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TREE - Q1 2018 LendingTree Inc Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the LendingTree, Inc. First Quarter 2018 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. I would like to introduce your host for today's conference, Doug Lebda, Chief Executive Officer. You may begin.

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

Thanks, operator, and thank you all for joining the call this morning. I want to use this time to share my thoughts on LendingTree's performance in the first quarter, provide relevant updates on the business and discuss the progress we've made against our strategic initiatives. J.D. will then cover the quarter's financial results and our guidance.

Before we jump in, let me first provide a quick disclaimer. During today's call, we may discuss LendingTree's plans, expectations, outlooks or forecast for future performance. Forward-looking statements are typically preceded by words such as we expect, we believe, we anticipate or other similar statements.

These forward-looking statements are subject to risks and uncertainties, and LendingTree's actual results could differ materially from the views expressed today. Many, but not all of the risks we face are described in LendingTree's periodic reports filed with the SEC.

On today's call, we will discuss a number of non-GAAP measures, and I refer you to today's press release available on our website at investors.lendingtree.com for the comparable GAAP measure, definitions and full reconciliations of non-GAAP measures to GAAP.

Now, let's dive in. Overall, I'm thrilled with LendingTree's strong first quarter performance, where we continued to outpace the mortgage industry, and thanks to our diversification we've also been able to lean in and invest in key aspects of our business for the long-term.

Our mortgage business grew in the face of a tough macro environment, and our non-mortgage businesses are performing extremely well. And we remain highly focused on our mission to help both consumers and lenders.

As you know, our mission is to be ubiquitous in helping every consumer regardless of his or her credit situation. We want to help consumers improve their financial standing, realize their financial goals and help them save money on all of their financial transactions. At the same time, we're dedicated to helping lenders and financial services providers to find the right customers to grow their business with efficiency.

At our Analyst Day last quarter, we spoke about 4 strategic initiatives. Today, I would like to focus on 2 of these pillars and give you a sense for the progress that we're making. Clearly, our numbers are good. But sometimes those don't capture all the initiatives that are going on internally to propel our business for years to come.

First pillar is our commitment to redefining and strengthening our relationship with the consumer. A major component of this is My LendingTree, and we've obviously talked to you about this year in the past.

In Q1, the My LendingTree revenue contribution grew 76% year-over-year and we added nearly $1 million users. Registered My LendingTree customers now stand at about 8 million. But what's more exciting are some of the developments in March that have tremendous potential to further engage consumers with the LendingTree brand.

First, we announced our partnership with H&R Block in March, which provides H&R Block consumers with a seamless co-branded My LendingTree experience. For H&R Block, this enables them to find a way to engage with their customers beyond tax season. For LendingTree this is a new marketing channel and a way to reach and help consumers.

For both companies, this partnership is about deepening their relationship with the consumer. This deal has already been accretive, both financially and to our My LendingTree user base, and we are thrilled with the integration. But this is also the great example of the advantage of the My LendingTree platform approach and a template from many other business development deals that are in the pipeline.

We can easily integrate this My LendingTree platform with partners and the interest in doing so is expanding rapidly.

We have talked about adding real functionality and consumer value to My LendingTree in 2018. And we already have 2 great examples in Q1. First, through a partnership with TransUnion, we announced the addition of free credit monitoring for all My LendingTree users.

To be clear, this is not just a free credit score. This platform monitors credit profiles of our enrolled users on a daily basis and notifies them of any changes within 30 minutes of the report activity. Users within the LendingTree mobile app will be alerted of changes via push notification. And once the credit notification is received, users can confirm or dispute the activity within the platform.

Second, we launched our new credit analyzer, which is a free tool that provides a deeper instant analysis of consumers credit and debt situations, and offers personalized recommendations based on persons, people's individual financial goals. This is a goal-based tool with a flexible rules engine that enables us to gain insight into financial priorities of our users. Therefore, we're able to provide highly customized recommendations, information and content to help consumers understand their credit situation and realize their financial goals.

I am thrilled with the user interface and the utility this presents for all consumers. And I encourage you to give this new product a try. Overall, we've made great progress towards strengthening of the consumer relationship through innovation and personalization.

Our goal is to create a highly personalized experience for every consumer, providing exactly what the consumer wants, when they want it through real-time data and machine learning. The second initiative I want to discuss is the transformation of the consumer experience, particularly in mortgage.

As we ramp-up testing and direct more traffic to the new experience, we're incredibly encouraged by the positive feedback from our current lenders as well as consumers. In our testing, 75% of consumers who are directed to the new experience, say they would recommend LendingTree to a friend, and 87% had a neutral to positive experience.

These are impressive numbers for any financial services business. On top of that, our new experience has the clear potential to attract new lenders who are currently either outside or less active on our network. Our mission is to help both consumers and lenders, and we need to do this every single day by also making critical investments in both sides of our exchange.

And we can only do this if we deliver for our investors as well. I'm proud to say that we did exactly that in the first quarter and that we're well on our way to our goals in 2018. With that, I will hand it to J.D. to go through our results and guidance.

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

Great. Thanks, Doug, and good morning, everyone. Thank you all for joining us today. With Doug having already provided his take on the business, I'd like to discuss the quarter's financial results in more detail.

And provide some color on our guidance for the second quarter and for full year 2018. We're proud to report that in the first quarter, we navigated a challenging macro environment to once again deliver robust top and bottom line growth.

Our Q1 consolidated revenue of $181 million represents year-over-year growth of 37%, exceeding the high end of our prior guidance. It is worth a reminder that this is the first quarter where our prior year comparable is fully inclusive of the November 2016 CompareCards acquisition.

Looking at the mortgage business, we generated $73.5 million of revenue in the quarter, up 17% from the prior year. What is especially remarkable is that within mortgage we grew refinance revenue by 18% year-over-year.

With interest rates continuing to rise and broader industry refi volumes contracting, down 14% according to the Mortgage Bankers Association, our sustained growth is a testament to our ability to provide predictable volume for our lenders when they need it most.

And in this type of environment that is exactly what we're aiming to deliver. Fortunately, the diversification of the business over the last several years has put us in a better position to fulfill lender demand in this difficult macro environment and continue to invest in the consumer experience.

Speaking of diversification, non-mortgage revenue at LendingTree continues to grow nicely, and totaled a record $107.6 million in the quarter. This represents 55% growth year-over-year, and non-mortgage now represents 59% of total revenue. Within non-mortgage, home equity, which tends to be a substitute for first-lien refinancing, continued to impress with revenue up 81% compared to the prior year.

Personal loans revenue hit a record high at $26 million, up 53% year-on-year. With more traditional banks beginning to enter this space, we continue to be really encouraged by our position in this growing market.

Our credit card business remains strong as well with revenue of $46.1 million, reflecting 36% growth year-on-year. It is encouraging to see our combined card business continue to show strong growth in our first clean comparable period. We are confident that we're taking share in that business. In the quarter, we made great strides to expand our relationship with certain key issuers, further reducing reliance on any single issuer. And finally, the acquisitions we made in 2017 continue to trend very well.

And while we do not disclose these businesses individually, it is worth noting one stand out that really highlights the benefits of the LendingTree platform. Our deposits business acquired in June 2017 enjoyed a remarkable 42% sequential growth in Q1 and has nearly doubled since the acquisition. We see a lot of upside in that business.

Moving on to margins. Our variable marketing margin came in at $63 million, up 45% year-on-year. Our efforts to scale in high-margin channels like SEO and CRM are materializing, along with the sustained growth of contribution from My LendingTree. Our margin profile remains very solid.

Adjusted EBITDA in the quarter grew 33% year-on-year to $31.7 million. Recall that in our last earnings call, we spent several minutes discussing the extraordinary amount of employee stock options that we expected would be exercised in 2018. And the incremental expense burden we would incur as a result. And as a reminder, a large portion of the expected employee share sales this year are related to options that Doug has held since 2008, and is forced to exercise this year prior to their expiration in August.

As for the expense implications, we size the impact of that incremental expense to be an estimated $6 million to $7 million on the full year, and $1.5 million to $2.5 million in the first quarter. Based on realized activity in Q1, payroll tax expense on equity awards totaled $2.3 million.

By comparison, payroll taxes on equity awards in Q1 of '17 were $600,000. While we fully acknowledge that these are real cash expenses, the magnitude of them is relatively unique to this year. And we think that providing transparency into this number should give you better visibility into the true earnings power and profile of the business.

Now turning to GAAP results, there are a couple of things to highlight. GAAP net income from continuing operations came in at $35.9 million or $2.41 per diluted share.

The GAAP results were favorably impacted by a $23.5 million tax benefit in the quarter. You will see more disclosure regarding the tax benefit in our Q.

The $23.5 million benefit is the function of a $3.7 million normal course provision offset by a $27.2 million discrete benefit in conjunction with the exercised employee options and vesting of our issues.

Excluding the impact of that tax benefit and other extraneous items, our adjusted earnings per share in the quarter were $1.09, up 28% -- sorry $1.10, up 28% compared to the prior year.

Similar to the last quarter, we again saw material increase in our diluted share count. An increase to 14.8 million diluted shares from 14.3 million last quarter was again largely driven by the dilutive effects of our convertible debt, with LendingTree's stock trading substantially higher on average in the first quarter.

The average price in Q1 was $360 a share compared to $284 in Q4. To help mitigate some of that dilution, we maintained our consistent approach to repurchasing the stock. In the quarter, we bought back 30,000 shares at a weighted average price of $362, with nearly $350 million of unrestricted cash in the balance sheet, and now more than $100 million of repurchase authorization remaining we have the capacity to be more aggressive should we choose.

With that, let me provide a bit of context around our guidance. We are reaffirming our existing full-year guidance. Our initial guidance for the year set out to deliver approximately 30% top and bottom line growth for investors. And with 1 quarter in hand, we are on track to do exactly that.

The diversification we have put in place puts us in a position -- in an enviable position. It allows us to deliver exceptional growth for investors and to take on many of the important initiatives that Doug previously highlighted. We are focused not only on delivering growth for investors this year, but on being well positioned to deliver exceptional growth for many years to come.

Our second quarter outlook released this morning is also consistent with that growth profile. Revenue for the second quarter is anticipated to be $193 million to $200 million, representing 26% to 31% growth over Q2 '17.

Variable marketing margin is expected to be $65 million to $69 million, representing 35% to 43% growth. And adjusted EBITDA is expected to be $34 million to $36 million, representing year-on-year growth of 26% to 33% .

Second quarter adjusted EBITDA guidance includes an estimate for extraordinary equity-related payroll taxes in the quarter of $2 million to $3 million.

To close, we're off to a great start to the year. In mortgage, we continue to outpace the industry. And thanks to our diversification we can continue to improve the mortgage experience in a very challenging macro environment. The non-mortgage businesses are performing extremely well across all categories.

And we're acutely focused on the end goal of driving increasing market penetration. And with that, operator, let's open it up to Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from the line of John Campbell from Stephens Inc.

John Robert Campbell - *Stephens Inc., Research Division - VP and Research Analyst*

I just wanted to check on just a couple of items. I guess, first on HELOC. Really good growth there for you guys the last several quarters. Any kind of expectation for how quick that's going to grow? I know you guys don't typically guide down to the product or segment level. But any kinds of thoughts on how that's going to pace this year?

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

I think, John, first off good to talk to you. I think, the HELOC business -- while, I wouldn't put out specific percentages, can continue, if maybe not at this pace, certainly at a very, very high pace, should be one of the fastest, if not the fastest growing parts of our business, as home values continuing to improve and the automation continues to come in.

We're really thrilled with that. And the other great thing about home equity for us is all of our mortgage lenders can offer it as well too. And when the refinancings aren't there, many times a home equity loan is a better option.

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

John, the only thing I would add is, if you just look at the number of active lenders in that space relative to a year ago, it's up about 35%. So it speaks to the health of the network and obviously, the health of that space for us.

John Robert Campbell - *Stephens Inc., Research Division - VP and Research Analyst*

Absolutely. And then on the VMM side. Obviously, you guys have the exchange marketing side of it and then you've got other marketing, which is broadcast and some other stuff. That was -- look like that was up maybe double -- doubled it up year-over-year. How much of that is kind of just general brand spend, TV spend, broadcast spend versus maybe promotional stuff?

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

Now, it's all in VMM. I think we're just benefiting, John, from a diversified marketing mix, and we're also benefiting greatly from some of the BD deals that we put in place over the last year that are giving us real reach. And so you also -- you're seeing that, I think you're also seeing the non-mortgage businesses that inherently are better margin businesses that benefit from the platform expanding.

John Robert Campbell - *Stephens Inc., Research Division - VP and Research Analyst*

Okay, that's helpful. So you expect that to probably grow a bit this year relative to last year. Just the other marketing side?

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

Yes. We're seeing that benefit for sure, and that's kind of structural margin benefit that we're seeing. Is that your question?

John Robert Campbell - *Stephens Inc., Research Division - VP and Research Analyst*

Yes, that's right.

Operator

And our next question comes from the line of Mark Mahaney from RBC.

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

2 questions please. One is just talk about the sustainability of the refi growth through the balance of the year, not too much time on that, but just a little. Secondly, more time on the digitization of the mortgaging products service.

I know you touched on this already, but please go back to it because I think that's extremely important part of the story going forward? Where are you now and just when you think about the upside potential, the upside potential impact increasingly digitizing that process? Help us think through how much of an impact that could have on one of your biggest businesses?

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

Sure. Let me take the second one first, just talking about the overall digitization. That continues -- that is just continuing. So keep in mind here, there is digitization throughout the entire funnel and we're making it at all levels. So -- and -- so for example, you're bringing people in through different channels and with that new credit analyzer product, we actually have another marketable events.

We can actually go market that as well too. That then drives you into a mortgage experience based on net borrowed, I want to buy a home, I want to pay down debt, et cetera, then we give you recommendations to do that across all the loan types, which is pretty neat.

We still have about 50 lenders who are digitizing the application process that is after a lender would get selected and our internal project to digitize the selection process and make it more easy to comparison shop, and not pass PII to the lenders and to eliminate a bunch of phone calls.

The performance there continues to get better, and we're going to continually put more lenders on that platform. So I -- and then you have what's going on in the industry, and companies like Ellie Mae and Roostify and hundreds of others who just continue to increase their automation in every time they do, lenders improve their performance. As they improve their performance, they pay more with us. And J.D. you want to talk about the refi?

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

Sure. Hey, Mark. In terms of refinance environment, obviously, there are a couple of things going on here. One is, while the overall industry is down, keep in mind it has been down for several quarters now, and we've been able to grow double digits in the face of that.

That's the efficacy of the product, right? I think in refi, in particular, when you look at Q1, its -- we actually did face -- when you look at that growth rate we did face a relatively easy comp in refi from a year ago.

And if you remember purchase was actually inflecting positively last year. So when you look at -- if you look at this quarter and you say refi grew faster, that seems counterintuitive. It's partially the comparison to Q1.

In terms of sustainability, we're going through a period right now when we've said before we think we tend to take market share because we demonstrate value to our lenders. That's particularly true in refi as they stretch for predictable volume. And so we think that there is the ability to do that. Now when you look at -- I gave the statistic on growth in active lenders -- in growth in active lenders, in home equity, there is a perception out there that active lenders in refi are declining dramatically and the reality is that, quarter-on-quarter its low single-digits in terms of active lenders on our network.

We continue to have a really robust network of active lenders. So the -- right now what we have to do is help them get through this period. But it's -- they weathered several quarters now of declining refi volume and our business continues to grow because we're helping them. So we do think it's sustainable. We do see lenders spending more in our network.

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

One other thing I just -- the only thing I would add on that is connecting it back to the digitization as lenders get more efficient and they can actually open up more filter segments and as credit eases a little bit in that businesses well too, they can also open up more filter segments, which helps us get more customers monetized and also get them offers.

Operator

And our next question comes from the line of Jed Kelly from Oppenheimer.

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

First one just on the non-marketing OpEx, I think it was up 47% ex the payroll, continues to grow, and I realize it start to get to the easier expense comps as we get throughout the year. But how should we think of these non-marketing OpEx related to some elevated hiring and how should we think about that going throughout the year and into 2019?

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

Sure. Jed, I think we last year went through a strange period in terms of -- we were well behind in Q1 and Q2 on headcount. And our revenue per FTE ratio, which is obviously something that we track, got out of whack favorable because we were just slow to hire and we kind of caught up in the back half of last year.

So I think you're just looking at a relatively odd comp there. So we've caught up a little bit as we scaled as a business. We're still very comfortable with what OpEx is as a percent of revenue and with our revenue per FTE.

And relative to our peers, we're still very lean and pretty efficient organization relative to headcount -- in terms of headcount. But I think, you're just looking at a comp by the year-over-year comp issue.

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

And then just back to digital mortgages. Can you give us some insight on some of the close rates you're seeing? And then when do you actually think this could inflect in deals over 10% of your overall mortgage revenue?

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

Well, in terms of lenders that are digitized, I think -- oh, it's definitely over 10% of our revenue, because we're -- if you think about -- the big lenders are the Quicken's and the loanDepot's and the guys like that are all extremely, extremely automated.

Really what we're doing here with the digitization is you're moving it down to smaller and smaller lenders. If you look at companies like Ellie Mae, as I said before, they are helping to do that with tens of thousands of lenders. So it's definitely well over 10% of our business already, and I think that's just an ongoing trend.

By the way, it happens in all the loan types too, and it happens everywhere. So for example, I just got a demo the other day of our new forms platform, which enables you to create any type of user experience on the front end without even writing a line of code and just being able to move things around.

I looked at the credit analyzer rules engine and you can literally sit there and change the rules around, all the recommendations on the fly again without writing codes. We're trying to invest even in technology to help scale the business up overtime, and that we can then make those changes easier in the future.

Operator

And our next question comes from the line of Youssef Squali from SunTrust.

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

Couple of questions from me. Can you speak to the cost of customer acquisition within the purchase and refi last quarter and how that has trended over time? In other words, trying to figure out, as you are getting market shares at the expense of economics to you and just generally, can you speak to the leverage you kind of see in the model as the mix of refi versus purchase and non-mortgage versus mortgage change over time over the next couple of years?

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

Sure, let me just hit those at a high level and then J.D. can add in. First off, in terms of the mortgage and non-mortgage mix, remember that all of the loan types and all the marketable events really act as their own exchange.

So personal loans will grow completely independently because they have the same market dynamic so as lenders can quote same flywheel of effect, but they are individual flywheels. If you can think of it that way within the added overall benefit over top of that.

So for example, we could have -- and we don't really look at percentages. We're always just looking at the individual growth of each of those products. So you could have a great mortgage quarter and maybe a less than fantastic personal loan quarter, who knows, sometime in the future and that percentage is going to move around.

But it's just -- it's not because of anything is doing better or worse. In terms of customer acquisition cost that also works in tandem with revenue. So it's tough -- I could break out for example, because we look at the customer acquisition cost of purchase versus refi.

It's much more expensive to get a refi customer. But that's only because the revenue is higher on refinance. And therefore, the more companies go and market against that.

Purchase customer acquisition costs are very, very low, and as that scales up, as lenders get better and better at converting it, and as we build out our Rulo project the one that is selection based, then that will enable us to scale the purchase business.

So I wouldn't look -- long story short, I wouldn't look much at individual loan type customer acquisition cost. And actually sometimes, as you scale them up, you increase your customer acquisition cost to go get more volume.

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

On the trend, though, can you comment on whether you're seeing higher or lower, or just even across either or across products or in aggregate?

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

Are you talking about volume or are you talking about marketing costs?

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

Marketing costs?

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

So marketing, I would say, we made continuous improvements in marketing cost. And you can't look at it at an individual level. So for example, I can tell you that if lenders want more refinance volume, we will spend more on marketing. But let me give you an example of why I wouldn't look at it at the increment.

If I said to you, we spend $10 billion in marketing next quarter and we had $1 billion of VMM at a 10% VMM margin, that would show -- that would look like and it would be the individual unit costs have gone up.

However, demand has far outstripped it from the lender basis and we would have in that example made $1 billion of variable marketing margin, but we would be talking about higher customer acquisition cost. So it doesn't -- you have to look at aggregate VMM dollars, not individual costs, because you also have channel mix. So for example, costs more to get a search engine -- customer from a search engine than it does from a lowly banner ad.

Some of our lenders love the lowly banner ad stuff and some of our lenders need the higher quality stuff that comes through a different channel. And so the customer acquisition -- you have to look at it at the individual customer acquisition level at the individual deal. But we manage it at the overall VMM dollar level.

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

Youssef, it's hard to give you a quarterly trend. We see intra quarter individual channels, spike in cost, and then go backward and that's the nice part about having a mix, as Doug's pointing out.

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

One thing too, just in terms of customer acquisition cost. A lot of our business development deals that I talked about are on a revenue share basis. And so you could theoretically see lower percentage margins on those than they come in with no risk. That's still in the blend of everything. So you really have to look at it at an individual level. And we can get you more color and help you through that after the call too.

Operator

And our next question comes from the line of Kerry Rice from Needham.

Christian Kerrigan Rice - *Needham & Company, LLC, Research Division - Senior Analyst*

Couple of questions, if I may. On the new partners and maybe just the process of increasing those partnerships. Does that require you guys building out more resources, more sales people or business development people, or is that you feel like you got that business ramped up enough to really expand that out? That's the first question.

Second question is on My LendingTree, I think, at least initially a lot of the flow through to the products has been more credit card and personal loan. Can you talk a little bit more about driving product diversification through that? I know some of that, Doug, you mentioned about the credit analyzer and free credit monitoring. But how -- that seems a little bit more, again, towards may be credit cards and personal loans.

Can you talk a little bit about how mortgage growth fits into My LendingTree there and maybe it's the digitization. Then just one final question. When you think about mortgage growth for LendingTree in 2018, how much consideration do you put forth in interest rate hikes, and maybe how many? If you do consider that a lot? How many do you kind of assume will happen in 2018 based upon your guidance?

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

All right. I think, I'm going to get all of those. Our mortgage assumptions are basically based on the MBA index. You really need to look at overall originations, not necessarily interest rates.

So while we've got a fantastic economist, Tendayi, on staff here, we generally look at the MBA numbers and inside of their numbers they have got; however, many interest rate hikes that they are assuming. But really it comes back to overall originations.

And then our percentage share of those originations, which obviously is continuing to climb. So I'd encourage you to look at that. Second thing on the diversification. Let me explain one of the ways that happens, is really to answer your second question is about My LendingTree.

So -- and the credit analyzer fits in that as well too. The key thing -- and you have seen on My LendingTree revenue is up significantly. Think of LendingTree, as you have a logged in experience, you have an account with LendingTree, and based on your individual credit situation, based on your individual goals, we want you to be able to transact through that process -- through that account. So just think of it like you log into your Amazon Prime account.

Typically what you see is that the easier -- not necessarily easier converting transactions, but the ones that are more able to be matched are in the personal loans and credit card categories and in the smaller loan types. That's why you see the growth in those. That's one of the reasons you see the growth in the My LendingTree revenue.

The mortgage revenue tends to come later on My LendingTree. And I think it's going to continue to grow there, but that's going to come through the alert process.

One of the cool things we're going to connect it back to your credit analyzer product, if you come and keep in mind like probably 30% or 40% of our consumers have some damage credit when they show up that if we can say, hey, your credit is not that great, you still want to buy this house, let us show you how to get your credit score up 100 points by paying down that credit card debt, refinancing with a personal loan, et cetera, et cetera, and then you can get that mortgage down the road.

So I think in a rising interest rate environment, where fewer and fewer people are going to have the ability to refinance based on their current interest rate, the way you can mine for people to refinance is by improving their credit. And I think that's going to be a real key part of our initiative going forward.

On the BD front, we've got a great BD team. You always add a couple here and there, but that really grows with volume. The tech spend for our private label deals is mostly behind us, but there will always be ongoing improvements to that.

And tech/product is the area that we're investing in the most this year, because our ROIs on those projects are nearly instantaneous because you can then add more expected value and to go do the marketing, get the flywheel going.

I think that covered all of them right, Kerry.

Operator

And our next question comes from the line of Eric Wasserstrom from UBS.

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

Doug, maybe you can just get to a topic that we've been touching around in a lot of ways in terms of the discussion of VMM?

And just maybe can you just address, as the filters expand and contract and lender demands change, how that results in your kind of -- in the behavior that -- in the marketing that you do to seek certain kinds of borrowers to fulfill that specific demand? What that does to VMM and to EBITDA margin?

And maybe how that has changed over the past few years given, let's say, technological changes or changes to your marketing efficacy or the influence of things like My LendingTree? Just because historically, the relationship has been pretty clear, right?

As lending demand expands, VMM goes up, EBITDA compresses, but net income improves. Can you just touch on the relationship between those 3 items?

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

Yes, give me the 3 items again?

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

Change in filters, revenues, VMM trend?

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

Got it. So -- and I'll let J.D. dig into the numbers, I'll try to do it conceptually. Here's how effectively the business works. We start on the lender side. Any change into -- lenders have a given set of campaigns that they are running, a given set of borrowers that they want to see.

And that is annotated by the different types of consumer experiences. Okay, we've got the so-called short form, the so-called longer form, we put PII in, you've got My LendingTree, you got some exclusive leads out there, you have rate tables. And so you've got all of those elements of demand, okay.

So it's not just mortgage, it's not just mortgage refinance and it's not just certain states. It's also the consumer experience. That demand then translates and it doesn't -- you can look at it at the aggregate level, but that demand which is price and quantity effectively and coverage, then translates into an order, if you will, for the marketing team.

Now that order, think about it, we just went through like 5 consumer experiences on the mortgage side, you've got -- you don't have that necessarily in personal loans. But then you got the demand for personal loans, auto loans, credit cards.

The credit cards you can break down by different types of cards, reward cards, low balance transfer cards, different credit ratings, et cetera, et cetera, et cetera. That demand of both the price that they're willing to pay and the quantity they want, those sub segments translate to an order and then the marketing team tries to fill that as efficiently as they can.

Now keep in mind, for example, that you might have a certain demand for sub-prime credit cards that are low balance transfer. We might know historically that we do a better job at getting those customers from display advertising on ad networks, making it up, right? And that has a VMM ratio to it. And then you try to maximize that. But your -- so then the marketing team is doing it across channels.

So for example, you have some branded terms, just LendingTree, well that's going to drive a certain cross-section of consumers. So we are trying to fill the demand, but it's at a very, very micro targeted level.

Now then if you take it up to an aggregate level, your VMM percentage margins just from paid marketing should decline over time. Absolutely, because it costs you more to get the next customer. So as lender demand is going up, price and quantity, we can go spend into that and if we can find another dollar, we're going to go find another dollar even if it's at a 1% "margin." You also have your revenue share deals, your BD deals.

So you have to look at -- you can't look at it at an aggregate level. But at the aggregate level, demand goes up, VMM percentage margins go down, VMM dollars go up and then EBITDA margins do whatever they do after your fixed cost. That makes sense?

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

Yes, yes. No, it makes sense. In other words, the historical relationship between these 3 continues to exist as it has over the past several quarters, right? There is no change in dynamic here. Is that true?

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

No, absolutely not.

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

There is no change, no.

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

The only change -- the change in dynamic that's good is all of the revenue coming from My LendingTree is coming with effectively zero marketing cost. Now, what we do, do though, however, is, let's say, we know it -- we think of My LendingTree sign up adds an extra $5, I'm making it up, of expected value that gets baked into that order into the price that we're willing to pay.

So it actually helps you in your marketing because you're picking up extra revenue, just like we do in credit services for example where when we can get you to a Progression or a Ovation or one of those guys, we pick up some additional increment there.

We pick up additional increment with the relationship we have with HomeAdvisor in the home services spaces, and that picks up a little bit more too. And you pick up more by the cross-pollination of all of these products, I guess, that's really in the My LendingTree revenue. But that gives you more money to go market, but the relationship stays the same.

Operator

And our next question comes from the line of Michael Tarkan from Compass Point.

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

So mine is more big picture, and it's really related to sort of the different product categories that you are in. How to think about them as we move through the very end of this credit cycle? And I know the macro backdrop is healthy now. But diversifying into cards and personal loans, while that's great for the health of the business.

I'm just wondering, those are more cyclical business, do you have any sort of built-in protection? How do you think about those businesses if and when your lender base starts to tighten underwriting?

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

So, like the previous -- it's a great question. And you might not be thrilled with the answer because you actually don't. Unlike a business that's like, let's say, manufacturing something, where you say, okay, I manufacturer tires of the certain size, and I'm going into a new line of business to make tires for tractors that -- which then consumes internal capacity, some internal cost, and you just switch things over. Diversification at LendingTree, it was intentional for us to start in new categories.

But it's not like we're sitting here trying to diversify on a percentage basis. So we saw an opportunity to go make money in cards and satisfy consumers in cards. At some point, something will happen to credit, lenders tighten up.

By the way, we see it all the time every day, because lenders move, like a lender tomorrow might say, you know what we're not doing low balance transfer cards, take those off of our thing or they might cut their bounty back significantly because they are seeing something in their own internal marketing dynamic.

So if they tighten, then our -- like I described to Eric, our expected values go down on the revenue side and we could then go pull back on the marketing. However, the thing that a lot of people miss back with that relationship, marketing expense moves in tandem.

So at the same time, generally speaking, lenders shut off the LendingTree platform last, except for free, because we provide high-quality volume, we're consistently delivering to them, and we're a trusted partner.

So the first thing that those credit card companies are going to do, for example, is cut off their own search engine marketing spend, because they can't target that like you can on LendingTree. That then makes our marketing cost go down, at the same time then our unit revenue is going down.

So -- we witnessed that I believe 2 years ago in the personal loan situation, everybody thought we're going to lose it on personal loans, and what happened is lenders did pull back, but our marketing cost got more efficient. We made more money that quarter on lower revenue.

Our VMM margin in that instance expanded on a percentage basis, and we're able to make slightly more dollars. If that may -- so that's where that relationship that Eric talked about in a -- when they pull in, VMM margin typically actually expands, but your top line revenue goes down.

That can happen across the categories. It will happen someday in credit card. But it might not be happening in mortgage at the same time. So the diversification certainly helps to, I think, smooth out all of the general overall earnings of the company.

It also benefits on the marketing, as we talked about, because I can -- because when you market a mortgage, you also might pick up some other loan types. But they all function independently and it's really, really important to remember that any time lenders tighten up, there is also a direct impact on the marketing side to and that's why the business can work in all types of interest rates.

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

And Michael, I think the personal loans are really good example of that when obviously somebody pulls back, and we're able to respond. But ultimately, the trend, it's going to be more powerful, is just the shift to online. So as you look at card, right, there is obviously an awful lot of spend there.

We believe that spend will move to comparison engines and there is -- we're going after that. So I think that trend will be far more powerful than any 1 quarter when they pull back or shift. And so we want to be in all the categories that are going to move online.

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

Makes sense. Just as a follow-up. Are you seeing any kind of signs of lenders that are starting to tighten on your platform or are they still widening filters for the most part?

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

We're not seeing any tightening, as I'm sitting here, trying to go through things. If anything, I'm hearing more things about sub-prime mortgage, more interest in potentially the personal loan space, even in that area.

So generally, I think, the trend is our friend, except for sort of like individual credit card products, which bounce around all the time. But we're not seeing tightening there either.

Operator

And our next question comes from the line of Stephen Sheldon from William Blair.

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

First wanted to ask about, I guess, the mortgage business and growth there has obviously been strong and above industry trends, but it has slowed a decent amount in the quarter.

And I get that origination volumes are a headwind, but it seems like they were a pretty big headwind last year too, and you were able to really outpace it.

So I guess, from your standpoint, did anything change to make the kind of lower industry volume appear to be maybe catch up with you a little bit more this quarter?

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

What was the -- what is the decel that you're talking about?

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

I guess, from 22% that you saw in 4Q to 17% in 1Q, the year-over-year growth.

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

Yes. I don't -- so I wouldn't read anything into that as long as we're growing faster than the industry, that's generally what we're looking for.

I can tell you all of our lenders, not all of them, but most of them are expanding a lot.

They really want more volumes, so that quantity piece is -- matters. Q4, you should know our business is always a weird one, because the mortgage business typically decelerates and goes away.

So there is probably sort of a year-over-year comp issue there I'm guessing. But I think, I'll take 17% growth in mortgage any day of the week in this market. And as long as we're outpacing the industry, that's really what I look at.

By the way, keep in mind, you cannot grow as fast as the industry when a refi market peaks. So keep in mind, some day we're going to be explaining that too.

And then you have the inverse economics of what I talked about, marketing cost go up -- I'm sorry, marketing cost come down, at the same time lender demand goes down because they -- because they have other channels. So I wouldn't -- I love our 17% growth.

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

Got it. I appreciate that. And then I just wanted to quickly ask about, I guess, the trends in the small business lending business.

I guess, do you need to do anything in that business to boost scale beyond SnapCap? You potentially partnered with some SMB kind of data providers to provide, I guess, some more integrated solution to lenders?

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

We actually -- in the SnapCap business, that actually operates on more of a concierge model. If you think about any complicated, so that actually is more handholding. But yes, we could work with data providers, give them more seamless experience.

We also could find just like we do with H&R Block where we found consumers will go get BD deals around -- might center around small business. We can do deals with other sites, for example, with a lot of small businesses on them to drive volume there.

And the growth there has been really good. So I think, we don't need to do anything else there, except just integrate it inside of LendingTree and then continue to add some additional products there and then go get some deals and let the marketing rip.

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

Steve, its J.D. I would just say, with the SnapCap, it's just about integrating the 2 businesses, keeping our traditional LendingTree approach for certain consumers, for certain small business go into the concierge model, as Doug points out for others.

We don't need to do anything different to scale. I will say when we look at our BD pipeline, there are quite a few deals that would be along the lines of what you're thinking about.

And there are some great opportunities there that we're excited about. So we're still very excited about that space and the ability to grow it.

And with SnapCap, we actually really grew our lender footprint quite a bit in terms of those that were committed to SnapCap and their model.

Operator

And our next question comes from the line of Hamed Khorsand from BWS Financial.

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

First off, could you talk about the digitation process? Is that causing really a better conversion for lenders, are lenders spending more or they just spending the same but getting better conversion? So if you could just talk about that a little bit?

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

Sure. And digitization definitely helps with conversion. And can't -- I'm not going to point just -- but now at the same time the use of data also helps with conversion, and lenders continuing to get better at their marketing helps conversion.

And then that contributes to -- and as conversion grows up from a lenders perspective, their cost per funded loan, their cost to originate a new loan goes down. As their cost go down, just like people do inside of Google, they up their bids or widen their filters to take more.

And keep in mind too, lenders behavior is very similar to LendingTree's, just like I said we would go market more to get an extra dollar, lenders do the same thing. So lenders, if they just want to go make more money and if they've got excess capacity in the mortgage business, they're going to want more customers' inflow.

Let me, though, highlight something else, which is a massive wind based on digitization. Every time, they get more efficient, so if you look at the mortgage business, you could -- and will actually be an interesting number to have on the next call, if a lender could normally process 25 loans a month per person, if it's a fully digital experience and you can download all your documents and you're not faxing stuff back and forth, and you're not pushing paper, it makes them more efficient.

As they get more efficient, that also drops your cost for funded loan and also opens up capacity, because capacity in the mortgage business really matters. So there is a capacity element of it too.

The last point on digitization I'm going to make, I know this is long, is our new mortgage experience that we're now putting several percentage points of our business through. When you remove 5 lenders interfacing with a customer at the same time and you move to a model where LendingTree interfaces with that customer and we only interface with the lender once the consumer has selected that lender, that will open up probably 10x -- 5x to 10x more capacity at every single one of our lenders who will then be able to take more volume and then will be able to ramp up that market.

So as we continue to improve that and by the way it's not just improve it, it's also standardizing it, because then the post selection process of lenders is all basically the same, its processing and closing a loan, and then we're taking over the interface before selection. That's going to have a massive capacity improvement on our business. Does that make sense?

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

Okay, yes, it does. And then lastly, could you talk about the economics here of My LendingTree with this TransUnion relationship. It sounds like you're adding services to it.

Does that also cause the cost to increase and how is that helping with revenue conversion coming from the My LendingTree subscribers? Is it -- are they the sticky ones that are coming back and ordering more products or are you depending on the membership growth to drive the actual revenue for My LendingTree?

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

Both great questions. So the TransUnion credit monitoring, based on -- we have such wide, broad and big relationships with the credit bureaus, because we do soft pulls on a lot of our customers and, obviously, we're driving a lot of that business with our lenders too. We're able -- we've got very, very good rates on the credit monitoring product, and it makes us money because, not only can we then engage you, right, so now we're saying, hey, somebody just pulled your credit, then we can actually see the results of that.

So now we know we have a new credit score. And so we're engaging, you're going to come back and now we've great data. So if your credit score has changed, now it's another reason to alert you. So it's really an engagement tool.

And before we do anything we test it, so is it going to improve economics? Is it going to improve engagement? If it improves the economics, we do it. Home values, I believe, are in there as well too. So changing your home value, we want to say, send you an alert and let you know. And that enables us to then also engage you.

So expect to see more and more of those. Also expect to see the alerts get smarter and smarter. Sometimes we're pushing credit cards when you already have a credit card, and so it might not be that great of an alert, but we continue to get those -- that feedback and make those smarter and smarter. So we're going to get it from both growth in the user base and growth of monetization.

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

And Hamed, I would just say, remember, at the Investor Day, we talked about success in My LendingTree is not -- we're not defining success as just growing a user base in total.

We're defining success as, how to engage? And so what you're seeing us do is add things of value for the consumer over time. And so whether its credit monitoring or the credit and debit analyzer, that Doug talked about, what we're trying to do is, make sure that those consumers are engaged with us. What's interesting is that when we do these BD deals, we're actually getting a close look into a different type of consumer periodically. And so that's a great opportunity for us as we partner with folks like H&R Block to expand our consumer set and to be more tied to them through these products. That's the strategy and that's the platform strategy and one that we think is going to be effective.

Operator

And our next question comes from the line of Rob Wildhack from Autonomous Research.

Robert Wildhack

J.D., I think, you mentioned that you're comfortable with OpEx as a percentage of revenue. But if I look at the full year guidance relative to first quarter results and second quarter guidance, I think there is an implied step-up in EBITDA margins in the back half. Can you talk about what might be driving that?

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

Yes, sure. Well, one, we're getting benefit from -- some of the structural margin benefit that we've talked about.

Two, in the back half of the year, we won't be seeing the payroll tax implications that you're seeing today.

And then three, we've been through some hiring in the back half of the year. When you look at the OpEx, we try to measure that throughout the year and pace it obviously. But I think the biggest impact is just as the non-mortgage businesses grow, you'll see that.

The payroll tax, we've talked about throughout the year, but that's mainly going to be borne here in the first and second quarter as we've talked about with that guide and that's part of our adjusted EBITDA, obviously.

And then OpEx, away from that I'm not really sure which would lever, you're looking in the back half, right. There is clearly some leverage in our margin profile.

Robert Wildhack

Got it. And then it doesn't sound like you repurchased any shares since the fourth quarter call in February. So can you just talk about where you are on capital allocation, now that the stock is a fair amount lower than when you last bought back?

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

No, no, no. We've been repurchasing shares consistently. And we're basically deploying about half of our free cash as a strategy. And we're much more consistent quarter-to-quarter.

So in the quarter, it was 30,000 shares at an average price of $362, which I said, and we continue to repurchase shares here.

Operator

And our next question comes from the line of James Friedman from Susquehanna.

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

I was wondering -- excuse me, my morning voice, have the -- are the home equity customers typically coming from the installed base in mortgage or if that's too specific if you could speak generally about repeat user behavior? Maybe shared that on December 13, I don't remember, but any data in that regard would be helpful?

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

Sure. On the home equity one, we do have some, if you come into the refinance mortgage pipeline and you want a cash out refinance, some of those customers are better suited for home equity products.

However, that's not -- the major part of the business is done in a separate funnel. And as you see growth in home equity, this is -- home equity is fairly early on in sort of its new penetration cycle.

So that's -- and so you're getting right now more lenders, more demand, opening filters, which is translating to money, expected value and therefore we're able to market more. It's that affect more than coming over from refi.

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

And have you shared any data about repeat customer behavior?

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

The best way I would look at repeat -- we typically have not. We could get you some potentially. The way I would look at it now is through My LendingTree, because effectively every one of those customers is a -- every person who transacts on that is almost by definition a repeat, well.

You're a repeat customer, because there is really no reason, because you would either be coming in through My LendingTree through one of the other loan types. And when you then transact, you're repeating. So I would look at it through the growth of My LendingTree.

But we can -- we will look at sharing some numbers around repeat usage and engagement, quite frankly, in the future as that becomes a bigger and bigger piece of our business.

You guys should be looking at that like you look at the growth and other engagement and lifetime value type businesses. We need to get you guys some better data about lifetime value as well too.

Some of that stuff we like to keep close to the vest because of different things. But we will see what we could do.

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

Yes, and Jamie, internally, we're obviously tracking it, and we track for instance in My LendingTree how quickly somebody comes back and reengages, and how predictive that is of them engaging in the second product, for instance.

And that's certainly the strategy. However, we're still in the early days of My LendingTree and building out that user base. So any data that we could share on that could be very easily misleading and then, obviously, there are competitive reasons why wouldn't share that as well.

So as that matures, we will look at more disclosure around My LendingTree. But right now we're trying to keep it relatively broad for some pretty obvious reasons.

Operator

And our next question comes from the line of Mike Grondahl from Northland Securities.

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Just a little bit of maybe more detail or clarification. You talked about the 50 lenders kind of digitizing the application process. And throughout the Q&A, in 1 or 2 points you mentioned sort of eliminating the bunch of calls or the 5 calls from the lenders to 1 consumer -- mortgage consumer. Where exactly are you in that process of rolling out? Is it still being tested? Are there a couple mortgage lenders doing it? Just kind of help us with that aspect of it?

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

Sure. Great question. And I'll try to be as clear as I can without drawing pictures. I want you to think about, first off, the trend that the funnel of the LendingTree customer from its very first seeing an ad all the way to closing a transaction with our lender, okay.

Today, we hand off a customer after they've completed a form and they match with the lenders, we say, congratulations, here are the 5 lenders that we send the information to those lenders. Those lenders follow up with independent CRM and independent phone call campaigns to you.

What we're talking about doing in the -- in our mortgage process is moving that from sending that data to 5 lenders to saying, think of this more like a travel experience, congratulations, here are your 5 lenders.

You don't yet get any follow-up from a lender, you would get an e-mail from LendingTree that says, hey, Neil you haven't been back in a couple of days, or hey, Neil, rates have changed or you might get a phone call from depending on who you are from a call center rep that says, hey, Neil, this is Joe Doug, from LendingTree, can I help you make a selection here? And that is internally we call Rulo.

And so we'll keep that term for now for simplicity. Right now, we're putting an increasing percentage of our traffic through that. I want to say, we've got about 10 lenders on it, a lot more that are interested. But it's not really about adding lenders, it's about getting the process right.

Once the monetization gets to -- the monetization -- of that experience gets to the monetization of sending you to 5 different lenders and having 5 different lenders burry you in marketing, then we will flip the mortgage business mostly, if not entirely over to that model.

I don't know when that is going to happen. My guess is, it will be sometime this year, and we'll keep you apprised of that. Right now -- but I will say, it's getting better all the time. Now I sound like the Beatles. Now, let's move then post selection.

This is what some people call the digitization of the mortgage experience. Once you say, I want to work with you lender X. That lender can close this mortgage in a variety of ways. They can say, great, thanks, Neil, we really want to work with you over here at Quicken Loans. Now I need 2 weeks of pay stubs, this application filled out, and a 1003, I need your signature over here, your verification, employment over here, et cetera or they could say great, Neil, we only need a few more fields of information from you that we got from LendingTree and then they go suck in all your tax records and suck in all your financial statements, et cetera, et cetera, and then they approve you much more quickly.

That is the digitization of the mortgage experience from the lenders perspective. The digitization -- and that benefits LendingTree because lenders get more and more efficient and then they can take more volume. The big move in our -- which is also digitization of the mortgage experience is us moving to a selection based model in the Rulo program.

By the way, you can even move up the funnel. Remember, when I talked about how we can create forms on the fly now, that's actually also digitized in the mortgage experience because it's making it smarter and more flexible about what questions we ask, when and how much information we need. Does that all make sense?

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Yes. No, that's very helpful. Good to get just a process update on the Rulo aspect of it. And then real quickly any high-level comments on growth of the lender network or sort of match rate or pricing trends?

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

I do not have it at my fingertips. But we could definitely get it afterwards. You're absolutely -- except in credit card where there is only a few major issuers, the growth in lenders continues unabated. And then you're also getting growth in transmit rates et cetera, and then we're also able to monetize our non-transits.

We don't give a lot of that information out. It shows up. I don't like looking at total lender counts particularly, because a lot of times more lenders just sitting in the same space doesn't really help, in the same way as if Google were adding more people in the same keywords based on the same bids wouldn't necessarily help them. So you try to fill up a so called long tail.

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

I mean, sometimes, I guess, I would just say, in terms of lender count, we obviously don't need to. Our growth is not going to be a function of growing the number of active lenders. It's going to be growing their commitment to our network. So as we provide more value, as they convert better, we will just get more share of their wallet and that's how we think about growth, not necessarily adding lenders.

Operator

That concludes our question-and-answer session for today. I'd like to turn the call back over to Doug Lebda for closing remarks.

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

Thank you, and thank you, everyone, for your time and your really, really thoughtful questions. I was commenting here that it is wonderful to have so many more people who understand our business model who are really focused on the company. It helps us to get into much greater depth with you, as you all climb the experience curve of this business. And just at a high-level to comment on this business and what we're seeing and why we're so excited.

If you think about Internet businesses like travel or shopping or anything else, you have moved a lot of times from people-dependent things to things that are enabled by technology. If you look at the travel industry, we used to all go downtown and pick out our airline tickets that moved online. As it moved online, it got more and more efficient at every step of the chain and that is continuing to happen with us.

The mortgage business is just like that. It's moving from a people business that used to be local entirely to a technology-driven business. That is a macro trend that continues, and that's going to continue.

Then on the marketing side, and you see this, as we look at market share, you move from broad marketing or people-dependent marketing like mortgage brokers going out and bringing in customers that way, we've the same thing in stock trading, to targeted marketing, where a lender can either run a search campaign where they are targeting keywords. But with lenders they can move to actually target marketing and actually get profitability on a per loan basis knowing exactly how they brought that.

That trend is going to continue unabated because you can see the rise in Internet advertising and our form of Internet advertising is the most targeted way that you can actually go get customers.

So as you see that people-dependent trend moving to automation, we win. As you go from broad marketing to targeted marketing, we win. As you see lenders get more automated, we win. And that is what's going to continue to drive share and penetration.

And then the last thing I would say, I have never seen a more positive competitive situation than we're seeing right now, where we're continuing to take share, where we're continuing to advance our lead, where we're continuing to see how some of the other companies are performing as we continue to get business development deals.

We're winning in the marketplace. So the market is growing, the industries our trend, and we're winning in the marketplace, and I have never seen a greater team who is ready to scale, and lenders who are scaling with us.

So thanks for your time, thanks for your attention. And we're thrilled with what's going on, and we look forward to talking to you in a couple of months.

THOMSON REUTERS

Operator

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. And you may now disconnect. Everyone, have a great day.