

EverQuote: Reinvest, Wait, or Diversify?

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The question

After a sharp retrenchment, EverQuote was seeing early signs that auto insurers were returning to customer acquisition. EverQuote's first-quarter results beat its guidance, and a larger marketplace competitor had just reported a sharp re-ramp in auto-insurance carrier spending. Yet EverQuote's revenue and variable marketing margin remained below the prior year, and its largest auto carrier represented a meaningful share of revenue.

For classroom purposes, assume EverQuote's leadership team is reviewing its next investment steps on May 9, 2024. This is a teaching scenario; EverQuote did not publicly announce a meeting or present the options below as a formal proposal. Should the company move faster to rebuild auto acquisition capacity, release investment in stages, or shift more incremental effort toward home and renters insurance? What evidence should govern the choice?

A marketplace for insurance shoppers

EverQuote connects consumers searching for insurance with insurance carriers and agents. Consumers use its digital properties to compare or request information; providers pay for referrals and, depending on arrangements, other consumer actions or outcomes. The company recognizes revenue when it delivers inquiries that qualify under its customer agreements. Traffic comes through direct and indirect distribution channels, and EverQuote also uses advertising to attract shoppers.

The model joins two groups with distinct reasons to participate. Consumers value relevant offers and a convenient search process. Carriers and agents value referrals that meet their acquisition needs and convert at an acceptable cost. The economic value of an additional shopper therefore depends on the providers available and on whether the referral is useful; the value of another provider depends on the volume and quality of shopper demand. Neither side's benefit can be inferred from participant counts alone.

EverQuote reported that direct channels generated 80% of Q1 2024 revenue and indirect channels 20%, compared with 86% and 14% a year earlier. The filing does not report source-level acquisition costs or contribution margins. The change in revenue mix makes channel allocation relevant, but it does not show that indirect channels are more or less profitable.

Industry research gives managers reasons to test rather than assume. Brown and Goolsbee estimated that Internet growth reduced U.S. term-life prices by 8%-15% in 1992-1997, using observational policy and group-level Internet adoption data. The result suggests that comparison can reduce search frictions and intensify price competition, but the study did not

examine auto referrals or EverQuote. Paid-search experiments at eBay found that much branded search advertising displaced organic traffic and average returns were weak, while a randomized Yahoo! display campaign for a retailer found a positive sales lift that many clicks would not capture. Those very different results point to channel-specific incrementality and downstream measurement, not a transferable return assumption. Two-sided-market models add that platform pricing and the balance of participation across consumer and provider sides matter; they do not establish the size or direction of EverQuote's network effects.

A business reset

Auto insurance had been pressured by claims inflation, higher repair costs and other underwriting challenges. EverQuote said insurers cut customer-acquisition spending as they sought to restore underwriting profitability. Its customer agreements generally did not require a minimum spend, leaving carriers able to change campaign budgets. This made the marketplace sensitive to shifts in insurer demand.

In 2023, EverQuote exited health insurance and reduced its workforce by about 30%. It also scaled back direct-to-consumer agency operations in auto and home. Management described the restructuring as a return to a more capital-efficient marketplace model. The moves reduced costs and capacity at a time of weak demand; the company would have to decide how much to rebuild if demand returned. Full-year 2023 revenue was \$287.9 million. Auto revenue was \$227.5 million, down 30% year over year; home and renters revenue was \$40.9 million, up 28%. Adjusted EBITDA was \$0.5 million. These reported measures cover a changing portfolio: health, which EverQuote said had been about 10% of FY2022 revenue, was exited in June 2023.

Early signs, not a settled recovery

On May 6, EverQuote reported first-quarter revenue of \$91.1 million, variable marketing margin (VMM) of \$30.8 million and adjusted EBITDA of \$7.6 million. Each exceeded the high end of the company's prior guidance. Revenue was still 16.6% below the first quarter of 2023. Auto revenue was \$77.5 million, down 13.6%; home and renters revenue was \$12.7 million, up 34.2%. The remaining “other” category was \$0.8 million, compared with \$10.1 million a year earlier, in part because of the health exit.

Management said some carriers had reactivated campaigns, increased budgets and expanded state footprints. It described the recovery as early and selective. EverQuote forecast second-quarter revenue of \$100 million to \$105 million, VMM of \$31 million to \$33 million and adjusted EBITDA of \$7 million to \$9 million. The outlook implied 9.8%-15.3% sequential revenue growth from Q1 actual, but it was management guidance, not a customer commitment.

Exhibit 1. EverQuote performance and mix

Reported unless marked derived; dollar amounts in millions. YoY changes are calculated from reported values.

Measure	Q1 2023	Q1 2024	Change / context
Revenue	\$109.220	\$91.065	−16.6% YoY
Automotive revenue	\$89.699	\$77.538	−13.6% YoY
Home and renters revenue	\$9.456	\$12.689	+34.2% YoY
Other revenue	\$10.065	\$0.838	Mix affected by health exit

Measure	Q1 2023	Q1 2024	Change / context
Advertising expense	\$73.627	\$60.247	–18.2% YoY
Variable marketing margin (VMM)	\$35.593	\$30.818	–13.4% YoY
VMM / revenue	32.6%	33.8%	Derived from reported values
GAAP operating income (loss)	(\$2.431)	\$1.766	Reported
Adjusted EBITDA	\$5.373	\$7.588	Company-defined non-GAAP
Direct / indirect share of revenue	86% / 14%	80% / 20%	Reported channel mix

Source: EverQuote Q1 2024 Form 10-Q, Results of Operations, printed pp. 24-26 and direct/indirect channel disclosures, printed pp. 12 and 24; see source note.

Carrier and competitor disclosures made the market signal more credible, without resolving its durability. Progressive reported 20% growth in Personal Lines net premiums written, increased media spend and lifted some earlier growth restrictions. It also reported flat direct-auto quote volume and lower conversion, and cautioned that the year was early. Progressive is one carrier, and the cited materials do not identify it as EverQuote's largest auto customer.

On May 8, competitor QuinStreet said auto-insurance client revenue had inflected strongly in January and scaled further through its fiscal third quarter. It called the carrier-spending rebound steep and forecast continued ramping. The public release reported total-company revenue of \$168.6 million, up about 40% sequentially, and guided to fiscal fourth-quarter revenue of \$180 million to \$190 million. QuinStreet's fiscal period and business mix differ from EverQuote's, so the revenue figures are not like-for-like. The report is evidence of a rival's experience and management's outlook, not a forecast for EverQuote.

The competitive field also included LendingTree's QuoteWizard marketplace, comparison services such as Insurify and Compare.com, agencies, and carriers' own channels. Insurify's acquisition of Compare.com had closed in March 2023. Public disclosures did not provide comparable market shares or show how much of a carrier's budget went to any single marketplace.

Exhibit 2. Signals about insurance demand

Source and period	Reported signal	What it does not establish
EverQuote, Q1 2024 release (May 6)	Select carriers reactivated campaigns, increased budgets and expanded state footprints; management characterized recovery as early and selective.	Breadth or duration of recovery; individual buyer commitments or EverQuote's marginal return.
Progressive, Q1 2024 (Apr. 26)	Personal Lines net premiums written +20%; media spend increased and some growth restrictions lifted; direct-auto quote volume flat and conversion –6%.	Market-wide carrier behavior, or Progressive's spending with EverQuote.
QuinStreet, fiscal Q3 2024 release (May 8)	Auto-insurance client revenue inflected in January and scaled during the quarter; management said carrier re-ramp was steep and expected it to continue. Total-company revenue \$168.6m; fiscal Q4 guidance \$180m-\$190m.	Like-for-like performance versus EverQuote, or its share of the same budgets. QuinStreet's fiscal quarter and revenue mix differ.

All are issuer-reported facts or outlook, not independent market estimates. QuinStreet's call was announced for May 8; its transcript was not reviewed.

What EverQuote could see in its own results

Q1 advertising expense was \$60.2 million, down 18.2% year over year. EverQuote defined VMM as revenue less advertising cost: \$30.8 million in Q1 2024, or 33.8% of revenue, compared with \$35.6 million, or 32.6%, a year earlier. In other words, VMM dollars declined even as VMM's share of revenue rose. VMM excludes personnel and other operating costs; it is not company profit. Q1 GAAP operating income was \$1.8 million, compared with an operating loss of \$2.4 million a year earlier. Adjusted EBITDA, a non-GAAP measure, was \$7.6 million, compared with \$5.4 million.

The filing said auto-insurance providers generated 85% of Q1 revenue, and its largest auto carrier customer accounted for 30% of total revenue. Carrier campaign spending and referral pricing could change with underwriting conditions. This concentration made a broad recovery valuable, but left the company exposed if a large customer changed course.

EverQuote ended March with \$48.6 million in cash. It had no revolver borrowings and could access up to \$25 million subject to eligible receivables, covenants and other facility terms. The credit line was not equivalent to unrestricted cash. The company reported \$10.4 million in operating cash flow for the quarter and said its existing cash should support at least 12 months of operations and capital spending without borrowing. A larger marketing budget could be variable, but restoring people, tools or service capacity might add costs that are harder to reverse.

The public record did not show marginal acquisition cost by traffic source, incremental return on added ad dollars, referral quality by cohort, conversion and policy value by channel, or auto versus home/renters VMM. It also did not reveal the returns to specific platform investments or how quickly capacity could be restored. The available results therefore support direction-setting and test design, but not a precise optimal budget or channel mix.

Exhibit 3. Investment economics and capacity constraints

Item	Q1 2024 public information	Limitation for the decision
VMM	\$30.818m; defined as revenue less advertising cost	Excludes personnel and other operating costs; not company profit or marginal return.
Advertising expense	\$60.247m	Average expense, not incremental cost per quote or profitable referral.
Largest auto carrier customer	30% of total Q1 revenue; auto providers 85% of revenue	No disclosed forecast of this buyer's next budget; contracts generally lack minimum spend.
Cash and operating cash flow	\$48.620m cash at March 31; \$10.440m operating cash flow in Q1	Cash also supports operations and working capital; not a disclosed investment budget.
Revolving credit facility	Up to \$25m, undrawn, subject to eligible receivables, covenants, interest and maturity	Conditional capacity; not equivalent to unrestricted cash.
Marginal return by source/vertical	Not disclosed	No public basis for a dollar allocation or ranking auto against home/renters by return.

Source: EverQuote Q1 2024 Form 10-Q, VMM and results, printed pp. 24-27; customer concentration, p. 12 and auto risk, p. 19; liquidity and facility, pp. 27-28.

Three directions

The alternatives below are teaching choices based on public facts, not options EverQuote disclosed management had formally proposed.

Move faster in auto. Add consumer acquisition and related platform/provider capacity while carriers are reopening campaigns. This could capture demand and protect marketplace position if recovery continues. It also risks buying traffic before customer budgets and referral economics prove durable, with exposure concentrated among auto buyers.

Stage-gate the reinvestment. Keep the leaner cost base and release incremental acquisition or capacity investment in steps tied to evidence such as campaign reactivation across multiple buyers, source-level contribution after acquisition cost, referral quality and renewal behavior. Staging could preserve flexibility if the recovery stalls; waiting could slow growth or cede share while competitors expand. The public filings do not disclose thresholds; any gates students propose are assumptions.

Diversify incremental effort toward home and renters. Commit more of the next capacity increase to a vertical whose Q1 revenue was growing, while maintaining selective auto exposure. This could reduce dependence on auto over time. Home and renters represented only about 14% of Q1 revenue, and the public data do not show its marginal returns, addressable scale or provider depth. Diversification may temper concentration, but it is not a proven hedge or a quantified return advantage.

Decision

At the May 9, 2024, 4:00 p.m. ET cutoff, EverQuote's leadership must choose a pace and a direction for incremental investment. The auto market may be opening, yet the company's year-over-year results remain weaker and the economics of added traffic are unknown. What should EverQuote do next, what evidence would change its course, and how should it measure whether new investment creates value for consumers and providers as well as for the marketplace?

Source note

All company and competitor facts above were public by the cutoff and are summarized from issuer or SEC materials. Reported facts are described as such; calculated rates and differences are derived from reported figures. The meeting, alternatives and proposed gates are classroom framing, not disclosed company plans.

- EverQuote FY2023 Form 10-K, filed February 27, 2024, Business and MD&A: [SEC filing](#).
- EverQuote Q1 2024 release, May 6, 2024, results and Q2 outlook: [company release](#). The announced earnings call and replay were not reviewed; no call-only claims are used.
- EverQuote Q1 2024 Form 10-Q, filed May 7, 2024 (SEC accession 0000950170-24-053832), vertical revenue, distribution mix, costs, VMM, concentration, liquidity and risks: [SEC filing](#).
- EverQuote health-exit announcement, July 6, 2023, and Q2 2023 restructuring release, August 7, 2023: [health vertical exit](#); [Q2 results and restructuring](#).
- QuinStreet FY2024 Q3 release, May 8, 2024; competitor's report and outlook: [SEC Exhibit 99.1](#). The call was announced for 2:00 p.m. PT; its transcript was not reviewed.
- QuinStreet FY2024 Q3 Form 10-Q, filed May 9, 2024, before the cutoff; [SEC filing](#) and [official filing index](#).
- Progressive Q1 2024 shareholder report and SEC exhibit, April 26, 2024: [shareholder report](#); [SEC exhibit](#). Progressive Q1 2024 Form 10-Q, premiums and quote/conversion metrics (printed p. 27, HTML lines 1355-1356; printed p. 29, HTML lines 1743-1747): [SEC filing](#).
- LendingTree FY2023 Form 10-K, Insurance/QuoteWizard discussion: [SEC filing](#). Insurify acquisition announcement and Admiral's confirmation of the March 27, 2023 closing: [Insurify](#), [Admiral Group](#).
- Academic sources: Brown and Goolsbee, *Journal of Political Economy* 110(3), 2002, [DOI](#); Blake, Nosko and Tadelis, *Econometrica* 83(1), 2015, [DOI](#); Lewis and Reiley, *Quantitative Marketing and Economics* 12(3), 2014, [DOI](#); Rochet and Tirole, *JEEA* 1(4), 2003, [DOI](#); Armstrong, *RAND Journal of Economics* 37(3), 2006, [DOI](#). See the academic source register for methods and reading limits.