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PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the NerdWallet Inc Q4 2024 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, please go ahead.

Caitlin MacNamee - *NerWallet Inc - Head of Investor Relations*

Thank you, Operator. Welcome to the NerdWallet Q4 2024 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. Should you be aware that these statements should not be considered -- 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 - Chief Executive Officer*

Thanks, Caitlin. At NerdWallet, we closed 2024 strong. In Q4, we exceeded our expectations, growing revenue 37% year-over-year to $184 million and delivering $17 million in non-GAAP operating income. We attribute our performance to our ability to deliver on continued consumer and partner demand in insurance, which grew over 800% year-over-year. We also saw 5% year-over-year growth in banking products despite declining savings accounts rates as our funnel improvements drove outsized impact versus our expectations.

These wins in insurance and banking more than offset softness in other parts of our business. As 10-year rates rose throughout the quarter, we saw headwinds across both consumer and SMB lending. While we grew our mortgage business 4% year-over-year, separate from our acquisition of Next Door Lending, the nearly 80-basis point increase in 30-year mortgage rates since the beginning of Q4 has tempered our growth expectations for this area of our business.

At the same time, our personal loans business ended the year down 51% year-over-year as we focused our efforts on insurance. However, as we shifted resources exiting the year to capture increased partner and consumer demand, early results suggest a return to year-over-year growth in Q1.

With lending remaining tight, we also saw revenue decline year-over-year in SMB, but we expect to see recovery when the broader lending environment improves. The end of the year is a natural time to reflect on what we have learned and where we go next. In previous letters, I've written to you about NerdWallet's work to build direct engaged relationships with consumers and SMBs in our trusted financial ecosystem.

We are prioritizing driving more engaged users, not more users, and our internal operational focus is aligned with this goal. As we embark on a new year, we are evolving how we talk about our business and performance to better reflect our focus and opportunities.

Specifically, we are transitioning away from our monthly unique user disclosure. While this metric was useful for sizing our opportunity as solely a digital marketplace business, it does not reflect our transition over the past two years towards focusing on higher-quality relationships rather than a higher quantity of relationships.

Using our acquisition of Next Door Lending to illustrate the opportunity, we believe it will be more valuable to convert even a small percentage of our existing mortgage traffic into brokering relationships than to triple our education-oriented mortgage traffic. While we are confident that we could meaningfully grow MUUs year-over-year, this would require reprioritizing our operational focus and would be far less impactful long term than our vertical integration and reengagement initiatives.

Our strategic focus on driving engaged users will also start to influence our thinking about customer acquisition costs. While our core marketplace business will continue to optimize for in-quarter profitability, recent progress in our higher lifetime value driving growth pillars, vertical integration and registrations, and data-driven reengagement, may reorient how we consider and disclose the balance between in-quarter profitability and new customer acquisition costs for those initiatives.

With that said, in Q4 we delivered 19 million MUUs, down 20% year-over-year. This is consistent with the expectations we shared last quarter when we anticipated continued headwinds in organic traffic growth to non-monetizing pages. We expect eventual stabilization and a return to growth by early 2026, but in the near term, we foresee getting a few points worse in Q1.

I feel confident that we are well positioned to drive significant progress toward our vision in 2025. We've already started with our latest brand activation, debuting a new national campaign at the Super Bowl on February 9 and introducing millions of new consumers to NerdWallet.

We also made important strides over the course of 2024 to build direct engaged relationships with consumers and SMBs, providing us with a solid foundation on which to build this year through additional investments.

Our land-and-expand efforts increase the breadth and depth of our guidance, extending NerdWallet's reach to new categories, geographies and platforms. In 2024, land-and-expand initiatives saw us firmly establish our presence in Medicare, which in Q4 more than doubled revenue year-over-year.

This year, we also launched our first comparison shopping marketplaces in Australia and grew the organic reach of our social and podcast platforms to 14 million views and downloads. Of particular note this quarter, we strengthened our Smart Money podcast and social audiences by providing consumers with helpful guidance on both timely topics like the election and evergreen topics like budgeting.

Of particular note, in Q4 we saw over 200% year-over-year growth in organic video views on Instagram and TikTok following a decision earlier in the year to invest more in this content. Vertical integration is a key hypothesis for driving engaged users. These experiences pair NerdWallet's trusted brand and distribution advantage with best-in-class experiences that tend to establish direct relationships with consumers and SMBs, whom we can then reengage in the future with timely personalized offers.

In 2024, we continued to relentlessly improve our concierge and SMB using machine learning to route customers to the appropriate experience for their needs, leveraging AI to improve the team's efficiency and refining our reengagement strategy to drive our renewal business. Vertical integration in Q4 centered primarily on our acquisition of Next Door Lending and executing our integration strategy. This has included integrating Next Door Lending into our digital marketplaces that allow users to match with mortgage providers.

In addition, in January, we built NerdWallet Mortgage Experts, a NerdWallet branded experience that enables shoppers to conduct with Next Door Lending as an option for users who want a do-it-for-me experience to find the right mortgage for them.

I am really excited about what NerdWallet Mortgage Experts offers our consumers, comparing 60 mortgage lenders on their behalf, and I challenge anyone to find a better rate or better service in such a complicated transaction.

Similar to vertical integration, registrations and data-driven engagement work is geared toward building experiences that encourage consumers and SMBs to register with NerdWallet and connect their data, enabling us to surface personalized guidance and drive future revenue through reengagement. In early 2024, we launched NerdWallet+, a subscription membership product which rewards consumers for smart money moves and provides access to unique deals and rates.

Subsequently, we have developed engaging features like a treasury bills account and our insurance assistant which analyzes users' existing policies and automatically shops for better options if available. At the same time, we continued investing in paths to registered users, growing our cumulative registered user base to 25 million in 2024.

Before I hand it over to Lauren, I want to thank her again for our partnership over the past four years. As we announced in October, Lauren will be stepping down in March to pursue other opportunities, and I'm excited to share that she will be succeeded by John Lee. John joins NerdWallet from Divvy Homes where he served as their Chief Financial Officer and Chief Operating Officer.

Earlier in his career, John held private equity roles at Blackstone and TPG. I believe his expertise and leadership will help us take the next step in our growth journey as we increasingly pursue vertical integration and other reengagement strategies to build engaged relationships with more users.

In the meantime, though, thank you again to Lauren, and I will pass it over to her for a discussion of our financial performance in Q4.

Lauren StClair - *NerdWallet Inc - Chief Financial Officer*

Thanks, Tim. We ended the quarter above our revenue guidance range, delivering Q4 revenue of $184 million, up 37% year-over-year. We also delivered full year revenue of $688 million, a 15% increase versus prior year. Our revenue growth was primarily driven by another quarter of significant strength in our insurance vertical as well as a return to growth in banking, though we continue to face a cyclically depressed lending environment.

Let's take a deeper look at the revenue performance during the quarter within each category. Credit cards delivered Q4 revenue of $35 million, declining 19% year-over-year. As we mentioned last quarter, we have seen recovery in organic search traffic in most areas of our business, with the exception of credit cards and personal loans, and we expect to see this trend continue.

We are projecting continued downward pressure during the first part of the year. For the full year, credit cards delivered $176 million of revenue, declining 16% versus the prior year. Loans generated Q4 revenue of $18 million, declining 26% year-over-year. Our personal loans vertical declined 51% year-over-year as we had yet to see a material recovery in our revenue despite a rapidly improving macro environment.

As Tim mentioned, the renewed focus on this vertical as we enter 2025 has resulted in early improvements suggesting a return to year-over-year growth in Q1. Partially offsetting the declines in personal loans was growth in mortgages. Q4 saw mortgage revenue growth primarily driven by the inclusion of our acquisition of Next Door Lending, which contributed over 1 point of growth to overall company revenue this quarter.

As we look forward, with the recent rise in mortgage rates as well as the vast majority of household mortgages reported at under 5% rates, we have muted expectations in the near term. The growth in mortgages outside of the benefit of the acquisition is still primarily driven by strength in home equity products.

For the full year, loans delivered $84 million of revenue, declining 17% year-over-year. SMB products delivered Q4 revenue of $26 million, declining 7% year-over-year. We continue to see pressure in SMB loan originations with rates remaining elevated and underwriting remaining tight, while also seeing increased pressure in our renewals portfolio as the 10-year rates reversed course and began to climb.

Despite interest rate headwinds in loans, we continue delivering growth with our other product offerings. In the current 10-year rate environment, we do not expect to see growth acceleration, but we believe there is a large opportunity to grow both the loans and other product sub-verticals over the long term. For the full year, SMB products delivered $110 million of revenue, growing 9% year-over-year.

Beginning this quarter, we have changed our revenue product category presentation and are now providing insurance revenue as a separate disclosure. Insurance products consist of auto, life, pet and other insurance intended for consumers. Previously, insurance was a component of our emerging verticals revenue disclosure. But given the relative size and long-term opportunity, you will see us break out this revenue contribution separately.

Insurance delivered $72 million in revenue, growing 821% year-over-year in Q4. We saw an atypical increase versus the third quarter as improving demand from both consumers and partners remained consistent. Growth also continued to be aided by our ability to improve the product experience by collecting a bit more information upfront to better route customers to relevant products for them.

Looking forward, we expect to see strong growth during the first half of the year, but will face tougher comps during the second half, leading to more muted growth expectations. For the full year, insurance delivered $192 million of revenue, growing 326% year-over-year.

Finally, our emerging verticals finished Q4 with revenue of $34 million, growing 7% year-over-year. As a reminder, after the regrouping of both SMB products and insurance revenue, emerging verticals consist of areas such as banking, investing and international.

Banking increased 5% year-over-year as we saw partner appetite remain robust and demand rebound from prior quarter levels as we believe consumers are re-shopping while depository rates begin to slowly decline.

We expect to return to declining year-over-year results during 2025 as we are still cautious that a declining depository rate environment may reduce consumer demand but landing at a higher watermark than in zero interest rate environment. For the full year, emerging verticals delivered $125 million of revenue, declining 12% year-over-year.

Moving on to investments and profitability. During Q4, we delivered $16.8 million of non-GAAP operating income, above our Q4 guidance range. Non-GAAP OI margin was roughly similar to Q4 of the prior year despite increasing our investment in brand.

As we look over the second half of 2024, we delivered over $17 million more non-GAAP operating income dollars year-over-year and roughly 3 points of margin accretion as we efficiently invested in brand across both quarters as well as saw the majority of the second half benefit from the cost-saving measures that we took in July. We also earned $31 million of Q4 adjusted EBITDA.

In the fourth quarter, we earned GAAP operating income of $8.7 million and net income of $38.6 million, which includes a $37.9 million income tax benefit. Our Q4 income tax benefit was mostly driven by a $27.2 million onetime release of a valuation allowance on certain deferred tax assets after positive indicators, including profitability, improved in recent years.

With the release of the valuation allowance, we recognized corresponding deferred tax assets, primarily comprised of capitalized research and development costs, on our balance sheet. Similar to what we've mentioned in previous quarters, we 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 19 million average monthly unique users in Q4, down 20% year-over-year.

The broad organic traffic challenges that began during Q2 remain the primary driver of the decline, and we are seeing the largest pressure to our year-over-year growth occur in our non-monetizing traffic. As Tim mentioned, we will begin phasing out our MUU metric given we no longer believe it is the best measure to correlate revenue growth opportunity as we continue to scale our vertical integration efforts.

With that being said, we did want to provide a little context on what we're expecting from a traffic standpoint in the near and medium term. We expect to continue to see traffic or MUUs decline year-over-year with a bit more deceleration in Q1 as we await normalization from these new levels.

With that being said, trends we've seen so far this year would point to a seasonal Q4 to Q1 increase as we've seen in prior years. This gives us confidence that we should reach an eventual level of normalization, and we currently expect to return to year-over-year traffic growth sometime early next year.

If we take a bit of a broader view on the long-term growth in our business, despite these near-term challenges, MUUs this quarter had a five-year compounded annual growth rate of 8%, showcasing the progress we have made over multiple cycles of increasing consumer demand through the NerdWallet brand.

On to our financial outlook. As we enter 2025, we expect revenue growth will be maintained throughout the year despite tough comps during the second half, but the degree of growth will be dependent on the timing and size of a recovery in the lending environment.

Though some level of uncertainty remains, we plan to continue providing quarterly revenue and non-GAAP profit guidance and we will also provide annual profit guidance as well as qualitative commentary for full year expectations.

We expect to deliver first quarter revenue in the range of $187 million to $193 million, which at the midpoint would increase 17% versus prior year. To give you more color on our Q1 revenue expectations, in prior years we have seen a meaningful seasonal increase in revenue from Q4 to Q1, which you can see is not necessarily reflected in our outlook.

This is primarily driven by the strength that we saw in insurance at the end of 2024, which is reducing the Q4 to Q1 step-up. Despite this impact to our typical cadence from Q4 to Q1, the primary driver of year-over-year revenue growth in the first quarter will still come from insurance, and we're also expecting approximately 1 to 2 points of benefit from the acquisition of Next Door Lending.

And while we anticipate continuing to face tight lending conditions across both credit cards and loans, we expect to return to growth in personal loans given recent improvements we've made.

Moving to profitability, we expect Q1 non-GAAP operating results in the range of a $3 million loss to breakeven. Our non-GAAP operating outlook assumes a significant increase in brand expenses year-over-year as we invest in our first half campaign that is anchored by our Super Bowl placement.

We believe continuing these investments will benefit the brand in the long term, and we will be data-driven on the levels at which we spend during shorter timeframes. As we look at the rest of the year, we expect to spend less on brand than the prior year for Q2 through Q4 combined, all in all netting to a moderate full year increase in our investment.

We expect to grow non-GAAP operating income dollars versus the prior year across the remainder of 2025, represented in our expectations for full year 2025 non-GAAP operating income of approximately $50 million to $60 million.

From a macroeconomic standpoint, our guidance currently assumes no material changes to long-term rates, no material spike in unemployment or inflation, and as a result, a more moderate recovery in some interest rate-sensitive areas of our business across the remainder of the year.

We also expect that this revenue recovery will come from both unpaid and paid channels that will help with overall profit dollar growth. As a result, we will have a larger portion of our revenue growth coming from paid marketing this year.

Though as we've mentioned in the past, we view paid marketing as a means to an end, and we'll continue to spend in a disciplined manner with the aim to be paid back within the quarter in which we spend.

As a result of this traffic mix impact, we are moving from a margin percentage target to a [margin dollar target] as we continue to leverage our brand strength to take share in paid channels. When looking out past 2025, we are also replacing our previously shared margin percentage target with a margin dollar target, and we now plan to deliver at least $80 million of non-GAAP operating income in 2026 with this continued level of profitability growth depending on the timing of the recovery in our lending portfolio.

We enter this year optimistic about the future and the work our nerds have done to set us up to execute on our vision. We know we have a responsibility to our users to help them navigate their financial questions, all while maintaining our long-term orientation, prioritizing trust and continuing to improve our vertical experiences across cycles.

Before we move to questions, I would also like to take a moment to thank Tim and all our nerds for allowing me to be part of your journey the past four years. I know the team is set up to do amazing things, and I will continue to be a proud nerd watching your success from afar.

With that, we'll open it up for questions. Operator?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ross Sandler, Barclays.

Ross Sandler - *Barclays - Analyst*

Hey, Tim, hey, Lauren, Just two quick questions for me. First on insurance, I mean, this segment has basically gone from nothing a year ago to now your largest segment by a decent amount. So I guess how much of that is from kind of changing the flow of traffic patterns through the site?

Like you mentioned collecting more information and maybe tweaking the direct or organic traffic patterns versus just running lots of incremental performance marketing to insurance landing pages.

Could you talk about how you're like kind of balancing that with -- in the future, if other sectors, other categories start to kind of pick back up again, can you kind of rebalance things accordingly? That's the first question, kind of high level.

And then the second one, Lauren, the 1Q guide assumes a pretty hefty amount of margin contraction. And I know you're not guiding to margins anymore, but is that the Super Bowl commercial plus other factors? Just any additional color on the 1Q I guess OI or OI margin either way. Thanks a lot.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Sure. I'll kick it off, Ross. I think you're spot on. We have improved the flows to the site. We're personalizing the user experiences more, and that's really tied to enabling us to be more proficient in performance marketing. I think it's worth calling out too, the end market is also growing.

Auto insurance costs are up over 50% over the last five years as inflation and rising risk drive up premiums. And this means the end market is expanding as well. And then the last thing to think about there too is the direct channel, where we primarily play is taking share from the agent channel, which is also another structural tailwind for us.

In terms of the durability of that consumer demand in auto insurance, depending on which data source you're looking at new policies in 2024 were about 20% to 30% higher than in 2023. And 2023 was an easy comp because it was a hard market. There weren't a lot of options to switch back then. And that gives us confidence that these current trends are sustainable.

And so, looking ahead, we see far lower growth rates in insurance as we lap the hard market, but really encouraged by the level of positive feedback we're getting from partners about the quality of shoppers coming from NerdWallet. We think our brand is a real differentiator here.

To the point about how this affects things when other verticals pick up, not a ton. It does make me very optimistic though that like insurance, a lot of lending verticals have risk-based pricing. Growing our top of funnel there can sometimes be dependent on more personalization and serving -- routing customers to the right options for them. We think that some of the things we've learned and improved on over the cycle will apply to areas like personal loans and mortgages as well over the next cycle.

Lauren StClair - *NerdWallet Inc - Chief Financial Officer*

Perfect. And before I get to the Q1 margin guide, Ross, I just wanted to point out again, as we've been scaling our paid monetizing traffic where we see really strong returns, and as you rightly called out, we certainly see those in insurance right now. We're going to continue to be disciplined. We do this with all of our performance marketing spend versus a means to achieve certain revenue expectations.

We're going to lean in where we see good returns. Now to answer your second question around the Q1 guide on margin, as a reminder, the Q1 guide was a $3 million loss to breakeven. The midpoint implies we'll see 7 points of margin degradation versus the prior year, and this is the result of two big things.

We're spending more year-over-year in brand, and the mix of performance marketing has become a larger part of the business. Real quick on year-over-year, while we expect to grow revenue year-over-year, we'll continue to have a larger portion of that revenue coming from paid marketing as we will continue to scale, especially in areas like insurance. And we're also seeing impacts from the organic traffic headwinds that intensified during the second half of last year.

Operator

Justin Patterson, KeyBanc.

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

Great. Thank you very much and best of luck with the new opportunity, Lauren. I was hoping you could put a finer point on the shift in traffic strategy. What did you observe among new MUUs or an ROI from marketing channels that drove the decision to focus more on quality of the relationships? And then how does this change your view of the long-term growth profile you outlined around this time last year?Thank you.

Lauren StClair - *NerdWallet Inc - Chief Financial Officer*

Yeah. So maybe I'll just reiterate some of the comments around our choice to shift from the metric of MUU. And then Tim, if you want to add some thoughts on that, and then we can talk a little bit about sort of the longer term. But over the past few quarters, growth has been inversely correlated between MUUs and revenue, so MUUs have not been a good proxy.

And as Tim did mention in his remarks, given our focus on quality over quantity through vertical integration, we do not believe that MUUs are the best measure of our progress in these areas. We were able to prioritize and show meaningful MUU growth while we were solely focused on our digital marketplaces. But as we're shifting resources to longer-term priorities, we're now goaling our internal management teams on non-GAAP OI and not MUUs.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Yeah. Speaking to the longer-term growth profile, I mean we've got three growth pillars, right? The second one and third one, vertical integration and registration and data-driven reengagement. So yeah, the bang for our buck in terms of getting a lot of our existing users into deeper relationships is just so high relative to just growing the top of funnel.

In my prepared remarks, I talked about the Next Door Lending example. I mean you think about someone coming in and reading about mortgage rates being quite less valuable than someone who we actually get on the phone with and broker a transaction with. And yet those are equivalent MUUs. The operational focus has really turned to doing better with the MUUs we have.

Lauren StClair - *NerdWallet Inc - Chief Financial Officer*

Yeah. And to your sort of last point, the shift away from MEUs does not change our perspective on the long-term revenue targets. As you know our Q4 performance and our Q1 guidance shows that we've gotten back to and expect to continue to deliver double digit growth, and that's still in the face of an extremely challenging and market for many of our vertical still including credit cards and loans.

Operator

Ralph Schackart, William Blair

Ralph Schackart - *William Blair & Company L.L.C. - Analyst*

Good afternoon. Thanks for taking the question. One for Lauren, one for Tim. Lauren, I think the last quarter or two, you talked about implying a little bit more conservatism in your outlook to guidance or maybe your approach to guidance.

Just curious, as you thought about Q1 and the '25 and '26 new targets, what conservatism was implied there as you've applied sort of historically? That's my first question. I have a follow-up for Tim.

Lauren StClair - *NerdWallet Inc - Chief Financial Officer*

Yeah. Perfect. We talked about over the last couple of quarters, one, we're still facing a ton of headwinds across many of our verticals. And then we've also talked about a little bit of volatility that we're seeing in some of the things like our organic search traffic.

We remain committed to disciplined spending. We haven't changed the game plan that we have. And we will continue to represent our guidance with sort of the best estimates of what we're seeing today and where we believe we can execute and deliver.

Ralph Schackart - *William Blair & Company L.L.C. - Analyst*

Right. And then, Tim, throughout the many years in the Internet, there's been a lot of algo changes at Google and the market has responded. And I guess as you are sitting here today and sort of operating this business, obviously for a while here, how different do you think these changes are to the business with AI overviews?

And some digital buyers are saying that the ads that are generated from Gen-AI are actually performing better than some of the organic results. Just kind of curious, what's your confidence that this is something you'll be able to navigate longer term versus your previous history? Thanks a lot.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Yeah. I'll split it up between kind of the shorter-term stuff we're seeing and longer-term thoughts. I mean in the near term, there's two drivers here. Which is, one is more ads and modules on top of the search results. And the other factor is rank. Where in the very recent past, financial institutions and some government websites are winning in some areas where they traditionally haven't, which as I've alluded to in past calls, is a bit of a head scratcher when considering consumer intent.

We do think this period of frenetic testing will eventually stabilize, and when that happens, it should play to our favor. Longer term, I do think that it's important to look at broader industry trends. First, AI search engines or chatbots, are they taking share from traditional search engines?

I mean from what we can tell, not really. If you look tops down, more people are using search engines than they did last year, but you also see triple-digit growth in AI usage. Which says to me that people are basically just asking more questions that they weren't asking before. And second, the things like AI overviews, how is that affecting the ecosystem?

So I know we're not focusing on MUUs operationally, but it's helpful to understand that if simple questions have simple answers, and if a search engine can serve that up in a faster way that consumers prefer, then that's good for the ecosystem.

And for us, we're seeing these features do a really good job of answering simple educational questions, and that's affecting traffic to some of our noncommercial pages. That has not been the case yet for our monetizing pages, which are fundamentally just a little more complicated.

Like if you need to shop for a mortgage for instance, you really need to go through a marketplace experience. So yes, on balance, we think that this period of frenetic testing will stabilize. We've seen a few things like this in the past, and we can grow from there.

Operator

Pete Christiansen, Citi.

Peter Christiansen - *Citi - Analyst*

Thank you. Good evening, Tim, I guess now with the revised traffic strategy, which makes a ton of sense engagement-wise, all that. But how are you thinking about competitive share? And how important is that still a factor for a lot of your partners when they're evaluating spending on one platform versus another? Just love to hear your thoughts there on competitive market share.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Yeah. So high level I think of partners as being quite quantitative and analytical. When they're looking at partners like us, it comes down to what's the LTV of the customer that they're driving through? And anecdotally, we have consistently gotten very positive feedback in many different verticals that our customers understand the products, they understand why this is a great choice for them, and that leads to good outcomes for both the partners and for NerdWallet.

In terms of share, I don't really think of it as a zero-sum game between different partners. I think a financial institution is basically making an LTV to CAC calculation and wants as many customers as they can get typically. And we tend to be a preferred channel there.

Peter Christiansen - *Citi - Analyst*

That's helpful. The deeper engagement is now being I guess more valued by your partners rather than just straight up top of funnel share? That's helpful.

Operator

Michael Infante, Morgan Stanley.

Michael Infante - *Morgan Stanley - Analyst*

Hey guys, thanks for taking my question. Tim, I just wanted to get your high-level perspectives on what you've seen in the marketplace from a competitive perspective post the TCPA implementation. I know you're more insulated than others just given the lack of lead resale, but it would be great to get your thoughts on broader pricing trends in the industry and whether or not some of the per unit pricing can insulate some of the lower lead volume. Thanks.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Yeah. I'd say given that a lot of that implementation has been stayed, we haven't seen much of an impact flow through. From a consumer perspective, I'm obviously a little disappointed that we haven't gone down that path. But yes, not a huge impact that's visible to us.

Michael Infante - *Morgan Stanley - Analyst*

That's helpful. Maybe just on personal loans in particular, if I look at some proxies of broader personal loan providers in the space and what they grew volumes in '24, they were either up quite a lot or effectively flat. And I think you mentioned your personal loans business was down about [50%]. Does that imply that in periods of lower unit volume, the second derivative from a pricing perspective is lagged and perhaps more pronounced than the volume reduction?

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Well, that's not my read. I think what's really going on is, like you're saying, the macro has markedly improved. The market is back. Lenders are seeing good underwriting results, capital is flowing back in. We just haven't been focused here.

We've reapplied focus, especially exiting Q4 and beginning of Q1 and are starting to see really big improvements. I mean if you look at our Q4 performance here, like you're saying, down 51% year-over-year, and we're expecting to be up year-over-year in Q1. So you can kind of gather that we've made a ton of improvements to our funnel.

Operator

Jed Kelly, Oppenheimer & Company.

Unidentified Participant

Hi. This is Josh on for Jed. Could you just talk about some of the opportunities for vertical integration, how we should be thinking about if it's more of a one-time opportunity like mortgages or are you thinking of a higher LTV product like financial advising?

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

The short answer is yes. I mean anywhere where there's a sticky customer relationship where financial guidance is helpful to consumers and there's sometimes this element of I don't know who I can trust, that those attributes are -- they make a category prime candidates for us to vertically integrate.

Unidentified Participant

Great. And then I guess about the brand spend, could you talk about some of the efficiencies you're seeing given the spend around sports over the past few months?

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Big picture on brand spend, I'd say we're very quantitative when it comes to thinking about our spend and we feel good about our process. Obviously, we strive to get smarter each year with both our creative and where we spend money.

You can assume that's our goal here. I mean, you'll notice some of our patterns have changed over the past few years. We're heavier in areas like sports as an example, but it's something that we just try to get a little bit better at every ensuing year.

Operator

Youssef Squali, Truist Securities

Youssef Squali - *Truist Securities, Inc. - Analyst*

Awesome, thank you for taking the question. So I have two. Tim, on the sustainability of stress in insurance, obviously growing 800% is really impressive. The only issue is you're going to comp that at some point. When we start comping that, which I'm assuming is sometime very late this year and then early next year, what do you think is the steady-state growth in insurance?

In other words, with all the things that you're doing beyond just the market improving, do you -- what do you think the steady-state growth rate in insurance? And then on the adjusted EBITDA guide, particularly beyond Q1, can you maybe double-click on areas of investments beyond brand and beyond performance marketing, which my understanding from what you said is that it's going to be materially up.

What about the other line items on the P&L? Will they also be up? Or is most of the increase in that spend and the decrease in margin driven by the brand and the performance marketing spend? Thank you.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

Thanks for the question. On insurance, clearly this is an early part of our growth curve here at NerdWallet, so yes, in the very long term, I think with the insurance market, the drivers are something like GDP plus risk plus take rate.

And so, I think you'd expect some slightly above GDP growth there. I mean historically you've seen long periods of price competition, and you've seen in the past five years periods of huge price increases. I think that affects the market.

And the last thing I'd think about there is just direct carriers are taking share from agents, so that's been another structural tailwind for the digital market. Putting all those things together, I think it's hard to come up with an exact number, but those are the factors to consider.

Lauren StClair - *NerdWallet Inc - Chief Financial Officer*

Yeah. And on your full year margin question, I'll just go back to some of the commentary around non-GAAP operating income. We expect full year non-GAAP OI to be in the range of $50 million to $60 million. And as you can see from the Q1 guide, which was a $3 million loss to breakeven.

The non-GAAP OI dollars are going to be produced during Q2 through Q4. And the largest driver of this flip to income dollars versus the Q1 guide is primarily coming from lower seasonal brand spend versus Q1 levels. And keep in mind, we plan to invest less in brand on a year-over-year basis for those remaining quarters.

I know you asked about adjusted EBITDA. So I'll just remind everyone, as we've mentioned previously, non-GAAP OI will be the performance metric that we hold ourselves accountable to going forward. And I just want to call out that adjusted EBITDA and non-GAAP OI, some of the biggest differences between those are that in non-GAAP OI, some of the savings we're delivering will come through stock-based compensation, which is not incorporated into our adjusted EBITDA metric.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

And I think I heard something in there too about just the cost base growth. We're fairly mature there and strive to keep, yeah, non-variable costs growing at a slower rate.

Operator

Thank you. I'm showing no further questions at this time. I'd like to hand it back to management for closing remarks.

Tim Chen - *NerdWallet Inc - Chief Executive Officer*

All right. Thanks, all, for your questions. As always, I want to thank the Nerds for their hard work and commitment to our consumers and our business. Reflecting on the past year and the opportunities ahead, I'm incredibly energized by how we have pathed the way to build direct engaged relationships with consumers and SMBs.

While 2024 was not without its challenges, we tested and learned at a rapid rate, made key investments, and remain committed to relentless improvement. There's more to come. Thanks, everyone.

Operator

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