



MediaAlpha Announces Second Quarter 2022 Financial Results

August 4, 2022

- **Revenue of \$103 million, down 34% year over year**
- **Transaction Value of \$183 million, down 29% year over year**
 - **Transaction Value from Property & Casualty down 37% year over year to \$112 million**
 - **Transaction Value from Health down 2% year over year to \$46 million**

LOS ANGELES--(BUSINESS WIRE)-- MediaAlpha, Inc. (NYSE: MAX) today announced its financial results for the second quarter ended June 30, 2022.

"Our second quarter results reflect the resilience of our platform and our focus on operating efficiencies amidst continued challenging market conditions in our property & casualty (P&C) vertical," said MediaAlpha co-founder and CEO Steve Yi. "P&C carrier utilization of our platform continued to increase in the second quarter with double-digit year-over-year click volume growth, though pricing remained under pressure. Looking ahead, while we expect P&C insurance carriers to continue to prioritize profitability over growth for the remainder of the year, we remain confident that we will see a steep and significant recovery when carriers resume their customer acquisition spending."

Second Quarter 2022 Financial Results

- Revenue of \$103.4 million, a decrease of 34% year over year;
- Transaction Value of \$182.9 million, a decrease of 29% year over year;
- Gross margin of 15.0%, compared with 15.9% in the second quarter of 2021;
- Contribution Margin⁽¹⁾ of 18.1%, compared with 16.9% in the second quarter of 2021;
- Net loss was \$(13.0) million, compared with \$(0.4) million in the second quarter of 2021; and
- Adjusted EBITDA⁽¹⁾ was \$4.5 million, compared with \$14.7 million in the second quarter of 2021.

(1) A reconciliation of GAAP to Non-GAAP financial measures has been provided at the end of this press release. An explanation of these measures is also included below under the heading "Non-GAAP Financial Measures."

Financial Outlook

Our guidance for the third quarter of 2022 reflects a worsening year-over-year trend in customer acquisition spending by our P&C insurance carrier partners as we cross the first anniversary of the start of this hard market cycle. In our Health insurance vertical, we expect Transaction Value in the third quarter of 2022 to be similar to the second quarter level.

For the third quarter of 2022, MediaAlpha currently expects the following:

- Transaction Value between \$130 million - \$145 million, representing a 46% year-over-year decline at the midpoint of the guidance range. We expect Transaction Value in our P&C insurance vertical to decline sequentially due to continued carrier pullbacks in customer acquisition spending;
- Revenue between \$77 million - \$87 million, representing a 46% year-over-year decline at the midpoint of the guidance range;
- Adjusted EBITDA between breakeven and \$1.5 million, representing a 95% year-over-year decline at the midpoint of the guidance range. We expect Adjusted EBITDA to decline year over year in the third quarter of 2022 at a greater rate than Transaction Value, Revenue, and Contribution due to the increases in our headcount and operating expenses over the last year. We are projecting our operating expenses excluding non-cash items to be approximately equal to the second quarter of 2022 levels.

With respect to the Company's projection of Adjusted EBITDA under "Financial Outlook," MediaAlpha is not providing a reconciliation of Adjusted EBITDA to net income (loss) because the Company is unable to predict with reasonable certainty the reconciling items that may affect net income (loss) without unreasonable effort, including equity-based compensation, transaction expenses and income tax expense. These reconciling items are

uncertain, depend on various factors and could significantly impact, either individually or in the aggregate, the corresponding GAAP measures for the applicable period.

For a detailed explanation of the Company's non-GAAP measures, please refer to the appendix section of this press release.

Conference Call Information

MediaAlpha will host a Q&A conference call today to discuss the Company's second quarter 2022 results and its financial outlook for the third quarter of 2022 at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time). A live audio webcast of the call will be available on the MediaAlpha Investor Relations website at <https://investors.mediaalpha.com>. To register for the webcast, click [here](#). Participants may also dial-in, toll-free, at (888) 330-2022 or (646) 960-0690, with passcode 3195092. An audio replay of the conference call will be available for two weeks following the call and available on the MediaAlpha Investor Relations website at <https://investors.mediaalpha.com>.

We have also posted to our investor relations website a [letter to shareholders](#). We have used, and intend to continue to use, our investor relations website at <https://investors.mediaalpha.com> as a means of disclosing material nonpublic information and for complying with our disclosure obligations under Regulation FD.

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation statements regarding our expectations regarding business levels in the P&C and Health insurance markets for the remainder of this year, our expectation of a steep and significant recovery when carriers resume their customer acquisition spending; and our financial outlook for the third quarter of 2022. These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "continue," "will," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would," and "outlook," or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

There are or will be important factors that could cause our actual results to differ materially from those indicated in these forward-looking statements, including those more fully described in MediaAlpha's filings with the Securities and Exchange Commission ("SEC"), including the Form 10-K filed on February 28, 2022. These factors should not be construed as exhaustive. MediaAlpha disclaims any obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this press release.

Non-GAAP Financial Measures and Operating Metrics

This press release includes Adjusted EBITDA and Contribution Margin, which are non-GAAP financial measures. The Company also presents Transaction Value, which is an operating metric not presented in accordance with GAAP. See the appendix for definitions of Adjusted EBITDA, Contribution, Contribution Margin and Transaction Value, as well as reconciliations to the corresponding GAAP financial metrics, as applicable.

We present Transaction Value, Adjusted EBITDA and Contribution Margin because they are used extensively by our management and board of directors to manage our operating performance, including evaluating our operational performance against budget and assessing our overall operating efficiency and operating leverage. Accordingly, we believe that Transaction Value, Adjusted EBITDA and Contribution Margin provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. Each of Transaction Value, Adjusted EBITDA and Contribution Margin has limitations as a financial measure and investors should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

MediaAlpha, Inc. and subsidiaries Consolidated Balance Sheets

(Unaudited; in thousands, except share data and per share amounts)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 35,194	\$ 50,564
Accounts receivable, net of allowance for credit losses of \$374 and \$609, respectively	38,856	76,094
Prepaid expenses and other current assets	6,359	10,448
Total current assets	80,409	137,106
Intangible assets, net	36,327	12,567
Goodwill	47,739	18,402
Deferred tax asset	103,008	102,656
Other assets	18,395	19,073
Total assets	\$ 285,878	\$ 289,804
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Accounts payable	\$ 33,434	\$ 61,770
Accrued expenses	13,204	13,716
Current portion of long-term debt	8,749	8,730
Total current liabilities	55,387	84,216
Long-term debt, net of current portion	198,686	178,069
Liabilities under tax receivables agreement, net of current portion	83,279	85,027

Other long-term liabilities		7,999		4,058
Total liabilities		\$ 345,351		\$ 351,370
Commitments and contingencies (Note 7)				
Stockholders' equity (deficit):				
Class A common stock, \$0.01 par value - 1.0 billion shares authorized; 42.2 million and 41.0 million shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively		422		410
Class B common stock, \$0.01 par value - 100 million shares authorized; 19.2 million and 19.6 million shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively		192		196
Preferred stock, \$0.01 par value - 50 million shares authorized; 0 shares issued and outstanding as of June 30, 2022 and December 31, 2021		—		—
Additional paid-in capital		443,514		419,533
Accumulated deficit		(440,691)		(424,476)
Total stockholders' equity (deficit) attributable to MediaAlpha, Inc.		\$ 3,437		\$ (4,337)
Non-controlling interests		(62,910)		(57,229)
Total stockholders' (deficit)		\$ (59,473)		\$ (61,566)
Total liabilities and stockholders' deficit		\$ 285,878		\$ 289,804

MediaAlpha, Inc. and subsidiaries
Consolidated Statements of Operations
(Unaudited; in thousands, except share data and per share amounts)

	Three months ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 103,449	\$ 157,353	\$ 246,048	\$ 330,941
Costs and operating expenses				
Cost of revenue	87,925	132,305	208,806	279,485
Sales and marketing	7,958	5,724	15,181	11,115
Product development	5,661	3,840	10,877	7,160
General and administrative	12,316	13,585	29,464	29,334
Total costs and operating expenses	113,860	155,454	264,328	327,094
(Loss) income from operations	(10,411)	1,899	(18,280)	3,847
Other expenses (income), net	44	171	(479)	21
Interest expense	1,956	2,237	3,315	4,538
Total other expense, net	2,000	2,408	2,836	4,559
(Loss) before income taxes	(12,411)	(509)	(21,116)	(712)
Income tax expense (benefit)	611	(125)	1,754	(489)
Net (loss)	\$ (13,022)	\$ (384)	\$ (22,870)	\$ (223)
Net (loss) attributable to non-controlling interest	(3,883)	(177)	(6,655)	(301)
Net (loss) income attributable to MediaAlpha, Inc.	\$ (9,139)	\$ (207)	\$ (16,215)	\$ 78
Net (loss) income per share of Class A common stock				
-Basic and diluted	\$ (0.22)	\$ (0.01)	\$ (0.39)	\$ 0.00
Weighted average shares of Class A common stock outstanding				
-Basic and diluted	41,705,344	37,667,432	41,279,146	35,414,548

MediaAlpha, Inc. and subsidiaries
Consolidated Statements of Cash Flows
(Unaudited; in thousands)

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities		
Net (loss)	\$ (22,870)	\$ (223)
Adjustments to reconcile net (loss) to net cash provided by (used in) operating activities:		
Non-cash equity-based compensation expense	29,616	22,123
Non-cash lease expense	357	246
Depreciation expense on property and equipment	197	173
Amortization of intangible assets	2,360	1,492
Amortization of deferred debt issuance costs	418	694
Change in fair value of contingent consideration	(2,845)	—
Credit losses	(127)	235
Deferred taxes	1,630	(865)

Tax receivable agreement liability adjustments	(589)	(156)
Changes in operating assets and liabilities:		
Accounts receivable	38,691	21,775
Prepaid expenses and other current assets	4,057	2,472
Other assets	198	310
Accounts payable	(28,354)	(51,940)
Accrued expenses	(2,845)	(2,136)
Net cash provided by (used in) operating activities	\$ 19,894	\$ (5,800)
Cash flows from investing activities		
Purchases of property and equipment	(79)	(470)
Cash consideration paid in connection with CHT acquisition	(49,677)	—
Net cash (used in) investing activities	\$ (49,756)	\$ (470)
Cash flows from financing activities		
Proceeds received from:		
Revolving credit facility	25,000	—
Payments made for:		
Term loan facility	(4,750)	—
Repurchases of Class A common stock	(3,382)	—
Distributions	(590)	(110)
Shares withheld for taxes on vesting of restricted stock units	(1,786)	(2,174)
Net cash provided by (used in) financing activities	\$ 14,492	\$ (2,284)
Net (decrease) in cash and cash equivalents	(15,370)	(8,554)
Cash and cash equivalents, beginning of period	50,564	23,554
Cash and cash equivalents, end of period	\$ 35,194	\$ 15,000

Key business and operating metrics and Non-GAAP financial measures

Transaction Value

We define “Transaction Value” as the total gross dollars transacted by our partners on our platform. Transaction Value is a driver of revenue, with differing revenue recognition based on the economic relationship we have with our partners. Our partners use our platform to transact via Open and Private Marketplace transactions. In our Open Marketplace model, Transaction Value is equal to revenue recognized and revenue share payments to our supply partners represent costs of revenue. In our Private Marketplace model, revenue recognized represents a platform fee billed to the demand partner or supply partner based on an agreed-upon percentage of the Transaction Value for the Consumer Referrals transacted, and accordingly there are no associated costs of revenue. We utilize Transaction Value to assess revenue and to assess the overall level of transaction activity through our platform. We believe it is useful to investors to assess the overall level of activity on our platform and to better understand the sources of our revenue across our different transaction models and verticals.

The following table presents Transaction Value by platform model for the three and six months ended June 30, 2022 and 2021:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Open Marketplace transactions	\$ 99,633	\$ 152,522	\$ 237,729	\$ 321,870
Percentage of total Transaction Value	54.5%	59.5%	56.3%	62.0%
Private Marketplace transactions	83,237	104,005	184,154	197,119
Percentage of total Transaction Value	45.5%	40.5%	43.7%	38.0%
Total Transaction Value	\$ 182,870	\$ 256,527	\$ 421,883	\$ 518,989

The following table presents Transaction Value by vertical for the three and six months ended June 30, 2022 and 2021:

(dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Property & Casualty insurance	\$ 111,930	\$ 176,646	\$ 260,014	\$ 360,073
Percentage of total Transaction Value	61.2%	68.9%	61.6%	69.4%
Health insurance	46,394	47,240	106,649	97,583
Percentage of total Transaction Value	25.4%	18.4%	25.3%	18.8%
Life insurance	12,467	13,933	24,858	28,374
Percentage of total Transaction Value	6.8%	5.4%	5.9%	5.5%
Other ⁽¹⁾	12,079	18,708	30,362	32,959
Percentage of total Transaction Value	6.6%	7.3%	7.2%	6.4%
Total Transaction Value	\$ 182,870	\$ 256,527	\$ 421,883	\$ 518,989

(1) Our other verticals include Travel, Education and Consumer Finance.

Contribution and Contribution Margin

We define “Contribution” as revenue less revenue share payments and online advertising costs, or, as reported in our consolidated statements of operations, revenue less cost of revenue (i.e., gross profit), as adjusted to exclude the following items from cost of revenue: equity-based compensation; salaries, wages, and related costs; internet and hosting costs; amortization; depreciation; other services; and merchant-related fees.

We define “Contribution Margin” as Contribution expressed as a percentage of revenue for the same period. Contribution and Contribution Margin are non-GAAP financial measures that we present to supplement the financial information we present on a GAAP basis. We use Contribution and Contribution Margin to measure the return on our relationships with our supply partners (excluding certain fixed costs), the financial return on and efficacy of our online advertising costs to drive consumers to our proprietary websites, and our operating leverage. We do not use Contribution and Contribution Margin as measures of overall profitability. We present Contribution and Contribution Margin because they are used by our management and board of directors to manage our operating performance, including evaluating our operational performance against budget and assessing our overall operating efficiency and operating leverage. For example, if Contribution increases and our headcount costs and other operating expenses remain steady, our Adjusted EBITDA and operating leverage increase. If Contribution Margin decreases, we may choose to re-evaluate and re-negotiate our revenue share agreements with our supply partners, to make optimization and pricing changes with respect to our bids for keywords from primary traffic acquisition sources, or to change our overall cost structure with respect to headcount, fixed costs and other costs. Other companies may calculate Contribution and Contribution Margin differently than we do. Contribution and Contribution Margin have their limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our results presented in accordance with GAAP.

The following table reconciles Contribution with gross profit, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three and six months ended June 30, 2022 and 2021:

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue	\$ 103,449	\$ 157,353	\$ 246,048	\$ 330,941
Less cost of revenue	(87,925)	(132,305)	(208,806)	(279,485)
Gross profit	15,524	25,048	37,242	51,456
Adjusted to exclude the following (as related to cost of revenue):				
Equity-based compensation	1,240	442	1,638	842
Salaries, wages, and related	1,034	558	1,690	1,022
Internet and hosting	119	108	223	210
Other expenses	215	112	342	219
Depreciation	12	8	18	15
Other services	576	256	1,106	547
Merchant-related fees	44	139	59	230
Contribution	18,764	26,671	42,318	54,541
Gross margin	15.0%	15.9%	15.1%	15.5%
Contribution Margin	18.1%	16.9%	17.2%	16.5%

Adjusted EBITDA

We define “Adjusted EBITDA” as net income excluding interest expense, income tax benefit (expense), depreciation expense on property and equipment, amortization of intangible assets, as well as equity-based compensation expense and certain other adjustments as listed in the table below. Adjusted EBITDA is a non-GAAP financial measure that we present to supplement the financial information we present on a GAAP basis. We monitor and present Adjusted EBITDA because it is a key measure used by our management to understand and evaluate our operating performance, to establish budgets and to develop operational goals for managing our business. We believe that Adjusted EBITDA helps identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude in the calculations of Adjusted EBITDA. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects. In addition, presenting Adjusted EBITDA provides investors with a metric to evaluate the capital efficiency of our business.

Adjusted EBITDA is not presented in accordance with GAAP and should not be considered in isolation of, or as an alternative to, measures presented in accordance with GAAP. There are a number of limitations related to the use of Adjusted EBITDA rather than net income, which is the most directly comparable financial measure calculated and presented in accordance with GAAP. These limitations include the fact that Adjusted EBITDA excludes interest expense on debt, income tax benefit (expense), equity-based compensation expense, depreciation and amortization, and certain other adjustments that we consider useful information to investors and others in understanding and evaluating our operating results. In addition, other companies may use other measures to evaluate their performance, including different definitions of “Adjusted EBITDA,” which could reduce the usefulness of our Adjusted EBITDA as a tool for comparison.

The following table reconciles Adjusted EBITDA with net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three and six months ended June 30, 2022 and 2021.

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net (loss)	\$ (13,022)	\$ (384)	\$ (22,870)	\$ (223)
Equity-based compensation expense	15,843	11,521	29,616	22,123
Interest expense	1,956	2,237	3,315	4,538
Income tax expense (benefit)	611	(125)	1,754	(489)
Depreciation expense on property and equipment	99	91	197	173
Amortization of intangible assets	1,677	746	2,360	1,492
Transaction expenses ⁽¹⁾	150	66	530	2,731
Employee-related costs ⁽²⁾	—	99	—	349
SOX implementation costs ⁽³⁾	—	297	110	449
Fair value adjustment to contingent consideration ⁽⁴⁾	(2,845)	—	(2,845)	—
Changes in TRA related liability ⁽⁵⁾	40	—	(590)	(156)
Changes in Tax Indemnification Receivable ⁽⁶⁾	(15)	147	(29)	147

Settlement of federal and state income tax refunds ⁽⁷⁾	4	—	92	—
Adjusted EBITDA	\$ 4,498	\$ 14,695	\$ 11,640	\$ 31,134

- (1) Transaction expenses consist of \$0.2 million and \$0.5 million of legal, accounting and other consulting fees incurred by us for the three and six months ended June 30, 2022, respectively, in connection with the acquisition of Customer Helper Team ("CHT"). For the three and six months ended June 30, 2021, transaction expenses consist of \$0.1 million and \$2.7 million for legal, accounting, and other consulting fees in connection with the Secondary Offering, respectively.
- (2) Employee-related costs include \$0.1 million and \$0.3 million of expenses incurred by us for the three and six months ended June 30, 2021, respectively, for amounts payable to recruiting firms in connection with the hiring of certain executive officers to support our operation as a publicly-reporting company.
- (3) SOX implementation costs consist of \$0.1 million of expenses incurred by us for the six months ended June 30, 2022, and \$0.3 million and \$0.4 million of expenses for the three and six months ended June 30, 2021, respectively, for third-party consultants to assist us with the development, implementation, and documentation of new and enhanced internal controls and processes for compliance with SOX Section 404(b) for 2021.
- (4) Fair value adjustment to contingent consideration consists of \$2.8 million of gain for the three and six months ended June 30, 2022, in connection with the remeasurement of the contingent consideration for the acquisition of CHT as of June 30, 2022.
- (5) Changes in TRA related liability consist of immaterial expenses for the three months ended June 30, 2022, and \$0.6 million and \$0.2 million of income for the six months ended June 30, 2022 and 2021, respectively, due to a change in the estimated future state tax benefits and other changes in the estimate resulting in reductions of the TRA liability.
- (6) Changes in Tax Indemnification Receivable consists of immaterial income incurred by us for the three and six months ended June 30, 2022, and \$0.1 million of expenses incurred by us for the three and six months ended June 30, 2021, related to a reduction in the tax indemnification receivable recorded in connection with the Reorganization Transactions. The reduction also resulted in a benefit of the same amount which has been recorded within income tax (benefit).
- (7) Settlement of federal and state tax refunds consist of immaterial expenses and \$0.1 million of expense incurred by us for the three and six months ended June 30, 2022, respectively, related to reimbursement to White Mountains for state tax refunds for the period prior to the Reorganization Transaction related to 2020 tax returns. The settlement also resulted in a benefit of the same amount which has been recorded within income tax expense (benefit).

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Source: MediaAlpha, Inc.