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NRDS.OQ - Q3 2025 NerdWallet Inc Earnings Call

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## CORPORATE PARTICIPANTS

**Robb Ferris** *NerdWallet Inc - Vice President for Finance*

**Tim Chen** *NerdWallet Inc - Chairman of the Board, Chief Executive Officer, Founder*

**Jun Lee** *NerdWallet Inc - Chief Financial Officer, Principal Financial Officer*

## CONFERENCE CALL PARTICIPANTS

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

**Ross Sandler** *Barclays Services Corp - Analyst*

**Ralph Schackart** *William Blair Capital Partners - Analyst*

## PRESENTATION

### Operator

Good day and thank you for standing by. Welcome to the NerdWallet Incorporated Q3 2025 earnings call. At this time, all participants are in listen in mode.

After the speaker's presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star 11 on your telephone. You will then hear an automated message advising your hand is raised. To withdraw your question, please star 11 again on your phone. Please be advised that today's conference call is being recorded.

I would like to hand over the conference call to our first speaker, Mr. Rob Ferris, Vice President for finance. Please go ahead.

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### **Robb Ferris** - *NerdWallet Inc - Vice President for Finance*

Thank you, operator. Welcome to the NerdWallet Q3 2025 earnings call. Joining us today are co-founder and Chief Executive Officer Tim Chen and Chief Financial Officer John Lee.

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 FTC 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. Tim.

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**Tim Chen** - *NerdWallet Inc - Chairman of the Board, Chief Executive Officer, Founder*

Thanks, Rob. This quarter, we exceeded our guidance for revenue and non-GAAP operating income.

In a moment, John will talk through our results in more detail and you can also find more information in the earnings release and shareholder letter posted on our investor relations website.

In the meantime, I want to highlight that these results are a testament to two longer-term initiatives extending our reach with consumers and improving operational efficiency.

The first longer-term initiative is our effort to build on our key competitive advantage, our trusted brand and distribution.

While our mission has always been to provide financial guidance to all consumers, our product offerings have historically been geared toward the prime market.

Over the past 12 months, we've undertaken efforts to expand our shopping experiences by offering more products to below prime consumers, broadening our appeal. This has allowed us to scale our performance marketing capabilities, which have in turn offset headwinds in organic search.

Beyond performance marketing, we are seeing momentum with referrals from large language models or LLMs, where our trusted brand has made us the most cited source in our competitive set. Although our traffic from LLMs is currently small, these consumers appear to convert at a much higher rate than traditional organic traffic, so we will continue to invest in growing this channel.

The second longer-term initiative shaping our results this quarter is our focus on operational efficiency, which has allowed us to get more MPG and deliver margin expansion. We are still at an early stage in our journey and have only scratched the surface of our addressable market. The big opportunity we're pursuing is to use our trust and distribution advantages to convert our traffic into a loyal owned audience that we can reengage directly with personalized nudges when there's an opportunity to make a smart money move.

We will do this by making it a no brainer to come to NerdWallet for all your money needs, enhancing our guidance through our land and expand vertical integration and registration and data-driven engagement strategies.

And now I will pass it over to John to cover our financial results in more detail.

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**Jun Lee** - *NerdWallet Inc - Chief Financial Officer, Principal Financial Officer*

Thanks, Tim. As Tim mentioned, our 3rd quarter results exceeded our guidance on all metrics.

As we have discussed over the past couple of quarters, I believe the key drivers of long-term shareholder value creation are sustainable growth, strong free cash flow generation, and disciplined capital allocation.

With growth ahead of expectations, trailing 12 month adjusted free cash flow increasing, and sizable share repurchases in the quarter, our focus is beginning to pay off.

Total revenue in the third quarter was \$215 million of 12% year over year, exceeding our guidance range of \$189 to \$197 million.

Revenue out performance is primarily driven by banking, up 96% year over year, and personal loans up 91% year over year.

Our insurance business was up 3% every year, a bit better than expected.

However, our SMB product and credit cards verticals declined year over year, driven by organic search headwinds.

We delivered 3rd quarter non-GAAP operating income of \$41 million above our \$23 million to \$27 million guidance range.

Notably, we underspent on brand marketing versus our target by \$8 million.

As we re evaluated our brand strategy during the quarter.

In Q4, we expect to return to more typical levels of brand spend.

Excluding this one-time brand spend benefit, our NGOI performance was driven by revenue out performance, improved efficiency in performance marketing and conservative expense management.

GAAP operating income for the 3rd quarter was \$34 million.

Over the last four quarters, we generated over \$85 million of adjusted free cash flow and ended Q3 with a cash balance of \$121 million.

Please refer to today's earnings press release for a full reconciliation of our GAAP to non-GAAP measures.

In terms of capital allocation during the quarter, we completed \$19 million of share repurchases.

Reflecting our confidence in NerdWallet's long-term prospects on our belief that these repurchases were an attractive use of our capital, especially at prevailing share prices.

Looking ahead, we'll continue to focus on creating long-term shareholder value through disciplined capital allocation, including both opportunistic share repurchases and bolt on acquisitions to accelerate our vertical integration strategy.

Going forward, we expect less margin expansion year over year due to organic search headwinds, a lower prior expense base as we fully lap our Q3 2024 reduction in force, and plan investments in the business.

In Q4 we expect to deliver revenue in the range of 207 to \$250 million which at the midpoint will be up 15% versus prior year.

We expect continued strength in banking and personal loans offset by continued degradation in credit cards and SMB.

In terms of profitability, we expect Q4 non-GAAP operating income results in the range of \$20 to \$24 million.

This assumes continued benefit from the improvements we've made to our shopping funnels and operational efficiency.

And that we continue to deploy performance marketing spend to take advantage of verticals with opportunities for profitable growth.

We expect to generate full year 2025 non-GAAP operating income of 91 to \$95 million an increase of \$18 million at the midpoint compared to our previous guidance.

That will open up for questions, operator.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Our first question comes from the line of Justin Patterson from Key Bank. Your line is now open.

Justin, your line is now open for your question.

Just wanted to check if you're able to listen in.

You're currently on mute.

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

Oh sorry, can you hear me now?

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### Operator

Yes, we hear you very well. Please go ahead.

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

Perfect.

Thank you. Sorry about that. I wanted to dive into LLM traffic a little bit more, I realized it's pretty small today, but, very interesting that it's converting at stronger rates. So I'd love to hear about just some of the investments you're making to really grow that channel more and continue conversion.

Thank you.

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**Tim Chen** - *NerdWallet Inc - Chairman of the Board, Chief Executive Officer, Founder*

Yeah, thanks for the question, Justin. I think there are a lot of, similar characteristics with, organic search, that drives LLMs some slight differences in terms of, how they pick up certain context, but. It all comes down to, the trust around the content that we provide, so I think a lot of those investments are actually quite similar to what we've been very strong in historically.

Great, thanks.

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### Operator

Our next question comes from the line of Ross Sandler from Barclay. Your line is now open, Ross.

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**Ross Sandler** - *Barclays Services Corp - Analyst*

Cool, thank you. I'm just following up on that last one, has the growth in LLM traffic been a function of like the overall usage that you see out there for like chat GPT and Gemini, which is kind of like, adding hundreds of millions of users every few months, or is there like something new that's going on whereby, those products might be surfacing links or citations, just any additional, colour on like. You know what's happening today versus maybe a year ago, and then the second question is, so it looks like banking was the, strong category this quarter, can you just unpack that a little bit? Is that deposit? Is that other products, and, you know what's kind of driving that uptick in demand from banking?

Thank you.

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**Tim Chen** - *NerdWallet Inc - Chairman of the Board, Chief Executive Officer, Founder*

Yeah, thanks, Ross. The first, on the first question, I'd say the primary driver, to think about is actually AI overviews, within, Google Search. So, because search is becoming more useful, people are searching a lot more. And so we are seeing traffic come through from AI overviews. Chat GPT and Gemini are also, driving an increase there. So those are kind of the two, major drivers in terms of the LLM traffic.

When people come through that way they're really high intent typically they're, really hell bent on, finding something in a marketplace, for example, so, I think that's what's driving some of the higher, transaction rates there and then on the banking one, we continue to see a lot of strength there both in terms of consumer demand as well as partner demand, even as rates have come in a little bit. So that, and we continue to work on improving our product funnels, to better match users with the right intent, so nothing beyond that.

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**Operator**

Thank you, Ross. Our next question.

Comes from the line of Rob Shackrat from William Blair. Your line is now open.

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**Ralph Schackart** - *William Blair Capital Partners - Analyst*

Good afternoon. Thanks for taking the question. Talk briefly about re evaluating the process or, looking at brand spend. I think you maybe underspent by 8 million or so in the quarter. Sounds like you're going to probably pick that back up next quarter. But the question is, I guess why did you go through the re-evaluation process and what did you learn after going through that process?

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**Tim Chen** - *NerdWallet Inc - Chairman of the Board, Chief Executive Officer, Founder*

Yeah, I'll take that one, brand is our biggest asset, right? And you'll know that.

The brand spend was down significantly because as you mentioned we underspent by 8 million in Q3. We were really just re-evaluating our brand creative strategy during the quarter. Really excited about some things to come in Q4. I won't spoil it for you, but you know we're always trying to figure out how to make things more impactful. So in Q4 we do expect to return to more typical levels of brand spend. Last year's Q4 24 spend is a pretty good proxy.

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**Ralph Schackart** - *William Blair Capital Partners - Analyst*

Right, and just on the the content side of the business, obviously it's been more focused on, sort of the.

Sort of higher end consumer, now that you're looking at, below prime, consumers, we were talking about sort of, does there have to be a major shift in content strategy. Is it pretty easy to do, and we have sort of the products, available as well in the marketplace to sort of meet those needs of the below, prime consumers. Thanks.

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**Tim Chen** - *NerdWallet Inc - Chairman of the Board, Chief Executive Officer, Founder*

Yeah, so I, the way I describe it is we've always had content and products for all consumers including low prime. It's really just historically our monetization has skewed very heavily towards, prime because of, the products that appeared in our marketplace.

So it's really not a new strategy. It's really about filling out our panel of lenders and service providers to run out that marketplace and what we're seeing is the second order impact there is it's making more competitive, making us more competitive in channels like performance marketing, and from a consumer perspective, H1stly we're just, better serving unmet needs, that we weren't serving before, so we feel good about that too.

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**Ralph Schackart** - *William Blair Capital Partners - Analyst*

Great, thanks, Tim.

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**Operator**

Thank you. I'm not showing any further questions at this time. This concludes our Q&A. I would like to turn it back to Tim Chen, CEO and co-founder for NerdWallet.

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**Tim Chen** - *NerdWallet Inc - Chairman of the Board, Chief Executive Officer, Founder*

All right, thanks all for your questions today. As always, I'd like to thank the nerds for their continued hard work over Q3, and I'm looking forward to sharing our Q4 results with you in a few months.

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**Operator**

Thank you for your participation in today's conference. This does conclude the program. You may now disconnect.

Thank you.

Thank you, Ethan.

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