UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

or

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

For the transition period from __________ to __________

Commission File Number: 001-39671

MediaAlpha, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-1854133**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

700 South Flower Street, Suite 640
Los Angeles, California 90017
(Address of principal executive offices, including zip code)
(213) 316-6256
(Registrant's telephone number, including area code)

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 per share	MAX	NYSE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 29, 2022, there were 41,584,400 shares of MediaAlpha, Inc.'s Class A common stock, $0.01 par value per share, and 19,537,469 shares of MediaAlpha, Inc.'s Class B common stock, par value $0.01 per share, outstanding.

MediaAlpha, Inc. and Subsidiaries

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Certain Definitions

As used in this Quarterly Report on Form 10-Q:

- "Class A-1 units" refers to the Class A-1 units of QL Holdings LLC ("QLH").
- "Class B-1 units" refers to the Class B-1 units of QLH.
- "Company," "we," or "us" refers to MediaAlpha, Inc. and its consolidated subsidiaries, unless the context requires otherwise.
- "Consumer Referral" means any consumer click, call or lead purchased by a buyer on our platform.
- "Consumers" and "customers" refer interchangeably to end consumers. Examples include individuals shopping for insurance policies.
- "Digital consumer traffic" refers to visitors to the mobile, tablet, desktop and other digital platforms of our supply partners, as well as to our proprietary websites.
- "Direct-to-consumer" or "DTC" means the sale of insurance products or services directly to end consumers, without the use of retailers, brokers, agents or other intermediaries.
- "Distributor" means any company or individual that is involved in the distribution of insurance, such as an insurance agent or broker.
- "Exchange agreement" means the exchange agreement, dated as of October 27, 2020 by and among MediaAlpha, Inc., QLH, Intermediate Holdco, Inc. and certain Class B-1 unitholders party thereto.
- "Founders" means, collectively, Steven Yi, Eugene Nonko, and Ambrose Wang.
- "High-intent" consumer or customer means an in-market consumer that is actively browsing, researching or comparing the types of products or services that our partners sell.
- "Insignia" means Insignia Capital Group, L.P. and its affiliates.
- "Intermediate Holdco" means Guilford Holdings, Inc., our wholly owned subsidiary and the owner of all Class A-1 units.
- "Inventory," when referring to our supply partners, means the volume of Consumer Referral opportunities.
- "IPO" means our initial public offering of our Class A common stock, which closed on October 30, 2020.
- "Legacy Profits Interest Holders" means certain current or former employees of QLH or its subsidiaries (other than the Senior Executives), who indirectly held Class B units in QLH prior to our IPO and includes any estate planning vehicles or other holding companies through which such persons hold their units in QLH (which holding companies may or may not include QL Management Holdings LLC).
- "Lifetime value" or "LTV" is a type of metric that many of our business partners use to measure the estimated total worth to a business of a customer over the expected period of their relationship.
- "NAIC" means the National Association of Insurance Commissioners.
- "Open Marketplace" refers to one of our two business models. In Open Marketplace transactions, we have separate agreements with demand partners and suppliers. We earn fees from our demand partners and separately pay a revenue share to suppliers and a fee to Internet search companies to drive consumers to our proprietary websites.
- "Partner" refers to a buyer or seller on our platform, also referred to as "demand partners" and "supply partners," respectively.
    - "Demand partner" refers to a buyer on our platform. As discussed under Item 2. Management's Discussion & Analysis – Management Overview, our demand partners are generally insurance carriers and distributors looking to target high-intent consumers deep in their purchase journey.
    - "Supply partner" or "supplier" refers to a seller to our platform. As discussed under Item 2. Management's Discussion & Analysis – Management Overview, our supply partners are primarily insurance carriers looking to maximize the value of non-converting or low LTV consumers, and insurance-focused research destinations or other financial websites looking to monetize high-intent consumers.

- “Private Marketplace” refers to one of our two business models. In Private Marketplace transactions, demand partners and suppliers contract with one another directly and leverage our platform to facilitate transparent, real-time transactions utilizing the reporting and analytical tools available to them from use of our platform. We charge a fee based on the Transaction Value of the Consumer Referrals sold through Private Marketplace transactions.
- “Proprietary” means, when used in reference to our properties, the websites and other digital properties that we own and operate. Our proprietary properties are a source of Consumer Referrals on our platform.
- “Reorganization Transactions” means the series of reorganization transactions completed on October 27, 2020 in connection with our IPO.
- “Secondary Offering” means the means the sale of 8,050,000 shares of Class A common stock pursuant to the registration statement on Form S-1 (File No. 333-254338), which was declared effective by the Securities Exchange Commission ("SEC") on March 18, 2021.
- “Senior Executives” means the Founders and the other current and former officers of the Company listed in Exhibit A to the exchange agreement. This term also includes any estate planning vehicles or other holding companies through which such persons hold their units in QLH.
- “Selling Class B-1 Unit Holders” means Insignia, the Senior Executives, and the Legacy Profits Interests Holders who sold a portion of their Class B-1 units to Intermediate Holdco in connection with the IPO.
- “Transaction Value” means the total gross dollars transacted by our partners on our platform.
- “Vertical” means a market dedicated to a specific set of products or services sold to end consumers. Examples include property & casualty insurance, life insurance, health insurance, and travel.
- “White Mountains” means White Mountains Insurance Group, Ltd. and its affiliates.
- “Yield” means the return to our sellers on their inventory of Consumer Referrals sold on our platform.

Cautionary Statement Regarding Forward-Looking Statements

We are including this Cautionary Statement to caution investors and qualify for the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the “Act”) for forward-looking statements. This Quarterly Report on Form 10-Q contains forward-looking statements. 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, but not limited to, the following:

- Our ability to attract and retain supply partners and demand partners to our platform and to make available quality Consumer Referrals at attractive volumes and prices to drive transactions on our platform;
- Our reliance on a limited number of supply partners and demand partners, many of which have no long-term contractual commitments with us, and any potential termination of those relationships;
- Fluctuations in customer acquisition spending by property and casualty insurance carriers due to unexpected changes in underwriting profitability as the carriers go through cycles in their business;
- Existing and future laws and regulations affecting the property & casualty insurance, health insurance and life insurance verticals;
- Changes and developments in the regulation of the underlying industries in which our partners operate;
- Competition with other technology companies engaged in digital customer acquisition, as well as buyers that attract consumers through their own customer acquisition strategies, third-party online platforms or other traditional methods of distribution;

- Our ability to attract, integrate and retain qualified employees;
- Reductions in DTC digital spend by our buyers;
- Mergers and acquisitions could result in additional dilution and otherwise disrupt our operations and harm our operating results and financial condition;
- Our dependence on internet search companies to direct a significant portion of visitors to our suppliers' websites and our proprietary websites;
- The novel strain of the coronavirus and the disease it causes (COVID-19);
- The terms and restrictions of our existing and future indebtedness;
- Disruption to operations as a result of future acquisitions;
- Our failure to obtain, maintain, protect and enforce our intellectual property rights, proprietary systems, technology and brand;
- Our ability to develop new offerings and penetrate new vertical markets;
- Our ability to manage future growth effectively;
- Our reliance on data provided to us by our demand and supply partners and consumers;
- Natural disasters, public health crises, political crises, economic downturns, or other unexpected events;
- Significant estimates and assumptions in the preparation of our consolidated financial statements;
- Potential litigation and claims, including claims by regulatory agencies and intellectual property disputes;
- Our ability to collect our receivables from our partners;
- Developments with respect to LIBOR;
- Fluctuations in our financial results caused by seasonality;
- The development of the DTC insurance distribution sector and evolving nature of our relatively new business model;
- Disruptions to or failures of our technological infrastructure and platform;
- Failure to manage and maintain relationships with third-party service providers;
- Cybersecurity breaches or other attacks involving our systems or those of our partners or third-party service providers;
- Our ability to protect consumer information and other data and risks of reputational harm due to an actual or perceived failure by us to protect such information and other data;
- Risks related to being a public company;
- Risks related to internal control on financial reporting;
- Risks related to shares of our Class A common stock;
- Risks related to our intention to take advantage of certain exemptions as a "controlled company" under the rules of the NYSE, and the fact that the interests of our controlling stockholders (White Mountains, Insignia, and the Founders) may conflict with those of other investors;
- Risks related to our corporate structure; and
- The other risk factors described under Part I, Item 1A "Risk Factors" in the 2021 Annual Report on Form 10-K.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Quarterly Report on Form 10-Q. If one or more events related to these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may differ materially from what we anticipate. Many of the important factors that will determine these results are beyond our ability to control or predict. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and, except as otherwise required by law, we do not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Part I. Financial Information

Item 1. Financial Statements.

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

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	$ 55,288	$ 50,564
Accounts receivable, net of allowance for credit losses of $464 and $609, respectively	61,163	76,094
Prepaid expenses and other current assets	7,820	10,448
Total current assets	124,271	137,106
Intangible assets, net	11,884	12,567
Goodwill	18,402	18,402
Deferred tax asset	101,859	102,656
Other assets	18,805	19,073
Total assets	**$ 275,221**	**$ 289,804**
Liabilities and stockholders' equity (deficit)		
Current liabilities		
Accounts payable	$ 51,509	$ 61,770
Accrued expenses	10,012	13,716
Current portion of long-term debt	8,740	8,730
Total current liabilities	70,261	84,216
Long-term debt, net of current portion	175,878	178,069
Liabilities under tax receivables agreement, net of current portion	81,850	85,027
Other long-term liabilities	4,881	4,058
Total liabilities	$ 332,870	$ 351,370
Commitments and contingencies (Note 6)		
Stockholders' equity (deficit):		
Class A common stock, $0.01 par value - 1.0 billion shares authorized; 41.6 million and 41.0 million shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	416	410
Class B common stock, $0.01 par value - 100 million shares authorized; 19.6 million and 19.6 million shares issued and outstanding as of March 31, 2022 and December 31, 2021, respectively	196	196
Preferred stock, $0.01 par value - 50 million shares authorized; 0 shares issued and outstanding as of March 31, 2022 and December 31, 2021	—	—
Additional paid-in capital	433,157	419,533
Accumulated deficit	(431,552)	(424,476)
Total stockholders' equity (deficit) attributable to MediaAlpha, Inc.	$ 2,217	$ (4,337)
Non-controlling interests	(59,866)	(57,229)
Total stockholders' (deficit)	$ (57,649)	$ (61,566)
Total liabilities and stockholders' deficit	**$ 275,221**	**$ 289,804**

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	Three months ended March 31,	
	2022	2021
Revenue	$ 142,599	$ 173,588
Costs and operating expenses		
Cost of revenue	120,881	147,180
Sales and marketing	7,223	5,391
Product development	5,216	3,320
General and administrative	17,148	15,749
Total costs and operating expenses	150,468	171,640
(Loss) income from operations	(7,869)	1,948
Other (income), net	(523)	(150)
Interest expense	1,359	2,301
Total other expense, net	836	2,151
(Loss) before income taxes	(8,705)	(203)
Income tax expense (benefit)	1,143	(364)
Net (loss) income	$ (9,848)	$ 161
Net (loss) attributable to non-controlling interest	(2,772)	(124)
Net (loss) income attributable to MediaAlpha, Inc.	$ (7,076)	$ 285
Net (loss) income per share of Class A common stock		
-Basic	$ (0.17)	$ 0.01
-Diluted	$ (0.17)	$ 0.00
Weighted average shares of Class A common stock outstanding		
-Basic	40,847,941	33,136,632
-Diluted	40,847,941	62,163,390

The accompanying notes are an integral part of these unaudited consolidated financial statements.

MediaAlpha, Inc. and subsidiaries
Consolidated Statements of Stockholders' Equity (Deficit)
(Unaudited; in thousands, except share data)

	Class A common stock		Class B common stock		Additional Paid-In-Capital	Accumulated deficit	Non-Controlling Interest	Total Stockholders' (Deficit)
	Units	Amount	Units	Amount	Amount	Amount	Amount	Amount
Balance at December 31, 2021	40,969,952	$ 410	19,621,915	$ 196	$ 419,533	$ (424,476)	$ (57,229)	$ (61,566)
Establishment of liabilities under tax receivables agreement and related changes to deferred tax assets associated with increases in tax basis	—	—	—	—	19	—	—	19
Exchange of non-controlling interest for Class A common stock	60,197	—	(60,197)	—	(180)	—	180	—
Vesting of restricted stock units	593,810	6	—	—	(6)	—	—	—
Equity-based compensation	—	—	—	—	13,688	—	85	13,773
Forfeiture of equity awards	(23,294)	—	—	—	—	—	—	—
Shares withheld on tax withholding on vesting of restricted stock units	—	—	—	—	(820)	—	—	(820)
Distributions to non-controlling interests	—	—	—	—	—	—	(130)	(130)
Settlement of 2021 annual bonus as restricted stock units	—	—	—	—	880	—	—	880
Tax impact of changes in investment in partnership	—	—	—	—	43	—	—	43
Net (loss)	—	—	—	—	—	(7,076)	(2,772)	(9,848)
Balance at March 31, 2022	41,600,665	$ 416	19,561,718	$ 196	$ 433,157	$ (431,552)	$ (59,866)	$ (57,649)

	Class A common stock		Class B common stock		Additional Paid-In-Capital	Accumulated deficit	Non-Controlling Interest	Total Stockholders' (Deficit)
	Units	Amount	Units	Amount	Amount	Amount	Amount	Amount
Balance at December 31, 2020	33,371,056	$ 334	25,536,043	$ 255	$ 384,611	$ (418,973)	$ (71,345)	$ (105,118)
Establishment of liabilities under tax receivables agreement and related changes to deferred tax assets associated with increases in tax basis	—	—	—	—	6,190	—	—	6,190
Exchange of non-controlling interest for Class A common stock	4,457,796	45	(4,457,796)	(45)	(12,716)	—	12,716	—
Vesting of restricted stock units	444,030	4	—	—	(4)	—	—	—
Equity-based compensation	—	—	—	—	10,479	—	124	10,603
Forfeiture of equity awards	(58,608)	(1)	—	—	—	—	—	(1)
Shares withheld on tax withholding on vesting of restricted stock units	—	—	—	—	(1,276)	—	—	(1,276)
Net income (loss)	—	—	—	—	—	285	(124)	161
Balance at March 31, 2021	38,214,274	$ 382	21,078,247	$ 210	$ 387,284	$ (418,688)	$ (58,629)	$ (89,441)

The accompanying notes are an integral part of these unaudited consolidated financial statements.

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Cash flows from operating activities		
Net (loss) income	$ (9,848)	$ 161
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities:		
Non-cash equity-based compensation expense	13,773	10,602
Non-cash lease expense	177	116
Depreciation expense on property and equipment	98	82
Amortization of intangible assets	683	746
Amortization of deferred debt issuance costs	209	345
Credit losses	(88)	157
Deferred taxes	1,110	(358)
Tax receivable agreement liability adjustments	(630)	(156)
Changes in operating assets and liabilities:		
Accounts receivable	15,019	15,870
Prepaid expenses and other current assets	2,613	690
Other assets	47	125
Accounts payable	(10,261)	(33,675)
Accrued expenses	(4,813)	(4,061)
Net cash provided by (used in) operating activities	$ 8,089	$ (9,356)
Cash flows from investing activities		
Purchases of property and equipment	(40)	(69)
Net cash (used in) investing activities	$ (40)	$ (69)
Cash flows from financing activities		
Payments made for:		
Repayments on long-term debt	(2,375)	—
Distributions	(130)	—
Shares withheld for taxes on vesting of restricted stock units	(820)	(1,276)
Net cash (used in) financing activities	$ (3,325)	$ (1,276)
Net increase (decrease) in cash and cash equivalents	4,724	(10,701)
Cash and cash equivalents, beginning of period	50,564	23,554
Cash and cash equivalents, end of period	$ 55,288	$ 12,853
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 2,834	$ 754
Income taxes paid, net of refunds	$ (1,365)	$ 51
Non-cash Investing and Financing Activities:		
Adjustments to liabilities under the tax receivable agreement	$ (251)	$ (53,117)
Establishment of deferred tax assets in connection with the Reorganization Transactions	$ (270)	$ (59,307)
Right-of-use assets obtained in exchange of lease obligations	$ —	$ 2,712

The accompanying notes are an integral part of these unaudited consolidated financial statements.

MediaAlpha, Inc. and subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Summary of significant accounting policies

The Company's significant accounting policies are included in the 2021 Annual Report on Form 10-K and did not materially change during the three months ended March 31, 2022.

Basis of presentation

The accompanying unaudited consolidated financial statements and related disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, all adjustments, consisting of only those of a normal recurring nature, considered necessary for a fair statement of the financial position and interim results of the Company as of and for the periods presented have been included.

The December 31, 2021 balance sheet data was derived from audited consolidated financial statements; however, the accompanying interim notes to the consolidated financial statements do not include all of the annual disclosures required by GAAP. Results for interim periods are not necessarily indicative of those that may be expected for a full year. The financial information included herein should be read in conjunction with the Company's consolidated financial statements and related notes in its 2021 Annual Report on Form 10-K.

Revisions to previously issued consolidated financial statements

On December 31, 2021 the Company adopted ASU No. 2016-02, Leases (Topic 842) effective from January 1, 2021 using the optional transition approach by applying the new standard to all leases existing at the date of initial application and prior periods were not restated. In connection with the adoption, quarterly amounts presented in our prior Form 10-Q were revised. The impact of the adjustments was immaterial to the Company's consolidated financial statements.

Impact of COVID-19

The COVID-19 pandemic continues to impact the United States and many countries around the world as new strains of the virus are found. To date, the Company has not experienced material business disruptions or incurred impairment losses in the carrying values of its assets as result of the pandemic, and management is not aware of any specific related event or circumstance that would require the Company to revise the estimates reflected in these consolidated financial statements. The Company continues to monitor the potential impact of the COVID-19 pandemic on its business, results of operations and financial condition. The Company's Travel vertical has experienced a decline in revenue compared with pre-COVID-19 levels, and although management does not believe the situation will materially impact the Company's liquidity or capital position, management does not expect revenue from the travel vertical to recover fully in the foreseeable future. In addition, during the second half of 2021, supply chain disruptions and cost increases caused by the pandemic contributed to higher-than-expected property and casualty insurance claims costs, which has led many carriers to reduce their customer acquisition spending to preserve their profitability. These reductions continue to impact revenue from the Company's P&C vertical.

The extent to which the COVID-19 pandemic will further impact the Company's business, results of operations and financial condition will depend on future developments that is uncertain, including as a result of new information that may emerge concerning COVID-19, the actions taken to contain or treat it, and the duration and intensity of the related effects.

Accounts receivable

The Company estimates expected credit losses based on collection history and management's assessment of the current economic trends, business environment, customers' financial condition, accounts receivable aging and any customer disputes that may impact the level of future credit losses. Accounts receivable are net of allowances for credit losses of $0.5 million and $0.6 million as of March 31, 2022 and December 31, 2021, respectively.

Concentrations of credit risk and of significant customers and suppliers

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains cash balances that can, at times, exceed amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in these accounts, and believes it is not exposed to unusual credit risk beyond the normal credit risk in this area based on the financial strength of the institutions with which the Company maintains its deposits.

The Company's accounts receivable, which are unsecured, may expose it to credit risk based on their collectability. The Company controls credit risk by investigating the creditworthiness of all customers prior to establishing relationships with them, performing periodic reviews of the credit activities of those customers during the course of the business relationship, regularly analyzing the collectability of accounts receivable, and recording allowances for credit losses.

Customer concentrations consisted of one customer that accounted for approximately $19 million, or 13%, of revenue for the three months ended March 31, 2022, compared with three customers that collectively accounted for approximately $68 million, or 39%, of revenue for the three months ended March 31, 2021. There were no customers that accounted for more than 10% of the Company's accounts receivable as of March 31, 2022, compared with the Company's largest customer that accounted for approximately $7 million, or 10%, as of December 31, 2021.

The Company’s supplier concentration can expose the Company to business risks. For the three months ended March 31, 2022, the Company had one supplier that accounted for approximately $14 million, or 11%, of total purchases, compared with two suppliers that collectively accounted for approximately $32 million, or 21%, of total purchases for the three months ended March 31, 2021. The Company's largest supplier accounted for approximately $8 million, or 15%, of total accounts payable as of March 31, 2022, compared with the Company's two largest suppliers that collectively accounted for approximately $21 million, or 34%, as of December 31, 2021.

Related Party Transactions

The Company is party to the tax receivables agreement ("TRA") under which it has contractually committed to pay the holders of Class B-1 units 85% of the amount of any tax benefits that the Company actually realizes, or in some cases is deemed to realize, as a result of certain transactions. During the three months ended March 31, 2022, payments of $0.2 million were made pursuant to the TRA.

The Company paid $0.9 million during the three months ended March 31, 2022 to White Mountains related to settlement of state income tax refunds for periods prior to the Reorganization Transactions. The total amount reimbursable to White Mountains was $1.5 million as of March 31, 2022 and $2.3 million as of December 31, 2021.

New Accounting Pronouncements

Recently issued not yet adopted accounting pronouncements

In March 2020 and January 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-4, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting and ASU 2021-1, Reference Rate Reform (Topic 848): Scope, respectively. ASU 2020-4 and ASU 2021-1 provide optional expedients and exceptions for applying U.S. GAAP, to contracts, and other transactions that reference the London Interbank Offered Rate or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. The guidance in ASU 2020-4 and ASU 2021-1 was effective upon issuance and, once adopted, may be applied prospectively to contract modifications and hedging relationships through December 31, 2022. The Company is currently evaluating the impact of the adoption of ASU 2020-4 and ASU 2021-1 on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from contracts with customers*, The ASU requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with Accounting Standards Codification (“ASC”) 606, Revenue from Contracts with Customers, as if it had originated the contracts. Under the current business combinations guidance, such assets and liabilities were recognized by the acquirer at fair value on the acquisition date. The guidance in ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this ASU, but does not expect the adoption of this standard to have a significant impact on its consolidated financial statements.

2. Disaggregation of revenue

The following table shows the Company's revenue disaggregated by transaction model:

(in thousands)	Three months ended March 31, 2022	2021
Revenue		
Open marketplace transactions	$ 138,096	$ 169,348
Private marketplace transactions	4,503	4,240
Total	$ 142,599	$ 173,588

The following table shows the Company's revenue disaggregated by product vertical:

(in thousands)	Three months ended March 31, 2022	2021
Revenue		
Property & casualty insurance	$ 87,454	$ 125,541
Health insurance	42,109	35,896
Life insurance	7,067	7,953
Other [(1)]	5,969	4,198
Total	$ 142,599	$ 173,588

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

3. Goodwill and intangible assets

Goodwill and intangible assets consisted of:

(in thousands)	Useful life (months)	As of March 31, 2022 Gross carrying amount	March 31, 2022 Accumulated amortization	March 31, 2022 Net carrying amount	December 31, 2021 Gross carrying amount	December 31, 2021 Accumulated amortization	December 31, 2021 Net carrying amount
Customer relationships	120	$ 25,040	$ (13,362)	$ 11,678	$ 25,040	$ (12,730)	$ 12,310
Non-compete agreements	60	303	(277)	26	303	(268)	35
Domain names	60	1,224	(1,044)	180	1,224	(1,002)	222
Intangible assets		$ 26,567	$ (14,683)	$ 11,884	$ 26,567	$ (14,000)	$ 12,567
Goodwill	Indefinite	$ 18,402	$ —	$ 18,402	$ 18,402	$ —	$ 18,402

Amortization expense related to intangible assets amounted to $0.7 million for the three months ended March 31, 2022 and 2021. The Company has no accumulated impairment of goodwill.

The following table presents the changes in goodwill and intangible assets:

(in thousands)	As of March 31, 2022 Goodwill	March 31, 2022 Intangible assets	December 31, 2021 Goodwill	December 31, 2021 Intangible assets
Beginning balance	$ 18,402	$ 12,567	$ 18,402	$ 15,551
Amortization	—	(683)	—	(2,984)
Ending balance	$ 18,402	$ 11,884	$ 18,402	$ 12,567

As of March 31, 2022, future amortization expense relating to identifiable intangible assets with estimable useful lives over the next five years was as follows:

(in thousands)	Amortization expense
2022–Remaining Period	$ 2,048
2023	2,388
2024	2,211
2025	2,028
2026	1,880
Thereafter	1,329
	$ 11,884

4. Accrued expenses

Accrued expenses consisted of:

	As of	
(in thousands)	March 31, 2022	December 31, 2021
Accrued payroll and related expenses	$ 1,727	$ 5,030
Accrued operating expenses	1,634	1,103
Other accrued expenses	6,651	7,583
Total accrued expenses	$ 10,012	$ 13,716

5. Long-term debt

On July 29, 2021, the Company entered into an amendment (the "First Amendment") to the 2020 Credit Agreement dated as of September 23, 2020, with the lenders from time-to-time party thereto and JPMorgan Chase Bank, N.A., as administrative agent (as amended by the First Amendment, the “Amended Credit Agreement”). The Amended Credit Agreement provides for a new senior secured term loan facility in an aggregate principal amount of $190.0 million (the "2021 Term Loan Facility"), the proceeds of which were used to refinance all $186.4 million of the existing term loans outstanding and the unpaid interest thereof as of the date of the First Amendment, fees related to these transactions, and to provide cash for general corporate purposes, and a new senior secured revolving credit facility with commitments in an aggregate amount of $50.0 million (the "2021 Revolving Credit Facility" and, together with the 2021 Term Loan Facility, the "2021 Credit Facilities"), which replaced the existing revolving credit facility under the 2020 Credit Agreement.

Long-term debt consisted of the following:

	As of	
(in thousands)	March 31, 2022	December 31, 2021
2021 Term Loan	$ 187,625	$ 190,000
Debt issuance costs	(3,007)	(3,201)
Total debt	$ 184,618	$ 186,799
Less: current portion, net of debt issuance costs of $760 and $770, respectively	(8,740)	(8,730)
Total long-term debt	$ 175,878	$ 178,069

As of March 31, 2022 and December 31, 2021, the Company had no outstanding amounts drawn on the 2021 Revolving Credit Facility.

The expected future principal payments for all borrowings as of March 31, 2022 was as follows:

(in thousands)	Contractual maturity
2022–Remaining Period	$ 7,125
2023	9,500
2024	9,500
2025	9,500
2026	152,000
Debt and issuance costs	187,625
Unamortized debt issuance costs	(3,007)
Total debt	$ 184,618

The Company incurred interest expense of $1.4 million and $2.3 million for the three months ended March 31, 2022 and 2021, respectively. Interest expense included $0.2 million and $0.3 million of amortization of debt issuance costs for the three months ended March 31, 2022 and 2021, respectively. Accrued interest was immaterial as of March 31, 2022 and $1.7 million as of December 31, 2021, and is included within accrued expenses on the consolidated balance sheets.

The carrying amount of the current and long-term debt under the 2021 Term Loan Facilities approximates the fair values thereof as the borrowings have a variable interest rate structure with no prepayment penalties and are classified within the Level 2 hierarchy.

6. Commitments and contingencies

Litigation

The Company is subject to certain legal proceedings and claims that arise in the normal course of business. In the opinion of management, the Company does not believe that the amount of liability, if any, as a result of these proceedings and claims will have a materially adverse effect on the Company's consolidated financial position, results of operations, and cash flows.

As of March 31, 2022 and December 31, 2021, the Company did not have any contingency reserves established for any litigation liabilities.

7. Equity-based compensation

The Company's equity-based compensation plans are fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 9 to the Consolidated Financial Statements—Equity-based compensation plans" in the 2021 Annual Report on Form 10-K.

Equity-based compensation cost recognized for equity based awards outstanding during the three months ended March 31, 2022 and 2021 was as follows:

	Three months ended March 31,	
(in thousands)	2022	2021
QLH Class B units	—	$ —
QLH restricted Class B-1 units	85	124
Restricted Class A shares	348	267
Restricted stock units	13,340	10,211
Total equity-based compensation	$ 13,773	$ 10,602

Equity-based compensation cost was allocated to the following expense categories in the consolidated statements of operations during the three months ended March 31, 2022 and 2021:

	Three months ended March 31,	
(in thousands)	**2022**	**2021**
Cost of revenue	$ 398	$ 400
Sales and marketing	2,705	1,702
Product development	2,249	1,332
General and administrative	8,421	7,168
Total equity-based compensation	$ 13,773	$ 10,602

As of March 31, 2022, total unrecognized compensation cost related to unvested QLH restricted Class B-1 units, restricted Class A shares, and restricted stock units was $0.5 million, $1.6 million, and $117.5 million, respectively, which are expected to be recognized over weighted-average periods of 1.65 years, 1.62 years, and 2.56 years, respectively.

8. Stockholders' Equity (Deficit)

Share Repurchase Program

On March 14, 2022, the Board of Directors approved a Share Repurchase Program ("Repurchase Program") that authorized the Company to repurchase up to $5.0 million of the Company's Class A common stock from time to time in open market transactions at prevailing market prices or by other means in accordance with federal securities laws. The Company expects the repurchases to be made over the second and third quarters of 2022. The timing and amount of any share repurchases will be determined by the Company's management based on their ongoing evaluation of market conditions, the Company's capital needs, debt covenants and other factors. The share repurchases are considered spot repurchases with no obligation of the Company to repurchase a fixed number of shares and each will be accounted for as of the trade date with a corresponding liability. Any excess amount of the repurchase price over the par value of the shares of Class A common stock repurchased will be recorded as an adjustment to additional-paid-in capital. No shares of Class A common stock were repurchased during the three months ended March 31, 2022.

9. Income taxes

MediaAlpha, Inc. is taxed as a corporation and pays corporate federal, state and local taxes on income allocated to it from QLH based upon MediaAlpha, Inc.'s economic interest held in QLH. QLH is treated as a pass-through partnership for income tax reporting purposes and is not subject to federal income tax. Instead, QLH's taxable income or loss is passed through to its members, including MediaAlpha, Inc. Accordingly, the Company is not liable for income taxes on the portion of QLH's earnings not allocated to it. MediaAlpha, Inc. files and pays corporate income taxes for U.S. federal and state income tax purposes and its corporate subsidiary, Skytiger Studio, Ltd., is subject to taxation in Taiwan. The Company expects this structure to remain in existence for the foreseeable future.

The Company estimates the annual effective tax rate for the full year to be applied to actual year-to-date income (loss) and adds the tax effects of any discrete items in the reporting period in which they occur. The Company's effective income tax rate was (13.1)% and 179.3% for the three months ended March 31, 2022 and 2021, respectively.

The following table summarizes the Company's income tax expense (benefit):

	Three months ended March 31,	
(in thousands, except percentages)	**2022**	**2021**
(Loss) before income taxes	$ (8,705)	$ (203)
Income tax expense (benefit)	$ 1,143	$ (364)
Effective Tax Rate	(13.1)%	179.3 %

The Company's effective tax rate of (13.1)% for the three months ended March 31, 2022 differed from the U.S. federal statutory rate of 21%, due primarily to nondeductible equity-based compensation, losses associated with non-controlling interests not taxable to the Company, state taxes, and other nondeductible permanent items.

There were no material changes to the Company's unrecognized tax benefits during the three months ended March 31, 2022, and the Company does not expect to have any significant changes to unrecognized tax benefits through the end of the fiscal year.

During the three months ended March 31, 2022, holders of Class B-1 units exchanged a total of 60,197 Class B-1 units, together with an equal number of shares of Class B common stock, for shares of Class A common stock on a one-for-one basis (the "Exchanges"). In connection with the Exchanges, the Company recognized an additional deferred tax asset of $0.2 million during the three months ended March 31, 2022 associated with the basis difference in its investment in QLH. As of March 31, 2022, the total deferred tax asset related to the basis difference in the Company's investment in QLH was $80.1 million. The Company also recognized $0.1 million of deferred tax assets for the three months ended March 31, 2022 related to additional tax basis increases generated from expected future payments under the Tax Receivable Agreement ("TRA") and expected future deductions for imputed interest on such payments.

The Company evaluates the realizability of its deferred tax assets on a quarterly basis and establishes valuation allowances when it is more likely than not that all or a portion of a deferred tax asset may not be realized. As of March 31, 2022, there were no material changes to the Company's valuation allowance and the Company's assessment of the realizability of its deferred tax assets.

Tax Receivable Agreement

In connection with the Reorganization Transactions and the IPO, the Company entered into the TRA, with Insignia, Senior Executives, and White Mountains. The Company expects to obtain an increase in its share of the tax basis in the net assets of QLH as Class B-1 units are exchanged for shares of Class A common stock (or, at the Company's election, redeemed for cash of an equivalent value). The Company intends to treat any redemptions and exchanges of Class B-1 units as direct purchases for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that it would otherwise pay in the future to various tax authorities.

The Exchanges resulted in an increase in the tax basis of the Company's investment in QLH subject to the provisions of the TRA. The Company recognized an additional liability in the amount of $0.3 million for the TRA-related payments, representing 85% of the aggregate tax benefits it expects to realize from the increases in tax basis related to the redemption of Class B-1 units, after concluding it was probable that such TRA payments would be paid based on management's estimates of future taxable income.

During the three months ended March 31, 2022, the Company paid $0.2 million pursuant to the TRA. As of March 31, 2022, the total amount of payments expected to be paid under the TRA was $84.6 million, of which $2.8 million was included in accrued expenses on the Company's consolidated balance sheets.

10. Earnings (Loss) Per Share

	Three months ended March 31,	
(in thousands except share data and per share amount)	**2022**	**2021**
Basic		
Net (loss) income	$ (9,848)	$ 161
Less: net (loss) attributable to non-controlling interest	(2,772)	(124)
Net (loss) income available for basic common shares	$ (7,076)	$ 285
Weighted-average shares of Class A common stock outstanding - basic and diluted	40,847,941	33,136,632
(Loss) earnings per share of Class A common stock - basic	$ (0.17)	$ 0.01

(in thousands except share data and per share amount)	Three Months Ended March 31, 2021
Diluted	
Net income	$ 161
Add: incremental tax benefits related to exchange of Class B-units	115
Net income available for diluted common shares	$ 276
Weighted-average shares outstanding:	
Class A common stock	33,136,632
Class B-1 units	25,048,775
Restricted Class A shares	3,028,209
Restricted stock units	949,774
Weighted-average shares of Class A common stock and potential Class A common stock	62,163,390
Earnings per share of Class A common stock - diluted	$ 0.00

The Company's potentially dilutive securities were not included in the calculation of diluted loss per share for the three months ended March 31, 2022 as the effect would be anti-dilutive. The following table summarizes the shares and units with a potentially dilutive impact:

	As of March 31, 2022
QLH Class B-1 Units	19,597,671
Restricted Class A Shares	416,725
Restricted stock units	6,659,182
Potential dilutive shares	26,673,578

11.Non-Controlling Interest

In accordance with QLH's limited liability company agreement, the Company allocates the share of net income (loss) to the holders of non-controlling interests pro-rata to their holdings at a point in time. The non-controlling interests balance represents the Class B-1 units, substantially all of which are held by Insignia and the Senior Executives. During the three months ended March 31, 2022, holders of Class B-1 units exchanged 60,197 Class B-1 units, together with an equal number of shares of Class B common stock, for shares of Class A common stock on a one-for-one basis.

As of March 31, 2022, the holders of the non-controlling interests owned 31.8%, with the remaining 68.2% owned by MediaAlpha, Inc. As of December 31, 2021, the holders of the non-controlling interests owned 32.1%, with the remaining 67.9% owned by MediaAlpha, Inc.

12. Subsequent events

On February 24, 2022, the Company entered into the Asset Purchase Agreement (as amended, the "Agreement") to acquire substantially all of the assets of Customer Helper Team, LLC ("CHT"), a provider of customer generation and acquisition services for Medicare insurance, automobile insurance, health insurance, life insurance, debt settlement, and credit repair companies. The Company closed the transaction on April 1, 2022. The purchase price for the acquisition was $50 million in cash at closing, adjusted for any working capital adjustments as set forth in the Agreement, plus up to an additional $20 million of contingent cash consideration based on CHT's achievement of revenue and profitability targets over the next two years. The Company funded the transaction in part by drawing $25 million under the 2021 Revolving Credit Facility and the balance from cash on hand as of the closing. The transaction will be accounted for using the acquisition method of accounting in accordance with ASC Topic 805, Business Combinations. Given the close proximity between the transaction closing date and the filing of these consolidated financial statements, the preliminary purchase price allocation is not yet complete. Management expects to complete the initial accounting, including the purchase price allocation, during the second quarter of 2022.

Item 2. Management's discussion and analysis of financial condition and results of operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited consolidated financial statements and related notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Cautionary Statement Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q. You should review the disclosure under the heading "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements.

Management overview

Our mission is to help insurance carriers and distributors target and acquire customers more efficiently and at greater scale through technology and data science. Our technology platform brings together leading insurance carriers and high-intent consumers through a real-time, transparent, and results-driven ecosystem. We believe we are the largest online customer acquisition channel in our core verticals of property & casualty ("P&C") insurance, health insurance, and life insurance, supporting $926 million in Transaction Value across our platform over the the twelve-month period ended March 31, 2022.

We have multi-faceted relationships with top-tier insurance carriers and distributors. A buyer or a demand partner within our ecosystem is generally an insurance carrier or distributor seeking to reach high-intent insurance consumers. A seller or a supply partner is typically an insurance carrier looking to maximize the value of non-converting or low LTV consumers, or an insurance-focused research destination or other financial website looking to monetize high-intent users on their websites. For the twelve-month period ended March 31, 2022, the websites of our diversified group of supply partners and our proprietary websites drove an average of 8.2 million Consumer Referrals on our platform each month.

We generate revenue by earning a fee for each Consumer Referral sold on our platform. A transaction becomes payable upon a qualifying consumer action, such as a click, call or lead, and is not contingent on the sale of a product to the consumer.

We believe in the disruptive power of transparency. Traditionally, insurance customer acquisition platforms operated in a black box. We recognized that a consumer may be valued differently by one insurer versus another; therefore, insurers should be able to determine pricing granularly based on the value that a particular customer segment is expected to bring to their business. As a result, we developed a technology platform that powers an ecosystem where buyers and sellers can transact with full transparency, control, and confidence, aligning the interests of the parties participating on our platform.

We believe our technology is a key differentiator and a powerful driver of our performance. We maintain deep, custom integrations with partners representing the majority of our Transaction Value, which enable automated, data-driven processes that optimize our partners' customer acquisition spend and revenue. Through our platform, our insurance carrier partners can target and price across over 35 separate consumer attributes to manage customized acquisition strategies.

Key factors affecting our business

Revenue

We believe that our future performance will depend on many factors, including those described below and in Part I, Item 1A "Risk Factors" in the 2021 Annual Report on Form 10-K.

Secular trends in the insurance industry

Our technology platform was created to serve and grow with our core insurance end markets. We believe secular trends in the insurance industry are critical drivers of our revenue and will continue to provide strong tailwinds for our business. More insurance consumers are shopping online and direct-to-consumer marketing, which fuels our revenue, is the fastest growing insurance distribution channel. In addition, insurance customer acquisition spending is growing over time. As mass-market customer acquisition spend is becoming more costly, insurance carriers and distributors are increasingly focusing on optimizing customer acquisition spend, which is at the core of the service we deliver on our platform. As long as these secular trends persist, we expect digital insurance customer acquisition spending to continue to grow over time, and we believe we are well-positioned to benefit from this growth.

Transaction Value

Transaction Value from Open Marketplace transactions is a direct driver of our revenue, while Transaction Value from Private Marketplace transactions is an indirect driver of our revenue (see “Key business and operating metrics” below). Transaction Value on our platform declined to $239.0 million for the three months ended March 31, 2022, from $262.5 million for the three months ended March 31, 2021 due primarily to a decrease in customer acquisition spending by P&C insurance carriers in response to reductions in underwriting profitability. We have developed multi-faceted, deeply integrated partnerships with insurance carriers and distributors, who are often both buyers and sellers on our platform. We believe the versatility and breadth of our offerings, coupled with our focus on high-quality products, provide significant value to insurance carriers and distributors, resulting in strong retention rates. As a result, many insurance carriers and distributors use our platform as their central hub for broadly managing digital customer acquisition and monetization. For the three months ended March 31, 2022, 99.0% of total insurance Transaction Value executed on our platform came from demand partner relationships from 2021.

Our demand and supply partners

We retain and attract demand partners by finding high-quality sources of Consumer Referrals to make available to our demand partners. We seek to develop, acquire and retain relationships with high-quality supply partners by developing flexible platforms to enable our supply partners to maximize their revenue, manage their demand side relationships in scalable and flexible ways and focus on long-term sustainable economics with respect to revenue share. Our relationships with our partners are deep and longstanding and involve most of the top-tier insurance carriers in the industry. In terms of buyers, during the three months ended March 31, 2022, 15 of the top 20 largest auto insurance carriers by customer acquisition spend were on our platform.

Consumer Referrals

Our results depend in large part on the number of Consumer Referrals purchased on our platform. The aggregate number of consumer clicks, calls and leads purchased by insurance buyers on our platform grew to 24.6 million for the three months ended March 31, 2022, from 24.5 million for the three months ended March 31, 2021. We seek to increase the number and scale of our supply relationships and drive consumers to our proprietary properties through a variety of paid traffic acquisition sources. We are investing in diversifying our paid media sources to extend beyond search engine marketing, which historically represented the bulk of our paid media spend, into other online media sources, including native, social, and display advertising.

Seasonality

Our results are subject to fluctuations as a result of seasonality. In particular, our property & casualty insurance vertical is typically characterized by seasonal strength in our quarters ending March 31 due to a greater supply of Consumer Referrals and higher customer acquisition budgets typically during the start of the year, and to seasonal weakness in our quarters ending December 31 due to a lower supply of Consumer Referrals available on a cost-effective basis and lower customer acquisition budgets from some buyers during those quarters. Our health insurance vertical is typically characterized by seasonal strength in our quarters ending December 31 due to open enrollment periods for health insurance and annual enrollment for Medicare during those quarters, with a material increase in consumer search volume for health products and a related increase in buyer customer acquisition budgets.

Other factors affecting our partners’ businesses include macro factors such as credit availability in the market, the strength of the economy and employment levels.

Cyclicality

Our results are also subject to fluctuations as a result of business cycles experienced by companies in the insurance industry. These cycles in the auto insurance industry are characterized by periods of “soft” market conditions, when carriers are profitable and are focused on increasing capacity and building market share, and “hard” market conditions, when carriers tend to raise prices and prioritize profitability over growth. As our demand partners in these industries go through these market cycles, they often increase their customer acquisition spending during soft markets and reduce it during hard markets, causing their relative demand for Consumer Referrals from our platform to increase and decrease accordingly. We believe that the auto insurance industry is currently in a "hard” market due to higher than expected underwriting losses, and that many P&C insurance carriers are reducing their customer acquisition spending until they can increase their premium rates, the timing of which is difficult to predict.

Regulations

Our revenue and earnings may fluctuate from time to time as a result of federal, state, international and industry-based laws, directives and regulations and developing standards with respect to the enforcement of those regulations. Our business is affected directly because we operate websites, conduct telemarketing and email marketing and collect, process, store, share, disclose, transfer and use consumer information and other data. Our business is affected indirectly as our clients adjust their operations as a result of regulatory changes and enforcement activity within their industries. For example, the California Consumer Privacy Act ("CCPA"), became effective on January 1, 2020, and number of other states, including Colorado and Virginia, have enacted or are considering similar laws, all of which may affect our business. While it is unclear how this new legislation may be modified or how certain provisions will be interpreted, the effects of this legislation are potentially significant, and may require us to modify our data processing practices and policies and incur substantial compliance-related costs and expenses. For a description of laws and regulations to which we are generally subject, see Item 1 “Business” and Item 1A “Risk Factors.” in our 2021 Annual Report on Form 10-K.

In addition, we are impacted by the regulation of the insurance carriers with whom we do business. In most/all states, insurance carriers are required to obtain approval of their premium rates from the regulatory authority in such state. The timing of such approval process, as well as the willingness of insurance regulators to approve rate increases, can impact the profitability of new policies and the level of customer acquisition spending by carriers in a given period, which in turn can cause fluctuations in our revenue and earnings.

COVID-19

While the COVID-19 pandemic has changed the physical working environment of the substantial majority of our workforce to working from home, it has otherwise caused only minor disruptions to our business operations with a limited impact on our operating results thus far. Our Travel vertical is largely driven by consumer spending on airfare, hotels, rentals and other travel products. As a result of COVID-19, we have experienced a dramatic decline in revenue from the Travel vertical and expect this trend to continue for the foreseeable future. For the three months ended March 31, 2022, 2021, and 2020, revenue from the Travel vertical comprised approximately 2.7%, 1.3%, and 7.5%, respectively, of our total revenue. While we have sought to maintain our commercial relationships in the Travel vertical and remain positioned to capitalize on transactions in the Travel vertical when travel activity resumes, we do not expect that revenue from the Travel vertical will match our historical results or have any material impact on our overall revenue or profitability for the foreseeable future. In addition, during the second half of 2021, supply chain disruptions and cost increases caused by the pandemic contributed to higher-than-expected property and casualty insurance claims costs, which has led many carriers to reduce their customer acquisition spending to preserve their profitability. These reductions continue to impact revenue from our P&C vertical, and the duration and extent of this impact are difficult to estimate beyond the second quarter of 2022.

Recent developments

On February 24, 2022, we agreed to acquire substantially all of the assets of Customer Helper Team, LLC ("CHT"), a provider of customer generation and acquisition services for Medicare insurance, automobile insurance, health insurance, life insurance, debt settlement, and credit repair companies on the terms and subject to the conditions set forth in the Asset Purchase Agreement (as amended, the “Agreement”). We closed the transaction on April 1, 2022. We believe the acquisition is a good strategic fit with our long-term objectives and will increase our ability to generate Consumer Referrals on various social media and short form video platforms. The purchase price for the acquisition was $50 million in cash at closing, adjusted for any working capital adjustments as set forth in the Agreement, plus up to an additional $20 million of contingent cash consideration based on CHT’s achievement of revenue and profitability targets over the next two years. We funded the transaction in part by drawing $25 million under the 2021 Revolving Credit Facility and the balance from cash on hand as of the closing.

Key components of our results of operations

Revenue

We operate primarily in the P&C insurance, health insurance and life insurance verticals and generate revenue through the purchase and sale of Consumer Referrals.

The price and amount of Consumer Referrals purchased and sold on our platform vary based on a number of market conditions and consumer attributes, including (i) geographic location of consumers, (ii) demographic attributes of consumers, (iii) the source of Consumer Referrals and quality of conversion by source, (iv) buyer bids and (v) buyer demand and budget.

In our Open Marketplace transactions, we have control over the Consumer Referrals that are sold to our demand partners. In these arrangements, we have separate agreements with demand partners and suppliers. Suppliers are not a party to the contractual arrangements with our demand partners, nor are the suppliers the beneficiaries of our demand partner agreements. We earn fees from our demand partners and separately pay (i) a revenue share to suppliers and (ii) a fee to internet search companies to drive consumers to our proprietary websites. We are the principal in the Open Marketplace transactions. As a result, the fees paid by demand partners are recognized as revenue and the fees paid to suppliers are included in cost of revenue.

With respect to our Private Marketplace transactions, buyers and suppliers contract with one another directly and leverage our platform to facilitate transparent, real-time transactions utilizing the reporting and analytical tools available to them from use of our platform. We charge a platform fee on the Consumer Referrals transacted. We act as an agent in the Private Marketplace transactions and recognize revenue for the platform fee received. There are no separate payments made by us to suppliers in our Private Marketplace.

Costs and operating expenses

Costs and operating expenses consist primarily of cost of revenue, sales and marketing expenses, product expenses and general and administrative expenses.

Cost of revenue

Our cost of revenue is comprised primarily of revenue share payments to suppliers and traffic acquisition costs paid to top tier search engines, as well as telephony infrastructure costs, internet and hosting costs, and merchant fees, and include salaries, wages and benefits, including non-cash equity-based compensation, and other expenses.

Sales and marketing

Sales and marketing expenses consist primarily of an allocation of personnel expenses for employees engaged in demand side and supply side business development, marketing and media acquisition activities, and include salaries, wages and benefits, including non-cash equity-based compensation. Sales and marketing expenses also include costs related to attracting partners to our platform, including marketing and promotions, tradeshows and related travel and entertainment expenses. Sales and marketing expenses also include an allocated portion of rent and facilities expenses and depreciation and amortization expense.

Product development

Product development expenses consist primarily of an allocation of personnel expenses for employees engaged in technology, engineering and product development and include salaries, wages and benefits, including non-cash equity-based compensation. Product development expenses also include an allocated portion of rent and facilities expenses and depreciation and amortization expense.

General and administrative

General and administrative expenses consist primarily of an allocation of personnel expenses for executive, finance, legal, human resources, and business analytics employees, and include salaries, wages and benefits, including non-cash equity-based compensation. General and administrative expenses also include professional services and an allocated portion of rent and facilities expenses and depreciation expense.

Interest expense

Interest expense consists primarily of interest expense associated with outstanding borrowings under our loan and security agreements and the amortization of deferred financing costs associated with these arrangements.

Provision for income taxes

MediaAlpha, Inc. is taxed as a corporation and pays corporate federal, state and local taxes on income allocated to it from QLH based upon MediaAlpha, Inc.’s economic interest held in QLH. QLH is treated as a pass-through partnership for income tax reporting purposes and is not subject to federal income tax. Instead, QLH’s taxable income or loss is passed through to its members, including MediaAlpha, Inc. As our ownership interest in QLH increases, our share of the taxable income (loss) of QLH also increases. As of March 31, 2022, our ownership interest in QLH was 68.2%.

Net income (loss) attributable to Non-controlling interest

Net income (loss) is attributed to non-controlling interests in accordance with QLH's limited liability company agreement. We allocate the share of net income (loss) incurred subsequent to the Reorganization Transactions to the non-controlling interest holders pro-rata to their holdings. The non-controlling interests balance represents the Class B-1 units, substantially all of which are held by Insignia and the Senior Executives.

Operating results for the three months ended March 31, 2022 and 2021

The following table sets forth our operating results in absolute dollars and as a percentage of revenue for the three months ended March 31, 2022 and 2021:

	Three months ended March 31,			
(in thousands)	**2022**		**2021**	
Revenue	$ 142,599	100.0 %	$ 173,588	100.0 %
Costs and operating expenses				
Cost of revenue	120,881	84.8 %	147,180	84.8 %
Sales and marketing	7,223	5.1 %	5,391	3.1 %
Product development	5,216	3.7 %	3,320	1.9 %
General and administrative	17,148	12.0 %	15,749	9.1 %
Total costs and operating expenses	150,468	105.5 %	171,640	98.9 %
(Loss) income from operations	(7,869)	(5.5)%	1,948	1.1 %
Other (income), net	(523)	(0.4)%	(150)	(0.1)%
Interest expense	1,359	1.0 %	2,301	1.3 %
Total other expense, net	836	0.6 %	2,151	1.2 %
(Loss) before income taxes	(8,705)	(6.1)%	(203)	(0.1)%
Income tax expense (benefit)	1,143	0.8 %	(364)	(0.2)%
Net (loss) income	$ (9,848)	(6.9)%	$ 161	0.1 %
Net (loss) attributable to non-controlling interest	(2,772)	(1.9)%	(124)	(0.1)%
Net (loss) income attributable to MediaAlpha, Inc.	$ (7,076)	(5.0)%	$ 285	0.2 %
Net (loss) income per share of Class A common stock				
-Basic	$ (0.17)		$ 0.01	
-Diluted	$ (0.17)		$ 0.00	
Weighted average shares of Class A common stock outstanding				
-Basic	40,847,941		33,136,632	
-Diluted	40,847,941		62,163,390	

Revenue

The following table presents our revenue, disaggregated by vertical, for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Property & Casualty insurance	$ 87,454	$ (38,087)	(30.3)%	$ 125,541
Percentage of total revenue	61.3 %			72.3 %
Health insurance	42,109	6,213	17.3 %	$ 35,896
Percentage of total revenue	29.5 %			20.7 %
Life insurance	7,067	(886)	(11.1)%	$ 7,953
Percentage of total revenue	5.0 %			4.6 %
Other	5,969	1,771	42.2 %	$ 4,198
Percentage of total revenue	4.2 %			2.4 %
Revenue	$ 142,599	(30,989)	(17.9)%	$ 173,588

The decrease in P&C insurance revenue for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was due to a decrease in customer acquisition spending by certain insurance carriers to address profitability concerns caused by higher-than-expected automobile repair and replacement costs and overall inflationary pressures and certain carriers and supply partners shifting their transactions with each other from our Open Marketplace to our Private Marketplace due to lower platform fees for our Private Marketplace, which transact on a net revenue basis . The auto insurance industry began to experience a cyclical downturn in the second half of 2021, with many P&C carriers experiencing lower than expected underwriting profitability, leading them to reduce marketing budget allocations to our channel. We are currently unable to predict the duration of this cyclical downturn or its impact on our revenue from the P&C insurance vertical, or our profitability, beyond the second quarter of 2022.

The increase in health insurance revenue for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was driven by increased customer acquisition spending in our marketplaces by health insurance carriers and brokers, as well as by an increased supply of customer referrals to our marketplaces by our supply partners and our proprietary websites due to the increased demand. Additionally, the Open and Annual Enrollment periods for fiscal 2021, which typically end by December 15th, were extended until January 15, 2022, resulting in increased revenue from our health insurance vertical during the current quarter.

The decrease in life insurance revenue for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was driven by a decrease in customer shopping for life insurance as concerns related to COVID-19 eased.

The increase in other revenue for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was driven primarily by an increase in travel comparison shopping, due to the easing of concerns related to COVID-19, as well as higher activity levels from our consumer finance supply and demand partners due to the continued strength in the mortgage and refinance market.

Cost of revenue

The following table presents our cost of revenue for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Cost of revenue	$ 120,881	$ (26,299)	(17.9)%	$ 147,180
Percentage of revenue	84.8 %			84.8 %

The decrease in cost of revenue for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was driven by the overall decrease in revenue.

Sales and marketing

The following table presents our sales and marketing expenses for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Sales and marketing	$ 7,223	$ 1,832	34.0 %	$ 5,391
Percentage of revenue	5.1 %			3.1 %

The increase in sales and marketing expenses for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was due primarily to higher equity-based compensation expense of $1.0 million and an increase in personnel-related costs of $0.8 million resulting from planned headcount additions.

Product development

The following table presents our product development expenses for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Product development	$ 5,216	$ 1,896	57.1 %	$ 3,320
Percentage of revenue	3.7 %			1.9 %

The increase in product development expenses for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was due primarily to higher equity-based compensation expense of $0.9 million and an increase in personnel-related costs of $0.8 million resulting from planned headcount additions to continue to enhance our technology.

General and administrative

The following table presents our general and administrative expenses for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
General and administrative	$ 17,148	$ 1,399	8.9 %	$ 15,749
Percentage of revenue	12.0 %			9.1 %

The increase in general and administrative expenses for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was due primarily to higher equity-based compensation expense of $1.3 million and an increase in personnel-related costs of $0.7 million resulting from planned headcount additions, offset in part by lower legal and professional fees.

Equity-based compensation

The following table presents our equity-based compensation expense that was included in costs and operating expenses for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Cost of revenue	$ 398	$ (2)	(0.5)%	$ 400
Sales and marketing	2,705	1,003	58.9 %	1,702
Product development	2,249	917	68.8 %	1,332
General and administrative	8,421	1,253	17.5 %	7,168
Total	$ 13,773	$ 3,171	29.9 %	$ 10,602

The increase in equity-based compensation expense for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was driven primarily by expenses related to additional restricted stock units granted during 2021.

Amortization

The following table presents our amortization of intangible asset expense that was included in costs and operating expenses for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Sales and Marketing	$ 683	$ (63)	(8.4)%	$ 746

The decrease in amortization expense for the three months ended March 31, 2022 compared with the three months ended March 31, 2021 was not material.

Other (income), net

The following table presents our other income for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Other (income), net	$ (523)	$ (373)	248.7 %	$ (150)
Percentage of revenue	(0.4)%			(0.1)%

The increase in other income for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was driven primarily by estimated future state tax benefits adjustments related to the tax receivables agreement ("TRA").

Interest expense

The following table presents our interest expense for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Interest expense	$ 1,359	$ (942)	(40.9)%	$ 2,301
Percentage of revenue	1.0 %			1.3 %

The decrease in interest expense for the three months ended March 31, 2022, compared with the three months ended March 31, 2021, was driven by a lower interest rate on the 2021 Credit Facility resulting from the refinancing of our 2020 Credit Facilities on July 29, 2021.

Income tax expense (benefit)

The following table presents our income tax expense for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended March 31, 2022	$	%	Three Months Ended March 31, 2021
Income tax expense (benefit)	$ 1,143	$ 1,507	(414.0)%	$ (364)
Percentage of revenue	0.8 %			(0.2)%

For the three months ended March 31, 2022, we recorded an income tax expense of $1.1 million resulting from our effective tax rate of (13.1)%, which differed from the U.S. federal statutory rate of 21%, due primarily to nondeductible equity-based compensation, losses associated with non-controlling interests not taxable to us, state taxes, and other nondeductible permanent items. For the three months ended March 31, 2021, we recorded an income tax benefit of $0.4 million resulting from our effective tax rate of 179.3% which differed from the U.S. federal statutory rate of 21%, primarily due to nondeductible equity-based compensation, state taxes, income not taxable to us associated with the non-controlling interest, nondeductible transaction costs associated with the secondary offering and the impact of tax benefits associated with equity-based awards.

Key business and operating metrics

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.

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 (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three months ended March 31, 2022 and 2021.

	Three months ended March 31,	
(in thousands)	**2022**	**2021**
Net (loss) income	$ (9,848)	$ 161
Equity-based compensation expense	13,773	10,602
Interest expense	1,359	2,301
Income tax expense (benefit)	1,143	(364)
Depreciation expense on property and equipment	98	82
Amortization of intangible assets	683	746
Transaction expenses[1]	380	2,665
Employee-related costs[2]	—	250
SOX implementation costs[3]	110	152
Changes in TRA related liability[4]	(630)	(156)
Settlement of federal and state income tax refunds[5]	74	—
Adjusted EBITDA	$ 7,142	$ 16,439

(1) Transaction expenses consist of $0.4 million of expenses incurred by us for the three months ended March 31, 2022 in connection with the acquisition of CHT. For the three months ended March 31, 2021 transaction expenses consist of $2.7 million for legal, accounting, and other consulting fees in connection with the Secondary Offering.

(2) Employee-related costs include $0.3 million of expenses incurred by us for the three months ended March 31, 2021 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 and $0.2 million of expenses incurred by us for the three months ended March 31, 2022 and 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) Changes in TRA related liability consist of $0.6 million and $0.2 million of income for the three months ended March 31, 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.

(5) Settlement of federal and state tax refunds consist of $0.1 million of expense incurred by us for the three months ended March 31, 2022 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).

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 months ended March 31, 2022 and 2021:

	Three months ended March 31,	
(in thousands)	**2022**	**2021**
Revenue	$ 142,599	$ 173,588
Less cost of revenue	(120,881)	(147,180)
Gross profit	21,718	26,408
Adjusted to exclude the following (as related to cost of revenue):		
Equity-based compensation	398	400
Salaries, wages, and related	656	464
Internet and hosting	104	102
Other expenses	127	107
Depreciation	6	7
Other services	530	291
Merchant-related fees	15	90
Contribution	23,554	27,869
Gross margin	15.2 %	15.2 %
Contribution Margin	16.5 %	16.1 %

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 months ended March 31, 2022 and 2021:

	Three months ended March 31,	
(dollars in thousands)	**2022**	**2021**
Open Marketplace transactions	$ 138,096	$ 169,348
Percentage of total Transaction Value	57.8 %	64.5 %
Private Marketplace transactions	100,916	93,114
Percentage of total Transaction Value	42.2 %	35.5 %
Total Transaction Value	$ 239,012	$ 262,462

The following table presents Transaction Value by vertical for the three months ended March 31, 2022 and 2021:

	Three months ended March 31,	
(dollars in thousands)	**2022**	**2021**
Property & Casualty insurance	$ 148,083	$ 183,426
Percentage of total Transaction Value	62.0 %	69.9 %
Health insurance	60,255	50,342
Percentage of total Transaction Value	25.2 %	19.2 %
Life insurance	12,392	14,442
Percentage of total Transaction Value	5.2 %	5.5 %
Other [(1)]	18,282	14,252
Percentage of total Transaction Value	7.6 %	5.4 %
Total Transaction Value	$ 239,012	$ 262,462

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

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 months ended March 31, 2022, Transaction Value generated from clicks, calls and leads was 77.7%, 11.7% and 10.6%, respectively. For the three months ended March 31, 2021, Transaction Value generated from clicks, calls and leads was 82.6%, 7.2% and 10.2%, respectively.

Segment information

We operate in the United States and in a single operating segment. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. Our chief operating decision maker is our chief executive officer, who reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. No expense or operating income is evaluated at a segment level. Since we operate in one operating segment and reportable segment, all required financial segment information can be found in the consolidated financial statements.

Liquidity and capital resources

Overview

Our principal sources of liquidity are our cash flows generated from operations. Our principal uses of cash include to fund operations, interest payments and mandatory principal payments on our long-term debt. As of March 31, 2022 and December 31, 2021, our cash and cash equivalents totaled $55.3 million and $50.6 million, respectively.

We believe that our current sources of liquidity, which include cash flow generated from operations, cash and funds available under the 2021 Credit Facilities, will be sufficient to meet our projected operating and debt service requirements for at least the next 12 months. To the extent that our current liquidity is insufficient to fund future activities, we may need to raise additional funds. Our business is seasonal and cyclical in nature and these trends, if continued for a long period of time, could impact the cash flows generated from operations requiring us to draw on our available borrowing capacity under the 2021 Revolving Credit Facility or raise additional funds in the short term. During the second half of 2021, the auto insurance industry began to experience a cyclical downturn and supply chain disruptions and cost increases caused by the pandemic contributed to higher-than-expected property and casualty insurance claims costs, which led many carriers to reduce their customer acquisition spending to preserve their profitability. These reductions continue to impact revenue from our P&C vertical and we are currently unable to estimate the impact beyond the second quarter of 2022. We have typically not used funds available under our credit facilities to fund our operations and payments under the credit facilities.

On February 24, 2022, we entered into an agreement to acquire substantially all of the assets of Customer Helper Team, LLC ("CHT") for a purchase price of $50.0 million in cash at closing, adjusted for any working capital adjustments, plus up to an additional $20.0 million of contingent cash consideration based on CHT’s achievement of revenue and profitability targets over the next two years. We closed the transaction on April 1, 2022. We funded the transaction in part by drawing $25.0 million under the 2021 Revolving Credit Facility and the balance from cash on hand as of the closing.

On March 14, 2022, our Board of Directors approved the repurchase of shares of our Class A common stock having an aggregate value of up to $5.0 million from time to time in open market transactions at prevailing market prices or by other means in accordance with federal securities laws. We expect the repurchases to be made over the second and third quarters of 2022. The timing and amount of any share repurchases will be determined by our management team based on their ongoing evaluation of market conditions, our capital needs, debt covenants and other factors. The repurchases will be financed from our cash balances.

We may engage in additional merger and acquisition or other activities that could require us to draw on our existing credit facilities or may need to raise additional funds. In the future, we may attempt to raise additional capital through the sale of equity securities or through debt financing arrangements. If we raise additional funds by issuing equity securities, the ownership of our existing stockholders will be diluted. The incurrence of additional debt financing would result in debt service obligations, and any future instruments governing such debt could provide for operating and financing covenants that could restrict our operations. Our material cash requirements include our long-term debt, operating lease obligations, and liabilities under the TRA.

Cash Flows

The following table presents a summary of our cash flows for the three months ended March 31, 2022 and 2021, and the dollar and percentage changes between the periods:

(dollars in thousands)	Three months ended March 31, 2022	$	%	Three months ended March 31, 2021
Net cash provided by (used in) operating activities	$ 8,089	$ 17,445	(186.5)%	$ (9,356)
Net cash used in investing activities	(40)	29	(42.0)%	(69)
Net cash used in financing activities	(3,325)	(2,049)	160.6 %	(1,276)

Operating activities

Cash flows provided by operating activities were $8.1 million for the three months ended March 31, 2022, compared with cash flows used in operating activities of $9.4 million for the three months ended March 31, 2021. The increase resulted from lower working capital usage due primarily to the timing of our payables and higher working capital usage in the 2020 and 2021 driven primarily by growth in our business and expenses incurred in connection with the IPO and Reorganization Transactions and Secondary Offering, offset in part by the higher net loss in the current period.

Investing activities

Cash flows used in investing activities were immaterial for the three months ended March 31, 2022 and 2021.

Financing activities

Cash flows used in financing activities were $3.3 million for the three months ended March 31, 2022, compared with $1.3 million for the three months ended March 31, 2021. The increase in net cash used was due to the principal payment on the 2021 Term Loan Facility.

Senior secured credit facilities

2021 Credit Facilities

On July 29, 2021, we entered into an amendment (the “First Amendment”) to the 2020 Credit Agreement (as amended by the First Amendment, the "Amended Credit Agreement"). The Amended Credit Agreement provides for a new senior secured term loan facility in an aggregate principal amount of $190.0 million (the “2021 Term Loan Facility”), the proceeds of which were used to refinance all of the $186.4 million of the existing 2020 Term Loan Facility outstanding and the unpaid interest thereof as of the date of the First Amendment, to pay fees related to these transactions, and to provide cash for general corporate purposes, and a new senior secured revolving credit facility with commitments in an aggregate amount of $50.0 million (the “2021 Revolving Credit Facility” and, together with the 2021 Term Loan Facility, the "2021 Credit Facilities"), which replaced the 2020 Revolving Credit Facility. Our obligations under the 2021 Credit Facilities are guaranteed by QLH and secured by substantially all assets of QLH and QuoteLab, LLC.

Borrowings under the 2021 Credit Facilities bear interest at a rate equal to, at our option, the London Interbank Offered Rate plus an applicable margin, with a floor of 0.00%, or base rate plus an applicable margin. The applicable margins will be based on our consolidated total net leverage ratio as calculated under the terms of the Amended Credit Agreement (the “Leverage Ratio”) for the prior fiscal quarter and range from 2.00% to 2.75% with respect to the London interbank offered rate and from 1.00% to 1.75% with respect to the base rate.

Loans under the 2021 Credit Facilities will mature on July 29, 2026. Loans under the 2021 Term Loan Facility will amortize quarterly, beginning with the first business day after December 31, 2021 and ending with June 30, 2026, by an amount equal to 1.25% of the aggregate outstanding principal amount of the term loans initially made.

As of March 31, 2022, we had $184.6 million of outstanding borrowings, net of deferred debt issuance costs of $3.0 million, under the 2021 Credit Facilities. On April 1, 2022, we borrowed $25.0 million under the 2021 Revolving Credit Facility to pay a portion of the purchase price for our acquisition of CHT.

Tax receivables agreement

Our purchases (through Intermediate Holdco) of Class B-1 units from certain unitholders in connection with the IPO, as well as exchanges of Class B-1 units subsequent to the IPO (together with an equal number of shares of our Class B common stock) for shares of our Class A common stock (or, at our election, cash of an equivalent value) ("Exchange"), and the Pre-IPO Leveraged Distribution and other actual or deemed distributions by QLH to its members pursuant to the Exchange Agreement, have resulted and are expected to continue to result in increases in our allocable tax basis in the assets of QLH. These increases in tax basis are expected to increase (for tax purposes) depreciation and amortization deductions allocable to us and, therefore, reduce the amount of tax that we otherwise would be required to pay in the future. This increase in tax basis may also decrease gain (or increase loss) on future dispositions of certain assets to the extent tax basis is allocated to those assets.

In connection with the IPO, we entered into the TRA with Insignia, the Senior Executives, and White Mountains related to the tax basis step-up of the assets of QLH and certain net operating losses of Intermediate Holdco. The agreement requires us to pay Insignia and the Senior Executives 85% of the cash savings, if any, in U.S. federal, state and local income tax we realize (or are deemed to realize) as a result of (i) any increases in tax basis of assets of QLH resulting from any Exchange, and (ii) certain other tax benefits related to making our payments under the TRA. The TRA also requires us to pay White Mountains 85% of the amount of the cash savings, if any, in U.S. federal, state and local income tax that we realize (or are deemed to realize) as a result of the utilization of the net operating losses of Intermediate Holdco attributable to periods prior to the IPO and the deduction of any imputed interest attributable to our payment obligations under the TRA.

In addition to tax expenses, we will also make payments under the TRA, which we expect to be significant. We account for the income tax effects and corresponding TRA effects resulting from any Exchange by recognizing an increase in our deferred tax assets, based on enacted tax rates at the date of the Exchange. Further, we evaluate the likelihood that we will realize the benefit represented by the deferred tax asset and, to the extent that we estimate that it is more likely than not that we will not realize the benefit, we will reduce the carrying amount of the deferred tax asset with a valuation allowance. The amounts to be recorded for both the deferred tax assets and the liability for our obligations under the TRA are estimated at the time of any purchase or exchange as a reduction to stockholders' equity, and the effects of changes in any of our estimates after this date will be included in net income (loss). Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income (loss). Judgment is required in assessing the future tax consequences of events that have been recognized in our consolidated financial statements. A change in our assessment of such consequences, such as realization of deferred tax assets, changes in blended tax rates, changes in tax laws or interpretations thereof could materially impact our results.

Recent accounting pronouncements

For a discussion of new accounting pronouncements recently adopted and not yet adopted, see Note 1 to the consolidated financial statements appearing in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Critical accounting policies and estimates

Our critical accounting policies and estimates are included in the 2021 Annual Report on Form 10-K and did not materially change during the three months ended March 31, 2022.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we are subject to market risks. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates.

Interest rate risk

The 2021 Credit Facilities bear interest at a variable rate. As a result, we may be exposed to fluctuations in interest rates to the extent of our outstanding borrowings under the 2021 Credit Facilities. A hypothetical 1.0% increase or decrease in the interest rate associated with the 2021 Credit Facilities would have resulted in a $0.5 million change in our interest expense for the three months ended March 31, 2022.

Concentrations of credit risk and of significant demand and supply partners

Financial instruments that potentially expose us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. We maintain cash balances that can, at times, exceed amounts insured by the Federal Deposit Insurance Corporation. We have not experienced any losses in these accounts, and believe we are not exposed to unusual credit risk beyond the normal credit risk in this area based on the financial strength of the institutions with which we maintain our deposits.

Our accounts receivable, which are unsecured, may expose us to credit risk based on their collectability. We control credit risk by investigating the creditworthiness of all customers prior to establishing relationships with them, performing periodic reviews of the credit activities of those customers during the course of the business relationship, regularly analyzing the collectability of accounts receivable, and recording allowances for credit losses.

Customer concentrations consisted of one customer that accounted for approximately $19 million, or 13%, of revenue for the three months ended March 31, 2022, compared with three customers that collectively accounted for approximately $68 million, or 39%, of revenue for the three months ended March 31, 2021. There were no customers that accounted for more than 10% of our accounts receivable as of March 31, 2022, compared with our largest customer that accounted for approximately $7 million, or 10%, as of December 31, 2021.

Our supplier concentration can expose us to business risks. For the three months ended March 31, 2022, we had one supplier that accounted for approximately $14 million, or 11%, of total purchases, compared with two suppliers that collectively accounted for approximately $32 million, or 21%, of total purchases for the three months ended March 31, 2021. Our largest supplier accounted for approximately $8 million, or 15%, of total accounts payable as of March 31, 2022, compared with our two largest suppliers that collectively accounted for approximately $21 million, or 34%, as of December 31, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of March 31, 2022, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) to determine whether such disclosure controls and procedures provide reasonable assurance that information to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and such information is accumulated and communicated to management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive officer and our principal financial officer have concluded our disclosure controls and procedures were effective to provide reasonable assurance as of March 31, 2022.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the three months ended March 31, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their cost.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The content of Part I, Item 1 *"Financial Statements—Note 6 to the Consolidated Financial Statements—Commitments Contingencies - Litigation"* of this Quarterly Report on Form 10-Q is hereby incorporated by reference in its entirety in this Item 1.

Item 1A. Risk Factors

There have been no material changes to the risk factors disclosed under Part I, Item 1A "Risk Factors" in the 2021 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

On March 14, 2022, the Board of Directors approved a share repurchase program that authorized the Company to purchase up to $5.0 million of the Company’s Class A common stock from time to time in open market transactions at prevailing prices or by other means in accordance with federal securities laws.

The following table provides information about the Company's share repurchase activity for the three months ended March 31, 2022:

Period:	Total Number of Shares (or Units) Purchased (1)	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (b)
January, 2022	99	$ 14.73	N/A	N/A
February, 2022	65,047	$ 12.59	N/A	N/A
March, 2022	—	$ —	N/A	$ 5,000,000

(1) These shares of Class A Common Stock were withheld to satisfy tax withholding obligations in connection with the vesting of restricted stock units issued to employees of the Company. The Company withheld these shares at their fair market values based upon the closing prices of our Class A Common Shares on NYSE on the purchase dates.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference Form	File No.	Exhibit	Filing Date
2.1	Asset Purchase Agreement, dated as of February 24, 2022, by and among QuoteLab, LLC, CHT Buyer, LLC, Customer Helper Team, LLC and the Seller Members	8-K	001-39671	2.1	March 2, 2022
2.2	First Amendment to Asset Purchase Agreement, dated as of March 29, 2022, by and among QuoteLab, LLC, CHT Buyer, LLC, Customer Helper Team, LLC and the Seller Members	8-K	001-39671	2.1	March 30, 2022
10.1+	Amendment to Amended and Restated Employment Agreement among the Company, QuoteLab, LLC and Steven Yi, dated March 22, 2022	8-K	001-39671	10.1	March 28, 2022
10.2+	Amendment to Amended and Restated Employment Agreement among the Company, QuoteLab, LLC and Eugene Nonko, dated March 22, 2022	8-K	001-39671	10.2	March 28, 2022
10.3+*	Form of Performance-Based Restricted Stock Unit Award Agreement for Founders under 2020 Omnibus Incentive Plan				
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer pursuant to 18 USC. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101.INS	Inline XBRL Instance Document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (Embedded with the Inline XBRL document)				

+ *Management contract or compensatory plan or arrangement.*

* *Filed herewith.*

** *Furnished herewith. This exhibit should not be deemed to be "filed" for purposes of Section 18 of the Exchange Act.*

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 thereunto duly authorized.

MEDIAALPHA, INC.

Date: May 6, 2022

/s/ Patrick R. Thompson
Patrick R. Thompson
Chief Financial Officer & Treasurer

Exhibit 10.3

MEDIAALPHA, INC.
PERFORMANCE-BASED RESTRICTED STOCK UNIT
AWARD AGREEMENT

THIS PERFORMANCE-BASED RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Agreement"), dated as of <award_date> (the "Date of Grant"), is made by and between MediaAlpha, Inc., a Delaware corporation (the "Company"), and <first_name> <last_name> (the "Participant").

WHEREAS, the Company has adopted the MediaAlpha, Inc. 2020 Omnibus Incentive Plan (as it may be amended from time to time, the "Plan"), pursuant to which Performance-based Restricted Stock Units ("PRSUs") may be granted; and

WHEREAS, pursuant to Section 4(c) of the Employment Agreement among the Company, QuoteLab, LLC and Participant dated October 27, 2020, as amended, the Committee has determined that it is in the best interests of the Company and its stockholders to grant the PRSUs provided for herein to the Participant, subject to the terms set forth herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto, for themselves, their successors and assigns, hereby agree as follows:

1. Grant of Restricted Stock Units.

(a) Grant. The Company hereby grants to the Participant a total of <shares_awarded>[1] PRSUs, on the terms and conditions set forth in this Agreement and as otherwise provided in the Plan. Each PRSU represents the right to receive one Class A share of the Company's common stock, $0.01 par value ("Share") upon vesting. The PRSUs shall be credited to a separate book-entry account maintained for the Participant on the books of the Company.

(b) Incorporation by Reference, Etc. The provisions of the Plan are hereby incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan and any interpretations, amendments, rules and regulations promulgated by the Committee from time to time pursuant to the Plan. Any capitalized terms not otherwise defined in this Agreement shall have the definitions set forth in the Plan. The Committee shall have final authority to interpret and construe the Plan and this Agreement and to make any and all determinations under them, and its decision shall be binding and conclusive upon the Participant and his or her legal representative in respect of any questions arising under the Plan or this Agreement. The Participant acknowledges that the Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan. Without limiting the foregoing, the Participant acknowledges that the PRSUs and any Shares acquired upon settlement of the PRSUs are subject to provisions of the Plan under which, in certain circumstances, an adjustment may be made to the number of the PRSUs and any Shares acquired upon settlement of the PRSUs.

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[1] The number of PRSUs should be equal to $825,000 divided by the weighted-average closing price of the Company's Class A common stock for the 90-day period ended as of the Friday preceding the Grant Date.

2. Vesting; Settlement.

(a) Vesting. The PRSUs shall become vested in accordance with the Company's achievement of the Performance Goals (as defined in Exhibit A to this Agreement, attached hereto and incorporated herein by reference) for the Performance Period (as defined in Exhibit A), and the other terms and conditions set forth herein and in Exhibit A.

(b) Performance Vesting Determination Date. The Committee shall determine, in its sole discretion, whether and the extent to which the performance goals applicable to the PRSUs were achieved before the PRSUs are settled and the Shares are delivered to the Participant. Such determination will be made as soon as practicable following completion of the external audit of the Company's financial statements for the Performance Period (the "Performance Vesting Determination Date").

(c) Settlement. Except as otherwise provided herein, each vested PRSU shall be settled within 60 days following the Performance Vesting Determination Date, by delivery of Shares. Any PRSUs not determined by the Committee to have vested shall be cancelled immediately.

3. Dividend Equivalents. Each PRSU shall be credited with dividend equivalents, which shall be withheld by the Company for the Participant's account. Dividend equivalents credited to the Participant's account and attributable to a PRSU shall be distributed (without interest) to the Participant at the same time as the underlying Share (or cash in lieu thereof) is delivered upon settlement of such PRSU and, if such PRSU is forfeited, the Participant shall have no right to such dividend equivalents. Any adjustments for dividend equivalents shall be in the sole discretion of the Committee and may be payable (x) in cash, (y) in Shares with a Fair Market Value as of the Performance Vesting Determination Date equal to the dividend equivalents, or (z) in an adjustment to the underlying number of Shares subject to the PRSUs.

4. Tax Withholding. Vesting and settlement of the PRSUs shall be subject to the Participant satisfying any applicable U.S. Federal, state and local tax withholding obligations and non-U.S. tax withholding obligations. Unless otherwise provided by the Committee, tax withholding (if required) shall be at the applicable minimum statutory rate and shall be satisfied by the Company withholding Shares that would otherwise be deliverable to the Participant upon settlement of the PRSUs with a Fair Market Value equal to such withholding liability. The Committee shall have the right and is hereby authorized to withhold from any amounts payable to the Participant in connection with the PRSUs or otherwise the amount of any required withholding taxes in respect of the PRSUs, its settlement or any payment or transfer of the PRSUs or under the Plan and to take any such other action as the Committee deems necessary to satisfy all obligations for the payment of such withholding taxes.

5. Termination of Service Relationship.

(a) Termination of Service Relationship During Performance Period. If, on or prior to the last day of the Performance Period, the Participant's Service Relationship is terminated by the Company or one of its Affiliates or by the Participant for any reason, all of the PRSUs shall be cancelled immediately.

(b) Termination of Service Relationship Prior to Performance Vesting Determination Date. If, after the end of the Performance Period and before the Performance Vesting Determination Date, the Participant's Service Relationship is terminated by the Company or one of its Affiliates or by the Participant for any reason, then the number of PRSUs, if any, that the Committee determines to have vested with respect to such Performance Period shall be vested as of the Performance Vesting Determination Date . Such vested PRSUs shall be settled within 60 days following such termination date, in Shares. Any unvested PRSUs that remain after giving effect to this Section 5(b) shall be cancelled immediately.

6. Reserved.

7. Restrictive Covenants.

(a) Restrictive Covenant Agreements. Except to the extent the Participant has obtained the prior consent of the Committee, which may be granted or withheld in the Committee's absolute discretion, during the term of the Participant's Service Relationship and thereafter according to their respective provisions, the Participant hereby agrees that he or she shall be bound by, and shall comply with, (i) all noncompetition, nonsolicitation and other restrictive covenants set forth in any agreement the Participant has executed with the Company and its Affiliates, as the case may be, including the Confidential Information and Inventions Assignment Agreement in the form provided by the Company (collectively, the "Restrictive Covenant Agreements"), and (ii) all other agreements the Participant has executed during the course of the Participant's Service Relationship with the Company and its Affiliates as in effect from time to time (including, without limitation, the Participant's Service Relationship Agreement (if any)).

(b) Forfeiture; Other Relief. **In the event of a material breach by the Participant of any Restrictive Covenant Agreement that is not cured by the Participant within ten (10) days following the Participant's receipt of written notice from the Company, then in addition to any other remedy which may be available at law or in equity, the PRSUs shall be automatically forfeited effective as of the date on which such violation first occurs, and, in the event that the Participant has received settlement of PRSUs within the three (3) year period immediately preceding such breach, the Participant will forfeit any Shares received upon settlement thereof without consideration and be required to forfeit any compensation, gain or other value realized thereafter on the sale or other transfer of such Shares, and must promptly repay such amounts to the Company.** The foregoing rights and remedies are in addition to any other rights and remedies that may be available to the Company and shall not prevent (and the Participant shall not assert that they shall prevent) the Company from bringing one or more actions in any applicable jurisdiction to recover damages as a result of the Participant's breach of such Restrictive Covenant Agreement to the full extent of law and equity. The Participant acknowledges and agrees that irreparable injury will result to the Company and its goodwill if the Participant breaches any of the terms of the Restrictive Covenant Agreements, the exact amount of which will be difficult or impossible to ascertain, and that remedies at law would be an inadequate remedy for any breach. Accordingly, the Participant hereby agrees that, in the event of a breach of any of the terms of the Restrictive Covenant Agreements, in addition to any other remedy that may be available at law or in equity, the Company shall be entitled to specific performance and injunctive relief.

(c) Severability; Blue Pencil. The invalidity or nonenforceability of any provision of this Section 7 or any of the terms of the Restrictive Covenant Agreements in any respect shall not affect the validity or enforceability of the other provisions of this Section 7 or any of the terms of the Restrictive Covenant Agreements in any other respect, or of any other provision of this Agreement. In the event that any provision of this Section 7 or any of the terms of the Restrictive Covenant Agreements shall be held invalid, illegal or unenforceable (whether in whole or in part) by a court of competent jurisdiction, such provision shall be deemed modified to the extent, but only to the extent, of such invalidity, illegality or unenforceability, and the remaining provisions (and part of such provision, as the case may be) shall not be affected thereby; provided, however, that if any provision of the Restrictive Covenant Agreements is finally held to be invalid, illegal or unenforceable because it exceeds the maximum scope determined to be acceptable to permit such provision to be enforceable, such provision shall be deemed to be modified to the minimum extent necessary to modify such scope in order to make such provision enforceable hereunder.

8. Rights as a Stockholder. The Participant shall not be deemed for any purpose, nor have any of the rights or privileges of, a stockholder of the Company in respect of any Shares underlying the PRSUs unless, until and to the extent that (i) the Company shall have issued and delivered to the Participant the Shares underlying the vested PRSUs and (ii) the Participant's name shall have been entered as a stockholder of record with respect to such Shares on the books of the Company. The Company shall cause the actions described in clauses (i) and (ii) of the preceding sentence to occur promptly following settlement as contemplated by this Agreement, subject to compliance with applicable laws.

9. Compliance with Legal Requirements. The granting and settlement of the PRSUs, and any other obligations of the Company under this Agreement, shall be subject to all applicable Federal, provincial, state, local and foreign laws, rules and regulations and to such approvals by any regulatory or governmental agency as may be required. The Committee shall have the right to impose such restrictions on the PRSUs as it deems reasonably necessary or advisable under applicable Federal securities laws, the rules and regulations of any stock exchange or market upon which Shares are then listed or traded, and/or any blue sky or state securities laws applicable to such Shares. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be binding upon the Participant. The Participant agrees to take all steps the Committee or the Company determines are reasonably necessary to comply with all applicable provisions of Federal and state securities law in exercising his or her rights under this Agreement.

10. Clawback. The PRSUs and/or the Shares acquired upon settlement of the PRSUs shall be subject (including on a retroactive basis) to clawback, forfeiture or similar requirements (and such requirements shall be deemed incorporated by reference into this Agreement) to the extent required by (a) applicable law (including, without limitation, Section 304 of the Sarbanes-Oxley Act and Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act), provided that such requirement is in effect at the relevant time, and/or the rules and regulations of any applicable securities exchange or inter-dealer quotation system on which the Shares may be listed or quoted, or (b) a written policy adopted by the Company.

11. Miscellaneous.

(a) Transferability. The PRSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered (a "Transfer") by the Participant other than by will or by the laws of descent and distribution, to the Participant's family members, a trust or entity established by the Participant for estate planning purposes, a charitable organization designated by the Participant, pursuant to a qualified domestic relations order or as otherwise permitted under the Plan; provided, that in case of any such permitted transfer, (i) the vesting, forfeiture and clawback provisions shall continue to relate to the Participant's Service Relationship and any termination thereof, (ii) the restrictive covenant or other obligations herein shall continue to be performed personally by the Participant and (iii) such transfer shall be subject to such advance notice and other rules and requirements as determined by the Committee in its sole discretion. Any attempted Transfer of the PRSUs contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the PRSUs, shall be null and void and without effect.

(b) Amendment. The Committee at any time, and from time to time, may amend the terms of this Agreement; provided, however, that the rights of the Participant shall not be materially and adversely affected without the Participant's written consent.

(c) Waiver. Any right of the Company contained in this Agreement may be waived in writing by the Committee. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach.

(d) Section 409A. The PRSUs are intended to be exempt from, or compliant with, Section 409A of the Code and shall be interpreted accordingly. Notwithstanding the foregoing or any provision of the Plan or this Agreement, if any provision of the Plan or this Agreement contravenes Section 409A of the Code or could cause the Participant to incur any tax, interest or penalties under Section 409A of the Code, the Committee may, in its sole reasonable discretion and with the Participant's consent, modify such provision to (i) comply with, or avoid being subject to, Section 409A of the Code, or to avoid the incurrence of taxes, interest and penalties under Section 409A of the Code, and (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the Participant of the applicable provision without materially increasing the cost to the Company or contravening the provisions of Section 409A of the Code. This Section 11(d) does not create an obligation on the part of the Company to modify the Plan or this Agreement and does not guarantee that the PRSUs or the Shares underlying the PRSUs will not be subject to interest and penalties under Section 409A of the Code. Notwithstanding anything to the contrary in the Plan or this Agreement, to the extent that the Participant is a "specified employee" (within the meaning of the Committee's established methodology for determining "specified employees" for purposes of Section 409A of the Code), payment or distribution of any amounts with respect to the PRSUs that are subject to Section 409A of the Code will be made as soon as practicable following the first business day of the seventh month following the Participant's "separation from service" (within the meaning of Section 409A of the Code) from the Company and its Affiliates, or, if earlier, the date of the Participant's death.

(e) General Assets. All amounts credited in respect of the PRSUs to the book-entry account under this Agreement shall continue for all purposes to be part of the general assets of the Company. The Participant's interest in such account shall make the Participant only a general, unsecured creditor of the Company.

(f) Notices. All notices, requests, consents and other communications to be given hereunder to any party shall be deemed to be sufficient if contained in a written instrument and shall be deemed to have been duly given when delivered in person, by telecopy, by nationally recognized overnight courier, or by first-class registered or certified mail, postage prepaid, addressed to such party at the address set forth below or such other address as may hereafter be designated in writing by the addressee to the addresser:

(i) if to the Company, to:

MediaAlpha, Inc.
700 South Flower Street
Suite 640
Los Angeles, CA 90017
Attention: General Counsel

(ii) if to the Participant, to the Participant's home address on file with the Company.

All such notices, requests, consents and other communications shall be deemed to have been delivered in the case of personal delivery or delivery by telecopy, on the date of such delivery, in the case of nationally recognized overnight courier, on the next business day, and in the case of mailing, on the third business day following such mailing if sent by certified mail, return receipt requested.

(g) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

(h) No Rights to Employment or Continued Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant or director of the Company or its Affiliates or shall interfere with or restrict in any way the rights of the Company or its Affiliates, which are hereby expressly reserved, to remove, terminate or discharge the Participant at any time for any reason whatsoever.

(i) Fractional Shares. In lieu of issuing a fraction of a Share resulting from an adjustment of the PRSUs pursuant to Section 4(b) of the Plan or otherwise, the Company shall be entitled to pay to the Participant a cash amount equal to the Fair Market Value of such fractional share.

(j) Beneficiary. The Participant may file with the Committee a written designation of a beneficiary on such form as may be prescribed by the Committee and may, from time to time, amend or revoke such designation. If no beneficiary is designated, if the designation is ineffective, or if the beneficiary dies before the balance of a Participant's benefit is paid, the balance shall be paid to the Participant's estate. Notwithstanding the foregoing, however, a Participant's beneficiary shall be determined under applicable state law if such state law does not recognize beneficiary designations under Awards of this type and is not preempted by laws which recognize the provisions of this Section 11(j).

(k) Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, heirs and successors of the Participant.

(l) Entire Agreement. This Agreement, the Plan and the Restrictive Covenant Agreements contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations and negotiations in respect thereto.

(m) Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware without regard to principles of conflicts of law thereof, or principles of conflicts of laws of any other jurisdiction which could cause the application of the laws of any jurisdiction other than the State of Delaware.

(n) Consent to Jurisdiction; Waiver of Jury Trial. The Participant and the Company (on behalf of itself and its Affiliates) each consents to jurisdiction in a Delaware state or a Federal court sitting in Wilmington, Delaware, and each waives any other requirement (whether imposed by statute, rule of court or otherwise) with respect to personal jurisdiction or service of process and waives any objection to jurisdiction based on improper venue or improper jurisdiction. The Participant and the Company (on behalf of itself and its Affiliates) each irrevocably and unconditionally agrees (i) that, to the extent such party is not otherwise subject to service of process in the State of Delaware, it will appoint (and maintain an agreement with respect to) an agent in the State of Delaware as such party's agent for acceptance of legal process and notify the other parties hereto of the name and address of said agent, (ii) that service of process may also be made on such party in accordance with Section 11(f), and (iii) that service made pursuant to clause (i) or (ii) above shall, to the fullest extent permitted by applicable law, have the same legal force and effect as if served upon such party personally within the State of Delaware. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY, IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THE PLAN OR THIS AGREEMENT.

(o) Headings; Interpretations. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement. Pronouns and other words of gender shall be read as gender-neutral. Words importing the plural shall include the singular and the singular shall include the plural.

(p) Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (.pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

IN WITNESS WHEREOF, this Agreement has been executed and delivered by the parties hereto as of the date first written above.

MEDIAALPHA, INC.

By: ____
Name: Cathy Cunningham
Title: Chief People Officer

____
<first_name> <last_name>

EXHIBIT A

PERFORMANCE-BASED VESTING PROVISIONS

The PRSUs evidenced by this Agreement shall vest in accordance with the Company's achievement of the performance goals set forth below (the "Performance Goals") for the fiscal year ending December 31, 2022 (the "Performance Period") and the terms and conditions of this Agreement:

Performance Measure	Threshold Amount	Target Amount	Maximum Amount
FY 2022 Transaction Value (1)	$929,667,000	$1,162,083,000	$1,394,500,000
Payout Value Earned	$137,500	$275,000	$412,500
FY 2022 Adjusted EBITDA (2)	$47,319,000	$59,149,000	$70,979,000
Payout Value Earned	$137,500	$275,000	$412,500

(1) "Transaction Value" is defined as the total gross dollars transacted on the Company's platform.

(2) "Adjusted EBITDA" is defined as net income excluding interest expense, income tax benefit (expense), depreciation expense on property and equipment, amortization of intangible assets, equity-based compensation expense and certain other adjustments approved by the Committee in its sole discretion.

Achievement of each Performance Measure shall be determined by the Committee in its sole discretion. If the achievement of a Performance Measure is less than the Threshold Amount for such Performance Measure, no Payout Value shall be earned with respect to such Performance Measure, and if the achievement of a Performance Measure is greater than the Maximum Amount for such Performance Measure, the Payout Value for such Performance Measure shall be the Maximum Payout Value for such Performance Measure. The Payout Value earned for each Performance Measure will be prorated between the Threshold Payout Value and Target Payout Value for such Performance Measure for achievement of such Performance Measure in an amount greater than the Threshold Amount but less than the Target Amount, and will be prorated between the Target Payout Value and Maximum Payout Value for such Performance Measure for achievement of such Performance Measure in an amount greater than the Target Amount but less than the Maximum Amount.

The total Payout Value determined by the Committee to have been earned for the Performance Period will be divided by the weighted-average closing price of the Company's Class A common stock for the 90-day period ended as of the Friday preceding the Performance Vesting Determination Date to determine the number of PRSUs to be vested (rounded up to the nearest whole share).

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steve Yi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MediaAlpha, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 6, 2022

/s/ Steve Yi

Steve Yi
Chief Executive Officer, President and Co-Founder

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick R. Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of MediaAlpha, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 6, 2022

Patrick R. Thompson
Chief Financial Officer & Treasurer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of MediaAlpha, Inc. (the "Company") for the quarterly period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 6, 2022

/s/ Steve Yi

Steve Yi
Chief Executive Officer, President, and Co-Founder

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of MediaAlpha, Inc. (the “Company”) for the quarterly period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: May 6, 2022

/s/ Patrick R. Thompson

Patrick R. Thompson
Chief Financial Officer & Treasurer