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Q3 2024 NERDWALLET INC EARNINGS CALL

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

CONFERENCE CALL PARTICIPANTS

- **Operator**
- **Michael Infante** *Morgan Stanley - Analyst*
- **Justin Patterson** *KeyBanc Capital Markets Inc. - Analyst*
- **Peter Christiansen** *Citi - Analyst*
- **Ralph Schackart** *William Blair & Company - Analyst*
- **Jed Kelly** *Oppenheimer & Co., Inc. - Analyst*

PRESENTATION

Operator

Thank you for standing by. Welcome to the NerdWallet, Inc.'s Third Quarter 2024 earnings conference call (Operator Instructions).

And now I would like to introduce your host for today's program, Caitlin MacNamee, Head of Investor Relations. Please go ahead.

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

Thank you, operator. Welcome to the NerdWallet Q3 2024 earnings call. Joining us today are Co-founder and Chief Executive Officer, Tim Chen; and Chief Financial Officer, Lauren St. Clair.

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 Q3, we exceeded our outlook for both revenue and non-GAAP operating income despite continued headwinds in organic search and an anemic loans end market. Our business is cyclical, but headwinds and tailwinds will offset each other over time. So our priority is growing from cycle to cycle. To that end, I am especially proud of the share gains we have made cycle over cycle in insurance and small- and medium-sized businesses, which are more than offsetting lending headwinds.

Our insurance business has grown 6 times versus the 2021 peak pre-hard market. While this is partly due to higher than normal levels of re-shopping happening as premiums have increased, we have also made significant investments to improve our insurance shopping experience. These efforts have enabled us to scale performance marketing in the category more efficiently as both carrier and consumer demand have increased. At the same time, premiums have increased dramatically since 2021, increasing the size of the end market.

Similarly, in Q3, our SMB vertical saw double-digit year-over-year growth, driven by our renewals business and SMB products categories in spite of a tough macro environment in SMB loans. With these strong results in insurance and SMB, we grew revenue 25% year-over-year. However, credit cards revenue declined 16% year-over-year. We attribute this to both underwriting constraints and pressure in organic traffic in certain subcategories.

After a stronger start of the quarter, we saw some additional deterioration in our search visibility in mid Q3. While traffic to our monetizing shopping-oriented content started to rebound as we exited the quarter, traffic to our non-monetizing learning-oriented content did not. As a result, monthly unique users were down 7% year-over-year in Q3.

Looking forward, we expect to see a full quarter of impact from search headwinds to our higher volume learning-oriented content in Q4, which means MUU growth, will decelerate. However, we anticipate eventual normalization back to year-over-year MUU growth.

We earned $23 million in non-GAAP operating income, up $13 million year-over-year. We are on track to deliver the $30 million in annualized savings from the reduction in force we announced in July 2024, and we will see our first full quarter of benefit in Q4. We also adjusted the seasonality of our brand spend to drive more impact, spending less year-over-year in Q3, but with plans to spend more year-over-year in Q4.

In my Q2 shareholder letter, I outlined strategic areas of investment as we sought to operate more efficiently while investing in our vision. One of them is vertical integration, which I believe will be key to bringing more people to us directly by improving our shopping experiences and building deep and reoccurring relationships.

We recently closed the acquisition of Next Door Lending, a mortgage brokerage to provide mortgage shoppers with more hands-on guidance. I have really enjoyed getting to know Next Door Lending's principles, Doug and Jonathon, through this process. They are kindred spirits who bootstrap their business and share our focus on operational efficiency as well as a consumer first orientation with the customer reviews to match. While the upfront deal consideration is small, the strategic alignment presents a significant opportunity for us to drive better outcomes for consumers, lenders and NerdWallet.

We expect the acquisition to contribute approximately 1 to 2 percentage points of growth to our Q4 '24 revenue outlook. Although I have highlighted vertical integration as a key focus area for our team, we continue to drive progress across all of our strategic pillars in Q3, land and expand, vertical integration and registrations and data-driven engagement. Our land and expand efforts increase the breadth and depth of guidance we provide across financial topics as well as the diversity of our audience.

In Q3, we continued our early expansion efforts in Australia with the launch of our first comparison shopping marketplace for this audience. Additionally, we're seeing our efforts to nurture our Smart Money podcast audience pay off. Our analysis shows that our Smart Money podcast audience is increasingly valuable, and we have scaled monthly average downloads to 250,000. We will continue to invest in meeting consumers where they are on podcast platforms, YouTube and TikTok to drive brand loyalty and expand our overall audience.

As I shared, this quarter, we have made significant investments in vertical integration or the process of pairing NerdWallet's brand and reach with best-in-class user experiences. Efforts included extending human-assisted support to our home and life insurance experiences. Additionally, our SMB team continued our efforts to improve our sales concierge experience to improve our renewal process. I look forward to taking learnings from our acquisition of Fundera, the origin of our SMB business and applying them to Next Door Lending in our mortgage vertical, especially as the rate environment improves for shoppers.

The acquisition is an exciting step forward in our ability to offer more "do it together" and "do it for me" services. As with Fundera, we believe we have an opportunity to leverage NerdWallet's trusted brand to enhance Next Door Lending's existing business during a cyclical recovery while providing our consumers with a better experience. We believe this partnership will enable us to build deep and reoccurring relationships with consumers and take more market share while improving mortgage unit economics.

Part of the reason for our focus on vertical integration is that these improved shopping experiences allow us to register more consumers, in turn allowing us to reengage them over time with new features and opportunities to save or earn more money.

As in Q2, the enhancements to our insurance shopping flows drove significant registered user growth this quarter with cumulative registered users now over 23 million. Additionally, we continue to invest in NerdWallet+, our new membership product. As a reminder, NerdWallet+ rewards members for making smart financial decisions and provides access to exclusive rates on certain products from participating financial institutions.

This quarter, we launched insurance assistant, a tool that analyzes members' insurance rates and automatically re-shops for better policies if available as well as a treasury bills account.

Although NerdWallet+ is in its early days, we have already seen that members have a higher lifetime value than other registered users who themselves have 5 times the lifetime value of overall visitors, suggesting significant opportunity as we relentlessly improve the product.

Before I pass it over to Lauren, I want to extend my thanks to her. As you may have read, Lauren will be leaving NerdWallet in March. Lauren joined NerdWallet in 2020 to lead our initial public offering and transition to a public company, and she has been a great partner to me in this process. In particular, she has done a fantastic job of building a great team. I'm grateful that we will have Lauren's assistance with ensuring an orderly transition. In the meantime, thank you, Lauren.

Lauren StClair *NerdWallet Inc - Chief Financial Officer*

Thanks, Tim. It's been an incredible journey. And since I will be here for a little while longer, we'll have time for goodbyes next earnings call. For now, we're focused on closing the year out strong. To that end, let's get into our Q3 results.

We ended the quarter above our revenue guidance range, delivering Q3 revenue of $191 million, up 25% year-over-year. Our revenue growth was primarily driven by the resurgence we have seen in our insurance vertical as well as SMB, 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 Q3 revenue of $45 million, declining 16% year-over-year. Growth decelerated versus Q2 as underwriting tightened a bit, combined with the pressures in organic search traffic that have been a bit more pronounced within credit cards. While we've seen a recovery in other verticals, we still have room to improve in some areas of credit cards. Conversely, on the issuer side, we believe we are seeing some early signals of issuer appetite returning and have made some headway in improving areas of the organic search experience that we believe will help provide tailwinds to our credit cards vertical in the long run.

Loans generated Q3 revenue of $24 million, declining 28% year-over-year. Our personal loans vertical declined 49% year-over-year and down 8% sequentially as the end market remains challenging. Despite the recent rate cuts, we still believe that there is a backlog of consumer demand in personal loans as high loan rates continue to dampen consumer appetite to refinance credit card debt, while elevated delinquency rates have kept underwriting standards tight.

Partially offsetting the decline in personal loans was growth in mortgages. Q3 saw accelerating mortgage revenue growth as we are beginning to see the benefit of rate reductions in this vertical.

However, with the vast majority of household mortgages reported at under 5% rates, we do not expect to see significant acceleration in growth beyond these levels in the near term. The growth in mortgages is still primarily driven by strength in home equity products as consumers access the record levels of equity in their homes. We believe that we remain in a prime position to take advantage of further increasing loan demand as it surfaces.

As Tim mentioned, we expect to see approximately a 1 to 2 percentage point benefit to our Q4 revenue growth from the recent acquisition of Next Door Lending and the revenue going forward will be reported as part of our loans revenue category.

SMB products delivered Q3 revenue of $28 million, growing 12% year-over-year. We continued to see pressure in SMB loan originations with rates remaining elevated and underwriting remaining tight. However, this was more than offset by growth in our renewals portfolio, which showcases the benefit of our vertical integration strategy and the reoccurring nature of the vertical when we pursue a higher touch experience.

We also delivered growth with our other product offerings. While we do not expect to see a materially accelerating growth profile in the near term, we believe there is substantial opportunity to grow both the loans and other products businesses in the long term.

Finally, our emerging verticals, formerly named our other verticals revenue product category, finished Q3 with revenue of $94 million, growing 129% year-over-year. As a reminder, after the regrouping of SMB products revenue, emerging verticals consist of areas such as banking, insurance, investing, and international.

Insurance revenue grew 916% year-over-year in Q3, more than offsetting pressure in banking. We entered the quarter seeing consistently improving demand from both consumers and partners and believe that the end market will stay robust, assuming inflation remains stable.

Growth was also 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. Partially offsetting this growth, banking declined 26% year-over-year as we saw demand continue to decline alongside interest rates.

Moving on to investments and profitability. During Q3, we delivered $22.9 million of non-GAAP operating income above our Q3 guidance range. Despite incremental in-period cost savings during Q3, the non-GAAP profitability outperformance was not as large as revenue due to our success in scaling performance marketing.

The meaningful year-over-year margin accretion was driven by both the partial quarter impact of our cost actions we announced at the end of July as well as reducing our brand investment within the quarter as campaign timing shifted into October. We believe continuing to invest in brand advertising even through cyclical troughs will benefit the brand in the long term, and we will be data-driven on the levels at which we spend during shorter time frames.

We also earned over $37 million of adjusted EBITDA. In the third quarter, we earned GAAP operating income of $6.6 million and net income of $0.1 million, which includes $7.8 million of restructuring expenses and a $7.7 million income tax provision. 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 22 million average monthly unique users in Q3, down 7% year-over-year. The broad organic traffic challenges that we have been experiencing is the primary driver of the decline. We are seeing the largest pressure to our year-over-year growth occur in our learn traffic, which is typically non-monetizing in the near-term, though an important brand engagement tool for long-term relationships with consumers.

We expect to continue to see MUUs decline year-over-year in the short-term as we await normalization from these new levels and are comparing to a second half of 2023 that grew MUUs over 20% year-over-year.

Despite near-term challenges, MUUs this quarter had a 2-year compounded annual growth rate of 7%, showcasing our ability to drive increasing consumer demand through the NerdWallet brand.

On to our financial outlook. As shown in our Q3 results, we expect to continue delivering significantly improved levels of revenue growth despite many of our verticals facing cyclical headwinds. We expect to deliver fourth quarter revenue in the range of $164 million to $172 million, which at the midpoint would increase 26% versus prior year.

To give you more color on our Q4 revenue expectations, we would typically expect to see a seasonal decline of roughly low double digits in revenue from Q3 to Q4, which our outlook reflects. The primary driver of year-over-year revenue growth in the fourth quarter is still expected to come from insurance. And while we expect to continue facing tight lending conditions across both credit cards and loans, we will have slightly easier year-over-year comps in personal loans in Q4.

Moving to profitability. We expect Q4 non-GAAP operating income in the range of $8 million to $11 million. Our non-GAAP operating income outlook assumes a full quarter of our expected cost reductions as a result of the actions we announced in July. And as a reminder, last quarter, we provided an outlook for Q3 brand expenses to be lower year-over-year and for Q4 brand expenses to be higher year-over-year.

Our Q3 results and Q4 outlook are consistent with that guidance as Q3 brand expenses were down approximately $7.5 million year-over-year and Q4 is expected to be up a bit less than that year-over-year. As we look at the second half in aggregate, at the midpoint of our Q4 guidance, we expect to improve non-GAAP OI margin by over 1 point year-over-year.

Our Q4 guidance equates to an expected full year 2024 non-GAAP OI margin of approximately 5.8% to 6.2% of revenue and adjusted EBITDA margin in the range of 14.75% to 15% of revenue. The main driver of our expectations being near the bottom of our prior range is we see a larger portion of our revenue growth coming from paid marketing.

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 and expect paid marketing to remain a larger component of our monetizing traffic in the future.

Should there be further federal funds rate reductions, we would expect a recovery in the interest rate sensitive areas of our business to come from both unpaid and paid channels that will help with overall margin accretion. This gives us confidence that there is still a path to the medium- and long-term targets that we issued back in March. While we are not guiding to any 2025 expectations at this time, we do expect to deliver margin accretion next year as we scale revenue and maintain cost discipline across our business.

I would also like to take a minute to talk about capital allocation. Our philosophy has not changed. We will continue to be acquisitive when the timing, opportunity and price are right, and we also plan to opportunistically repurchase our shares. We seek to allocate capital towards uses that drive the highest risk-adjusted rate of return. That being said, our strategy will be to apply different discount rates to each form of discretionary capital allocation.

During Q3, we repurchased 5.8 million shares at an average price of $12.29 per share. Subsequent to the end of the third quarter, we have exhausted the remainder of the $15 million share repurchase authorization that the Board authorized in September, and the Board has approved a new authorization of $25 million. We also opportunistically entered the mortgage brokering market during a cyclical trough with the acquisition of Next Door Lending.

We are making progress on ensuring we meet our commitments to you, our shareholders, and remain proud of the way our Nerds have rallied around an evolving landscape amidst organizational changes and are working as hard as ever to improve the things within our control.

With that, we're ready for questions. Operator?

QUESTIONS AND ANSWERS

Operator

Michael Infante from Morgan Stanley.

Michael Infante *Morgan Stanley - Analyst*

Tim, I just wanted to follow up on some of your organic traffic comments. Like if I just generally think about how your share of a particular query has evolved over time, how are you sort of thinking about some of the key initiatives that you have in place to sort of mitigate the impact of some of the things that we're seeing in terms of both AI Overviews, Reddit, et cetera? I know you're obviously in the process of mix shifting your revenue composition towards the existing installed base over time. But I'm curious your views in terms of how you anticipate some of the medium-term dynamics to play out? Thanks.

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

Thanks for the question. So yes, just as a reminder for everyone, we've historically talked about learn and shop traffic as it pertains to organic search visibility. So I'll just provide a little bit more color there and then dive into the rest of the question.

Our learn bucket is not as commercial and includes things like how much should I save for retirement. Our shop traffic is highly commercial and includes things like best mortgage rate comparison. So during our Q2 call, our search visibility was broadly stabilizing and actually starting to rebound a little bit. And then soon after our Q2 call, things took a turn for the worse. So with our shopping traffic, things got worse in August and September. But then going into October, rebounded back to a level that was a bit better even than where we were when we did the Q2 call. We think we did some things on our end to clean up the user experience that were a net positive.

Now there were some exceptions. So for example, parts of credit cards and personal loans are still lagging. But overall, we got a pretty good place or we got to a pretty good place on shopping pages and feel like we figured out what to improve.

Conversely, for that far bigger bucket of education-oriented traffic that is less commercial in nature, things got progressively worse throughout the quarter and recently stabilized at a lower level. So what's happening there is a renewed push by search engines to incorporate their own answers directly into the search results, like you mentioned AI Overviews as an example.

So for those of you who have been following search over the years, this isn't really anything new. So for example, at one point, when you search for the weather, it didn't show up directly in the results. And eventually, a module was inserted there. That trend towards the simpler stuff being pulled into search results is inevitable, and we've always been more insulated from that.

But historically, it happens in waves and sometimes haircuts our MUUs. So we've generally seen a re-baselining after any major changes and then eventual growth from there as you lap the impact. Oftentimes, those changes are rolled back. And so over the last 10 years, I'd say these changes come in waves, and we're in the middle of a big wave. And as long as we focus on delivering consumer value, we're steering in the right direction and things tend to sort themselves out.

So this headwind is driving our outlook for further MUU deceleration in Q4 because of the full-quarter impact of some of the stuff that happened with those headwinds. Now, in the long run, I do think an improving search experience is a win for the overall ecosystem and keeps it healthy and growing. And really, I'd say the silver lining here is that Q3 was pretty brutal as far as some of the headwinds we faced in organic search, especially in highly commercial areas, and being able to hit like a 12% NGOI margin in Q3 in spite of that headwind is really a testament to some of the progress we've made in building a brand and a direct relationship with our users and our increasing competitiveness in other channels.

And so to your question, I mean, I think NerdWallet is doing a really good job registering a lot more users over time, especially as people are shopping. And then we're doing a better job re-engaging them. That's a big area of focus in our third growth pillar, registration and data-driven engagement.

And then also just -- I think Next Door Lending is a great example, of vertical integration as is Fundera. With those things, we naturally end up building deep reoccurring relationships with consumers over time. And we saw, for example, the renewals book of Fundera really shining this quarter in spite of a pretty tough loan origination market. So those are two of the growth pillars that we think will really help us continue to grow there.

Michael Infante *Morgan Stanley - Analyst*

Appreciate that, Tim. I just wanted to follow up on some of the insurance strength. Obviously, really impressive growth. You sort of alluded to the fact that you're expecting that to persist into 4Q. Do you think that will persist in terms of at least into first half of '25 as well? I'm just trying to parse some of your commentary on some of the organic traffic and MUU deceleration, which is being more than offset by some of the insurance strength as well as some of the more interest rate-sensitive verticals.

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

Short answer is yes. So what I'd say is our insurance revenue, right, up 10x year-over-year. And there was almost a binary impact of the insurance carriers being able to reset their pricing and return to profitability. So we're back on now, right?

And there's, for sure, share gains happening and a super cycle happening at the same time. So I'll try to disaggregate that a little bit. In terms of the share gains, I compare us back to 1Q '21 right before that hard market. We're up 6 times there. We think we've really gained share due to product improvements. And that comes from better matching customers with the most relevant products.

And yes, we continue to see benefits from that roll in in Q3. It allows us to do, for example, paid marketing more profitably. In terms of the super cycle, there's a double tailwind and some puts and takes, right? So the double tailwind is as carriers finally get approval to raise those prices, they suddenly, one, want new customers again, but two, consumers are also re-shopping as they see premiums go up.

But the offsetting factor to consider is that the end market is growing, too. So as the rising actuarial risk from climate change, for example, is a huge tailwind on overall premiums, so premiums are up a lot since 2021, and we think that's more structural in nature.

And also lastly, I'd say, in terms of diversification, today, our insurance category is heavily weighted towards auto and heavily indexed towards the digital channel. So looking forward, we're investing and diversifying in things like human-assisted integrations in home and life as well as our insurance assist product NerdWallet+, where we monitor your policies and let you know when there's a better deal.

Operator

(Operator Instructions)

Justin Patterson from KeyBanc.

Justin Patterson *KeyBanc Capital Markets Inc. - Analyst*

Great. Two, if I can. First, just on performance marketing. I know you've talked about it in the past, but could you talk a little bit about just some of the guardrails you have on there? How much of that's really incremental in nature versus responding to some of the traffic headwinds? And how do you plan on managing that going forward? And then secondly, I would love to hear more about just how some of the new products like NerdWallet+, NerdUp, and Nerd AI are resonating.

Lauren StClair *NerdWallet Inc - Chief Financial Officer*

Thanks, Justin. I'll cover the first one on performance marketing, and then Tim will take the question around new products. And so in terms of performance marketing, despite the recent challenges, we still see that over 70% of our traffic comes through organic or unpaid channels, and that's allowed us to reinvest in more acquisition channels like brand and performance marketing. I just want to reiterate and be incredibly clear, our approach on how we operate performance marketing hasn't changed. We do so in a disciplined way, aiming to be in-quarter profitable and adding incremental non-GAAP OI dollars.

And keep in mind that performance marketing is a variable expense from our perspective and will dial up or down depending on the returns. And we also view this as a means to an end as part of our registration and engagement initiatives. We see increased spend as a positive as performance marketing is a flexible lever to add incremental non-GAAP OI dollars, get more folks the opportunity to register, and to continue taking share.

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

Yes. And in terms of the newer products, like our third growth pillar is registration and data-driven engagement. So with products like NerdWallet+, NerdUp, and NerdWallet Advisors, it all really falls into that camp, right? We're trying to build deeper reoccurring relationships with our consumers and small businesses.

So I guess, broadly saying, I'd say it's pretty early days across the board, but the cohort data is looking positive. I mean people are engaging beyond that 5 times that we see on the typical registered user. And so we think that trend is good. It's really about continuing to iterate and improve on those products and drive more people into those experiences.

Operator

Peter Christiansen from Citi.

Peter Christiansen *Citi - Analyst*

Thank you for the question here and best of luck to Lauren. It's been great working with you. If I look back to the, I think you called out 2021 as the previous cycle that you're seeing on the insurance side and the fact that you're indexed high to auto, which is typically like a 6-month renewal period, I think. Does that suggest -- can you talk to -- I'm sorry, outside of the auto sector, can you talk a little bit about the strength that you're seeing in non-auto and how much of a component that was to the surge in revenue that you saw this quarter?

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

For all intents and purposes, I'd say the strength came from auto. I mean it's the biggest end market by far for us. And yes, so I'd really index there. I mean I do think home is going to be a bit of a longer delay in recovery. I know there's more premiums working their -- increases working their way through the system there. And it's also just a smaller end market. We are investing there as well as in life and Medicare, but those are still relatively nascent for us.

Peter Christiansen *Citi - Analyst*

That's helpful. And then as you think about strength in that particular vertical, did you see any noticeable contribution to your registered user growth in the quarter stemming from what you kind of saw in insurance as a call out there?

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

So we're really focused on increasing the personalization around the insurance shopping experience. And so it naturally leads to registrations and getting to know more about the consumer. And so strength in growing our auto business does actually drive more registrations for us as well.

And yes, the end game there -- I mean, clearly, the more we know about people, the more helpful we can be. And so we try to leverage that to breadcrumb our consumers into a deeper relationship with us just by being helpful where we can.

Peter Christiansen *Citi - Analyst*

Yes, that totally makes sense. Clearly, an opportunity to cross-sell into other verticals there. And last one for me on the banking side. I know that you -- I think you've called out weakness in balance transfer for last couple of quarters. Just curious if you're still seeing that particular trend within banking and perhaps maybe that being a signal for the overall lending segment as well, just on a timing perspective. Just any views there.

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

So what I'd say there is, underwriting is still tight in pretty much all credit card categories. But yes, on the flip side, we're seeing more normal balance sheet appetite where issuers have gone from capping the amount of lending they want to take on to really opening up the taps when it comes to taking qualified borrowers, they'll take all we can give them. It's getting back in that direction. So that's a net positive macro backdrop.

However, yes, like in our credit card business, there's still parts of it where organic search hasn't bounced back, and that's creating headwinds in terms of us being able to capitalize on that improving issuer backdrop. But yes, bigger picture, we think we've got a lot of room to grow there. We're still only single-digit market share in cards.

And then I guess on the banking -- on the call it, the banking side, the depository accounts, our ability to forecast trajectory of banking is admittedly a bit weaker given we haven't been through this type of interest rate cycle before. And just a quick context reminder, the Fed funds rate target increased by about 450 bps between March of 2022 and March of 2023, which drove a lot of deposit shopping. And the rate hikes ended in the first quarter of 2023.

So not too surprising, we're seeing year-over-year declines there as consumers have a little less interest in searching for savings accounts. So our revenue was down 26% year-over-year in the third quarter, and it's just a tougher comp going into a declining rate environment.

For us, the big question is how much re-shopping are consumers going to do on the way down as your savings rate gets less competitive? Do you pick your head up and look around for a new savings account? If so, things could turn out better than we anticipate. We think big picture, though, if rates stay above 0, we'd expect to see a higher new normal in banking. And to highlight this point, Q3 remains about 3x higher than in 4Q '21 before the rate hike started. So essentially, any non-zero rate means deposits are valuable to banks, and it also provides incentive for consumers to comparison shop.

Operator

(Operator Instructions)

Ralph Schackart from William Blair.

Ralph Schackart *William Blair & Company - Analyst*

In the prepared remarks, you talked about seeing some issuers return within the credit card segment. Just kind of curious if you could provide some more color on that. Was that something that occurred in Q3 and extended to where we are today? Just anything you could provide in terms of more detail on that? And then I have a follow-up.

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

Yes. So I guess what we were seeing in prior quarters, sometimes issuers were walking away from qualified borrowers. Our read on that was that they may have been a little bit conservative with managing their balance sheet in terms of coming post SVB, right, and just maybe a bit of a weaker capital markets environment. So we think a lot of that has reversed course and it is starting to look a little more normal.

Ralph Schackart *William Blair & Company - Analyst*

Great. And then maybe one for Lauren. Last quarter, I think for Q3 with a lot of the uncertainty that you saw with organic traffic, you talked about a higher level of conservatism implied in the guide for Q3. Just curious in terms of Q4, what level of conservatism did you apply there? Was it sort of the same as Q3? Has-- that sort of stance changed? Just any color you could add on that would be great.

Lauren StClair *NerdWallet Inc - Chief Financial Officer*

Yes. Maybe I'll take the opportunity to talk a little bit more about the revenue guide in total, and then I'll address your specific question about conservatism as part of that. So just as a reminder, the Q4 revenue guide was $164 million to $172 million, which at the midpoint would be a 26% year-over-year growth rate, but down 12% quarter-over-quarter.

And some additional context from Q3 to Q4, we tend to see a low double-digit decline due to seasonality in areas such as credit cards, student loans and mortgages. Our guidance for Q4 assumes normal seasonality for the business overall as well as most of our verticals. But we expect slightly worse than seasonal Q3 to Q4 in credit cards as a result of a full quarter of the commercial search traffic pressure, but a better than seasonal Q4 in insurance as we see success in scaling and taking share.

So we've been pleased that we've been able to continue to drive revenue growth despite some of these organic search traffic challenges. We do not expect to see any major impact from rate decreases in the short term, but we are confident in our readiness to take advantage of a lower rate environment should rates come down. And so I would say that our conservatism is the same in terms of our assumptions around Q3 and Q4 and the impact of the organic search trends being offset by some of the strength that we've talked about in insurance.

Operator

This does conclude the question-and-answer session of today's program. I'd like to hand the program back to management for any further remarks.

We did get a last-minute question just popped up in the queue. And our final question then for today comes from the line of Jed Kelly from Oppenheimer.

Jed Kelly *Oppenheimer & Co., Inc. - Analyst*

Just two questions. One on insurance and scaling the performance marketing. Can you talk about how your performance marketing benefits as you start to deliver more volume to carriers? And then just around mortgages, can you talk about the strategy of leaning more into a brokerage versus partnering with a variety of lenders that might give you a little more breadth in terms of lending partnerships?

Lauren StClair *NerdWallet Inc - Chief Financial Officer*

Sure. Why don't I take the first one on performance marketing scaling and insurance? And then Tim, you can talk a little bit more about the acquisition and mortgage. So as we've talked about, our approach to performance marketing has not changed. We'll continue to do it in a disciplined way. And our goal is to be in-quarter profitable, adding incremental non-GAAP OI dollars. And so that applies to all of our verticals, especially in areas where we see incredibly fast-paced growth, and we see a robust end market. And so you'll expect us to continue to lean in where we see good returns.

And if we're not seeing those returns, we can very quickly and easily pull back as well. But we also -- I'll just remind everyone again, see performance marketing as a way to get more folks registered and then reengage with them over time as we continue to expand and develop our growth pillar around registration and data-driven reengagement.

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

I'd probably just tack on two thoughts there. Yes, clearly, personalization is helpful. When we know more about the audience, we can better match them with people who are well -- or carriers who are well suited to serve that. And then the second thing is insurance is a growing area for us, and our insurance carrier partners are quite quantitative, right?

So as they look at the quality of referrals that are coming through, that can have a positive feedback loop over time on saying like, hey, NerdWallet has customers who really understand the insurance product, who really understand why we're the best carrier for them, and that can create a positive feedback loop as well.

On the mortgage brokering side, we really try to provide choice there on the brokered experience. You get access to a lot of wholesale lenders there when you work through a broker, and that can be really helpful in terms of shopping around on rates. Like if my mom called me and told me she needed a mortgage, I tell her to call Doug and Jonathon.

I mean, during our diligence process, we found that they have great rates and great customer service. So letting NDL shop around for you amongst a bunch of lenders is, I think, a really great option whether you're buying or refinancing.

Operator

Thank you. This does conclude the question-and-answer session. I'd now like to hand the program back to management for any further remarks.

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

Thanks all for your questions. Our results this quarter speak not only to NerdWallet's diversification and durability, but also to the Nerds' resilience. After a tough decision coming out of Q2, I'm incredibly proud of the way our team has risen to the occasion. The Nerds have remained committed to relentlessly improving our business on behalf of consumers, partners and shareholders. Thank you, Nerds.

With that, we'll see you next quarter.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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