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EDITED TRANSCRIPT

NRDS.OQ - Q3 2026 NerdWallet, Inc. Earnings Call

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Ralph Schackart *William Blair Capital Partners - Analyst*

Robert Brown *Truist Securities - Analyst*

Michael Infante *Morgan Stanley - Analyst*

PRESENTATION

Operator

Good day, and thank you for standing by. Welcome to the NerdWallet, Inc. Q3 2026 earnings call. (Operator Instructions)Please be advised that today's conference is being recorded. I'd now like to hand the conference over to your speaker today, Rob Ferris, VP of Finance. Please go ahead.

Robert Ferris - *NerdWallet, Inc - Vice President of Finance*

Thank you, operator. Welcome to the NerdWallet Q3 2026 earnings call. Joining us today are co-founder and CEO, Tim Chen, 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 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, Rob. We delivered revenue of $240 million in the third quarter, with non-GAAP operating income, or NGOI, of $30 million. Revenue grew 11% year-over-year, but was below our guidance range due to a $17 million year-over-year decrease in auto insurance revenue. As a result, NGOI came in at the low end of our guidance range. We're our own harshest critics, and we are disappointed by our underperformance in auto insurance, especially with the tailwinds the overall industry is experiencing. We're relatively early in the development of our auto insurance carrier network, which has limited our ability to monetize traffic relative to our peers. We are committed to expanding our network of insurance carrier and third-party agent relationships. Unfortunately, this takes time to build, and in hindsight, we were overly optimistic on partnership timelines.

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Although we expect these auto insurance dynamics to continue to impact our results for the remainder of the year, we are confident that we will secure these partnerships over time. From an owned audience standpoint, we are excited by and continue to invest in vertical integration plays across our brokering and advisory businesses, with payback periods beyond the current year. Our full-year NGOI guidance range includes $15 million-$20 million of negative impact associated with these investments, consistent with our outlook from last quarter. AI also gives us new ways to build and deliver services to consumers and SMBs. In our vertically integrated businesses, we are using AI-assisted development to improve the software our in-house agents use to manage customer relationships. Looking ahead, we are exploring ways for our licensed agents to support consumers shopping through AI assistants.

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

John H Lee - *NerdWallet, Inc - CFO*

Thanks, Dan.

As Tim mentioned, total revenue in Q3 was $240 million, up 11% year-over-year and below our guidance range of $244 million-$260 million. Consumer revenue was $215 million, up 12% year-over-year, driven by growth in student loans, personal loans, and deposit accounts. Personal loan revenue increased as we expanded our marketplace to serve more borrowers, and deposit account revenue growth was driven by expanded partner budgets. These increases were partially offset by a $17 million year-over-year decline in auto insurance. SMB revenue was $25 million, up 6% year-over-year. Strong loan originations and renewals supported growth, while organic search traffic continued to pressure other SMB products. Moving to profitability. Q3 GAAP operating income was $19 million, and NGOI was $30 million at a 13% margin. Beginning this quarter, our NGOI definition excludes certain accelerated stock-based compensation.

This quarter, this definition change resulted in a $3.9 million add-back to NGOI related to a previous acquisition. Adjusted EBITDA was $40 million at a 17% margin. Turning to cash flow and capital allocation. We generated $129 million of adjusted free cash flow over the trailing 12 months, a 51% year-over-year increase. During this quarter, we repurchased approximately $11 million of Class A common stock, bringing our repurchases over the trailing 12 months to approximately $151 million. Our weighted average diluted share count was 64.7 million, down 16% year-over-year. As of September 30th, we had $74 million of cash and cash equivalents, with approximately $57 million remaining under our share repurchase authorization. Turning to guidance. We expect fourth quarter revenue in the range of $191 million-$203 million, and NGOI in the range of $9 million-$15 million.

For the full year, this implies that we expect NGOI in the range of $85 million-$91 million. Looking forward, although we are still in the 2027 planning process, we expect to increase revenue year-over-year in 2027, but growing in Q1 will be a challenge as it will be our toughest year-over-year comp. On expenses, we plan to increase our investments in longer payback vertical integration and AI-related projects next year. Although these investments will have a negative impact on NGOI in the near term, we believe they will help us build a stronger business and set us up for sustainable long-term revenue growth. Our cash generation gives us flexibility to invest in the business, pursue acquisitions, and return capital to shareholders. We will continue to weigh these opportunities against one another with a focus on long-term shareholder value. With that, we will open up for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Ralph Schackart of William Blair.

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Ralph Schackart - *William Blair Capital Partners - Analyst*

Good afternoon. Thanks for taking the questions. First, just on the SEO headwinds that you called out, can you maybe kind of speak to the relative headwinds you are seeing, I guess, in Q3 versus what you have experienced through the year? Just kind of curious, you know, if those headwinds are getting tougher, you are finding workarounds, et cetera. Then second, just on the insurance situation and the insurance vertical, what kind of time horizon do you think it would take to build these integrations and get that business sort of back where you expect it to be? Thank you.

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

Thanks for the question. So, in terms of SEO, organic search has become a fraction of what it was for us after three and a half years of rapid declines. That being said, the pace of declines has stabilized a bit in recent months. So, just as a reminder, educational content has been severely impacted as Google puts AI summaries in search results. However, with product marketplaces like insurance, it has been more insulated. I mean, there is an impact, but you cannot, for example, summarize a marketplace. There is inventory, dynamic pricing, underwriting eligibility, and a host of other factors that do require that marketplace. So, I would say SEO is much smaller than it was before, and it is stabilizing a bit. In terms of insurance, I guess to give a little more color there, we mentioned in our prepared remarks, right, that our partner network is too narrow.

We have direct relationships with a few of the top 10 carriers, including one that was running laps around everyone during the last few years coming out of the hard market. That allowed us to be very competitive in acquiring customers in 2024 and 2025. What happened this year is the rest of the top 10 carriers are starting to get way more competitive in acquiring customers, which is awesome for the industry. But yeah, you have to be able to monetize. Ultimately, we need to get more competitive. And yeah, carrier relationships take time to build. They don't really want to work with you until you're at a certain volume or have established your reputation in the market. And even after that happens, it can take quarters to establish that direct relationship. It's a little hard to predict.

It's frustrating for us, but the good news is, we have the volume, we're talking, but it's hard to say exactly when we secure those relationships. At some point, we'll get it done, and it'll be pretty obvious when that happens. But we don't expect to resolve the problem in Q4.

Operator

(Operator Instructions) Youssef Squali of Truist Securities.

Robert Brown - *Truist Securities - Analyst*

Thanks. This is Robert on for Youssef. Thanks for taking the questions. On organic search, I am just curious what the strategy is here now to overcome the organic search headwinds, because historically, it has been an organic SEO business. I am just curious now in this new era, and with search seeing a lot of volatility, what the new strategy is. On that front, I am curious how much of traffic comes from AI assistants today and where you think this is going to be in the next five years or the next 10 years. Thanks.

John H Lee - *NerdWallet, Inc - CFO*

Robert, thank you for that question. We really have a multi-channel marketplace generating a ton of NGOI focused on in-month earnings. We also have multiple long-term bets that we have been discussing over the last few quarters. I would break out our business in the following categories, which is, as you mentioned, we have our SEO-led content business. That has been declining, but it is a lot smaller today than it was a couple years ago. We have our paid marketing marketplace that has been growing meaningfully year over year, and you could track the increase in our marketing spend that we disclose. We have been pretty clear that we are focused on in-month profit, positive profit in that business.

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We also have our VI investments, which is negative NGOI, which is this $15 million-$20 million that we have highlighted for 2026 that we are excited about, and it is really a big part of our owned audience strategy. Then we have our long-term bets. They are more AI-related, as you could imagine now, and they are not contributing to the top line today, but does hit our OPEX so far. I would really think about it in those four terms. Going back to your original question, yes, SEO content business, although big, it has been declining and is much smaller today than two years ago.

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

On the agentic traffic question, I think it is a little bit hard to predict where that goes. I think it is going to vary a lot by vertical. As an example, I would speculate that in auto insurance, it is going to really come down to whether carriers play ball. Then you have to think about some of the things they are worried about. First is churn. If you have customers who are shopping via an agent, are they going to re-shop in six months? That is going to really impact LTV pretty linearly and make it a less attractive channel. The second piece you got to think about is just the cost of even quoting. I mean, it costs us a few bucks to run a quote, and then it costs the carriers a multiple of that to give a quote from an underwriting perspective.

So that ratio of empty calorie quoting versus people who actually become customers is going to matter a lot. I think without the major carriers playing ball, it's just not really going to function as a market. That being said, we're investing in it. I think everyone's going to experiment with it and see where it goes, but it's kind of hard to say exactly how big it'll be.

Robert Brown - *Truist Securities - Analyst*

Okay, great. Thanks.

Operator

(Operator Instructions) Michael Infante, Morgan Stanley.

Michael Infante - *Morgan Stanley - Analyst*

Yeah. Hi, guys. Thanks for taking my question. Hope you're doing well. Tim, I'd be curious to just get your perspective, and perhaps your conversations with investors, just in terms of how you describe the value prop of the NerdWallet platform today, particularly as some of the labs now are obviously coming out with personal finance functionality, probably begin to recommend products or at least provide sponsored ads at some point in the future. So how do you just think about continuing to make NerdWallet top of mind for consumers over time?

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

Yeah, I think for us, a big piece of this is the marketplace dynamic. Consumers have to often make complex decisions, especially areas like insurance, personal loans, mortgages, where there's risk-based pricing. In order to do that in a compliant manner, you really need a trusted marketplace that has the inventory, the pricing, that's going to send you to the right place. That's where we're in conversations with both the model companies as well as constantly with consumers. I think there's an opportunity to do that in an agentic world. Exactly what shape that takes, I think it's still being sorted out in terms of how the economics work. I think it's going to be much more liquid in some verticals and not going to change that much in others.

We want to be ready for all eventualities there, so we're definitely making the investment today.

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Michael Infante - *Morgan Stanley - Analyst*

Appreciate that. And, John, just for a quick follow-up, I mean, performance marketing in the quarter, I think it rose $35 million year-on-year against, call it $25 of incremental revenue. Obviously understood that you had the insurance challenges, but still a lot of performance marketing intensity. We've spoken about how you guys were still trying to optimize the performance marketing playbook. Can you just sort of speak to. Some of the initiatives that you have in place to optimize that channel and how you think about the ability to sort of incrementally spend on performance marketing overtime relative to the revenue generation?

John H Lee - *NerdWallet, Inc - CFO*

Yeah, I mean, it's related to, I mean, the one big area that we just talked about is all the initiatives we're doing on insurance, right? So having a broader carrier network and having a healthy distribution network is an area that we're very focused on. In terms of ROAS, we're highly focused on making sure that we are in-quarter positive in our marketplace, and that performance marketing isn't just SEO. There are multiple different channels that we are developing, including social and other channels, and we're highly focused on it. The other part of this is that in the math that you're doing, Michael, a lot of our NGOI investments are actually flowing through there as well.

Some of the lift you are not seeing there is because the VI investments that we are making, a lot of that $15 million-$20 million is also flowing there, which it does show that it is not us being efficient, but you just need to factor that in as you are thinking about our efficiency going forward.

Michael Infante - *Morgan Stanley - Analyst*

Appreciate it.

Operator

Thank you. There are no further questions. I will now pass back to management for closing remarks.

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

Thanks, everyone, for your questions. Our mission of providing clarity for all of life's financial decisions continues to guide us. I want to thank our Nerds for their dedication to that mission and our shareholders for your continued support. We are encouraged by the progress we are making and excited about the opportunity ahead, earning the trust of the consumers and small businesses we serve and keeping them coming back to NerdWallet. Thank you.

Operator

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

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