UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): November 10, 2021

MediaAlpha, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**001-39671**	**85-1854133**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

700 South Flower Street, Suite 640 **Los Angeles, California**	**90017**
(Address of Principal Executive Offices)	**(Zip Code)**

(213) 316-6256
(Registrant's telephone number, including area code)

(Not Applicable)
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.01 par value	MAX	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company x

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

ITEM 2.02 – Results of Operations and Financial Condition.

On November 10, 2021, MediaAlpha, Inc. ("MediaAlpha") issued a press release and an accompanying shareholder letter announcing its financial results as of and for the third quarter ended September 30, 2021. Copies of the press release and shareholder letter are furnished as Exhibit 99.1 and Exhibit 99.2, respectively, to this Form 8-K and are incorporated by reference herein.

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

MediaAlpha refers to non-GAAP financial information in the press release and shareholder letter. A reconciliation of these non-GAAP financial measures to the comparable GAAP financial measures is contained in each document.

ITEM 7.01 – Regulation FD Disclosure.

As MediaAlpha became eligible to use Form S-3 to register its securities on November 1, 2021, pursuant to the terms of the Registration Rights Agreement dated October 27, 2020, by and among MediaAlpha, White Mountains (Luxembourg) S.a.r.l., Insignia QL Holdings, LLC, Insignia A QL Holdings, LLC, Steven Yi, Eugene Nonko, Ambrose Wang and certain other parties thereto (the "Registration Rights Agreement"), MediaAlpha plans to file a shelf registration statement pursuant to Rule 415 under the Securities Act of 1933, as amended, relating to the offer and sale from time to time of shares of MediaAlpha's Class A common stock held by parties to the Registration Rights Agreement (or issuable to such parties upon the exchange of Class B-1 Units of QL Holdings, LLC and shares of Class B common stock of MediaAlpha).

MediaAlpha expects such shelf registration statement to cover a total of approximately 35 million shares of Class A common stock, all of which are currently outstanding and held by parties to the Registration Rights Agreement. MediaAlpha is not registering any shares for sale by the Company on a primary basis.

MediaAlpha has not received any request to effect an underwritten offering of the shares to be registered, and the Principal Investors (as such term is defined in the Registration Rights Agreement) including shares in the shelf registration statement have indicated to MediaAlpha that they have no present intention to sell shares registered under such shelf registration statement at the current share price level. Neither MediaAlpha nor such Principal Investors undertake any duty to notify investors in the event of changes in such intention, or if they become aware of any selling activity, and do not plan on doing so.

This information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 9.01 – Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Press release dated November 10, 2021, announcing MediaAlpha, Inc.'s financial results for the third quarter ended September 30, 2021.
99.2	Shareholder Letter dated November 10, 2021.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MediaAlpha, Inc.

Date: November 10, 2021	By:	/s/ Jeffrey Coyne	
		Name:	Jeffrey Coyne
		Title:	General Counsel & Secretary

MEDIAALPHA ANNOUNCES THIRD QUARTER 2021 FINANCIAL RESULTS

- **Revenue of $153 million, up 1% year over year**
  - **Revenue from Property & Casualty down 8% year over year to $105 million**
  - **Revenue from Health up 25% year over year to $34 million**
- **Transaction Value of $255 million, up 17% year over year**

Los Angeles, CA (November 10, 2021) – MediaAlpha, Inc. (NYSE: MAX), today announced its financial results for the third quarter ended September 30, 2021.

"We faced headwinds in the third quarter. While our Transaction Value grew 17% year over year, we underperformed relative to expectations due to market challenges in our property and casualty (P&C) insurance vertical," said Steve Yi, CEO of MediaAlpha. "Many of our P&C carrier partners are experiencing higher than expected insurance losses, driven by a post-pandemic increase in accident frequency and severity, as well as elevated catastrophe losses. These carriers are taking actions to restore profitability and have temporarily scaled back their marketing investments, and we are reducing our full year guidance accordingly. But the secular shift to direct, online customer acquisition remains powerful, and we are confident that growth in the auto insurance advertising market, and our results, will bounce back as underwriting profitability is restored. Importantly, our other verticals are unaffected by these trends, and our Health insurance vertical, in particular, continued its robust growth and is expected to have a strong fourth quarter."

Third Quarter 2021 Financial Results

- Revenue of $152.7 million, an increase of 1% year over year;
- Transaction Value of $255.1 million, an increase of 17% year over year;
- Gross margin of 16.2%, compared with 13.7% in the third quarter of 2020;
- Contribution Margin[1] of 17.1%, compared with 14.3% in the third quarter of 2020;
- Net loss was $(4.3) million, compared with net income of $4.8 million in the third quarter of 2020; and
- Adjusted EBITDA[1] was $13.8 million, compared with $14.0 million in the third quarter of 2020.

[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
For the fourth quarter of 2021, MediaAlpha currently expects the following:

- Transaction Value between $241 million - $256 million, representing a 3% year-over-year decline at the midpoint of the guidance range;
- Revenue between $151 million - $161 million, representing an 18% year-over-year decline at the midpoint of the guidance range;
- Contribution between $25 million - $28 million, representing a 13% year-over-year decline at the midpoint of the guidance range; and
- Adjusted EBITDA between $13 million - $15 million, representing a 23% year-over-year decline at the midpoint of the guidance range.

For the full year 2021, MediaAlpha currently expects the following:

- Transaction Value between $1,015 million - $1,030 million, representing 25% year-over-year growth at the midpoint of the guidance range;
- Revenue between $635 million - $645 million, representing 9% year-over-year growth at the midpoint of the guidance range;
- Contribution between $106 million - $109 million, representing 16% year-over-year growth at the midpoint of the guidance range; and
- Adjusted EBITDA between $58 million - $60 million, representing 2% year-over-year growth at the midpoint of the guidance range.

The Company expects total shares outstanding at the end of the fourth quarter of 2021 to be 60.6 million and 64.4 million on a basic and fully diluted basis, respectively.

With respect to the Company's projections of Contribution and Adjusted EBITDA under "Financial Outlook," MediaAlpha is not providing a reconciliation of Contribution or Adjusted EBITDA to the respective GAAP measures because the Company is unable to predict with reasonable certainty the reconciling items that may affect gross profit and net income 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 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 third quarter 2021 results and its financial outlook for the fourth quarter and full year of 2021 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 expectation of growth once the P&C insurance market recovers, and our financial outlook for the fourth quarter and full year 2021. 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 March 15, 2021, the Form 10-Q filed on May 14, 2021, the Form 10-Q filed on August 13, 2021, and the Form 10-Q as of and for the quarter ended September 30, 2021 to be filed on or about November 12, 2021. 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, Contribution, 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, Contribution, 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, the Company believes that Transaction Value, Adjusted EBITDA, Contribution, and Contribution Margin provide useful information to investors and others in understanding and evaluating its operating results in the same manner as its management team and board of directors. Each of Transaction Value, Adjusted EBITDA, Contribution, 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.

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MediaAlpha, Inc. and subsidiaries
Consolidated Balance Sheets
(Unaudited; in thousands, except share data and per share amounts)

	September 30, 2021	December 31, 2020
Assets		
Current assets		
Cash and cash equivalents	$ 29,301	$ 23,554
Accounts receivable, net of allowance for credit losses of $602 and $438, respectively	71,305	96,295
Prepaid expenses and other current assets	3,959	7,950
Total current assets	104,565	127,799
Property and equipment, net	1,060	762
Intangible assets, net	13,313	15,551
Goodwill	18,402	18,402
Deferred tax asset	92,348	31,613
Other assets	15,819	16,210
Total assets	**$ 245,507**	**$ 210,337**
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	$ 44,213	$ 98,249
Accrued expenses	7,437	9,206
Current portion of long-term debt	6,345	—
Total current liabilities	57,995	107,455
Long-term debt, net of current portion	180,254	182,668
Liabilities under tax receivable agreement, net of current portion	77,272	22,498
Other long-term liabilities	2,907	2,834
Total liabilities	318,428	315,455
Commitments and contingencies (Note 7)		
Stockholders' (deficit):		
Class A common stock, $0.01 par value - 1.0 billion shares authorized; 39.4 million and 33.4 million shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	394	334
Class B common stock, $0.01 par value - 100 million shares authorized; 20.8 million and 25.5 million shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	208	255
Preferred stock, $0.01 par value - 50 million shares authorized; 0 shares issued and outstanding as of September 30, 2021 and December 31, 2020	—	—
Additional paid-in capital	407,745	384,611
Accumulated Deficit	(422,631)	(418,973)
Total stockholders' (deficit) attributable to MediaAlpha, Inc.	$ (14,284)	$ (33,773)
Non-controlling interest	(58,637)	(71,345)
Total stockholders' (deficit)	$ (72,921)	$ (105,118)
Total liabilities and stockholders' deficit	**$ 245,507**	**$ 210,337**

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

	Three months ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue	$ 152,749	$ 151,548	$ 483,690	$ 394,609
Cost and operating expenses				
Cost of revenue	128,080	130,830	407,563	335,692
Sales and marketing	5,620	2,916	16,721	8,866
Product development	3,754	1,766	10,904	5,482
General and administrative	15,349	7,605	44,677	13,907
Total cost and operating expenses	152,803	143,117	479,865	363,947
(Loss) income from operations	(54)	8,431	3,825	30,662
Other expenses, net	316	1,998	337	1,998
Interest expense	1,765	1,594	6,303	4,844
Total other expense	2,081	3,592	6,640	6,842
(Loss) income before income taxes	(2,135)	4,839	(2,815)	23,820
Income tax expense	2,125	20	1,636	20
Net (loss) income	$ (4,260)	$ 4,819	$ (4,451)	$ 23,800
Net income attributable to QLH prior to Reorganization Transactions	—	4,819	—	23,800
Net (loss) attributable to non-controlling interest	(733)	—	(1,021)	—
Net (loss) attributable to MediaAlpha, Inc.	$ (3,527)	$ —	$ (3,430)	$ —
Net (loss) per share of Class A common stock				
-Basic	$ (0.09)	$ —	$ (0.09)	$ —
-Diluted	$ (0.10)	$ —	$ (0.09)	$ —
Weighted average shares of Class A common stock outstanding				
-Basic	38,416,723	—	36,426,270	—
-Diluted	61,190,185	—	36,426,270	—

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

	Nine Months Ended September 30,	
	2021	2020
Cash flows from operating activities		
Net (loss) income	$ (4,451)	$ 23,800
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Non-cash equity-based compensation expense	33,321	1,762
Depreciation expense on property and equipment	272	210
Amortization of intangible assets	2,238	2,402
Amortization of deferred debt issuance costs	966	334
Loss on extinguishment of debt	—	1,998
Credit losses	136	356
Deferred taxes	1,195	—
Tax receivable agreement liability adjustments	(604)	—
Changes in operating assets and liabilities:		
Accounts receivable	24,854	(7,428)
Prepaid expenses and other current assets	4,191	(147)
Other assets	391	(11,665)
Accounts payable	(54,033)	21,242
Accrued expenses	(1,800)	6,436
Net cash provided by operating activities	6,676	39,300
Cash flows from investing activities		
Purchases of property and equipment	(568)	(156)
Purchase of cost method investment	—	(10,000)
Net cash (used in) investing activities	(568)	(10,156)
Cash flows from financing activities		
Proceeds received from:		
Revolving line of credit	—	7,500
Payments made for:		
Repayments on revolving line of credit	—	(7,500)
Proceeds from issuance of long-term debt	190,000	210,000
Repayments on long-term debt	(186,375)	(100,023)
Payments of debt issuance costs	(866)	(4,467)
Repurchase of Class B units at QLH up to fair value	—	(1,453)
Distributions	(338)	(131,224)
Shares withheld for taxes on vesting of restricted stock units	(2,782)	—
Net cash (used in) financing activities	(361)	(27,167)
Net increase in cash and cash equivalents	5,747	1,977
Cash and cash equivalents, beginning of period	23,554	10,028
Cash and cash equivalents, end of period	$ 29,301	$ 12,005

Key business and operating metrics

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 relationships 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 the 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 nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	**2021**	**2020**	**2021**	**2020**
Open Marketplace transactions	$ 147,800	$ 148,240	$ 469,670	$ 386,224
Percentage of total Transaction Value	57.9 %	68.1 %	60.7 %	69.1 %
Private Marketplace transactions	107,290	69,320	304,410	172,590
Percentage of total Transaction Value	42.1 %	31.9 %	39.3 %	30.9 %
Total Transaction Value	$ 255,090	$ 217,560	$ 774,080	$ 558,814

The following table presents Transaction Value by vertical for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
(dollars in thousands)	**2021**	**2020**	**2021**	**2020**
Property & Casualty insurance	$ 175,375	$ 161,323	$ 535,448	$ 390,955
Percentage of total Transaction Value	68.8 %	74.2 %	69.2 %	70.0 %
Health insurance	48,692	33,650	146,275	98,739
Percentage of total Transaction Value	19.1 %	15.5 %	18.9 %	17.7 %
Life insurance	13,361	11,628	41,736	31,717
Percentage of total Transaction Value	5.2 %	5.3 %	5.4 %	5.7 %
Other (1)	17,662	10,959	50,621	37,403
Percentage of total Transaction Value	6.9 %	5.0 %	6.5 %	6.7 %
Total Transaction Value	$ 255,090	$ 217,560	$ 774,080	$ 558,814

(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; internet and hosting; 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.

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 nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Revenue	$ 152,749	$ 151,548	$ 483,690	$ 394,609
Less cost of revenue	(128,080)	(130,830)	(407,563)	(335,692)
Gross profit	24,669	20,718	76,127	58,917
Adjusted to exclude the following (as related to cost of revenue):				
Equity-based compensation	447	18	1,289	58
Salaries, wages, and related	501	434	1,523	1,175
Internet and hosting	105	107	315	328
Other expenses	103	69	320	205
Depreciation	7	6	22	17
Other services	300	189	847	616
Merchant-related fees	56	130	286	447
Contribution	26,188	21,671	80,729	61,763
Gross margin	16.2 %	13.7 %	15.7 %	14.9 %
Contribution Margin	17.1 %	14.3 %	16.7 %	15.7 %

Adjusted EBITDA

We define "Adjusted EBITDA" as net income excluding interest expense, income tax benefit (expense), depreciation expense on property and equipment, and 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.

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 nine months ended September 30, 2021 and 2020.

	Three months ended September 30,		Nine months ended September 30,	
(in thousands)	**2021**	**2020**	**2021**	**2020**
Net (loss) income	$ (4,260)	$ 4,819	$ (4,451)	$ 23,800
Equity-based compensation expense	11,198	606	33,321	2,553
Interest expense	1,765	1,594	6,303	4,844
Income tax expense	2,125	20	1,636	20
Depreciation expense on property and equipment	99	73	272	210
Amortization of intangible assets	746	799	2,238	2,402
Transaction expenses(1)	1,152	6,049	3,883	6,049
Employee-related costs(2)	270	—	619	—
SOX implementation costs(3)	348	—	797	—
Settlement costs(4)	800	—	800	—
Changes in TRA related liability(5)	(448)	—	(604)	—
Reduction in Tax Indemnification Receivable(6)	—	—	147	—
Adjusted EBITDA	$ 13,795	$ 13,960	$ 44,961	$ 39,878

(1) Transaction expenses include $1.2 million and $3.9 million of expenses incurred by us for the three and nine months ended September 30, 2021, respectively, for legal and accounting fees and other costs in connection with the Secondary Offering, and other registration statements, and the refinancing of our 2020 Credit Facilities. Transaction expenses of $6.0 million for the three and nine months ended September 30, 2020, include $4.0 million in legal, accounting, and professional fees in connection with the Reorganization Transaction and IPO and $2.0 million in loss on extinguishment of debt related to the termination of the 2019 Credit Facilities.

(2) Employee-related costs include $0.3 million and $0.5 million of expenses incurred by us for the three and nine months ended September 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 include $0.3 million and $0.8 million of expenses incurred by us for the three and nine months ended September 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). During the three months ended June 30, 2021, we updated our Adjusted EBITDA definition to exclude these costs and accordingly determined that it was appropriate to recast our Adjusted EBITDA calculation for the three months ended March 31, 2021 to exclude these costs of $0.2 million.

(4) Settlement costs include $0.8 million of expenses incurred by us for the three and nine months ended September 30, 2021, to settle certain claims made by the Attorney General's Office of the State of Washington.

(5) Changes in TRA related liability includes $0.4 million and $0.6 million of income for the three and nine months ended September 30, 2021, respectively, due to a change in the estimated future state tax benefits and other changes in the estimate resulting in reduction of the TRA liability created in connection with the Reorganization Transactions.

(6) Reduction in Tax Indemnification Receivable includes $0.1 million of expenses incurred by us for the nine months ended September 30, 2021 related to a reduction in the tax indemnification receivable recorded in connection with the Reorganization Transactions.

SHAREHOLDER LETTER

Q3 2021

Q3 2021 Results

(in millions, except percentages)	Q3 2020	Q3 2021	YoY Change
Revenue	$151.5	$152.7	*0.8%*
Transaction Value [1]	$217.6	$255.1	*17.3%*
Gross Profit	$20.7	$24.7	*19.1%*
Contribution [1]	$21.7	$26.2	*20.8%*
Net Income (Loss)	$4.8	$(4.3)	*(188.4)%*
Adjusted EBITDA [1]	$14.0	$13.8	*(1.2)%*

1. See "Key Business and Operating Metrics and Non-GAAP Financial Measures" for additional information regarding non-GAAP metrics used in this shareholder letter.

Executive Summary

Transparency is core to everything we do at MediaAlpha, including our communications with shareholders. Plainly and simply, we underperformed expectations in the third quarter, driven primarily by market challenges in our P&C vertical. In light of current business trends, we are reducing our full-year guidance for 2021.

In our letter to you last quarter, we noted that certain auto insurance carriers in our P&C vertical were starting to pull back on customer acquisition investments due to underwriting profitability concerns. A quarter later, it is clear that the underwriting cycle for personal auto insurance has turned sharply, and we are in a "hard" market. What this means is that P&C insurance carriers are experiencing higher than anticipated losses. The main drivers of this are (i) a post-pandemic normalization in miles driven and accident frequency, (ii) higher than expected loss severity driven by elevated vehicle replacement and repair costs, and (iii) elevated catastrophe losses from Hurricane Ida and other major storms. In response, several of our carrier partners are taking actions to restore profitability by increasing rates and reducing their marketing spend. This negatively impacted us—Transaction Value in our P&C vertical grew 9% year over year during the third quarter, compared with 70% year-over-year growth in the third quarter of 2020. We have seen this movie before. The P&C insurance industry is cyclical, and this cyclicality directly impacts the results of our P&C vertical. The overall secular trends in our business are still very much in our favor, and we are confident that auto insurance advertising spend (and our results) will recover as underwriting profitability is restored.

Away from P&C, our results were strong, particularly in our Health insurance vertical, where Transaction Value grew 45% year over year during the third quarter. We continue to see advertising spend by health insurance carriers, which has demonstrated little cyclicality over time, shift to digital channels—the health insurance market is well behind the auto insurance market in this regard, and even further behind most other industries. Forecasting consumer demand in the Health vertical is challenging at the moment. Historically, open enrollment periods for both the under65 and over65 markets last about 75 days, the bulk of which falls in the fourth quarter. In 2021, enrollment periods were extended—there was a special enrollment period from February 15 to August 15, and the fourth quarter period has been extended to run through January 15, 2022. We still expect most of our annual enrollment period ("AEP") and open enrollment period ("OEP") volume to fall within the fourth quarter, but it's more difficult to predict than in past years.

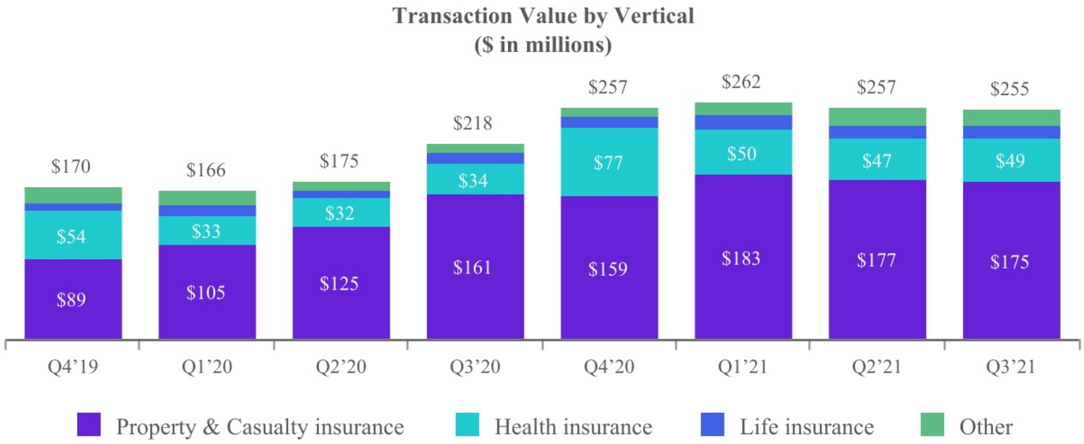
As we touched on last quarter, we are seeing a greater proportion of our Transaction Value flow through our Private Marketplaces than we expected heading into 2021. This shift was particularly pronounced in the third quarter, and our new guidance reflects this dynamic. To refresh your memory, we work with our partners in one of two ways: through our Open Marketplace and through our Private Marketplaces. Revenue is treated differently in these two models. In our Open marketplace transactions, Revenue is equal to Transaction Value. In our Private Marketplace transactions, Revenue is equal to a percentage of Transaction Value. The more rapid growth of our Private Marketplaces is causing revenue to grow at a slower pace than Transaction Value. We view Transaction Value as the best measure of our current and future success. We think that the growth in our Private Marketplaces is a good thing, as it reflects our tremendous commercial success in enabling the growth of large-scale price comparison sites and personal finance applications. We now have multi-year, exclusive partnerships with a set of supply partners who offer large volumes of high-quality consumer referrals that our demand partners can only find in our marketplaces. Meanwhile, we expect our Open Marketplace to remain the preferred option for the majority of our partnerships. We believe our flexible model will continue to drive superior Transaction Value growth and market share gains over time.

Notwithstanding the challenging conditions in the auto insurance market, our marketplaces continue to expand. We connected a larger number of demand and supply partners at the end of the third quarter than ever before. Even under the current “hard” market conditions, nine of our top 20 P&C insurance carriers increased their spend with us by at least 50% year over year in the third quarter. Our focus in any market environment is on the fundamentals: working closely with our demand partners to help them acquire customers more efficiently, and at a greater scale, than anywhere else. Our partners are telling us that we are succeeding, and that during these market conditions they plan to prioritize customer acquisition investments with MediaAlpha over less targeted and measurable forms of advertising—such as TV, radio, and digital display. When the last hard market in auto insurance ended in 2017, we emerged ready for growth and posted outstanding results for the next several years, enabling us to pull away from our competition and establishing MediaAlpha as the category leader. We are approaching the current cycle with the same mindset, secure in the knowledge that our partnerships are deep and our ability to execute is unmatched, leaving us well positioned to seize the opportunities that this market cycle will present.

MediaAlpha’s addressable market opportunity across our insurance verticals and beyond remains as large as ever. The secular forces driving our long-term growth outlook are powerful, our demand and supply partnerships are stronger than ever, and we are pursuing a number of growth initiatives, such as our agent business and expansion into additional verticals. Our journey is just beginning.

Financial Discussion - Transaction Value and Revenue Metrics

MediaAlpha continued to expand our marketplaces in Q3 2021, despite a very rapid cyclical downturn in our P&C vertical during the second half of the quarter. Transaction Value grew 17% year over year to $255.1 million, driven primarily by strong year-over-year results in P&C and Health as key carriers continued to increase investment in our channel. Transaction Value represents the total gross investment in customer acquisition executed by our partners on our platform and is one of the key metrics that reflects our ability to drive value for our partners and increase our share of wallet as budgets increasingly move online.



Transaction Value generated from our insurance verticals grew to $237.4 million in Q3 2021, up 15% year over year, driven by strong demand from carriers and increased adoption by Supply Partners.

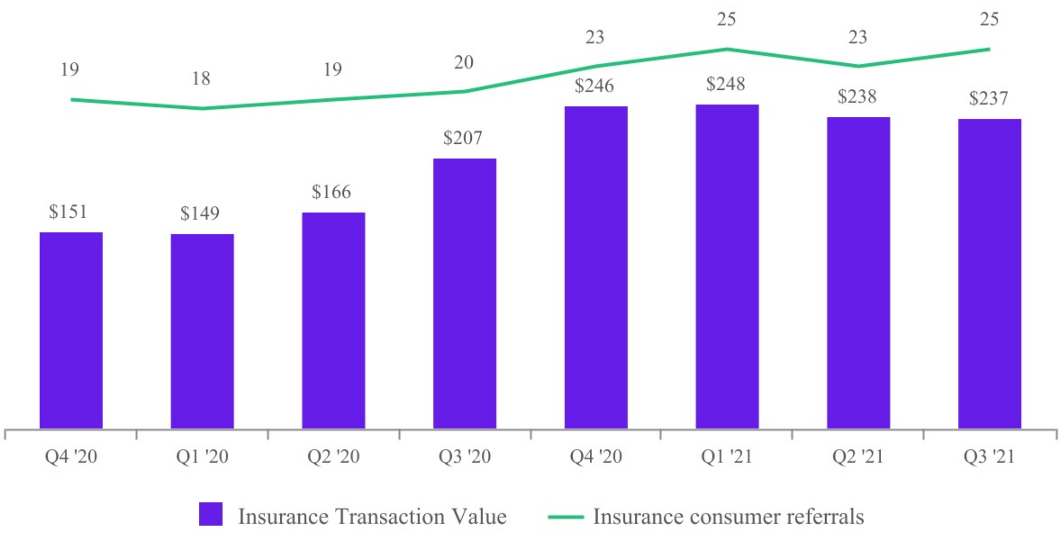
Transaction Value from our P&C insurance vertical grew 8.7% year over year to $175.4 million. Growth decelerated in Q3 2021 (9% year over year, compared with 42% year over year in Q2 2021), driven by concerns of profitability from the largest carriers, as they incurred higher than anticipated losses due to higher automobile claims driven by a post-pandemic normalization in miles driven, higher than expected loss severity driven by elevated vehicle replacement and repair costs, and elevated catastrophe losses from Hurricane Ida and other major storms. In response, some of our top carrier partners significantly reduced their customer acquisition investments during the second half of the quarter to restore their profitability.

Transaction Value from our Health insurance vertical grew 44.7% year over year to $48.7 million, driven by continued momentum through the extended enrollment and strong demand from carriers and brokers for under65 Health.

Transaction Value from our Life insurance vertical grew 14.9% year over year to $13.4 million, driven by increased investments by insurtechs and continued year-over-year growth from key supply partners.

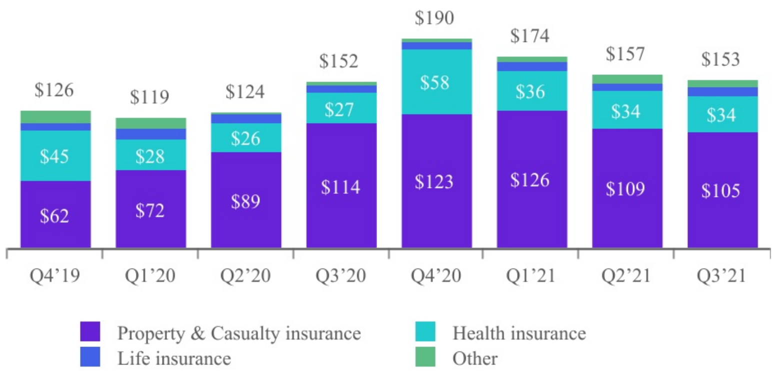
Transaction Value from our Other vertical, which includes travel, education, and consumer finance, grew 61.2% year over year to $17.7 million, driven by strong performance in travel compared with the all-time lows in the prior year, as well as in consumer finance due to continued strength in mortgage and refinance activity during the quarter.

Insurance Transaction Value & Consumer Referrals
($ in millions)

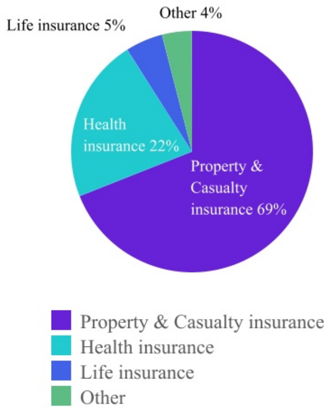


We generated $152.7 million of total revenue in the third quarter of 2021, up 0.8% year over year, driven by growth in our Health insurance vertical, offset by lower revenue from our P&C insurance vertical.

Revenue by Vertical
($ in millions)



Q3 2021 Revenue Mix by Vertical



Revenue from our P&C insurance vertical declined 7.9% year over year to $105.1 million in Q3 2021, driven by shifts to Private Marketplace implementations. In Private Marketplace transactions, revenue is equal to our platform fee, which is a percentage of Transaction Value.

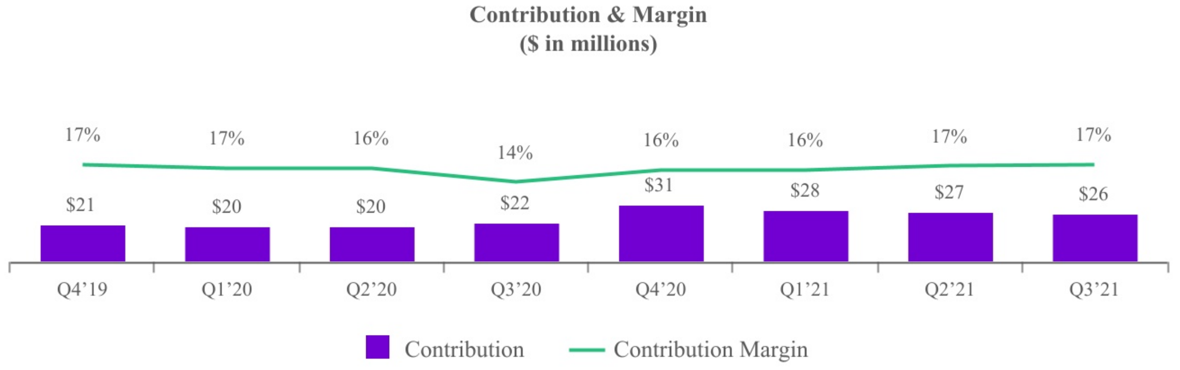
Revenue from our Health insurance vertical grew 24.5% year over year to $34.1 million in Q3 2021, driven by increased demand from carriers and brokers for under 65 Health and expansion from key supply partners.

Revenue from our Life insurance vertical grew 1.3% year over year to $7.5 million in Q3 2021, driven by increased demand from carriers as mortality concerns related to COVID-19 eased and carriers continued to enhance the online application experience.

Revenue from our Other vertical, which consists of travel, education, and consumer finance, grew 127.6% year over year to $6.1 million in Q3 2021, driven by recovery in travel from the all-time lows in Q3 of 2020 and strong performance in consumer finance due to continued strength in mortgage purchase and refinance activity during the quarter.

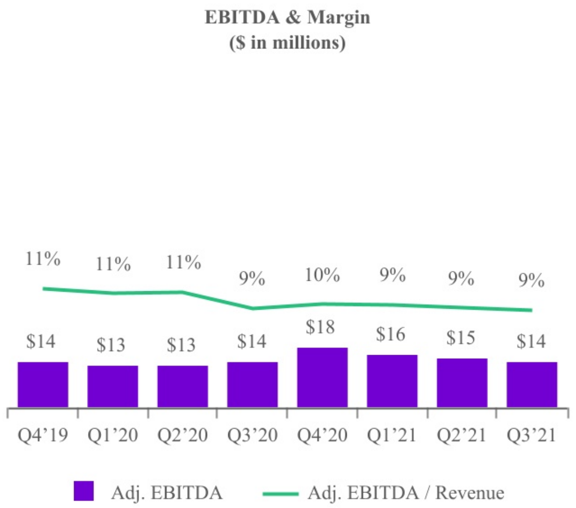
Financial Discussion - Profitability

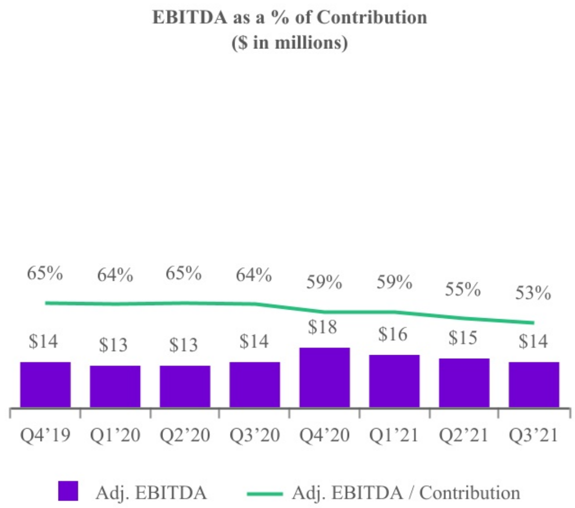
Gross profit was $24.7 million in Q3 2021, a year-over-year increase of 19%. Contribution, which generally represents revenue less revenue share payments and online advertising costs, was $26.2 million in Q3 2021, a year-over-year increase of 21%. Contribution Margin was 17.1% in Q3 2021, compared with 14.3% in Q3 2020. The increase was driven primarily by growth from certain Supply Partners with Private Marketplace deployments, where net revenue treatment drives higher Contribution Margins.



Net loss was $(4.3) million in Q3 2021, compared with net income of $4.8 million in the third quarter of 2020, driven primarily by year-over-year increases in non-cash equity-based compensation expense and personnel expenses of $10.6 million and $1.8 million, respectively.

Adjusted EBITDA was $13.8 million in Q3 2021, a year-over-year decrease of 1%. Adjusted EBITDA margin was 9.3%, compared with 9.2% in Q3 2020. The decrease in absolute dollars was due primarily to higher SG&A expenses driven by public company costs, offset in part by the impact of the higher revenue and Contribution performance.





Financial Discussion - Q4 and FY 2021 Outlook [1]

Our guidance for Q4 and FY 2021 reflects a reduction in customer acquisition investments by our P&C insurance carrier partners due to challenging market conditions. In our Health vertical, we continue to experience strong momentum as we deepen our relationships with key carriers. We expect modestly higher budget allocations in our Life insurance vertical, and modest year-over-year increases in our Other vertical.

	Q4 2021			FY 2021		
Transaction Value [2]	$241.0 million	-	$256.0 million	$1,015.0 million	-	$1,030.0 million
Y/Y Growth	*(6.2)%*		*(0.4)%*	*24.4%*		*26.3%*
Revenue	$151.0 million	-	$161.0 million	$635.0 million	-	$645.0 million
Y/Y Growth	*(20.4)%*		*(15.2)%*	*8.6%*		*10.3%*
Contribution [2]	$25.0 million	-	$28.0 million	$106.0 million	-	$109.0 million
Y/Y Growth	*(18.1)%*		*(8.3)%*	*14.5%*		*17.7%*
Adjusted EBITDA [2]	$13.0 million	-	$15.0 million	$58.0 million	-	$60.0 million
Y/Y Growth	*(28.3)%*		*(17.4)%*	*(0.1)%*		*3.3%*

Revenue: For Q4 2021, we expect revenue to be in the range of $151.0 million - $161.0 million, a year-over-year decrease of 17.8% at the midpoint. For the full year, we expect revenue to be in the range of $635.0 million - $645.0 million, a year-over-year increase of 9.4% at the midpoint.

Adjusted EBITDA: For the fourth quarter, we expect Adjusted EBITDA to be in the range of $13.0 million - $15.0 million, a year-over-year decrease of 22.9% at the midpoint. For the full year, we expect Adjusted EBITDA to be in the range of $58.0 million - $60.0 million, a year-over-year increase of 1.6% at the midpoint.

We expect total shares outstanding to be 60.6 million and 64.4 million on a basic and fully diluted basis, respectively, at the end of Q4 2021.

As we navigate through transitory headwinds in our P&C vertical, we remain as confident as ever in our long-term market opportunity and durable competitive advantages. As P&C carriers focus their customer acquisition investments on only the highest-ROI opportunities, we expect to benefit as our superior scale, transparency, data science, and granular targeting capabilities increasingly set us apart from the competition. Outside of our P&C vertical, we expect rapid growth, driven by powerful secular trends, to continue unabated. With the right strategy, culture, team, technologies, and partner relationships, we are confident in our ability to create shareholder value over the long term..

Thank you,

Steve Yi	**Cort Carlson**
Co-Founder & CEO	Interim Principal Financial & Accounting Officer

[1] With respect to the Company's projections of Contribution and Adjusted EBITDA under "Financial Discussion – Q4 and FY 2021 Outlook", MediaAlpha is not providing a reconciliation of Contribution or Adjusted EBITDA to the respective GAAP measures because the Company is unable to predict with reasonable certainty the reconciling items that may affect gross profit and net income 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 GAAP measures for the applicable period.
[2] See "Key Business and Operating Metrics and Non-GAAP Financial Measures" for additional information regarding non-GAAP metrics used in this shareholder letter.

Key Business and Operating Metrics and Non-GAAP Financial Measures

In addition to traditional financial metrics, we rely upon certain business and operating metrics that are not presented in accordance with GAAP to estimate the volume of spending on our platform, estimate and recognize revenue, evaluate our business performance and facilitate our operations. Such business and operating metrics should not be considered in isolation from, or as an alternative to, measures presented in accordance with GAAP and should be considered together with other operating and financial performance measures presented in accordance with GAAP. Also, such business and operating metrics may not necessarily be comparable to similarly titled measures presented by other companies.

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 relationships 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 the 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 months ended September 30, 2021 and 2020:

	Three months ended September 30,	
(in thousands)	**2021**	**2020**
Open Marketplace transactions	$ 147,800	$ 148,240
Percentage of total Transaction Value	57.9 %	68.1 %
Private Marketplace transactions	107,290	69,320
Percentage of total Transaction Value	42.1 %	31.9 %
Total Transaction Value	$ 255,090	$ 217,560

The following table presents Transaction Value by platform model for the nine months ended September 30, 2021 and 2020:

	Nine Months Ended September 30,	
(in thousands)	**2021**	**2020**
Open Marketplace transactions	$ 469,670	$ 386,224
Percentage of total Transaction Value	60.7 %	69.1 %
Private Marketplace transactions	304,410	172,590
Percentage of total Transaction Value	39.3 %	30.9 %
Total Transaction Value	$ 774,080	$ 558,814

The following table presents Transaction Value by vertical for the three months ended September 30, 2021 and 2020:

(in thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020
Property & Casualty insurance	$ 175,375	$ 161,323
Percentage of total Transaction Value	68.8 %	74.2 %
Health insurance	48,692	33,650
Percentage of total Transaction Value	19.1 %	15.5 %
Life insurance	13,361	11,628
Percentage of total Transaction Value	5.2 %	5.3 %
Other	17,662	10,959
Percentage of total Transaction Value	6.9 %	5.0 %
Total Transaction Value	$ 255,090	$ 217,560

The following table presents Transaction Value by vertical for the nine months ended September 30, 2021 and 2020:

(in thousands)	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Property & Casualty insurance	$ 535,448	$ 390,955
Percentage of total Transaction Value	69.2 %	70.0 %
Health insurance	146,275	98,739
Percentage of total Transaction Value	18.9 %	17.7 %
Life insurance	41,736	31,717
Percentage of total Transaction Value	5.4 %	5.7 %
Other	50,621	37,403
Percentage of total Transaction Value	6.5 %	6.7 %
Total Transaction Value	$ 774,080	$ 558,814

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; internet and hosting; 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 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 limitation 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 months ended September 30, 2021 and 2020:

	Three months ended September 30,	
(in thousands)	**2021**	**2020**
Revenue	$ 152,749	$ 151,548
Less cost of revenue	(128,080)	(130,830)
Gross profit	$ 24,669	$ 20,718
Adjusted to exclude the following (as related to cost of revenue):		
Equity-based compensation	447	18
Salaries, wages, and related	501	434
Internet and hosting	105	107
Other expenses	103	69
Depreciation	7	6
Other services	300	189
Merchant-related fees	56	130
Contribution	$ 26,188	$ 21,671
Gross margin	16.2 %	13.7 %
Contribution Margin	17.1 %	14.3 %

The following table reconciles Contribution with gross profit, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the nine months ended September 30, 2021 and 2020:

(in thousands)	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Revenue	$ 483,690	$ 394,609
Less cost of revenue	(407,563)	(335,692)
Gross profit	$ 76,127	$ 58,917
Adjusted to exclude the following (as related to cost of revenue):		
Equity-based compensation	1,289	58
Salaries, wages, and related	1,523	1,175
Internet and hosting	315	328
Other expenses	320	205
Depreciation	22	17
Other services	847	616
Merchant-related fees	286	447
Contribution	$ 80,729	$ 61,763
Gross margin	15.7 %	14.9 %
Contribution Margin	16.7 %	15.7 %

Consumer Referrals

We define "Consumer Referral" as any consumer click, call or lead purchased by a buyer on our platform. Click revenue is recognized on a pay-per-click basis and revenue is earned and recognized when a consumer clicks on a listed buyer's advertisement that is presented subsequent to the consumer's search (e.g., auto insurance quote search or health insurance quote search). Call revenue is earned and recognized when a consumer transfers to a buyer and remains engaged for a requisite duration of time, as specified by each buyer. Lead revenue is recognized when we deliver data leads to buyers. Data leads are generated either through insurance carriers, insurance-focused research destination websites or other financial websites that make the data leads available for purchase through our platform, or when consumers complete a full quote request on our proprietary websites. Delivery occurs at the time of lead transfer. The data we generate from each Consumer Referral feeds into our analytics model to generate conversion probabilities for each unique consumer, enabling discovery of predicted return and cost per sale across the platform and helping us to improve our platform technology. We monitor the number of Consumer Referrals on our platform in order to measure Transaction Value, revenue and overall business performance across our verticals and platform models. For the three and nine months ended September 30, 2021, Transaction Value generated from clicks, calls and leads was 80.1%, 8.4% and 11.6% and 81.4%, 7.7% and 10.9%, respectively.

Adjusted EBITDA

We define "Adjusted EBITDA" as net income excluding interest expense, income tax benefit (expense), depreciation expense on property and equipment, and 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 (loss) income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three months ended September 30, 2021 and 2020.

(in thousands)	**Three months ended September 30, 2021**	**2020**
Net (loss) income	$ (4,260)	$ 4,819
Equity-based compensation expense	11,198	606
Interest expense	1,765	1,594
Income tax expense	2,125	20
Depreciation expense on property and equipment	99	73
Amortization of intangible assets	746	799
Transaction expenses(1)	1,152	6,049
Employee-related costs(2)	270	—
SOX implementation costs(3)	348	—
Settlement costs(4)	800	—
Changes in TRA related liability(5)	(448)	—
Reduction in Tax Indemnification Receivable(6)	—	—
Adjusted EBITDA	$ 13,795	$ 13,960

The following table reconciles Adjusted EBITDA with net (loss) income, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the nine months ended September 30, 2021 and 2020.

(in thousands)	**Nine Months Ended September 30, 2021**	**2020**
Net (loss) income	$ (4,451)	$ 23,800
Equity-based compensation expense	33,321	2,553
Interest expense	6,303	4,844
Income tax expense	1,636	20
Depreciation expense on property and equipment	272	210
Amortization of intangible assets	2,238	2,402
Transaction expenses(1)	3,883	6,049
Employee-related costs(2)	619	—
SOX implementation costs(3)	797	—
Settlement costs(4)	800	—
Changes in TRA related liability(5)	(604)	—
Reduction in Tax Indemnification Receivable(6)	147	—
Adjusted EBITDA	$ 44,961	$ 39,878

(1) Transaction expenses include $1.2 million and $3.9 million of expenses incurred by us for the three and nine months ended September 30, 2021, respectively, for legal and accounting fees and other costs in connection with the Secondary Offering, and other registration statements, and the refinancing of our 2020 Credit Facilities. Transaction expenses of $6.0 million for the three and nine months ended September 30, 2020, include $4.0 million in legal, accounting, and professional fees in connection with the Reorganization Transaction and IPO and $2.0 million in loss on extinguishment of debt related to the termination of the 2019 Credit Facilities.

(2) Employee-related costs include $0.3 million and $0.5 million of expenses incurred by us for the three and nine months ended September 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 include $0.3 million and $0.8 million of expenses incurred by us for the three and nine months ended September 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). During the three months ended June 30, 2021, we updated our Adjusted EBITDA definition to exclude these costs and accordingly determined that it was appropriate to recast our Adjusted EBITDA calculation for the three months ended March 31, 2021 to exclude these costs of $0.2 million.

(4) Settlement costs include $0.8 million of expenses incurred by us for the three and nine months ended September 30, 2021, to settle certain claims made by the Attorney General's Office of the State of Washington.

(5) Changes in TRA related liability includes $0.4 million and $0.6 million of income for the three and nine months ended September 30, 2021, respectively, due to a change in the estimated future state tax benefits and other changes in the estimate resulting in reduction of the TRA liability created in connection with the Reorganization Transactions.

(6) Reduction in Tax Indemnification Receivable includes $0.1 million of expenses incurred by us for the nine months ended September 30, 2021 related to a reduction in the tax indemnification receivable recorded in connection with the Reorganization Transactions.

Forward-Looking Statements

This shareholder letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation statements regarding our expectation of significant growth once the P&C insurance market recovers, and our financial outlook for the fourth quarter and full year of 2021. 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 March 15, 2021, the Form 10-Q filed on May 14, 2021, the Form 10-Q filed on August 13, 2021, and the Form 10-Q as of and for the quarter ended September 30, 2021 to be filed on or about November 12, 2021. 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 shareholder letter.