Filed pursuant to Rule 424(b)(3)
Registration No. 333-261027

Prospectus Supplement No. 4
(To Prospectus dated March 17, 2023)

MediaAlpha, Inc.
Class A Common Stock

This Prospectus Supplement No. 4 (the "Prospectus Supplement") updates, supplements and amends the Prospectus dated March 17, 2023 (the "Prospectus"), which forms part of our registration statement on Form S-1 (No. 333-261027) (the "Registration Statement") relating to the offer and sale from time to time of up to 34,351,485 shares of our Class A common stock by the selling stockholders identified in the Prospectus (the "Selling Stockholders"). The Selling Stockholders may sell these shares through public or private transactions at market prices prevailing at the time of sale or at negotiated prices. The timing and amount of any sale are within the sole discretion of the Selling Stockholders. We will not receive any of the proceeds from the sale of shares of our Class A common stock by the Selling Stockholders.

This Prospectus Supplement is being filed to incorporate into our Registration Statement the information contained in our Quarterly Report on Form 10-Q for the period ended September 30, 2023, filed with the Securities and Exchange Commission on November 2, 2023. Accordingly, we have attached Part I and Part II of our Quarterly Report on Form 10-Q for the period ended September 30, 2023 to this Prospectus Supplement.

You should read this Prospectus Supplement in conjunction with the Prospectus, and this Prospectus Supplement is qualified by reference to the Prospectus, except to the extent that the information contained in this Prospectus Supplement supersedes the information contained in the Prospectus. This Prospectus Supplement is not complete without, and may not be delivered or utilized except in connection with, the Prospectus, including any and all additional amendments or supplements thereto.

Our Class A common stock is traded on the New York Stock Exchange under the symbol "MAX."

Investing in our Class A common stock involves risks. See "Risk Factors" on page 44 of this Prospectus Supplement and page 8 of the Prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is November 2, 2023.

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.
- "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 Part I, 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 Part I, 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.
- "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.
- "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 and Risk Factor Summary

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 impact of broad-based pandemics or public health crises, such as 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;
- 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 laws and regulation subject to us both in the U.S. and internationally, many of which are evolving;
- Risks related to changes in tax laws or exposure to additional income or other tax liabilities could affect our future profitability;
- 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 2022 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)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 15,196	$ 14,542
Accounts receivable, net of allowance for credit losses of $314 and $575, respectively	33,051	59,998
Prepaid expenses and other current assets	2,773	5,880
Total current assets	51,020	80,420
Intangible assets, net	27,744	32,932
Goodwill	47,739	47,739
Other assets	6,529	8,990
Total assets	**$ 133,032**	**$ 170,081**
Liabilities and stockholders' deficit		
Current liabilities		
Accounts payable	$ 38,749	$ 53,992
Accrued expenses	12,708	14,130
Current portion of long-term debt	8,797	8,770
Total current liabilities	60,254	76,892
Long-term debt, net of current portion	167,697	174,300
Other long-term liabilities	4,760	4,973
Total liabilities	$ 232,711	$ 256,165
Commitments and contingencies (Note 7)		
Stockholders' (deficit):		
Class A common stock, $0.01 par value - 1.0 billion shares authorized; 46.6 million and 43.7 million shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	466	437
Class B common stock, $0.01 par value - 100 million shares authorized; 18.1 million and 18.9 million shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	181	189
Preferred stock, $0.01 par value - 50 million shares authorized; 0 shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	503,303	465,523
Accumulated deficit	(520,196)	(482,142)
Total stockholders' (deficit) attributable to MediaAlpha, Inc.	$ (16,246)	$ (15,993)
Non-controlling interests	(83,433)	(70,091)
Total stockholders' (deficit)	$ (99,679)	$ (86,084)
Total liabilities and stockholders' deficit	**$ 133,032**	**$ 170,081**

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	$ 74,573	$ 89,017	$ 270,975	$ 335,065
Costs and operating expenses				
Cost of revenue	62,277	76,343	226,545	285,149
Sales and marketing	6,101	6,853	19,802	22,034
Product development	4,296	5,291	14,525	16,168
General and administrative	16,648	11,105	50,473	40,569
Total costs and operating expenses	89,322	99,592	311,345	363,920
(Loss) from operations	(14,749)	(10,575)	(40,370)	(28,855)
Other (income) expense, net	(100)	8,602	1,165	8,123
Interest expense	3,947	2,593	11,397	5,908
Total other expense, net	3,847	11,195	12,562	14,031
(Loss) before income taxes	(18,596)	(21,770)	(52,932)	(42,886)
Income tax expense (benefit)	102	(544)	330	1,210
Net (loss)	$ (18,698)	$ (21,226)	$ (53,262)	$ (44,096)
Net (loss) attributable to non-controlling interest	(5,196)	(6,740)	(15,208)	(13,395)
Net (loss) attributable to MediaAlpha, Inc.	$ (13,502)	$ (14,486)	$ (38,054)	$ (30,701)
Net (loss) per share of Class A common stock				
-Basic and diluted	$ (0.29)	$ (0.34)	$ (0.84)	$ (0.74)
Weighted average shares of Class A common stock outstanding				
-Basic and diluted	46,229,672	42,210,186	45,095,417	41,592,783

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, 2022	43,650,634	$ 437	18,895,493	$ 189	$ 465,523	$ (482,142)	$ (70,091)	$ (86,084)
Exchange of non-controlling interest for Class A common stock	10,000	—	(10,000)	—	(39)	—	39	—
Vesting of restricted stock units	608,022	6	—	—	(6)	—	—	—
Equity-based compensation	—	—	—	—	14,259	—	45	14,304
Shares withheld on tax withholding on vesting of restricted stock units	—	—	—	—	(1,238)	—	—	(1,238)
Distributions to non-controlling interests	—	—	—	—	—	—	(1,104)	(1,104)
Net (loss)	—	—	—	—	—	(10,266)	(4,318)	(14,584)
Balance at March 31, 2023	44,268,656	$ 443	18,885,493	$ 189	$ 478,499	$ (492,408)	$ (75,429)	$ (88,706)
Exchange of non-controlling interest for Class A common stock	766,000	8	(766,000)	(8)	(3,130)	—	3,130	—
Vesting of restricted stock units	822,147	8	—	—	(8)	—	—	—
Equity-based compensation	—	—	—	—	15,171	—	14	15,185
Shares withheld on tax withholding on vesting of restricted stock units	—	—	—	—	(701)	—	—	(701)
Distributions to non-controlling interests	—	—	—	—	—	—	(192)	(192)
Net (loss)	—	—	—	—	—	(14,286)	(5,694)	(19,980)
Balance at June 30, 2023	45,856,803	$ 459	18,119,493	$ 181	$ 489,831	$ (506,694)	$ (78,171)	$ (94,394)
Vesting of restricted stock units	741,283	7	—	—	(7)	—	—	—
Equity-based compensation	—	—	—	—	14,440	—	14	14,454
Shares withheld on tax withholding on vesting of restricted stock units	—	—	—	—	(961)	—	—	(961)
Contributions from QLH's members	—	—	—	—	—	—	196	196
Distributions to non-controlling interests	—	—	—	—	—	—	(276)	(276)
Net (loss)	—	—	—	—	—	(13,502)	(5,196)	(18,698)
Balance at September 30, 2023	46,598,086	$ 466	18,119,493	$ 181	$ 503,303	$ (520,196)	$ (83,433)	$ (99,679)

	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)
Establishment of liabilities under tax receivables agreement and related changes to deferred tax assets associated with increases in tax basis	—	—	—	—	4	—	—	4
Exchange of non-controlling interest for Class A common stock	297,747	3	(297,747)	(3)	(946)	—	946	—
Vesting of restricted stock units	674,674	6	—	—	(6)	—	—	—
Equity-based compensation	—	—	—	—	15,733	—	47	15,780
Forfeiture of equity awards	(14,160)	—	(93,478)	(1)	(305)	—	306	—
Shares withheld on tax withholding on vesting of restricted stock units	—	—	—	—	(966)	—	—	(966)
Distributions to non-controlling interests	—	—	—	—	—	—	(460)	(460)
Repurchases of Class A common stock	(321,150)	(3)	—	—	(3,454)	—	—	(3,457)
Tax impact of changes in investment in partnership	—	—	—	—	297	—	—	297
Net (loss)	—	—	—	—	—	(9,139)	(3,883)	(13,022)
Balance at June 30, 2022	42,237,776	$ 422	19,170,493	$ 192	$ 443,514	$ (440,691)	$ (62,910)	$ (59,473)
Vesting of restricted stock units	634,809	6	—	—	(6)	—	—	—
Equity-based compensation	—	—	—	—	14,610	—	53	14,663
Shares withheld on tax withholding on vesting of restricted stock units	—	—	—	—	(815)	—	—	(815)
Repurchases of Class A common stock	(134,147)	(1)	—	—	(1,550)	—	—	(1,551)
Net (loss)	—	—	—	—	—	(14,486)	(6,740)	(21,226)
Balance at September 30, 2022	42,738,438	$ 427	19,170,493	$ 192	$ 455,753	$ (455,177)	$ (69,597)	$ (68,402)

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)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net (loss)	$ (53,262)	$ (44,096)
Adjustments to reconcile net (loss) to net cash provided by operating activities:		
Non-cash equity-based compensation expense	43,943	44,216
Non-cash lease expense	508	539
Depreciation expense on property and equipment	275	295
Amortization of intangible assets	5,188	4,064
Amortization of deferred debt issuance costs	597	626
Change in fair value of contingent consideration	—	(6,591)
Impairment of cost method investment	1,406	8,594
Credit losses	(220)	(109)
Deferred taxes	—	1,054
Tax receivable agreement liability adjustments	6	(576)
Changes in operating assets and liabilities:		
Accounts receivable	27,167	42,840
Prepaid expenses and other current assets	3,059	5,451
Other assets	375	322
Accounts payable	(15,243)	(19,452)
Accrued expenses	1,138	(2,223)
Net cash provided by operating activities	$ 14,937	$ 34,954
Cash flows from investing activities		
Purchases of property and equipment	(60)	(93)
Cash consideration paid in connection with CHT acquisition	—	(49,677)
Net cash (used in) investing activities	$ (60)	$ (49,770)
Cash flows from financing activities		
Proceeds received from:		
Revolving credit facility	—	25,000
Payments made for:		
Repayments on revolving line of credit	—	(15,000)
Repayments on long-term debt	(7,125)	(7,125)
Repurchases of Class A common stock	—	(5,008)
Contributions from QLH's members	196	—
Distributions	(1,572)	(590)
Payments pursuant to tax receivable agreement	(2,822)	(216)
Shares withheld for taxes on vesting of restricted stock units	(2,900)	(2,601)
Net cash (used in) financing activities	$ (14,223)	$ (5,540)
Net increase (decrease) in cash and cash equivalents	654	(20,356)
Cash and cash equivalents, beginning of period	14,542	50,564
Cash and cash equivalents, end of period	$ 15,196	$ 30,208
Supplemental disclosures of cash flow information		
Cash paid during the period for:		
Interest	$ 10,081	$ 4,628
Income taxes paid, net of refunds	$ (233)	$ (2,144)
Non-cash Investing and Financing Activities:		
Adjustments to liabilities under the tax receivable agreement	$ —	$ (1,619)
Establishment of deferred tax assets in connection with the Reorganization Transactions	$ —	$ (1,642)
Fair value of contingent consideration in connection with CHT acquisition	$ —	$ 7,007

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 2022 Annual Report on Form 10-K and did not materially change during the nine months ended September 30, 2023.

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, 2022 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 2022 Annual Report on Form 10-K.

Accounts receivable

Accounts receivable are net of allowances for credit losses of $0.3 million and $0.6 million as of September 30, 2023 and December 31, 2022, 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 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. The Company's supplier concentration can also expose it to business risks.

Customer and supplier concentrations consisted of the below:

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total
Revenue	—	$ —	— %	1	$ 10	11 %
Purchases	1	$ 9	14 %	1	$ 9	11 %

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total
Revenue	—	$ —	— %	1	$ 42	13 %
Purchases	1	$ 26	12 %	1	$ 33	11 %

	As of September 30, 2023			As of December 31, 2022		
	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total
Accounts receivable	1	$ 5	15 %	—	$ —	— %
Accounts payable	1	$ 6	16 %	2	$ 22	40 %

Related Party Transactions

The Company is party to the tax receivables agreement ("TRA") under which it is contractually committed to pay certain holders of Class B-1 units 85% of the amount of any tax benefits that the Company actually realizes, or in some cases are deemed to realize, as a result of certain transactions. During the three and nine months ended September 30, 2023, payments of $0 and $2.8 million, respectively and $0 and $0.2 million during the three and nine months ended September 30, 2022, respectively, were made pursuant to the TRA.

Liquidity

As of September 30, 2023, the aggregate principal amount outstanding under the 2021 Credit Facilities was $178.4 million, with $45.0 million remaining available for borrowing under the 2021 Revolving Credit Facility. As of September 30, 2023, the Company was in compliance with all of its financial covenants under such credit facilities. The Company's ability to continue to comply with its covenants will depend on, among other things, financial, business, market, competitive and other conditions, many of which are beyond the Company's control.

The Company's results are subject to fluctuations as a result of business cycles experienced by companies in the insurance industry. The Company believes that the property & casualty (P&C) insurance industry is currently in a cyclical downturn due to higher-than-expected carrier underwriting losses, which has led these carriers to reduce their customer acquisition spending in the Company's Marketplaces. During the year, one of the Company's major insurance carrier partners significantly reduced its customer acquisition spend with the Company due to experiencing higher than expected loss ratios as a result of several factors, including ongoing loss cost inflation and unfavorable prior year reserve developments, reducing the Company's expected near-term revenue and Adjusted EBITDA and its forecasted cushion with respect to compliance with the financial covenants under the 2021 Credit Facilities. In spite of these reductions in carrier spending, the Company's Adjusted EBITDA has increased year over year, due primarily to the Company's continuing cost reduction efforts, including implementing workforce reductions during the second quarter of 2023. The Company believes it has sufficient cash on hand and availability to access additional cash under its 2021 Revolving Credit Facility to meet its business operating requirements, its capital expenditures and to continue to comply with its debt covenants for at least the next twelve months as of the filing date of this Quarterly Report on Form 10-Q.

The extent to which these market conditions impact the Company's business, results of operations, cash flows and financial condition will depend on future developments impacting its carrier partners, including inflation rates, the extent of any major catastrophic losses, and the timing of regulatory approval of premium rate increases, which remain highly uncertain and cannot be predicted with accuracy. The Company considered the impact of this uncertainty on the assumptions and estimates used when preparing these quarterly financial statements. These assumptions and estimates may continue to change as new events occur, and such changes could have an adverse impact on the Company's results of operations, financial position and liquidity.

The Company expects customer acquisition spend by P&C carriers to remain depressed during the fourth quarter of 2023 and while the Company expects this spending to increase beginning in the first quarter of 2024, it is possible that such increase may be delayed or not occur. In the event that the Company's financial results are below its expectations due to cyclical conditions in its primary vertical markets or other factors, the Company may not be able to remain in compliance with its financial covenants under the 2021 Credit Facilities, in which event the Company may need to take additional actions to reduce operating costs, which may include adjusting discretionary employee bonuses and other discretionary spending, negotiate amendments to or obtain waivers of such financial covenants, refinance the 2021 Credit Facilities, or raise additional capital. There can be no assurance that the Company would be able to raise additional capital or obtain any such amendments, refinancing or waivers on terms acceptable to the Company or at all. The consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties.

New Accounting Pronouncements

Recently adopted accounting pronouncements

In October 2021, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 and will be applied prospectively to business combinations occurring on or after the effective date of the amendment. The Company adopted the ASU on January 1, 2023 and the adoption did not have any impact on the Company's consolidated financial statements.

In March 2020 and January 2021, the FASB issued 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 ("LIBOR") 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. In December 2022, the FASB issued ASU No. 2022-6, Deferral of the Sunset Date of Topic 848, which deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024 to align with the amended cessation date of LIBOR, which had been delayed to June 30, 2023. On June 8, 2023, the Company amended its existing credit agreement to change the interest rate benchmark under the 2021 Credit Facilities from LIBOR to the Secured Overnight Financing Rate ("SOFR"), as further discussed in Note 6 - Long term debt. Effective June 8, 2023, the Company adopted ASC Topic 848 and qualified for the available optional expedients, which allows the Company to account for the contract modifications as continuations of the existing contract without further reassessment or remeasurement that would otherwise be required under the applicable U.S. GAAP. On October 1, 2023, the Company also amended its TRA to, among other things, change the interest rate benchmark from LIBOR to SOFR. The adoption did not have a material impact on the Company's consolidated financial statements.

Recently issued not yet adopted accounting pronouncements

There have been no other accounting pronouncements issued but not yet adopted by the Company which are expected to have a material impact on the Consolidated Financial Statements.

2. Disaggregation of revenue

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Revenue				
Open marketplace transactions	$ 73,053	$ 86,279	$ 263,568	$ 324,008
Private marketplace transactions	1,520	2,738	7,407	11,057
Total	$ 74,573	$ 89,017	$ 270,975	$ 335,065

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

(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Revenue				
Property & casualty insurance	$ 31,933	$ 43,844	$ 126,532	$ 188,869
Health insurance	33,961	33,393	115,192	108,665
Life insurance	5,341	6,977	18,321	21,049
Other	3,338	4,803	10,930	16,482
Total	$ 74,573	$ 89,017	$ 270,975	$ 335,065

3. Business Combinations

On February 24, 2022, QuoteLab, LLC ("QL"), a wholly owned subsidiary of QLH, and CHT Buyer, LLC, a wholly owned subsidiary of QL ("Buyer"), entered into an Asset Purchase Agreement (as amended, the "Agreement") to acquire substantially all of the assets of Customer Helper Team, LLC ("Seller" or "CHT"). CHT is a provider of customer generation and acquisition services, primarily for Medicare insurance, automobile insurance, health insurance and life insurance companies. The Company acquired CHT to increase its customer generation capabilities on various social media and short form video platforms. The transaction was closed on April 1, 2022.

The Company accounted for the transaction as a business combination using the acquisition method of accounting as CHT contained inputs and processes that were capable of being operated as a business. The acquisition date fair value of the purchase consideration for the acquisition was $56.7 million, and consisted of the following (in thousands):

	Fair Value
Cash consideration (net of working capital adjustments)	$ 49,677
Contingent consideration	7,007
Total purchase consideration	$ 56,684

The Agreement also provides for the Company to pay contingent consideration, which could range from zero to $20.0 million, based upon CHT's achievement of certain revenue and gross margin targets for the two successive twelve-month periods following the closing, as set forth in the Agreement. The contingent consideration has been classified as a liability and the estimated fair value was determined using a Monte Carlo model based on the revenue and gross margin projected to be generated by CHT during the applicable periods. CHT was unable to meet its target for the first twelve-month period, and so the Company did not pay any consideration related to that period. In addition, based on further decline in CHT's projected revenue and gross margin, the Company does not expect CHT to meet the target for the second twelve-month period. The contingent consideration is subject to remeasurement at each reporting date until paid, with any adjustment resulting from the remeasurement reported within general & administrative expenses in the consolidated statements of operations. The fair value measurements of the contingent consideration are based primarily on significant unobservable inputs and thus represent a Level 3 measurement in the valuation hierarchy as defined in ASC 820.

Transaction-related costs incurred by the Company were $0.1 million and $0.6 million for the three and nine months ended September 30, 2022, respectively, and were expensed as incurred and included in general and administrative expenses in the consolidated statement of operations.

In accordance with the acquisition method of accounting, the purchase consideration was allocated to the assets acquired and liabilities assumed based on their fair values on the date of the acquisition as follows (in thousands):

Accounts receivable	$ 1,275
Prepaid expenses and other current assets	17
Intangible assets	26,120
Goodwill	29,337
Accounts payable	(18)
Accrued expenses	(47)
Net assets acquired	$ 56,684

The Company considers the measurement period for such purchase price allocation to be one year from the date of acquisition. The fair value of working capital related items, including accounts receivable, prepaid expenses and other current assets, accounts payable, and accrued expenses, approximated their book values as of the closing date of the acquisition.

The excess of the purchase consideration over the fair value of the net assets acquired was recorded as goodwill. The resulting goodwill is attributable primarily to CHT's assembled workforce and the expanded market opportunities provided by the CHT business by increasing the Company’s ability to generate Consumer Referrals on various social media and short form video platforms. The goodwill resulting from the acquisition is tax deductible. For tax purposes, contingent consideration does not become part of tax goodwill until paid. As such, the amount of goodwill deductible for tax purposes as of the closing date of the acquisition was $22.7 million. The Company's estimate of the amount of tax deductible goodwill may change as the amounts of the payments of contingent consideration, if any, are finalized.

The following pro forma financial information summarizes the combined results of operations for the Company and CHT, as though the companies were combined as of the beginning of the Company’s fiscal 2021. The unaudited pro forma financial information was as follows:

	Three Months Ended September 30,	Nine Months Ended September 30,
(in thousands)	**2022**	**2022**
Total revenues	$ 89,017	$ 341,335
Pretax (loss)	$ (21,664)	$ (41,270)

The pro forma financial information presented above has been calculated after adjusting the results of CHT to reflect certain business combination and one-time accounting effects such as fair value adjustment of amortization expense from acquired intangible assets, interest expense on the amounts drawn under the 2021 Revolving Credit facility, and acquisition costs as though the acquisition occurred as of the beginning of the Company’s fiscal 2021. The historical consolidated financial information has been adjusted in the pro forma combined financial results to give effect to pro forma events that are directly attributable to the business combination, reasonably estimable and factually supportable. The pro forma financial information does not include the impact of remeasurement adjustments to the contingent considerations and restricted stock units granted to employees of CHT on the date of acquisition for post combination services, which are included within the periods they were incurred. The pro forma financial information is for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of the Company’s fiscal 2021.

4. Goodwill and intangible assets

Goodwill and intangible assets consisted of:

		As of					
		September 30, 2023			December 31, 2022		
(in thousands)	**Useful life (months)**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**	**Gross carrying amount**	**Accumulated amortization**	**Net carrying amount**
Customer relationships	84 - 120	$ 43,500	$ (22,415)	$ 21,085	$ 43,500	$ (17,820)	$ 25,680
Non-compete agreements	60	303	(303)	—	303	(303)	—
Trademarks, trade names, and domain names	60 - 120	8,884	(2,225)	6,659	8,884	(1,632)	7,252
Intangible assets		$ 52,687	$ (24,943)	$ 27,744	$ 52,687	$ (19,755)	$ 32,932
Goodwill	Indefinite	$ 47,739	$ —	$ 47,739	$ 47,739	$ —	$ 47,739

Amortization expense related to intangible assets amounted to $1.7 million for the three months ended September 30, 2023 and 2022, respectively, and $5.2 million and $4.1 million for the nine months ended September 30, 2023 and 2022, respectively. The Company has no accumulated impairment of goodwill.

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

	As of			
	September 30, 2023		December 31, 2022	
(in thousands)	Goodwill	Intangible assets	Goodwill	Intangible assets
Beginning balance at January 1,	$ 47,739	$ 32,932	$ 18,402	$ 12,567
Additions to goodwill and intangible assets	—	—	29,337	26,120
Amortization	—	(5,188)	—	(5,755)
Ending balance	$ 47,739	$ 27,744	$ 47,739	$ 32,932

As of September 30, 2023, future amortization expense relating to identifiable intangible assets with estimable useful lives over the next five years was as follows:

(in thousands)	Amortization expense
2023–Remaining Period	$ 1,729
2024	6,428
2025	5,759
2026	5,143
2027	4,106
Thereafter	4,579
	$ 27,744

5. Accrued expenses

Accrued expenses include the following:

	As of	
(in thousands)	September 30, 2023	December 31, 2022
Accrued payroll and related expenses	$ 3,116	$ 3,621
Accrued operating expenses	3,418	2,036

6. 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 that are party thereto and JPMorgan Chase Bank, N.A., as administrative agent (as amended by the First Amendment, the “Existing Credit Agreement”). The Existing 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, 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 existing revolving credit facility under the 2020 Credit Agreement.

On June 8, 2023, the Company entered into a Second Amendment (the “Second Amendment”) to the Existing Credit Agreement, (as amended by the Second Amendment, the “Amended Credit Agreement”). The Second Amendment amends the Existing Credit Agreement to replace the existing LIBOR based rate applicable to the 2021 Credit Facilities with a Term SOFR or Daily Simple SOFR with a credit spread adjustment of 0.10% per annum and a floor of 0.00%, effective on the amendment date. Borrowings under the Amended Credit Agreement will continue to bear interest at a rate equal to, at the option of the Borrower, the Term SOFR or Daily Simple SOFR plus an applicable margin, with a floor of 0.00%, or the base rate plus an applicable margin. The applicable margins are based on the Company’s consolidated total net leverage ratio as calculated under the terms of the Amended Credit Agreement for the prior fiscal quarter and range from 2.00% to 2.75% with respect to the Term SOFR or Daily Simple SOFR and from 1.00% to 1.75% with respect to the base rate.

The Second Amendment did not impact the Company's outstanding debt or related debt covenants. The Second Amendment did not result in any additional cash proceeds or changes in commitment amounts. The Second Amendment has been accounted for as a continuation of the existing agreement in accordance with ASC 848 — *Reference Rate Reforms* and any third-party costs were expensed as incurred and included in general and administrative expenses in the consolidated statement of operations.

Long-term debt consisted of the following:

	As of	
(in thousands)	**September 30, 2023**	**December 31, 2022**
2021 Term Loan Facility	$ 173,375	$ 180,500
2021 Revolving Credit Facility	5,000	5,000
Debt issuance costs	(1,881)	(2,430)
Total debt	$ 176,494	$ 183,070
Less: current portion, net of debt issuance costs of $703 and $730, respectively	(8,797)	(8,770)
Total long-term debt	$ 167,697	$ 174,300

Loans under the 2021 Credit Facilities will mature on July 29, 2026. Loans under the 2021 Term Loan Facility amortize quarterly, beginning on 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. Accordingly, the amount of mandatory quarterly principal payable amount under the 2021 Term Loan within the next twelve months has been classified within the current portion of long-term debt and the remaining balance as long-term debt, net of current portion on the consolidated balance sheets. The Company incurred interest expense on the 2021 Term Loan Facility of $3.8 million and $2.4 million for the three months ended September 30, 2023 and 2022, respectively, and $10.9 million and $5.4 million for the nine months ended September 30, 2023 and 2022, respectively. Interest expense included amortization of debt issuance costs on the 2021 Credit Facility of $0.2 million for the three months ended September 30, 2023 and 2022, respectively, and $0.6 million for the nine months ended September 30, 2023 and 2022, respectively.

The 2021 Revolving Credit Facility does not amortize and will mature on July 29, 2026 and has been classified as non-current within long-term debt, net of current portion on the consolidated balance sheet. As of September 30, 2023, the Company's borrowing capacity available under the 2021 Revolving Credit Facility was $45.0 million, which holds a commitment fee based on the Company's consolidated total net leverage ratio and ranges from 0.25% to 0.50%. The Company incurred interest expense on the 2021 Revolving Credit Facility of $0.2 million for the three months ended September 30, 2023 and 2022, respectively, and $0.5 million for the nine months ended September 30, 2023 and 2022, respectively.

Accrued interest was $3.7 million as of September 30, 2023 and $3.0 million as of December 31, 2022, and is included within accrued expenses on the consolidated balance sheets.

The expected future principal payments for all borrowings as of September 30, 2023 were as follows:

(in thousands)	**Contractual maturity**
2023–Remaining Period	$ 2,375
2024	9,500
2025	9,500
2026	157,000
Debt and issuance costs	178,375
Unamortized debt issuance costs	(1,881)
Total debt	$ 176,494

7. Commitments and contingencies

Litigation and other matters

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, or cash flows. As of September 30, 2023 and December 31, 2022, the Company did not have any material contingency reserves established for any litigation liabilities.

On February 21, 2023, the Company received a civil investigative demand from the Federal Trade Commission (FTC) regarding compliance with the FTC Act and the Telemarketing Sales Rule, as they relate to the advertising, marketing, promotion, offering for sale, or sale of healthcare-related products, the collection, sale, transfer or provision to third parties of consumer data, telemarketing practices, and/or consumer privacy or data security. The Company is cooperating fully with the FTC. During the three and nine months ended September 30, 2023, the Company incurred legal fees of $1.6 million and $3.0 million, respectively, in connection with the demand, which are included within general and administrative expenses on the consolidated statement of operations. At this time, the Company is unable to predict the ultimate outcome of this matter or the significance, if any, to the Company’s business, results of operations or financial condition.

8. Equity-based compensation

Equity-based compensation cost recognized for equity-based awards outstanding during the three and nine months ended September 30, 2023 and 2022 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
QLH restricted Class B-1 units	14	53	73	185
Restricted Class A shares	130	213	464	774
Restricted stock units	14,310	14,397	43,406	43,257
Performance-based restricted stock units	—	(63)	—	—
Total equity-based compensation	$ 14,454	$ 14,600	$ 43,943	$ 44,216

Equity-based compensation cost was included in the following expense categories in the consolidated statements of operations during the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Cost of revenue	$ 1,012	$ 999	$ 2,959	$ 2,637
Sales and marketing	2,151	2,477	6,895	7,951
Product development	1,905	2,426	6,176	7,321
General and administrative	9,386	8,698	27,913	26,307
Total equity-based compensation	$ 14,454	$ 14,600	$ 43,943	$ 44,216

As of September 30, 2023, total unrecognized compensation cost related to unvested QLH restricted Class B-1 units, restricted Class A shares, restricted stock units, and PRSUs was $30 thousand, $0.4 million, $59.2 million, and $0, respectively, which are expected to be recognized over weighted-average periods of 0.48 years, 0.72 years, 2.36 years, and 0.45 years, respectively.

9. Stockholders' Equity (Deficit)

Share Repurchase Program

On March 14, 2022, the Company’s 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 share of Class A common stock in open market transactions at prevailing market prices or by other means in accordance with federal securities laws. The

Company completed the Repurchase Program during the year ended December 31, 2022. The Repurchase Program did not obligate the Company to repurchase a fixed number of shares and any repurchases were accounted for as of the trade date with a corresponding liability. The excess between the repurchase price and the par value of the shares of Class A common stock repurchased was recorded as an adjustment to additional-paid-in capital. During the three and nine months ended September 30, 2022, 134,147 and 455,297 shares of Class A common stock were repurchased for an aggregate amount of $1.6 million and $5.0 million, respectively.

10. Fair Value Measurements

The following are the Company’s financial instruments measured at fair value on a recurring basis:

Contingent consideration

Contingent consideration is measured at fair value on a recurring basis using significant unobservable inputs and thus represent a Level 3 measurement in the valuation hierarchy. The following table summarizes the changes in the contingent consideration:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Beginning fair value	$ —	$ 4,162	$ —	$ —
Additions in the period	—	—	—	7,007
Change in fair value				
(Gain) included in General and administrative expenses	—	(3,746)	—	(6,591)
Ending fair value	$ —	$ 416	$ —	$ 416
Change in unrealized (gain) related to instrument still held at end of period	$ —	$ (3,746)	$ —	$ (6,591)

Contingent consideration relates to the estimated amount of additional cash consideration to be paid in connection with the Company's acquisition of CHT. The fair value is dependent on the probability of achieving certain revenue and gross profit margin targets for the two successive twelve-month periods following the closing of the acquisition. The Company uses the Monte Carlo simulation approach to estimate the fair value of the revenue and gross margin targets. A change in any of these unobservable inputs can significantly change the fair value of the contingent consideration. CHT was unable to meet its target for the first twelve-month period, and so the Company did not pay any consideration related to that period. In addition, based on further decline in CHT's projected revenue and gross margin, the Company does not expect CHT to meet the target for the second twelve-month period. Accordingly, the Company has determined the fair value of the consideration as of September 30, 2023 to be zero. As of September 30, 2023, the range of the undiscounted amounts the Company could pay under the agreement could be from zero to $15.0 million.

The following are the Company’s financial instruments measured at fair value on a non-recurring basis:

Long-Term Debt

As of September 30, 2023, the carrying amount of the 2021 Term Loan Facility and the 2021 Revolving Credit Facility approximates their respective fair values. The Company used a discounted cash flow analysis to estimate the fair value of the long-term debt, using an adjusted discount rate of 7.20% and the estimated payments under the 2021 Term Loan Facility until maturity, including interest payable based on the Company's forecasted total net leverage ratio.

Cost method investment

The Company has elected the measurement alternative for its investment in equity securities without readily determinable fair values and reviews such investment on a quarterly basis to determine if it has been impaired. If the Company's assessment indicates that an impairment exists, the Company estimates the fair value of the equity investment and recognizes in its consolidated statement of operations an impairment loss that is equal to the difference between the fair value of the equity investment and its carrying amount. The Company determined that the fair value of the investment as of September 30, 2023 continued to be zero, and recognized an impairment loss of $0 and $1.4 million within other expenses (income), net in the consolidated statements of operations for the three and nine months ended September 30, 2023, respectively. The accumulated impairment of this cost method investment as of September 30, 2023 and December 31, 2022, was $10.0 million and $8.6 million, respectively. The carrying value of the Company’s cost method investment, which is included in other assets in the consolidated balance sheets, was zero and $1.4 million as of September 30, 2023 and December 31, 2022, respectively.

The Company used a market approach to estimate the fair value of equity and allocated the overall equity value to estimate the fair value of the common stock based on the liquidation preference and is classified within Level 3 of the fair value hierarchy. A change in any of the unobservable inputs can significantly change the fair value of the investment.

11. 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 (0.5)% and (0.6)% for the three and nine months ended September 30, 2023, respectively. The Company's effective income tax rate was 2.5% and (2.8)% for the three and nine months ended September 30, 2022, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except percentages)	**2023**	**2022**	**2023**	**2022**
(Loss) before income taxes	$ (18,596)	$ (21,770)	$ (52,932)	$ (42,886)
Income tax expense (benefit)	$ 102	$ (544)	$ 330	$ 1,210
Effective Tax Rate	(0.5)%	2.5 %	(0.6)%	(2.8)%

The Company's effective tax rate of (0.5)% and (0.6)% for the three and nine months ended September 30, 2023 differed from the U.S. federal statutory rate of 21%, due primarily to the tax impacts of recording a valuation allowance against current year losses, 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 and nine months ended September 30, 2023. The Company is currently under examination by various tax authorities in the United States. These examinations are in preliminary stages 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 and nine months ended September 30, 2023, holders of Class B-1 units exchanged 0 and 776,000 Class B-1 units, respectively, 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 ("Exchanges"). In connection with the Exchanges, the Company did not establish any additional liabilities related to the TRA, which are presented within additional-paid-in-capital in its consolidated statements of stockholders' equity (deficit). In connection with the Exchanges and the changes to the carrying value of the non-controlling interest, the Company also recognizes deferred tax assets associated with the basis difference in its investment in QLH through additional-paid-in-capital, but during the three and nine months ended September 30, 2023, the Company did not recognize any additional deferred tax assets as the Company recognized a full valuation allowance on its deferred tax assets.

As of September 30, 2023 and December 31, 2022, the Company had a valuation allowance of $87.3 million and $91.8 million, respectively, against its deferred tax assets based on the recent history of pre-tax losses, which is considered a significant piece of objective negative evidence that is difficult to overcome and limits the ability to consider other subjective evidence, such as projections of future growth. It is possible in the foreseeable future that there may be sufficient positive evidence, and/or that the objective negative evidence in the form of history of pre-tax losses will no longer be present, in which event the Company could release a portion or all of the valuation allowance. Release of any amount of valuation allowance would result in a benefit to income tax expense for the period the release is recorded, which could have a material impact on net earnings.

Tax Receivables 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, together with shares of Class B common stock, 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.

As of September 30, 2023 and December 31, 2022, the Company determined that making a payment under the TRA was not probable under ASC 450 — Contingencies since a valuation allowance has been recorded against the Company's deferred tax assets and the Company does not believe it will generate sufficient future taxable income to utilize related tax benefits and result in a payment under the TRA. As a result, the Company remeasured the liabilities due under the TRA to zero in the consolidated balance sheets. If the Company had determined that making a payment under the TRA and generating sufficient future taxable income was probable, it would have also recorded a liability pursuant to the TRA of approximately $88 million in the consolidated balance sheet.

As of September 30, 2023 and December 31, 2022, the Company recorded zero and $2.8 million, respectively, as current portion of payments due under the TRA within accrued expenses in the consolidated balance sheets. Payments of $0 and $2.8 million were made pursuant to the TRA during the three and nine months ended September 30, 2023, respectively, and $0 and $0.2 million during the three and nine months ended September 30, 2022, respectively.

12. Earnings (Loss) Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands except share data and per share amount)	**2023**	**2022**	**2023**	**2022**
Basic				
Net (loss)	$ (18,698)	$ (21,226)	$ (53,262)	$ (44,096)
Less: net (loss) attributable to non-controlling interest	(5,196)	(6,740)	(15,208)	(13,395)
Net (loss) available for basic common shares	$ (13,502)	$ (14,486)	$ (38,054)	$ (30,701)
Weighted-average shares of Class A common stock outstanding - basic and diluted	46,229,672	42,210,186	45,095,417	41,592,783
(Loss) per share of Class A common stock - basic and diluted	$ (0.29)	$ (0.34)	$ (0.84)	$ (0.74)

Potentially dilutive shares, which are based on the weighted-average shares of underlying unvested QLH restricted Class B-1 units, restricted Class A shares, restricted stock units, and PRSUs using the treasury stock method and the outstanding QLH restricted Class B-1 units using the if-converted method, are included when calculating diluted net loss per share attributable to MediaAlpha, Inc. when their effect is dilutive. The effects of the Company's potentially dilutive securities were not included in the calculation of diluted loss per share as the effect would be anti-dilutive. The following table summarizes the shares and units with a potentially dilutive impact:

	As of	
	September 30, 2023	**September 30, 2022**
QLH Class B-1 Units	18,155,446	19,206,446
Restricted Class A Shares	52,573	261,558
Restricted stock units	4,342,036	5,688,174
Potential dilutive shares	22,550,055	25,156,178

The outstanding PRSUs were not included in the potentially dilutive securities as of September 30, 2023 as the performance conditions have not been met.

13. Non-Controlling Interest

Pursuant to QLH’s limited liability company agreement, QLH has two classes of equity securities, Class A-1 units, which have all voting rights in QLH, and Class B-1 units, which have no voting or control rights. The Company allocates a share of net income (loss) to the holders of non-controlling interests pro-rata to their ownership interest in QLH 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 and nine months ended September 30, 2023, the holders of the non-controlling interests exchanged 0 and 776,000 Class B-1 units, respectively, 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 September 30, 2023, the holders of the non-controlling interests owned 28.0% of the total equity interests in QLH, with the remaining 72.0% owned by MediaAlpha, Inc. As of December 31, 2022, the holders of the non-controlling interests owned 30.2% of the total equity interests in QLH, with the remaining 69.8% owned by MediaAlpha, Inc.

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, programmatic, transparent, and results-driven ecosystem. We believe we are the largest online customer acquisition platform in our core verticals of property & casualty ("P&C") insurance, health insurance, and life insurance, supporting $574 million in Transaction Value across our platform from these verticals over the twelve-month period ended September 30, 2023.

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 expected 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 September 30, 2023, the websites of our diversified group of supply partners and our proprietary websites drove an average of 7.9 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 generally 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 our 2022 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 over the long term. Customer acquisition spending by insurance carriers is growing over time, and as more consumers shop for insurance online, direct-to-consumer marketing, which fuels our revenue, has become the fastest growing insurance distribution channel. As mass-market customer acquisition becomes 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 $109.0 million and $428.1 million for the three and nine months ended September 30, 2023, respectively, from $146.7 million and $568.6 million for the three and nine months ended September 30, 2022, respectively, due primarily to a decrease in customer acquisition spending by P&C insurance carriers in response to significant reductions in their underwriting profitability. We have developed multi-faceted, deeply integrated partnerships with insurance carriers and distributors, who may be 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, leading many of them to use our platform as their central hub for broadly managing digital customer acquisition and monetization, resulting in strong retention rates. For the three and nine months ended September 30, 2023, 93% and 95% of total insurance Transaction Value executed on our platform, respectively, came from demand partner relationships in existence during 2022.

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 obtain these Consumer Referrals from our diverse network of supply partners as well as from our proprietary properties. 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 long standing and involve most of the top-tier insurance carriers in the industry. In terms of buyers, during the nine months ended September 30, 2023, 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 increased to 23.2 million and 72.4 million for the three and nine months ended September 30, 2023, respectively, from 21.1 million and 68.1 million for the three and nine months ended September 30, 2022, respectively. 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 continuously look to diversify our paid media sources to extend beyond search engine marketing, which has 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 P&C 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 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 are experiencing lower or even negative underwriting profits and are seeking to increase their premium rates to improve their profitability. 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 underwriting losses driven by higher than expected claims cost inflation, and that many P&C insurance carriers are reducing their customer acquisition spending until they can obtain regulatory approval to 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 FTC has recently started taking a new position (in recent public statements and enforcement actions) regarding the consent rules under the Telemarketing Sales Rule ("TSR"), and the Federal Communications Commission has proposed changes to the consent rules under the Telephone Consumer Protection Act of 1991 ("TCPA"). These changes have required, and may in the future require, both us and our Partners to adjust their telemarketing activities. While it is unclear how these changes may ultimately be implemented and/or interpreted, they may have a significant impact on the market for leads, and may require us and our Partners to modify our telemarketing practices and policies. In addition, the California Consumer Privacy Act ("CCPA"), became effective on January 1, 2020 and has been amended by the California Privacy Rights Act ("CPRA"), which became effective January 1, 2023, and a number of other states, including Colorado, Connecticut, Delaware, Florida, Indiana, Iowa, Montana, Oregon, Tennessee, Texas, Utah, Virginia, and Washington, 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. In addition, we are licensed as a health insurance broker in all 50 states and the District of Columbia, making us subject to certain insurance laws and regulations. Our Medicare business is also subject to Federal rules governing the marketing of such policies. For a description of laws and regulations to which we are generally subject, see Item 1 "Business" and Item 1A "Risk Factors." in our 2022 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 states, insurance carriers are required to obtain approval of their premium rates from the regulatory authority in such states. 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.

Risk and uncertainties

Since its onset, our operating results have not been materially impacted by the COVID-19 pandemic. Although the COVID-19 pandemic has changed the physical working environment of the substantial majority of our workforce to working primarily from home, it has otherwise caused only minor disruptions to our business operations.

However, supply chain disruptions and cost increases caused by the COVID-19 pandemic, global inflationary pressures, and geopolitical conditions have contributed to higher-than-expected P&C insurance claims costs, which has led many carriers to continue to reduce their customer acquisition spending until they can obtain regulatory approval to increase their premium rates. These reductions have significantly impacted, and continue to impact, revenue from our P&C insurance vertical, the duration and extent of which are difficult to estimate beyond the fourth quarter of 2023.

In addition, the COVID-19 pandemic had caused reductions in consumer spending on airfare, hotels, rentals and other travel products, which resulted in a dramatic decline in revenue from our Travel vertical and secular shifts within the travel industry which caused us to reduce our investment within the vertical. We expect this trend in the Travel vertical to continue for the foreseeable future. For the three and nine months ended September 30, 2023, revenue from the Travel vertical comprised approximately 3.6% and 3.3%, respectively, of our total revenue, compared with pre-COVID revenue from the Travel vertical of approximately 11.1% and 12.3% of our total revenue for the three and nine months ended September 30, 2019, respectively. While overall travel activity during 2023 has resumed to pre-COVID levels, the cost of acquisition has increased significantly for publishers to drive traffic resulting in continued lower revenue from our Travel vertical. We have sought to maintain our commercial relationships in the Travel vertical, however 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.

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 bid levels and (v) buyer demand and budgets.

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 suppliers and demand partners. 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 generate revenue from the sale of consumer referrals from our demand partners and separately pay (i) a revenue share to suppliers or (ii) a fee to internet search companies to drive consumers to our proprietary websites. We are the principal in Open Marketplace transactions. As a result, the fees paid by demand partners for Consumer Referrals 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 the supplier a platform fee on the Consumer Referrals transacted. We act as an agent in Private Marketplace transactions and recognize revenue for the platform fee received, which is a negotiated percentage of the Transaction Value of such transactions. There are no 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 search engines and social media platforms, as well as telephony infrastructure costs, internet and hosting costs, and merchant fees, and includes salaries, wages, non-cash equity-based compensation, the cost of health and other employee benefits, and other expenses including allocated portion of rent and facilities 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 and marketing, and include salaries, wages, non-cash equity-based compensation, and the cost of health and other employee benefits. 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, non-cash equity-based compensation, and the cost of health and other employee benefits. 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, people operations, and business analytics employees, and include salaries, wages, non-cash equity-based compensation, and the cost of health and other employee benefits. General and administrative expenses also include professional services, an allocated portion of rent and facilities expenses and depreciation and amortization expense, and any change in fair value of contingent consideration.

Other expense (income), net

Other expense (income), net consists primarily of expenses and income not incurred by us in our ordinary course of business and that are not included in any of the captions above. Other expense (income), net for the nine months ended September 30, 2023 consisted primarily of an impairment charge related to our cost method investment.

Interest expense

Interest expense consists primarily of interest expense associated with outstanding borrowings under our 2021 Credit Facilities and the amortization of deferred financing costs associated with these arrangements.

Income tax expense (benefit)

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, pro-rata to their ownership interest in QLH. Accordingly, as our ownership interest in QLH increases, our share of the taxable income (loss) of QLH also increases. As of September 30, 2023, our ownership interest in QLH was 72.0%.

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 a share of the pre-tax income (loss) of the QLH incurred subsequent to the Reorganization Transactions to the non-controlling interest holders pro-rata to their ownership interest in QLH. 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 September 30, 2023 and 2022

The following table sets forth our operating results in absolute dollars and as a percentage of revenue for the three months ended September 30, 2023 and 2022:

	Three Months Ended September 30,			
(in thousands)	**2023**		**2022**	
Revenue	$ 74,573	100.0 %	$ 89,017	100.0 %
Costs and operating expenses				
Cost of revenue	62,277	83.5 %	76,343	85.8 %
Sales and marketing	6,101	8.2 %	6,853	7.7 %
Product development	4,296	5.8 %	5,291	5.9 %
General and administrative	16,648	22.3 %	11,105	12.5 %
Total costs and operating expenses	89,322	119.8 %	99,592	111.9 %
(Loss) from operations	(14,749)	(19.8)%	(10,575)	(11.9)%
Other (income) expense, net	(100)	(0.1)%	8,602	9.7 %
Interest expense	3,947	5.3 %	2,593	2.9 %
Total other expense, net	3,847	5.2 %	11,195	12.6 %
(Loss) before income taxes	(18,596)	(24.9)%	(21,770)	(24.5)%
Income tax expense (benefit)	102	0.1 %	(544)	(0.6)%
Net (loss)	$ (18,698)	(25.1)%	$ (21,226)	(23.8)%
Net (loss) attributable to non-controlling interest	(5,196)	(7.0)%	(6,740)	(7.6)%
Net (loss) attributable to MediaAlpha, Inc.	$ (13,502)	(18.1)%	$ (14,486)	(16.3)%
Net (loss) per share of Class A common stock				
-Basic and diluted	$ (0.29)		$ (0.34)	
Weighted average shares of Class A common stock outstanding				
-Basic and diluted	46,229,672		42,210,186	

Revenue

The following table presents our revenue, disaggregated by vertical, for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Property & Casualty insurance	$ 31,933	$ (11,911)	(27.2)%	$ 43,844
Percentage of total revenue	42.8 %			49.3 %
Health insurance	33,961	568	1.7 %	$ 33,393
Percentage of total revenue	45.5 %			37.5 %
Life insurance	5,341	(1,636)	(23.4)%	$ 6,977
Percentage of total revenue	7.2 %			7.8 %
Other	3,338	(1,465)	(30.5)%	$ 4,803
Percentage of total revenue	4.5 %			5.4 %
Revenue	$ 74,573	(14,444)	(16.2)%	$ 89,017

The decrease in P&C insurance revenue for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was due to a decrease in customer acquisition spending by most insurance carriers to address profitability concerns caused by higher-than-expected automobile repair and replacement costs and overall inflationary pressures. During the third quarter of 2023, this decrease in customer acquisition spending was partially offset by a greater mix of transactions through our Open Marketplace, which positively impacts revenue due to the transactions being recognized on a gross revenue basis, compared with Private Marketplace transactions, where we recognize revenue on a net basis. The auto insurance industry began to experience a cyclical downturn in the second half of 2021, with many P&C insurance carriers experiencing lower than expected underwriting profitability, leading them to reduce marketing budget allocations to our channel. While one of our major insurance carrier partners had resumed their customer acquisition spending with us in the first quarter of 2023, beginning in late March 2023 they significantly reduced their customer acquisition spend on our Marketplaces due to ongoing loss cost inflation and unfavorable prior year reserve developments. We are currently unable to predict accurately the duration of this cyclical downturn or its impact on our revenue from the P&C insurance vertical, or our profitability, beyond the fourth quarter of 2023.

The increase in health insurance revenue for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was driven by increases in customer acquisition spending in our marketplaces primarily due to increased demand for clicks and leads offset in part by a lower mix of transaction through our Open Marketplace, which negatively impacted revenue.

The decrease in life insurance revenue for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was driven by a decrease in customers shopping for life insurance as concerns related to COVID-19 continued to ease.

The decrease in other revenue for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was driven primarily by lower revenue from our travel vertical due to a reduced supply of consumer referrals resulting from higher traffic acquisition costs, as well as lower revenue from our consumer finance vertical due to a reduction in mortgage and refinancing activity caused by rising interest rates.

Cost of revenue

The following table presents our cost of revenue for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Cost of revenue	$ 62,277	$ (14,066)	(18.4)%	$ 76,343
Percentage of revenue	83.5 %			85.8 %

The decrease in cost of revenue for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was driven primarily by lower revenue share payments to suppliers due to the overall decrease in revenue.

Sales and marketing

The following table presents our sales and marketing expenses for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Sales and marketing	$ 6,101	$ (752)	(11.0)%	$ 6,853
Percentage of revenue	8.2 %			7.7 %

The decrease in sales and marketing expenses for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was due primarily to a decrease in equity-based compensation expense of $0.3 million and a decrease in personnel-related costs of $0.4 million, which were related to lower employee headcount resulting from the reduction-in-force implemented during the second quarter of 2023 ("RIF Plan").

Product development

The following table presents our product development expenses for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Product development	$ 4,296	$ (995)	(18.8)%	$ 5,291
Percentage of revenue	5.8 %			5.9 %

The decrease in product development expenses for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was due primarily to a decrease in equity-based compensation expense of $0.5 million and a decrease in personnel-related costs of $0.4 million, which were related to lower employee headcount resulting from the RIF Plan.

General and administrative

The following table presents our general and administrative expenses for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
General and administrative	$ 16,648	$ 5,543	49.9 %	$ 11,105
Percentage of revenue	22.3 %			12.5 %

The increase in general and administrative expenses for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was due primarily to a $3.7 million gain recorded in connection with the remeasurement of the contingent consideration for the acquisition of CHT during the three months ended September 30, 2022, a $2.1 million increase in legal costs, associated primarily with the civil investigative demand received from the Federal Trade Commission in February 2023 and a legal settlement unrelated to our core operations, offset in part by a $0.7 million reduction in directors & officers insurance premiums.

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 September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Cost of revenue	$ 1,012	$ 13	1.3 %	$ 999
Sales and marketing	2,151	(326)	(13.2)%	2,477
Product development	1,905	(521)	(21.5)%	2,426
General and administrative	9,386	688	7.9 %	8,698
Total	$ 14,454	$ (146)	(1.0)%	$ 14,600

The decrease in equity-based compensation expense for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was driven primarily by lower employee headcount resulting from the RIF Plan, offset in part by expenses related to additional restricted stock units granted to employees as part of the annual incentive process.

Amortization

The following table presents our amortization of intangible asset expense that was included in costs and operating expenses for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Sales and Marketing	$ 1,540	$ (10)	(0.6)%	$ 1,550
General and administrative	190	36	23.4 %	154
Total	$ 1,730	$ 26	1.5 %	$ 1,704

The increase in amortization expense for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was immaterial.

Other (income) expense, net

The following table presents our other (income) expense, net for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Other (income) expense, net	$ (100)	$ (8,702)	(101.2)%	$ 8,602
Percentage of revenue	(0.1)%			9.7 %

The decrease in other (income) expense, net for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was driven primarily by an impairment charge of $8.6 million during the three months ended September 30, 2022 related to our cost method investment.

Interest expense

The following table presents our interest expense for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Interest expense	$ 3,947	$ 1,354	52.2 %	$ 2,593
Percentage of revenue	5.3 %			2.9 %

The increase in interest expense for the three months ended September 30, 2023, compared with the three months ended September 30, 2022, was driven by higher interest rate payable on amounts borrowed under the 2021 Credit Facilities, offset in part by the impact of lower outstanding balances during the current year period.

Income tax expense (benefit)

The following table presents our income tax expense (benefit) for the three months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Three Months Ended September 30, 2023	$	%	Three Months Ended September 30, 2022
Income tax expense (benefit)	$ 102	$ 646	(118.8)%	$ (544)
Percentage of revenue	0.1 %			(0.6)%

For the three months ended September 30, 2023, we recorded an income tax expense of $0.1 million resulting from our effective tax rate of (0.5)%, which differed from the U.S. federal statutory rate of 21%, due primarily to the tax impacts of recording a valuation allowance against current year losses, 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 September 30, 2022, we recorded an income tax benefit of $0.5 million resulting from our effective tax rate of 2.5%, 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.

Operating results for the nine months ended September 30, 2023 and 2022

The following table sets forth our operating results in absolute dollars and as a percentage of revenue for the nine months ended September 30, 2023 and 2022:

(in thousands)	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
Revenue	$ 270,975	100.0 %	$ 335,065	100.0 %
Costs and operating expenses				
Cost of revenue	226,545	83.6 %	285,149	85.1 %
Sales and marketing	19,802	7.3 %	22,034	6.6 %
Product development	14,525	5.4 %	16,168	4.8 %
General and administrative	50,473	18.6 %	40,569	12.1 %
Total costs and operating expenses	311,345	114.9 %	363,920	108.6 %
(Loss) from operations	(40,370)	(14.9)%	(28,855)	(8.6)%
Other expense, net	1,165	0.4 %	8,123	2.4 %
Interest expense	11,397	4.2 %	5,908	1.8 %
Total other expense, net	12,562	4.6 %	14,031	4.2 %
(Loss) before income taxes	(52,932)	(19.5)%	(42,886)	(12.8)%
Income tax expense	330	0.1 %	1,210	0.4 %
Net (loss)	$ (53,262)	(19.7)%	$ (44,096)	(13.2)%
Net (loss) attributable to non-controlling interest	(15,208)	(5.6)%	(13,395)	(4.0)%
Net (loss) attributable to MediaAlpha, Inc.	$ (38,054)	(14.0)%	$ (30,701)	(9.2)%
Net (loss) per share of Class A common stock				
-Basic and diluted	$ (0.84)		$ (0.74)	
Weighted average shares of Class A common stock outstanding				
-Basic and diluted	45,095,417		41,592,783	

Revenue

The following table presents our revenue, disaggregated by vertical, for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Property & Casualty insurance	$ 126,532	$ (62,337)	(33.0)%	$ 188,869
Percentage of total revenue	46.7 %			56.4 %
Health insurance	115,192	6,527	6.0 %	$ 108,665
Percentage of total revenue	42.5 %			32.4 %
Life insurance	18,321	(2,728)	(13.0)%	$ 21,049
Percentage of total revenue	6.8 %			6.3 %
Other	10,930	(5,552)	(33.7)%	$ 16,482
Percentage of total revenue	4.0 %			4.9 %
Revenue	$ 270,975	(64,090)	(19.1)%	$ 335,065

The decrease in P&C insurance revenue for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, 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. The auto insurance industry began to experience a cyclical downturn in the second half of 2021, with many P&C insurance carriers experiencing lower than expected underwriting profitability, leading them to reduce marketing budget allocations to our channel. While one of our major insurance carrier partners had resumed their customer acquisition spending with us in the first quarter of 2023, beginning in late March 2023 they significantly reduced their customer acquisition spend on our Marketplaces due to ongoing loss cost inflation and unfavorable prior year reserve developments.

The increase in health insurance revenue for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was driven by increased customer acquisition spending in our marketplaces by advertisers, and an increased supply of consumer referrals to our marketplaces by our supply partners and our proprietary websites due to the increased demand.

The decrease in life insurance revenue for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was driven by a decrease in customers shopping for life insurance as concerns related to COVID-19 continued to ease.

The decrease in other revenue for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was driven by lower revenue from our travel vertical due to a reduced supply of consumer referrals resulting from higher traffic acquisition costs, lower revenue from our consumer finance vertical due to a reduction in mortgage and refinancing activity caused by rising interest rates, and a decline of $0.9 million resulting from our exit of the education vertical during the third quarter of 2022.

Cost of revenue

The following table presents our cost of revenue for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Cost of revenue	$ 226,545	$ (58,604)	(20.6)%	$ 285,149
Percentage of revenue	83.6 %			85.1 %

The decrease in cost of revenue for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was driven primarily by lower revenue share payments to suppliers due to the overall decrease in revenue.

Sales and marketing

The following table presents our sales and marketing expenses for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Sales and marketing	$ 19,802	$ (2,232)	(10.1)%	$ 22,034
Percentage of revenue	7.3 %			6.6 %

The decrease in sales and marketing expenses for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was due primarily to a decrease in personnel-related costs of $1.7 million and a decrease in equity-based compensation expense of $1.1 million, which were related to lower employee headcount resulting primarily from the RIF Plan, offset in part by an increase in amortization expense of $0.9 million related to the amortization of intangible assets arising from our acquisition of CHT and by severance benefits paid under the RIF Plan.

Product development

The following table presents our product development expenses for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Product development	$ 14,525	$ (1,643)	(10.2)%	$ 16,168
Percentage of revenue	5.4 %			4.8 %

The decrease in product development expenses for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was due primarily to a decrease in equity-based compensation expense and employee related costs of $1.3 million, which were related to lower employee headcount resulting primarily from the RIF Plan.

General and administrative

The following table presents our general and administrative expenses for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
General and administrative	$ 50,473	$ 9,904	24.4 %	$ 40,569
Percentage of revenue	18.6 %			12.1 %

The increase in general and administrative expenses for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was due primarily to a gain of $6.6 million recorded on remeasurement of the contingent consideration related to CHT as the fair value declined due to lower projected revenue and gross profit targets for CHT, a $4.0 million increase in legal costs, associated primarily with the civil investigative demand from the Federal Trade Commission and a legal settlement unrelated to our core operations, and an increase in equity-based compensation expense of $1.6 million. This increase was offset in part by a $2.0 million reduction in directors and officers insurance premiums.

Equity-based compensation

The following table presents our equity-based compensation expense that was included in costs and operating expenses for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Cost of revenue	$ 2,959	$ 322	12.2 %	$ 2,637
Sales and marketing	6,895	(1,056)	(13.3)%	7,951
Product development	6,176	(1,145)	(15.6)%	7,321
General and administrative	27,913	1,606	6.1 %	26,307
Total	$ 43,943	$ (273)	(0.6)%	$ 44,216

The decrease in equity-based compensation expense for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was driven primarily by lower employee headcount, resulting primarily from the RIF Plan, offset in part by expenses related to additional restricted stock units granted to employees as part of the annual incentive process and to employees hired in connection with our acquisition of CHT.

Amortization

The following table presents our amortization of intangible asset expense that was included in costs and operating expenses for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Sales and Marketing	$ 4,618	$ 860	22.9 %	$ 3,758
General and administrative	570	264	86.3 %	306
Total	$ 5,188	$ 1,124	27.7 %	$ 4,064

The increase in amortization expense for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was related to intangible assets arising from our acquisition of CHT.

Other expense, net

The following table presents our other expense, net for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Other expense, net	$ 1,165	$ (6,958)	(85.7)%	$ 8,123
Percentage of revenue	0.4 %			2.4 %

The decrease in other expense, net for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was driven primarily by an impairment charge of $1.4 million during the nine months ended September 30, 2023 related to a cost method investment, compared with an impairment charge of $8.6 million during the three months ended September 30, 2022.

Interest expense

The following table presents our interest expense for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Interest expense	$ 11,397	$ 5,489	92.9 %	$ 5,908
Percentage of revenue	4.2 %			1.8 %

The increase in interest expense for the nine months ended September 30, 2023, compared with the nine months ended September 30, 2022, was driven by an increase in the interest rate payable on amounts borrowed under the 2021 Credit Facilities, offset in part by the impact of lower outstanding balances in the current year period.

Income tax expense

The following table presents our income tax expense for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the two periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Income tax expense	$ 330	$ (880)	(72.7)%	$ 1,210
Percentage of revenue	0.1 %			0.4 %

For the nine months ended September 30, 2023, we recorded an income tax expense of $0.3 million resulting from our effective tax rate of (0.6)%, 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 nine months ended September 30, 2022, we recorded an income tax expense of $1.2 million resulting from our effective tax rate of (2.8)% 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.

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 (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Net (loss)	$ (18,698)	$ (21,226)	$ (53,262)	$ (44,096)
Equity-based compensation expense	14,454	14,600	43,943	44,216
Interest expense	3,947	2,593	11,397	5,908
Income tax expense (benefit)	102	(544)	330	1,210
Depreciation expense on property and equipment	87	98	275	295
Amortization of intangible assets	1,730	1,704	5,188	4,064
Transaction expenses(1)	5	106	553	636
SOX implementation costs(2)	—	—	—	110
Fair value adjustment to contingent consideration(3)	—	(3,746)	—	(6,591)
Impairment of cost method investment	—	8,594	1,406	8,594
Changes in TRA related liability(4)	—	13	6	(577)
Changes in Tax Indemnification Receivable(5)	(20)	(15)	(48)	(44)
Settlement of federal and state income tax refunds(6)	—	—	3	92
Legal expenses(7)	1,979	—	3,418	—
Reduction in force costs (8)	—	—	1,233	—
Adjusted EBITDA	$ 3,586	$ 2,177	$ 14,442	$ 13,817

(1) Transaction expenses consist of immaterial expenses and $0.6 million of legal, and accounting fees incurred by us for the three and nine months ended September 30, 2023, respectively, in connection with the amendment to the 2021 Credit Facilities, the tender offer filed by the Company's largest shareholder in May 2023, and a resale registration statement filed with the SEC. For the three and nine months ended September 30, 2022, transaction expenses consist of $0.1 million and $0.6 million of expenses, respectively, incurred by us in connection with our acquisition of CHT.

(2) SOX implementation costs consist of $0.1 million of expenses for the nine months ended September 30, 2022 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 fiscal 2021.

(3) Fair value adjustment to contingent consideration consists of $3.7 million and $6.6 million of gain for the three and nine months ended September 30, 2022, respectively, in connection with the remeasurement of the contingent consideration for the acquisition of CHT as of September 30, 2022.

(4) Changes in TRA related liability consist of immaterial expenses for the nine months ended September 30, 2023, and immaterial expenses and $0.6 million of income for the three and nine months ended September 30, 2022, 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) Changes in Tax Indemnification Receivable consists of immaterial income for the three and nine months ended September 30, 2023 and 2022, related to a reduction in the tax indemnification receivable recorded in connection with the Reorganization Transactions. The reduction also resulted in a benefit of the same amount which has been recorded within income tax expense (benefit).

(6) Settlement of federal and state tax refunds consist of immaterial expenses incurred by us for the nine months ended September 30, 2023, and $0.1 million of expense incurred by us for the nine months ended September 30, 2022, related to a payment to White Mountains for state tax refunds for the period prior to the Reorganization Transactions 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).

(7) Legal expenses of $2.0 million and $3.4 million for the three and nine months ended September 30, 2023, respectively, consist of legal fees incurred in connection with the civil investigative demand received from the

Federal Trade Commission (FTC) in February 2023 and costs associated with a legal settlement unrelated to our core operations.

(8) Reduction in force costs for the nine months ended September 30, 2023 consist of $1.2 million of severance benefits provided to the terminated employees in connection with the RIF Plan. Additionally, equity-based compensation expense includes $0.3 million of charges related to the RIF Plan for the nine months ended September 30, 2023.

Contribution and Contribution Margin

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

The following table reconciles Contribution with gross profit, the most directly comparable financial measure calculated and presented in accordance with GAAP, for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands)	**2023**	**2022**	**2023**	**2022**
Revenue	$ 74,573	$ 89,017	$ 270,975	$ 335,065
Less cost of revenue	(62,277)	(76,343)	(226,545)	(285,149)
Gross profit	12,296	12,674	44,430	49,916
Adjusted to exclude the following (as related to cost of revenue):				
Equity-based compensation	1,012	999	2,959	2,637
Salaries, wages, and related	878	989	2,832	2,679
Internet and hosting	138	126	418	349
Other expenses	179	189	513	531
Depreciation	9	12	30	30
Other services	514	492	1,795	1,598
Merchant-related fees	11	40	14	99
Contribution	15,037	15,521	52,991	57,839
Gross margin	16.5 %	14.2 %	16.4 %	14.9 %
Contribution Margin	20.2 %	17.4 %	19.6 %	17.3 %

Transaction Value

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

The following table presents Transaction Value by platform model for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Open Marketplace transactions	$ 73,053	$ 86,279	$ 263,568	$ 324,008
Percentage of total Transaction Value	67.0 %	58.8 %	61.6 %	57.0 %
Private Marketplace transactions	35,963	60,438	164,524	244,592
Percentage of total Transaction Value	33.0 %	41.2 %	38.4 %	43.0 %
Total Transaction Value	$ 109,016	$ 146,717	$ 428,092	$ 568,600

The following table presents Transaction Value by vertical for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Property & Casualty insurance	$ 44,715	$ 83,165	$ 223,305	$ 343,179
Percentage of total Transaction Value	41.0 %	56.7 %	52.2 %	60.4 %
Health insurance	51,210	46,190	161,450	152,839
Percentage of total Transaction Value	47.0 %	31.5 %	37.7 %	26.9 %
Life insurance	7,566	11,580	26,042	36,438
Percentage of total Transaction Value	6.9 %	7.9 %	6.1 %	6.4 %
Other	5,525	5,782	17,295	36,144
Percentage of total Transaction Value	5.1 %	3.9 %	4.0 %	6.4 %
Total Transaction Value	$ 109,016	$ 146,717	$ 428,092	$ 568,600

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.

The following table presents the percentages of total Transaction Value generated from clicks, calls and leads for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Clicks	66.1 %	76.7 %	73.0 %	77.9 %
Calls	19.9 %	15.1 %	16.0 %	12.7 %
Leads	14.0 %	8.2 %	11.0 %	9.4 %

Segment information

We operate primarily 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. Our acquisition of CHT did not create any additional segments as our chief executive officer continues to review financial information and allocate resources on a consolidated basis. 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 and cash and funds available under the 2021 Revolving Credit Facility. Our principal uses of cash include funding of our operations, interest payments, and mandatory principal payments on our long-term debt. As of September 30, 2023 and December 31, 2022, our cash and cash equivalents totaled $15.2 million and $14.5 million, respectively. As of September 30, 2023, the aggregate principal amount outstanding under the 2021 Term Loan Facility was $173.4 million and our borrowing capacity available under the 2021 Revolving Credit Facility was $45.0 million.

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, and we expect that we will continue to comply with our financial covenants under the 2021 Credit Facilities, for at least the next twelve months. To the extent that our current liquidity is insufficient to fund future activities or we do not remain in compliance with our financial covenants under the 2021 Credit Facilities, we may need to further reduce operating costs, negotiate amendments to or waivers of the terms of such credit facilities, refinance our debt, or raise additional capital. We have historically not used funds available under our credit facilities to fund our operations and payments under the credit facilities.

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, as supply chain disruptions and cost increases caused by the pandemic and overall inflationary pressures contributed to higher-than-expected P&C insurance claims costs, which led many carriers to reduce their customer acquisition spending to preserve their profitability. While one of our major insurance carrier partners had resumed their customer acquisition spending with us in the first quarter of 2023, beginning in late March 2023, they significantly reduced their customer acquisition spend with us due to experiencing higher than expected loss ratios on account of several underlying factors, including ongoing loss cost inflation and unfavorable prior year reserve developments, which reductions have continued to be in effect. These reductions impacted our expected near-term revenue and Adjusted EBITDA and our forecasted cushion with respect to compliance with the financial covenants under the 2021 Credit Facilities. We expect customer acquisition spend by P&C carriers to remain depressed during the fourth quarter of 2023 and are currently unable to reasonably estimate the impact of these reductions beyond the fourth quarter of 2023. In the event that our financial results are below our expectations due to cyclical conditions in our primary vertical markets or other factors, we may need to take additional actions to remain in compliance with the financial covenants under the 2021 Credit Facilities.

On April 1, 2022, we closed the acquisition of substantially all of the assets of Customer Helper Team, LLC ("CHT") for cash consideration of $49.7 million at closing, plus contingent consideration of up to $20.0 million based on CHT's achievement of revenue and profitability targets for the two successive twelve-month periods following the closing. 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. CHT was unable to meet its target for the first twelve-month period and accordingly we did not pay any consideration related to that period. Further, based on the current forecast for the CHT related business, we do not expect the contingent consideration for the second twelve-month period to be earned or payable. As of September 30, 2023, we have repaid $20.0 million of the amounts drawn under the 2021 Revolving Credit Facility to fund the purchase price for this acquisition.

We may in the future engage in additional merger and acquisition or other activities, including share repurchases, that could require us to draw on our existing credit facilities or 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, any payments under the TRA, and any contingent consideration payable in connection with our acquisition of CHT.

Cash Flows

The following table presents a summary of our cash flows for the nine months ended September 30, 2023 and 2022, and the dollar and percentage changes between the periods:

(dollars in thousands)	Nine Months Ended September 30, 2023	$	%	Nine Months Ended September 30, 2022
Net cash provided by operating activities	$ 14,937	$ (20,017)	(57.3)%	$ 34,954
Net cash (used in) investing activities	$ (60)	$ 49,710	(99.9)%	$ (49,770)
Net cash (used in) financing activities	$ (14,223)	$ (8,683)	156.7 %	$ (5,540)

Operating activities

Cash flows provided by operating activities were $14.9 million for the nine months ended September 30, 2023, compared with $35.0 million for the nine months ended September 30, 2022. The decrease was due primarily to higher net loss and an increase in net working capital due to the timing of payments of our accounts payable and accounts receivable.

Investing activities

Cash flows used in investing activities were $0.1 million for the nine months ended September 30, 2023, compared with $49.8 million for the nine months ended September 30, 2022. The decrease resulted primarily from the payment of cash consideration for our acquisition of CHT, which closed on April 1, 2022.

Financing activities

Cash flows used in financing activities were $14.2 million for the nine months ended September 30, 2023, compared with $5.5 million for the nine months ended September 30, 2022. The increase was due primarily to the net amount drawn on the 2021 Revolving Credit Facility to partially fund the CHT acquisition in April 2022 and higher payments made pursuant to the TRA and distributions to non-controlling interests during the nine months ended September 30, 2023, offset in part by payments made under the share repurchase program in 2022.

Senior secured credit facilities

2021 Credit Facilities

On July 29, 2021, QuoteLab, LLC entered into an amendment (the “First Amendment”) to the 2020 Credit Agreement (as amended by the First Amendment, the "Existing Credit Agreement"). The Existing 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 outstanding under the existing 2020 Term Loan Facility and the unpaid interest thereon 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.

On June 8, 2023, the Company entered into a Second Amendment (the "Second Amendment") to the Existing Credit Agreement, (as amended by the Second Amendment, the "Amended Credit Agreement"). The Second Amendment amends the Existing Credit Agreement to replace the existing LIBOR based rate applicable to the 2021 Credit Facilities to a Term SOFR or Daily Simple SOFR with a credit spread adjustment of 0.10% per annum, effective on the amendment date.

Borrowings under the 2021 Credit Facilities bear interest at a rate equal to, at our option, the Term SOFR or Daily Simple SOFR plus an applicable margin, with a floor of 0.00%, or a 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 Term SOFR or Daily Simple SOFR 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 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. The 2021 Revolving Credit Facility does not require amortization of principal and will mature on July 29, 2026.

As of September 30, 2023, we had $171.5 million of outstanding borrowings, net of deferred debt issuance costs of $1.9 million, under the 2021 Term Loan Facility, and $5.0 million of borrowings outstanding under the 2021 Revolving Credit Facility.

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 or any assignees 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. We amended the TRA on October 1, 2023 to, among other things, provide for use of a blended tax rate and replace the LIBOR with the SOFR as the interest rate benchmark.

In addition to tax expenses, we may also make payments under the TRA, which could 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. 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 our assessment of probability of making payments under the TRA, changes in blended tax rates, changes in tax laws or interpretations thereof could materially impact our results. As of December 31, 2022, in conjunction with recording a valuation allowance on our deferred tax assets and projections of future taxable income, we determined that we no longer consider the payments under the agreement to be probable, and so remeasured our liabilities pursuant to the TRA, net of current portion, to be zero. As of September 30, 2023 and December 31, 2022, the Company recorded zero and $2.8 million, respectively, as current portion of payments due under the TRA within accrued expenses on the consolidated balance sheets.

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 our 2022 Annual Report on Form 10-K and did not materially change during the nine months ended September 30, 2023.

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 $1.4 million impact on interest expense for the nine months ended September 30, 2023.

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 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 and supplier concentrations consisted of the below:

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total
Revenue	—	$ —	— %	1	$ 10	11 %
Purchases	1	$ 9	14 %	1	$ 9	11 %

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total
Revenue	—	$ —	— %	1	$ 42	13 %
Purchases	1	$ 26	12 %	1	$ 33	11 %

	As of September 30, 2023			As of December 31, 2022		
	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total	Number of customers or suppliers exceeding 10%	Aggregate Value (in millions)	% of Total
Accounts receivable	1	$ 5	15 %	—	$ —	— %
Accounts payable	1	$ 6	16 %	2	$ 22	40 %

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of September 30, 2023, 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 their 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 September 30, 2023.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during the three months ended September 30, 2023, 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 7 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 2022 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

The following table provides information about the Company's share repurchase activity for the three months ended September 30, 2023:

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
July, 2023	—	$	—	N/A	N/A
August, 2023	109,564	$	8.77	N/A	N/A
September, 2023	116	$	7.97	N/A	N/A

(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

During the three months ended September 30, 2023, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.