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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome everyone to the NerdWallet, Inc second quarter 2025 earnings call. (Operator Instructions)

I would now like to turn the conference over to Sara Colvin, Investor Relations. You may begin.

Sara Colvin - *NerdWallet Inc - Investor Relations*

Thank you, operator. Welcome to the NerdWallet Q2 2025 earnings call. Joining us today are Co-Founder and Chief Executive Officer, Tim Chen; and Chief Financial Officer, Jun Lee.

Our press release and shareholder letter are available on our Investor Relations website, and a replay of this update will also be available following the conclusion of today's call. We intend to use our Investor Relations website as a means of disclosing certain material information and complying with disclosure obligations under SEC Regulation FD from time to time. As a reminder, today's call is being webcast live and recorded.

Before we begin today's remarks and question-and-answer session, I would like to remind you that certain statements made during this call may relate to future events and expectations and as such, constitute forward-looking statements. Actual results and performance may differ from those expressed or implied by these forward-looking statements as a result of various risks and uncertainties, including the risk factors discussed in reports filed or to be filed with the SEC.

We urge you to consider these risk factors and remind you that we undertake no obligation to update the information provided on this call to reflect subsequent events or circumstances. You should be aware that these statements should not be considered a guarantee of future performance.

Furthermore, during this call, we will present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP measures is included in today's earnings press release, except where we are unable without reasonable efforts to calculate certain reconciling items with confidence.

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

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

Thanks, Sara. This quarter, we continued to improve our efficiency in service of our long-term vision. We earned \$187 million in revenue, which was up 24% year-over-year, but below our guidance range of \$192 million to \$200 million, largely due to a temporary disruption to our insurance shopping funnel as we transition to a new platform partner.

However, our improved operational efficiency contributed to our bottom line outperformance. We delivered \$21 million in non-GAAP operating income, above our guidance of \$14 million to \$18 million and representing a significant year-over-year improvement.

I am particularly proud of our bottom line results when you consider the challenges all companies, including NerdWallet, have faced from organic search headwinds over the past year. These headwinds continued in Q2, and yet our NGOI is up \$23 million year-over-year. I attribute this to a number of factors. We've expanded our top of funnel with other sources of organic referrals through our vertical integration and registered user experiences. We have improved our proficiency in performance marketing, and we have overhauled several of our vertical shopping experiences to capture more consumer and partner demand. And crucially, we've done this all while running leaner and faster.

Our efficiency and healthy balance sheet give us options. We can make meaningful investments in our long-term vision, investments that will ensure we stay on offense with new capabilities and advantages. In particular, we're focused on vertical integration or the process by which we pair NerdWallet's brand and reach with best-in-class shopping experiences.

Examples include our SMB loan sales concierge and acquisition of Next Door Lending, a mortgage brokerage. These bolt-ons allow us to not only capture more down funnel economics, but also to establish relationships with consumers that bring them back to us directly for future transactions.

This quarter, our SMB team expanded our concierge service to a broader range of businesses. Meanwhile, Next Door Lending has been scaling our operating capacity with additional licensing and hiring efforts. Our efficiency gains have created more flexibility to invest opportunistically, whether organically or inorganically or return value to customers or shareholders in the quarter to come. You can read more about the progress we made in our other strategic pillars this quarter in our shareholder letter.

In the meantime, I'll pass it over to Jun to cover our financial results in more detail.

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

Thanks, Tim. Like Tim, I'm pleased with our profitability results this quarter and how they reflect our improved efficiency in service of our vision. As I mentioned last quarter, I believe the key drivers of long-term value creation for our shareholders are sustainable growth, strong free cash flow generation and disciplined capital allocation, all of which depend on our commitment to prioritizing profitability and our long-term vision over short-term goals.

With that in mind, let's discuss our Q2 results in more detail. You heard the headlines from Tim. Q2 revenue came in at \$187 million. While this represents solid year-over-year growth of 24%, it is below where we guided last quarter due to lower-than-expected growth in insurance. Insurance delivered \$55 million in revenue, growing at 86% year-over-year in Q2, but declining 26% quarter-over-quarter.

As Tim shared, the deceleration versus Q1 largely arose from our transition to a new platform partner. Notably, this transition wrapped up in mid-July, and we have since seen insurance revenue rebound to levels similar to last year. For more information on our other verticals performance in Q2, please refer to our shareholder letter.

Moving on to profitability. During Q2, we delivered \$21 million of non-GAAP operating income, which was above our Q2 guidance range. Tim has already shared some of the drivers behind the \$24 million year-over-year improvement in NGOI. Other operational efficiencies came from lower employee costs following our Q3 2024 restructuring and decreased brand spend mainly due to timing as we pulled forward our full year brand investments in Q1 to support the rollout of our national brand campaign at the Super Bowl.

GAAP operating income for the second quarter was \$11 million. Over the last four quarters, we generated \$71 million of adjusted free cash flow and ended Q2 with a cash balance of \$105 million. As a reminder, we introduced a trailing 12-month adjusted free cash flow disclosure last quarter. We believe adjusted free cash flow is an important measure of the health of our business, and we introduced this disclosure to better align our internal KPIs with our reported financial metrics. Please refer to today's earnings press release for a full reconciliation of our GAAP to non-GAAP measures.

Continuing on the theme of profitability and Tim's commentary on efficiency allowing us to invest in our future, I would like to touch on capital allocation and our philosophy in this area. This has been a key focus for me since I joined NerdWallet, and the good news is that we have a host of attractive capital allocation opportunities due to our strong balance sheet and cash flow profile.

In the current environment, we see two attractive options for deploying free cash flow, M&A and share buybacks. In terms of M&A, the current climate and our financial profile mean that we have a lot of leverage to pursue bolt-on acquisitions that will accelerate our vertical integration strategy. We'll continue to evaluate both opportunistically and with a focus on what will best serve our long-term value creation.

In the meantime, on to our financial outlook. Like last quarter, our guidance contemplates a wider range of potential outcomes given low visibility in the macro. In Q3, we expect to deliver revenue in the range of \$189 million to \$197 million, which at the midpoint would be up 1% versus prior year.

In insurance, we expect a small decline year-over-year since our platform transition was not completed until mid-July. And we expect continued headwinds in our credit card business, offset by strength in areas like banking and personal loans.

In terms of profitability, we expect Q3 non-GAAP operating income results in the range of \$23 million to \$27 million. This assumes continued benefit from the improvements we made to our shopping funnels and operational efficiency and that we continue to deploy performance marketing spend to take advantage of verticals with opportunities for profitable growth.

Looking ahead, we expect to generate full year 2025 non-GAAP operating income of \$71 million to \$79 million, an increase of \$14.5 million at the midpoint from our previous guidance. Our strategic investments and commitments to operational efficiency have created more opportunities for us to add NGOI dollars through improved execution, so we enter the second half of the year with confidence that our full year NGOI goals for 2025 and 2026 are within reach.

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

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question and answer session.(Operator Instructions)

Justin Patterson, KeyBanc.

Justin Patterson - KeyBanc Capital Markets Inc - Analyst

Great, thanks for taking the question. Just with respect to the traffic headwinds that you called out or organic search headwinds you called out that a lot of companies are facing, including yourself. Any sense of just how this is trending? Is it getting incrementally better, incrementally worse? And then what type of success are you having right now in terms of just driving more nudges and getting more repeat users back onto the platform? Thank you.

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

Yes. I'd say the story hasn't changed much since last quarter. Organic search is still pretty challenged. What's happened incrementally is we've seen AI overviews roll out to a much broader swath of queries in recent months, which is resulting in more people getting answers about ever clicking through to websites. However, this continues to mostly affect our learned content, which is why MAUs have been impacted far more than revenue. At the same time, we're also seeing early signs that LLMs are going to be a new organic channel for us. So the channel itself is obviously growing pretty quickly.

And third-party data would suggest that we're leading the way there in terms of market share for financial queries. What's probably less obvious is that people who click through from LLMs have materially higher intent to transact than people who click through from search engines. So that -- while encouraging in terms of that being a new growth channel, it's still pretty small.

And then I think to your question, we are definitely continuing to invest in our app and through vertical integration, our -- more soup to nuts financial services experiences. And yes, with those experiences, we gain a lot of information about the user and, of course, the nudges and personalization then become much more effective at reengaging them. So that's an important part of our strategy as well going forward

Justin Patterson - KeyBanc Capital Markets Inc - Analyst

Got it. And if I could squeeze in one more. Just when you step back and consider all the innovation that's taken place in GenAI, how does that change your internal approach toward product development? Or said differently, what type of new things can you do today that wasn't previously possible for NerdWallet? Thank you.

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

Well, I'd say, broadly speaking, AI allows really exceptional teams of Nerds and smaller teams of Nerds to just accomplish a lot more than they could before. So we're definitely seeing improvements in things like R&D efficiency. I mean, you can see the year-over-year impacts there on just dollars spent, but we're actually doing a lot more and a lot more quickly.

And then in terms of the user-facing product features, yeah, we can do a lot more personalization and a lot more bespoke experiences than before. So you can see that show up in things like people getting deeper financial advice. So there's definitely a few experiences there that are quite promising in terms of getting people to that next financial decision.

Justin Patterson - KeyBanc Capital Markets Inc - Analyst

Great. Thank you, Tim.

Operator

Mike Infanate, Morgan Stanley.

Michael Infanate - Morgan Stanley - Analyst

Hey guys, it's Michael. Thank you for taking my question. Tim, is there any data or qualitative commentary that you could share as to how registered user engagement has trended over the last, say, 6 months? I'm curious if you've seen any change in sort of usage pattern from that cohort, which obviously has been historically quite sticky from a usage perspective? Thanks.

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

Yeah, nothing to share. I mean we continue to see that 5x better LTV for our registered users. And yeah, that LTV just goes up the more features of NerdWallet that people are using. So for sure, users of our app or if you look at our newer features like our cash management account or treasury or Robo, I mean, the usage is even higher. So I think the formula stays the same. It would just be helpful and then I encourage users to use more and more products over time.

Michael Infante - Morgan Stanley - Analyst

Makes sense. And apologies if I missed it, but can you just explain the mechanics as to why the transition on the insurance platform partner side was sort of warranted or needed? I just want to make sure I fully understand that.

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

Yes. So I guess for context, insurance referrals tend to run through third-party marketplace platforms given that the market is quite fragmented, both on the demand generation side as well as on the carrier side. So each network, each -- well, I guess, each marketplace platform has its own strengths and weaknesses and different pricing. So we decided to switch to one with better economics, but one that also had different features that suited our needs. So the platform transition timing happened kind of in the -- starting early Q2 and then concluded in the first half of July.

Michael Infante - Morgan Stanley - Analyst

Thanks, Tim. I appreciate it.

Operator

Ralph Schackart, William Blair.

Ralph Schackart - William Blair Capital Partners - Analyst

Good afternoon. Thanks for taking the question. Just Tim, on your comment that people are clicking through -- the people that are clicking through OMs have higher intent. I know you said it's still pretty small, but just can you provide some perspective how this landscape may evolve and change if, obviously, if that trend continues? And then are you seeing any early-stage monetization there now? Again, I know it's early and small, but just sort of if you could provide some perspective on how you think that plays out and the monetization opportunity there? Thank you.

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

I'll caveat by saying it's very early, but my -- the evidence we're seeing that it's higher intent is that for everyone who comes through, the monetization is materially higher than your average from other channels. And I think what's happening is people are kind of getting their preliminary questions out of the way. And then when they need the product, often these products require things like soft credit pools or some deeper kind of matching. And so as they come through, their intent tends to just be much higher, right?

And so I think my bigger picture question is, are we able to activate more of the off-line demand that's traditionally going to direct mail or friends and family or just not making some of these decisions and sticking with what they have? And can we activate more of that online and take a share of that. So a lot of that remains to be answered.

Ralph Schackart - *William Blair Capital Partners - Analyst*

Okay, thank you.

Operator

There are no further questions at this time. I would now like to turn the call back over to Tim Chen, CEO, for closing remarks.

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

All right. Thanks all for your questions today. As always, I'd like to thank the Nerds for their continued hard work over Q2, and I'm looking forward to sharing our Q3 results with you in a couple of months.

Operator

This concludes today's conference call. You may now disconnect.

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