

THOMSON REUTERS STREETEVENETS

EDITED TRANSCRIPT

TREE - Q1 2016 LendingTree Inc Earnings Call

EVENT DATE/TIME: MAY 04, 2016 / 1:00PM GMT



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

CORPORATE PARTICIPANTS

Gabe Dalporto *LendingTree, Inc. - CFO*

Doug Lebda *LendingTree, Inc. - Chairman & CEO*

CONFERENCE CALL PARTICIPANTS

Robert Peck *SunTrust Robinson Humphrey - Analyst*

Nat Schindler *Bank of America Merrill Lynch - Analyst*

Mark Mahaney *RBC Capital Markets - Analyst*

Kerry Rice *Needham & Co. - Analyst*

Eric Wasserstrom *Guggenheim Securities - Analyst*

John Campbell *Stephens Inc. - Analyst*

Hamed Khorsand *BWS Financial - Analyst*

Mike Grondahl *Northland Securities - Analyst*

Neil Doshi *Mizuho Securities - Analyst*

Blake Harper *Topeka Capital Markets - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen and welcome to the LendingTree, Incorporated first-quarter 2016 earnings conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. (Operator Instructions). As a reminder, this conference call is being recorded. I would now like to turn the conference over to Gabe Dalporto, Chief Financial Officer. You may begin.

Gabe Dalporto - LendingTree, Inc. - CFO

Thanks, operator. And thanks to everyone for joining us today for LendingTree's first-quarter 2016 earnings conference call. First, a quick disclaimer. During this call, we may discuss LendingTree's plans, expectations, outlook or forecast for future performance. These forward-looking statements are typically preceded by words such as we expect, we believe, we anticipate, we are looking to or other similar statements. These forward-looking statements are subject to risks and uncertainties and LendingTree, Inc.'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 this 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 comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP.

The first quarter once again marked a period of record revenue, variable marketing margin and adjusted EBITDA. In the quarter, we generated revenue growth of 86% versus the same period last year and grew adjusted EBITDA by 78% in the same comparable period. Simply put, the quarter's results reflect a shining example of the growth this business can deliver when several of our products are firing simultaneously.

Looking first to our mortgage business, revenue from our mortgage products increased to \$55 million in the first quarter. According to the Mortgage Bankers Association, mortgage originations were up a mere 4% year-over-year and down 14% versus the fourth quarter. In contrast, our mortgage revenues grew a remarkable 49% and 17% respectively, reflecting strong growth in both purchase and refinance. These results are a clear demonstration that our marketplace can thrive in any mortgage environment.

MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Moving to our non-mortgage products, revenue of \$39.7 million represented year-over-year growth of 186%, our ninth consecutive quarter of triple digit growth and now comprises 42% of total revenue. Within non-mortgage, we grew revenue in every lending category on both a year-over-year and sequential basis. In addition to continued growth in personal loans, credit cards and home equity, which we've discussed before, our reverse mortgage auto loan and small business products also contributed materially. All in, we grew consolidated revenue by 21% sequentially in the quarter to a total of \$94.7 million.

In terms of profitability, we delivered a new record of \$34.1 million in variable marketing margin, which compares to just \$21.2 million in the year-ago quarter, representing growth of 61% and at 36% of revenue, our margin profile remains solidly in line with expectations.

Adjusted EBITDA of \$15.8 million represents another new record and grew 32% sequentially from our previous record of \$12 million. That translated into operating leverage as adjusted EBITDA as a percentage of revenue grew to 17%, up from 15% in the prior quarter.

In terms of GAAP net income, we recorded \$6.9 million from continuing operations in the quarter, or \$0.54 per diluted share. Adjusted net income per share, which excludes certain items expensed under GAAP, grew 17% year-over-year to \$0.76 per share.

Some of you may have noticed that the GAAP and adjusted EPS figures are a little apples and oranges in both year-over-year and quarter-over-quarter comparisons. That's because in Q1 of 2015, we reported almost no taxes due to a valuation allowance against our NOLs. Then in Q4 of 2015, there was a huge tax benefit from reversing that allowance as it became clear we'd be producing consistent profits. The net result is that in Q1 2016 and going forward, we will be recording a tax provision of approximately 40%.

Moving to our balance sheet, we repurchased 580,000 shares of our stock during the first quarter for an aggregate consideration of \$40.6 million. Under our current buyback plan, we have \$56.7 million in additional repurchase authorization, and at current levels, we continue to view our stock as an attractive investment and a prudent way to return capital to shareholders. And as of March 31, our net working capital position was \$159.5 million, and our unrestricted cash position was \$174 million. Now I would like to turn over to Doug who will add his comments on the business and discuss our outlook for 2016.

Doug Lebda - LendingTree, Inc. - Chairman & CEO

Thank you, Gabe and thank you to everyone for joining the call today. Because Gabe has already walked through our financial results, I'd like to provide you with context regarding performance in Q1, walk through details of each product and provide updated guidance for the remainder of 2016 and then take your questions.

As you can see from our results, LendingTree had a phenomenal start to the year. We once again handily exceeded our own internal expectations, as well as Wall Street consensus estimates. The industry shift from offline to online is still in its early stages and LendingTree is perfectly positioned to capitalize on this transformation.

I'd now like to walk through some highlights from our mortgage and non-mortgage products before I provide more detail on our guidance going forward. In our mortgage business, we once again achieved record results across the board in a seasonally slower housing market, as Gabe talked about. We experienced accelerated growth and were able to increase marketshare even in a low rate environment where lenders had full pipelines and were implementing important regulatory changes.

This is a direct result of the excellent execution from our sales, marketing and analytics teams. We signed 34 new lenders to the marketplace in Q1 alone with many more in the pipeline. Notably, 69% of our lenders increased their spend with us in Q1, spending an average of 36% more in Q1 over Q4, which is an outcome from our continuing work with lenders to improve conversion rates and work closely with them to meet their marketing objectives.

We are significantly increasing our share of lenders' marketing budgets, most notably with real traction in what we call our second exchange where we drive more customers to our high-volume lenders that can replace any volume they're getting from our competitors. Overall, we believe that



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

mortgage remains a significant growth driver and expect to continue to win both overall marketshare in the industry and wallet share from our lenders.

Moving into our non-mortgage products, I am absolutely thrilled with the success we are continuing to see. We've grown our non-mortgage revenue from 20% of total in Q1 of last year to 42% of total revenue in Q1 2016, while simultaneously increasing revenue 86% year-over-year. We've been able to leverage the LendingTree brand to expand in new categories, each of which is showing growth as lending across the board continues to transition online.

In personal loans, we are seeing record loan requests in addition to continued top-line revenue growth. We have 25 active personal loan lenders on the network and have several notable lenders in the pipeline, which are set to join in Q2 and Q3, which will set the business up nicely for future growth.

Now I would be remiss though if I didn't address the public information about several players in this space. It is absolutely true that several lenders have had well-documented changes in consumer pricing because of challenges in their underwriting models and the increased pricing demanded by investors in their securitized portfolios.

But it is equally absolutely true that other lenders are expanding rapidly with us and our originations grew 14% quarter-over-quarter. Unless there is a major industrywide contraction of capital in any category, such as we saw in 2008 in the mortgage industry, our exchange model and diversification of lenders means that our business moves in tandem with the collective demand of all of our lenders, not any individual ones.

In addition, I would note that personal loans are less than 20% of our business, and no individual lender is more than 4% of our business. So we feel very, very good about where we are positioned with personal loans, as well as the broader categories.

Moving on to credit cards, our business continued to perform exceptionally well this quarter. In addition to increased revenue, approval volume from our partners grew 80% quarter-over-quarter and even beat the approval volume record with one major credit card issuer who is on our network. We've seen successful growth and diversification of paid marketing across channels, including now a dedicated credit card TV spot, which highlights the importance and power of the LendingTree brand in our marketing efforts.

We are continuing to strengthen our relationships with card issuers and now have nine card issuers active on the network, and we have a planned prequalification integration launch with at least one key partner coming this quarter.

Additionally, we've improved credit card comparison shopping within My LendingTree making it possible for consumers to not only shop and compare different cards, but also use alerts to notify consumers where there might be an opportunity to save through balance transfer and cards with lower interest rates.

Now onto home equity. In the first quarter, home equity continued to be a significant growth driver as home values improve and more homeowners become aware of their ability to access the equity in their homes. We've added six new home equity lenders in the quarter bringing us to 37 total home equity lenders on the marketplace.

Our sales team is laser-focused on adding new lenders and expanding the relationship with lenders already on the network. The feedback from lenders has all been extremely positive with one partner recently reporting that they have a 14% close rate on LendingTree consumers.

Going forward, as home values continue to increase, home equity loans will be an attractive source of financing for consumers, much like they were before the housing meltdown of 2008 when home equity was LendingTree's most profitable product.

Next up is business loans where we are continuing to make solid progress. We now work with five out of the top six alternative small business lenders and have 19 active lenders on the network with another 14 lenders in the queue. We are now able to cover all categories of small business financing through our lending partners, and given all the various underwriting models of small business lenders, the rapid advance of automation and the difficulty of small businesses to access credit, we see small business loans as a phenomenal opportunity going forward.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

In our autos business, we've seen improved monetization through enhancements to our matching algorithm, along with continued form optimization, which resulted in 50% more loan requests quarter-over-quarter. Additionally, we've added five lenders in the quarter and will be expanding into new marketing channels, including new radio spots, which will be out this month.

Moving on to My LendingTree, we now have over 3 million users signed up for our free Credit Monitoring and Savings Alert product, up from \$2.5 million at the end of last year; and all of this is from sign-ups from the core LendingTree website. We are seeing continued progress on monetization of these users as well. Alerts and repeat business in My LendingTree is now generating 6% of total revenue for the Company, and we've seen the unit economics improve to the point that we expect to start paid marketing in the second half of this year.

Going forward, we are working on refining and expanding the alerts, implementing push notifications on our growing mobile app and refining pricing to our lenders given the higher conversion of customers coming from My LendingTree.

With all of that context in hand, I'd like to give some color around our expectations for the second quarter and our revised full-year outlook. Revenue for the second quarter is expected to grow to a range between \$95 million and \$97 million, up 72% to 76% year-over-year, and up sequentially despite seasonality in credit cards, which typically slows in Q2 after a very strong Q1 in which lenders are focused on refinancing their credit cards when their holiday bills come due.

Variable marketing margin is expected to be in the range of \$32 million to \$33.5 million reflecting increased marketing spend in Q2, consistent with prior years, and also increasing testing in new channels given our confidence in our 2016 outlook.

Adjusted EBITDA is anticipated to be between \$13.5 million and \$15 million, which is reflecting pulling forward expenses to accelerate growth and manage the increased demand we are seeing from lenders. For the full year, we now expect to grow revenue to \$380 million to \$390 million, representing year-over-year growth of 49% to 53%, an increase from prior guidance of \$370 million to \$380 million, which we put out just three months ago.

For VMM, we are increasing our guidance to \$134 million to \$137 million, up from \$129 million to \$134 million from our last guidance. And on adjusted EBITDA, we are maintaining our previous guidance of \$62 million to \$65 million representing year-over-year growth of 52% to 59%.

As I've stated many times before, it's our philosophy to deliver robust earnings growth while also taking the opportunity to reinvest potential upside back into the business. Given the pipeline of responsible and attractive investment opportunities that are in front of us, we believe that 50% plus adjusted EBITDA growth is an appropriate reflection of this balanced strategy to deliver near-term profits and long-term growth. And with that, operator, I'd like to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Robert Peck, SunTrust.

Robert Peck - SunTrust Robinson Humphrey - Analyst

Thank you so much. Just one question, or two sub-questions here on personal loans. So, Doug, first of all, thanks for taking the time upfront to address some of the questions we've been getting by investors as well. As we think about personal loans potentially pulling back by certain players, obviously you could have an impact as far as demand from certain players, but as you pointed out [those] get backfilled. But how do we think about this with fewer bidders in general potentially? Is there an impact to price? How do we think about that?

MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

And then number two is how are the margins on personal loans versus say traditional mortgage? And then number three on that is how should we think about that as a normalized grower? It's been growing so strong over 100% these last couple of quarters, how should we think about that as we go forward? Thanks so much.

Doug Lebda - LendingTree, Inc. - Chairman & CEO

All great questions, and several things to unpack there. First off, anytime a lender pulls back, it obviously has an impact. However, it's really an impact not of reduction, but obviously if we had more lenders bidding higher, our numbers would have been even better, quite frankly. And the analogy I always like to use in the travel space is, if you're Expedia or Priceline, just because there's an airline merger or fuel prices go up with one airline doesn't mean that comparison shopping is going to shut down.

So overall, if there are lenders wanting to make loans and borrowers wanting to take out loans, LendingTree does very, very well. I would say what we are seeing in the underwriting of some of the lenders that have been publicly acknowledged is simply what happens in lending businesses if you are a lender all the time, and quite frankly one of the reasons when I started this business 20 years ago we decided not to be a lender because we wanted to be the marketplace that connects consumers and lenders, and lenders all have a different view of underwriting. And they are going to live and die based on the loss rates of their loans, just like any lender does.

We are seeing some lenders pull back, and we are seeing other lenders that are successful double down and that's great. Now, obviously, if a lender pulls back, you are going to reduce your transmit rate and your transmits per, but we are not seeing any price erosion, except lenders pulling out of certain areas, which is -- so it's not price; it's really more about coverage as some lenders look to pull back. But, overall, we've got a pipeline of new lenders, particularly in the sub-prime space, and particularly with traditional lenders who are coming in.

So if you think about it, ultimately, the banks and others are going to be able to automate just like the upstarts, and a lot of lenders have balance sheets so that they are making their own risk tolerances to put on their actual balance sheet. So overall price of matches is not coming down, and we are working on the pipeline to improve coverage.

Margins are holding steady and quite frankly probably getting a little better as our marketing improves and as we can leverage My LendingTree more and more because that is free volume. Obviously, we don't go into, for competitive reasons, specific details on price or margins just because it would be anti-competitive, or it would give competitive intelligence to our competitors.

On the growth side, I think we're going to see -- we are certainly going to see very strong continued growth over the long term. Month on month, quarter on quarter, who knows, quite frankly, but sometimes it will be down, sometimes it will be up. But I think at the end of the day, what I want analysts and shareholders to focus on is a dollar is a dollar is a dollar and just like our business at any given time, you are going to have one that's moving up and one that's moving down. And that's the beauty of a marketplace model and that's the beauty of being able to move your marketing dollars around to wherever the biggest demand is.

So honestly from LendingTree's perspective, a couple lenders having challenges is much to do about nothing from our perspective, except for the fact that these are our partners and we want to see them succeed. So we are going back out to those guys to help make LendingTree work for them in ways that they can scale up their business for the winners in the space. And I feel very comfortable about the long-term growth prospects about this business, but more importantly about LendingTree overall and non-mortgage.

Robert Peck - SunTrust Robinson Humphrey - Analyst

Thanks so much.

Operator

Nat Schindler, Bank of America Merrill Lynch.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Nat Schindler - *Bank of America Merrill Lynch - Analyst*

Thanks, guys. If you look back over the last year and the massive acceleration you've seen in mortgage product particularly, what has been the real driver if I look at the butterfly of your marketplace? Would it be the consumers coming in the door, or do you believe it's more getting more lenders on the platform to buy? And then taking that forward, what will be the real driver over the next several years, i.e., have you gotten to a point where both sides of the marketplace are strong enough that it now is going to run itself?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

That's a really, really great question. If you go back -- just for a little context -- we went back several years, there was obviously concerned about LendingTree's concentration in mortgage. I don't worry about that quite frankly because, as I said, a dollar is a dollar. The major driver of mortgage success has been several things in the industry and several things that LendingTree has done.

Number one, you can see in the market a tremendous shift from bank lenders to non-bank lenders, and many of those non-bank lenders were actually people and companies who embraced the LendingTree model as long as 20 years ago. And as they are getting expansion in their warehouse lines and they are getting more aggressive in the industry, they are turning to LendingTree for that expansion, and they know how to work the LendingTree business precisely and they are doing that.

In addition, the second exchange has also been a great driver. That is where we go to lenders who know the LendingTree network and the LendingTree process very, very well, and we typically match the so-called quality of the customer against our competitors, which is typically lower, so it might not be coming from search marketing. It might be coming from let's say broad reach display, but that's what our competitors do. And we price those differently in order to steal wallet share.

Still very good margin, but, as you know, every time we bring in -- every time we steal somebody else's wallet share, it not only helps us, it also hurts them in their marketing efforts. So that has definitely been a factor.

Going forward, I think the big driver is conversion rates and just continued expansion. I'd point you to that page in our roadshow deck that talks about how very small changes in transmit rates and close rates produce very large changes in unit economics, and then you switch to the marketing side, which is as you get that demand up, mortgages, the product we know how to market the best and we can just step on the marketing gas to fill that up.

I'd also add we've got a very, very robust business development pipeline now underway that's now run by Neil Salvage, our Chief Revenue Officer. We have a great BD team, and we are going after rate table integrations with publishers and syndication opportunities across the board, and we are starting to win them due to our higher monetization. So that's another marketing channel that's just opening up.

And then you come down to the marketshare. We still have roughly 13% or maybe 15% in our core market, and the market is growing, so we feel great about mortgage going forward. It's still very underpenetrated.

Nat Schindler - *Bank of America Merrill Lynch - Analyst*

Doug, just one follow-up. Anything in the last year, has there been any real change, any new marketing channel that's really turned on and been extremely effective? For example, I've seen you guys have been doing a lot more in the advertorial space with guys like Taboola. Is there a marketing channel that is so good that it just makes the business work, or is it you could switch money from one to the other and it really wouldn't make that much difference?

MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Great question, and without giving away too much competitive intel, I would say we've been pleasantly surprised with our CRM team. We put new leadership in place there. CRM is going after people typically via email using both third parties and more importantly going back to prior LendingTree customers who are in our 30 million plus customer file. That's been fantastic. Search continues to be a great one for us, and we keep finding new ways to attack search, particularly as monetization increases. We do have a small but rapidly growing SEO group, which is just fantastic. They are putting very, very good call it white hat content out there that's great for users and that is driving in free traffic.

I will note, we do not plan to be dependent on SEO given just the exposure of what we've seen with other people there. And search, as I said, works great. Because, of the brand, we get obviously better clickthroughs, and as monetization improves, we can go more and more into the long tail in calculator terms and things like that. The advertorial market has certainly helped in some products. And then social continues to kick in as we figure that one out too.

So I think those are all of them. Plus too, I think strategically it's really important that Google left the comparison shopping space, which didn't really have a major impact on us because we were a partner with them, but them leaving obviously removes a pretty big black cloud over us in the industry that investors were concerned about.

Nat Schindler - *Bank of America Merrill Lynch - Analyst*

Great. Thanks.

Operator

Mark Mahaney, RBC Capital Markets.

Mark Mahaney - *RBC Capital Markets - Analyst*

Great, thanks. Doug, you had mentioned a 6% figure with regards to My LendingTree. Could you just repeat what that figure was? I think it was as a contributor to revenue? Then you also talked about then amping up paid marketing in support of My LendingTree in the back half of the year, and just go through the thought process on that. Were you waiting for a certain material threshold, 5% or whatever it was, or a dollar amount? How do you decide -- I get the long-term pitch behind my LendingTree, but how do you decide when to hit the marketing accelerator in support of that? Why now? Why not earlier? Why not a year from now?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Sure. So the 6% on My LendingTree is the percentage -- so My LendingTree, first off, to explain to everybody what it is -- My LendingTree has always been on the LendingTree site. It is the logged-in experience of LendingTree. In addition -- so everybody is on My LendingTree to see their offers. However, by opting into the credit monitoring and alert product, which means you answer out-of-wallet questions from a credit bureau, then with that, you get free credit monitoring and you get alerts. And the alerts are meant to save you money by telling you when you can refinance your mortgage, or take your credit card and put it on a personal loan, etc. So 6% is the gross revenue that is coming to the Company through either an alert or through somebody just going back to a logged-in experience of LendingTree and looking for another product in the same way you would go to Amazon and continue to shop.

And My LendingTree is great for both of those reasons. Obviously, the alerts are great, but also the fact that you are not filling out a form again and it's easy to comparison shop with literally one click. We are patterning this after one-click shopping with Amazon and we think it's a great growth driver.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

In terms of the paid marketing, LendingTree has always had the discipline of marketing against the first transaction. And we want to, unlike some other startups and lenders in the space who really need to go two or three loans deep, or two or three transactions deep with a given customer to break even, we've been waiting till we are confident enough in the monetization that we can make money in the first 30 or 60 days with paid marketing.

And obviously, we've seen Credit Karma out there doing that. I don't know what they're marketing economics are, but quite frankly we feel really, really good about ours and expect to do two types of marketing. One is going to say get free credit monitoring and a free credit report from LendingTree. The second one is going to be focused much more on alerts and setting up an account on LendingTree and you will never need to think about your loans ever again.

And we are increasingly comfortable with the monetization. I want to let it play out a couple more months and finish some alert products before we really step on the gas, but once we are comfortable that in the first 30 to 60 days we can generate revenue, then we are going to step on that.

Mark Mahaney - RBC Capital Markets - Analyst

Thanks, Doug.

Operator

Kerry Rice, Needham.

Kerry Rice - Needham & Co. - Analyst

Thanks a lot. Maybe going back to mortgage a second. You have seen this great growth. Would you call out one specific thing that is helping drive it, whether it's new products; is it conversion? What makes it differentiated from some of the other companies out there? What are you doing differently?

And then on personal loans, the discussion around origination growth and -- how is that impacting maybe marketing allocation? Are you seeing any shifts between direct mail, online, anything there?

And then the final question on My LendingTree, can you talk -- is there a particular product that you find consumers are gravitating to through My LendingTree? Is it primarily personal loans and maybe are they coming -- how frequently are they coming back, if you have any metrics on that? Thanks.

Doug Lebda - LendingTree, Inc. - Chairman & CEO

So some of that I will be able to answer, and some of it I don't want to do for competitive reasons. On the mortgage question, it's actually pretty simple. I think there's obviously many growth drivers. I think the best improvement that we've made is actually on the analytics side. We now have our analytics team, which Gabe has taken over, and our sales analytics team, which works very closely with them, have produced insights into lenders' businesses that are absolutely phenomenal and now that lenders are increasingly paying attention, we are going in literally showing them segments where they can expand their business and showing them the profitability that that would generate, and showing them that if they were able to shut off other competitors and move with us that we can enhance their profitability even more and they can work with fewer partners.

By the way, the playbook that we are following there is what Google did with early search advertisers by bringing analytics and advice to show advertisers like us, quite frankly, 17 years ago, how to improve our metrics inside of Google. And what did we do? We bought more from Google. And that helped Google increase their monetization and then be able to syndicate and become the dominant player in that space. So in mortgage, it's absolutely analytics is a key driver.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

On the second one, on marketing allocation, particularly for personal loans, we do not -- it's a very important thing to think about, marketing at LendingTree. Marketing is gas, not a budget. So we market -- we view everything -- and Mark asked a question about marketing My LendingTree as well -- every individual product -- mortgage, home equity, auto, personal and credit card, small business and My LendingTree -- is what we like to call a marketable event. And if we can make money by marketing someplace and monetizing it, we are going to market individual products.

In addition to that, we also do broader LendingTree marketing where we talk about every product, so that adds another marketable event. And what we see over time is that some marketable events work better on certain channels. So we don't allocate marketing. We are basically balancing supply and demand inside of every single product and as long as we have lender demand and we can profitably make a dollar, we are going to do that. And that's why I always encourage people to look at variable marketing margin dollars, not VMM percentages because we will push marketing to the point of making lower percentage margins, but still adding dollars to the bottom line, just like every other major Internet company in our space does and we make money on the first transaction.

The other beauty of our marketing is, even if we are advertising one product, we get spillover into the other products, and obviously then we are picking up repeat business through My LendingTree because we are opting them in there. So that gives us a tremendous competitive advantage having all these products, having all these marketable events, and then we don't have to allocate marketing. We are just basically optimizing it between supply and demand under the eye of our analytics group, which is essentially acting as a trading function reporting to finance.

Kerry Rice - *Needham & Co. - Analyst*

And then on maybe the products that you see most popular on LendingTree, My LendingTree and maybe retention or repeat business?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Yes, I would say numbers-wise it's credit card. From a revenue standpoint, it would move more to refinance mortgage, and it's just because of the difference in payouts and also the fact that it's fairly early, card is going to come on first because that's a pretty easy one to divine and so card is pretty much the big one.

Kerry Rice - *Needham & Co. - Analyst*

Thank you.

Operator

Eric Wasserstrom, Guggenheim Securities.

Eric Wasserstrom - *Guggenheim Securities - Analyst*

Thanks. Doug, just a couple of questions on some of the margin outlook. Can you give us a sense of what you think the segment margins will do given the shifting mix in each of the two areas?

Gabe Dalporto - *LendingTree, Inc. - CFO*

So we had -- specifically EBITDA margins or VMM?



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Eric Wasserstrom - *Guggenheim Securities - Analyst*

I guess I was thinking of EBITDA, but we can approach it either way.

Gabe Dalporto - *LendingTree, Inc. - CFO*

Sure. From an EBITDA perspective, obviously, we had a fantastic Q1. 17% is showing a lot of leverage in the business. I think the back half of the year, that's probably a pretty good directional number. Again, as Doug mentions, we are going to chase VMM dollars, and so if we have an opportunity to make more money but at lower margin then that could affect the EBITDA percentage, but ultimately we think 17% is a pretty good number for the back half of the year.

Q2, we are going to be making some investments, as Doug mentioned, so that will be a little bit lower. And as we look forward, we would expect to see going into next year and the years after that additional operating leverage. It was really nice to see in Q1. As we scaled up revenue in VMM, that flowed pretty well to the bottom line, kind of demonstrating the leverage in the business.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

And Eric, the only thing I'd add to that is, as we focus on VMM dollars, we also focus on adjusted EBITDA dollars and cash flow. And the reason we can do that is even our OpEx is actually pretty variable because a lot of that is sales comp and also call center, which is variable. And we have a lot of other costs that we can move up and down, particularly in tech. And it's really that balanced viewpoint that what we want to do is put out there an earnings number that we feel really good about that represents something we obviously are going to hit and hopefully beat. And then above that try to move forward expenses to set us up for long-term growth. And I would just keep encouraging people to look at cash flow and EBITDA dollars in total, which is what we focus on. We want to maximize the earnings of the Company over the long term, and that's how we run the business.

Eric Wasserstrom - *Guggenheim Securities - Analyst*

Great. But I guess what I'm trying to think through a little bit is where products are growing most rapidly is in products where the fees are at the lower end of the scale just by virtue of loan size and closing dynamics, etc. And so I'm just trying to reconcile that with a steady dollar figure of EBITDA.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Yes. So the dollar figure of EBITDA, first off, we can land that plane pretty much where we want to and we could always take steps to make that really significantly higher. But again, if we can pull forward marketing expense and marketing production and accelerate some tech efforts, we want to do that. I wouldn't focus on individual product growth because they each have their own dynamic.

So for example, credit card would have a lower per-unit payout, but at the same time your marketing costs to get that customer are a lot lower than let's say getting a refinance mortgage customer in and so it's really the supply and demand and the marketing dynamics inside of each of those products. And so we target an EBITDA number, which we always endeavor to hit and then we want to grow and we want to obviously beat that. But we also want to invest where we can.

Gabe Dalporto - *LendingTree, Inc. - CFO*

Yes, and to build on Doug's point, we have seen some of the categories with lower unit payouts have actually really healthy margins. So the cost to acquire the traffic is somewhat related to the actual payouts, and the competitiveness of the market is related to the payouts. And to the extent that we can extract more value through matching to multiple lenders, to use Doug's cow analogy, to sell subprime to the subprime lenders and



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

prime to prime lenders and low loan amount to low loan amount lenders, extract more value from any tranche of consumers, we feel good about our monetization versus the general industry. So even though the unit economics of some of these products are lower -- the unit payouts are lower, the margins often are pretty good.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

And the last thing I'd add just to illustrate this, again just teaching the business model, those payouts vary not only across products, but actually inside of a product, so my analogy here is Google and the long tail, which is they can -- early in Google's days, they monetized mortgage rates. Over time, they monetized mortgage calculator in Idaho, which obviously is going to have a lower unit payout, but can still be very, very profitable because you are picking up coverage where you didn't have it before and we can do that. So those many times will get a lower payout from a lender, but because it's coverage that we didn't have before, it has a really nice dramatic effect for the overall health of the business.

Eric Wasserstrom - *Guggenheim Securities - Analyst*

Got it. And so when you talk about operating leverage in the second half and into next year, is that from anticipated gains from this investment-oriented expense currently, i.e. higher revenue, or is that from the expectation of having completed an investment cycle and therefore lower operating expense?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Operating expense in dollar terms is not going to go over the timeframe go lower. It's absolutely going to come from revenue growth and revenue growth means that there is more demand from lenders, which means we are increasing coverage, which means pricing also goes up. As demand goes up, we fulfill that demand. If we can put positive VMM on and then hold fixed expenses relatively -- or hold OpEx relatively fixed or grow slower than revenue, that's where you get the operating leverage, but it basically comes with revenue growth that is faster than OpEx growth.

Eric Wasserstrom - *Guggenheim Securities - Analyst*

Got it. And then just one final question. On the personal loans, you've had a lot of commentary there, which I think everybody really appreciates. But can you give us some sense of what the trends have been like let's say in the first few weeks of this quarter relative to the prior?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Yes, I think so. I think the trends are holding up. As I said, we've got some lenders moving in and some lenders moving out. And we are especially thrilled with seeing new lenders come on late in this quarter too, which are in the queue and we are working through implementation deadlines. So I think personal loans is going to do just fine. And we feel really good about where we are going there because we are seeing a lot of new lenders coming into the market, particularly traditional banks and the non-startup guys who actually have balance sheets.

Eric Wasserstrom - *Guggenheim Securities - Analyst*

Great. Thanks very much.

Operator

John Campbell, Stephens.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

John Campbell - *Stephens Inc. - Analyst*

Congrats on a great quarter. Just wanted to touch back on the personal loans market. Obviously, there's some concerns there, but just as a hypothetical, and Doug, I think you explained this fairly well and we 100% agree with you, it sounds like there's enough flexibility in the model where you guys can basically pull spend from that market assuming it does go down and make up for that growth elsewhere. Just to sum it up, do you feel pretty comfortable with that statement?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

I'm sorry. You were garbled a little bit. Can you repeat that statement?

John Campbell - *Stephens Inc. - Analyst*

Yes, so just asking do you feel like you have enough flexibility in the model where you can basically pull spend -- let's just say the personal loans market does kind of decelerate a little bit, do you feel like you have enough flexibility in the model to pull spend from that market and just put it elsewhere, be it HELOCs, or credit cards or mortgage to kind of make up for that gap?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Absolutely. Now keep in mind these all work on their own models, so, as I said to a prior question, we don't necessarily have to move spend from one to another. That said, and while I don't expect the personal loans to be pulling back so to speak for all the reasons we talked about, and I think -- listen, there's a couple highly publicized cases of lenders having challenges, but it's literally a couple cases. So I think the long-term growth of personal loans is still going to be there because we are going to keep increasing coverage, particularly as we add lenders.

Keep in mind, the personal loan business still has a 50% transmit rate, which means 50% of the borrowers get zero matches. As we bring in lenders that can help to cover that, if you have that from 50% to 60%, that's a 20% increase in revenue just from adding a couple more lenders who are more balance sheet type focused and could move down the credit spectrum, or down -- and in addition lower loan amounts as the automation continues.

But, absolutely, the flexibility in spend is totally there and we move it where the money is. And that's what we've always done and that's what we are going to continue to do and I feel great about it because we are so balanced across the categories. In the same way that I didn't want our stock to be a mortgage stock and there was a lot of focus on that, I don't want us to be a personal loans stock. I don't want us to be a small business loan stock. I want us to be a place where consumers and small business owners are consumers, where they can have lenders compete for their business across every category and then provide alerts to do that.

And I think if you look at the competitive landscape, you've seen some of the other marketplace competitors not do well and we continue to do really well and the fact that we are so diversified across lenders and across products in the same way that Google is diversified across categories and if the pharma category doesn't do well in keyword search, then that doesn't impact Google's overall economics because they are so well diversified across advertisers and across categories, and the same thing absolutely holds here.

John Campbell - *Stephens Inc. - Analyst*

Got it. That's helpful. And then on the guidance, I think it might be causing some investors a bit of pause with the reiterated guidance, but you guys did highlight that there is somewhat of a ramp in investment spend. I think there's also maybe a little bit of concern around you guys maybe ramping ad dollars, but I think your VMM guidance going up of revenue clearly shows that the core business -- you guys continue to get those returns. So maybe if you guys can just walk through a little bit of additional color on outlining what that investment spend is going to and then, I don't know, Gabe, if you can help bracket that out, or maybe help quantify it?

MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Yes, so a couple things. One is I think when we upped our guidance for the year last time, quite frankly, I don't think we were as -- we talked about the year and analysts took the year and put it in certain quarters. And I don't think we relayed the fact that credit cards, which is a big growth driver, seasonally really strong in Q1 and seasonally weaker in Q2. Now, again, year-over-year comparisons are going to be important for some of those products where you have to look year-over-year, but sequentially Q1 to Q2, credit card, which we planned that way last year too -- well, we didn't have credit card really the year before, but you can see it with other competitors, credit card is seasonally weaker in Q2 than it is in Q1.

Mortgage, on the other hand, is seasonally stronger in Q2 for purchase and then typically Q3 and Q4 for refinance as people are more focused on bigger ticket items, but for the year, I think we still feel great about it. So what we've always tried to do with the year is to put out a very robust earnings guidance. And quite frankly, it's our election to say that we right now would rather see revenue growth, share increase and hopefully still beat our bottom line, but that we think it's more prudent given the confidence in the year to effectively pull forward spending.

So if you think about it, it's coming in several categories. I'm not going to break out specific numbers, but, number one, we are expanding in the call center. That call center grows in direct proportion to revenue because we are doing calls for lenders, which are providing us extra margin, and we have to expand that ahead of where revenue is to get people trained up, etc.

We are also pulling forward -- again, which relates to revenue -- people in sales. So the sales and account management team is getting a little bit larger because of that. We are also pulling forward some outsourced tech investments, particularly offshoring that are -- again with the conference in our number for the year, we'd rather get things done earlier rather than later. And then, obviously, on the marketing side, we are going to do more production because I think I've talked to you about this in the past, we brought our agency in-house effectively. Our in-house staff saved us a lot of money and we are now really, really good at rapidly iterating ads, and obviously anytime we do TV, there's going to be a bit of a lag effect on that, but we are going to do some more production this quarter as well.

But it's really gearing it all to a year-long number that we have a lot of confidence that we can meet or beat.

John Campbell - *Stephens Inc. - Analyst*

Okay. That's very helpful. I think that explains some of the natural progression or margin lift throughout the rest of the year and positions you guys well for next year. Last question here, Gabe, I think you said the \$57 million or so left in the share repurchase authorization. Seems like the market is giving you a pretty good opportunity here, so is that something you guys feel like you could work through fairly quickly, and any chance for another authorization?

Gabe Dalporto - *LendingTree, Inc. - CFO*

Yes, sure. Obviously, I can't tell you our specific tiering of how much we buy at what price. We do think that the stock represents a really attractive investment at these levels and we will continue to buy back without getting into too much specifics. And to the extent that it gets more attractive, we will be buying more. And we were thrilled in Q1 that we were able to acquire \$40 million of shares at \$69.90, like it was -- we were all completely thrilled to buy those shares at that price. So, yes, if opportunities present, we will be in the market and without getting into too much specifics.

John Campbell - *Stephens Inc. - Analyst*

Okay, that's helpful.

MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

The only thing I'd add on buybacks, just to talk about how we really allocate capital. So obviously we have a ton of cash and a \$125 million revolver, and obviously I think the debt markets could be helpful also in M&A. We really look to deploy that capital in a way that's going to maximize its return. And quite frankly it doesn't do us a heck of a lot of good sitting on our balance sheet. And if we can buy our stock -- and I think of myself as a major shareholder -- if we can buy our stock at a low teens multiple given the significant earnings growth we got -- the low teens multiple on this year -- and not quite single digits on next year's estimate that you guys have, unless we can find more accretive alternatives, we view that as massively accretive to earnings per share and we're going to take every opportunity to do that, particularly given that the float is up and so that's not a concern of investors.

So we are going to invest back in our Company's stock, and if we see attractive prices, we are going to keep doing it. We put a plan in place every quarter, and if we blow through this and we still believe that the value is right, we are going to keep buying.

John Campbell - *Stephens Inc. - Analyst*

All right. That's helpful. Thanks for the little peek into next year's thoughts. Thanks, guys.

Operator

Hamed Khorsand, BWS Financial.

Hamed Khorsand - *BWS Financial - Analyst*

Good morning. Could you explain the guidance as far as -- so you go out into the second half of the year, essentially you use your guidance -- I'm assuming that there is zero sequential growth. So what are you expecting to occur that that's the kind of model that you are projecting for investors right now?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

We are not projecting zero sequential growth. That is not accurate.

Hamed Khorsand - *BWS Financial - Analyst*

But if I take the \$95 million, plus \$95 million, plus \$95 million, plus \$95 million, I get \$390 million. That's zero sequential growth.

Gabe Dalporto - *LendingTree, Inc. - CFO*

So we would expect to see sequential growth. I need to look at the numbers, but we guided up in Q2 and we would expect some improvement throughout the year. So that's what I can tell you.

Hamed Khorsand - *BWS Financial - Analyst*

Okay. And my other question is on MyLendingTree.com. Do you have any statistics as to how far out you are seeing customer engagements? Are they staying with you more than three months or six months out?



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Gabe Dalporto - *LendingTree, Inc. - CFO*

Yes, sorry, just to your math, \$95 million times four is \$380 million. It's not \$390 million, so there's --.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

And that's the bottom of the range.

Gabe Dalporto - *LendingTree, Inc. - CFO*

Yes, right. So My LendingTree, yes, the remarkable thing that we have seen is that even if you go back to the tranches of customers we signed up two years ago, they are still active and contributing at not-to-different levels than newer customers. So there does seem to -- and this is really good news for us -- there does seem to be some persistence in terms of the monetization of these tranches over time.

Hamed Khorsand - *BWS Financial - Analyst*

Okay. That's it for me. Thank you.

Gabe Dalporto - *LendingTree, Inc. - CFO*

Yes. That's actually a really great question and the results are really exciting for us. The fact that we can sign someone up and that tranche of customers monetizes over the long term is exactly the model here and that's what we are seeing.

Hamed Khorsand - *BWS Financial - Analyst*

I appreciate it. Thank you.

Operator

Mike Grondahl, Northland Securities.

Mike Grondahl - *Northland Securities - Analyst*

Thanks for taking my questions, guys. Just two. One, could you mention a little bit more second exchange and what your outlook is for that? I think that's the first time I heard it. And secondly, what are the steps you have to take to really restart that home equity business?

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Okay, both really, really great questions. So we talked a little bit about second exchange and we are not going to give specific numbers on it because it's baked into obviously the mortgage numbers and baked into the overall. Think of this, as I said, similar to the long tail on Google.

What the second exchange does is simply this. We go into lenders and we say, okay, who are you buying from. And let's just take a hypothetical lender says I spend \$1 million a month with you and I spend \$700,000 of a smattering across 10 different other much smaller and less effective mini LendingTrees or lead generators or affiliates or marketplaces or whatever you want to call them. They all have different models. And you can guess who those types of folks are.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

And we say, well, for that other spend, that \$0.5 million you are spending, talk me through your cost to get each customer and talk me through your conversion economics and then we go endeavor to drive that type of volume to replace that spend at that lender. So this is rough math, but let's say that -- a given LendingTree customer, they are going to pay \$20 for it -- it's obviously more; I'm just making up numbers -- and they are going to have a higher conversion rate. Well, our competitors will sell them lower converting volume, again typically coming from broad reach display websites or affiliate traffic, and they will sell it at a lower price and it will have lower conversion rates. But some lenders have gotten really, really good at doing that type of conversion through call center technologies, etc.

So we go in and we get a commitment from the lender to replace the spend from our competitors with spend from us, and we go out and we do the marketing tactics. Think of it -- if we are Toyota, we sell both Lexuses and Corollas, and it was a pretty a-ha moment for us to realize that while LendingTree overall wants to -- what LendingTree overall wants to do is make sure that what we sell to lenders is as represented.

So traditionally, LendingTree has focused on only higher converting traffic, but at the same time and again taking a page out of Google, Google's syndication network drives lower converting volume, but at a much lower price. So the end economics to the advertiser is still the same and it helped Google gain a lot of share, and it's helping us grab a lot of wallet share, which is then helping us sop up the marketing, which is why you are seeing our growth rate continue to go up, and why you are seeing all of our competitors on the marketplace side in pretty significant pain.

Mike Grondahl - Northland Securities - Analyst

That's very helpful. That's great wallet share play.

Doug Lebda - LendingTree, Inc. - Chairman & CEO

You got it.

Mike Grondahl - Northland Securities - Analyst

And then, hey, just quickly, the steps to restart the home equity business?

Doug Lebda - LendingTree, Inc. - Chairman & CEO

Great question. So home equity will happen just like any other new product. I hate to use the word launch because if you go back, I could -- if you go back and look at our year 2000 annual report, we talked about credit card, we talked about personal loans. We talked about home equity, auto, mortgage, etc. So they are always there. Home equity only went away because equity went away. So when people -- when the housing market crashed, there was no equity in people's homes, so there was nothing to borrow against on the second mortgage side. And lenders had a lot of losses.

Well, as equity increased, these lenders just come right back in and obviously, we are working today off of so-called free traffic that comes in because we always get a lot of just normal traffic coming to LendingTree or [cross] spillover from other loan types, but we are running some specific home equity ads. So all we need to do is bring back the lenders that used to be on. Keep in mind that used to be a -- home equity in 2006, 2007 and 2008 is what the automation is on personal loans and small business today, except that it was done by the major banks in the United States and the major non-bank financial entities and they did it really, really well with extremely high conversion rates and great underwriting.

So all we have to do there is bring the lenders back, and we know every marketing trick because we did it for many, many years. If you look at our most famous ad from back in those days, it was a home equity ad. And it's just getting the lenders and then stepping on the marketing gas and home equity is going to be fine as long as there's equity.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

Mike Grondahl - Northland Securities - Analyst

Got it. Thank you.

Operator

Neil Doshi, Mizuho.

Neil Doshi - Mizuho Securities - Analyst

Great. Thanks, Doug. Doug, on the credit card side, each company seems to come up with their unique angle. What are you guys doing to really differentiate the product on the credit card side?

Doug Lebda - LendingTree, Inc. - Chairman & CEO

It's a great question. Listen, on the marketing side, we are differentiating because of the brand. On the product side, the differentiation is really My LendingTree. Now, one could argue that Credit Karma is very similar to that, which they are. For the core comparison shopping experience, I will also readily admit that if you went to LendingTree, creditcards.com or any other competitors, they are actually fairly similar.

The differentiation comes on either having a repeat customer business on My LendingTree, and obviously bank rates (inaudible) my bank rate too, and it comes from your marketing techniques, and LendingTree being able to leverage the brand cannot just be a one trick pony in marketing, but to be really marketing across the waterfront.

The user experience on credit card is largely the same. It's a clickout model where they apply, but the LendingTree brand means that we can have a much bigger business. Now I will add that what you do is you get a prequalification product. And prequalification means that we can actually render results whether you are approved back on the LendingTree site. The issuers do not give you access to that pre-qual product unless you are sending them very high quality traffic that is converting very well and they are tracking your loss rates to make sure that you are sending them people that actually do that.

And the fact that we've cracked the code with one pre-qual issuer means we're going to get a lot more. It's going to dramatically improve the user experience. It's going to dramatically improve conversion rates. Conversion rates are dramatically going to improve monetization, which means we can step on the marketing gas even more.

Neil Doshi - Mizuho Securities - Analyst

Great. And then, Doug, in terms of marketing, how are the social channels working for you guys, and is that an area where you can really push the gas and get better ROI versus some of the typical online channels?

Doug Lebda - LendingTree, Inc. - Chairman & CEO

I'm going to let Gabe, who is our CFO and former CMO, answer that one.

Gabe Dalporto - LendingTree, Inc. - CFO

Sure. So social is really exciting for us. It is a decent channel for us today with tremendous upside. And we've got a full team on that and we are working through all the different levers at our disposal to scale. But if you look at the size of Facebook and all the other social platforms, they are massive. There's an enormous amount of media there and there's an enormous amount of data there, and so as we kind of mine the data and build

MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

our models on the targeting, we get much, much more precise in who we are hitting, and as we improve our creative and segmentation, we get much better click rates and monetization. So I'd say social we are absolutely there; we are absolutely making money there, but it could be much larger as we scale that channel.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

And the only last thing I would do is somewhat tongue-in-cheek, but when we went out for a CMO search, I was wondering if we could get somebody as good as Gabe, and Sam Yount might actually be better. And he's doing a great job leading the team and making tremendous progress, and it's great having Gabe here because now analytics is sitting in his function, which is also helping to drive marketing. And it's just getting better.

The other thing I'd add to the team, we have a CTO in [Paul Tima], who we are going to put out there publicly who is going to -- he came from LinkedIn. He's an entrepreneur. He's going to dramatically take our technology, I always hate to say to the next level, but in this instance it really matters. It's going to really improve throughput and just raise the whole game of our tech team.

Neil Doshi - *Mizuho Securities - Analyst*

Great. Thanks, Doug. Thanks, Gabe.

Operator

Blake Harper, Topeka Capital Markets.

Blake Harper - *Topeka Capital Markets - Analyst*

Hi, guys. Just one quick one here. Just wanted to ask you about the mobile SEM slots. We've seen Google has expanded the number of slots on the mobile side this year and just wanted to see, Doug, if you could explain how your marketing team has navigated that, whether it's been more competitive or less and how pricing has changed, specifically on the mobile SEM.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Yes, so let me answer that.

Gabe Dalporto - *LendingTree, Inc. - CFO*

Yes, so let me answer that. Google has changed not just on mobile but on desktop the representation of ads. They've gone and refactored that. We honestly haven't seen a very big impact of changes. We are typically one of the higher-ranked advertisers in most categories and that tends to -- the changes, I think, particularly in desktop, affected more the right rail, but I think mobile -- I don't think we've noticed much of a difference either.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

The only thing I'd add to that is, and I knew this when I was at IAC and we had [asked], obviously adding more, just like if LendingTree matched you with six lenders instead of four, we are going to have more money into LendingTree, but at the same time as a marketplace, which Google is, you've got to watch the conversion rate and the end economics of the competitors, or of your advertisers, because the bids could be reduced.

MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

So at the end of the day, you can adjust bids to still maintain very high profitability, but the important thing for us is that our brand inside of Google means that we can be one of the top-ranked spots. And quite frankly, if they added a fifth spot, there are areas where we can -- where we might not have been able to play before, but we can probably buy that fifth slot for a very low fee, very low bid, and pick up volume that we didn't get before. So I think it's -- might actually be an opportunity, but we haven't witnessed any issues yet.

Blake Harper - *Topeka Capital Markets - Analyst*

Great. Thanks, guys.

Operator

I'm showing no further questions. I would now like to turn the call back to Doug Lebda for any further remarks.

Doug Lebda - *LendingTree, Inc. - Chairman & CEO*

Thank you very much and thank you all for your attention. And we look forward to reporting hopefully continued great results. I was looking back at where we were a few years ago and how far we've come, and it's pretty remarkable how rapidly this Company has grown revenue, how rapidly this Company has grown earnings and it's really a tribute to the entire team here and those partnerships with our lenders and we are hitting on all cylinders. And I could not be more pleased with where we are and I could not be more pleased with the prospects going forward.

Obviously there's noise in the system based on individual lenders. And all I can tell you is again that's why we are a marketplace and not a lender. If we were NASDAQ and a hedge fund out there has a bad quarter because they picked the wrong stocks, which is essentially the equivalent of what our lenders do, that doesn't reduce trading volume on NASDAQ because there's other market participants. So what we want to do is continue to add lenders, continue to add market participants, continue to increase coverage and then continue to leverage the LendingTree brand.

And then the only thing I would encourage people to think about is keep thinking about a dollar is a dollar is a dollar. Just like Google has both head terms and the long tail, just as Google has diversification of the advertiser base, that is the exact same thing with LendingTree and some quarters mortgage is going to do great -- and by the way, that's not a bad thing because that's money. And as your former CPA/CFO thinks of it -- or CEO thinks about -- we want to make money, and we want to make money the right way. And that's what we are going to do.

It's still very early days in this industry. We are perfectly perfectly positioned versus all of the other marketplace competitors and lending is moving online and it's a mix of startups and non-startups, but that automation is going to continue to go through and work its way through the industry, particularly at the big banks because they are not going to get left behind, and we look forward to proving that for you every month and every quarter.

And as you know, as a shareholder, I am right there with you, but I've never been more thrilled with where we are as a shareholder and what we are doing for our shareholders, customers and lenders. So with that, thank you very much.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes today's program. You may all disconnect. Everyone, have a great day.



MAY 04, 2016 / 1:00PM, TREE - Q1 2016 LendingTree Inc Earnings Call

DISCLAIMER

Thomson Reuters reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON REUTERS OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2016, Thomson Reuters. All Rights Reserved.