MediaAlpha

MediaAlpha, Inc.
Second Quarter 2026 Earnings Call Webcast - Prepared Remarks
July 29, 2026

Alex Liloia, Investor Relations:

Thanks, Operator. Good afternoon and thank you for joining us. With me are Co-Founder and CEO Steve Yi and CFO Pat Thompson.

On today's call, we'll make forward-looking statements relating to our business and outlook for future financial results, including our financial guidance for the third quarter of 2026. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially. Please refer to our SEC filings, including our annual report on Form 10-K and quarterly reports on Form 10-Q, for a fuller explanation of those risks and uncertainties and the limits applicable to forward-looking statements. All the forward-looking statements we make on this call reflect our assumptions and beliefs as of today, and we disclaim any obligation to update such statements except as required by law.

Today's discussion will include non-GAAP financial measures, which are not a substitute for GAAP results. Reconciliations of these non-GAAP financial measures to the corresponding GAAP measures can be found in our press release and investor supplement issued today, which are available on the Investor Relations section of our website.

I'll now turn the call over to Steve.

Steve Yi, CEO:

Thanks, Alex. Hi everyone, thank you for joining us.

We delivered record second quarter results, as demand continues to broaden across our marketplace. Each quarter, additional P&C carriers are unlocking advertising spend, expanding their campaigns, and leaning further into our marketplace. This is no longer just a story about concentrated growth among a handful of large partners — it's a widening base of carriers that keeps ramping. Although down from peak levels, underwriting profitability in personal auto remains historically strong. This is driving carriers to compete more aggressively by lowering rates and spending more on advertising to acquire new customers. We are seeing this intensified competition show up in a meaningful way across our marketplace.

When we look at the current concentration of carrier advertising spend, we believe the inevitability of further broadening becomes clear. Since 2021, over 80% of P&C ad spend growth, both in our marketplace and others, has come from just two carriers. That leaves a wide segment of the market that has yet to meaningfully scale, and we're increasingly seeing those carriers begin to close the gap.

To put this in perspective, our top two carriers spent a double-digit percentage of their total ad budgets with us in 2025, compared with the rest of our top 10 carriers, which collectively spent approximately 3% of their total ad budgets with us. We are seeing strong evidence that a growing number of carriers are preparing to allocate a meaningfully higher share of their advertising budgets to our marketplace. For example, our third, fourth, and fifth largest carriers nearly quadrupled their spend with us in the first half of 2026 as compared to the first half of 2025. We believe we are at the beginning of what we see as a massive growth opportunity in the years ahead, driven by the industry's ongoing transition from agent-based distribution, largely supported by brand advertising, to direct-to-consumer distribution supported by highly targeted, performance-based advertising. Our scale and proprietary data allow carriers making this transition to target online insurance shoppers through our Open Marketplace with a level of precision that allows them to compete far more effectively than would otherwise be possible. As we continue to deliver significant value to these carriers, we're becoming more deeply embedded in their customer acquisition processes, resulting in stickier, higher-value partnerships. The better the outcomes we deliver, the more budget these carriers commit to us, and the wider that pool of active demand partners becomes.

While we have long believed that most of the industry would transition to direct-to-consumer distribution over time, recent advances in AI suggest that the pace of this transition is likely to accelerate in the near term. On the carrier side, AI is making direct-to-consumer acquisition increasingly attractive by allowing a greater percentage of consumers to purchase policies without interacting with a live agent, resulting in both higher conversion rates and lower acquisition costs. We believe these improved economics will make the online direct-to-consumer channel even more attractive to carriers, particularly those who have traditionally sold through agents. On the consumer side, AI-powered search has the potential to improve both the quality and quantity of online insurance shoppers by helping consumers become better informed before they begin their shopping process, which will result in higher-intent consumers entering the top of the funnel. Lastly, we are leveraging predictive AI throughout our marketplace to better target consumers and improve return on ad spend for our carriers and yield for our publishers. As a two-sided marketplace, we believe these dynamics reinforce our competitive position by connecting carriers and shoppers more efficiently, accelerating the industry's shift toward direct-to-consumer distribution, and expanding our long-term market opportunity.

As we look ahead, we're optimistic about our near-term and long-term growth opportunities. In the near-term, it’s about broadening demand as additional carriers allocate a more meaningful share of their ad budgets to our Open Marketplace in order to stay competitive in a changing market. Over the longer term, it’s about the shift from the legacy model where carriers used brand advertising to drive foot traffic to agents to a model where carriers leverage rich data to target consumers directly, with precision, through measurable, online advertising channels like ours. With carriers still incurring more than $2 in agent commissions for every dollar they spend on advertising, and with only 40% of that advertising dollar currently allocated to digital, we believe we have a long runway ahead of us to grow our business and deliver significant value to our shareholders.

With that, I'll hand it over to Pat.

Pat Thompson, CFO:

Thanks, Steve.

Before I begin, I wanted to highlight that we have posted an updated investor deck to our IR site with additional details on the themes Steve touched on – I’d encourage anyone who hasn’t seen it to take a look. Turning to my remarks, I’ll start by walking through the key drivers of our second quarter results, then cover capital allocation activity, before discussing our third quarter outlook.

Revenue for the quarter was $317 million, up 26% year over year, above the high end of our guidance range, reflecting broader carrier participation in our marketplace. Contribution was $47.2 million, up 18% year over year, reflecting a modest mid-quarter dip in take rates that fully recovered by quarter-end.

Adjusted EBITDA for the quarter was $29.3 million, just above the midpoint of our guidance range, up 19% year over year. Excluding under-65 Health, our core business performance was very strong, with revenue and Adjusted EBITDA each growing over 30% year over year.

On capital allocation, we remain committed to creating shareholder value by returning capital to shareholders. In the second quarter, we repurchased approximately 2.2 million shares for $20 million, representing an average share repurchase price of $9.22. We've repurchased $41 million of stock year to date and $88 million over the past four quarters, representing approximately 13% of our outstanding shares.

We also took a meaningful step to reduce our long-term obligations under our Tax Receivable Agreement, or TRA. In June, we repurchased $69 million of our total TRA liability for $31 million, representing a 55% discount, which generated a $38 million gain that we recorded in the second quarter. We funded this transaction with a $15 million draw on the revolver and the remainder with cash on hand. We expect the transaction will generate a mid-teens unlevered IRR, making it an attractive use of capital beyond our share repurchase program.

We ended the quarter with $23.7 million in cash and $30 million undrawn on the revolver. We expect to complete the vast majority of the $45 million remaining under our $100 million authorization by year-end. Looking to next year and beyond, we'll continue to evaluate share repurchases against other uses of capital to drive long-term shareholder value.

Turning to guidance, for the third quarter we expect:

- Revenue of $330 million to $355 million, up approximately 12% year over year at the midpoint.
- Contribution of $51.5 million to $54.5 million, up approximately 16% year over year at the midpoint.
- Adjusted EBITDA of $32.0 million to $35.0 million, up approximately 15% year over year at the midpoint, including an approximately $1 million year-over-year decline in Contribution from under-65 Health. Excluding under-65 Health, we expect Contribution to increase by 20% and Adjusted EBITDA to increase by 21% year over year at the midpoint.

For Q3, we expect the Health vertical to be approximately 1% of total revenue.

Looking at the remainder of 2026, we continue to expect to generate $90 million to $100 million in free cash flow for the year. Overall, we remain confident in the strength of our position and the long-term opportunity ahead.

With that, Operator, we are ready to take the first question.