
GLOBAL STEWARDSHIP STOCK STORIES: LENDINGTREE

Zaki Sabir explains why the Global Stewardship Portfolio Construction Group are very hopeful that LendingTree will be a rewarding investment for clients.

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Zaki Sabir: LendingTree is a US company headquartered in Charlotte, North Carolina, that is building an internet platform, to enable consumers to shop for financial products, primarily loans but also insurance and savings. LendingTree has been building this platform for over 20 years and we believe the business is the clear leader at what it does and is set for extraordinary long-term growth, which we are massively enthused by.

There are two lenses [with] which we consider investments for your Global Stewardship portfolio and I will briefly apply LendingTree to each.

Firstly, our stewardship consideration is chiefly: ‘Will this company add value to society over the long term?’ The answer here for me with regards to LendingTree is a resounding “yes”. Loans are essentially commodity products but, surprisingly in the US today, applying for loans is still mainly via [a] traditional paper-based system. So, for many US consumers consequently, having to apply for a loan is opaque, expensive, inefficient and frustrating. Now LendingTree [is] disrupting the status quo. LendingTree’s digital platform allows choice at a touch of a button. And choice with regards to financial products enables the saving of money. For example, on a mortgage which is typically the family’s largest monthly outlay.

The second lens of our investment framework is what we call ‘GEARS’. Growth, Edge, Alignment, Returns and Success. I’ll briefly touch on each of these for Lending Tree.

The G, or growth element, feels very large for LendingTree. LendingTree currently accounts for only 1 per cent of loans originated in the US. It has recently expanded into insurance, another category of a similar size. In time it will go into deposits, savings and investments, all wrapped by a branded internet platform giving the consumer exactly what they want cheaply and quickly.

The E, or competitive edge, at LendingTree is exciting because there is a virtuous circle in play here. As more and more consumers engage with LendingTree and shop there, the financial



providers are and will channel greater efforts and marketing dollars their way which will increase the number of offers on the platform, thereby attracting more consumers.

The A, or alignment, here is all about an energetic and tenacious gentleman, CEO and Chairman Doug Lebda. As a large and supportive shareholder, we have met Doug Lebda and we will continue to support him and encourage him to keep investing in the business, to continue to exploit the fantastic growth opportunity it has in front of it.

The R for returns is all about understanding the financial model. LendingTree, despite investing heavily, is already handsomely profitable and as it scales we see a path to profitability increasing, perhaps substantially so, and we take solace from the scalability we have seen in other digital platforms in your portfolio, such as Netflix or Chegg.

The thesis naturally has S as the pivot. This is about investment success. Success for your investment in LendingTree, we believe, could be substantial if the growth and profitability thesis that I have briefly alluded to transpire over our typical five-year plus investment horizon.

So, summing up, we are very excited and very hopeful that LendingTree will be a very rewarding investment for Global Stewardship clients.

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