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PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the NerdWallet, Inc., first-quarter 2025 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 first speaker today, Caitlin MacNamee.

Please go ahead.

Caitlin MacNamee - *NerdWallet Inc - Head, Investor Relations*

Thank you, operator. Welcome to the NerdWallet Q1 2025 earnings call. Joining us today are Co-Founder and Chief Executive Officer, Tim Chen; and Chief Financial Officer, Jun 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 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?

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

Thanks, Caitlin. In Q1, NerdWallet grew revenue 29% year over year to $209 million, while delivering $9 million in non-GAAP operating income. These results build off many of the dynamics we've discussed with you over the past several quarters.

We continue to see particular strength in our Insurance business as the end market normalizes and as the improvements we've made to our shopping experiences have enabled us to take share cycle over cycle. Additionally, banking has continued to perform well, with products like high-yield savings accounts showing durable demand three years removed from a zero-interest rate environment.

At the same time, this quarter we saw some green shoots in other areas of the business that have been challenged, such as personal loans, where we saw a return to growth after declining 51% year over year in Q4 '24, and mortgages, where our acquisition of Next Door Lending contributed significantly to our 23% year-over-year increase in revenue even as mortgage rates remained elevated.

With all this said, we know questions have arisen about evolving trade policy and its potential implications across many industries, including ours. Based on what we know today, we do not expect tariffs to have a material first-order impact on our business, and we currently see minimal second-order effects.

However, in a scenario with sustained inflation, a material spike in unemployment, or a material decline in business confidence, we'd expect to be impacted as consumers and financial institutions go into a risk-off mode. Through this period of uncertainty, we remain focused on serving our consumers and relentlessly improving our operational efficiency while investing opportunistically to further our vision.

Last quarter, we decided to retire our official MUU disclosure. While every KPI has some value, we no longer believe MUUs are the most relevant metric to understand our business as MUU growth has been inversely correlated with revenue for some time now. Internally, our focus is on the quality of relationships we're building, especially through vertical integration rather than the sheer number of users.

That said, as we noted last quarter, we still expect MUUs to decline year over year in the near-term, and this continued in Q1. However, after search engines significantly increased the presence of AI-enhanced search modules in the second half of 2024, we are beginning to see more stability that if sustained, suggests we are in a position to re-baseline and return to growth in early 2026.

As a reminder, our business is cyclical, and over time headwinds and tailwinds will offset each other, so our priority is growing from cycle to cycle. We have seen this most recently in Insurance, but it's also true of our overall business.

We are taking share in a growing market, with a 25% five-year CAGR versus the US financial services digital ad spend market's 16%. While it can be tempting to over-index to short-term dynamics, whether positive or negative, we're focused instead on relentlessly improving NerdWallet through the cycle.

By relentless improvement we mean we are focused on enhancing our core business with new capabilities and experiences that create more direct, engaged relationships with consumers and SMBs, in turn making it a no-brainer for them to shop with NerdWallet. In Q1, examples included progress across our three growth pillars: Land & Expand refers to efforts to increase the breadth and depth of the guidance we provide, whether in new categories, new audiences or new geographies.

This quarter, we invested in expanding our footprint in the travel rewards category, as well as diversifying our top-of-funnel with new organic channels. Specifically, we began publishing our new TravelNerd newsletter and, leveraging our previous success with the Smart Money podcast, launched our new Smart Travel podcast, which debuted at number one on Apple Podcasts' Places & Travel chart. Vertical integration, our second pillar, is an area where we are particularly focused.

Vertical integration is the process by which we pair NerdWallet's brand and reach with best-in-class shopping experiences, enabling us to better serve consumers through some of life's most stressful financial decisions while improving monetization and capturing more down-funnel unit economics.

In Q1, we made further progress integrating Next Door Lending, building on the launch of our NerdWallet Mortgage Expert experience in January. This new offering allows shoppers who prefer a do-it-for-me approach to connect directly with one of our mortgage experts for a concierge level experience while finding a great rate on mortgages.

Registration and data-driven engagement encompasses efforts to build other experiences and programs that encourage users to come back to NerdWallet for all their financial questions. We ended Q1 with a cumulative registered user base of over 26 million and saw another quarter of 2x year-over-year growth in our CRM channel, which allows us to reengage these members with personalized offers and smart nudges.

With that, I will hand it over to Jun, who joined us as CFO in mid-March to speak to our financial results and outlook.

Jun Lee - *NerdWallet Inc - Chief Financial Officer*

Thanks, Tim. I'm thrilled to be here and to partner with all of you as we drive towards our long-term vision. There is significant opportunity ahead and my focus will be on sustainable growth, disciplined capital allocation with an increased emphasis on free cash flow generation and building long-term value for our consumers and shareholders.

With that, let's get into our Q1 results. We exceeded the high end of both our revenue and profitability guidance ranges, delivering $209 million in revenue, up 29% year over year and achieving $9 million in non-GAAP operating income.

By and large, we attribute our revenue and profitability results this quarter to continued strength in our Insurance and banking businesses, where we saw a stronger second half of the quarter compared to typical seasonal trends. But let's take a deeper look at the revenue performance during the quarter within each category.

Credit cards delivered Q1 revenue of $38 million, declining 24% year over year. Our Q1 results were in line with our expectation of continued downward pressure in organic search during the first part of the year. Loans generated Q1 revenue of $24 million, growing 12% year over year.

This was driven by growth across our loan portfolio in both personal loans where we returned to growth and mortgages from our acquisition of Next Door Lending. Meanwhile, SMB products delivered Q1 revenue of $29 million, declining 5% year over year as underwriting remained tight and trade policy uncertainty dampened demand. Insurance delivered $74 million in revenue, growing 246% year over year in Q1.

These results reflect sustained strength in the end markets. However, we expect our year-over-year growth rate to normalize in the second half of the year as we compare against H2 2024 levels.

Finally, our Emerging verticals finished Q1 with revenue of $44 million, growing 15% year over year, primarily driven by banking as we saw partner appetite remain robust while consumers look for lower risk options to hold their cash.

Moving on to profitability. During Q1, we delivered $9.3 million of non-GAAP operating income above our Q1 guidance range. Non-GAAP operating income declined versus Q1 of 2024, largely driven by increased investments in brand marketing costs that were only partially offset by decreased employee costs following our restructuring in Q3 of last year. In the quarter, we earned GAAP operating income of $0.7 million.

Additionally, in the last four quarters, we generated $58 million of adjusted free cash flow and ended the quarter with $92 million of cash on hand. Going forward, we plan to disclose trailing 12 months of adjusted free cash flow on a quarterly basis as we continue to hold ourselves accountable for consistent free cash flow generation and growth.

Please refer to today's earnings press release for a full reconciliation of our GAAP to non-GAAP measures. On to our financial outlook. First, for context, so far, we have not seen any significant impact to our business as a result of tariffs beyond weakened demand in SMB.

And as Tim shared, we believe our exposure is limited. That said, we realize that we have lower visibility into how these policies will play out over the coming months, including how they may affect our partners or what the second order impacts may look like. We will remain vigilant, make adjustments as needed and continue to leverage our diversified product base and flexibility to navigate short-term uncertainty and deliver long-term growth.

To that end, we plan to continue providing quarterly revenue and non-GAAP profit guidance, and we will also provide annual profit guidance. While our guidance currently assumes that tariffs will continue to have a minimal direct impact on our business, the potential for indirect impact has been contemplated with a slightly wider range of outcomes for the full year.

In Q2, we expect to deliver revenue in the range of $192 million to $200 million which at the midpoint would increase 30% versus prior year based on the assumptions that the broader environment stays relatively stable from today's levels. The midpoint would indicate a quarter-over-quarter decline that is mainly due to seasonality. In terms of profitability, we expect Q2 non-GAAP operating income results in the range of $14 million to $18 million.

Our non-GAAP operating income outlook assumes investment in our performance marketing capabilities at similar levels to previous quarters, but a decline in brand expenses both year over year and quarter over quarter as we wrap up our first half brand campaign. As shared last quarter, we expect to spend less on brand than the prior year for Q2 through Q4 combined, all-in-all, leading to a moderate full year increase in our brand investment.

Additionally, at this time, we're increasing the full year 2025 targets we provided last quarter. We now expect to generate full year 2025 non-GAAP operating income of approximately $55 million to $66 million. In this uncertain economic policy climate, the wider range accounts for the possibility of some indirect impacts later in 2025 while incorporating the better than expected Q1 performance.

After a strong start of the year, we remain optimistic about our ability to continue to improve the business through both peaks and troughs to deliver cycle-to-cycle growth in the long-term regardless of what the short-term may hold. With that, we'll open up for questions.

Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Justin Patterson, KeyBanc.

Justin Patterson - *KeyBanc Capital Markets - Analyst*

Great. Thanks for taking my question. First, on the AI overviews, could you put a finer point just around your learnings on AI-enhanced search modules and what's driving more stability in traffic? Is that more actions you've taken or something else? And then I'll have a follow-up.

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

Thanks for the question, Justin. I'll take that one. So yeah, as a reminder, organic search took a bit of a haircut over the past year. So the two drivers, one you mentioned, which is AI overviews, the other factor is rank. With AI overviews, we saw really increasing instances of those in search results over the past year really.

And we've hit a point where we've stabilized a bit from there. So the story really hasn't changed that much quarter over quarter. We're -- after a few challenging quarters, we're seeing some stability right now. So that gives us more confidence if this holds and as we go into 2026, we should really start lapping that.

Justin Patterson - *KeyBanc Capital Markets - Analyst*

And then for the follow-up, Next Door Lending looks like it's off to a solid start. How far along are you with vertically integrating that asset? And how are you thinking about other opportunities for either vertical integration or landing & expanding this year? Thank you.

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

Yeah. So I'd say the integration is going well. Being a mortgage broker has opened up direct and reoccurring relationships with consumers while improving our unit economics. And as a reminder, right, this acquisition falls squarely in our vertical integration growth pillar, which we think of as pairing our brand and reach with a concierge experience. So consumers can now compare 60-plus wholesale lenders with someone really holding their hand throughout the process.

And so, we're already seeing it drive the bulk of our mortgage growth in the past quarter with the 2x upfront unit economics and an opportunity to earn more in the future as consumers refi. So really pleased so far. In terms of future vertical integration, really thinking along the lines of anywhere where there's a stressful complex decision to be made with advisers and brokers, we want to be involved there.

Justin Patterson - *KeyBanc Capital Markets - Analyst*

Great. Thank you.

Operator

Jed Kelly, Oppenheimer.

Jed Kelly - *Oppenheimer & Co - Analyst*

Hey. Great. Thanks for taking my question. Just on that last comment, Tim, would that be fair to assume something in -- when you're trying to look more at vertical integration, something with potentially Insurance or financial advisers? And then just given the overall Insurance market, how do you think about investing more into your own technology to grow share where there's a big opportunity for a lot of financial service marketplaces? Thank you.

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

Yeah. On the first part of the question in terms of future vertical integration, I mean, I think both of those areas seem -- yeah, like very complex decisions where you see a lot of human assistance really helping people along. You see a lot of reoccurring characteristics, so they're definitely candidates.

And in terms of technology investment, I mean, I think first and foremost it's really about providing a great user experience, helping consumers see their options and moving them along. So a lot of that stuff really comes down to good routing, having a good panel of carriers.

And so those are things we're starting to think about more as we try to segment out our audience and serve them better at different points in the segments.

Jed Kelly - *Oppenheimer & Co - Analyst*

Got it. And then just a follow-up on the brand campaign. Seeing NerdWallet all over the NBA playoffs, seen some exciting games. Can you just talk about how your brand is doing? I think the ratings are up for the playoffs and just how is the brand -- how are you happy with the ROI on your brand advertising? Thanks.

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

Yeah. In terms of the brand advertising, we're always going to be a little bit coy about this thing for competitive reasons. But yeah, we're pretty quantitative. Brand is our biggest asset. So we just try to get smarter every year in terms of our creative and where we're spending money.

And I think we're making incremental improvement every year. So we've learned a lot. In 2024, as a reminder, brand was down 19% year over year. And a lot of those metrics that we track underlying our brand health continue to improve. So we feel really good about that.

Jed Kelly - *Oppenheimer & Co - Analyst*

Thank you.

Operator

Ross Sandler, Barclays.

Ross Sandler - *Barclays Capital - Analyst*

Hey, guys. So I just had a question about how the Insurance vertical is going to play out over the coming few quarters. I know we're not really guiding beyond the June quarter. But could you just maybe help us with, within those segments auto, life, and pet, I would guess the vast majority of what's going on is in the first one and maybe a little bit in the second one rather than the mighty pet insurance market. But yeah, could you just clarify a little bit on that? And then we lapped most of the uptick, I believe in the third quarter.

So what's a reasonable base case to think about how fast this segment is going to grow just steady state? I mean, Google has flagged this as something that they're about the comp as well. So just any color there on the hyper growth going into the like tough comp with Insurance? Thanks a lot.

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

I'll take that one. Insurance revenue, just as a reminder, it's up 246% year over year this quarter or in Q1 rather. And we really attribute that to, yeah, some of the improvements we made in our funnel. And from a macro perspective, things are normalizing. And so yeah, you're certainly right, moving forward that, that trend should really normalize.

In terms of that growth rate, I mean, we're pretty early in this vertical. And so, I would really be speculating. I do think that premiums will continue to grow faster than GDP and that will continue to take share. We also have exposure to the direct channel which is taking share from the agent channel. And we're not all the way back yet in terms of some of this home and auto.

And it's -- auto is mostly back to normal, but there's still a few corners there where there's some opportunity. So yeah, hopefully, that helps provide some high-level direction in terms of steady state growth. And in terms of the breakout between auto, life and pet, it's disproportionately auto right now. We do think we have some opportunity in home as we scale up areas like Next Door Lending and just within our Insurance vertical as well. So yeah, I'm pretty excited about those opportunities, and we're investing in those now.

Jun Lee - *NerdWallet Inc - Chief Financial Officer*

And so just to add here --

Ross Sandler - *Barclays Capital - Analyst*

I'm sorry. Go ahead.

Jun Lee - *NerdWallet Inc - Chief Financial Officer*

No, I just want to add. So as mentioned in our remarks, we did raise our full year NGOI to be in the range of $55 million to $66 million. But as you can see from our Q2 guidance, the largest year-over-year improvement in NGOI dollars occur in Q2. So given the existing uncertainty in the market, we believe this range is realistic and account for a couple of scenarios. But just given your question around Insurance, I think you can imply what we're assuming in the second half as well.

Ross Sandler - *Barclays Capital - Analyst*

I was going to ask a quick follow-up. But I would guess, given that this is like a new category and it's ripping as much as it is that the intensity of performance marketing relative to revenue here versus other verticals is probably quite high. And so, is it also fair to assume that as, like, we lap big quarters and start to decelerate that we could see some performance marketing leverage as a result as this gets mature and you get repeat visitors, et cetera? Thoughts on that.

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

So we generally try to be in quarter profitable on performance marketing. And yeah, certainly, in some instances, we -- for example, home and auto bundles, we're looking to build deeper relationships with people in various ways. So there could be some of that. But I wouldn't consider that to be a material impact as we lap this.

Ross Sandler - *Barclays Capital - Analyst*

Thank you.

Operator

Ralph Schackart, William Blair.

Ralph Schackart - *William Blair & Co Inc - Analyst*

Good afternoon. Thanks for taking the question. You talked about some green shoots, spoken a lot in the call, in areas such as personal loans, where historically, it's been a little bit challenged, and I think mortgages as well you called out. Just maybe some perspective, if you can, on how you think these products progress throughout 2025?

I know you don't guide to specific line items, but just qualitatively, how should we think about that? And then Tim, I think you also called out travel and rewards a new vertical or channel in the prepared remarks as well. Just would love your perspective on how you think that vertical or category plays out? Thank you.

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

Yeah. So with personal loans, I'd say we applied some of what we learned in terms of growing Insurance to personal loans and has started seeing some success there. So that was really around adapting our funnel to be more personalized and improve our matching and building up the lender panel as we did that.

So I think there are similar opportunities in mortgages certainly, and especially as we have improved unit economics with the mortgages we're actually brokering. So I do think that there are some potential upsides there.

Though I think as we mentioned in our prepared remarks, we've got pretty muted expectations from a macro perspective with the interest rate environment remaining a little bit unfriendly there. In terms of travel rewards, this is all about building more audiences. So that effort right now is some combination of content, podcasts, social and excited to continue to invest in that.

Ralph Schackart - *William Blair & Co Inc - Analyst*

Right. Thank you.

Operator

Youssef Squali, Truist Securities.

Youssef Squali - *Truist Securities - Analyst*

Awesome. Thank you so much. So I have a couple of questions and they may actually be related. So Tim, you talked earlier in your prepared remarks about return to growth in MUUs potentially in early 2026. Can you maybe unpack that a little bit, talk about the drivers and what gives you confidence in the return to MUUs?

And then just generally speaking, with the rise of AI-driven search, historically, you guys have been more SEO driven just because of the power of and the quality of your content. Maybe talk to us a little bit about how you see your ability to maybe SEO around these AI platforms?

Some of them are starting to carry ads, although they're just testing them at this point. But what is your ability or how do you see -- is there an opportunity for you guys to be able to crack the code on being able to have a strong presence within those new search platforms? Thank you.

Jun Lee - *NerdWallet Inc - Chief Financial Officer*

Thank you for the question. Let me just take a part of that question. So as a reminder, last quarter, we made the decision to retire our official MUU disclosure because we do not believe it is the right metric to understand our business given MUU growth has been inversely correlated with revenue for the past year.

And because we -- because internally, we're much more focused on the quality of our relationships than the quantity. Having said that, as we shared last quarter though, in the near-term, we do expect MUU to continue to decline year over year.

But given the improved stability we're seeing in the search landscape, we anticipate some normalization and return to growth in early 2026, if that stability holds. And as it relates to Q1, I just want to provide a little bit more context. MUUs were up 7% versus Q4 levels, but down 29% year over year.

And with that, I'll turn it over to Tim.

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

Yeah. I think as we think ahead to channels beyond Google Search, for example, I'd say top of mind for us is the factors that have historically driven success in areas like Google Search seem to be carrying over to other AI-driven search engines.

So it's early days here, but compared to our competitive set, NerdWallet receives a really high share of referral traffic from AI sources. So I think big picture, the way I think about it is AI, at its best, helps you find a great answer quickly without a bunch of effort or spam. In areas with simple answers, AI is going to meet that user need really well.

But where it's more complex, what's important is to offer the best user experience. And as we invest in offering more concierge-like experiences, especially in mortgage brokering, small business loan brokering and more area, we're going to serve our 26 million registered users better and better, and that will be very synergistic with all forms of future user acquisition, including things like LLMs.

Youssef Squali - *Truist Securities - Analyst*

Okay. Thank you. And maybe one last for Jun. I think you said mortgage was up 23%, but I think that is inclusive of the acquisition, Next Door Lending. What was the growth ex the acquisition? What was the organic growth in that line?

Jun Lee - *NerdWallet Inc - Chief Financial Officer*

Yeah. So we're not breaking out that piece. But what we could say is that for the overall business, NDL added about 1 point of growth in Q1. And without NDL, the loan business would have grown modestly in Q1.

Youssef Squali - *Truist Securities - Analyst*

Okay. That's helpful. Thank you, both.

Operator

I'm showing no further questions at this time. I would now like to turn the call back to Tim and management for closing remarks.

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

Thanks all for your questions today. As always, I'd like to thank the Nerds for their continued hard work over Q1, and I'm looking forward to sharing our Q2 results with you in a couple of months. Thank you.

Operator

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