assets, (4) gain/loss on investments, (5) restructuring and severance expenses, (6) litigation settlements and contingencies, (7) acquisitions and dispositions income or expense (including with respect to changes in fair value of contingent consideration), (8) dividend income, and (9) one-time items. Adjusted EBITDA has certain limitations in that it does not take into account the impact to our statement of operations of certain expenses, including depreciation, non-cash compensation and acquisition-related accounting. We endeavor to compensate for the limitations of the non-GAAP measures presented by also providing the comparable GAAP measures with equal or greater prominence and descriptions of the reconciling items, including quantifying such items, to derive the non-GAAP measures. These non-GAAP measures may not be comparable to similarly titled measures used by other companies.

#### One-Time Items

Adjusted EBITDA is adjusted for one-time items, if applicable. Items are considered one-time in nature if they are non-recurring, infrequent, or unusual and have not occurred in the past two years or are not expected to recur in the next two years,

in accordance with SEC rules. For the periods presented below, one-time items consisted of the franchise tax caused by the equity investment gain in Stash.

#### *Non-Cash Expenses that are Excluded from Adjusted EBITDA*

Non-cash compensation expense consists principally of expense associated with grants of restricted stock, restricted stock units and stock options, some of which awards have performance-based vesting conditions. Non-cash compensation expense also includes expense associated with employee stock purchase plans. These expenses are not paid in cash, and we include the related shares in our calculations of fully diluted shares outstanding. Upon settlement of restricted stock units, exercise of certain stock options or vesting of restricted stock awards, the awards may be settled, on a net basis, with us remitting the required tax withholding amount from our current funds.

Amortization of intangibles are non-cash expenses relating primarily to intangible assets acquired through acquisitions. At the time of an acquisition, the intangible assets of the acquired company, such as purchase agreements, technology and customer relationships, are valued and amortized over their estimated lives.

The following table is a reconciliation of net (loss) income from continuing operations to Adjusted EBITDA (*in thousands*).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
<b>Net (loss) income from continuing operations</b>	<b>\$ (158,683)</b>	<b>\$ (4,406)</b>	<b>\$ (177,544)</b>	<b>\$ 24,706</b>
Adjustments to reconcile to Adjusted EBITDA:				
Amortization of intangibles	6,582	10,345	21,574	32,967
Depreciation	5,274	4,808	15,024	12,969
Restructuring and severance	—	47	3,760	47
Loss on impairments and disposal of assets	834	1,251	4,261	2,651
Gain on investments	—	—	—	(40,072)
Non-cash compensation expense	15,575	17,074	46,907	51,804
Franchise tax caused by equity investment gain	—	—	1,500	—
Change in fair value of contingent consideration	—	(196)	—	(8,249)
Acquisition expense	104	227	171	1,366
Litigation settlements and contingencies	(7)	22	(41)	360
Interest expense, net	5,720	11,826	19,990	31,881
Dividend income	(1,523)	—	(1,805)	—
Income tax (expense) benefit	135,910	(1)	133,956	(455)
<b>Adjusted EBITDA</b>	<b>\$ 9,786</b>	<b>\$ 40,997</b>	<b>\$ 67,753</b>	<b>\$ 109,975</b>

## Financial Position, Liquidity and Capital Resources

### General

As of September 30, 2022, we had \$285.5 million of cash and cash equivalents, compared to \$251.2 million of cash and cash equivalents as of December 31, 2021.

In the first quarter of 2022, we acquired an equity interest in EarnUp Inc. (“EarnUp”) for \$15.0 million. See Note 7—Equity Investments to the consolidated financial statements included elsewhere in this report for additional information on the equity interest.

On May 31, 2022, we drew \$250.0 million on the Term Loan Facility. A portion of this was used to pay the outstanding balance of \$169.7 million and interest on our 0.625% Convertible Senior Notes that matured on June 1, 2022. See Note 12—Debt for additional information.

We expect our cash and cash equivalents and cash flows from operations to be sufficient to fund our operating needs for the next twelve months and beyond. Our credit facility described below is an additional potential source of liquidity. We will continue to monitor the impact of the ongoing COVID-19 pandemic and inflation on our liquidity and capital resources.

### Credit Facility

On September 15, 2021, we entered into a credit agreement (the “Credit Agreement”), consisting of a \$200.0 million revolving credit facility (the “Revolving Facility”), which matures on September 15, 2026, and a \$250.0 million delayed draw term loan facility (the “Term Loan Facility” and together with the Revolving Facility, the “Credit Facility”), which matures on September 15, 2028. The proceeds of the Revolving Facility can be used to finance working capital, for general corporate purposes and any other purpose not prohibited by the Credit Agreement. We borrowed \$250.0 million under the delayed draw term loan on May 31, 2022 and used \$170.2 million of the proceeds to settle the Company’s 2022 Notes, including interest. The remaining proceeds of \$79.8 million may be used for general corporate purposes and any other purposes not prohibited by the Credit Agreement. *See* Note 12—Debt for additional information.

As of November 4, 2022, we have outstanding \$249.4 million under the Term Loan Facility, a \$0.2 million letter of credit under the Revolving Facility and the remaining borrowing capacity under the Revolving Facility is \$199.8 million.

Our cash flows attributable to continuing operations are as follows:

	Nine Months Ended September 30,	
	2022	2021
	<i>(in thousands)</i>	
Net cash provided by operating activities	\$ 26,329	\$ 88,893
Net cash used in investing activities	(25,410)	(31,695)
Net cash provided by (used in) financing activities	33,411	(15,192)

### Cash Flows from Operating Activities

Our largest source of cash provided by our operating activities is revenues generated by our products. Our primary uses of cash from our operating activities include advertising and promotional payments. In addition, our uses of cash from operating activities include compensation and other employee-related costs, other general corporate expenditures, litigation settlements and contingencies, certain contingent consideration payments, and income taxes.

Net cash provided by operating activities attributable to continuing operations decreased in the first nine months of 2022 from the first nine months of 2021 primarily due to a reduction in revenue generated by our products.

### Cash Flows from Investing Activities

Net cash used in investing activities attributable to continuing operations in the first nine months of 2022 of \$25.4 million consisted of the purchase of a \$16.4 million equity interest in EarnUp and another small investment, as well as capital expenditures of \$9.0 million primarily related to internally developed software.

Net cash used in investing activities attributable to continuing operations in the first nine months of 2021 of \$31.7 million consisted of capital expenditures of \$30.5 million primarily related to internally developed software and leasehold improvements for our new principal corporate offices, as well as the purchase of an additional \$1.2 million equity interest in Stash.

### Cash Flows from Financing Activities

Net cash provided by financing activities attributable to continuing operations in the first nine months of 2022 of \$33.4 million consisted primarily of \$250.0 million in proceeds from the term loan and the repayment of \$169.7 million to settle the Company’s 2022 Notes discussed in the “Credit Facility” section above, \$43.0 million for the repurchase of our stock, and \$3.3 million in withholding taxes paid upon surrender of shares to satisfy obligations on equity awards, net of proceeds from the exercise of stock options.

Net cash used in financing activities attributable to continuing operations in the first nine months of 2021 of \$15.2 million consisted primarily of \$6.7 million in withholding taxes paid upon surrender of shares to satisfy obligations on equity awards, net of proceeds from the exercise of stock options, as well as \$6.0 million for the payment of debt issuance costs and \$2.5 million paid for the original issue discount on the undrawn Term Loan Facility.

#### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements other than a letter of credit and our funding commitments pursuant to our surety bonds, none of which have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

#### **New Accounting Pronouncements**

For information regarding new accounting pronouncements, see Note 2—Significant Accounting Policies, in Part I, Item 1 *Financial Statements*.

#### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Other than our Credit Facility, we do not have any financial instruments that are exposed to significant market risk. We maintain our cash and cash equivalents in bank deposits and short-term, highly liquid money market investments. A hypothetical 100-basis point increase or decrease in market interest rates would not have a material impact on the fair value of our cash equivalents securities, or our earnings on such cash equivalents, but would have a \$2.5 million annual effect on the interest paid on borrowings under the Credit Facility. As of November 4, 2022, the Company had \$249.4 million outstanding on its Term Loan Facility, and there were no outstanding borrowings under its Revolving Facility.

Fluctuations in interest rates affect consumer demand for new mortgages and the level of refinancing activity which, in turn, affects lender demand for mortgage leads. Typically, when interest rates decline, we see increased consumer demand for mortgage refinancing, which in turn leads to increased traffic to our website and decreased selling and marketing efforts associated with that traffic. At the same time, lender demand for leads from third-party sources typically decreases, as there are more consumers in the marketplace seeking refinancings and, accordingly, lenders receive more organic lead volume. Due to lower lender demand, our revenue earned per consumer typically decreases but with correspondingly lower selling and marketing costs. Conversely, when interest rates increase, we typically see decreased consumer demand for mortgage refinancing, leading to decreased traffic to our website and higher associated selling and marketing efforts associated with that traffic. At the same time, lender demand for leads from third-party sources typically increases, as there are fewer consumers in the marketplace and, accordingly, the supply of organic mortgage lead volume decreases. Due to high lender demand, we typically see an increase in the amount lenders will pay per matched lead, which often leads to higher revenue earned per consumer. However, increases in the amount lenders will pay per matched lead in this situation is limited by the overall cost models of our lenders, and our revenue earned per consumer can be adversely affected by the overall reduced demand for refinancing in a rising rate environment.

#### **Item 4. Controls and Procedures**

##### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), management, with the participation of our principal executive officer (our Chief Executive Officer) and principal financial officer (our Chief Financial Officer), evaluated, as of the end of the period covered by this report, the effectiveness of our disclosure controls and procedures as defined in Exchange Act Rule 13a-15(e). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective, as of September 30, 2022, to reasonably ensure that information required to be disclosed and filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified, and that management will be timely alerted to material information required to be included in our periodic reports filed with the Securities and Exchange Commission.

**Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

**PART II—OTHER INFORMATION****Item 1. Legal Proceedings**

In the ordinary course of business, we are party to litigation involving property, contract, intellectual property, data privacy and security, and a variety of other claims. The amounts that may be recovered in such matters may be subject to insurance coverage. We have provided information about certain legal proceedings in which we are involved in Part I, Item 3. *Legal Proceedings* of our 2021 Annual Report and updated that information in Note 13—Contingencies to the consolidated financial statements included elsewhere in this report.

**Item 1A. Risk Factors**

There have been no material changes to the risk factors included in Part I, Item 1A. *Risk Factors* of our 2021 Annual Report.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****Issuer Purchases of Equity Securities**

In each of February 2018 and February 2019, the board of directors authorized and we announced a stock repurchase program which allowed for the repurchase of up to \$100.0 million and \$150.0 million, respectively, of our common stock. Under this program, we can repurchase stock in the open market or through privately-negotiated transactions. We have used available cash to finance these repurchases. We will determine the timing and amount of any additional repurchases based on our evaluation of market conditions, applicable SEC guidelines and regulations, and other factors. This program may be suspended or discontinued at any time at the discretion of our board of directors. During the quarter ended September 30, 2022, no shares of common stock were repurchased under the stock repurchase program. As of October 31, 2022, approximately \$96.7 million remains authorized for share repurchase.

Additionally, the LendingTree Seventh Amended and Restated 2008 Stock Plan allowed employees to forfeit shares of our common stock to satisfy federal and state withholding obligations upon the exercise of stock options, the settlement of restricted stock unit awards and the vesting of restricted stock awards granted to those individuals under the plans. During the quarter ended September 30, 2022, 25,825 shares were purchased related to these obligations under the LendingTree Seventh Amended and Restated 2008 Stock Plan. The withholding of those shares does not affect the dollar amount or number of shares that may be purchased under the stock repurchase program described above.

The following table provides information about the Company's purchases of equity securities during the quarter ended September 30, 2022.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(2)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <i>(in thousands)</i>
7/1/2022 - 7/31/2022	376	\$ 50.19	—	\$ 96,655
8/1/2022 - 8/31/2022	11,225	\$ 44.25	—	\$ 96,655
9/1/2022 - 9/30/2022	14,224	\$ 25.58	—	\$ 96,655
<b>Total</b>	<b>25,825</b>	<b>\$ 34.05</b>	<b>—</b>	<b>\$ 96,655</b>

(1) During July 2022, August 2022 and September 2022, 376 shares, 11,225 shares and 14,224 shares, respectively (totaling 25,825 shares), were purchased to satisfy federal and state withholding obligations of our employees upon the settlement of restricted stock units, all in accordance with our Seventh Amended and Restated 2008 Stock Plan, as described above.

(2) See the narrative disclosure above the table for further description of our publicly announced stock repurchase program.

**Item 5. *Other Information***

None.

**Item 6. Exhibits**

Exhibit	Description	Location
3.1	<a href="#">Amended and Restated Certificate of Incorporation of LendingTree, Inc.</a>	Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed August 25, 2008
3.2	<a href="#">Fourth Amended and Restated By-laws of LendingTree, Inc.</a>	Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed November 15, 2017
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	†
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>	†
32.1	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	††
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	††
101.INS	XBRL Instance Document — The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	†††
101.SCH	XBRL Taxonomy Extension Schema Document	†††
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document	†††
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document	†††
101.LAB	XBRL Taxonomy Extension Label Linkbase Document	†††
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	†††
104	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101)	†††

† Filed herewith.

†† Furnished herewith. This certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

††† Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.



## CERTIFICATION

I, Douglas R. Lebda, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2022 of LendingTree, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Douglas R. Lebda

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Douglas R. Lebda  
*Chairman and Chief Executive Officer*  
*(principal executive officer)*

## CERTIFICATION

I, Trent Ziegler, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended September 30, 2022 of LendingTree, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2022

/s/ Trent Ziegler  
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Trent Ziegler  
Chief Financial Officer  
(principal financial officer)

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Douglas R. Lebda, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022 of LendingTree, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LendingTree, Inc.

Date: November 4, 2022

/s/ Douglas R. Lebda

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Douglas R. Lebda

*Chairman and Chief Executive Officer  
(principal executive officer)*

**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Trent Ziegler, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2022 of LendingTree, Inc. (the "Report") which this statement accompanies fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of LendingTree, Inc.

Date: November 4, 2022

/s/ Trent Ziegler

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Trent Ziegler

*Chief Financial Officer  
(principal financial officer)*