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NRDS.OQ - Q2 2026 NerdWallet Inc Earnings Call

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Ralph Schackart *William Blair Capital Partners - Analyst*

Michael Infante *Morgan Stanley - Analyst*

PRESENTATION

Operator

Good day and thank you for standing by. Welcome to the NerdWallet, Inc., Q2 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 the very first speaker today, Zach Ogle. Zach, please go ahead.

Zach Ogle - *NerdWallet, Inc. - Director, Corporate Finance*

Thank you operator. Welcome to the NerdWallet Q2 2026 earnings call. Joining us today are Co-Founder and CEO, 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 unreasonable efforts to calculate certain reconciling items.

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 Zach. We reported revenue of $197 million for the second quarter, up 6% year over year. Non-GAAP operating income, or NGOI, of $12 million was above the midpoint of our guidance range. We're in the middle of an AI transition that is changing how people get their answers to their money questions, making now an important time to check in on our long-term objectives.

We're investing in building owned audiences by vertically integrating in some areas and by improving how we register and reengage with users in others. While the story is still being written, we are confident because of the assets we have in place; a trusted brand, a large audience, healthy financials, and a strong team on an important mission.

The success we're seeing in vertical integration plays across our brokering and advisory business lines is giving us conviction to start investing incremental marketing dollars based on internal rate of return or IRR targets rather than solely on in-quarter profitability.

For the full year 2026, we expect to grow this incremental investment fivefold versus 2025. Despite the longer payback periods associated with these investments, the recurring nature of the relationships produce highly attractive IRRs.

We continue to optimize for positive end-quarter profitability for most of our business lines, but in the future, we envision extending these IRR-based investments more broadly across our business.

In our more traditional marketplace business, we continue to deliver more relevant and personalized offers to consumers while helping financial institutions meet their growth objectives.

We are making it easier for consumers to find the financial products that best meet their needs.

Product improvements unlocked significant volume growth in recent quarters, helping to drive the $12 million year-over-year increase in personal loans revenue delivered in the second quarter.

Our relentless focus on efficiency is allowing us to stay nimble in this environment and to continue delivering solid profitability. We also continued to generate strong free cash flow, enabling us to find investments in our own audience strategy while maintaining a strong balance sheet.

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

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

Thanks Tim, as Tim mentioned, total revenue in Q2 was $197 million, up 6% year over year. Consumer revenue was $175 million, up 8% year over year, driven by personal loans and deposit accounts as consumer demand remains strong and financial institutions expanded budgets. This was partially offset by a decline in consumer credit cards, primarily due to continued organic search headwinds.

Our largest auto insurance carrier relationship has stabilized, but not yet returned to levels seen earlier in the year. As we continue to explore ways to grow with that carrier, we remain focused on scaling with other leading auto insurance carriers and expanding our in-house insurance agency, an example of our growth and owned audiences.

SMB revenue was $22 million, down 11% year over year, driven primarily by organic search revenue declines and SMB products, partially offset by revenue growth and business loan originations.

Moving to profitability. Q2 GAAP operating income, $7 million and NGOI was $12 million at a 6% margin above the midpoint of our guidance range of $6 million to $14 million.

Q2 adjusted EBITDA was $23 million in line with our guidance range of $19 million to 27 million.

Turning to cash flow and capital allocation. Our trailing 12-month adjusted free cash flow grew 100% year over year to $141 million a new record. As a reminder, we were not a cash payer of federal corporate taxes during this period and received $9 million of tax refunds. We do not expect to be a federal corporate taxpayer in 2026, but expect to return to normalized corporate taxes in Q2 or Q3 of 2027.

During the quarter, we repurchased $23 million of Class A common stock, bringing our repurchases over the last -- over the past 12 months to $160 million. Our Q2 weighted average diluted share count was down 14% every year due to our share repurchase activity.

As of June 30, we had $62 million of cash and cash equivalent up from $56 million at the end of Q1 with $67 million remaining under our share repurchase authorization.

Turning to guidance. We expect to deliver third-quarter revenue in the range of $244 million to $260 million, up 17% year over year at the midpoint.

In terms of profitability, we expect non-GAAP operating income in the range of $29 million to $37 million.

Our Q3 guidance reflects typical seasonality in our business as well as expected tailwinds from regulatory changes in student loans and the impact of our college finance acquisition in February. As a result, we expect our annual profitability to be more concentrated in the third quarter of this year than in prior years.

For the full year, we're narrowing our NGOI expectation to a range of $90 million to $105 million, maintaining the midpoint of our previous guidance. This guidance includes $15 million to $20 million NGOI impact from customer acquisition spend with payback periods beyond the current year.

At the midpoint, this spend implies an approximately 5 times the increase year over year.

We expect to continue generating meaningful adjusted free cash flow moving forward. From a capital allocation perspective, we'll continue to weigh organic investment, inorganic growth opportunities, and share repurchases against one another to maximize long-term shareholder value.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ralph Schackart, William Blair.

Ralph Schackart - *William Blair Capital Partners - Analyst*

Great, thanks for taking the question. In the shareholder letter talked about stepping up the investment, I think fivefold versus last year with longer payback duration, just -- what's giving you the confidence this investments are the right time, at this particular scale?

And then maybe if you could provide some color on the new payback duration. I wasn't sure if you said more than one year also in the prepared remarks, but any color -- how you're thinking about the payback as well. Thank you.

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

Yeah, I'm happy to take that. So with the investments we made in vertical integration, we're beginning to see cohorts of our consumers with high retention and recurring revenue. So tailoring our marketing spend to the stickier audiences on the basis of IRR is a natural extension of our aggression here. But we're still keeping a very high bar and tracking cohort performances in detail.

And to us, it's really ultimately an LTV to CAC optimization over a longer period of time while using IRR and payback period as guardrails.

And from an IRR-target perspective, it's really a capital allocation question for us. We know what our free cash flow yields are today, we have a pretty good sense of what our M&A opportunities are, and these internal IRR investments need to stack well against those opportunities for to have capital allocated against it.

Ralph Schackart - *William Blair Capital Partners - Analyst*

Okay, and then just another question, just switching gears maybe to the LLM traffic and some of the FCO headwinds that you called out, maybe just some perspective on, you know, just another quarter with the LL models. How is that traffic converting? Are you guys finding new workarounds? Just any color you can add there as well. Great. Thank you.

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

Great, thank you. Yes, this is Tim. The traffic is converting well. I mean, I think intent is extremely high when someone is coming through an LLM, in terms of wanting to transact in the marketplace. It continues to be a pretty small part of our business today, but it's definitely an area of investment and growth for us.

Operator

(Operator Instructions) Michael Infante, Morgan Stanley.

Michael Infante - *Morgan Stanley - Analyst*

Yeah, hi guys, thanks for taking my question, can I just get your thoughts on just the importance of distribution in the future with everything going on from an AI perspective, like how much of that value do you think ultimately accrues to NerdWallet versus the platforms and anything you can share in terms of some of the underlying CAC trends that sort of gives you the confidence that you can continue to capture that over time?

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

I think brand and reach are just an incredible asset. I mean, I think distribution is so important in this future state of the world, a lot is left to be determined. Obviously, the story is being written, but we've already entered a phase where you've got billions of weekly active users across major LLMs, mass adoption is already taking place.

And so I think a lot of the impact that we've already seen in terms of our educational content being affected the last three years has played out. I think we're starting to see what the future looks like, the importance of like that trusted brand when you're talking about offering marketplaces, and high-stake financial guidance is really front and center, and I just think we're really well-positioned there.

And then that does translate into tech, brands with higher trust are going to have advantages there, and so that's where our vertical integration strategy is really banking on. We think our distribution and our trust are going to give us a leg up there.

Michael Infante - *Morgan Stanley - Analyst*

That's helpful. And then maybe just on, just the SMB business and the quarter sort of down 11, those structural search had been sort of continuing, like how should we be thinking about the path to recovery there, and/or like if this is a business to ultimately want to continue to own and lean into incrementally relative to just investing more into the consumer vertical integration? Thanks, guys.

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

I think about SMB as having two distinct parts, part of it is the loan business, so that's more of a loan brokering operation with a highly considered purchases on behalf of this small business owner.

And then the other piece of the SMB business is more of our traditional business. I mean, we're recommending things like, everything from credit cards to bank accounts to software, so what we're really seeing headwinds year over year is on the non-loans part of the business. And loans is growing year over year.

The loans business does have this dynamic that does work to us over and over, again, over a number of years, so that's the part of the business that we continue to invest on from a brokering efficiency standpoint. And then in terms of the rest of that business, we really think about expanding our channels and improving our CRM, so we're investing in both.

Operator

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

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

Thanks, everyone, for your questions today. Looking ahead, we're going to remain focused on building own audiences through vertical integration, registrations, and data-driven engagement. And with the assets and people we have in place, we're confident that NerdWallet will emerge from the AI transition as the most trusted consumer finance brand and the place people turn to for answers to the most important money questions.

I look forward to updating you on our progress next quarter.

Operator

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