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TREE - Q3 2019 LendingTree Inc Earnings Call

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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the LendingTree, Inc. Third Quarter 2019 Earnings Conference Call. (Operator Instructions) Please be reminded that today's call is being recorded. I would now like to turn the conference over to your host, Mr. Trent Ziegler, Head of Investor Relations and Treasurer. Sir, you may begin your conference.

Trent Ziegler - *LendingTree, Inc. - VP of Finance & IR*

Thank you, operator, and thanks to everyone for joining this afternoon to discuss LendingTree's third quarter 2019 financial performance. I'm joined in the room here today by LendingTree's Chairman and CEO, Doug Lebda; and Chief Financial Officer, J.D. Moriarty.

Before I hand the call over to J.D. to run through our results, I'll quickly remind everyone that during today's call, we may discuss LendingTree's expectations for future performance. Forward-looking statements are typically preceded by words such as we expect, we believe, we anticipate or other similar statements. These forward-looking statements are subject to risks and uncertainties and LendingTree's actual results could differ materially from the views expressed today. Many, but not all of the risks we face are described in LendingTree's periodic reports filed with the SEC.

We will also discuss a variety of non-GAAP measures on the call today, and I refer you to today's press release available on our website at investors.lendingtree.com for the comparable GAAP measures, definitions and full reconciliations of non-GAAP measures to GAAP.

And with that, I'll turn to J.D.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Thanks, Trent, and thanks, everyone, for joining. I'll spend a few minutes going through some developments since last quarter, and then Doug will provide his thoughts before we open up the call for Q&A, which we look forward to.

The team executed incredibly well in the third quarter, delivering record levels of revenue, variable marketing margin and adjusted EBITDA, each of which meaningfully surpassed our previously provided guidance.

As Doug referenced in our press release earlier today, the top line trend across our portfolio of businesses has been exceptional throughout the year, and that trend improved in the third quarter with revenue of $311 million, representing growth of 58% over the prior year.

However, we also delivered substantial incremental profitability in the quarter while continuing to remain on the offensive, investing in several areas, as we outlined on our last call 3 months ago.

The mortgage business continued its momentum into Q3 with revenue of $62 million, up 14% sequentially, and also resumed year-on-year growth, up 12% compared to the third quarter of last year. In addition to solid top line growth, we began to see improving margins in mortgage throughout the quarter as lender capacity began to improve as we expected it would.

The insurance business continues to impress, driving revenue of $75 million, representing pro forma growth of 57%. While the majority of the business remains in auto, we are also beginning to see some solid growth in the home category. For context, revenue in the home insurance category grew 96% year-on-year and nearly 20% sequentially.

We are obviously very pleased with our strategic acquisitions, QuoteWizard and ValuePenguin, and we are encouraged by the prospects for the business and the integration opportunities that exist as we move into 2020.

Credit card results were solid once again as revenue of $55 million grew 28% year-over-year. Our efforts in card remain focused on tighter issuer integrations and more personalization for shoppers.

In personal loans, revenue of $44 million represented growth of 14% year-over-year. The environment in personal loans remains largely unchanged relative to the first half of the year with lenders increasingly focused on profitability and looking for ways to differentiate their products in increasingly competitive space. As such, we are increasingly looking to add value for our partners by launching tools to enable more sophisticated targeting.

As we discussed last quarter, this product continues to be an important entry point for bringing new users to the LendingTree ecosystem, and we continue to scale into new marketing channels well beyond paid search.

And finally, a couple of standout businesses in our other category are definitely worth mentioning. As we've discussed in years past, the third quarter is particularly important for the student loan category as lenders ramp their advertising efforts ahead of the fall enrollment season. This year the team executed incredibly well to capture demand from both existing partners as well as new ones to drive year-over-year revenue growth of 64%.

In the student business, we spend much of the year preparing for the busy fall enrollment period. So kudos to the team for positioning LendingTree to deliver for our lenders in peak season.

Lastly, our small business offering, which grew 71% in the quarter, continues to emerge as a nice growth driver for the company and one where we see plenty of opportunity ahead.

Moving on to profitability. We delivered variable marketing margin in the quarter of $116 million, up 50% over the prior year and up a remarkable 23% compared to the preceding quarter. The incremental margin can be attributed to several factors.

First, we obviously get the benefit of the seasonal lift in the student loan business. Second, as previously mentioned, we saw improving economics in mortgage relative to somewhat intentionally depressed margins in the prior quarter. But we also saw favorable margin trends across many businesses in the portfolio and sizable increase in the contribution from My LendingTree.

Beneath variable marketing margin, we reported adjusted EBITDA of $63 million, up 39% year-over-year. On a GAAP basis, we reported net income from continuing operations of $24.5 million or $1.67 per diluted share. On a non-GAAP basis, adjusted net income per share came in at $2.25 per share.

Moving on to a revised guidance for the remainder of the year. We are acknowledging the outperformance in the third quarter and tightening our full year ranges accordingly as we plan for and position the business for 2020. Our full year outlook increases to a range of $1.100 billion to $1.115 billion representing growth of 45% at the midpoint.

The range of VMM narrows to $395 million to $405 million, and adjusted EBITDA narrows to $197 million to $205 million or 31% growth at the midpoint. After adjusting our guidance at midyear to account for a slowing personal loan business, we are pleased to be delivering against those expectations (inaudible), and we look forward to outlining our plans for next year at our Investor Day in December.

And with that, I'll pass it over to Doug.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Thanks, J.D., and again, thanks to those on the phone. With J.D., having gone through the specifics around the financials in each of the key segments, I want to echo the theme of his remarks regarding our approach to managing the business and provide a few updates on where we're making progress.

First, the approach we're taking to managing the business. I am a firm believer that great companies effectively balance the short-term demands of being a public company with the long-term goal of building an amazing company that creates innovative products and solutions for both consumers and our partners and generates long-term value for shareholders.

At the beginning of every year, we set out a plan to balance those objectives, and the company has an established track record of doing just that. At the beginning of 2019, we started a plan to deliver approximately 30% growth in both revenue and adjusted EBITDA. And sitting here today with just 2 months left in the year, we're on track to deliver revenue growth of 45% and adjusted EBITDA growth of 30% and still invest in product, technology and marketing to set us up for future years.

Now clearly, market conditions changed throughout the course of the year. And as we adapt to those changes, we always do our best to keep you all up to speed. As we've modified our outlook, both up and down throughout the year, I'm incredibly proud of our team's ability to manage across the portfolio of businesses we've assembled. And it's that portfolio of businesses, the diversification among products that fit together that enables us to weather challenges in some segments while investing heavily in others, all while improving our marketing machine, building products for the future and driving market share gains.

With that said, I want to draw you back to our commentary from last quarter. You'll recall that we acknowledge the slowdown in our personal loan business. However, we didn't want to let challenges in one business detract from what we were trying to accomplish in other areas of the company.

As J.D. mentioned, we have been previously running mortgage at thinner margins than are typical because we believed we could earn our way into better economics. That positioning paid dividends in the third quarter as we began to see lenders rebuilding capacity and returning to the platform in a big way. We also discussed a desire to continue marketing aggressively into personal loans despite some pressure on monetization. That product gives us a unique ability to drive a quantum of new users into the ecosystem in a way that other products simply don't.

In just the third quarter, we added nearly 2 million new unique customers to our database, who entered the platform through a personal loan inquiry. And based on the financial profile of those users, we can tell definitively that they are most likely to engage with the tools and services we provide and ultimately transact more frequently over their lifetimes.

And finally, we talked about marketing and engaging consumers more broadly across the platform, particularly through My LendingTree. In this quarter, we launched our first series of television commercials geared toward promoting the logged-in experience through our app, and the results far exceeded our expectations. Not only did the campaign drive an uptick in new users to platform with the number of app installs jumping 45% over the second quarter, but we very clearly saw an uptick in the engagement of existing users.

The uptick in engagement was a pleasant surprise and dramatically improved the ROI on that investment, while also reducing the payback period. I'm incredibly encouraged by the early readouts from this test, and we look forward to scale these efforts into next year.

In Q3, the revenue contribution from My LendingTree jumped to nearly $24 million, an increase of 19% over just the second quarter. We attribute some of that growth to heightened awareness from the ad campaign that was also driven by our efforts to better align My LendingTree with the credit card business. While still relatively small, credit card revenue from My LendingTree increased 62% over the prior quarter, demonstrating tangible progress against a huge opportunity that we outlined at last year's Investor Day.

We still have lots of work to do to better align each of our businesses with the My LendingTree member base, but the progress in credit card is clearly encouraging. I am particularly enthusiastic about the opportunity in insurance as the ability to deliver meaningful savings for consumers is considerable and we know this will be an efficient customer acquisition tool for carriers.

We've discussed how personal loans is among our highest margin products because it receives nearly 1/3 of its volume from My LendingTree. If we can achieve a similar balance in other sizable businesses, the impact on our overall margins would be profound. These are very important initiatives as we move into 2020.

In closing, I'm thrilled with this quarter's results and the progress we've made this year. But more importantly, I'm encouraged by the tracks we're laying to transform the business for the years to come.

And with that, operator, we can open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Jed Kelly from Oppenheimer.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst*

It seems like your My LendingTree is working pretty well, progressing pretty well. Last quarter you talked about marketing into that, where the payback period is not immediately recognizable on revenue. I mean how are you thinking about marketing into that product, I guess, fourth quarter and into next year?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

At a high level without giving away too much of the secret sauce, we plan to market it inside of all of our other products. It is still not an in-quarter payback period, but it's always getting shorter. And the more products we put in there, the better it is, and we think it stacks up very nicely competitively, and we think it's a great case for investors.

J. D. Moriarty - *LendingTree, Inc. - CFO*

And Jed, the only thing I would add to that is if you look at the year, the progress in my LT has really been on the app install side and the active user side. And obviously, we don't disclose a ton of metrics around that. We need to work toward that. That's been a great sign of progress.

Q3 was really about testing some of the brand spend on that. We got good results from that. But we're probably not going to lean into that in Q4, given the variability, and it's not the best time to be spending those dollars.

And so I think Q3 really informs next year more than it really does Q4.

Jed Kelly - *Oppenheimer & Co. Inc., Research Division - Director and Senior Analyst*

And then just on the guidance. It does imply you're taking down your 4Q VMM versus last quarter. Anything to call out there?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Let me take it first and then just J.D. I think we try to hit the year and whenever we can, we want to just keep the pedal down and keep investing in product, tech and marketing. And that's what we'd like to do in Q4, particularly as lenders seasonally pull back a lot. It's a good time for us to continue to do that.

J. D. Moriarty - *LendingTree, Inc. - CFO*

And Jed, the only thing I would add is we're focused from a guidance perspective on meaningful updates, right? So we give you an update in -- at Investor Day, we give you an update in the middle of the year. And the substantive thing there was, obviously, what was going on in personal loans. When you consider Q3 to Q4, you have to consider what's going on in student and obviously, mortgage, as we said, we're getting some incremental margin there relative to depressed margins in Q2. But the Q3 to Q4, if you back out the impact of insurance, the Q3 to Q4 progress effectively or the relativity -- the Q3 to Q4 is actually the exact same as it was last year. So we do have some seasonality there.

As it relates to guidance, it's fair to say that you're seeing a bit of an evolution in the way that we think about guidance, right? If there's something meaningful, we're going to update it. We updated it in the middle of the year as it relates to the full year. We're principally focused on 2020 right now, not incremental momentum in Q4.

So I think you need to be mindful of the seasonality of Q4. That's the exact same as it's been. But that's really the way that we thought about guidance.

Operator

Your next question comes from the line of Nat Schindler from Bank of America.

Nathaniel Holmes Schindler - *BofA Merrill Lynch, Research Division - Director*

I think I was going to go a little bit on that guidance question. But can you talk a little bit about what is working and what more you have to do to get other products to have the same effect in the use on My LendingTree and particularly things like credit card, which I would think would be -- you'd be able to push in that direction pretty quickly and/or refis?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. So credit card, we've made significant progress, and that'll continue to build on. That really is after personal loans. Inside of My LendingTree, the lower intent products are generally easier. It's generally easier to find savings and/or credit improvement. So that's why personal loans really was first.

Credit card was definitely next, and we're leaning into that. And then refi and the other products are there. They're not as seamlessly integrated, but we're working on that.

Nathaniel Holmes Schindler - *BofA Merrill Lynch, Research Division - Director*

Great. And just to hammer that guidance question one more time. It is pretty stark where you're basically not giving and pushing through as much upside from the variable marketing margin. Makes me think that you're looking at some more aggressive marketing channels. Is there any particular area that you want to highlight?

J. D. Moriarty - *LendingTree, Inc. - CFO*

No, I guess what I'd say is Nat, I guess I would say it is not just marketing channels, I think it's a continuation in businesses. We're not going to pull back businesses just to accommodate guidance.

We updated the full year, and we're getting there through an exceptional Q3. We think we'll have an exceptional Q4. But ultimately, it was the right decision to keep investing in mortgage at lower margins in Q2. It benefited us in Q3. We're going to continue to manage the business for the year and many years, not for any one given quarter. And that's really the philosophy right now.

So we are passing through some of it. But ultimately, we are focused on what Q3 indicates for 2020 and the health in our core businesses, and that's our principal focus right now.

Operator

And your next question comes from the line of John Campbell from Stephens Inc.

John Robert Campbell - *Stephens Inc., Research Division - MD*

I wanted to touch on, first, just on the mortgage business. It's great to see that return as a growth driver. But you guys kind of called out some, I guess, a return to health in the channel for a lot of lenders. So 2 quick questions related to that. So first, I guess, as you look at the 12% growth, if you can maybe suss out how much of that came from maybe price versus leads? And then I wanted to check on the kind of rate of growth between purchase and refi.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Let me leave some of the specifics to these guys just that the -- at a high level, we're actually seeing very, very good growth in purchase. However, what happens and what happens in the mortgage business as rates fall, as lenders get a little bit more margin, which enables them to lean in a little more and enables us to then market into it. So that is really -- we're seeing increased buys across lenders and lender profitability, which was a big concern last year. We're not concerned about that as nearly as much as we were.

J. D. Moriarty - *LendingTree, Inc. - CFO*

John, I guess the only thing I would add to that. I would say most of it is in refinance. That's not surprising in light of the rate environment. You guys -- you and others have done a good job of understanding the sequential orientation of mortgage relative to capacity, right? I think the understanding of that today versus a year ago in the marketplace is far better than it was. The questions we get from investors are far smarter on this topic.

Q1 and Q2 were very good for lenders in terms of lender health. We worked all last year to do our part effectively for lender health, right, trying to manage cost per funded loan. Q1 and Q2 in this rate environment was far better for those refinance-oriented lenders. And so we operated. They had a lot of organic volume in Q2. And so we were not able to monetize our volume the way that we would have liked.

We continue to lean into that business to take market share. And here in Q3, what we're seeing is 2 things. One is, we're seeing an improved cost environment. We're able to -- we've been able to acquire our traffic far more efficiently in Q3. And then, two, we're definitely seeing increased interest in our product, meaning that the capacity is kind of catching up with the volume and the interest on the part of borrowers to refinance. So this is the natural progression of the mortgage business, and we're thrilled to see it playing out the way that it is after the decisions that we made in Q2.

John Robert Campbell - *Stephens Inc., Research Division - MD*

Okay. That's great color. And then back to personal loans. I mean, obviously, I'm sorry, on My LendingTree, obviously, personal loans, that's a pretty big driver. But if you look at My LendingTree rev, I mean, that was up 19% sequentially. It looks like personal loans only up about 7%. So clearly, you guys are seeing some other products ramp there. Doug, I think you called out credit card and you're expecting the others to come along. But I just mainly want to check on kind of integration efforts. I mean, obviously, you're trying to build in insurance and some of the other products. Where do you guys sit? I mean if you want to use a baseball game analogy, kind of where do you feel like you are currently what inning as far as integrations?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Probably second or third. And everybody's kind of head shaking. I think that's right. And you can't over alert or over mail people too much. You got to be very smart about what you're doing. You got to do it as it relates to their credit and their -- and what's best for them. But it's getting better and better.

And the thing, as I called out, I'm most excited for is insurance as part of that.

J. D. Moriarty - *LendingTree, Inc. - CFO*

And John, that has not even gotten started yet, right? So we started talking about integrating card in Q2 of last year, right? And started talking to the investors, I would say, the back half of last year, started actually working on that in Q2 of last year. And so we're really seeing that benefit now, and it does take time.

You've got to have something of value. You've got to get the provider, the partner, whether it's an insurance carrier or a credit card issuer, to value that user base and actually come up with unique offers for My LendingTree consumer. And that just takes time. It's both a selling effort and a product effort.

And so we set out to make progress in card. We've made great progress. There's still a lot of progress in front of us, and I think second inning is a good characterization.

Operator

And your next question comes from the line of Mayank Tandon from Needham & Company.

Kyle David Peterson - *Needham & Company, LLC, Research Division - Associate*

It's actually Kyle Peterson on for Mayank. Just a quick question on mortgage. Obviously, the trends and the commentary on the improving margins are good to hear. Have you guys noticed the improved margins kind of continue into Q4? Or kind of where are the mortgage market margins? And where do you think they can go if lender health continues to be pretty good?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Sure. First of all, we're not -- I think, specifically, in mortgage, we're probably happy with where they are today. We want to take market share. We will always manage the business to go after the maximum market opportunity. You've heard us talk about managing for VMD, not VMM. And so it's not a matter of driving incremental margin in mortgage. It's a matter of taking market share with lenders, giving them products that -- product solutions within mortgage that work.

So fourth quarter is always a little bit trickier just in terms of the environment in mortgage. And so I'm reluctant to guide you on anything specific there. But what I would focus on is more than our other businesses because of this unique capacity aspect, mortgage is very much a sequential business. Look at the trend in mortgage, look at the fact that we finally got some cost benefit in Q3, and those are very good indicators moving forward.

J. D. Moriarty - *LendingTree, Inc. - CFO*

And the only thing I'd add is that -- the only thing I'd add is that Q4 in mortgage is a seasonally tougher one, given holidays and rising ad cost, et cetera, and given the more labor-intensive nature of it. So it typically comes out of the chute in Q1.

Kyle David Peterson - *Needham & Company, LLC, Research Division - Associate*

Okay, that's helpful color. And then, I guess, just a bigger picture question. As a follow-up, I know one of your competitors, we noticed made some hay launching kind of a co-branded kind of savings account, kind of get some people under the ecosystem type of thing. Is a product like that's something you guys have looked at as a way to expand out your My LendingTree web? Or are you guys still kind of just sticking to the kind of personal loans, card and build out kind of in that order?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

No. So -- yes, our -- great question. Our, yes, our deposits product is very, very good. And I think maybe the difference would be the difference between choice in having your own products. We think if we can provide consumers an array of choice, we can hopefully always save the money by getting them the best deal and then we're also not sitting inside of the actual account. But we think choice really matters and comparison shopping helps them save money.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. This is -- it's certainly interesting to see that. You've heard us say before that we like the deposit or the asset side of a consumer's balance sheet because the consumer tends to engage more with that, right? And so as we've grown our deposits business, and you've heard us talk about we are likely to -- are very interested in the, what I'll call a marketplace for investments and the like, it's because it does drive engagement, and we think that's largely the intent of the competitor that you're speaking about.

So it's certainly something that would be on our road map. But as Doug said, fundamental to our business is choice. And we have an awful lot of deposit customers that we care a great deal about and providing a good marketplace for them is the most important part.

Operator

And your next question comes from the line of Stephen Sheldon from William Blair.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

First, on the small business offering, you're clearly seeing good trends there. What's driving that? And have you maybe done anything to focus more on that business and increase the investments into it? Just anything you can provide on? And then anything you can provide on how large that might be at this point?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

I think, Stephen, I guess, I'd say it is a classic example of a business that is benefiting from being part of the LendingTree platform and diversifying their marketing mix over time. Most of the companies that we acquired. (inaudible) acquired SnapCap in the fourth quarter of 2017. And most of the -- sorry, the third quarter of 2017. And most of the companies that we've acquired have more one-dimensional marketing than we do and they benefit from an increased marketing mix over time.

In the case of -- we were already in small business. We had one approach. SnapCap had a somewhat different approach to that marketplace. It took some time to integrate the two. The team has just executed exceedingly well. But essentially, expansion of the marketing funnel and then leverage off the platform has been a real driver. So we're thrilled with the progress.

I think we've also learned a lot more about that market over time and it's a market that we continue to be really interested in and it's got some great dynamics. I think you're adding a lot of value for the small business owner and there's a renewal aspect to the business that we like very much. There's -- much like our personal loan business as a repeat orientation, there's a great opportunity to reengage with a small business owner, and that's something that we like.

Stephen Hardy Sheldon - *William Blair & Company L.L.C., Research Division - Analyst*

Got it. That's helpful. And then in personal loans, revenue held up relatively well, both the year-over-year and sequentially. But can you maybe talk about profitability there and whether profits held up, too? And then how are you thinking about potential growth in that business as we look into the fourth quarter and into maybe early 2020 given trends you're seeing more recently?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. I'll let J.D. hit on maybe some specifics of what we can tell. But profitability in personal is high. You have to look at each channel. It's obviously getting a big draft, as I mentioned, from My LendingTree as a very engageable product. It -- and on the paid marketing, it is also equally profitable. We've talked about some lenders pulling in horns and getting tighter in their credit models over time, and that will happen in any one product here and there. But I think personal has got a great future ahead of it.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Not a whole lot to add there. I guess, I'd say, right now, you've got a lender base that's very focused on getting to profitability. That has influenced the way that we've interacted with lenders throughout the year. We will set out growth rates for respective businesses at Investor Day. Clearly, we enjoyed great top line growth and profitability last year. This year we've seen deceleration in personal loans, but it has so much value for the platform, and we want to continue to grow that business because inherently, it's a good business for us for a lot of reasons.

So we've continued to lean into it. But I think it's fair to say that our growth assumptions for next year will be somewhat conservative given the current tenor in the marketplace. We'll set up those growth rates at Investor Day, as we always do.

Operator

And your next question comes from the line of Eric Wasserstrom from UBS.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Maybe just to follow up on a couple of the topics that have been raised. Thanks very much for giving us some clarity around the dynamics of the other category. But J.D., would you mind just helping me understand a little bit more how much of the improvement there, which was obviously very substantial, how much of that you view as being either cyclical or seasonal versus how much of it we should consider to be structural?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes, it's interesting. So we talked about this a little bit, Eric, at the second quarter, where we do have businesses that are in that other category that came into the second quarter, we're just kind of -- there's a confluence of -- home equity was struggling during that period.

Obviously, in the rate environment that we had, a business like our deposits business wasn't growing at the same rate that it had been. So recognize that sometimes there's just timing of certain businesses that are going to not have as strong of a quarter.

I think when you look at other, you have to consider what went on in student. Do we always get this benefit in the third quarter, and the benefit was exceptional here. We had exceptional performance there. So that's in student. Small business is the standout, also in other. I wouldn't necessarily think that those businesses, when you say structural, those are typically businesses that are benefiting disproportionately from My LendingTree. If I think about student or deposits or small business, those businesses are not really. So that would be incremental if those businesses started to benefit in a material way from organic traffic. They're not yet. So that's kind of how I take your structural point. And I think it's fair to say that we just, candidly, the other performance in Q3, which is great execution of the core business.

Eric Edmund Wasserstrom - *UBS Investment Bank, Research Division - MD & Consumer Finance Analyst*

Got it. And just on the insurance business. I think the revs in the period were about $75 million. I think in the prior, they were somewhere around $72 million. So should we consider sort of like that pace of sequential growth to kind of be the run rate level?

J. D. Moriarty - *LendingTree, Inc. - CFO*

I won't be giving any segment level forward guides in this call. But thank you for that try. No, listen, we're thrilled with the performance of the insurance team. It's obviously on a revenue basis and actually on a contribution basis exceeded our expectations through great execution. We'll set that out at Investor Day in terms of what run rate is there. You can see that we're clearly, in our opinion, taking market share in insurance and there's a lot in front of us, in our opinion, in terms of the opportunity to integrate that with the overall platform.

Operator

Next question comes from the line of Mark Mahaney from RBC Capital Markets.

Benjamin Wheeler - *RBC Capital Markets, LLC, Research Division - Associate*

This is Ben on for Mark. I just had 2 -- in terms of -- I think you shared some interesting stats on like engagement with the My LendingTree just from a user perspective. Is there any like one standout feature that you've added that you think is really like contributed to that other than, of course, you mentioned the marketing spend kind of giving that a boost? And then two is just, I think last quarter, you called out the competitive dynamics in personal loans. This quarter you said that the cost dynamics were like a little bit better from a marketing perspective. But just from a competitive perspective, has anything changed?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Let me take most of that and then hand it to J.D. On the marketing piece on My LendingTree, that was more in test mode. We feel really, really good about the results, but that was not a -- necessarily a significant driver. In terms of any one feature, it's interesting. I feel really good about even more people who have challenged credit, and we're seeing people who are actually able to improve their credit through the products. So that credit recommendation tools definitely really helped. I don't think it's driven substantial growth, but it definitely drives a lot of engagement.

And we've seen, as we've said, continued monetization through our credit cards and insurance and to a lesser extent, mortgage. But still very, very early innings.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Listen, yes, the only other thing I would add is we have not set out a series of MyLT metrics that we're tracking, that we're externally providing, quarterly or otherwise.

As you might imagine, there are a number of them that we're tracking internally. And what we're focused on is repeat behavior, what we're focused on is repeat engagement. You're asking what's driving that? I think a big part of it is the discipline that Doug was talking about before, not spamming people to drive revenue, but rather actually making sure that what we're offering them is something of value. And on a -- it's a competitive marketplace with a lot of people providing more apps, and we're trying to differentiate the product offering. And I think that is contributing to very good metrics with respect to repeating it.

Operator

And your next question comes from the line of James Friedman from Susquehanna.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Congratulations on the strong results. I wanted to ask one on insurance first. So Doug -- so J.D., in your prepared remarks, I think you said that -- so let's see we had insurance overall of 57%. But you said some of that growth was from home, which was up 90%. I guess we could use some algebra to figure out how big home is relative to auto. But yes, I mean, how -- what -- how big is home? And what are the relative -- yes, that's what I'm trying to get at.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes. No, absolutely. It's still -- listen, it's still small because the base -- the overall denominator continues to grow very, very fast, right? So we're thrilled to see home growing. We're thrilled to see any businesses growing at a clip of that level, but it's off of small numbers.

And if you go back to our Investor Day, we talked about 80% of the business being in auto. The overall percentage of auto is still roughly the same. And if you look at our aggregate insurance business, but we're -- because while home is growing 90-something percent, the rest of the business is growing exceptionally well also. So it is still small. It is still sub, Jamie, to give you some perspective, it's still single-digit percentage.

But we're excited about the progress, and we think that's a natural area where we will have a competitive advantage given our mortgage presence.

James Eric Friedman - *Susquehanna Financial Group, LLLP, Research Division - Senior Analyst*

Got it. And then if I could just one more in. On the personal side in your prepared remarks, J.D. you said, you talked about the dynamic with paid search, but I also remember you saying something about expanding beyond paid search to other marketing tools. If you could elaborate on that. And if I heard that wrong, I apologize. But I thought you were making that comparison there for the marketing methods.

J. D. Moriarty - *LendingTree, Inc. - CFO*

No. Yes, I just picture it to be. That business benefits disproportionately from organic or near organic traffic, whether that's my LendingTree or just the repeat engagement of a personal loan consumer. We have had made great progress this year across the platform in social and in display, which were challenges a year ago.

And so those are channels that for all the core businesses, we're really trying to optimize. And that's from a marketing perspective, one of our goals for all our businesses, but in particular, our big businesses, is to get to the optimal marketing mix there. And so those are 2 examples of channels that we're trying to evolve.

Operator

Your next question comes from the line of Mike Grondahl from Northland Securities.

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Yes, just kind of a follow-up, guys. If you back out your big 4 business lines, did the other category kind of outperform expectations? I think you're saying it did with student loans, but I just want to make sure.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

It definitely outperformed in student loans. I think J.D. hit on the other category, which has also done very well. Do you agree?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Small business is one of the other big contributor. I mean there's 2 businesses we call out, Mike, student and small business.

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

So overall, yes. Okay. And then, Doug, do you think the rate cuts are acting as a tailwind for your business at all?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

I'm sorry. Say that again?

Michael John Grondahl - *Northland Capital Markets, Research Division - Head of Equity Research & Senior Research Analyst*

Do you think the Fed's interest rate cuts are acting as a tailwind for your business at all?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes and no. J.D. hit -- did a very good description of sort of the mortgage dynamics. That's where you see it the most, and that's where you see the offsetting experience of when fed cuts rates, we see a lot of volume, and that's just the same time that our lenders see it as well. So you see marketing and revenue moving effectively in tandem, and that's why we just keep trying to gain share. So it definitely helps, and it definitely helps from lender health, but it's not as much as you'd think.

Operator

And your next question comes from the line of Rob Wildhack from Autonomous Research.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

One more on insurance. I wanted to ask about the pro forma growth rates there, 57% this quarter. I think it was 73% last quarter and 63% in the first, all really solid numbers, obviously. But can you just talk a little bit more about what's contributing to the volatility there?

J. D. Moriarty - *LendingTree, Inc. - CFO*

Sure. Yes. Honestly, what I think you're seeing in insurance is, one, I think we acquired the right team pearl, right? And so QuoteWizard team is executing, ValuePenguin team is executing. They're executing in tandem, and that's a competitive advantage that I think we have in the marketplace in an environment where more and more insurance carriers and agents are moving online. So the analogy that we used in Investor Day was comparing it to credit card and the movement of spend online. That is playing out candidly on a top line basis, that environment for insurance is playing out probably ahead of our expectations.

So we're certainly in a very good market environment there and with the right team. Beyond that, I don't think I'd necessarily point to volatility as much as I would just point to really good execution on the part of our team.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Yes. And I'd agree with that. These things all move independently. You try to maximize your VMD every single day. And depending on carrier demand, new carriers coming in and marketing dynamics and then you overlay the SEO stuff, which takes a little bit longer to build, obviously, it'll bump around. But we're thrilled with all that growth.

Robert Henry Wildhack - *Autonomous Research LLP - Analyst of Payments and Financial Technology*

All right. And then in mortgage and the capacity that came back on this quarter, how did that compare to your expectations? A little bit faster, basically in line? And then do you have a sense that lenders are continuing to add capacity kind of through October? Or have they kind of backed off a bit?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

I would say it is as is expected. And I would say it made modest, the trend is modest in continuance in October.

Operator

(Operator Instructions) Your next question comes from Hamed Khorsand from BWS.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

Is the small business loans still success-based revenue? And if so, was Q3 performance purely timing of loans? Or is this sustainable as far as the business performance is concerned?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

It's a hybrid pricing model, and we think it's very sustainable. Trent, you want to add any specifics to that or J.D.?

Trent Ziegler - *LendingTree, Inc. - VP of Finance & IR*

So it's priced a hybrid of leads and closed loans. And as J.D. called out the recurring nature, which is still just beginning to build is also very attractive here as well too.

J. D. Moriarty - *LendingTree, Inc. - CFO*

Yes, that's the right, Hamed. I wouldn't call out any timing nuances, so to speak, in the third quarter. I mean, it's a good, healthy -- structurally healthy business. We get paid a little bit on -- depending on where the consumer goes and what their experience is, we may or may not get paid on the front end from (inaudible) on the back-end for a closed loan fees. But to Doug's point, one of the interesting things that we've gotten out of that business as it's matured is this renewal stream that kind of builds on itself over time.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

Okay. And then...

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

And Hamed as far as -- yes -- sorry, Hamed, I was going to say unlike the student business, which was exceptional in the third quarter. Small business has been a star all year long. So it's -- I don't think there's a timing aspect.

Hamed Khorsand - *BWS Financial Inc. - Principal & Research Analyst*

Okay. And then as far as the guidance is concerned, it's quite a bit of a step down. Is this -- most of the step down just purely related to the student loans? Or was there any other factors in your guidance for Q4?

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Well, the actual Q3 to Q4, backing out insurance is the same as it was a year ago. Just to be clear, there is that seasonality in our business. And so most of that is student for sure.

Operator

I'm showing no further questions. At this time, I would now like to turn the conference back to your CEO, Doug Lebda. Sir, please go ahead.

Douglas R. Lebda - *LendingTree, Inc. - Founder, Chairman & CEO*

Thank you all for attending the call, and thank you to our employees and partners for making such great results happen. I view Q3 as a real prove it quarter, and it was great to see our team stepped up. And I think it really proved, once again, the resiliency of our business model and what diversification can actually bring to this. And we look forward, as everybody said, to Investor Day in December, where we will lay out our plans for 2020 and beyond. Thank you very much. We look forward to seeing you soon.

Operator

Ladies and gentlemen, this concludes today's conference. Thank you for your participation and have a wonderful day. You may all disconnect.
