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Q3 2023 NerdWallet Inc Earnings Call

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PRESENTATION

Operator

Good day and thank you for standing by, and welcome to the NerdWallet third-quarter 2023 earnings call. (Operator Instructions)

Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Caitlin MacNamee, Investor Relations.

Caitlin MacNamee ***NerdWallet, Inc. - Senior Director, Finance & IR***

Thank you, operator. Welcome to the NerdWallet Q3 2023 earnings call. Joining us today are Co-Founder and Chief Executive Officer, Tim Chen; and Chief Financial Officer, Lauren StClair. Our press release and shareholder letter are available on our Investor Relations website, and a replay of this update will also be available following the conclusion of today's call.

We intend to use our Investor Relations website as a means of disclosing certain material information and complying with disclosure obligations under SEC Regulation FD from time to time. As a reminder, today's call is being webcast live and recorded.

Before we begin today's remarks and question-and-answer session, I would like to remind you that certain statements made during this call may relate to future events and expectations, and as such, constitute forward-looking statements. Actual results and performance may differ from those expressed or implied by these forward-looking statements as a result of various risks and uncertainties, including the risk factors discussed in reports filed or to be filed with the SEC.

We urge you to consider these risk factors and remind you that we undertake no obligation to update the information provided on this call to reflect subsequent events or circumstances. You should be aware that these statements should not be considered a guarantee of future performance.

Furthermore, during this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release, except where we are unable, without reasonable efforts, to calculate certain reconciling items with confidence.

With that, I will now turn it over to Tim Chen, our Co-Founder and CEO of NerdWallet. Tim?

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Thanks, Caitlin. NerdWallet is rapidly approaching our second anniversary as a public company. And each quarter, I've enjoyed the opportunity to reflect on our progress with the goal of providing you, our shareholders, with the same clarity and confidence our Nerds strive to offer our consumers.

I'm pleased to report our strong audience growth in Q3, with monthly unique users up 22% year over year and record traffic to travel content and personal loans. As we noted last quarter, we are taking share in a large and growing market independent of macroeconomic factors. Our primary addressable market, which is US financial services/digital advertising, is expanding with a 2022 three-year CAGR of approximately 23%.

Meanwhile, NerdWallet's share in this growing market has also increased with a three-year CAGR of 33%. We've consistently said that over 70% of our traffic comes organically or unpaid to our site. And that remains true today. But we recognize that our investment in sales and marketing has been roughly 70% of revenue in recent periods. So we wanted to walk you through our short- and long-term decision-making on those investments as well as how they'll scale over time.

I'd also point you to our shareholder letter as well as the historical financial data spreadsheet that we've posted to our IR website today for a double-click of sales and marketing expense allocation. Our trailing 12 month sales and marketing comprises roughly 50% expenses that are fixed in nature. The remaining half is performance marketing, which is variable in nature.

Given there is little cost associated with serving an incremental organic visitor, there should be meaningful margin leverage as organic traffic scales. Conversely, paid visitors have lower incremental margins. Out of the 50% of trailing 12 months sales and marketing expenses that we consider relatively fixed in nature, over 20 points are brand marketing -- over 20 points are people-related costs with the remainder primarily in amortization of M&A.

The headcount, which is within the organic and other portion of our sales and marketing, includes content, sales, and our marketing and business leaders. We consider the brand portion to be fixed in nature as well. Because there's a natural equilibrium point where spending more on brand does not drive a 12- to 24-month payback that we can measure with an adequate degree of confidence. While this equilibrium point will vary from year to year, you can see that our trailing 12-month brand spend is down roughly 20% versus the prior comparable period. So we are already finding more efficiencies.

Performance marketing, where you've seen us growing aggressively over the past year, is a variable cost and at a relatively lower incremental margin. However, we are in-quarter profitable on this spend. So we feel good continuing to take share in this channel and we view it as a means to an end as we look to register a portion of that traffic.

With this in mind, we beat our revenue and profitability guidance this quarter, but we continue to see opportunities to more effectively and efficiently serve our growing audience of MUUs as the macro recovers. To that end, our Nerds has spent the quarter engaged in developing products and initiatives that further our vision for a trusted financial ecosystem. We're a single platform where consumers and SMBs can learn, shop, and make decisions about their finances.

More specifically, our Nerds have focused their efforts within our three growth pillars, land-and-expand, vertical integration, and registrations and data-driven engagement with their progress moving us closer to our vision. Within land-and-expand, we continue to leverage our organic playbook and trusted brand to help more people in more ways. This quarter, our international team continued our expansion into Canada, making meaningful progress with 87% year over year MUU growth while onboarding financial partners to pave the way for increased monetization.

At the same time, the team has steadily ramp their efforts in Australia to position their wallet as an emerging player in this international market. For our large US audience, we continue to extend our footprint to new financial topics, providing consumers with actionable guidance in our business with new monetization, registration, and cross-sell opportunities.

In Q3, we lapped our acquisition of On The Barrelhead or OTB, one of our most significant examples of vertical integration where the process by which we pair NerdWallet's reach with best-in-class user experiences.

This quarter, our credit cards vertical leveraged OTB's technology to launch a new product, which helps match consumers with personalized, prequalified offers for credit cards based on their credit score and preferences. With this product, we are not only able to extend our guidance to sub- and near-prime consumers for whom qualification is a key consideration when shopping for credit cards, we are also able to register and collect data from more shoppers, creating opportunities for future engagement and cross-sell offerings.

Registration and data-driven engagement will fuel our ecosystem. With a robust and growing audience, we are investing in critical initiatives to register and engage a growing portion of our addressable market. Ultimately, this will enable us to build a strong base of highly engaged users who turn and return to the NerdWallet ecosystem for all of their money questions and financial product needs.

In Q3, a diverse range of efforts from optimized registration prompts to NerdWallet app enhancements to newsletter offerings grew our registered user base by 38% year over year. At the same time, we have launched several bolder consumer offerings that allow us to build deeper relationships with our consumers, with the intention of testing a variety of product hypotheses over time.

Following on our launch of the Nerd AI chat bot beta in Q2, we've now incorporated registration prompts into our chat bot model to funnel consumers to NerdWallet membership offerings related to their questions. And notably today, we launched NerdUp by NerdWallet, a secured credit card, intended to help users build their credit history.

While we do not strive to offer our own financial products, our team felt we could design a unique product by leveraging our existing distribution channels to reduce costs. In doing so, we believe we can create a win-win-win for consumers, traditional card issuers, and NerdWallet.

For consumers, we can pass on our lower costs with a secured card that requires a low-minimum deposit, no annual fees, and no credit check, while also offering cashback rewards, helping consumers build good credit behavior and unlock new credit opportunities.

For card issuers, we hope to deliver long-term value by connecting them with newly eligible consumers who now qualify for more traditional products and services. And throughout this process, we will establish meaningful engaged relationships with NerdUp users within our trusted ecosystem.

I am proud of the work we've done this quarter and the many ways in which we are capitalizing on our competitive advantages in brand and reach, with product investments that set us up well for the macro recovery.

With that, I'll pass it over to Lauren.

Lauren StClair *NerdWallet, Inc. - CFO*

Thanks, Tim. We're proud of the quarter that we achieved delivering Q3 revenue of $153 million, up 7% year over year and above the high end of our guidance. We saw stabilizing performance in some of our more challenged verticals, such as credit cards, as well as positive momentum in our loans verticals.

Let's take a deeper look at the revenue performance during the quarter within each category. Credit cards delivered Q3 revenue of $54 million, declining 6% year over year. As we mentioned last quarter, issuers pulled back primarily in balance sheet intensive areas, such as balance transfer cards, and that dynamic persisted in Q3.

Consumer demand remained healthy, and we've continued to deliver high-quality matches to financial institutions. And we believe the strength we've seen in matches indicates we are still taking share of the overall market.

Issuer behavior has remained consistent. And while we believe that current conservative trends will continue during Q4, we will be lapping a tougher comparison period as we were still seeing pricing recovery through the end of 2022. As we look beyond the near term, past cycles would indicate that we should see a period of above-trend growth when card issuers regain confidence and begin taking advantage of our high levels of consumer engagement.

Loans generated Q3 revenue of $33 million, growing 16% year over year, the first quarter of overall loans growth since Q1 2022. This growth acceleration was in the face of almost a full quarter of organic growth comparison as we surpassed the one-year anniversary of our OTB acquisition during mid-July. This is most prominent in personal loans, which saw another quarter of accelerating growth in Q3, achieved through continued integration and optimization of OTB's technology, as well as our improved ability to align consumer demand more effectively with financial service providers.

Partially offsetting this, our mortgage vertical continued to be pressured by the rising interest rate environment. While still declining on a year-over-year basis in Q3, we expect growth rate improvements due to easier comps in future quarters. Though, given current interest rates, we do not expect a material recovery in the near term.

We also saw a return to growth within our student loans vertical, though this was primarily due to the back-to-school season impact of loan originations. While refinance demand has started to moderately pick up, it still remains well below historical levels, and we have muted expectations of near-term benefits combined with the fact that Q3 is a seasonally strong quarter for originations.

Finally, other verticals finished Q3 with revenue of $66 million, growing 16% year over year. Banking grew 43% year over year, decelerating versus previous quarters as we begin to compare to last year's high-growth levels, combined with signs of softening consumer demand as interest rate increases slow.

As mentioned last quarter, we believe we've been over earning a bit in our banking vertical and continued high demand was one of the drivers of our overperformance versus Q3 guidance. As consumer interest starts to moderate, growth should slow further with near-term expectations of year-over-year decline.

SMB revenue grew 6% year over year as we are seeing some conservative underwriting for SMBs impact our growth rates, combined with tougher comparisons from last year. Growth in other verticals was partially offset by headwinds in insurance. And as we guided to last quarter, it is now declining 23% year over year as carriers face ongoing profitability pressure and we expect these headwinds to continue through Q4.

Moving on to investments and profitability. During Q3, we earned $27 million of adjusted EBITDA and an 18% margin, up over 7 points year over year. We also earned $10 million of non-GAAP operating income at a 6% margin. We had a GAAP net loss of $1 million, which includes a $5 million income tax provision.

Similar to what we mentioned last quarter, we expect to be in a tax expense position for the remainder of the year and also expect to be a cash taxpayer for the foreseeable future. Please refer to today's earnings press release for a full reconciliation of our GAAP to non-GAAP measures.

Consumers continue to turn to the Nerds for their money questions. We provided trustworthy guidance to 24 million average monthly unique users in Q3, up 22% year over year. Growth was a result of the strength in many areas across NerdWallet, such as travel, banking, investing, and personal loans.

We are seeing consistently strong consumer demand for both our learn-and-shop content and expect MUU growth to outpace revenue growth for the remainder of the year. Despite near-term monetization pressures, we anticipate that the strength in consumer engagement, combined with our matching technology, will accelerate our growth when financial service provider demand returns.

Onto our financial outlook, as we prepare to close out the end of 2023, we expect to deliver fourth-quarter revenue in the range of $136 million to $140 million, which at the midpoint would decline 3% versus prior year. This also implies approximately 12% revenue growth for the full-year 2023.

To level set on our normalized revenue cadence, during pre-COVID years, our business had typically seen a seasonal decline from Q3 to Q4, driven by areas such as credit cards, student loans, and mortgages. But when we look back to 2022, credit cards had a stronger-than-typical Q4 due to the continued pricing recovery.

Banking was benefiting from stronger-than-normal deposit demand during the rapidly rising interest rate environment. And insurance accelerated due to better macrodynamics. This year, our quarterly revenue guidance assumes a slightly-higher-than-normal seasonal decline from Q3 to Q4, driven by banking as consumer demand begins to moderate. We expect to have another quarter of strong engagement and financial service providers continue to value the quality of our consumers, putting us in a position of relative strength as we await a sustained macro recovery.

Moving to profitability, we expect Q4 adjusted EBITDA in the range of $30 million to $33 million or approximately 23% of revenue at the midpoint, a 1 point increase versus prior year. The majority of our brand spend occurred during the first three quarters of this year, and we currently expect to have minimal brand spend in the fourth quarter.

As a result, our expected Q4 adjusted EBITDA margin will be higher than the first three quarters of this year -- though the year-over-year margin accretion is less than what we saw in Q3, driven by a smaller year-over-year benefit from brand spend reduction, combined with lower organic revenue growth from banking and student loans.

At the midpoint of our Q4 guidance, our annual adjusted EBITDA margin would be approximately 16.5% of revenue, a 4 point increase versus the prior year. We also expect to deliver approximately 4.5% of non-GAAP OI margin for the full-year 2023.

Our dedication to delivering margin improvement in the face of significant revenue deceleration showcases the flexibility of our business model. And we are increasing our expectation for 2024 full-year non-GAAP OI margins from mid-single digits to mid- to high-single digits. We'll provide you a deeper update on our 2024 expectations when we report Q4 results.

Finally, a quick update on capital allocation. First, we recently announced that we entered into a newly upsized credit facility with $125 million available to be used. This was done in advance of the expiration of our previous facility and gives us the increased financial flexibility to pursue our growth strategies.

We also repurchased $10.8 million of our Class A shares during the quarter at an average price of $8.95 per share. After the end of the third quarter, we completed repurchases for the remainder of our previous authorization. And we announced today that our Board has approved an additional authorization of $30 million to be used opportunistically.

We will continue to take a pragmatic and data-driven approach to determining when we believe the appropriate time is to deploy capital for any of our capital allocation options. And you should expect us to balance between them during periods of macroeconomic uncertainty and idiosyncratic situations.

We will continue to take a long-term view, prioritizing consumer trust, while continuing to diversify and improve our product experiences from cycle to cycle. Our growing consumer mindshare, strong traffic, and brand signals give us confidence that as macroeconomic conditions recover, our ability to meet consumer needs will compound our value over time.

With that, we're ready for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jed Kelly, Oppenheimer.

Jed Kelly *Oppenheimer & Co. - Analyst*

Hey. Great. Thanks for taking my question. Two, if I may. Just circling back to the shareholder letter, it seems from some of the commentary, you're kind of focusing on some of the call it subprime consumers where NerdWallet historically has been more of a prime or super-prime. So can you just talk about that strategy?

And then, Lauren, you just mentioned raising your operating income expectation, margin expectations to high-single digits. Can you talk about some of the confidence that gave you to do this just in this uncertain environment?

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Hey, Jed. I'll take the first one. Yes, historically, NerdWallet has really served a broad swath of consumers. Our monetization has been disproportionately oriented towards prime consumers due kind of the nature of the products they qualify for and the LTV of those products to the issuers, lenders, insurers, et cetera.

We think that this is just a natural evolution in serving our broader consumer base better. Helping a group of consumers understand what they qualify for and helping them build credit is just kind of a natural extension of our mission. And so very excited to dive deeper into that through both products like NerdUp, but also more matching-oriented credit card flows.

Lauren StClair ***NerdWallet, Inc. - CFO***

Great. And to the second part of your question, Jed, as we mentioned in the prepared remarks, we now believe that we can get to mid- to high-single digits on our non-GAAP operating income margin. Given the high incremental margins we have as a result of our organic traffic, we're confident that we can get to this margin in a mixed macroenvironment, similar to what you saw us do actually in the second half of 2020.

And if we think about sort of longer-term, I know we've talked a lot about 70% of our traffic coming through organic channels, which gives us high incremental margins. And over the long term, we expect our margins that will return to and eventually surpass 2019 levels for the adjusted EBITDA. And we'll get leverage on the portion of our cost base that is relatively fixed in nature.

So one, we've talked in past about hitting a logical ceiling on our brand spend; two, we no longer have the step change in G&A expenses as a result of becoming public; three, we continue to gain leverage in areas such as R&D and the organic and other portion of our sales and marketing. So we're proud to have delivered consistent margin accretion on an annual basis since our IPO in late '21, even in difficult macroenvironments. And we expect this trend to continue into 2024.

Jed Kelly ***Oppenheimer & Co. - Analyst***

Thank you.

Operator

Youssef Squali, Truist.

Youssef Squali ***Truist Securities - Analyst***

Excellent. Thank you. Two questions from me, please, as well. So, Tim, can you maybe just tell us in your conversations with card issuers, there aren't that many basically that kind of control the market. What are you hearing from them? What are the signals that they're kind of waiting to see before they can reaccelerate the spend? I think you talked about maybe particular cards or balance transfers that were not as much in favor. So maybe just kind of fill us in on some color there.

And then with regards to AI, can you maybe just help us understand how you guys are leveraging AI, both in terms of as a cost mitigant for your internal operations maybe content creation, but also in terms of improving marketing efficiency, particularly on the variable, the performance marketing side of things? Thank you.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

So on the issuer side, we continue to see headwinds. We're seeing a pretty similar environment to last quarter with some marginal puts-and-takes in terms of positives and negatives from the issuers. The general sentiment is credit quality is doing okay. It's normalizing towards pre-pandemic levels, kind of as expected, but banks have some unknown unknowns they're worried about and continue to be conservative in terms of managing their balance sheet.

So for example, Basel 3 endgame is looking pretty onerous as currently proposed in terms of increased capital ratio requirements, and there's just some uncertainty about what higher for longer rates could break in the financial system.

So on balance, it's looking pretty similar to last quarter. Big picture, we think we're underearning in cards. But at the same time, it's hard to predict the exact timing of when the issuers go back to more normalized customer acquisition patterns.

And as we take a step back, we really think about seeing single-digit market share in overall card originations and seeing ample opportunities to grow that by doing things like registering users, reengaging them, and increasing conversion rates.

And yeah, on the AI question, you raised two pretty important drivers there. I'd say on the efficiency side, that's certainly something that we're looking at across every function of the business. I'm sure every business out there is looking at different ways to use AI to increase productivity. And so it's pretty broad reaching. There's a lot of experimentation and learning going on.

And then in terms of actually delivering better user experiences, that's pretty exciting for us as well. It's actually helping us to both register and engage more users. We recently incorporated registration prompts into our Nerd AI chat bot to funnel consumers to membership offerings related to their questions.

These embedded registration prompts allow for more personalized conversations and tailored guidance while creating unique revenue and engagement opportunities for us. The Nerd AI chat bot is also doing a better job of getting users to the most relevant user experience on NerdWallet. So AI is already helping us register more users and engage more users. And there's going to be more to come.

Youssef Squali ***Truist Securities - Analyst***

Thanks. That's helpful.

Operator

Justin Patterson, KeyBanc.

Justin Patterson ***KeyBanc Capital Markets Inc. - Analyst***

Great. Thank you very much. Good afternoon. Tim, I wanted to go back to the letter and just talk about some of the product initiatives that you've called out verticalization. Sounds like a pretty big unlock within the credit card segment, rolling up the OTB product there. That's often dovetailing with some really just healthy monthly traffic growth to the site.

So would love to hear a little bit more about just how you envision what seems like a faster cadence to just product updates on the company, really influencing traffic growth the next few years, and in turn, positioning you for growth whenever market conditions do stabilize. Thank you.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Yes. So I always would point to page 2 of our shareholder letter as a reference point around our growth pillars and kind of how we think about our product initiative buckets. I'd say, for example, with user registrations, we've been prioritizing user registrations as a focus area. We're making good headway and are growing 38% year over year in terms of our cumulative registered users.

And unsurprisingly, we see that personalization drives engagement. The key to driving personalization is first-party data and a major factor in capturing first-party data is registration. So from a product perspective, we're consistently improving registration on-ramps throughout the site.

I just talked about adding them into our Nerd AI experience as well as improving personalized nudges when consumers have an opportunity to make a smart money move. And we're also focusing on areas of high consumer interest like banking or taxes. Yeah, you gotta catch the fish while they're biting.

And so we're adding even more relevant and personalized reasons to register. And we've seen improvements in registration rates when we do this. And so really still in early days of building out the ecosystem, but trying to build as much velocity as we can across all three growth pillars in our product initiatives, including things like NerdUp is kind of how we're thinking about it.

Lauren StClair ***NerdWallet, Inc. - CFO***

Yeah. Maybe I'll just add a quick comment. Yes, we're very excited about the Q3 MUU growth that we saw. A lot of that strength comes from verticals where we see high consumer intent as well as product improvements. And similar to areas where we see revenue growth, we saw growth in MUUs like banking.

And we also saw consumer interest in areas like investing and traveling. And linking that back to your question around product initiatives, remember, people come to us to learn, shop, and manage, which means not all visits are going to result in a monetizing event. But part of that is to reengage users, build the trust, and continue to build that relationship. So that when they are in the market for a financial product, they'll think of NerdWallet first.

Justin Patterson ***KeyBanc Capital Markets Inc. - Analyst***

Got it. And if I can slip in a quick follow-up, NerdUp is obviously a very different product than what you've had historically. But are there any economic considerations we should be thinking about just for this affecting the model going forward? Thank you.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Yes. So first and foremost, we think hard about the fact that trust and objectivity underpins our brands value. So we thought really hard about this before launching NerdUp.

So in terms of the economic model, it really is something to speak to. Traditionally, credit card issuers make money on swipe fees, annual fees, late fees, and by charging interest on revolving balances. And we're taking a pretty different approach to this business. We want to effectively give most of those economics back to the consumer in the form of no annual fees, low minimum balances, cashback rewards, and instead just focus on helping a broad base of consumers improve their credit scores.

So this really nurtures an engaged audience for us and we hope to refer that audience back to the issuers and lenders we partner with when consumers build up their credit and qualify for unsecured products. And that's really the win-win-win that I think is -- we're uniquely positioned to offer. Our consumers build that credit, card issuers get access to this pool of qualified candidates, and we've got a larger base of engaged users. And I think as we think forward about other products, we'd really be thinking the same way about any products we launch in the future.

Justin Patterson ***KeyBanc Capital Markets Inc. - Analyst***

Great. Thank you both.

Operator

Ross Sandler, Barclays.

Ross Sandler ***Barclays Investment Bank - Analyst***

Great. Hey, Lauren, just one clarification question, and then Tim, a big picture question. On the clarification, did I hear you correctly that loans is supposed to decline year on year going forward after growing 43% this quarter? I know we have tough comps there, which makes sense. Or is that like the overall other segment is going to be declining? Just any clarity there.

And then, Tim, the MUU growth combined with this sharp decel in performance and the negative 6% year on year for sales and marketing as a total, you talked a little bit about that. But does that more reflect the demand environment being tough and when that demand environment picks back up, we plan on leaning in? Or is there new-found efficiency or some kind of new philosophy that we might not need as much performance marketing intensity go forward because all these other things like new categories and nudges and better registrations, et cetera, are finally kicking in? Any thoughts, just philosophically, on that?

Lauren StClair ***NerdWallet, Inc. - CFO***

All right. Let me start with the clarification. And so in Q3, loans grew 16%. And we said that was the first quarter of overall loans growth since Q1 of 2022.

And then maybe I'll just to clarify, I'll just reiterate our guidance and maybe explain that a little bit more and some of the drivers. So the Q4 guidance is $136 million to $140 million, which at the midpoint, declines 3% year over year.

And maybe some context. From Q3 to Q4, we tend to see normal seasonality of high-single-digit decline quarter over quarter, which in a normal year is driven by credit cards, student loans, and mortgages.

Last year, we did not see the normal seasonality, though, for three big reasons. One, there was a smaller seasonal decline in credit cards as pricing recovery continued from the lows of 2020. Banking was benefiting from stronger-than-normal deposit demand during the rapidly rising interest rate environment. And the third dynamic is that insurance picked up from better macrodynamics as well as some of the internal product changes we've made.

So this year, what we called out is that our Q3 to Q4 seasonal decline implied by our guidance is actually a little higher than usual, driven by the pressure in banking as consumer demand starts to moderate given the stabilizing interest rate environment.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Yeah. In terms of the sales and marketing getting more efficient year over year while MUUs are still growing nicely, I mean, I'd say big picture, our consumer demand is strong. I think where we're really seeing headwinds are on the ability to monetize that demand for some of the reasons we mentioned.

I think one area particularly worth double-clicking into from a sales and marketing perspective is brand marketing. We're down year over year in brand marketing. And I'd say there's really two reasons. First, it's a tough macro for monetization. And so when it's tougher to monetize, we pull back a bit because we're trying to maintain discipline around payback hurdles on that brand spend.

And, second, we're still getting better at this; we're relatively new to this. With 2022 being our first full year of spending on brand campaigns, we've learned a few things. And that means we're going to get smarter about our creative and where we spend and when we spend. So we can get a bigger bang for our buck.

Really excited, though, that despite that, we are exiting this quarter with record brand awareness levels and our highest-ever quarter of MUUs, along with that 38% growth in cumulative reg. So that's all in despite lower spending.

Operator

Ralph Schackart, William Blair.

Ralph Schackart ***William Blair - Analyst***

Good afternoon. Thanks for taking the question. First question, maybe if you could provide some color if you could, please, on what you're seeing in terms of lead volumes versus pricing, maybe some perspective across some of the different products or verticals.

And then just a follow-up to that. On the call, you talked about integrating OTB technology into loans. Just more color on what's driving that performance or what you expect that technology to do? Or just any more color, and more specifically, how it's helping drive loans? Thank you.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Yes. I'll speak broadly about pricing. I mean, our ability to monetize is most impaired right now in insurance. And I'd say some parts of cards that are more balance sheet intensive. So those are kind of the primary areas to think about.

I mean, of course, we've got headwinds in other areas driven by increasing rates. But that's more consumer demand impact rather than the ability to monetize impact. And with the OTB performance, yeah, so as we fully integrate OTB, we're getting better and better at essentially asking people questions and then registering them and then matching them to the right loan product.

And so you can imagine that this could apply to a lot of different verticals, not just within personal loans. We're certainly seeing the benefit in personal loans first. But this quarter, we launched that product in credit cards that uses that same technology platform to really match people better. And I'd say the biggest impacts there are more in the near-prime, subprime area where people are unsure if they qualify and what products they qualify for.

Ralph Schackart ***William Blair - Analyst***

Thanks, Tim.

Operator

(Operator Instructions)

Pete Christiansen, Citi.

Pete Christiansen ***Citi - Analyst***

Good evening. Thanks for the question. Tim, I was just wondering if you could talk about the impressive share gains that you've had in traffic this quarter. Is that actually influencing any behavior of your partners in terms of more campaign activity, more offers, just more deeper penetration in the platform overall.

And then my second question is around the personal loan category. Are you seeing a wide breadth of activity across certain issuers? Or is it more concentrated? Just any color there would be helpful.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Sure. In terms of the share gains, look, it certainly makes it easier to have conversations around integrating. It takes work on both sides, in some cases, to do things like prequalified matching, et cetera. So the more -- the larger our scale and the longer our history of sending over highly qualified referrals that perform well over time, the more incentive financial institutions have to work with us on some of these initiatives.

On the personal loan side, you know, for us, I think it's more a reflection of NerdWallet-driven activities rather than the macro. The macro is really tough right now. I think it's not that different than the past couple of quarters. We see some of the initiatives we're doing really -- having a positive benefit there year over year. So I can't speak to the macro implication of that.

Pete Christiansen ***Citi - Analyst***

That's helpful. Thank you.

Operator

That concludes today's question -- we do have a question from the line of James Faucette with Morgan Stanley.

Michael Infante ***Morgan Stanley - Analyst***

Hi, everyone, it's Michael on for James. I just wanted to ask a quick follow-up question on the monetization of NerdUp. Maybe just unpack how you're thinking about the unit economics there. It wasn't entirely clear to me.

And then as my follow-up there, Tim, I appreciate the comments on just the composition of your sales and marketing investments and the incremental margins there. Do you think the 50/50 mix between fixed and variable costs might change as you sort of hit that natural ceiling on brand spend? Just trying to parse out how incremental margins might evolve over time. Thanks.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

Sure. On NerdUp, I describe it simplistically as on the credit card product itself don't make a ton of money. Because we're essentially paying rewards, offering no annual fees, et cetera. Now if people's credit improves, and they now qualify for an unsecured credit card, we do have our normal referral channels that we can refer them through. And we can potentially make money there. So that's more of our traditional business model. So that's kind of the exciting win-win.

On the sales and marketing mix between fixed and variable, I'd say it depends. The way we look at it, you've got positive incremental margins on both the paid and organic side. The paid side is kind of more dependent on how competitive we are in some of these paid channels versus others.

We certainly think long term about this. If you can have a great registered user experience and generate long, higher LTVs, then you get more and more competitive. So that could definitely be a durable advantage.

Even investments in brand can help you convert. People are familiar with you and trust your brand, that can really give you an advantage there. That's structural.

And then, of course, the organic side is kind of a separate thread, right? It's going to grow at its own rate based on some of the investments we make, both in our core products as well as registration and reengagement. So we'd love to see growth on both sides. It's all positive incrementally. But the exact mix is going to depend on idiosyncratic factors.

Michael Infante ***Morgan Stanley - Analyst***

Got it. Thanks, Tim.

Operator

That concludes today's question-and-answer session. I'd like to turn the call back to management for closing remarks.

Tim Chen ***NerdWallet, Inc. - CEO & Co-Founder***

All right. Thanks all for your questions today. Feel really energized about the opportunities ahead. So we've got continued strength of our reach and brand and our focus on relentlessly improving consumer experiences. And that really positions us to capture even more mindshare and fuel our business for long-term growth.

I wanted to give a huge thanks to the Nerds for their hard work this quarter to help more people in more ways. And at the same time, we remain dedicated to creating value for our wider community reflected in the ESG report we published yesterday, which is available through our IR website. I encourage you to read our report to learn more about NerdWallet's commitments. And with that, we'll see you next quarter.

Operator

This concludes today's conference call. Thank you for participating. You may now disconnect.