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NRDS.OQ - Q4 2025 NerdWallet Inc Earnings Call

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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the NerdWallet Q4 2025, earn this call. At this time, all participants are in listen-only mode. After the speaker's presentation, there will be a question-and-answer session. (Operator Instructions). I would now like to hand the conference over to your first speaker today, Robb Ferris, VP of finance. Please go ahead.

Robb Ferris - *NerdWallet Inc - VP of Finance*

Thank you, operator. Welcome to the NerdWallet Q4 and full year 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 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 FCC.

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 cofounder and Chief Executive Officer Tim.

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

Thanks Robb. 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 2025 we faced headwinds as consumers increasingly turned to AI overviews and LLMs over traditional search, resulting in steep organic search declines. In spite of this, we delivered year to year revenue growth of 22% for the full year and 23% for the fourth quarter, as growth in performance marketing, direct, and non-search referral channels more than offset the declines in organic search.

Turning to our financial performance, we delivered fourth quarter revenue of $225 million up 23% year to year, and non-GAAP operating income of $25 million up 47% year over year. Revenue growth is driven primarily by personal loans, banking, and insurance, partially offset by credit cards and S&D products. For the full year we reported revenue of $837 million up 22% year to year, and non-GAAP operating income of $96 million up over 100% year over year.

Looking ahead, in the near term, we anticipate continued growth in performance marketing while we expect organicSearch to remain under pressure. We are keeping the long-term in focus by continuing to invest in building deeper relationships with consumers and SMBs across an increasing number of financial decisions. And now I will pass it over to John to cover our financial results in more detail.

John Lee - *NerdWallet Inc - Chief Financial Officer*

Thanks, Tim. As Tim mentioned, our fourth quarter results exceeded our revenue and non-GAAP operating income guidance due to continued momentum in performance marketing. We remain focused on creating long-term shareholder value by delivering sustainable growth, strong free cash flow generation, and disciplined capital allocation.

With Q4 growth ahead of expectations, trailing 12 months, adjusted free cash flow increasing to $118 million and Q4 share repurchases of $51 million we made progress on each of these objectives during the quarter. Total revenue in Q4 was $225 million of 23% year over year, exceeding our guidance range. This was driven by a 28% revenue growth in our consumer verticals, partially offset by a 12% revenue decline in our SMD vertical. Within consumer insurance revenues increased 13% year over year, driven by robust auto carrier demand.

Lending revenue increased 141% every year, driven by a 264% growth in personal loans and double-digit growth in mortgages and other loans. Emerging verticals revenue grew 57% every year driven by banking as we leveraged conversion data provided by our partners to gain share in a healthy demand environment.

Looking forward, we are cautious on the outlook for our banking business as lower interest rates could reduce demand for high yield savings accounts as the year progresses. Credit card and SMB revenues declined 24% and 12% year over year respectively, driven by organic search headwinds. For the full year, total revenue was $837 million up 22% versus 2024. Revenue from our consumer verticals grew 27% to $737 million while revenue from our FMB vertical decreased 9% to $100 million primarily driven by organic search headwinds.

Moving on to profitability, Q4 non-GAAP operating income or NGOI was $25 million which was above our guidance range. The beat was primarily driven by revenue outperformance partially offset by margin pressure from declining organic search revenue. Q4 GAAP operating income was $19 million and brand marketing expense was $11 million during the fourth quarter consistent with prior year levels.

Full year 2025 NGOI with $96 million at an 11% margin compared to 2024 NGOI of $48 million at a 7% margin. NGO margin expansion for the full year was driven by expense discipline, partially offset by a 40% increase in for course marketing investments from 2024 levels. Full year 2025 GAAP operating income was $65 million. Over the last four quarters, we generated $118 million of adjusted free cash flow and ended the year with a cash balance of $98 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 Q4, we completed $51 million of share repurchases reflecting our confidence in NerdWallet's long-term prospects. Looking ahead, we will 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 strategic initiatives.

Before moving to guidance, I want to highlight a change we are making to our financial reporting beginning in Q1 2026. Moving forward, we will simplify our revenue reporting from 5 categories to 2 Consumer and SMB. Consumer will combine what we currently report as insurance, credit cards, loans, and emerging verticals. SMB will continue to report it as it is today.

Our consumers and SMBs often engage with us across multiple product categories, and we believe this presentation will better reflect that reality. We have provided historical data restated under the new revenue categories to facilitate comparisons.

Turning to guidance, we expect to deliver first quarter revenue in the range of $224 to $232 million up 9% year over year at the midpoint. In terms of profitability, we expect non-GAAP operating income in the range of $28million to $32 million.

Our first quarter guidance assumes similar trends to those we saw in the fourth quarter. Namely, revenue growth driven by an increase in performance marketing revenue outweighing organic revenue headwinds. We expect the margin compression caused by this ongoing revenue mix shift will be offset by year over year declines in brand marketing spend.

Recall that in the first quarter of 2025, our brand spend included a Super Bowl ad an investment we did not repeat in 2026. Looking at the full year, we're expecting non-GAAP operating income to land between $95million and $110 million. We anticipate the first quarter and the third quarter will be our strongest quarters just like we've seen in the past years. For the rest of the year we're modeling somewhat softer results compared to our 1st quarter guidance.

This factors in the ongoing headwinds we're facing in organic search, along with our expectation that the recent surge we've enjoyed in banking, both in the fourth quarter and so far in the first quarter will start to cool off as short-term interest rates drop further with that, we'll open up for Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you at this time, we'll conduct the quick, the question-and-answer session. (Operator Instructions). Our first question comes from Michael Infante, Morgan Stanley. Please go ahead.

Michael Infante - *Morgan Stanley - Analyst*

Hey guys, thanks for taking my question. I'd be curious on the LLM based referral traffic in terms of what you guys can see, whether or not it's actually incremental to the business or if you're seeing some level of cannibalization relative to existing organic searches.

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

Yeah, I'll take that one. So we, we're definitely seeing what we believe is, incremental. People, I think, are searching more both on, traditional search engines as well as LOMs. We see that in the industry data and then in terms of what we're seeing on our side, the, conversion rates on that LLM referral traffic are, much higher, and growing rapidly, but we do believe it's incremental.

Michael Infante - *Morgan Stanley - Analyst*

Okay, that's helpful. And then is there a way to sort of help quantify how much of a drag the sort of persistence of these organic trapping traffic headwinds are as it relates to the 26 profitability outlook? I'm just trying to understand, how we should think about any potential, continuation of this performance marketing intensity and if you view that as a form of medium term headwind to margins, thanks guys.

John Lee - *NerdWallet Inc - Chief Financial Officer*

Yeah, I'll take that, so I believe your question is how should we think about SEO headwinds? Is that right?

Michael Infante - *Morgan Stanley - Analyst*

Yeah, that's fair.

John Lee - *NerdWallet Inc - Chief Financial Officer*

Yeah, so, just first of all we're not solving for a margin percentage, we're focused on adding NGOI dollars as we discussed, so given the mix of changes in performance marketing and organic revenue tends to be not as correlated to NGOI and free cash flow. And focusing on margin percentage targets would be limiting for our flexibility as we need to make the right economic decisions for our shareholders.

And so what it is true that what you have seen is correct where we are experiencing a decline in organic revenue, but we have been, at least from a revenue perspective, more than offsetting that with our perforce marketing revenue. And in order to, and what I would guide to is I think you could really take a look at our perforce marketing spend trend over the last couple of years.

I think that'll give you a pretty good sense of how to think about our revenue growth from a performance marketing standpoint in the outer years. But at the moment, we're not guiding specifically to revenue channels. That's helpful, thanks.

Operator

Thank you. Our next question comes from Jed Kelly, Oppenheimer. Please go ahead.

Jed Kelly - *Oppenheimer - Analyst*

Hey, great. Thank, thanks for taking my question. Just given the current landscape, you've got a strong brand and broad distribution with a lot of, your financial service partners. How can you give us an update just on how you're thinking about vertical integration and how that strategy is going to create a more stickier relationship with the consumer? Thank you.

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

Yeah, it's a good question. Typically we're pairing, like you said, our brand and reach, with better consumer experiences, stickier consumer experiences, and yeah, we're pretty happy with the way that's playing out, typically you go from a transactional relationship into a relationship with better unit economics and, a lot more, a lot closer relationship in terms of understanding what the customer needs. So we continue to see opportunities there. We are quite often the preferred acquirer when we get into cor dev conversations so we continue to look forward to, just being prudent but opportunistic on vertical integration.

Jed Kelly - *Oppenheimer - Analyst*

And my guess would be, a lot of these large LLMs similar to like Google and search are going to go out and create a ton of relationships, right, direct relationships with banks and financial services partners. So shouldn't you shouldn't you as an aggregator or marketplace, sorry, to be be. Isn't there a way to be positioned well and have you thought about, data sharing and other stuff with some of these emerging LLMs? Thanks.

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

Yeah, it's a good question. I mean, I think if you think about the scenario where you're trying to do some form of agentic shopping or LOMs or trying to get more integrated, there's kind of two obstacles you really need to think about. So the first is, regulatory. For example, you can't get an insurance quote from someone without an insurance license. And so if you look across, for example, credit, insurance, mortgages, and investing, they require licensing.

Institutions need deterministic and compliant outputs, not probabilistic answers, so that isn't optional for any intermediary, whether it's us or some kind of agentic solution. And second, the financial institutions need to buy in and participate. So for example, an insurance company can easily refuse to quote an AI agent that is shopping around by inserting a multi-factor authentication step, right? The two-sided marketplaces really only work if lenders and insurers want to participate. They bear real costs to quote and service demand, and if agent-driven traffic hurts their margins or compliance posture, they can simply block it.

So I do think there will be changes in terms of how consumers engage, but in financial services usefulness at scale requires both the licensing piece, that compliance infrastructure, and the institutional buy-in, not just, in the gente. So we think we're pretty well positioned, to make do with all that.

Jed Kelly - *Oppenheimer - Analyst*

Thank you.

Operator

Thank you. Our next question comes from Justin Patterson, Key Bank. Please go ahead.

Justin Patterson - *Key Bank - Analyst*

Great, thanks and good afternoon. Could you talk a little bit more about how AI is being leveraged internally to improve, just both products as well as just the underlying content, then I'll have to follow-up after that.

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

Yeah, sure, I mean we're leveraging AI pretty broadly, so I think like you mentioned there's two dimensions. There's the first, the internal operations, we're thinking hard about how we can use it to. Augment our existing workforce and you know the more efficiency we can drive there, the more value you can deliver for consumers so whether that's across, coding or back office or empowering our, sales people to be more useful for our customers, that's a big initiative and then in terms of the consumer facing side, yeah, it definitely opens up, more nondeterministic product flows. Like I mentioned earlier though, we really have to be careful about compliance there and auditability, and, but we do think we can provide, a lot more service, per. Agent or adviser, as well as some fully digital solutions in the future and we're working hard on that.

Justin Patterson - *Key Bank - Analyst*

Got it, thanks. And then for the last question, you've had a really successful vertical integration strategy the past few years. As you look at just your vertical coverage today, are there any other areas where you see opportunities to be, go out in the market and just augment some of the services you offer today?

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

Thank you. Yeah, we do. There, there's a lot of, different corners and a lot of different verticals. So, we have a pretty nascent effort in terms of NerdWallet insurance experts, so that, that's a, area of focus for us that I think can improve the user experience and improve the economics of the, insurance marketplace as well, but there, there's others as well.

Justin Patterson - *Key Bank - Analyst*

Thanks, Ken.

Operator

Thank you. (Operator Instructions). One moment for our next question. Our next question comes from Justin Whitney, William Blair. Please go ahead.

Justin Whitney - *William Blair - Analyst*

Hi, it's Ralph Shacker actually. And just a quick question on traffic sources. So you've been in the Performance channel now for a while, just kind of curious if you could take a step back and sort of frame, what's working for you here. You know what strategies and channels are really starting to, contribute to the overall platform and then as you have worked with these channels for a while, can you help us think through the efficiencies you might be finding? Obviously there's a different, profitability profile between performance and organic, but just maybe speak to the efficiencies that you're finding and or working on. Thank you.

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

Yeah, I, I'll take that. I mean, performance marketing, has been working pretty well for us. We think our brand is a halo across all of our performance marketing efforts. We think the what we know about the consumer and our data infrastructure is a big part of enabling that as well, and then we also think our vertical by vertical expertise is also a factor that helps especially across channels like.

Meta or you know CRM in terms of driving improvements in terms of efficiencies over time we find that being a one stop shop across many different products, has advantages so we're thinking hard about how to use our the various parts of our business to strengthen every other part of our business with, internal, cross merchandizing. And so yeah, those those things all start to work together well over time, and I think it's a big factor behind her success.

Justin Whitney - *William Blair - Analyst*

Okay, great. Thank you.

Operator

I am showing no more questions at this time. I would now like to turn it back over to management for closing remarks.

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

All right, thank you all for your questions today. As always, I'd like to, give a huge thank you to the nerds for their continued hard work over 2025. I'm looking forward to sharing our results in Q1 with you in a few months. Thank you.

Operator

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