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NRDS.OQ - Q1 2026 NerdWallet Inc Earnings Call

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CORPORATE PARTICIPANTS

Rob Ferris *NerdWallet Inc - VP of Finance*

Tim Chen *NerdWallet Inc - Co-Founder and Chief Executive Officer*

John Lee Lee *NerdWallet Inc - Chief Finance Officer*

Miles Jakubiak *KeyBanc Capital Markets - Analyst*

Ralph Schackert *William Blair - Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the NerdWallet, Inc. First Quarter 2026 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, Rob Ferris, VP of Finance. Please go ahead.

Rob Ferris - NerdWallet Inc - VP of Finance

Thank you, operator. Welcome to the NerdWallet Q1 2026 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 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 in confidence.

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

Tim.

Tim Chen - *NerdWallet Inc - Co-Founder and Chief Executive Officer*

Thanks, Rob. We reported revenue of \$222 million for the first quarter, up 6% year-over-year. Within our consumer vertical, we saw continued year-over-year growth in banking, driven by robust demand for savings accounts. Personal loans revenue was also significantly higher in Q1 year-over-year.

These positives were partially offset by a year-over-year decline in credit cards.

Within our SMB vertical, we saw year-over-year declines driven by organic search headwinds.

Non-GAAP operating income of \$34 million and adjusted EBITDA of \$45 million set new Q1 records, driven by strong operating leverage on our fixed cost base and lower other marketing spend.

As we look ahead, we are affirming the high end of our full-year NGOI guidance range, but taking a more conservative view on the lower end of the range to reflect two dynamics that are adding uncertainty to near-term results.

First, in auto insurance, monetization from one of our large partners started running below our expectations, which impacted our Q1 results and is expected to have a greater impact in Q2. While this business can be volatile on a quarter-to-quarter basis, we're encouraged by the strong macro outlook for auto insurance customer acquisition spend.

Against this healthy backdrop, we are deepening our technology integrations with several auto insurance carriers and expanding our offering with agent-centric carrier partners through phone-based referrals.

We are also investing to build out our branded agency, NerdBullet Insurance Experts.

We believe that these investments will create a more diversified and resilient base from which we'll grow in the future.

Second, we've decided to be more aggressive in placing our long-term bets.

We believe our brand and distribution moats represent a growing advantage as less powerful brands struggle to reach consumers efficiently, while AI simultaneously reduces the cost of offering financial products.

This is creating a unique investment window for NerdWallet.

While this environment is increasingly challenging for newer entrants and single-product companies, our trusted brand leaves us in a strong position to capitalize on our massive consumer reach and distribution network.

Whether we're evaluating corp dev opportunities or building offerings like NerdWallet insurance experts, we believe we are in a sweet spot to generate attractive long-term returns on these investments.

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

John Lee Lee - NerdWallet Inc - Chief Finance Officer

Thanks, Tim.

Before I walk through the results in detail, a quick reminder on the reporting change we discussed last quarter and which took effect today.

Beginning this quarter, we're presenting revenue in two categories, consumer and SMB. Consumer combines what we previously reported as insurance, credit cards, loans, and emerging verticals.

SMB remains unchanged. Prior period amounts have been restated under this new presentation.

Turning to the top-line, total revenue in Q1 was \$222 million, up 6% year-over-year.

Consumer revenue was \$198 million, up 10% year-over-year, driven by banking and personal loans and partially offset by consumer credit cards, primarily due to organic search headwinds.

SMB revenue was \$25 million, down 15% year-over-year, driven primarily by organic search revenue declines in SMB products, partially offset by revenue growth and loan originations.

Moving to profitability, Q1 GAAP operating income was \$27 million, compared to \$1 million in the prior-year quarter.

NGOI was \$34 million at a 15% margin, up from \$9 million at a 4% margin in Q1 2025 and above our guidance range of \$28 million to \$32 million.

The year-over-year improvement was primarily driven by lower other marketing expenses on lower brand spend, partially offset by higher performance marketing spend. Recall that we did not repeat a Super Bowl ad this year, which was the primary cause of the decline in our other marketing spend year-over-year.

As we have seen in the past quarters, brand spend tends to fluctuate quarter-over-quarter and it's dependent on timing of brand campaigns and market conditions.

Q1 adjusted EBITDA was \$45 million.

Turning to cash flow and capital allocation, we ended the quarter with \$56 million of cash and cash equivalents, down from \$98 million at year-end in 2025.

During the quarter, we generated \$40 million of adjusted free cash flow, offset by \$17 million of cash consideration for the college finance acquisition that closed in February, as well as \$66 million of share repurchases in the quarter.

Please note that the contributions from the College Finance acquisition were not material to first quarter revenue or operating income.

Our trailing 12-month adjusted free cash flow of 131 was up 125% year-over-year, a testament to the strong cash flow characteristics of our business model.

Our diluted weighted average share count was down 9% year-over-year due to our share repurchase activity, and we'll continue to evaluate share repurchases alongside other uses of capital.

As of March 31, we had \$90 million remaining under our share repurchase authorization.

Turning to guidance, we expect to deliver second-quarter revenue in the range of \$186 million to \$202 million, up 4% year-over-year at the midpoint.

In terms of profitability, we expect non-GAAP operating income in the range of \$6 million to \$14 million.

As a reminder, Q2 is typically our seasonally softest quarter, and our guidance reflects this as well as our deliberate increase in vertical integration investments to drive long-term growth.

For the full year, we're guiding to an NGOI expectation between \$85 million and \$110 million. We're reaffirming the upper end of our previously issued guidance range with the expectation that we will continue to grow revenue year-over-year in each of the remaining quarters of 2026, supported by continued performance marketing-led growth in banking, personal loans, and other products, resulting in full-year revenue growth in the mid to high single-digits year-over-year. In addition to top-line growth, we expect NGOI to be supported by ongoing corporate G&A expense discipline.

However, we're reducing the low end of the range, which now reflects planned investments to accelerate our vertical integration strategy and to reflect uncertainty as it relates to monetization with one of our large auto insurance partners. As Tim mentioned, we're increasingly confident that these investments not only have the potential to accelerate our growth and generate attractive returns for our shareholders, but to create a more diversified and resilient NerdWallet over time.

With that, we'll open it up for Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Justin Patterson, KeyBanc Capital Markets. Go ahead, your line is open.

Miles Jakubiak - KeyBanc Capital Markets - Analyst

Great, thank you. This is Miles Jakubiak on for Justin.

Wanted to dive deeper in on the acceleration of investments in the vertical integration.

Just curious if you could, give more context around what you saw or what changed that led you to, want to push the pedal on some more investment in these areas and then any more context you can provide around just where these dollars are going. Within the vertical integration strategy would be helpful.

Thank you.

Tim Chen - NerdWallet Inc - Co-Founder and Chief Executive Officer

Thanks for the question, Miles. So high level, the cost of launching financial products is decreasing rapidly as everything from software to call centers to capital markets is getting more efficient. Meanwhile, the cost of distribution is going up. That means now more than ever,

distribution is king. And so as a result, a lot of bright entrepreneurs, whether internal to NerdWallet or external, are seeing NerdWallet as a great place to build. So we have a really unique investment window. I mean, from the core desk side, we're seeing a lot of people coming to us who value our distribution, who have built great products. So we're also considering building a lot of things ourselves as well.

Miles Jakubiak - *KeyBanc Capital Markets - Analyst*

Great, thank you.

Operator

And bye for our next question.

Michael, Morgan Stanley. Please go ahead, your line is open.

Unidentified Participant

Yeah, hey guys. Two ones for me. I'll ask them both at the same time. Are you able to parse how much of the full year low end NGOI reduction is?

Driven by the monetization dynamics versus the incremental investment. And then, Tim, just on the incremental investment, you obviously gave some commentary there. I mean, we're in, obviously the middle of, a pretty significant sort of structural profitability change in the business with, the mix shift towards performance marketing. Can you just sort of walk us through, the work that you guys have done internally to get comfortable with?

With the returns that you intend to deliver here? Thank you.

John Lee Lee - *NerdWallet Inc - Chief Finance Officer*

Thank you for the question. So just on the NGOI full-year guidance question, so we are reaffirming the upper end of our previously issued guidance range with the expectation that we'll continue to grow revenue year-over-year each in the remaining quarters.

So in terms of the low end of the range, we assume that in the lower end of the range that we're not able to offset the insurance weakness for the entire year, and we continue to invest further into our vertical investment strategy, whereas the high end of the range represents that we are able to offset the insurance weakness in the second-half of the year, while we identify fewer investment opportunities in our vertical investment strategy.

Tim Chen - *NerdWallet Inc - Co-Founder and Chief Executive Officer*

Yeah, and I'll take the second part of that, but maybe first, I'll give a little more color on the insurance as well. So, I mean, one of our large carriers pulled back in March, and we have a lot of concentration towards a few carriers currently and a few channels, right? So, taking a step back, even after growing our insurance business several-fold over the past few years, we're still a relatively new player in this market and have a pretty high concentration, so we're really investing in growing. Additional carriers, but we're also starting to sell directly to agents, and that's a new business for us. And that rounds out our core click offerings with calls and leads and enables us to open up additional channels.

In terms of the IOR analysis, we obviously want to exceed our cost of capital when we're doing things like vertical integration.

And our cost of capital is pretty high, right? Like if you look at our free cash flow yield versus our market cap and our growth rate, that's a pretty high hurdle to get over.

So I think what's kind of unique for us is we have that big top of funnel. When we're looking at things from a corp dev perspective, we can do commercial testing with partners. Get a pretty good sense of how that's going to shake out. And when we're building internally, yeah, with all the new tools and infrastructure that's available now, you can build pretty incredible stuff with pretty small teams. So both of those are affecting the cost side of the IRR calculation.

Unidentified Participant

Helpful. Thanks, guys.

Operator

Great. One moment for the next question.

Ralph Schackert, William Blair. Go ahead. Your line is open.

Ralph Schackert - William Blair - Analyst

Good afternoon. Thanks for the question.

Just maybe piggybacking off that last question on insurance. Could you maybe just give us a sense or a better understanding of the investment needed. In terms of the dollars and/or the duration of this investment. This can be, a multi-quarter cycle or something that you think could be, I guess, sort of quickly built to add that additional carrier capacity. And then maybe just an update on the LLM traffic, maybe what you've observed or learned since the last call, any sense potentially how cannibalistic this is or kind of maybe how that traffic is shaking out.

Thank you.

Tim Chen - NerdWallet Inc - Co-Founder and Chief Executive Officer

On the insurance build out, we're definitely talking multi-quarters, right? I mean, we're talking about standing up a system where we're routing calls to agents at, both independent agents as well as captive agents, so that just takes time. We gotta build that out from both a... Operational side as well as a BD side and demonstrate our value and kind of follow the playbook over time. So I'd expect more of a slower ramp there.

We're going to try to do it efficiently, but that is an incremental investment. And then in terms of LLM traffic, pretty much the same story as last quarter. I mean, we're pretty dominant when it comes to LLM share and financial services or money questions. Based on all the third-party data we've seen.

So, we do see people coming through. We see high conversion rates. It's just a very small piece of our overall pie right now from a revenue perspective.

Ralph Schackert - William Blair - Analyst

Great. Thanks, Tim.

Tim Chen - *NerdWallet Inc - Co-Founder and Chief Executive Officer*

Thank you.

Operator

I'm showing no further questions at this time, so I will now turn it back to management for closing remarks.

Tim Chen - *NerdWallet Inc - Co-Founder and Chief Executive Officer*

All right. Thanks, everyone, for your questions today. This quarter, we made meaningful progress against our strategic pillars. I'm proud of what the Nerds delivered and remain confident in where we're headed. And so our focus is clear, making NerdWallet the first place consumers turn to shop for financial products.

Thank you.

Operator

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

Good day, and thank you for standing by. Welcome to the NerdWallet, Inc. First Quarter 2026 Earnings Call.

At this time, all participants are in a listen-only mode.

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Rob Ferris - *NerdWallet Inc - VP of Finance*

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As we look ahead, we are affirming the high end of our full-year NGOI guidance range, but taking a more conservative view on the lower end of the range to reflect 2 dynamics that are adding uncertainty to near-term results.

First, in auto insurance, monetization from one of our large partners started running below our expectations, which impacted our Q1 results and is expected to have a greater impact in Q2.

While this business can be volatile on a quarter-to-quarter basis, we're encouraged by the strong macro outlook for auto insurance customer acquisition spend.

Against this healthy backdrop, we are deepening our technology integrations with several auto insurance carriers and expanding our offering with agent-centric carrier partners through phone-based referrals.

We're also investing to build out our branded agency, NerdWallet Insurance Experts. We believe that these investments will create a more diversified and resilient base from which we'll grow in the future.

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John Lee Lee - *NerdWallet Inc - Chief Finance Officer*

Thanks, Tim.

Before I walk through the results in detail, a quick reminder on the reporting change we discussed last quarter and which took effect today.

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As a reminder, Q2 is typically our seasonally softest quarter, and our guidance reflects this, as well as our deliberate increase in vertical integration investments to drive long-term growth.

For the full year, we're guiding to an NGOI expectation between \$85 and \$110 million. We're reaffirming the upper end of our previously issued guidance range with the expectation that we will continue to grow revenue year-over-year in each of the remaining quarters of 2026, supported by continued performance marketing-led growth in banking, personal loans, and other products, resulting in full-year revenue growth in the mid to high-single-digits year-over-year.

In addition to top-line growth, we expect NGOI to be supported by ongoing corporate G&A expense discipline.

However, we're reducing the low end of the range, which now reflects planned investments to accelerate our vertical integration strategy and to reflect uncertainty as it relates to monetization with one of our large auto insurance partners. As Tim mentioned.

We're increasingly confident that these investments not only have the potential to accelerate our growth and generate attractive returns for our shareholders, but to create a more diversified and resilient NerdWallet over time.

With that, we'll open it up for Q&A.

Operator

Thank you. At this time, we will conduct a question-and-answer session. As a reminder, to ask a question, you will need to press *11 on your telephone and wait for your name to be announced. To withdraw your question, please press *11 again. Please stand by while we compile the Q&A roster.

Our first question comes from the line of Justin Patterson with KeyBanc Capital Markets. Go ahead, your line is open.

Miles Jakubiak - *KeyBanc Capital Markets - Analyst*

Great, thank you. This is Miles Jakubiak on for Justin.

I wanted to dive deeper in on the acceleration of investments in the vertical integration.

Just curious if you could, give more context around what you saw or what changed that led you to, want to push the pedal on some more investment in these areas, and then any more context you can provide around just where these dollars are going.

Within the vertical integration strategy would be helpful.

Thank you.

Tim Chen - *NerdWallet Inc - Co-Founder and Chief Executive Officer*

Thanks for the question, Miles. Yeah, so high level, the cost of launching financial products is decreasing rapidly as everything from software to call centers to capital markets is getting more efficient. Meanwhile, the cost of distribution is going up. That means now more than ever, distribution is king. And so as a result, a lot of bright entrepreneurs, whether internal to NerdWallet or external, are seeing NerdWallet as a great place to build.

So we have a really unique investment window. I mean, from the Corp Desk side, we're seeing a lot of people coming to us who value our distribution, who have built great products.

So we're also considering building a lot of things ourselves as well.

Miles Jakubiak - *KeyBanc Capital Markets - Analyst*

Great, thank you.

Operator

And bye for our next question. The next question comes from the line of Michael with Morgan Stanley. Please go ahead, your line is open.

Yeah, hey guys, two ones for me. I'll ask them both at the same time. Are you able to parse how much of the full year low end NGOI reduction is?

Driven by the monetization dynamics versus the incremental investment. And then, Tim, just on the incremental investment, you obviously gave some commentary there. I mean, we're in, obviously, the middle of a pretty significant sort of structural profitability change in the business with the mix shift towards performance marketing. Can you just sort of walk us through.

The work that you guys have done internally to get comfortable with the returns that you intend to deliver here?

Thank you.

John Lee Lee - NerdWallet Inc - Chief Finance Officer

Thank you for the question. So, just on the NGOI full-year guidance question, so we are reaffirming the upper end of our issued previously issued guidance range with the expectation that we'll continue to grow revenue year-over-year each and the remaining quarters.

So in terms of the low end of the range, we assume that in the low end of the range that we're not able to offset the insurance weakness for the entire year, and we continue to invest further into our vertical investment strategy, whereas the high end of the range represents that we are able to offset the insurance weakness in the second-half of the year while we identify fewer investment opportunities in our vertical investment strategy.

Tim Chen - NerdWallet Inc - Co-Founder and Chief Executive Officer

Yeah, and I'll take the second part of that, but maybe first, I'll give a little more color on the insurance as well. So, I mean, one of our large carriers pulled back in March, and we have a lot of concentration towards a few carriers currently and a few channels, right? So taking a step back, even after growing our insurance business several-fold over the past few years, we're still a relatively new player in this market and have a pretty high concentration. So we're really investing in growing. Additional carriers, but we're also starting to sell directly to agents, and that's a new business for us. And that rounds out our core quick offerings with calls and leads and enables us to open up additional channels.

In terms of the IRR analysis, we obviously want to exceed our cost of capital when we're doing things like vertical integration.

And our cost of capital is pretty high, right? Like, if you look at our free cash flow yield versus our market cap and our growth rate, that's a pretty high hurdle to get over.

So, I think what's kind of unique for us is, we have that big top of funnel. When we're looking at things from a Corp Dev perspective, we can do commercial testing with partners and get a pretty good sense of how that's going to shake out. And when we're building internally, yeah, with all the new tools and.

Infrastructure that's available now.

You can build pretty incredible stuff with pretty small teams. So both of those are affecting the cost side of the IRR calculation.

Helpful. Thanks, guys.

Operator

Great. One moment for the next question.

Ralph Schackert, William Blair. Go ahead. Your line is open.

Ralph Schackert - William Blair - Analyst

Good afternoon. Thanks for the question.

Just maybe piggybacking off that last question on insurance, could you maybe just give us a sense or a better understanding of the investment needed in terms of the dollars and/or the duration of this investment? Is it going to be a multi-quarter cycle or something that you think could be, I guess, sort of quickly built to add that additional carrier capacity? And then maybe just an update on the LLM traffic.

Maybe what you've observed or learned since the last call, any sense potentially how cannibalistic this is or kind of maybe how that traffic is shaking out?

Thank you.

Tim Chen - *NerdWallet Inc - Co-Founder and Chief Executive Officer*

On the insurance build-out, we're definitely talking multi-quarters, right? I mean, we're talking about standing up a system where we're routing calls to agents at both.

Independent agents as well as captive agents. So that just takes time. We got to build that out from both a operational side as well as a BD side and demonstrate our value and kind of follow the playbook over time. So I'd expect more of a slower ramp there.

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Ralph Schackert - *William Blair - Analyst*

Great. Thanks, Tim.

Operator

Thank you.

Showing no further questions at this time, so I will now turn it back to management for closing remarks.

Tim Chen - *NerdWallet Inc - Co-Founder and Chief Executive Officer*

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Thank you.

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