MediaAlpha, Inc.
Third Quarter 2026 Earnings Call Webcast - Prepared Remarks
October 28, 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 Tigran Sinanyan.

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 fourth quarter and full year 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.

The third quarter was the best quarter in MediaAlpha's history across all of our key metrics. During the quarter, our revenue base continued to broaden as multiple carriers stepped up their budgets meaningfully, driven by intensifying competition for policy growth. This resulted in strong volume for our supply partners, who delivered more high-quality consumer referrals into our marketplace. We continue to execute very well in these favorable market conditions, which we expect to continue for the foreseeable future.

Auto insurance revenue grew 17% year over year and remains the largest driver of growth in our Property & Casualty (P&C) insurance vertical. We're also seeing more carriers put real ad dollars behind home insurance, where we've historically had a much smaller footprint. In Home and Renters, revenue hit a record $66 million in the third quarter, up 116% year over year. That growth was driven by strengthening market conditions and wallet share gains, as both traditional and natively online direct-to-consumer digital carriers allocated more of their budgets to us in pursuit of efficient growth.

As carriers evolve towards more multichannel distribution, we're uniquely positioned to help them acquire customers effectively across both their direct-to-consumer and agent-based channels. As a reminder, we started our agent business from scratch in Q1 2021 to help captive and independent insurance agents acquire customers efficiently directly on our platform, using the same programmatic capabilities we offer to our carrier partners. We've invested in automation to serve a growing number of agents with a much

smaller, leaner team, which enables us to scale efficiently. Today, we work directly with over three thousand active agents, up from approximately two thousand a year ago. In the third quarter alone, agent revenue was $21 million, up approximately 46% from $14 million a year ago. Agents continue to represent a significant share of insurance distribution and an attractive growth driver for MediaAlpha, complementing our direct-to-consumer capabilities.

Our platform powered over $2.5 billion of annualized P&C advertising spend in the third quarter. We believe this scale, which is the largest in our industry, makes our predictive algorithms more effective at delivering unique insights and superior value to carriers. For example, in a recent test, a carrier that opted into our proprietary optimization models saw conversion rates improve by roughly 80%, which drove far greater sales at a lower cost per policy. We love these kind of tests because they demonstrate to carriers the value of our data scale advantage through real, measurable efficiency gains. As we keep delivering such results, we expect carriers to shift more budget into our higher margin open marketplace. This drives the flywheel of our two-sided marketplace by further increasing our scale advantage, which allows us to deliver even more differentiated insights and greater efficiencies over time.

As we look ahead, we expect consumers to increasingly leverage AI to help them shop for insurance. While no one can predict exactly how this will unfold, we remain confident that major carriers will retain a high level of control over how their policies are advertised, distributed, and sold. We're also confident that advertising will emerge as the dominant monetization paradigm for consumer AI companies, creating a new acquisition channel for our supply partners. We have seen ChatGPT aggressively roll out advertising to free tier subscribers. In September, according to Similarweb, 43% of free tier ChatGPT users in the United States were shown ads. While the impact of agentic commerce, as enabled by personal AI agents like Muse, will vary widely across consumer products and services, large brands and merchants are already signaling that they intend to retain control over how AI agents access their systems and interact with customers on their behalf. Earlier this month, Meta and Sierra, with partners including Shopify, Stripe, and Walmart, announced the Personal Agent Protocol, an emerging standard designed to let businesses verify who an AI agent represents and set rules for what an agent is allowed and not allowed to do. That reflects a simple reality: companies want to control how third parties access and interact with their websites, systems, and customer-facing experiences. Insurance carriers are no different, and we expect quoting and binding to largely stay in carrier-controlled systems, whether the shopper is a person or an AI agent.

As we look ahead to 2027, we're confident in the momentum we're seeing as broader carrier mix reflects the wider demand in the market. We're continuing to operate in a growth-oriented auto insurance market cycle, and our marketplace delivers the scale and efficiency that carriers need to compete. That competition is driving higher carrier budgets, and more of those dollars are flowing through our marketplace. Longer term, the shift towards direct distribution will continue, with carriers expected to shift a growing portion of their $35 billion of spending on insurance agent commissions to digital marketing over time. As we wrap up 2026, we believe our business has years of durable, double-digit growth to come, and that will translate into real value for our shareholders.

With that, I'm excited to welcome Tigran back as our CFO. Over to you to take us through the numbers.

Tigran Sinanyan, CFO:

Thanks, Steve. It's great to be back, and I'm proud to share these results with you.

Our record results exceeded the high end of our guidance ranges for Revenue, Contribution, and Adjusted EBITDA. I'll cover what drove our results, then cover capital allocation and our fourth quarter outlook.

Revenue for the quarter was $376 million, up 23% year over year, reflecting broader carrier participation and increased spend in our marketplace. That broadening also showed up in our customer mix and we're pleased with our progress in diversifying demand. Three carriers each represented more than 10% of third quarter revenue and our fourth-largest carrier was just under that mark at 9.6%.

Contribution was $57 million, up 26% year over year, outpacing revenue. That reflects a mix shift toward our Open Marketplace, led by carriers that rely on us as a trusted partner for optimization and account management.

Adjusted EBITDA was $39 million, up 36% year over year. Excluding under-65 Health, revenue and Adjusted EBITDA grew 26% and 42% year over year, respectively, reflecting very strong performance in our core business.

Growth accelerated as we moved down the P&L. Revenue grew 23%, Contribution grew 26%, and Adjusted EBITDA grew 36% year over year, reflecting the operating leverage in our model. As Contribution grew, a higher share of each incremental dollar flowed through to Adjusted EBITDA. Contribution margin, by contrast, can fluctuate from quarter to quarter with deployment mix, product mix, and partnership dynamics. This quarter, we converted 69% of Contribution into Adjusted EBITDA, our highest since 2024. That operating leverage drives strong cash generation and enables us to deploy capital aggressively to create shareholder value.

Cash generation continues to be strong. In the third quarter, we deployed $21 million of capital across share repurchases and reductions to our obligations under the Tax Receivable Agreement, or TRA. We repurchased approximately 800 thousand shares for $9 million, representing an average price per share of $11.25. We also continued to reduce our long-term obligations under the TRA. In September, we repurchased $23 million of our total TRA liability for $12 million, representing a 47% discount, which generated an $11 million gain that we recorded in the third quarter. We funded this transaction with cash on hand.

Since quarter end and as of October 26th, we have repurchased an additional 1.8 million shares for $18 million, an average price of $10.38, utilizing $82 million of our $100 million authorization. This brings our total repurchases since September 2025 to approximately $115 million, a reduction of approximately 11.2 million shares, or 16% of our shares outstanding.

We ended the quarter with $18.7 million in cash and $30 million undrawn on the revolver. To support the pace of repurchases early in the fourth quarter, we drew $10 million on our revolving credit facility after quarter end, which we view as an attractive use of capital.

Turning to guidance, our philosophy and approach is unchanged. For the fourth quarter we expect:

- Revenue of $355 million to $375 million, up approximately 25% year over year at the midpoint.
- Contribution of $54.0 million to $57.0 million, up approximately 18% year over year at the midpoint.
- Adjusted EBITDA of $36.0 million to $39.0 million, up approximately 22% year over year at the midpoint.

For Q4, we expect the Health vertical to be approximately 4% of total revenue.

Our Adjusted EBITDA guidance includes a decline in Contribution from under-65 Health of approximately $0.9 million year-over-year. Excluding under-65 Health, we expect Contribution to increase by 21% and Adjusted EBITDA to increase by 26% year over year at the midpoints.

For the full year 2026, we continue to expect to generate $90 million to $100 million in free cash flow.

We're proud of the progress the team has made this year, and we're excited about what's ahead. Overall, we remain confident in the strength of our position and the opportunity ahead.

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