

# EVERQUOTE

2019 Annual Report



# EVERQUOTE

Dear Fellow Shareholders,

I am writing this letter from home, as our company, like most of the country, has adapted to shelter-in-place brought about by the COVID-19 pandemic. Our thoughts are with all the individuals and businesses impacted around the world. Throughout this crisis we have been, and remain, dedicated to the safety of our team, our families and partners, as well as our broader community. We continue our focused mission to be the largest online source for insurance and are confident that the long-term tailwind for our business and shareholders is the shift of the insurance industry toward online distribution.

Throughout this period, I have been humbled and inspired by our incredibly dedicated and talented employees. Our team smoothly transitioned to serving our customers and collaborating with our partners during shelter-in-place and are working tirelessly to support our business, while also taking care of their families, those in need and their own health. We have adapted our business in anticipation of an extended period of working-from-home and are pleased to see that our team's productivity and spirit remain strong.

From a market perspective, we are fortunate that the insurance industry remains healthy. The largest vertical that EverQuote serves (auto insurance) is benefitting from fewer claims being filed as consumers are driving less due to stay-at-home orders throughout most of the country. We also believe that both consumer demand and provider budgets remain relatively strong in our other verticals, even if premiums might moderate for a period of time. In addition, our offerings provide consumers, who are often "belt-tightening" in a weaker economic environment, an opportunity to "shop and save" on the largely, non-discretionary expense of insurance. In surveys we have conducted, consumers purchasing auto insurance policies through our marketplace reported an average annual premium savings of \$610, which we estimate equates to over \$4 billion of cumulative savings for consumers since our Company's founding. While we remain cautious during these rapidly shifting market dynamics, we are intensely focused on building our business, and we continue to benefit from the secular shift of \$2 trillion of insurance premiums online.

During 2019, we made excellent progress on our mission to be the largest source of online insurance policies in the world. We exceeded our expectations across all of our key financial metrics and expanded our market opportunity by launching renters, health and commercial insurance verticals. A few financial highlights:

- Full year 2019 revenue increased 52% year-over-year to \$248.8 million.
- During the year, we further diversified our business as revenue from our non-auto insurance verticals increased 65% year-over-year to \$36.5 million and represented 15% of total revenue.
- The Company's Variable Marketing Margin, or "VMM", defined as revenue less advertising expense, grew 59% year-over-year and VMM as a percentage of revenue expanded 130 basis points to 29.5%.
- We achieved positive Adjusted EBITDA for the full year 2019 and we believe we have set the stage for continued revenue growth and expanding Adjusted EBITDA in 2020 and beyond.

Our success has been propelled by our team's successful execution against our growth levers: growing provider coverage and budget, attracting more high-intent consumers to our marketplace, deepening consumer engagement, resulting in an increasing conversion rate, and growing and expanding across insurance verticals. A few examples of our efforts in 2019 are as follows:

- Our traffic teams executed well in growing consumer volume and capitalizing on favorable market conditions, delivering a 56% increase in consumer quote request volume year-over-year, while reducing cost per quote request.
- Our data sciences team leveraged artificial intelligence to be more selective in the acquisition of higher-performing traffic, from both existing and new sources, by delivering the right ad, at the right time with a targeted, efficient bid.

- We added more providers and implemented 63 new integrations, as we work towards the goal of getting each consumer one click, or one call, away from every quote.
- Since launching our first verticals outside of auto insurance in 2016, we have seen a 127% compound annual growth rate in non-auto insurance revenues as we're confident we are experiencing the benefits of our network effect of our marketplace platform and from targeted investments in our growth levers.

In 2019, we also welcomed several senior leaders to our team, who joined us from leading technology companies such as Amazon, Wayfair, EBAY, TripAdvisor, Bank of America, Liberty Mutual, McKinsey and Boston Consulting Group. These senior hires are focused on driving our expansion into new verticals, improving customer engagement, and expanding distribution, as well as supporting the growth of our organization. In addition, these individuals embrace the entrepreneurial spirit and passion for innovation that has fueled EverQuote's growth since inception.

As we grow our marketplace, we are focused on delivering increasing Variable Marketing Margin, our key financial metric. We seek to maximize Variable Marketing Margin over the long-term, which along with disciplined OPEX investment, leads to expanding Adjusted EBITDA and profitability as we grow.

As we look ahead, we plan to invest across our growth levers and into new verticals as we expand our efficient, tech-powered insurance marketplace. We are focused on three primary themes for 2020:

- First, we have established the goal of completing deep integrations with 100% of our carriers by the end of 2020 to improve the customer experience and bind-rates, or policy purchase rates.
- Second, we are continuing to build our engineering and data science capabilities, as we leverage our large and growing dataset of consumer and carrier preferences to drive consumer satisfaction and operating leverage.
- Third, we are investing for distribution growth by building-out our sales and customer success teams.

We strive to be the partner of choice for online distribution to our insurance provider customers. We are investing in building deeper integrations to create a more efficient marketplace with less friction. Consumers enjoy a faster and simpler consumer experience; providers benefit from a streamlined opportunity to acquire new customers, which yields greater performance for their ad spend; and we expect will result in enhanced monetization for us.

In 2020, we plan to increase our investment in data sciences, machine learning and infrastructure with the goal of fully automating bidding across most traffic sources. We are also adding more sales and customer success team members as we scale our marketplace.

I am proud of our talented and growing EverQuote team. We have been successful attracting key leadership and experienced employees to come onboard. Together, we have built a highly collaborative, data-driven culture that is committed to our mission of being the largest online source for insurance policies in the world.

Our market opportunity is very compelling. An estimated \$146 billion was spent by the U.S. insurance industry in 2019 on commissions and advertising, which in our view is in the early stages of undergoing a seismic mix shift in favor of online channels. Carriers and agencies spent an estimated \$4-\$7 billion in online advertising in 2019, which is only approximately 3-5% of total distribution spend in insurance. As a leading online insurance marketplace, we are confident that EverQuote is uniquely positioned to benefit as insurance providers build on their early successes in online customer acquisition and continue to aggressively shift resources away from traditional advertising and offline acquisition in favor of digital channels. For more information on our market, please read the recently completed study analyzing the secular shift of the insurance industry online, which is available on the Investor Relations section of our website.

To summarize, we believe that the strength of our team and disciplined execution, coupled with the continued secular shift of insurance online, positions us well for 2020 and beyond.

I would like to thank our customers, our partners and our shareholders for believing in our vision and their ongoing support. I am honored to work with this team and have the deepest gratitude for their dedication and continued hard work in unprecedented times. I feel very lucky to be in a resilient sector of a great industry undergoing a huge shift online during these times. We remain bullish on the long-term prospects for our business, and we believe that the current crisis will further accelerate digital transformation in the insurance industry. We're confident that we have set the stage for future growth and profitability. And finally, I believe we will ultimately emerge stronger by getting through this experience together.

Yours Truly,

A handwritten signature in black ink, appearing to read "Seth Birnbaum". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Seth Birnbaum  
President and Chief Executive Officer

April 29, 2020



**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number: 001-38549

**EverQuote, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

26-3101161  
(I.R.S. Employer  
Identification No.)

210 Broadway  
Cambridge, Massachusetts  
(Address of principal executive offices)

02139  
(Zip Code)

Registrant's telephone number, including area code: (855) 522-3444

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, \$0.001 Par Value Per Share	EVER	The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Based on the closing price of the registrant's Class A common stock on the last business day of the registrant's most recently completed second fiscal quarter, which was June 28, 2019, the aggregate market value of its Class A common stock and Class B common stock (based on a closing price of \$13.00 per share on June 28, 2019 as reported on the Nasdaq Global Market) held by non-affiliates was approximately \$143,200,941.

As of February 29, 2020, the registrant had 16,354,278 shares of Class A common stock, \$0.001 par value per share, issued and outstanding and 10,420,181 shares of Class B common stock, \$0.001 par value per share, issued and outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for its 2020 Annual Meeting of Stockholders, which the registrant intends to file with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2019, are incorporated by reference into Part III of this Annual Report on Form 10-K.

**EverQuote, Inc.**  
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## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements, which reflect our current views with respect to, among other things, our operations and financial performance. All statements other than statements of historical fact contained in this Annual Report on Form 10-K, including statements regarding our future results of operations and financial position, business strategy and plans, and objectives of management for future operations, are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements.

In some cases, you can identify forward-looking statements by terms such as “may,” “should,” “expects,” “might,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” “seek,” “would” or “continue,” or the negative of these terms or other similar expressions. The forward-looking statements in this Annual Report on Form 10-K are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. These forward-looking statements speak only as of the date of this Annual Report on Form 10-K and are subject to a number of risks, uncertainties and assumptions described in the “Risk Factors” section and elsewhere in this Annual Report on Form 10-K. Because forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified, you should not rely on these forward-looking statements as predictions of future events. The events and circumstances reflected in our forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Some of the key factors that could cause actual results to differ from our expectations include:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, variable marketing margin, operating expenses, cash flows and ability to achieve, and maintain, future profitability;
- our ability to attract and retain consumers and insurance providers using our marketplace;
- our ability to develop new and enhanced products and services to attract and retain consumers and insurance providers, and our ability to successfully monetize them;
- our anticipated growth and growth strategies and our ability to effectively manage that growth;
- our ability to maintain and build our brand;
- our reliance on our third-party service providers;
- our ability to expand internationally;
- the impact of competition in our industry and innovation by our competitors;
- our ability to hire and retain necessary qualified employees to expand our operations;
- our ability to adequately protect our intellectual property;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business;
- the increased expenses and administrative workload associated with being a public company;
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;

- the future trading prices of our Class A common stock; and
- our use of proceeds from our initial public offering.

While we may elect to update these forward-looking statements at some point in the future, whether as a result of any new information, future events, or otherwise, we have no current intention of doing so except to the extent required by applicable law.

## PART I

*Except where the context otherwise requires or where otherwise indicated, the terms “EverQuote,” “we,” “us,” “our,” “our company,” “the company,” and “our business” refer to EverQuote, Inc.*

### ITEM 1. BUSINESS

#### Company Overview

*EverQuote makes insurance shopping easy, efficient and personal, saving consumers and insurance providers time and money.*

We operate a leading online marketplace for insurance shopping, connecting consumers with insurance providers. Our goal is to reshape insurance shopping for consumers and improve the way insurance providers, which we view as including both carriers and agents, attract and connect with customers shopping for insurance. With over 11 million consumer visits per month, our results-driven marketplace, powered by our proprietary data and technology platform, matches and connects consumers seeking to purchase insurance with relevant options from our network of insurance providers, saving consumers and providers time and money.

Consumers may view insurance as a simple commodity with standard pricing. Finding the right insurance product, however, is often challenging for consumers, who face limited online options, complex, variable and opaque pricing, and myriad coverage configurations. We present consumers with a single starting point for a comprehensive and cost-effective insurance shopping experience. Our marketplace reduces the time consumers spend searching across multiple sites by delivering broader and more relevant results than consumers may find on their own. Our service is free for consumers, and we derive our revenue from sales of consumer referrals to insurance providers. In consumer surveys we have conducted, consumers purchasing auto insurance policies from referrals made through our marketplace reported average annual premium savings of \$610, and we estimate providers have sourced over 7 million auto insurance policies through EverQuote as of December 31, 2019. Based on this data, we believe we have saved consumers purchasing auto insurance more than \$4 billion as of December 31, 2019.

Insurance providers operate in a highly competitive and regulated industry and typically specialize on pre-determined subsets of consumers. As a result, not every consumer is a good match for every provider, and some providers can struggle to reach the segments that are most desirable for their business models. Traditional offline and online advertising channels reach broad audiences but lack the fine-grained consumer acquisition capabilities needed for optimally matching consumers to specific insurance products. We connect providers to a large volume of high-intent, pre-validated consumer referrals that match the insurers’ specific requirements. The transparency of our marketplace, as well as the campaign management tools we offer, make it easy for insurance providers to evaluate the performance of their marketing spend on our platform and manage their own return on investment. Based on insurance provider feedback, we believe we are a large and efficient consumer acquisition and retention channel for our insurance provider customers.

The EverQuote platform is powered by data science. Our rich data assets and proprietary algorithms efficiently attract consumers, match them with relevant insurance providers and drive our overall business model. These assets include approximately 2 billion consumer-submitted data points, derived from over 65 million quote requests and 178 billion ad impressions acquired through \$664 million in cumulative advertising spend through December 31, 2019. We utilize our data assets throughout our business, from advertising and consumer acquisition to the innovation of new consumer and provider experiences, as well as to guide our strategic direction. As our data assets grow, our algorithms become more powerful. We believe our data science capabilities give us a significant competitive advantage.

Our marketplace benefits from significant network effects. As we attract more consumers to our platform, we collect more data to improve user experiences, which in turn improves conversion rates. The combination of these factors increases consumer traffic while reducing acquisition costs, leading to more quote requests for our insurance provider customers. Increased quote requests, combined with quote and bind feedback, improve providers' advertising and marketing efficiency in our marketplace, resulting in more providers and provider spend. More providers and provider spend enable us to attract more consumers, generating more data.

We have scaled our business in a capital-efficient manner, growing our company with less than \$10 million of equity raised to finance our business, prior to becoming a public company, to revenue of over \$125 million in 2017. Our revenue grew from \$61.9 million in 2014 to \$248.8 million in 2019, representing a compound annual growth rate of 32%. In 2018 and 2019, our total revenue was \$163.3 million and \$248.8 million, respectively, representing year-over-year growth of 52%. We had net losses of \$13.8 million and \$7.1 million in 2018 and 2019, respectively.

## **Industry Overview**

Insurance is a highly fragmented and competitive business, and one of the largest segments of the United States economy. There are over 2,000 insurance carriers and 100,000 insurance agencies in the United States, and in 2019, they collectively issued policies representing over \$2 trillion in in premiums. Based on data from S&P Global Market Intelligence; SNL Insurance Data and a study we commissioned by Stax Inc., we estimate automotive, home and renters, life, health and commercial insurance account for approximately 70% of the advertising dollars spent by these insurance carriers.

### ***Insurance marketing spend is large and evolving***

To capture new policies and retain existing customers, insurance providers advertise across a broad range of online and offline marketing channels, devoting significant resources to sales and distribution. Separately, the internet has become increasingly influential in consumer insurance shopping. While insurance providers have been reallocating marketing spend from traditional media sources to online media channels, we believe the shift of marketing budgets online continues to lag the shift in consumer behavior.

Based on carrier online advertising and agent marketing spend, we estimate that we have an immediate opportunity in excess of \$5.6 billion per year, with a total addressable market of \$146.1 billion annually. Given the continued shift toward online channels over traditional media and the ongoing growth in agency commissions, we expect our immediate opportunity to expand in the future. For example, U.S. insurance carriers spent \$146.1 billion in marketing and distribution in 2019, consisting of \$130.5 billion in commissions to agents and \$15.6 billion in direct advertising, according to data from S&P Global Market Intelligence; SNL Insurance Data and a study we commissioned by Stax Inc. Based on these same sources, online insurance advertising spend of North American insurance carriers was \$5.6 billion in 2019 and is estimated to grow more than 16% annually through 2024. We believe that carriers will continue to shift advertising dollars online in order to capitalize on the superior marketing characteristics of digital channels.

### ***Insurance products are complex and highly regulated***

While insurance may be perceived by consumers as a commodity, it is complex and must be configured to match each consumer's particular circumstances. In the United States, regulatory requirements vary state by state, with each state having different actuarial standards, statutory requirements and regulations, and there are numerous types and levels of coverage, bundling and discounts available from each provider. These complexities make it challenging for consumers to compare and choose from among the hundreds of available insurance providers and coverage combinations.

The modification of insurance rates and policy forms is an onerous and cumbersome state-by-state process that, in many states, can take months and require document submissions consisting of thousands of

pages, and limits the consumer attributes that may be considered in setting rates. As a result, insurance providers have limited ability to quickly adjust their pricing in response to losses or changes in market conditions and lack the ability to price policies dynamically to match expected customer value, attributes and behavior.

Insurance products are not priced in a uniform manner. Pricing strategies vary across providers and assessment of individual consumer risk is based on pre-set consumer attributes, such as vehicle type and location. Each consumer-to-product pairing yields a specific rate based on static rate tables filed semi-annually or annually with state regulators, with pricing that may vary widely across insurance providers and consumer profiles. Consumers seeking insurance are often unaware of any given insurance provider's product strategies, strengths or offerings, which may lead to suboptimal shopping and significant inefficiencies for consumers and providers.

### ***Insurance shopping is being enabled by new digital tools***

We expect that the ongoing shift to online insurance shopping by consumers and the increasing digitization of insurance risk assessment and workflows will enable more personal, end-to-end shopping experiences, products and services. Moreover, emerging online agencies and digital carriers launched to take advantage of these trends are typically directed towards niche audiences and have limited marketing budgets, making capturing the right consumers challenging for them. We believe that the confluence of these factors favors business models that efficiently match supply and demand, allowing insurance providers to capture consumers' purchase intent online while taking advantage of the benefits of targeted digital advertising.

### ***Insurance agents are an essential and growing part of the industry landscape***

Despite the rising number of consumers shopping online for insurance, insurance agents continue to play an important role in the insurance buying process.

We estimate there are approximately 100,000 agencies in the United States who sell insurance products across the auto, home and renters, life, health and commercial insurance markets. Based on information from a study we commissioned by Stax Inc. and from S&P Global Market Intelligence; SNL Insurance Data, these agents earned over \$130 billion in commissions from carriers in 2019.

## **Market Opportunity**

The challenges faced in the \$146.1 billion insurance sales, marketing and distribution market create a significant opportunity for companies that can efficiently align consumers and providers. These challenges include:

### ***Misalignment of providers and consumers creates an inefficient match between supply and demand***

As a result of pricing and regulatory complexity, many insurance providers specialize in pre-determined sub-sets of consumers across products, sales, claims processing and support functions to optimize their business models for profitability and expected loss ratios. At the same time, consumers may struggle to make informed buying decisions due to the large number of providers, breadth of insurance products and services available, and opaque pricing and coverage options. The inability of insurance providers to attract only those consumers who match their optimal risk profiles, combined with the lack of comprehensive information for consumers, creates a supply and demand misalignment.

### ***Complex, fragmented and opaque market for consumers***

Selecting the right insurance provider is challenging for consumers, as there are more than 2,000 insurance carriers in the United States, each with different risk-assessment requirements, product offerings, and pricing. Consumers have distinct attributes and insurance needs and historically have lacked access to

comprehensive tools to identify and connect with the right providers. Moreover, pricing for the same coverage can vary widely from one provider to another, and even across different sales channels within the same provider. While consumers seek competitive pricing, they are often unaware of pricing differences, the level of coverage needed for their particular circumstances, and any given insurance provider's product strategies, strengths or offerings. These market conditions may lead to suboptimal shopping, significant inefficiencies for consumers and the need for expert advice and support to make informed decisions.

### ***Inefficient advertising channels for insurance providers***

Advertising for insurance providers is challenging and its effectiveness is limited by several factors:

- Insurance providers require extensive information about demographic and behavioral attributes in order to determine pricing and the policy value of a given consumer. This information is either unavailable or unreliable for targeting through traditional online and offline channels. In addition, traditional channels lack the ability to identify and segment a provider's existing customers, limiting the utility of these channels for retention.
- Due to regulatory constraints, providers require long lead times to reprice their products. As a result, carriers may find their products mispriced to risk of loss across large consumer segments for extended periods of time. Traditional channels, and in particular television, lack the fine-grained controls to quickly and selectively adjust consumer acquisition strategies and align advertising spend with loss tolerance.
- Providers are constrained in their immediate ability to tailor premiums to individuals due to the regulatory environment and, as a result, cannot price competitively for every consumer. With traditional online and offline advertising, providers often pay to attract consumers who are unlikely to buy a policy due to pricing mismatches.

Due to these factors, traditional advertising channels are inefficient for insurance providers.

### **Our Solution**

Our goal is to reshape insurance shopping for consumers and improve the way insurance providers attract and connect with customers shopping for insurance. Our results-driven marketplace, powered by our proprietary data and technology platform, matches and connects consumers seeking to purchase insurance with relevant options from our network of insurance providers, saving consumers and providers time and money.

### ***Proprietary, data-driven technology platform***

Our platform efficiently attracts consumers shopping for insurance to our websites and call center, which matches them to relevant providers for streamlined quoting. This enables us to maintain high levels of quality control and refer real-time quote requests to our insurance provider customers at the moment of the consumer's purchase intent.

### ***Bid***

We advertise to consumers, under the EverQuote brand, as well as additional brands, across hundreds of online channels including internet search, email, social media and display advertising. Our algorithms efficiently manage millions of advertising impressions per day, utilizing insights from our proprietary data assets and A/B testing to optimize bids, advertising creatives and placements across channels. In order to attract high-quality consumers to our websites and mobile applications at optimal cost, we continuously analyze and test the effectiveness of our advertising and use automated dynamic adjustments to our traffic acquisition efforts. We store all of our advertising placement data in our central data warehouse and provide our analysts, data scientists and engineers with broad access to optimize our consumer acquisition activities.

## *Quote request*

At the time of an online quote request, consumers submit approximately 10 to 50 items of data, depending on the type of insurance, representing the majority of data required by providers for matching, quoting and binding, and we provide returning consumers with the ability to submit subsequent quote requests without the need to re-enter all of their data. This information is securely exchanged with insurance providers at the moment of referral, enabling providers to produce quotes quickly, with minimal additional steps and information needs. In 2019, we matched and referred nearly 20 million online quote requests to insurance providers' quoting and binding workflows.

In 2019, we expanded our definition of quote requests to include consumer quote requests we receive through offline channels such as telephone calls and quote requests submitted directly to third-party partners. Quote requests from telephone calls result from consumers dialing into one of our call center partners to request a quote. Once we receive a call from a consumer, that consumer is transferred to an insurance provider. These quote requests are different from our online quote requests because these consumers may never visit one of our websites or submit an online request for an insurance quote before being referred to an insurance provider. We do not receive or provide as much information about consumers whose quote requests originate from inbound telephone calls as opposed to online. Lastly, beginning in the first quarter of 2019, we started acquiring quote requests submitted to third-party partners as part of our verified partner network. Through our verified partner network, we acquire consumer quote requests that are submitted by consumers directly to select third parties. Quote requests acquired by us from third parties in our verified partner network contain substantially all the same information we obtain in our own online quote requests.

## *Bind*

We combine consumer-submitted information and our internal data with proprietary machine learning algorithms to optimize matching and bind rates for consumers and insurance providers. Based on insurance provider feedback, we believe we are a large and efficient consumer acquisition and retention channel for our insurance provider customers. Based on phone surveys conducted by EverQuote in 2018 and 2019, of consumers that submitted quote requests, approximately 20% of these consumers purchased insurance from an insurance provider participating in our marketplace.

## *Retention*

Our platform enables insurance providers to identify and run campaigns for their existing customers and provide retention-oriented offers alongside the other options being presented.

## *How we engage with consumers*

We engage with consumers through user-friendly and easy-to-navigate websites that make shopping for insurance easy, cost-effective and more personal. For our online consumers, we guide them through the process of submitting a quote request with simple instructions and helpful information about how their profile and choices may affect their results. Upon completing their quote requests, consumers are connected with relevant options from our comprehensive provider network, allowing them to quickly and easily compare coverage options. We aim to make the end-to-end shopping experience seamless by enabling consumers to securely share their data with matched providers, accelerating quoting and reducing repetition in the shopping process.

We also engage consumers offline through non-company branded television campaigns and consumer calls placed directly to a call center partner. When a consumer dials into one of our call center partners, the consumer is matched to an insurance provider based on attributes provided by the consumer. In addition, through our verified partner network, we acquire consumer quote requests that are submitted by consumers directly to select third parties. Quote requests acquired by us from third parties in our verified partner network contain substantially all the same information we obtain in our own online quote requests.

### ***How we engage with insurance providers***

Insurance carriers and agents connect with our marketplace through EverQuote Pro, our web-based provider portal. EverQuote Pro matches insurance carriers and agents with consumers who complete quote requests on our websites, through phone calls or through our verified partner network. Our portal provides transparent, secure access to marketplace data regarding consumer type, volume and referral pricing, along with sophisticated campaign management tools for targeting consumers based on a wide array of attributes.

Providers in our marketplace bid for consumer referrals based on either pre-defined segments or dynamic profiles. Bids may be static or dynamically adjusted based on specified criteria, such as consumer attributes, time of day and geographic location. Regardless of bidding mechanism, insurance providers in our marketplace participate in a unified, real-time auction that matches consumers with the most relevant providers on our platform based on bid, preferred consumer profile, predicted bind rate and other factors. Through this auction process, we align provider economics with consumer demand.

Our tools are designed to integrate with insurance providers' internal workflows to minimize administrative burden, and can incorporate quote, bind and lifetime value feedback, enabling providers to evaluate and optimize their acquisition and retention campaigns through a single interface. We support the industry-standard web-based marketing, customer relationship management and referral management systems commonly used by insurance providers, allowing easy adoption of our platform.

### ***Key benefits for consumers***

We offer consumers a streamlined and personalized insurance buying experience, providing the following key benefits:

#### ***Saving time and money***

We provide consumers with multiple relevant insurance product options based upon the information submitted by them at quote request, enabling them to save both time and money. In consumer surveys we have conducted, consumers purchasing auto insurance policies from referrals made through our marketplace reported average annual premium savings of \$610. We estimate providers have sourced over 7 million auto insurance policies through EverQuote as of December 31, 2019. Based on this data, we believe we have saved consumers purchasing auto insurance more than \$4 billion as of December 31, 2019.

#### ***Single starting point for a comprehensive insurance shopping experience***

Our marketplace provides a single starting point to access a range of relevant insurance options beyond what consumers might otherwise find on their own. With an extensive network of national and regional carriers, technology enabled insurance startups, as well as more than 7,000 insurance agencies, we believe the depth and breadth of our insurance provider network allows us to present a comprehensive set of options to consumers.

#### ***Results-driven insurance shopping destination efficiently matching consumers with relevant options***

Our platform empowers consumers to make better and more informed insurance decisions. Our algorithms factor in consumer input data, insurance provider bid preferences and economics and, when available, quote, bind and lifetime value feedback. These algorithms are designed to optimize for various factors including the likelihood of a policy sale, consumer satisfaction and insurance provider return on investment. We match and connect consumers, based on consumer attributes and a number of other factors, with relevant options from the broad range of insurance providers on our platform.



### *Seamless online or offline handoff to quote or bind a policy*

Our seamless consumer handoff integrations minimize the additional information required to provide a quote or bind a policy either online or offline. This reduces consumer shopping time, improves the consumer experience, and increases the likelihood of completing a purchase.

### ***Key benefits for insurance providers***

Based on insurance provider feedback, we believe we are a large and efficient consumer acquisition and retention channel for our insurance provider customers. We offer insurance providers the following key benefits:

#### *Access to a high volume of in-market online consumers*

We attract consumers seeking insurance from hundreds of online sources and a limited number of offline sources. For consumers visiting us online, we further validate purchase intent by requiring consumers to submit approximately 10 to 50 items of data in order to submit a quote request. We also provide returning consumers with the ability to submit subsequent quote requests without the need to re-enter all of their data. From 2014 to 2019, our annual quote requests grew from 2 million to 20 million. As a result, we are able to refer a high volume of high-intent consumers to our insurance provider partners.

#### *Efficient acquisition of consumers that match providers' specific criteria*

We offer insurance providers fine-grained controls to select specific consumer profiles relevant to their underwriting practices and preferences, enabling them to efficiently target rational cost-per-sale relative to long-term value for each referral. In addition, the transparency of our marketplace, as well as the campaign management tools we offer, make it easy for insurance providers to evaluate the performance of their marketing spend on our platform and manage their own return on investment.

#### *High bind rates for referrals through broad data integration with providers*

Our seamless consumer handoff technology integrates with insurance providers to reduce the number of steps required from referral to bind, increasing transparency and consumer satisfaction. We securely provide quote request data, allowing insurance providers to adjust their quoting workflows in ways that are compatible with their existing infrastructure and business requirements. This data handoff provides carriers and agents with the core information needed to bind a policy with minimal steps after quote request.

#### *Flexible advertising channel*

Our marketplace allows providers to rapidly align cost-per-acquisition and distribution of advertising dollars with preferred consumer profiles. With granular budgeting and bidding tools, providers have extensive, near real-time control over the distribution and utilization of their advertising spend on our platform.

## **Our Strengths**

We believe that our competitive advantages are based on the following key strengths:

### ***Results-driven marketplace for consumers***

We efficiently match and connect consumers with relevant insurance providers for their specific circumstances and needs, reducing the time needed to compare providers and increasing the chance of purchasing insurance. Consumers receive options, enabling them to select the right insurance policy for their needs from our network of insurance providers. Our network includes an extensive array of insurance carriers, including many of

the largest property and casualty carriers by premium volume as well as more than 7,000 insurance agencies. We believe that offering a personalized, comprehensive and provider-inclusive consumer experience has helped us to become a leading marketplace for online insurance shopping.

### ***Disruptive data-driven approach***

Our marketplace is powered by a proprietary data and technology platform that efficiently attracts insurance shoppers from a diverse and large array of sources, increases the bind rate for consumers, and we believe will drive down the cost of acquisition for providers over time. As of December 31, 2019, we employed over 140 analysts, data scientists and engineers who continually leverage our growing data assets to improve our capabilities. As of December 31, 2019, our data assets included approximately 2 billion consumer-submitted data points, derived from over 65 million quote requests and 178 billion ad impressions acquired through \$664 million in advertising spend. We leverage our data assets to further improve the conversion rate of our referrals and matching efficiency, and to innovate new products for consumers and providers through rapid, test-driven development.

### ***Powerful network effects***

Our insurance marketplace benefits from significant network effects. As we attract more consumers to our platform, we collect more data to improve user experience, which in turn improves conversion rates, which we believe will improve consumer satisfaction. The combination of these factors has increased consumer traffic, leading to more quote requests for our insurance provider customers. Increased quote requests, combined with quote and bind feedback, improve providers' advertising and marketing efficiency in our marketplace, resulting in more providers and provider spend. More providers and provider spend enable us to attract more consumers, generating more data. Through these characteristics of our platform, we increased the volume of quote requests referred to our insurance provider customers from 2 million in 2014 to 20 million in 2019.

### ***Ability to expand with significant operating leverage***

We have leveraged our data assets, technology platform and engineering and data science capabilities, along with our growing audience of consumers and network of insurance providers, to expand our platform from the auto insurance market into such markets as home and life insurance markets. We have entered these new verticals with only a modest increase in headcount, and we have already achieved attractive economics and high growth.

Our cost structure provides us with the flexibility to react to changes in the business cycle. Our largest expense, advertising, is variable and can be quickly adjusted to market conditions. During economic downturns, advertising expenses can be rapidly reduced. Conversely, during periods of economic expansion we can increase advertising spend to attract consumers to our platform and further enhance the strength of our marketplace. We are also able to quickly adjust our advertising expense if we believe the revenue associated with it does not result in incremental profit to the business.

### ***Founder-led management team with culture of innovation and track record of capital efficiency***

Our co-founders are Seth Birnbaum, Chief Executive Officer, and Tomas Revesz, Chief Technology Officer. Seth, a co-founder and chief executive officer of Digital Guardian, Inc. (formerly Verdasy, Inc.), brings to EverQuote a broad range of management and start-up experience, complemented with engineering skills and information technology expertise. Tomas, a co-founder and an executive vice president of Digital Guardian, Inc. (formerly Verdasy, Inc.), brings to EverQuote extensive knowledge in IT systems development and management. Since our inception, we have built a team focused on data-driven innovation, which remains at the heart of our culture.

In addition, our management team has a track record of being good stewards of capital. We rapidly scaled our business in a capital-efficient manner and, prior to our IPO in July 2018, grew our company to revenue of over \$125 million in 2017 with less than \$10 million of equity raised to finance our business.

## **Our Growth Strategies**

Our core mission is to be the largest source of insurance policies in the world by using data and technology to make insurance simpler, more affordable and personalized. We leverage data and technology to empower consumers with better information and options, enabling them to identify and reduce risky behaviors, lower their insurance costs and lead safer lives.

Data-driven innovation is at the core of our strategy, culture and operating focus. With our diverse team of analysts, engineers and business development employees, as well as our partnerships with leading insurance providers, we are working to build the largest and most trusted online insurance marketplace in the world. To achieve this goal, we intend to continue to grow our business by pursuing the following strategies:

### ***Attract more consumers to our marketplace***

We plan to expand the number of consumers reaching our marketplace through existing channels by leveraging the superior features and growing data assets of our platform. In addition, we may launch new marketing channels to acquire consumers both online and offline. In 2019, we had, on average, over 54,000 daily quote requests in our marketplace from consumers. We believe that there is an opportunity to attract substantially more high-intent consumers to our existing insurance offerings and that there are further expansion opportunities in adjacent verticals.

### ***Add more insurance providers and increase revenue per provider***

We plan to grow the number of insurance providers on our platform by demonstrating the value proposition of our marketplace as an efficient, scalable customer acquisition channel and adding new provider-facing features. While not a factor in our historical increases in revenue per quote request, we believe we have an opportunity to also increase the number of referrals per quote request while maintaining or increasing the bind rate per quote request, which would allow us to increase our revenue at limited marginal cost. In addition, we plan to expand revenue per provider by increasing consumer traffic and quote request volume, adding verticals and innovating advertiser products and services.

Despite the high costs, saturation and lower overall conversion rates associated with traditional advertising channels, such as television, radio and billboards, insurance carriers still allocate a significant portion of their advertising budgets towards these channels. We have achieved over \$248.8 million in annual revenue while capturing only a small fraction of insurance marketing spend in aggregate and at an individual provider level.

### ***Expand and deepen consumer engagement***

We continuously leverage our data assets and growing consumer volume to conduct test-driven product development. We actively innovate with new consumer offerings and enhanced user experience to deepen consumer engagement. Our goal is to provide broader and more meaningful consumer experiences, leading to increased return visits, and higher frequency of interaction, which we believe will result in greater revenue per user.

### ***Invest in our technology platform and people***

We have increased the size of our analyst, data science and engineering teams every year, enabling us to increase our consumer traffic and conduct more A/B testing, improve conversion rates in our marketplace and

improve advertising efficiency over the long term. We plan to continue to invest in our data and technology platform by growing our analyst, data science and engineering teams, enabling us to improve the breadth and efficiency of our marketplace for consumers and providers. In the future, we may also expand our capabilities and team through selective acquisitions.

### ***Launch new verticals on our platform***

We have demonstrated the ability to efficiently expand into new markets by leveraging our data, technology, partner relationships, consumer audience and talent. In 2016, we entered into the home and life insurance markets. In 2019, we launched the additional verticals of health and commercial as well as expanded our home offerings to include renters insurance with modest increase in our overall headcount. As the shift towards digital continues to accelerate in the personal risk marketplace, we believe we are well positioned to expand into new verticals such as renters and commercial insurance.

### ***Enhance our brand awareness***

We believe we have significant opportunities to increase our brand awareness. Historically, our marketing efforts have been focused on algorithmic consumer acquisition rather than brand marketing. We plan to further expand our marketing channels to drive greater brand recognition and attract a broader consumer audience.

### ***Grow internationally***

Today we operate solely in the United States. We believe there are significant opportunities for us to expand into other countries. We expect to launch in international markets over time with a focus on markets similar to the United States.

## **Proprietary Data Assets and Algorithms**

### ***Our data assets***

We leverage our data assets to enhance our competitive position and inform our decision making. As of December 31, 2019, our data assets included approximately 2 billion consumer-submitted data points, derived from over 65 million quote requests and 178 billion ad impressions acquired through \$664 million in advertising spend.

Our data assets are comprised of:

- granular bid and impression-level performance data across a diverse landscape of advertising channels and platforms;
- consumer-provided geographic, demographic, preference and behavioral data obtained through our websites and mobile applications;
- consumer insights derived from third-party tools, including phone number and address validations and IP address geolocation; and
- insurance carrier and agent bids and when available, quote, bind and lifetime value feedback.

We use our data assets to:

- optimize and scale our algorithmic advertising and consumer acquisition efforts;
- effectively match consumers with insurance providers;

- conduct continuous A/B testing to develop our consumer experiences and insurance provider tools and services; and
- make decisions regarding our company’s strategic direction, including entry into new markets and verticals.

We invest in making these assets accessible to our analysts, data scientists and engineers through a centralized warehouse, custom reporting and business intelligence tools and application programming interfaces. Our analysts, data scientists and engineers have access to operational data and metrics about our business through our proprietary internal business data management system, known as Goat.

### ***Our algorithms***

Our business model leverages proprietary algorithms across our marketplace, including in our advertising campaigns and consumer acquisition efforts, and for optimizing consumer-provider alignment. As our data assets grow, our algorithms become more powerful.

#### *Multi-channel bid automation algorithms*

Our data assets power our purpose-built, multi-channel bid automation and machine learning models. These tools enable granular decision-making by our consumer acquisition teams across complex, large-scale advertising campaigns.

#### *Consumer alignment algorithms*

Our consumer alignment algorithms implement a multi-step process for matching consumers with the insurance providers that we believe are most likely to provide the right coverage at a competitive price. These algorithms factor in consumer input data, insurance provider bid preferences and economics and, when available, quote, bind and lifetime value feedback. These algorithms are designed to optimize for various factors including the likelihood of a policy sale, consumer satisfaction and insurance provider return on investment. We believe that the accuracy of the matches provided by our consumer alignment algorithms will improve over time as we accumulate additional data across the insurance landscape and expand provider coverage in our marketplace.

## **Products and Services**

### ***Consumer products***

#### *EverQuote.com*

We evolve our mobile and desktop consumer websites through continuous, iterative testing and optimization. Every change is tested and evaluated against our goal to make insurance shopping easier while saving consumers time and money. Through this rigorous process, we introduce new features to enhance ease-of-use and improve messaging, clarity and user experience.

Capabilities such as pre-fill and partial quote retrieval help reduce consumer burden and ultimately enable higher conversion rates and data quality for our insurance provider customers. By integrating our platform with providers’ online workflows, we extend this ease of use throughout the shopping experience; providers receive all or nearly all the data required to quote a consumer, allowing them to shorten or eliminate steps in their workflows. As the level of integration increases, we believe consumer satisfaction in our marketplace will continue to improve. Immediately upon submitting an online quote request, we match the consumer with insurance providers and present personalized listings determined by our consumer alignment algorithms. These listings provide access to quotes through a variety of referral formats, both online and offline. This approach helps unify the fragmented insurance landscape for the consumer and provides a single entry point to request and compare quotes.

As of December 31, 2019, our marketplace generated over 65 million auto, home and renters, life, commercial and health insurance quote requests and, we estimate, over 7 million policies.

### *Inbound Calls and Verified Partner Network*

Starting in 2019, we began to connect and match consumers to insurance providers through inbound calls from consumers to our call center partners. When a consumer dials into one of our call center partners, the consumer is offered a selection of insurance providers based on the consumer's zip code. In addition, beginning in the first quarter of 2019, we also started acquiring quote requests submitted to third-party partners as part of our verified partner network. Through our verified partner network, we acquire consumer quote requests that are submitted by consumers directly to select third parties. Quote requests acquired by us from third parties in our verified partner network contain substantially all the same information we obtain in our own online quote requests.

### *Products and services for insurance providers*

We provide insurance carriers and agents with industry-leading products and services to grow their businesses. Our ability to deliver a large volume of high-intent consumer referrals that are aligned with providers' desired consumer attributes makes us an effective channel for providers to grow efficiently. Based on insurance provider feedback, we believe we are a large and efficient consumer acquisition and retention channel for our insurance provider customers. Our products and services include:

#### *EverQuote Pro for carriers*

Carriers access our marketplace through EverQuote Pro for carriers, a web interface that enables them to manage campaigns efficiently at scale. EverQuote Pro allows for granular targeting of consumers based on insurance-related attributes including geography, demographics, behavioral characteristics and coverage needs. These tools enable carriers to acquire their ideal customers efficiently and at scale, delivering better return on investment than their own traditional channels.

#### *EverQuote Pro for agents*

Agents access our marketplace through EverQuote Pro for agents, a web interface that enables them to specify their desired consumer profiles, geographic areas, hours of operation, budgets and product types across auto, home and life insurance through a single interface. This self-service platform allows agents to access our marketplace with minimal effort to purchase referrals. Carriers may also provide subsidies for the benefit of agents, that are paid to us to reduce the amount agents pay for referrals.

#### *SmartCampaigns*

Our SmartCampaigns offering provides automated bidding strategies for participating insurance providers. SmartCampaigns optimizes spend to maximize quote and bind volume while meeting providers' return-on-investment targets. Participating providers integrate with SmartCampaigns by providing real-time performance feedback, including quote, bind and policy-value information for every referral, allowing our proprietary algorithms to continuously align and adjust providers' bids and budgets across consumer segments. SmartCampaigns enables providers to acquire a higher volume of policies at better return on investment than they might be able to achieve operating independently in our marketplace.

#### *Seamless consumer handoff*

Carriers require a rich set of consumer attributes in order to render an accurate quote. Providing this information multiple times in order to compare quotes is a cumbersome process for consumers, and can lead to

lower conversion rates and lost sales for providers. As a result of our scale and history as a trusted partner, we integrate directly into many providers' online workflows, customer relationship management systems and internal quoting platforms. These integrations minimize the steps between a quote request in our marketplace and the delivery of accurate, bindable quotes across online and offline channels.

We have observed that increasing the depth of integration results in higher conversion rates, enhancing the value of our consumer referrals. Basic integrations, called 'prefill', allow carriers to populate their workflows with data from our platform, such that consumers are required only to confirm the data they have already provided. Full click-to-quote integration removes all intermediate steps, allowing the consumer to receive a quote immediately upon arrival on the provider website. While we currently have a limited number of full integrations, our goal is to deeply integrate with all carrier partners over time.

### ***Insurance agent education***

Our insurance agent education program delivers free content and services to further our vision of being the industry-leading resource for agencies to grow their businesses. This includes a wide range of educational materials, including e-books, webinars, training sessions and live events.

### **Technology and Infrastructure**

Our technology platform combines internally developed, third-party and open source software. This combination allows for rapid development and release of high-performance technology solutions in a cost-effective and scalable manner.

Our websites, mobile applications and supporting services, as well as our development and test environments, are hosted across industry-standard cloud providers such as Amazon Web Services and Google Cloud Platform. Additional internal data and analysis tools are hosted at a third-party data center in Boston, Massachusetts. We use content delivery network solutions for fast, local access to our products. We use network, website, service and hardware-level monitoring, coupled with remote-content monitoring, to maintain a high level of uptime and availability for our systems with high-performance delivery.

### **Marketing**

Our marketing efforts are designed to increase engagement by both consumers and insurance providers and enhance their awareness of our company. Our marketing spend across channels is fundamentally algorithmic and performance-based. Over time, we believe we will increase our brand equity and recognition as we serve more ad impressions.

### ***Consumer marketing***

Our marketplace relies on consumer acquisition from our online and, more recently, offline marketing efforts. Our consumer marketing strategies are algorithmic and performance-based, leveraging our team of analysts, data scientists and engineers, along with our data assets and technology.

We have built technology to automate our algorithmic traffic acquisition across multiple online advertising platforms. Our technology serves millions of advertising impressions per day across hundreds of acquisition sources in a diversified strategy including search, display, social, email and video, with no single acquisition partner accounting for more than 21% of quote requests.

We believe the combination of our talent, data and technology provides us with competitive advantages in acquiring more consumers as we continue to scale our business.

## Sales and Marketing

We have built an efficient, consultative 90-person sales and customer success organization, which sells our marketplace referrals and services to insurance carriers and agencies.

### *Carrier sales and marketing*

Our carrier marketing initiatives are designed to reach and educate insurance carrier marketing professionals and executives. We deliver high-value content on how carriers can increase efficiency in their customer acquisition efforts by capitalizing on the increasing targetability and personalization enabled by our marketplace. We focus on building deep relationships and establishing thought leadership among carriers through our presence at industry tradeshows, targeted delivery of whitepapers and other materials, and personal outreach to key decision makers and marketing teams. This team takes a data-driven approach to helping insurance carriers bind more policies with their target consumers at lower cost per sale than other channels. Our campaign management team develops a deep understanding of our carrier customers' objectives to optimize their campaign performance and grow their budgets in our marketplace.

### *Agent sales and marketing*

Our agent marketing initiatives are designed to reach, educate and acquire insurance agents not yet participating in our marketplace. Our agent marketing focuses on:

- *Digital marketplace trends:* We educate agents on how consumer buying behavior is changing and increasingly moving online and how they can better acquire and serve consumers in the digital world.
- *Educating agents on how to leverage the EverQuote platform:* We educate agents on marketplace participation, providing best practices, case studies and strategies for account growth and optimization.

We reach new agents online through email, search, social media, and content marketing; according to Google Analytics, our agency resource pages received an average of approximately 39,000 visits per month in 2019. In addition, we reach agents in person at tradeshows and conferences. For our current agent customers, we communicate the value of our platform and educate them on its use through our onboarding process, ongoing outreach and account performance reports. Our agency sales team focuses on onboarding new agents. Our customer success team analyzes account performance and consults with agents to optimize their participation in our marketplace, help them achieve growth and return-on-investment objectives, expand volume and add products.

## Our Customers

Our insurance provider customers include:

- *Carriers:* Insurance carriers write auto, home and renters, life, commercial and/or health insurance policies for consumers either directly and/or through agents. Our marketplace consists of an extensive network of national and regional carriers as well as technology enabled start-ups. Our largest customer, Progressive Casualty Insurance Company, accounted for 21% and 19% of our revenue for the years ended December 31, 2019 and 2018, respectively. We plan to continue to grow both the number of carriers participating in our marketplace and the level of participation from each carrier.
- *Agents:* Insurance agents deliver auto, home and renters, life, commercial and/or health insurance to consumers on behalf of one or more carriers. As of December 31, 2019, we had over 7,000 enrolled insurance agencies on the EverQuote Pro platform. We are focused on further penetrating the large base of more than 100,000 insurance agencies in the United States.



- *Indirect distributors and aggregators:* Indirect distributors, such as aggregators and media buyers, purchase consumer referrals and resell them to insurance providers. Indirect distributors typically provide lower revenue and less data feedback per referral.

A key element of our marketplace strategy has been to build a direct network of insurance provider customers. We increased the percentage of our total revenue derived from direct distribution from 8% to 94% for the years ended December 31, 2012 and 2019, respectively. The benefits of this shift include higher pricing per referral, improved pricing stability, greater revenue predictability, richer data feedback, better performance and stronger relationships with providers and consumers.

## **Competition**

We face competition to attract consumers to our websites and mobile applications, as well as for insurance provider advertising and marketing spend.

### ***Competition for consumers***

The competition for consumer traffic and advertising space online is broad and diverse. Our competitors offer various marketplaces, products and services that compete with us. Some of these competitors include:

- internet search engines and social media platforms;
- brand advertisers and brand agencies across a spectrum of industries;
- sites operated by individual insurance providers;
- finance and credit savings sites;
- insurance lead-generation, affiliate and aggregator networks; and
- marketing services providers for insurers and general marketing services providers.

We believe we compete favorably in attracting insurance shoppers due to our superior data assets, consumer acquisition technology, team and data sciences management infrastructure. We believe we also compete favorably in converting consumer traffic into referrals and, ultimately, purchased policies due to the depth of our provider network, our consumer matching algorithms and our intuitive and streamlined consumer interface. Furthermore, we believe the breadth of the insurance provider options in our marketplace gives us an inherent advantage over single-brand insurance providers with respect to conversion and bind rates for consumers.

### ***Competition for insurance provider advertising and marketing spend***

We compete for insurance providers' advertising and marketing spend with other internet sites, performance marketers and online marketing service providers. We also compete with offline media, such as television, radio and direct mail. We believe we compete favorably on the basis of the scale and quality of our consumer referrals, our seamless handoff capability, our ability to align consumers with our providers' preferences and business strategies and the targeting capabilities of our platform.

## **Culture and Employees**

Our company culture is data-driven, entrepreneurial, diverse, innovative and capital efficient. We are focused on delivering superb results for our consumers, insurance providers and partners. As of December 31, 2019, we had more than 250 employees, the majority of which are based in Cambridge, Massachusetts, with more than 140 analysts, data scientists and engineers, along with more than 90 employees in sales, sales operations and customer support.

Data is at the core of our culture. Our analysts, data scientists and engineers have access to operational data and metrics about our business through our proprietary internal business data management system, known as Goat. Decisions we make as a company, from marketing and sales to product and engineering, are expected to be A/B tested and data-driven. We emphasize original thought and testing over opinion and reward the commitment, excellence and achievement of our collective team. We believe this has yielded an innovative approach that delivers results, efficiency and benefits for consumers and providers in our marketplace.

## **Regulation**

Our business operates in a heavily regulated industry. Various aspects of our business are, may become, or may be viewed by regulators from time to time as subject, directly or indirectly, to U.S. federal, state and foreign laws and regulations. We are affected by laws and regulations that apply to businesses in general and the insurance industry, as well as to businesses operating on the internet and through mobile applications. This includes a continually expanding and evolving range of laws, regulations and standards that address financial services, information security, data protection, privacy and data collection, among other things. We are also subject to laws governing marketing and advertising activities conducted by telephone, email, mobile devices and the Internet, including the Telephone Consumer Protection Act, the Telemarketing Sales Rule, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, the Health Insurance Portability Act, and similar state laws. In addition, we are a licensed insurance producer in most U.S. states. Insurance is highly regulated by the states in which we do business, and we are required to comply with and maintain various licenses and approvals.

Because the laws and regulations governing insurance, financial services, privacy, data security and marketing are constantly evolving and striving to keep pace with innovations in technology and media, it is possible that we may need to materially alter the way we conduct some parts of our business activities or be prohibited from conducting such activities altogether at some point in the future.

## **Intellectual Property**

We seek to protect our intellectual property through a combination of patent protection, copyrights, trademarks, service marks, domain names, trade secret laws, confidentiality procedures and contractual restrictions.

As of December 31, 2019, we had two pending U.S. patent applications. We intend to pursue additional patent protection to the extent we believe it would be beneficial to our competitive position.

We have a number of registered and unregistered trademarks. We own federal registrations for trademarks including EVERQUOTE, as well as multiple pending applications. We will pursue additional trademark registrations to the extent we believe doing so would be beneficial to our competitive position.

We are the registered holder of a variety of domestic and international domain names that include “EverQuote” and similar variations.

In addition to relying on the protection provided by these intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees, consultants, contractors and business partners. Our employees and contractors are also subject to invention assignment agreements. We further control the use of our proprietary technology and intellectual property through provisions in both our general and specific terms of use on our website.

## **Our Corporate Information**

We were incorporated in Delaware on August 1, 2008, under the name AdHarmonics, Inc., and changed our name to EverQuote, Inc. on November 17, 2014. Our principal executive offices are located at 210

Broadway, Cambridge, Massachusetts 02139, and our telephone number at that address is (855) 522-3444. Our website address is [www.everquote.com](http://www.everquote.com). Our website and the information contained on, or that can be accessed through, the website will not be deemed to be incorporated by reference in, and are not considered part of, this Annual Report on Form 10-K.

### **Available Information**

Our Internet address is [www.everquote.com](http://www.everquote.com). Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits, proxy and information statements and amendments to those reports filed or furnished pursuant to Sections 13(a), 14, and 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available through the “Investors” portion of our website free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website is not part of this Annual Report on Form 10-K or any of our other securities filings unless specifically incorporated herein by reference. In addition, our filings with the SEC may be accessed through the SEC’s Interactive Data Electronic Applications system at <http://www.sec.gov>. All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included, and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by law.

## ITEM 1A. RISK FACTORS

*Investing in our Class A common stock involves a high degree of risk. Certain factors may have a material adverse effect on our business, financial condition and results of operation. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this Annual Report on Form 10-K, including our financial statements and the related notes, and in our other filings with the SEC. Our business, financial condition, operating results, cash flow and prospects could be materially and adversely affected by any of these risks or uncertainties. In that case, the trading price of our Class A common stock could decline, and you may lose all or part of your investment.*

### **Risks Related to Our Business and Industry**

***Our business is dependent on our relationships with insurance providers with no long-term contractual commitments. If insurance providers stop purchasing consumer referrals from us, decrease the amount they are willing to spend per referral, or if we are unable to establish and maintain new relationships with insurance providers, our business, results of operations and financial condition could be materially adversely affected.***

A substantial majority of our revenue is derived from sales of consumer referrals to insurance providers, including both insurance carriers and agents. Our relationships with insurance providers are dependent on our ability to deliver quality referrals at attractive volumes and prices. If insurance providers are not able to acquire their preferred referrals in our marketplace, they may stop buying referrals from us, or may decrease the amount they are willing to spend for referrals. Our agreements with insurance providers are short-term agreements, and insurance providers can stop participating in our marketplace at any time with no notice. As a result, we cannot guarantee that insurance providers will continue to work with us, or, if they do, the number of referrals they will purchase from us, the price they will pay per referral or their total spend with us. In addition, we may not be able to attract new insurance providers to our marketplace or increase the amount of revenue we earn from insurance providers over time.

If we are unable to maintain existing relationships with insurance providers in our marketplace, or unable to add new insurance providers, we may be unable to offer our consumers the shopping experience they expect. This deficiency could reduce consumers' confidence in our services, making us less popular with consumers. As a result, consumers could cease to use us, or use us at a decreasing rate.

In addition, we derive revenue as a result of subsidy payments made by carriers to us on behalf of their agents. Our insurance carrier customers often provide subsidies for the benefit of agents to offset agents' costs in connection with selling insurance policies from our referrals. Our carrier customers have no obligation to provide such subsidies and may reduce the amount of such subsidies or cease providing them at any time. If our carrier customers were to reduce the amounts of or cease providing such subsidies, our insurance agent customers may terminate or reduce the extent of their relationships with us. Because our insurance provider customers can stop buying from us, or spend less with us, at any time and our insurance carrier customers may cease providing subsidies to our insurance agent customers at any time, our business, results of operations and financial condition could be materially adversely affected with little to no notice.

***We depend on search engines, display advertising, social media, email, content-based online advertising and other online sources to attract consumers to our websites or marketplace, and if we are unable to cost-effectively attract consumers and convert them into quote requests that we can sell to our insurance provider customers, our business and financial results may be harmed.***

Our success depends on our ability to attract online consumers to our websites or marketplace and convert those consumers into quote requests that we can sell to our insurance provider customers. We depend, in part, on search engines, display advertising, social media, email, content-based online advertising and other online sources for our website traffic. We are included in search results as a result of both paid search listings, where we

purchase specific search terms that result in the inclusion of our advertisement, and, separately, organic searches that depend upon the content on our sites.

Search engines, social media platforms and other online sources often revise their algorithms and introduce new advertising products. If one or more of the search engines or other online sources on which we rely for website traffic were to modify its general methodology for how it displays our advertisements, resulting in fewer consumers clicking through to our websites, our business could suffer. In addition, if our online display advertisements are no longer effective or are not able to reach certain consumers due to consumers' use of ad-blocking software, our business could suffer.

If one or more of the search engines or other online sources on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, we could lose consumer traffic to our websites, and a decrease in consumer traffic to our websites, for any reason, could have a material adverse effect on our business, financial condition and results of operations. Consumer traffic to our websites and the volume of quote requests generated by consumer traffic varies and can decline from time to time. For example, quote requests decreased from 3,457,000 in the three months ended March 31, 2018 to 3,018,000 in the three months ended June 30, 2018, increased to 3,044,000 in the three months ended September 30, 2018, increased to 3,284,000 in the three months ended December 31, 2018, increased to 4,113,000 in the three months ended March 31, 2019, increased to 4,519,000 in the three months ended June 30, 2019, increased to 5,516,000 in the three months ended September 30, 2019 and increased to 5,863,000 in the three months ended December 31, 2019. Additionally, even if we are successful in generating traffic to our websites, we may not be able to convert these visits into consumer quote requests.

We currently compete with numerous other online marketing companies, and we expect that competition will intensify. Some of these existing competitors may have more capital or complementary products or services than we do, and they may leverage their greater capital or diversification in a manner that adversely affects our competitive position. In addition, other newcomers, including major search engines and content aggregators, may be able to leverage their existing products and services to our disadvantage. We may be forced to expend significant resources to remain competitive with current and potential competitors. If any of our competitors are more successful than we are at attracting and retaining consumers, or if we are unable to effectively convert visits into consumers quote requests, our business, financial condition and results of operations could be materially adversely affected.

***We compete with other media for advertising spend from our insurance provider customers, and if we are unable to maintain or increase our share of the advertising spend of our insurance provider customers, our business could be harmed.***

We compete for insurance provider advertising spend with traditional offline media such as television, billboards, radio, magazines and newspapers, as well as online sources such as websites, social media and websites dedicated to providing multiple quote insurance information. Our ability to attract and retain insurance provider customers, and to generate advertising revenue from them, depends on a number of factors, including:

- the ability of our insurance provider customers to earn an attractive return on investment from their spending with us;
- our ability to increase the number of consumers using our marketplace;
- our ability to compete effectively with other media for advertising spending; and
- our ability to keep pace with changes in technology and the practices and offerings of our competitors.

We may not succeed in retaining or capturing a greater share of our insurance provider customers' advertising spending compared to alternative channels. If our current insurance provider customers reduce or end

their advertising spending with us and we are unable to increase the spending of our other insurance provider customers or attract new insurance provider customers, our revenue and business and financial results would be materially adversely affected.

In addition, insurance provider advertising spend remains concentrated in traditional offline media channels. Some of our current or potential insurance provider customers have little or no experience using the internet for advertising and marketing purposes and have allocated only limited portions of their advertising and marketing budgets to the internet. The adoption of online marketing may require a cultural shift among insurance providers as well as their acceptance of a new way of conducting business, exchanging information and evaluating new advertising and marketing technologies and services. This shift may not happen at all or at the rate we expect, in which case our business could suffer. Furthermore, we cannot assure you that the market for online marketing services will continue to grow. If the market for online marketing services fails to continue to develop or develops more slowly than we anticipate, the success of our business may be limited, and our revenue may decrease.

***If consumers do not find value in our services or do not like the consumer experience on our platform, the number of referrals in our marketplace may decline, and our business, results of operations and financial condition could be materially adversely affected.***

If we fail to provide a compelling insurance shopping experience to our consumers both through our web and mobile platforms, the number of consumer referrals purchased from us will decline, and insurance providers may terminate their relationships with us or reduce their spending with us. If insurance providers stop offering insurance in our marketplace, we may not be able to maintain and grow our consumer traffic, which may cause other insurance providers to stop using our marketplace. We believe that our ability to provide a compelling insurance shopping experience, both on the web and through mobile devices, is subject to a number of factors, including:

- our ability to maintain a marketplace for consumers and insurance providers that efficiently captures user intent and effectively delivers relevant quotes to each individual insurance buyer;
- our ability to continue to innovate and improve our marketplace;
- our ability to launch new vertical offerings that are effective and have a high degree of consumer and insurance provider engagement;
- our ability to maintain the compatibility of our mobile applications with operating systems, such as iOS and Android, and with popular mobile devices running such operating systems; and
- our ability to access a sufficient amount of data to enable us to provide relevant quotes to consumers.

If the use of our marketplace declines or does not continue to grow, our business and operating results would be harmed.

***We rely on the data provided to us by consumers and insurance providers to improve our product and service offerings, and if we are unable to maintain or grow such data we may be unable to provide consumers with a shopping experience that is relevant, efficient and effective, which could adversely affect our business.***

Our business relies on the data provided to us by consumers and insurance providers using our marketplace. The large amount of information we use in operating our marketplace is critical to the insurance shopping experience we provide for consumers. If we are unable to maintain or grow the data provided to us, the value that we provide to consumers and insurance providers using our marketplace may be limited. In addition, the quality, accuracy and timeliness of this information may suffer, which may lead to a negative shopping experience for consumers using our marketplace and could materially adversely affect our business and financial results.

***A significant portion of our revenue in recent periods was derived from one customer, and our results of operations could be adversely affected and stockholder value harmed if we lose business from this customer.***

Sales to Progressive Casualty Insurance Company accounted for 21% and 19% of our revenue for the years ended December 31, 2019 and 2018, respectively. In addition, sales to Government Employees Insurance Company accounted for just under 10% of revenue for each of the years ended December 31, 2019 and 2018, respectively. These customers made purchases from us under short-term agreements and may decrease or cease doing business with us at any time with no notice. As a result, we have no assurances that these customers will continue to purchase from us at their historical levels or at all. If either or both of these customers were to reduce its level of purchases from us or discontinue its relationships with us, the loss could have a material adverse effect on our results of operations in both the short and long term.

***If our emails are not delivered and accepted or are routed by email providers less favorably than other emails, or if our sites are not accessible or treated disadvantageously by internet service providers, our business may be substantially harmed.***

If email providers or internet service providers, or ISPs, implement new or more restrictive email or content delivery or accessibility policies, including with respect to net neutrality, it may become more difficult to deliver emails to consumers or for consumers to access our websites and services. For example, certain email providers, including Google, may categorize our emails as “promotional,” and these emails may be directed to an alternate, and less readily accessible, section of a consumer’s inbox. If email providers materially limit or halt the delivery of our emails, or if we fail to deliver emails to consumers in a manner compatible with email providers’ email handling or authentication technologies, our ability to contact consumers through email could be significantly restricted. In addition, if we are placed on “spam” lists or lists of entities that have been involved in sending unwanted, unsolicited emails, our operating results and financial condition could be substantially harmed. Further, if ISPs prioritize or provide superior access to our competitors’ content, our business and results of operations may be adversely affected.

***Insurance providers who use our marketplace can offer products and services outside of our marketplace or obtain similar services from our competitors.***

Because we do not have exclusive relationships with insurance providers, consumers may obtain quotes and purchase insurance policies from them without having to use our marketplace. Insurance providers can attract consumers directly through their own marketing campaigns or other traditional methods of distribution, such as referral arrangements, physical storefront operations or broker agreements. Insurance providers also may offer quotes to prospective customers online directly, through one or more online competitors of our business, or both. If our insurance provider customers determine to compete directly with us or choose to favor one or more of our competitors, they could cease providing us with quote information and terminate any direct interactions we have with their online workflows, customers relationship management systems and internal quoting platforms, which would reduce the breadth of the quoting information available to us and could put us at a competitive disadvantage against their direct marketing efforts or our competitors that retain such access. If consumers seek insurance policies directly from insurance providers or through our competitors, or if insurance providers cease providing us with access to their systems or information, the number of consumers searching for insurance on our marketplace may decline, and our business, financial condition and results of operations could be materially adversely affected.

***A significant portion of our revenue is derived from insurance providers acquiring referrals on an auction basis. If insurance providers decrease their bids or stop bidding in our auctions, our business, results of operations and financial condition could be materially adversely affected.***

Insurance providers in our marketplace participate in a unified, real-time auction. Since our agreements with insurance providers are short-term agreements, insurance providers can decrease their bids or stop participating

in our auctions at any time with no notice. In addition, insurance providers frequently change their bidding in our auctions, which can make it difficult to predict revenue from period to period. Because our insurance provider customers can stop buying from us, or spend less with us, at any time our business, results of operations and financial condition could be materially adversely affected with little to no notice.

***If we are unable to develop new offerings, achieve increased consumer adoption of those offerings or penetrate new vertical markets, our business and financial results could be materially adversely affected.***

Our success depends on our continued innovation to provide product and service offerings that make our marketplace, websites and mobile applications useful for consumers. These new offerings must be widely adopted by consumers in order for us to continue to attract insurance providers to our marketplace. Accordingly, we must continually invest resources in product, technology and development in order to improve the comprehensiveness and effectiveness of our marketplace and its related product and service offerings and effectively incorporate new internet and mobile technologies into them. These product, technology and development expenses may include costs of hiring additional personnel and of engaging third-party service providers and other research and development costs.

Without an innovative marketplace and related product and service offerings, we may be unable to attract additional consumers or retain current consumers, which could adversely affect our ability to attract and retain insurance providers who want to participate in our marketplace, which could, in turn, harm our business and financial results. In addition, while we have historically concentrated our efforts on the automobile insurance market, we will need to penetrate additional vertical markets, such as home and renters, life, commercial and health insurance, in order to achieve our long-term growth goals. Our success in the automobile insurance market depends on our deep understanding of this industry. In order to penetrate new vertical markets, we will need to develop a similar understanding of those new markets and the associated business challenges faced by participants in them. Developing this level of understanding may require substantial investments of time and resources and we may not be successful. In addition, these new vertical markets may have specific risks associated with them. If we fail to penetrate new vertical markets successfully, our revenue may grow at a slower rate than we anticipate and our financial condition could suffer.

***Our business is substantially dependent on revenue from automotive insurance providers and subject to risks related to automotive insurance and the larger automotive industry. Our business may also be adversely affected by downturns in the home and renters, life, commercial and health insurance industries.***

A substantial majority of the insurance purchased through our marketplace is automobile insurance and our financial prospects depend significantly on the larger automotive industry ecosystem. Revenue from automotive insurance providers accounted for 85% and 86% of our total revenue for the years ended December 31, 2019 and 2018, respectively. If insurance carriers experience large or unexpected losses through the offering of insurance, these carriers may choose to decrease the amount of money they spend with us. In addition, decreases in consumer demand in the automotive industry in general could adversely affect the demand for insurance and, in turn, the number of consumers using our marketplace to request insurance quotes. For example, trends in the automotive industry, such as from the effects of ride sharing applications, including Uber and Lyft, distracted driving and autonomous driving technologies, have the potential to adversely affect automobile purchases and to decrease the demand for auto insurance. In addition, consumer purchases of new and used automobiles generally decline during recessionary periods and other periods in which disposable income is adversely affected and may be affected by negative trends in the broader economy, including the cost of energy and gasoline, the availability and cost of credit, reductions in business and consumer confidence, stock market volatility and increased unemployment.

We are also dependent upon the economic success of the home and renters, life, commercial and health insurance industries. Declines in demand for these insurance product offerings could cause fewer consumers to use our product offerings to shop for such policies. Downturns in any of these markets, which could be caused by a downturn in the economy at large, could materially adversely affect our business.



***If we fail to build and maintain our brand, our ability to expand the use of our marketplace by consumers and insurance providers may be adversely affected.***

Our future success depends upon our ability to create and maintain brand recognition and a reputation for delivering easy, efficient and personal insurance shopping. A failure by us to build our brand and deliver on these expectations could harm our reputation and damage our ability to attract and retain consumers, which could adversely affect our business. If consumers do not perceive our marketplace as a better insurance shopping experience, our reputation and the strength of our brand may be adversely affected.

Many of our competitors have more resources than we do and can spend more advertising their brands and services. As a result, we are required to spend considerable money and other resources to create brand awareness and build our reputation. Should the need or competition for top-of-mind awareness and brand preference increase, we may not be able to build brand awareness, and our efforts at building, maintaining and enhancing our reputation could fail. Even if we are successful in our branding efforts, such efforts may not be cost-effective. If we are unable to maintain or enhance consumer awareness of our brand cost-effectively, our business, results of operations and financial condition could be materially adversely affected.

Complaints or negative publicity about our business practices, our marketing and advertising campaigns, our compliance with applicable laws and regulations, the integrity of the data that we provide to consumers, data privacy and security issues, and other aspects of our business, whether valid or not, could diminish confidence and participation in our marketplace and could adversely affect our reputation and business. There can be no assurance that we will be able to maintain or enhance our brand, and failure to do so would harm our business growth prospects and operating results.

***Our marketing efforts may not be successful.***

We currently rely on performance marketing channels that must deliver on metrics that are selected by our insurance provider customers and are subject to change at any time. We are unable to control how our insurance provider customers evaluate our performance. Certain of these metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and adversely affect our business. In addition, the metrics we provide may differ from estimates published by third parties or from similar metrics of our competitors due to differences in methodology. If our insurance provider customers do not perceive our metrics to be accurate, or if we discover material inaccuracies in our metrics, it could adversely affect our online marketing efforts and business.

In addition, we plan to expand our marketing efforts in offline channels such as television and radio. We face significant competition in marketing on offline channels, including from competitors and insurance carriers who may have significantly greater resources and brand recognition than we do. If we fail to expand our marketing efforts in offline channels or to market ourselves successfully on such channels, we may not experience increases in consumer traffic and increased referral and advertising revenue necessary to grow our business, which could have a material adverse effect on our results of operations and financial results.

***If we fail to manage future growth effectively, our business could be materially adversely affected.***

We have at times experienced rapid growth and anticipate further growth. This growth has placed significant demands on management and our operational infrastructure. As we continue to grow, we must effectively integrate, develop and motivate a large number of new employees, while maintaining the beneficial aspects of our company culture. If we do not manage the growth of our business and operations effectively, the quality of our services and efficiency of our operations could suffer and we may not be able to execute on our business plan, which could harm our brand, results of operations and overall business.

***Failure to increase our revenue or reduce our sales and marketing expense as a percentage of revenue would adversely affect our financial condition and profitability.***

We expect to make significant future investments to support the further development and expansion of our business, and these investments may not result in increased revenue or growth on a timely basis or at all. Furthermore, these investments may not decrease as a percentage of revenue if our business grows. In particular, we intend to continue investing to market to our consumers including to increase awareness of our brand, including through television and radio advertisements. There can be no assurance that these investments will increase revenue or that we will eventually be able to decrease our sales and marketing expense as a percentage of revenue, and failure to do so would adversely affect our financial condition and profitability.

***We participate in a highly competitive market, and pressure from existing and new companies may adversely affect our business and operating results.***

We face significant competition from companies that provide information and insurance-buying services designed to help consumers shop for insurance and to enable insurance providers to reach these consumers. Our competitors offer various products and services that compete with us. Some of these competitors include:

- companies that operate, or could develop, insurance search websites;
- media sites, including websites dedicated to providing multiple quote insurance information and financial services information generally;
- internet search engines; and
- individual insurance providers, including through the operation of their own websites, physical storefront operations and broker arrangements.

We compete with these and other companies for a share of insurance providers' overall budget for online and offline media marketing and referral spend. To the extent that insurance providers view alternative marketing and media strategies to be superior to our marketplace, we may not be able to maintain or grow the number of insurance providers using, and advertising on, our marketplace, and our business and financial results may be harmed.

We also expect that new competitors will enter the online insurance industry with competing marketplaces, products and services, which could have an adverse effect on our business and financial results.

Our competitors could significantly impede our ability to maintain or expand the number of consumers and insurance providers using our marketplace. Our competitors also may develop and market new technologies that render our marketplace less competitive, unmarketable or obsolete. In addition, if our competitors develop marketplaces with similar or superior functionality to ours, and our web traffic declines, we may need to decrease our referral and advertising fees. If we are unable to maintain our current pricing structure due to competitive pressures, our revenue would likely be reduced and our financial results would be adversely affected.

Our existing and potential competitors may have significantly more financial, technical, marketing and other resources than we have, and the ability to devote greater resources to the development, promotion and support of their marketplaces, products and services. In addition, they may have more extensive insurance industry relationships than we have, longer operating histories and greater name recognition. As a result, these competitors may be able to respond more quickly with new technologies and to undertake more extensive marketing or promotional campaigns than we can. In addition, to the extent that any of our competitors have existing relationships with insurance providers for marketing or data analytics solutions, those insurance providers may be unwilling to partner with us. If we are unable to compete with these competitors, the demand for our marketplace and related products and services could substantially decline.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. We may not be

able to compete successfully against current or future competitors, and competitive pressures may harm our business and financial results.

***We have limited experience, and may not be successful, in acquiring consumers from offline sources.***

We recently began to acquire consumers through limited offline sources, including inbound calls from consumers. We may not succeed in advertising and acquiring consumers to these channels and may incur substantial costs without corresponding benefit. In addition, consumers that request quotes through offline sources like inbound calls do not provide the same level of consumer data as we receive from our online sources and as a result, we may not be able to successfully match these consumers with insurance providers.

***We have limited experience acquiring consumer quote requests from third-party sources and as a result we may not be successful with our verified partner network.***

Through our verified partner network, we acquire consumer quote requests that are submitted by consumers directly to select third parties. Given our limited experience in acquiring quote requests from third-party providers, we do not know if we will be able to acquire quote requests in significant volume, at prices that are attractive, whether the consumers will represent high-intent insurance shoppers, or whether insurance providers in our marketplace will purchase referrals for consumers acquired through our verified partner network.

***Insurance providers on our marketplace may not provide competitive levels of service to consumers, which could materially adversely affect our brand and business and our ability to attract consumers.***

Our ability to provide consumers with a high-quality and compelling insurance shopping experience depends, in part, on consumers receiving competitive prices, convenience, customer service and responsiveness from insurance providers with whom they are matched on our marketplace. If these providers do not meet or exceed consumer expectations with competitive levels of convenience, customer service, price and responsiveness, the value of our brand may be harmed, our ability to attract consumers to our marketplace may be limited and the number of consumers matched through our marketplace may decline, which could have a material adverse effect on our business, financial condition and results of operations.

***A significant portion of the agents in our marketplace are affiliated with a limited number of insurance carriers. In the event one or more of these carriers no longer supports, or advises against, acquiring referrals in our marketplace, our business, results of operations and financial condition could be materially adversely affected.***

Our marketplace includes thousands of insurance agencies, a significant portion of which are affiliated with a limited number of carriers. If a carrier no longer supports our service, no longer provides a subsidy for our referrals, or advises that its agents no longer do business with us, we could lose a substantial number of these agents in our marketplace, which could harm our brand, results of operations and overall business.

***Our business depends on our ability to maintain and improve the technology infrastructure necessary to send marketing emails and operate our websites, and any significant disruption in service on our email network infrastructure or websites could result in a loss of consumers, which could harm our business, brand, operating results and financial condition.***

Our brand, reputation and ability to attract consumers and insurance providers depend on the reliable performance of our technology infrastructure and content delivery. We use emails to attract consumers to our marketplace. Our systems may not be adequately designed with the necessary reliability and redundancy to avoid performance delays or outages that could be prolonged and harmful to our business. If our websites are unavailable when users attempt to access them, or if they do not load as quickly as expected, users may not return as often in the future, or at all. As our user base and the amount of information shared on our websites and

mobile applications continue to grow, we will need an increasing amount of network capacity and computing power. We have spent and expect to continue to spend substantial amounts on data centers and equipment and related network infrastructure and services to handle the traffic on our websites and mobile applications and to help shorten the length of or prevent system interruptions. The operation of these systems is expensive and complex and we could experience operational failures. Interruptions, delays or failures in these systems, whether due to earthquakes, adverse weather conditions, other natural disasters, power loss, computer viruses, cybersecurity attacks, physical break-ins, terrorism, errors in our software or otherwise, could be prolonged and could affect the security or availability of our websites and applications, and prevent consumers from accessing our services. Such interruptions also could result in third parties accessing our confidential and proprietary information, including our intellectual property or consumer information. Problems with the reliability or security of our systems could harm our reputation, our ability to protect our confidential and proprietary information, result in a loss of users of our marketplace or result in additional costs. If we do not maintain or expand our network infrastructure successfully or if we experience operational failures or prolonged disruptions or delays in the availability of our systems or a significant search engine, we could lose current and potential consumers, which could harm our operating results and financial condition.

Substantially all of the communications, network and computer hardware used to operate our websites and mobile applications are located in the United States in Amazon Web Services and Google Cloud Platform data centers. Although we believe our systems are fully redundant, there may be exceptions for certain hardware. In addition, we do not own or control the operation of these facilities. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes and similar events. The occurrence of any of these events could result in damage to our systems and hardware or could cause them to fail. In addition, we may not have sufficient protection or recovery plans in certain circumstances.

Problems faced by our third-party web hosting providers could adversely affect the experience of users of our marketplace. Our third-party web hosting providers could close their facilities without adequate notice. Any financial difficulties, up to and including bankruptcy, faced by our third-party web hosting providers or any of the service providers with whom they contract may have adverse effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting providers are unable to keep up with our growing capacity needs, our business could be harmed.

Any errors, defects, disruptions or other performance or reliability problems with our network operations could cause interruptions in access to our marketplace as well as delays and additional expense in arranging new facilities and services and could harm our reputation, business, operating results and financial condition. Although we carry business interruption insurance, it may not be sufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business that may result from interruptions in our service as a result of system failures.

***We rely on third-party service providers for many aspects of our business, and any failure to maintain these relationships could harm our business.***

Our success will depend upon our relationships with third parties, including those with our payment processor, our data center host, our customer relationship manager software provider and our general ledger provider. If these third parties experience difficulty meeting our requirements or standards, or if the license agreements we have entered into with such third parties are terminated or not renewed, it could make it difficult for us to operate some aspects of our business, which could damage our business and reputation. In addition, if such third-party service providers were to cease operations, temporarily or permanently, face financial distress or other business disruptions, or increase their fees, or if our relationships with these providers deteriorate, we could suffer increased costs and delays in our ability to provide consumers with content or provide similar services until an equivalent provider could be found or we could develop replacement technology or operations. In addition, if we are unsuccessful in identifying or finding high-quality partners, if we fail to negotiate cost-

effective relationships with them or if we ineffectively manage these relationships, it could adversely affect our business and financial results.

***Consumer adoption of call blocking technology may reduce our ability to call our consumers as well as decrease the value of our data referrals.***

Increased adoption of call blocking technology may prevent us from reaching our consumers that have expressed an interest in getting insurance information. If calls to our consumers are blocked, or if insurance providers obtaining data referrals have their calls blocked due to these call blocking technologies, we may see a significant decrease in the value of our referrals and the number of data and call referrals we are able to sell to insurance providers which could materially adversely impact our business.

***We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.***

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. Experienced information technology personnel, who are critical to the success of our business, are in particularly high demand. This demand is particularly acute in the greater Boston, Massachusetts area, where we are headquartered. Competition for their talents is intense, and retaining such individuals can be difficult. The loss of any of our executive officers or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. Our executive officers and other employees are at-will employees, which means they may terminate their employment relationships with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business could be materially adversely affected.

***We are subject to risks associated with a corporate culture that promotes entrepreneurialism and decentralized decision making.***

We have delegated considerable operational autonomy and responsibility to our employees, including by having flexible working hours. In addition, a central tenet of our culture is providing our employees with opportunities to grow, accept new challenges and take on new responsibilities.

As a consequence, we may have relatively inexperienced people in key positions, and we routinely rotate experienced employees to other jobs within our company. In addition, the autonomy we provide to our employees could result in poor decision making, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

***If we are unable to successfully respond to changes in the market, our business could be harmed.***

While our business has grown rapidly as consumers and insurance providers have increasingly accessed our marketplace, we expect that our business will evolve in ways that may be difficult to predict. For example, we anticipate that over time we may reach a point when investments in new user traffic are less productive and the continued growth of our revenue will require more focus on developing new product and service offerings for consumers and insurance providers, expanding our marketplaces into new international markets and new industries to attract new customers, and increasing our referral and advertising fees. It is also possible that consumers and insurance providers could broadly determine that they no longer believe in the efficiency and effectiveness of our marketplace. Our continued success will depend on our ability to successfully adjust our

strategy to meet the changing market dynamics. If we are unable to do so, our business could be harmed and our results of operations and financial condition could be materially adversely affected.

***We have incurred net losses in the past and we may generate losses in the future.***

We have incurred net losses in the past and have never generated net income on an annual basis. We anticipate that our operating expenses and capital expenditures will increase substantially in the foreseeable future as we continue to invest to expand into new verticals, enhance our brand awareness, hire additional employees, consider expanding outside of the United States and improve our technology and infrastructure capabilities. Our expansion efforts may prove more expensive than we anticipate, and we may not succeed in increasing our revenue and margins sufficiently to offset these higher expenses. We incur significant expenses in acquiring consumers, developing our technology and marketing the products and services we offer. Our costs also may increase due to our continued new product development and general administrative expenses, such as legal and accounting expenses related to being a public company. If we fail to increase our revenue or manage these additional costs, we may continue to incur losses in the future.

***We expect our results of operations to fluctuate on a quarterly and annual basis.***

Our revenue and results of operations could vary significantly from period to period and may fail to match expectations as a result of a variety of factors, some of which are outside of our control. Our results may vary as a result of fluctuations in the number of consumers and insurance providers using our marketplace and the size and seasonal variability of the marketing budgets of our insurance provider customers. In addition, the auto, home and renters, life, commercial and health insurance industries may each be subject to their own cyclical trends and uncertainties. Fluctuations and variability across these different verticals may affect our revenue. As a result of the potential variations in our revenue and results of operations, period-to-period comparisons may not be meaningful and the results of any one period should not be relied on as an indication of future performance. In addition, our results of operations may not meet the expectations of investors or public market analysts who follow us, which may adversely affect our stock price.

***Our past growth may not be indicative of our future growth, and our revenue growth rate may decline in the future.***

Our revenue grew from \$96.8 million in 2015 to \$122.8 million in 2016, to \$126.2 million in 2017, to \$163.3 million in 2018 and to \$248.8 million in 2019, increases of 26.8%, 2.8%, 29.4% and 52.3%, respectively. This growth may not be indicative of our future growth, if any, and we will not be able to grow as expected, or at all, if we do not accomplish the following:

- increase the number of consumers using our marketplace;
- maintain and expand the number of insurance providers that use our marketplace or our revenue per provider;
- further improve the quality of our marketplace, and introduce high-quality new products; and
- increase the number of insurance shoppers acquired by insurance providers on our marketplace.

Our revenue growth rates may also be limited if we are unable to achieve high market penetration rates as we experience increased competition. If our revenue or revenue growth rates decline, investors' perceptions of our business may be adversely affected and the market price of our Class A common stock could decline.

***Our dedication to making decisions based primarily on the best interests of our company and stockholders may cause us to forgo short-term gains in pursuit of potential but uncertain long-term growth.***

Our guiding principle is to build our business by making decisions based primarily upon the best interests of our entire marketplace, including consumers and insurance providers, which we believe has been essential to our

success in increasing our user growth rate and engagement and best serves the long-term interests of our company and our stockholders. In the past, we have forgone, and we will in the future continue to forgo, certain expansion or short-term revenue opportunities that we do not believe are in the best interests of our marketplace and its users, even if such decisions adversely affect our results of operations in the short term. However, this strategy may not result in the long-term benefits that we expect, in which case our user traffic and engagement, business and financial results could be harmed.

***We collect, process, store, share, disclose and use consumer information and other data, and our actual or perceived failure to protect such information and data or respect users' privacy could damage our reputation and brand and harm our business and operating results.***

Use of our marketplace involves the storage and transmission of consumers' information, including personal information, and security breaches could expose us to a risk of loss or exposure of this information, which could result in potential liability, litigation and remediation costs, as well as reputational harm, all of which could materially adversely affect our business and financial results. For example, unauthorized parties could steal our users' names, email addresses, physical addresses, phone numbers and other information that we collect when providing referrals. While we use encryption and authentication technology licensed from third parties designed to effect secure transmission of such information, we cannot guarantee the security of the transfer and storage of the personal information we collect from customers.

Like all information systems and technology, our websites, mobile applications and information systems, as well as those of our third-party partners and service providers, may be subject to computer viruses, break-ins, phishing impersonation attacks, attempts to overload our servers with denial-of-service or other attacks, ransomware and similar incidents or disruptions from unauthorized use of our computer systems, as well as unintentional incidents causing data leakage, any of which could lead to interruptions, delays or website shutdowns, or could cause loss of critical data or the unauthorized disclosure, access, acquisition, alteration or use of personal or other confidential information. Although we have a chief information officer who coordinates our cybersecurity measures, policies and procedures, and our chief information officer regularly reports to our board of directors regarding these matters, we cannot be certain that our efforts, as well as those of our third party partners and service providers, will be able to prevent breaches of the security of our information systems and technology. If we, or any of our third-party partners and service providers, experience compromises to security that result in websites or mobile application performance or availability problems, the complete shutdown of our websites or mobile applications or the loss or unauthorized disclosure, access, acquisition, alteration or use of confidential information, consumers and insurance providers may lose trust and confidence in us, and consumers and insurance providers may decrease the use of our website or stop using our website entirely. Further, outside parties may attempt to fraudulently induce employees, consumers or insurance providers to disclose sensitive information in order to gain access to our information or consumers' or insurance providers' information. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently, often are not recognized until launched against a target, and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures.

Any or all of the issues above could adversely affect our ability to attract new users and increase engagement by existing users, cause existing users to curtail or stop use of our marketplace, cause existing insurance provider customers to cancel their contracts or subject us to governmental or third-party lawsuits, investigations, regulatory fines or other actions or liability, thereby harming our business, results of operations and financial condition. Although we are not aware of any material information security incidents to date, we have detected common types of attempts to attack our information systems and data using means that have included viruses and phishing.

There are numerous federal, state and local laws in the United States and around the world regarding privacy and the collection, processing, storing, sharing, disclosing, using, cross-border transfer and protecting of personal information and other data, the scope of which are changing, subject to differing interpretations, and which may be costly to comply with, may result in regulatory fines or penalties, and may be inconsistent between countries and jurisdictions or conflict with other rules.

We are subject to the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. However, it is possible that these obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices or that new regulations could be enacted. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to consumers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which could include personally identifiable information or other user data, may result in governmental investigations, enforcement actions, regulatory fines, litigation or public statements against us by consumer advocacy groups or others, and could cause consumers and insurance providers to lose trust in us, all of which could be costly and have an adverse effect on our business. In addition, new and changed rules and regulations regarding privacy, data protection and cross-border transfers of consumer information could cause us to delay planned uses and disclosures of data to comply with applicable privacy and data protection requirements. Moreover, if third parties that we work with violate applicable laws or our policies, such violations also may put consumer or insurance provider information at risk and could in turn harm our reputation, business and operating results.

***We may be unable to halt the operations of websites that aggregate or misappropriate our data.***

From time to time, third parties may misappropriate our data through website scraping, robots or other means and aggregate this data on their websites with data from other companies. In addition, copycat websites may misappropriate data in our marketplace and attempt to imitate our brand or the functionality of our website. If we become aware of such websites, we intend to employ technological or legal measures in an attempt to halt their operations. However, we may be unable to detect all such websites in a timely manner and, even if we could, technological and legal measures may be insufficient to halt their operations. In some cases, particularly in the case of websites operating outside of the United States, our available remedies may not be adequate to protect us against the effect of the operation of such websites. Regardless of whether we can successfully enforce our rights against the operators of these websites, any measures that we may take could require us to expend significant financial or other resources, which could harm our business, results of operations or financial condition. In addition, to the extent that such activity creates confusion among consumers or advertisers, our brand and business could be harmed.

***We are subject to a number of risks related to the credit card and debit card payments we accept.***

We accept payments through credit and debit card transactions. For credit and debit card payments, we pay interchange and other fees, which may increase over time. An increase in those fees may require us to increase the prices we charge and would increase our operating expenses, either of which could harm our business, financial condition and results of operations.

We currently rely exclusively on one third-party vendor to provide payment processing services, including the processing of payments from credit cards and debit cards, and our business would be disrupted if this vendor becomes unwilling or unable to provide these services to us and we are unable to find a suitable replacement on a timely basis. If we or our processing vendor fails to maintain adequate systems for the authorization and processing of credit card transactions, it could cause one or more of the major credit card companies to disallow our continued use of their payment products. In addition, if these systems fail to work properly and, as a result, we do not charge our customers' credit cards on a timely basis or at all, our business, revenue, results of operations and financial condition could be harmed.

The payment methods that we offer also subject us to potential fraud and theft by criminals, who are becoming increasingly more sophisticated, seeking to obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment



methods we accept, or if payment-related data are compromised due to a breach of data, we may be liable for significant costs incurred by payment card issuing banks and other third parties or subject to fines and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. In addition, our customers could lose confidence in certain payment types, which may result in a shift to other payment types or potential changes to our payment systems that may result in higher costs. If we fail to adequately control fraudulent credit card transactions, we may face civil liability, diminished public perception of our security measures, and significantly higher credit card-related costs, each of which could harm our business, results of operations and financial condition.

We are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it more difficult for us to comply. We are required to comply with payment card industry security standards. Failing to comply with those standards may violate payment card association operating rules, federal and state laws and regulations, and the terms of our contracts with payment processors. Any failure to comply fully also may subject us to fines, penalties, damages and civil liability, and may result in the loss of our ability to accept credit and debit card payments. Further, there is no guarantee that such compliance will prevent illegal or improper use of our payment systems or the theft, loss or misuse of data pertaining to credit and debit cards, card holders and transactions.

If we are unable to maintain our chargeback rate or refund rates at acceptable levels, our processing vendor may increase our transaction fees or terminate its relationship with us. Any increases in our credit and debit card fees could harm our results of operations, particularly if we elect not to raise our rates for our service to offset the increase. The termination of our ability to process payments on any major credit or debit card would significantly impair our ability to operate our business.

***We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.***

Our success will depend, in part, on our ability to grow our business in response to the demands of consumers, insurance providers and other constituents within the insurance industry as well as competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of technology, research and development, and sales and marketing functions;
- transition of the acquired company's consumers and data to our marketplace;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, procedures and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- potential write-offs of intangibles or other assets acquired in such transactions that may have an adverse effect on our operating results in a given period;

- potential liabilities for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired company, including claims from terminated employees, consumers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities and harm our business generally. Future acquisitions also could result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expense or impairment charges associated with acquired intangible assets or goodwill, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions may not be realized.

***We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, operating results and financial condition may be harmed.***

We intend to continue to make investments to support our growth and may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to increase our marketing expenditures to improve our brand awareness, develop new product and service offerings or further improve our marketplace and existing product and service offerings, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. Volatility in the credit markets also may have an adverse effect on our ability to obtain debt financing.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be materially adversely affected.

***Litigation could distract management, increase our expenses or subject us to material money damages and other remedies.***

We are subject to a class action lawsuit alleging federal securities law violations in connection with our IPO, and may be involved from time to time in various additional legal proceedings, including, but not limited to, actions relating to breach of contract, breach of federal and state privacy laws, and intellectual property infringement that might necessitate changes to our business or operations. Regardless of whether any claims against us have merit, or whether we are ultimately held liable or subject to payment of damages, claims may be expensive to defend and may divert management's time away from our operations. If any legal proceedings were to result in an unfavorable outcome, it could have a material adverse effect on our business, financial position and results of operations. Any adverse publicity resulting from actual or potential litigation may also materially and adversely affect our reputation, which in turn could adversely affect our results.

We conduct marketing activities, directly and indirectly, via telephone, text messages, email and/or through other online and offline marketing channels, which general marketing activities are governed by numerous federal and state regulations, such as the Telemarketing Sales Rule, state telemarketing laws, federal and state privacy laws, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or

CAN-SPAM Act, the Telephone Consumer Protection Act, or TCPA, and the Federal Trade Commission Act and its accompanying regulations and guidelines, among others. In addition to being subject to action by regulatory agencies, some of these laws, like the TCPA, allow private individuals to bring litigation against companies for breach of these laws, and we have received complaints from individuals that we have violated the TCPA. We are also dependent on our third-party partners to comply with applicable laws. For example, with the commencement of our verified partner network in 2019, we depend upon our third-party partners to obtain consent from consumers to receive telemarketing calls in compliance with the TCPA. We may be alleged to have indemnification obligations to third-party partners for alleged breaches of privacy laws like the TCPA, which could increase our defense costs and require that we pay damages if there were an adverse ruling in any such claims. Any of these events may have a material adverse effect on our business, results of operations, financial condition and prospects.

Companies in the internet, technology and media industries are frequently subject to allegations of infringement or other violations of intellectual property rights. As we grow our business and expand our operations we may become subject to intellectual property claims by third parties. We plan to vigorously defend our intellectual property rights and our freedom to operate our business; however, regardless of the merits of the claims, intellectual property claims are often time consuming and extremely expensive to litigate or settle and are likely to continue to divert managerial attention and resources from our business objectives. Successful infringement claims against us could result in significant monetary liability or prevent us from operating our business or portions of our business. Resolution of claims may require us to obtain licenses to use intellectual property rights belonging to third parties, which may be expensive to procure, or we may be required to cease using intellectual property of third parties altogether. Many of our contracts require us to provide indemnification against third-party intellectual property infringement claims, which would increase our defense costs and may require that we pay damages if there were an adverse ruling in any such claims. Any of these events may have a material adverse effect on our business, results of operations, financial condition and prospects.

***Any future indebtedness could adversely affect our ability to operate our business.***

As of December 31, 2019, we had \$11.0 million available for borrowing under our revolving line of credit with Western Alliance Bank, and in the future we could incur indebtedness beyond our revolving line of credit.

Borrowing on our revolving line of credit, combined with our other financial obligations and contractual commitments, could have significant adverse consequences, including:

- requiring us to dedicate a portion of our cash resources to the payment of interest and principal, reducing money available to fund working capital, capital expenditures, product development and other general corporate purposes;
- increasing our vulnerability to adverse changes in general economic, industry and market conditions;
- subjecting us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

In addition, any indebtedness we incur under our current revolving line of credit will bear interest at a variable rate, which would make us vulnerable to increases in the market rate of interest. If the market rate of interest increases substantially, we would have to pay additional interest, which would reduce cash available for our other business needs. We intend to satisfy any future debt service obligations with our existing cash and cash equivalents and cash flows from operations. Under our loan and security agreement with Western Alliance

Bank, our failure to make payments when due or comply with specified covenants, as well as the occurrence of an event that would reasonably be expected to have a material adverse effect on our business, operations, assets or condition, is an event of default. If an event of default occurs and the lender accelerates any indebtedness then outstanding, we may need to seek additional financing, which may not be available on acceptable terms, in a timely manner or at all. In such event, we may not be able to make accelerated payments, and the lender could seek to enforce security interests in the collateral securing such indebtedness, which includes substantially all of our assets. In addition, the covenants under our existing debt instruments, the pledge of our assets as collateral and the negative pledge with respect to our intellectual property could limit our ability to obtain additional debt financing. Any of these events could have a material adverse effect on our results of operations or financial condition.

***We have taken certain precautions due to the recent outbreak of coronavirus (COVID-19) that could harm our business, financial condition and results of operations.***

In light of the uncertain and rapidly evolving situation relating to the spread of the coronavirus (COVID-19), we have taken temporary precautionary measures intended to help minimize the risk of the virus to our employees, our customers, and the communities in which we participate, which could negatively impact our business. To this end, we are evaluating alternative working arrangements, including requiring all employees to work remotely, and we have suspended all non-essential travel for our employees, are canceling or postponing sponsored events, are discouraging employee attendance at industry events and limiting in-person work-related meetings or candidate interviews. Our employees travel frequently to establish and maintain relationships with our customers, partners, and investors. Although we continue to monitor the situation and may adjust our current policies as more information and guidance become available, temporarily suspending travel and limitations on doing business in-person could negatively impact our marketing and business development efforts, slow down our recruiting efforts, or create operational or other challenges, any of which could harm our business, financial condition and results of operations. In addition, the spread of coronavirus (COVID-19) among our employees could dramatically impact the ability of our employees to perform their job functions. We are also unsure what actions our carrier and agent customers, as well as our users, may take in response to coronavirus (COVID-19). For example, to the extent carriers and agents shift their workforces from offices to remote locations, we may see a decrease in demand while they relocate these operations. The extent to which the coronavirus (COVID-19) impacts our workforce, business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at this time.

**Risks Related to Our Intellectual Property**

***We may not be able to adequately protect our intellectual property rights.***

Our business depends on our intellectual property, the protection of which is crucial to the success of our business. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. In addition, we attempt to protect our intellectual property, technology and confidential information by requiring our employees and consultants to enter into confidentiality and assignment of inventions agreements and third parties to enter into nondisclosure agreements as we deem appropriate. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary.

We may not be able to discover or determine the extent of any unauthorized use or infringement or violation of our intellectual property or proprietary rights. Third parties also may take actions that diminish the value of our proprietary rights or our reputation. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. Litigation may be necessary in the future to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of resources, the impairment or loss of portions of our intellectual property and could materially adversely affect our business, financial condition and

operating results. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. These steps may be inadequate to protect our intellectual property. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. Despite our precautions, it may be possible for unauthorized third parties to use information that we regard as proprietary to create product offerings that compete with ours. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights, which could materially adversely affect our business, financial condition and operating results.

Competitors may adopt service names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term “EverQuote.” We currently hold the “everquote.com” internet domain name as well as various other related domain names. The regulation of domain names in the United States is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain all domain names that use the name EverQuote.

We currently operate only in the United States. To the extent that we determine to expand our business internationally, we will encounter additional risks, including different, uncertain or more stringent laws relating to intellectual property rights and protection.

***We may in the future be subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.***

We may from time to time face allegations or claims that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from our competitors or non-practicing entities. Such claims, regardless of their merit, could result in litigation or other proceedings and could require us to expend significant financial resources and attention by our management and other personnel that otherwise would be focused on our business operations, result in injunctions against us that prevent us from using material intellectual property rights, or require us to pay damages to third parties. Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may result in significant settlement costs or require us to stop offering some features, or purchase licenses or modify our products and features while we develop non-infringing substitutes, but such licenses may not be available on terms acceptable to us or at all, which would require us to develop alternative intellectual property.

Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, our operating results and our reputation.

As our business expands, we may be subject to intellectual property claims against us with increasing frequency, scope and magnitude. We may also be obligated to indemnify affiliates or other partners who are accused of violating third parties’ intellectual property rights by virtue of those affiliates or partners’ agreements with us, and this could increase our costs in defending such claims and our damages. For example, many of our agreements with insurance providers and other partners require us to indemnify these entities against third-party intellectual property infringement claims. Furthermore, such insurance providers and partners may discontinue their relationship with us either as a result of injunctions or otherwise. The occurrence of these results could harm our brand or materially adversely affect our business, financial position and operating results.

***Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.***

In order to protect our technologies and processes, we rely in part on confidentiality agreements with our employees, independent contractors and other advisors. These agreements may not effectively prevent disclosure

of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in such cases we may not be able to assert our trade secret rights against such parties. To the extent that our employees, contractors or other third parties with whom we do business use intellectual property owned by others in their work for us, disputes may arise as to the rights to related or resulting know-how and inventions. The loss of confidential information or intellectual property rights, including trade secret protection, could make it easier for third parties to compete with our products. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection of our trade secrets or other proprietary information could harm our business, results of operations, reputation and competitive position.

***Our use of “open source” software could adversely affect our ability to protect our proprietary software and subject us to possible litigation.***

We use open source software in connection with our software development. From time to time, companies that use open source software have faced claims challenging the use of open source software and/or compliance with open source license terms. We could be subject to suits by parties claiming ownership of what we believe to be open source software, or claiming non-compliance with open source licensing terms. Some open source licenses require users who distribute software containing open source to make available all or part of such software, which in some circumstances could include valuable proprietary code of the user. While we monitor our use of open source software and try to ensure that none is used in a manner that would require us to disclose our proprietary source code or that would otherwise breach the terms of an open source agreement, such use could inadvertently occur, in part because open source license terms are often ambiguous. Any requirement to disclose our proprietary source code or pay damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop services that are similar to or better than ours.

### **Risks Related to Government Regulation**

***Our businesses are heavily regulated. We are, and may in the future become, subject to a variety of international, federal, state, and local laws, many of which are unsettled and still developing and which could subject us to claims or otherwise harm our business.***

Our activities are subject to extensive regulation under the laws of the United States and its various states and the other jurisdictions in which we operate. We are currently subject to a variety of, and may in the future become subject to additional, international, federal, state and local laws or judicial decisions that are continuously evolving and developing, including laws regarding the insurance industry, mobile- and internet-based businesses and other businesses that rely on advertising, as well as privacy and consumer protection laws, including the TCPA, the Telemarketing Sales Rule, the CAN-SPAM Act, the Fair Credit Reporting Act and employment laws, including those governing wage and hour requirements. In addition, there is increasing attention by state and other jurisdictions to regulation in this area. Our insurance activities are subject to regulation by state insurance regulators in the United States. These laws are complex and can be costly to comply with, require significant management time and effort, and could subject us to claims, government enforcement actions, civil and criminal liability or other remedies, including suspension of business operations. These laws may conflict with each other, further complicating compliance efforts.

If we are alleged not to comply with these laws, regulations, or judicial decisions, we may be required to modify affected products and services, which could require a substantial investment and loss of revenue, or cease providing the affected product or service altogether. If we are found to have violated laws, regulations, or judicial decisions, we may be subject to significant fines, penalties and other losses.

We assess customer insurance needs, collect customer contact information and provide other product offerings, which results in us receiving personal information. This information is increasingly subject to legislation and regulation in the United States. This legislation and regulation is generally intended to protect individual privacy and the privacy and security of personal information. We could be adversely affected if government regulations require us to significantly change our business practices with respect to this type of information or if the insurance providers who use our marketplace violate applicable laws and regulations. For example, the California Consumer Privacy Act, or CCPA, went into effect on January 1, 2020. The CCPA creates new individual privacy rights for California consumers (as the word is broadly defined in the law) and places increased privacy and security obligations on many organizations that handle personal information of consumers or households. The CCPA requires covered companies to provide new disclosure to consumers about such companies' data collection, use and sharing practices, provides such consumers a new right to opt-out of certain sales or transfers of personal information, and provides consumers with a new cause of action for certain data breaches. On October 10, 2019, the California Attorney General released and initiated a comment period regarding proposed CCPA regulations, and on February 10, 2020, the California Attorney General issued modified regulations for comment. The CCPA requires that the Attorney General adopt regulations by July 1, 2020, and authorizes the Attorney General to bring enforcement actions for violations beginning July 1, 2020. The CCPA may have a substantial negative impact our business activities and increase our compliance costs and potential liability. Many similar privacy laws have been proposed at the federal level and in other states.

Changes in applicable laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business, having a material adverse effect on our business, financial condition and results of operations. If there were to be changes to statutory or regulatory requirements, we may be unable to comply fully with or maintain all required insurance licenses and approvals. Regulatory authorities have relatively broad discretion to grant, renew and revoke licenses and approvals. If we do not have all requisite licenses and approvals, or do not comply with applicable statutory and regulatory requirements, the regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us, which could have a material adverse effect on our business, results of operations and financial condition.

We cannot predict the outcome of judicial decisions, or whether any proposed legislation or regulatory changes will be adopted, or what impact, if any, such proposals or, if enacted, such laws could have on our business, results of operations and financial condition. If we are alleged to have failed to comply with applicable laws and regulations, we may be subject to investigations, criminal penalties or civil remedies, including fines, injunctions, loss of an operating license or approval, increased scrutiny or oversight by regulatory authorities, the suspension of individual employees, limitations on engaging in a particular business or redress to customers. The cost of compliance and the consequences of non-compliance could have a material adverse effect on our business, results of operations and financial condition. In addition, a finding that we have failed to comply with applicable laws and regulations could have a material adverse effect on our business, results of operations and financial condition by exposing us to negative publicity and reputational damage or by harming our customer or employee relationships.

In most jurisdictions, government regulatory authorities have the power to interpret and amend applicable laws and regulations, and have discretion to grant, renew and revoke the various licenses and approvals we need to conduct our activities. Such authorities may require us to incur substantial costs in order to comply with such laws and regulations. Regulatory statutes are broad in scope and subject to differing interpretation. In some areas of our businesses, we act on the basis of our own or the industry's interpretations of applicable laws or regulations, which may conflict from jurisdiction to jurisdiction. In the event those interpretations eventually prove different from the interpretations of regulatory authorities, we may be penalized or precluded from carrying on our previous activities.

***Federal, state and international laws and regulations regulating insurance activities are complex and could have a material adverse effect on our business, may reduce our profitability and potentially limit our growth.***

The insurance regulatory system in the United States is generally designed to protect the interests of consumers or policyholders, and not necessarily the interests of insurance producers, insurers, their stockholders and other investors. This system addresses, among other things: licensing companies and agents to transact business and authorizing lines of business; and regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements. In some cases, these insurance and other laws and regulations may impose operational limitations on our business, including on the products and services we may offer or on the amount or type of compensation we may collect. While we attempt to comply with applicable laws and regulations, there can be no assurance that we, our employees, consultants, contractors and other agents are in full compliance with such laws and regulations or interpretations at all times, or that we will be able to comply with any future laws or regulations.

In recent years, the state insurance regulatory framework has come under increased federal scrutiny, and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance entities. Further, the National Association of Insurance Commissioners and state insurance regulators continually reexamine existing laws and regulations, interpretations of existing laws and the development of new laws and regulations. With limited exceptions, the U.S. federal government does not directly regulate the business of insurance. However, federal legislation and administrative policies in several areas can significantly and adversely affect insurance entities. These areas include financial services regulation, securities regulation, privacy and taxation. In the future, additional federal regulation may be enacted, which could affect the way we conduct our business and could result in higher compliance costs.

Insurance laws or regulations that are adopted or amended, in addition to changes in federal statutes, including the Gramm-Leach-Bliley Act and the McCarran-Ferguson Act, financial services regulations and federal taxation laws or regulation, may be more restrictive than current laws or regulations and may result in lower revenues or higher costs of compliance and thus could have a material adverse effect on our results of operations and limit our growth.

***Taxing authorities may assert that we should have collected or in the future should collect sales, use, value added or similar taxes, and we could be subject to liability with respect to past or future sales, which could adversely affect our operating results.***

We do not collect sales, use, value added or similar taxes in jurisdictions in which we have sales, and we believe that such taxes are not applicable either because we do not have the requisite amount of contacts with the state for the state to be able to impose these taxes or our products and services are not subject to these taxes. Sales, use, value added and similar tax laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect such taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, to us or our end-customers for the past amounts, and we may be required to collect such taxes in the future. If we are unsuccessful in collecting such taxes from our end-customers, we could be held liable for such costs. Such tax assessments, penalties and interest, or future requirements may adversely affect our operating results. For example, we were contacted by a representative from a state tax assessor's office requesting remittance of uncollected sales taxes. While we do not believe our services are taxable in this state, if we do not prevail in our position, uncollected sales taxes due for the period could amount to approximately \$1.5 million including interest or penalties.

***Federal, state and international laws regulating telephone and email marketing practices impose certain obligations on marketers, which could reduce our ability to expand our business.***

We, and the insurance providers using our marketplace, make telephone calls and send emails to consumers who request insurance quotes through our marketplace. The United States regulates marketing by



telephone and email. The TCPA prohibits companies from making certain telemarketing calls to numbers listed in the Federal Do-Not-Call Registry and imposes other obligations and limitations on making phone calls and sending text messages to consumers. The CAN-SPAM Act regulates commercial email messages and specifies penalties for the transmission of commercial email messages that do not comply with certain requirements, such as providing an opt-out mechanism for stopping future emails from senders. We and the insurance providers who use our marketplace may need to comply with such laws and any associated rules and regulations. States and other countries have similar laws related to telemarketing and commercial emails. Additional or modified laws and regulations, or interpretations of existing, modified or new laws, regulations and rules, could prohibit or increase the cost of engaging with consumers and impair our ability to expand the use of our products, including our demand response solution, to more users. Alleged failure to comply with obligations and restrictions related to telephone, text message and email marketing could subject us to lawsuits, fines, statutory damages, consent decrees, injunctions, adverse publicity and other losses that could harm our business. Moreover, over the past several years there has been a sustained increase in litigation alleging violations of laws relating to telemarketing, which has increased the exposure of companies that operate telephone and text messaging campaigns to class action litigation alleging violations of the TCPA. If we or the insurance providers who use our marketplace become subject to such litigation, it could result in substantial costs to and materially adversely affect our business.

***Changes in the regulation of the internet could adversely affect our business.***

Laws, rules and regulations governing internet communications, advertising and e-commerce are dynamic and the extent of future government regulation is uncertain. Federal and state regulations govern various aspects of our online business, including intellectual property ownership and infringement, trade secrets, the distribution of electronic communications, marketing and advertising, user privacy and data security, search engines and internet tracking technologies. In addition, changes in laws or regulations that adversely affect the growth, popularity or use of the internet, including potentially the repeal in the United States of net neutrality, could decrease the demand for our offerings and increase our cost of doing business. Future taxation on the use of the internet or e-commerce transactions could also be imposed. Existing or future regulation or taxation could hinder growth in or adversely affect the use of the internet generally, including the viability of internet e-commerce, which could reduce our revenue, increase our operating expenses and expose us to significant liabilities.

***Risks from third-party products could adversely affect our businesses.***

We offer third-party products and we provide marketing services with respect to other insurance products. Insurance, by its nature, involves a transfer of risk. If risk is not transferred in the way the customer expects, our reputation may be harmed and we may become a target for litigation. In addition, if these products do not generate competitive risk-adjusted returns that satisfy clients in a variety of asset classes, we will have difficulty maintaining existing business and attracting new business. This risk may be heightened during periods when credit, equity or other financial markets are deteriorating in value or are particularly volatile, or when clients or investors are experiencing losses. Significant declines in the performance of these third-party products could subject us to reputational damage and litigation risk.

**Risks Related to Our Class A Common Stock**

***An active trading market for our Class A common stock may not be sustained.***

Our Class A common stock began trading on the Nasdaq Global Market on June 28, 2018. Given the limited trading history of our Class A common stock, there is a risk that an active trading market for our shares may not be sustained, which could put downward pressure on the market price of our Class A common stock and thereby affect the ability of our stockholders to sell their shares at attractive prices, at the times that they would like to sell them, or at all.

***The market price of our Class A common stock has been and may continue to be volatile, which could result in substantial losses for investors and could subject us to securities class action litigation.***

The market price of our Class A common stock has been and could continue to be subject to significant fluctuations. For example, our Class A common stock traded within a range of a high price of \$48.23 per share and a low price of \$4.05 per share for the period beginning June 28, 2018, our first day of trading on the Nasdaq Global Market, through February 29, 2020. Some of the factors that may cause the market price of our Class A common stock to fluctuate include:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes in our earnings or fluctuations in our operating results or in the expectations of securities analysts;
- announcements of new service offerings, strategic alliances or significant agreements by us or by our competitors;
- departure of key personnel;
- litigation involving us or that may be perceived as having an adverse effect on our business;
- changes in general economic, industry and market conditions and trends;
- investors' general perception of us;
- sales of large blocks of our stock; and
- announcements regarding industry consolidation.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been brought against that company. For example, we are subject to a class action lawsuit alleging federal securities law violations in connection with our IPO. Because of the past and potential future volatility of our stock price, we may become the target of additional securities litigation in the future. Securities litigation could result in substantial costs and divert management's attention and resources from our business.

***Our quarterly operating results or other operating metrics may fluctuate significantly, which could cause the trading price of our Class A common stock to decline.***

Our quarterly operating results and other operating metrics have fluctuated in the past and may in the future fluctuate as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- the level of demand for our product and service offerings and our ability to maintain and increase our customer base;
- the level of consumer traffic to our websites and the volume of quote requests generated by consumer traffic;
- the timing and success of new product and service introductions by us or our competitors or any other change in the competitive landscape of our market;
- bid rates by consumers;
- pricing pressure as a result of competition or otherwise;
- our ability to reduce costs;

- errors in our forecasting of the demand for our product and service offerings, which could lead to lower revenue or increased costs;
- seasonal or other variations in purchasing patterns by customers;
- increases in and timing of sales and marketing and other operating expenses that we may incur to grow and expand our operations and to remain competitive;
- adverse litigation judgments, settlements or other litigation-related costs;
- regulatory proceedings or other adverse publicity about us or our product and service offerings;
- costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs and possible write-downs; and
- general economic conditions.

Any one of the factors above or the cumulative effect of some of the factors above may result in significant fluctuations in our operating results.

The variability and unpredictability of our quarterly operating results or other operating metrics could result in our failure to meet our expectations or those of any analysts that cover us or investors with respect to revenue or other operating results for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

***If securities or industry analysts cease publishing research or reports about us, our business or our market, or if they publish negative evaluations of our stock or the stock of other companies in our industry, the price of our stock and trading volume could decline.***

The trading market for our Class A common stock will be influenced by the research and reports that industry or securities analysts may publish about us, our business, our market or our competitors. If one or more of the analysts covering our business downgrade their evaluations of our Class A common stock or the stock of other companies in our industry, the price of our Class A common stock could decline. If one or more of these analysts cease to cover our Class A common stock, we could lose visibility in the market for our Class A common stock, which in turn could cause our stock price to decline.

***Because we do not expect to pay any dividends on our Class A common stock for the foreseeable future, investors may never receive a return on their investment.***

You should not rely on an investment in our Class A common stock to provide dividend income. We do not anticipate that we will pay any cash dividends to holders of our Class A common stock in the foreseeable future. Instead, we plan to retain any earnings to maintain and expand our existing operations. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any return on their investment. As a result, investors seeking cash dividends should not purchase our Class A common stock.

***The dual-class structure of our common stock has the effect of concentrating voting control with the holders of our Class B common stock, including our directors, executive officers and Link Ventures and other significant stockholders, who collectively held in the aggregate approximately 87.3% of the voting power of our capital stock as of February 29, 2020; and Link Ventures, directly or through a voting agreement, together with Cogo Labs, held approximately 76% of the voting power of our capital stock as of that date. This concentration of voting power will limit or preclude the ability of other stockholders to influence corporate matters, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.***

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. Our directors, executive officers and holders of more than 10% of our common stock, and their respective affiliates, held in the aggregate approximately 87.3% of the voting power of our capital stock as of February 29, 2020; and Link Ventures, directly or through a voting agreement pursuant to which each of Seth Birnbaum and Tomas Revesz have agreed to vote on all matters presented to our stockholders all voting capital stock held by them in the manner directed by Link Ventures, together with Cogo Labs, held in the aggregate approximately 76% of the voting power of our capital stock as of that date. Because of the 10-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval. This concentration of voting power will limit or preclude your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. This may also prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders. In addition, major stock index providers, such as FTSE Russell and S&P Dow Jones, exclude from their indices non-voting securities or the securities of companies with unequal voting rights. Exclusion from stock indices could make it more difficult, or impossible, for some fund managers to buy our Class A common stock, particularly in the case of index tracking mutual funds and exchange traded funds, which could adversely affect the trading liquidity and market price of our Class A common stock.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers to trusts and individual retirement accounts. In addition, all shares of Class B common stock will be required to convert to Class A common stock upon the election of a majority by voting power of the outstanding Class B common stock. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares.

***Our status as a “controlled company” could make our Class A common stock less attractive to some investors or otherwise harm our stock price.***

More than 50% of our voting power is held by entities affiliated with Link Ventures. As a result, we are a “controlled company” under the rules of the Nasdaq Stock Market. Under these rules, a company of which more than 50% of the voting power is held by an individual, a group or another company is a “controlled company” and, as such, will be exempt from certain corporate governance requirements, including requirements that:

- a majority of the board of directors consist of independent directors;
- director nominees be selected or recommended for the board’s selection by independent directors constituting a majority of the independent directors or by a nominations committee with prescribed duties and a written charter and comprised solely of independent directors; and
- the board of directors maintain a compensation committee with prescribed duties and a written charter and comprised solely of independent directors.

We have availed ourselves of certain of these exemptions and, for so long as we qualify as a “controlled company,” we will maintain the option to utilize from time to time some or all of these exemptions. For example, we do not have a nominations committee, and director nominees might not be selected or recommended for the board’s selection by a qualifying nominations committee or by independent directors constituting a majority of the independent directors, and our compensation committee is not comprised solely of independent directors. Accordingly, should the interests of Link Ventures differ from those of other stockholders, the other stockholders may not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq Stock Market corporate governance standards. Our status as a controlled company could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

***A significant portion of our total outstanding shares may be sold into the public market in the near future, which could cause the market price of our Class A common stock to drop significantly, even if our business is doing well.***

Sales of a significant number of shares of our Class A common stock in the public market could occur at any time. These sales, or the market perception that the holders of a large number of shares intend to sell shares, could reduce the market price of our Class A common stock.

In addition to our outstanding Class A common stock, as of February 29, 2020, there were 1,552,745 shares of Class A common stock subject to outstanding options, 1,661,879 shares of either Class A common stock or Class B common stock subject to outstanding options, 3,713,078 shares of Class A common stock subject to outstanding restricted stock unit awards, or RSUs, and an additional 869,220 shares of Class A common stock reserved for future issuance under our equity incentive plan. Because we have registered 12,677,509 shares of our Class A common stock and Class B common stock that may be issued under our equity incentive plans pursuant to registration statements on Form S-8, any such shares that we issue can be freely sold in the public market upon issuance, subject to the restrictions imposed on our affiliates under Rule 144.

Moreover, holders of a significant number of shares of our Class A common stock and Class B common stock as of February 29, 2020, have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. Upon registration, such shares would be able to be freely sold in the public market.

***Anti-takeover provisions in our restated certificate of incorporation and our amended and restated bylaws, as well as provisions of Delaware law, might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our Class A common stock.***

Our restated certificate of incorporation and amended and restated bylaws and Delaware law contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our Class A common stock. These provisions may also prevent or delay attempts by our stockholders to replace or remove our management or directors. Our corporate governance documents include provisions:

- providing that directors may be removed by stockholders only for cause and only with a vote of the holders of shares representing a majority of the voting power of all shares that stockholders would be entitled to vote for the election of directors;
- limiting the ability of our stockholders to call and bring business before special meetings of stockholders and to take action by written consent in lieu of a meeting;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;

- authorizing blank check preferred stock, which could be issued with voting, liquidation, dividend and other rights superior to our Class A common stock; and
- limiting the liability of, and providing indemnification to, our directors and officers.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders holding shares representing more than 15% of the voting power of our outstanding voting stock from engaging in certain business combinations with us. Any provision of our restated certificate of incorporation or amended and restated bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our Class A common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your Class A common stock in an acquisition.

***Our restated certificate provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for substantially all disputes between us and our stockholders. Our restated certificate further provides that the federal district courts of the United States of America are the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. These choice of forum provisions could limit the ability of stockholders to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our restated certificate of incorporation provides that the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, the federal district court for the District of Delaware) shall, to the fullest extent permitted by law, be the sole and exclusive forum for (1) any derivative action or proceeding brought on behalf of our company, (2) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee or stockholder of our company to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or as to which the Delaware General Corporation Law confers jurisdiction on the Court of Chancery or (4) any action asserting a claim governed by the internal affairs doctrine. Our restated certificate of incorporation further provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall, to the fullest extent permitted by law, be the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933, as amended. On December 19, 2018, the Delaware Court of Chancery, in *Sciabacucchi v. Salzberg, et al.*, C.A. No. 2017-0931-JTL (Del. Ch. Dec. 19, 2018), held that such federal forum selection provisions are invalid under Delaware law. We will not enforce our federal forum selection provision while the appeal of this case is pending before the Delaware Supreme Court. Neither of these choice of forum provisions would affect suits brought to enforce any liability or duty created by the Exchange Act of 1934, as amended, or the Exchange Act, or the rules and regulations thereunder, jurisdiction over which is exclusively vested by statute in U.S. federal courts, or any other claim for which U.S. federal courts have exclusive jurisdiction. These choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provisions contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition and operating results.

***Our management team has limited experience managing a public company.***

Most members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to

public companies. Our management team may not successfully or efficiently manage being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the scrutiny of securities analysts and investors. These new obligations and constituents require significant attention from our management team and can divert their attention away from the day-to-day management of our business, which could materially adversely affect our business, financial condition and operating results.

***The requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain qualified board members.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the listing requirements of the Nasdaq Stock Market and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time-consuming or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company or a smaller reporting company. Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and operating results and maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could harm our business and operating results. Although we have already hired additional employees to comply with these requirements, we may need to hire even more employees in the future, which will increase our costs and expenses.

We are currently evaluating our internal controls, identifying and remediating any deficiencies in those internal controls and documenting the results of our evaluation, testing and remediation. We may not be able to complete our evaluation, testing and any required remediation in a timely fashion. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting that we are unable to remediate before the end of the same fiscal year in which the material weakness is identified, we will be unable to assert that our internal controls are effective. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to attest to management's report on the effectiveness of our internal controls, which will be required after we are no longer an emerging growth company or a smaller reporting company, we could lose investor confidence in the accuracy and completeness of our financial reports, which would cause the price of our Class A common stock to decline.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations, and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

As a result of being a public company, it is more expensive for us to obtain director and officer liability insurance than when we were a private company, and in the future we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

***Failure to establish and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.***

As a public company, we are required to comply with the rules of the Securities and Exchange Commission, or SEC, implementing Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, which requires management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. As an emerging growth company and a smaller reporting company, our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until the date we are no longer an emerging growth company or a smaller reporting company. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

To comply with the requirements of being a public company, we have undertaken various actions, and may need to take additional actions, such as implementing new internal controls and procedures and hiring additional accounting or internal audit staff. Testing and maintaining internal control can divert our management's attention from other matters that are important to the operation of our business. In addition, when evaluating our internal control over financial reporting, we may identify material weaknesses that we may not be able to remediate in time to meet the applicable deadline imposed upon us for compliance with the requirements of Section 404. If we identify any material weaknesses in our internal control over financial reporting or are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting once we are no longer an emerging growth company or a smaller reporting company, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our Class A common stock could be materially adversely affected, and we could become subject to investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which could require additional financial and management resources.

***We are an “emerging growth company” and a “smaller reporting company,” and the reduced disclosure requirements applicable to emerging growth companies and smaller reporting companies may make our Class A common stock less attractive to investors.***

We are an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company until the last day of our fiscal year following the fifth anniversary of our initial public offering, subject to specified conditions. For so long as we remain an emerging growth company, we are permitted, and intend, to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. We would cease to be an emerging growth company earlier if we have more than \$1.07 billion in annual revenue, we have more than \$700 million in market value of our stock held by non-affiliates or we issue more than \$1 billion of non-convertible debt securities over a three-year period. These exemptions include reduced disclosure obligations regarding executive compensation and exemptions from the requirements to hold non-binding advisory votes on executive compensation and golden parachute payments, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, not being required to comply with certain requirements of Auditing Standard 3101 relating to providing a supplement to the auditor's report regarding critical audit matters and not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation. Even after we no longer qualify as an emerging growth company, we may still qualify as a smaller reporting company, which would allow us to take advantage of many of the same exemptions from disclosure requirements, including reduced disclosure obligations regarding executive compensation and not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. In general, we will qualify as a smaller reporting company for as long as we have less than \$250 million of public float (calculated as the aggregate market value of our Class A common stock and Class B common stock held by non-affiliates, based on



the closing price of our Class A common stock on the Nasdaq Global Market on the last business day of our second fiscal quarter). We cannot predict whether investors will find our Class A common stock less attractive if we rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

In addition, the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to avail ourselves of this exemption from new or revised accounting standards and, therefore, while we are an emerging growth company we will not be subject to new or revised accounting standards at the same time that they become applicable to other public companies that are not emerging growth companies. Accordingly, we will incur additional costs in connection with complying with the accounting standards applicable to public companies at such time or times as they become applicable to us.

***Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial condition and results of operations.***

Accounting principles and related pronouncements, implementation guidelines and interpretations we apply to a wide range of matters that are relevant to our business, including, but not limited to, revenue recognition, stock-based compensation, the redemption value of our redeemable convertible preferred stock, income taxes and capitalization of web-site development costs are complex and involve subjective assumptions, estimates and judgments by our management. Changes in these accounting pronouncements or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported or expected financial performance.

***Our reported financial results may be adversely affected by changes in accounting principles generally accepted in the United States.***

Accounting principles generally accepted in the United States are subject to interpretation by the Financial Accounting Standards Board, the SEC, and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

Our principal executive offices are located in Cambridge, Massachusetts, where we lease approximately 32,000 square feet of space pursuant to a lease that expires in September 2024.

We believe that our current facilities are adequate to meet our immediate needs.

**ITEM 3. LEGAL PROCEEDINGS**

On February 15, 2019, Sean F. Townsend, a purported holder of our common stock, filed a civil action in the Supreme Court for the State of New York against us, our chief executive officer, our chief financial officer, our general counsel, our directors, and the underwriters for our IPO, captioned *Townsend v. EverQuote, Inc.*

*et al.*, Index No. 650997-2019. On February 26, 2019, Mark Townsend, a second purported holder of our common stock, filed an identical civil action in the Supreme Court for the State of New York against the same defendants, captioned *Townsend v. EverQuote, Inc. et al.*, Index No. 651177-2019. The plaintiffs alleged claims for violations of Sections 11, 12(a), and 15 of the Securities Act of 1933, on behalf of a purported class of all persons or entities who purchased or otherwise acquired our common stock pursuant or traceable to the Registration Statement issued for our IPO. Those claims generally challenged as false or misleading certain of our disclosures about our quote request volume. The plaintiffs sought, on behalf of themselves and the purported class, damages, costs and expenses of litigation, and rescission, disgorgement, or other equitable relief.

The cases were both later assigned to the Commercial Division, and the court consolidated them on May 23, 2019 in a case captioned *In re EverQuote Securities Litigation*, Index No. 651177-2019.

On June 24, 2019, the plaintiffs filed a consolidated amended complaint (the “amended complaint”). The amended complaint again asserts claims for violations of Sections 11, 12(a) and 15 of the Securities Act of 1933, on behalf of a purported class of all those who purchased our common stock pursuant and/or traceable to the Registration Statement for our IPO. Those claims generally challenge as false or misleading certain of our disclosures about our quote request volume and the relationship between quote requests and payments from insurance providers; plaintiffs also claim that our disclosures omitted material information relating to these same topics. The plaintiffs seek, on behalf of themselves and the purported class, damages, costs and expenses of litigation, rescission, and other equitable relief.

On August 5, 2019, we filed a motion to dismiss the amended complaint. Plaintiffs filed a memorandum in opposition to our motion to dismiss on September 23, 2019 and we filed a reply memorandum on October 23, 2019.

After filing the motion to dismiss the plaintiffs’ consolidated amended complaint, we participated in a mediation and agreed to pay \$4,750,000 in settlement of all of plaintiffs’ purported class claims. The parties thereafter on February 6, 2020 filed a Stipulation of Settlement settling the litigation in principle, subject to final approval of the Court. The Court has scheduled a final approval hearing for the settlement on June 11, 2020.

From time to time, we may be subject to additional legal proceedings and claims that arise in the ordinary course of our business activities. Regardless of the outcome, litigation can have a material adverse effect on us because of defense and settlement costs, diversion of management resources, and other factors.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Certain Information Regarding the Trading of Our Common Stock

Our Class A common stock trades under the symbol "EVER" on the Nasdaq Global Market and has been publicly traded since June 28, 2018. Prior to this time, there was no public market for our Class A common stock. Our Class B common stock is not listed or traded on any stock exchange.

#### Holder of Our Common Stock

As of February 29, 2020, there were approximately 13 holders of record of shares of our Class A common stock and 18 holders of record of shares of our Class B Common stock. These amounts do not include stockholders for whom shares are held in "nominee" or "street" name.

#### Securities Authorized for Issuance Under Equity Compensation Plans

Information about our equity compensation plans will be included in our definitive proxy statement to be filed with the SEC with respect to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

#### Recent Sales of Unregistered Equity Securities

None.

#### Use of Proceeds from Initial Public Offering

Our initial public offering of Class A common stock, or the IPO, was effected through a Registration Statement on Form S-1 (File No. 333-225379) that was declared effective by the Securities and Exchange Commission, or SEC, on June 27, 2018. The net offering proceeds to us, after deducting underwriting discounts and commissions and other offering expenses, were \$48.6 million. None of the net proceeds were paid directly or indirectly to any of our directors or officers (or their associates) or persons owning 10.0% or more of any class of our equity securities or to any other affiliates, other than payments in the ordinary course of business to officers for salaries and to non-employee directors as compensation for board or board committee service. As of December 31, 2019, we estimate that we have used approximately \$18.4 million of the net proceeds from our IPO for general corporate purposes and capital expenditures, including \$7.0 million to repay amounts outstanding under our revolving line of credit with Western Alliance Bank, which revolving line of credit remains open for borrowings of up to \$11.0 million. There has been no material change in the planned use of IPO proceeds from that described in the final prospectus for the IPO filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended, on June 28, 2018.

#### Issuer Purchases of Equity Securities

We did not purchase any of our registered equity securities during the period from October 1, 2019 to December 31, 2019.

#### Dividends

We have never declared or paid cash dividends on our capital stock. We anticipate that we will retain all of our future earnings to finance the operation of our business and do not anticipate declaring or paying any cash

dividends on our capital stock in the foreseeable future. Any future determination to declare and pay cash dividends, if any, will be made at the discretion of our board of directors and will depend on a variety of factors, including applicable laws, our financial condition, results of operations, contractual restrictions, capital requirements, business prospects, general business or financial market conditions, and other factors our board of directors may deem relevant. In addition, our revolving credit facility contains covenants that could restrict our ability to pay cash dividends.

## **ITEM 6. SELECTED FINANCIAL DATA**

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

## **ITEM 7. 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 in conjunction with our financial statements and related notes appearing in Part II, Item 8 of this Annual Report on Form 10-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Annual Report on Form 10-K, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. As a result of many factors, including those factors set forth in the "Risk Factors" section of this Annual Report on Form 10-K, our actual results could differ materially from the results described in, or implied by, the forward-looking statements contained in the following discussion and analysis.*

### **Overview**

*EverQuote makes insurance shopping easy, efficient and personal, saving consumers and insurance providers time and money.*

We operate a leading online marketplace for insurance shopping. Our goal is to reshape insurance shopping for consumers and improve the way insurance providers attract and connect with customers shopping for insurance. With over 11 million consumer visits per month, our results-driven marketplace, powered by our proprietary data and technology platform, matches and connects consumers seeking to purchase insurance with relevant options from our broad direct network of insurance providers, saving consumers and providers time and money.

Consumers may view insurance as a simple commodity with standard pricing. However, finding the right insurance product is often challenging for consumers, who face limited online options, complex, variable and opaque pricing, and myriad coverage configurations. We present consumers with a single starting point for a comprehensive and cost-effective insurance shopping experience. Our marketplace reduces the time consumers spend searching across multiple sites by delivering broader and more relevant results than consumers may find on their own. Our service is free for consumers, and we derive our revenue from sales of consumer referrals to insurance providers.

Insurance providers operate in a highly competitive and regulated industry and typically specialize on pre-determined subsets of consumers. As a result, not every consumer is a good match for every provider, and some providers struggle to efficiently reach the segments that are most desirable for their business models. Traditional offline and online advertising channels reach broad audiences but lack the fine-grained consumer acquisition capabilities needed for optimally matching consumers to specific insurance products. We connect providers to a large volume of high-intent, pre-validated consumer referrals that match the insurers' specific requirements. The transparency of our marketplace, as well as the campaign management tools we offer, make it easy for insurance providers to evaluate the performance of their marketing spend on our platform and manage their own return on investment.

Since our founding in 2011, our core mission has been to make finding insurance easy and more personal, saving consumers and insurance providers time and money. We are working to build the largest and most trusted online insurance marketplace in the world. In pursuing this goal, we have consistently innovated through our disruptive data driven approach. Highlights of our history of innovation include:

- In 2011, we launched the EverQuote marketplace for auto insurance.
- In 2013, we launched EverQuote Pro, our provider portal, for carriers.
- In 2015, we launched EverQuote Pro for agents.
- In 2016, we added home and life insurance in our marketplace.
- In 2018, we exceeded 46 million cumulative quote requests since launch of our marketplace.
- In 2019, we added health and renters insurance in our marketplace.
- In 2019, we announced our partnership with Bold Penguin to add commercial insurance in our marketplace.

In the years ended December 31, 2019 and 2018, our total revenue was \$248.8 million and \$163.3 million, respectively, representing year-over-year growth of 52.3%. We had net losses of \$7.1 million and \$13.8 million for the years ended December 31, 2019 and 2018, respectively, and had \$8.3 million and \$(5.5) million in adjusted EBITDA for these same periods, respectively. See the section titled “—Non-GAAP Financial Measure” for information regarding our use of adjusted EBITDA and its reconciliation to net income (loss) determined in accordance with generally accepted accounting principles in the United States, or GAAP.

### **Factors Affecting Our Performance**

We believe that our performance and future growth depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section titled “Risk Factors.”

#### ***Auto Insurance Industry Risk***

We derive a significant portion of our revenue from auto insurance providers and our financial results depend on the performance of the auto insurance industry. For example, in 2016, the U.S. commercial auto insurance industry experienced its worst underwriting performance in 15 years, with higher loss ratios that were driven by both adverse claim severity and frequency trends. Factors contributing to these trends include increased miles driven, greater incidence of distracted driving-related accidents, higher physical damage losses and repair costs due to more complex and sophisticated automobile parts and higher bodily injury costs from more serious accidents. As a result, our auto insurance carrier customers reduced marketing spend and cost per sale targets the following year, ultimately impacting our revenue growth in the auto insurance vertical in 2017.

#### ***Shift from indirect to direct distribution channels***

We have shifted the majority of our revenue from our indirect channel, consisting of aggregators and media networks, to our direct channel, consisting of carriers and agents. This shift has been an important part of our maturity and evolution. The benefits of direct distribution include improved consumer experience, higher pricing per referral, improved pricing stability, greater revenue predictability, richer data feedback, better performance and stronger relationships with providers and consumers. In 2018, direct distribution accounted for 90% of total revenue. In 2019, direct distribution accounted for 94% of total revenue.

#### ***Expanding consumer traffic***

Our success depends in part on the growth of our consumer traffic, as measured by quote requests. We have historically increased consumer traffic to our marketplace by expanding existing advertising channels and

adding new channels. We plan to continue to increase consumer traffic by leveraging the features and growing data assets of our platform. While we plan to increase consumer traffic over the long term, we also have the ability to decrease advertising, which would likely result in a decrease in quote requests from consumers targeted by such advertising, if we believe the revenue associated with such consumer traffic does not result in incremental profit to our business.

### ***Increasing the number of insurance providers and their respective spend in our marketplace***

Our success also depends on our ability to retain and grow our insurance provider network. We have expanded both the number of insurance providers and the spend per provider on our platform. While not a factor in our historical increases in revenue per quote request, we believe we have an opportunity to increase the number of referrals per quote request while increasing the bind rate per quote request, which would allow us to increase our revenue at low incremental cost.

### ***Revenue per quote request***

We seek to increase our revenue per quote request by attaining higher insurance provider bids and by increasing the number of referrals per quote request. Insurance provider bids are influenced by competition in our marketplace auctions, the performance of our consumer referrals for insurance providers relative to other consumer acquisition channels, as well as by market conditions, insurance provider budgets and insurance providers' new customer acquisition targets. Increases in revenue per quote request allow us to increase advertising and consumer traffic to our marketplace while maintaining or increasing profitability. We believe revenue per quote request will increase in the long term, but decrease in the near term.

### ***Cost per quote request***

We seek to efficiently acquire consumers by increasing the effectiveness of our consumer advertising and insurance marketplace. Cost per quote request is influenced by the cost of advertising and the conversion rate of marketplace visitors who request an insurance quote. While we expect to minimize cost per quote request over the long term, we may incur increased cost per quote request in order to achieve profitability at relative volumes of quote requests and revenue per quote request.

### **Key Business Metrics**

We regularly review a number of metrics, including United States generally accepted accounting principles, or GAAP, operating results and the key metrics listed below, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make operating and strategic decisions. Some of these metrics are non-financial metrics or are financial metrics that are not defined by GAAP.

### ***Quote Requests***

Quote requests are consumer-submitted website forms that contain the data required to provide an insurance quote, quote requests we receive through offline channels such as telephone calls and quote requests submitted directly to third-party partners. As we attract more consumers to our platform and they complete quote requests, we are able to refer them to our insurance provider customers, selling more referrals while also collecting data, which we use to improve user experience, conversion rates and, we believe, consumer satisfaction.

### ***Variable Marketing Margin***

Beginning in the first quarter of 2019, we revised our definition of variable marketing margin, or VMM, as revenue, as reported in our statements of operations and comprehensive income (loss), less advertising costs (a

component of sales and marketing expense, as reported in our statements of operations and comprehensive income (loss)). We use VMM to measure the efficiency of individual advertising and consumer acquisition sources and to make trade-off decisions to manage our return on advertising. We do not use VMM as a measure of profitability.

Our VMM was \$73.3 million and \$46.1 million for the years ended December 31, 2019 and 2018, respectively. Under our previous definition of VMM, our VMM for the year ended December 31, 2018 was \$48.0 million, as advertising costs used in our previously defined VMM calculation excluded advertising costs related to our EverDrive app and advertising costs not related to obtaining quote requests. Under our previous definition of VMM, VMM was a non-GAAP financial measure that we reconciled to revenue less advertising costs. As our new definition of VMM is revenue less advertising costs, VMM is no longer a non-GAAP measure.

### ***Adjusted EBITDA***

We define adjusted EBITDA as net income (loss), adjusted to exclude: stock-based compensation expense, depreciation and amortization expense, legal settlement expense, interest income and expense and the provision for (benefit from) income taxes. Adjusted EBITDA is a non-GAAP financial measure that we present in this Annual Report on Form 10-K 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 and board of directors to understand and evaluate our operating performance, to establish budgets and to develop operational goals for managing our business. Adjusted EBITDA should not be considered in isolation from, or as an alternative to, measures prepared in accordance with GAAP. Adjusted EBITDA should be considered together with other operating and financial performance measures presented in accordance with GAAP. Also, adjusted EBITDA may not necessarily be comparable to similarly titled measures presented by other companies. For further explanation of the uses and limitations of this measure and a reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net income (loss), please see “—Non GAAP Financial Measure”.

### **Key Components of Our Results of Operations**

#### ***Revenue***

We generate our revenue by selling consumer referrals to insurance provider customers, consisting of carriers and agents, as well as to indirect distributors. To simplify the quoting process for the consumer and improve performance for the provider, we are able to provide consumer-submitted quote request data along with each referral. We support three secure consumer referral formats:

- Clicks: An online-to-online referral, with a handoff of the consumer to the provider’s website.
- Data: An online-to-offline referral, with quote request data transmitted to the provider for follow-up.
- Calls: An online-to-offline referral for outbound calls and an offline-to-offline referral for inbound calls, with the consumer and provider connected by phone.

We recognize revenue from consumer referrals at the time of delivery. Our revenue is comprised of consumer referral fees from the automotive and other insurance verticals, which includes home and renters, life, health and commercial insurance verticals, as follows:

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	(in thousands)	
Automotive	\$ 212,300	\$ 141,187
Other	36,511	22,162
Total Revenue	<u>\$ 248,811</u>	<u>\$ 163,349</u>

### ***Cost and Operating Expenses***

Our cost and operating expenses consist of cost of revenue, sales and marketing, research and development, and general and administrative expenses.

We allocate certain overhead expenses, such as rent, utilities, office supplies and depreciation and amortization of general office assets to cost of revenue and operating expense categories based on headcount. As a result, an overhead expense allocation is reflected in cost of revenue and each operating expense category. Personnel-related costs included in cost of revenue and each operating expense category include wages, fringe benefit costs and stock-based compensation expense.

#### ***Cost of Revenue***

Cost of revenue is comprised primarily of the costs of operating our marketplace and delivering consumer referrals to our customers. These costs consist primarily of technology service costs including hosting, software, data services, and third-party call center costs. In addition, cost of revenue includes depreciation and amortization of our platform technology assets and personnel-related costs.

#### ***Sales and Marketing***

Sales and marketing expense consists primarily of advertising and marketing expenditures as well as personnel-related costs for employees engaged in sales, marketing, data analytics and consumer acquisition functions. Advertising expenditures consist of variable costs that are related to attracting consumers to our marketplace, generating consumer quote requests, promoting our marketplace to carriers and agents, and increasing downloads of our social safe-driving mobile app EverDrive. In November 2019, we announced that we would no longer support EverDrive. Advertising costs are expensed as incurred. Marketing costs consist primarily of content and creative development, public relations, memberships, and event costs. In order to continue to grow our business and brand awareness, we expect that we will continue to commit substantial resources to our sales and marketing efforts. We expect our sales and marketing expense will increase in the near term, both as a percentage of revenue and in absolute dollars, but decrease in the longer term as a percentage of revenue due to efficiencies of scale and improvements in our marketplace technology.

#### ***Research and Development***

Research and development expenses consist primarily of personnel-related costs for software development and product management. We have focused our research and development efforts on improving ease of use and functionality of our existing marketplace platform and developing new offerings and internal tools. We primarily expense research and development costs. Direct development costs related to software enhancements that add functionality are capitalized and amortized as a component of cost of revenue. We expect that research and development expenses will increase as we continue to enhance and expand our platform technology.

#### ***General and Administrative***

General and administrative expenses consist of personnel-related costs and related expenses for executive, finance, legal, human resources, technical support and administrative personnel as well as the costs associated with professional fees for external legal, accounting and other consulting services, insurance premiums and payment processing and billing costs. We expect general and administrative expenses to increase as we incur the costs of compliance associated with being a publicly traded company, including legal, audit, insurance and consulting fees.

#### ***Other Income (Expense)***

Other income (expense) consists of interest income and expense and other income. Interest income consists of interest earned on invested cash balances. Interest expense consists of interest expense associated with



outstanding borrowings under our loan and security agreements and the amortization of deferred financing costs and debt discount associated with such arrangements. See “—Liquidity and Capital Resources.” Other income consists of miscellaneous income unrelated to our core operations.

### ***Income Taxes***

We have not recorded income tax benefits for the net losses we have incurred in the years ended December 31, 2019 and 2018 or for our research and development tax credits generated, as we believe, based upon the weight of available evidence, that it is more likely than not that all of our net operating loss carryforwards and tax credits will not be realized. As of December 31, 2019, we had federal net operating loss carryforwards of \$31.1 million, which may be available to offset future taxable income, of which \$9.0 million of the total net operating loss carryforwards expire at various dates beginning in 2029, while the remaining \$22.1 million do not expire but are limited in their usage to an annual deduction equal to 80% of annual taxable income. As of December 31, 2019, we had state net operating loss carryforwards of \$25.8 million, which may be available to offset future taxable income and expire at various dates beginning in 2027. As of December 31, 2019, we also had federal and state research and development tax credit carryforwards of \$3.5 million and \$1.9 million, respectively, which may be available to reduce future tax liabilities and expire at various dates beginning in 2030 and 2029, respectively. We have recorded a full valuation allowance against our net deferred tax assets at each balance sheet date.

### **Non-GAAP Financial Measure**

To supplement our financial statements presented in accordance with GAAP and to provide investors with additional information regarding our financial results, we present in this Annual Report on Form 10-K adjusted EBITDA as a non-GAAP financial measure. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similarly titled measures presented by other companies.

*Adjusted EBITDA.* We define adjusted EBITDA as our net income (loss), excluding the impact of stock-based compensation expense; depreciation and amortization expense; legal settlement expense; interest income and expense; and our provision for (benefit from) income taxes. The most directly comparable GAAP measure to adjusted EBITDA is net income (loss). We monitor and present in this Annual Report on Form 10-K adjusted EBITDA because it is a key measure used by our management and board of directors to understand and evaluate our operating performance, to establish budgets and to develop operational goals for managing our business. In particular, we believe that excluding the impact of these expenses in calculating adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core operating performance.

We use adjusted EBITDA to evaluate our operating performance and trends and make planning decisions. We believe 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 calculation 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.

Adjusted EBITDA is not prepared in accordance with GAAP and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of adjusted EBITDA rather than net income (loss), which is the most directly comparable financial measure calculated and presented in accordance with GAAP. Some of these limitations are:

- adjusted EBITDA excludes stock-based compensation expense as it has recently been, and will continue to be for the foreseeable future, a significant recurring non-cash expense for our business;
- adjusted EBITDA excludes depreciation and amortization expense and, although this is a non-cash expense, the assets being depreciated and amortized may have to be replaced in the future;

- adjusted EBITDA excludes legal settlement expense as we consider this to be a non-recurring cost;
- adjusted EBITDA does not reflect the cash requirements necessary to service interest on our debt or cash received from interest income on our investments, both of which affect the cash available to us;
- adjusted EBITDA does not reflect income tax expense (benefit) that affects cash available to us; and
- the expenses and other items that we exclude in our calculation of adjusted EBITDA may differ from the expenses and other items, if any, that other companies may exclude from adjusted EBITDA when they report their operating results.

In addition, other companies may use other measures to evaluate their performance, all of which could reduce the usefulness of adjusted EBITDA as a tool for comparison.

The following table reconciles adjusted EBITDA to net income (loss), the most directly comparable financial measures calculated and presented in accordance with GAAP.

**Reconciliation of Net Loss to Adjusted EBITDA:**

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	(in thousands)	
Net loss	\$ (7,117)	\$ (13,791)
Stock-based compensation	12,721	7,121
Depreciation and amortization	2,186	1,341
Legal settlement	1,227	—
Interest (income) expense, net	(669)	(121)
Adjusted EBITDA	<u>\$ 8,348</u>	<u>\$ (5,450)</u>

## Results of Operations

### Comparison of the Years Ended December 31, 2019 and 2018

The following tables set forth our results of operations for the periods shown:

	Year Ended December 31,	
	2019	2018
	(in thousands)	
<b>Statement of Operations Data:</b>		
Revenue(1)	\$ 248,811	\$ 163,349
Cost and operating expenses(2):		
Cost of revenue	15,903	11,678
Sales and marketing	202,689	140,743
Research and development	20,214	14,173
General and administrative	16,827	10,667
Legal settlement	1,227	—
Total cost and operating expenses	<u>256,860</u>	<u>177,261</u>
Loss from operations	(8,049)	(13,912)
Other income (expense):		
Interest income (expense), net	669	121
Other income	263	—
Total other income (expense), net	<u>932</u>	<u>121</u>
Net loss	<u>\$ (7,117)</u>	<u>\$ (13,791)</u>
<b>Other Financial and Operational Data:</b>		
Quote Requests	20,011	12,803
Variable marketing margin	\$ 73,316	\$ 46,075
Adjusted EBITDA(3)	\$ 8,348	\$ (5,450)

(1) Comprised of revenue from the following distribution channels:

	Year Ended December 31,	
	2019	2018
Direct channels	94%	90%
Indirect channels	6%	10%
	<u>100%</u>	<u>100%</u>

(2) Includes stock-based compensation expense as follows:

	Year Ended December 31,	
	2019	2018
	(in thousands)	
Cost of revenue	\$ 193	\$ 42
Sales and marketing	3,805	1,955
Research and development	3,967	2,011
General and administrative	4,756	3,113
	<u>\$ 12,721</u>	<u>\$ 7,121</u>

(3) See “—Non-GAAP Financial Measure” for information regarding our use of adjusted EBITDA as a non-GAAP financial measure and a reconciliation of adjusted EBITDA to its comparable GAAP financial measure.

*Revenue:*

	Year Ended December 31,		Change	
	2019	2018	Amount	%
	(dollars in thousands)			
Revenue	\$ 248,811	\$ 163,349	\$ 85,462	52.3%

Revenue increased by \$85.5 million from \$163.3 million for the year ended December 31, 2018 to \$248.8 million for the year ended December 31, 2019. The increase in revenue was due to an increase of \$71.1 million and \$14.4 million from our automotive and other insurance marketplace verticals, respectively. The increase in revenue from our automotive vertical was primarily driven by an increase in the volume of quote requests resulting from increased advertising to attract consumers. The increase in revenue from our other marketplace verticals was primarily due to an increase in quote requests resulting from increased advertising to attract consumers, partially offset by a decline in revenue per quote request.

*Cost of Revenue*

	Year Ended December 31,		Change	
	2019	2018	Amount	%
	(dollars in thousands)			
Cost of revenue	\$ 15,903	\$ 11,678	\$ 4,225	36.2%
Percentage of revenue	6.4%	7.1%		

Cost of revenue increased by \$4.2 million from \$11.7 million for the year ended December 31, 2018 to \$15.9 million for the year ended December 31, 2019. Cost of revenue increased due primarily to increased third-party call center costs of \$2.3 million which were primarily related to increased volume of call referrals, to increased hosting costs of \$1.1 million due to increased marketplace activity and to increased amortization of capitalized software costs of \$0.9 million.

*Sales and Marketing*

	Year Ended December 31,		Change	
	2019	2018	Amount	%
	(dollars in thousands)			
Sales and marketing expense . . . . .	\$ 202,689	\$ 140,743	\$ 61,946	44.0%
Percentage of revenue . . . . .	81.5%	86.2%		

Sales and marketing expenses increased by \$61.9 million from \$140.7 million for the year ended December 31, 2018 to \$202.7 million for the year ended December 31, 2019. The increase in sales and marketing expense was primarily due to an increase in advertising expenditures of \$58.2 million and an increase in personnel-related costs of \$3.1 million. Personnel-related costs for the years ended December 31, 2019 and 2018 included stock-based compensation expense of \$3.8 million and \$2.0 million, respectively.

*Research and Development*

	Year Ended December 31,		Change	
	2019	2018	Amount	%
	(dollars in thousands)			
Research and development expense	\$ 20,214	\$ 14,173	\$ 6,041	42.6%
Percentage of revenue	8.1%	8.7%		

Research and development expenses increased by \$6.0 million from \$14.2 million for the year ended December 31, 2018 to \$20.2 million for the year ended December 31, 2019. The increase in research and development expense was primarily due to an increase in personnel-related costs of \$5.1 million as a result of our

continued hiring of research and development employees and a shift towards hiring more senior personnel, to further develop and enhance our marketplace websites and technology. Personnel-related costs for the years ended December 31, 2019 and 2018 included stock-based compensation expense of \$4.0 million and \$2.0 million, respectively. Office and occupancy costs also increased by \$0.3 million as a result of the increase in headcount.

#### *General and Administrative*

	<u>Year Ended December 31,</u>		<u>Change</u>	
	<u>2019</u>	<u>2018</u>	<u>Amount</u>	<u>%</u>
	(dollars in thousands)			
General and administrative expense	\$ 16,827	\$ 10,667	\$ 6,160	57.7%
Percentage of revenue	6.8%	6.5%		

General and administrative expenses increased by \$6.2 million from \$10.7 million for the year ended December 31, 2018 to \$16.8 million for the year ended December 31, 2019. The increase in general and administrative expenses in both dollars and as a percentage of revenue was primarily due to an increase in personnel-related costs of \$2.5 million, an increase in professional and consultant fees of \$2.3 million and an increase in insurance and other costs of \$1.3 million. Personnel-related costs for the years ended December 31, 2019 and 2018 included stock-based compensation expense of \$4.8 million and \$3.1 million, respectively. Professional and consultant fees increased primarily due to an increase in legal fees and other consulting services to support the costs of compliance associated with being a publicly traded company. Insurance and other costs increased primarily as a result of increased insurance costs of \$0.7 million associated with operating as a public company and increased write-offs of uncollectable accounts receivable.

#### *Legal Settlement*

Legal settlement expenses for the year ended December 31, 2019 were \$1.2 million and were associated with the Settlement Agreement (see Note 10 to the Financial Statements and Part I, Item 3 entitled “Legal Proceedings”).

#### *Other Income (Expense)*

Interest income was \$0.7 million and \$0.3 million for the year ended December 31, 2019 and 2018, respectively, as a result of investing proceeds from our initial public offering, or IPO, in July 2018. Interest expense was \$0.2 million for the year ended December 31, 2018, due to outstanding borrowings under our revolving line of credit, which we repaid in July 2018.

#### *Quote requests*

	<u>Year Ended December 31,</u>		<u>Change</u>	
	<u>2019</u>	<u>2018</u>	<u>Amount</u>	<u>%</u>
	(in thousands except percentages)			
Quote requests	20,011	12,803	7,208	56.3%

Quote requests increased by 7.2 million for 2019 as compared to 2018 due to increased spending on online marketplace advertising as well as improvements in our traffic acquisition.

### Variable Marketing Margin

	Year Ended December 31,		Change	
	2019	2018	Amount	%
Revenue	\$248,811	\$163,349		
Less: total advertising expense (a component of sales and marketing expense)	175,495	117,274		
Variable marketing margin	<u>\$ 73,316</u>	<u>\$ 46,075</u>	\$27,241	59.1%
Percentage of revenue	29.5%	28.2%		

The increase in variable marketing margin was due primarily to an increased volume of quote requests. In the first quarter of 2019, we changed our definition of variable marketing margin. See the section titled “—Key Business Metrics—Variable Marketing Margin”.

### Liquidity and Capital Resources

Since our inception, we have primarily funded our operations through issuances of shares of redeemable convertible preferred stock and common stock, debt, including a revolving line of credit with Western Alliance Bank, cash flows from operations and proceeds from our IPO. As of December 31, 2019, we had cash and cash equivalents of \$46.1 million and availability of \$11.0 million on a revolving line of credit under our revolving line of credit.

Borrowings under our revolving line of credit are collateralized by substantially all of our assets and property. Additionally, we are subject under our revolving line of credit to affirmative and negative covenants to which we will remain subject until maturity. These covenants include limitations on our ability to incur additional indebtedness and engage in certain fundamental business transactions, such as mergers or acquisitions of other businesses. In addition, we are required to maintain a minimum asset coverage ratio of 1.5 to 1 calculated as the sum of unrestricted cash and qualified accounts receivable divided by borrowings outstanding under the revolving line of credit. Events of default under our revolving line of credit include failure to make payments when due, insolvency events, failure to comply with covenants and material adverse events with respect to us. In the event of a default, the lender may declare all borrowings immediately due and payable. As of December 31, 2019, we were in compliance with all covenants related to our revolving line of credit. There can be no guarantee that these covenants will be met in the future, and if not met, that waivers will be obtained.

Since our inception, we have incurred operating losses and may continue to incur losses in the foreseeable future. We believe our existing cash and cash equivalents will be sufficient to fund our operating expenses and capital expenditure requirements for at least the next twelve months, without considering liquidity available from our revolving line of credit. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and extent of spending on business initiatives, purchases of capital equipment to support our growth, the expansion of sales and marketing activities, expansion of our business through acquisitions or our investments in complementary offerings, technologies or businesses, market acceptance of our platform and overall economic conditions. If we do not achieve our revenue goals as planned, we believe that we can reduce our operating costs. If we need additional funds and are unable to obtain funding on a timely basis, we may need to significantly curtail our operations in an effort to provide sufficient funds to continue our operations, which could adversely affect our business prospects.

### ***Cash Flows***

The following table shows a summary of our cash flows for each of the years ended December 31, 2019 and 2018:

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
	(in thousands)	
Net cash provided by (used in) operating activities	\$ 4,413	\$ (1,897)
Net cash used in investing activities	(2,975)	(3,668)
Net cash provided by financing activities	2,982	44,836
Net increase in cash, cash equivalents and restricted cash	<u>\$ 4,420</u>	<u>\$ 39,271</u>

#### *Net cash used in operating activities*

During the year ended December 31, 2019, operating activities provided \$4.4 million of cash and, during the year ended December 31, 2018, operating activities used \$1.9 million of cash. Cash provided by operating activities in 2019 primarily resulted from the offset of net non-cash charges of \$15.3 million to our net loss of \$7.1 million and net cash used by changes in our operating assets and liabilities of \$3.8 million. Net cash used by changes in our operating assets and liabilities consisted primarily of a \$15.2 million increase in accounts receivable and a \$5.6 million increase in prepaid expenses and other current assets, both partially offset by an aggregate \$17.0 million increase in accounts payable and accrued expenses and other current liabilities. Cash used by operating activities in 2018 primarily resulted from our net loss of \$13.8 million, partially offset by net non-cash charges of \$8.8 million and net cash provided by changes in our operating assets and liabilities of \$3.1 million. Net cash provided by changes in our operating assets and liabilities in 2018 consisted primarily of an aggregate increase in accounts payable and accrued expenses and other current liabilities of \$6.3 million, partially offset by an increase in accounts receivable of \$2.8 million.

Changes in accounts receivable, accounts payable and accrued expenses and other current liabilities were generally due to growth in our business, timing of customer and vendor invoicing and payments.

#### *Net cash used in investing activities*

Net cash used in investing activities was \$3.0 million and \$3.7 million for the years ended December 31, 2019 and 2018, respectively, and consisted of cash used to acquire property and equipment, which included the capitalization of software development costs. During the years ended December 31, 2019 and 2018, we capitalized \$2.7 million and \$2.5 million, respectively, of software development costs. Acquisitions of property and equipment generally include the purchase of computer equipment for our operations and employees, equipment, furniture and leasehold improvements and the capitalization of certain software development costs.

#### *Net cash provided by financing activities*

During the years ended December 31, 2019 and 2018, net cash provided by financing activities was \$3.0 million and \$44.8 million, respectively. Net cash provided by financing activities during 2019 consisted of proceeds from the exercise of stock options. Net cash provided by financing activities during 2018 consisted primarily of \$52.3 million of proceeds from our IPO and proceeds received from the exercise of common stock options of \$0.9 million, partially offset by \$3.7 million in payments of offering costs, a \$2.6 million repayment of our previously outstanding term loan and net repayments of \$2.0 million of borrowings from our revolving line of credit.

### **Critical Accounting Policies and Significant Judgments and Estimates**

Our financial statements are prepared in accordance with GAAP. The preparation of our financial statements and related disclosures requires us to make estimates and judgments that affect the reported amounts

of assets, liabilities, revenue, costs and expenses, and the disclosure of contingent assets and liabilities in our financial statements. We base our estimates on historical experience, known trends and events, and various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are described in more detail in Note 2 to our audited financial statements, appearing in Part II of Item 8 of this Annual Report on Form 10-K, we believe that the following accounting policies are those most critical to the judgments and estimates used in the preparation of our financial statements.

### ***Revenue Recognition***

Our revenue is derived from sales of consumer referrals. We derive our revenue by selling consumer referrals to our insurance provider customers, including insurance carriers and agents. On January 1, 2019, we adopted the new revenue standard Accounting Standard Codification Topic 606, *Revenue from Contracts with Customers*, or ASC 606, applied using the modified retrospective method. Our adoption of ASC 606 did not have a material impact on our financial statements, and the revenue recognition of our sales of consumer referrals remained substantially unchanged. The impact of the adoption of ASC 606 on our financial statements is described in Note 2 to our financial statements included elsewhere in this Annual Report on Form 10-K. To determine revenue recognition for arrangements that we determine are within the scope of the new revenue standard, we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation.

We only apply the five-step model to contracts when collectability of the consideration to which we are entitled in exchange for the goods or services we transfer to the customer is determined to be probable. Amounts are recorded as accounts receivable when our right to consideration is unconditional. We do not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less. We recognize revenue when we satisfy our performance obligations by delivering the referrals to our customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those referrals.

### ***Stock-Based Compensation***

We measure stock options and other stock-based awards granted to employees, non-employees and directors based on their fair value on the date of the grant. We recognize compensation expense of employee awards, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. We apply the straight-line method of expense recognition to all employee awards with only service-based vesting conditions and apply the graded-vesting method to all employee awards with both service-based and performance-based vesting conditions, commencing when achievement of the performance condition becomes probable. Compensation expense for nonemployee awards is recognized in the same manner as if we had paid cash for the goods or services received.

Prior to the adoption of Accounting Standard Update 2018-07 *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting* on January 1, 2019, we measured the fair value of stock-based awards granted to non-employees on the date at which the related service was complete. Compensation expense was recognized over the period during which services were rendered by such non-employee consultants until completed. At the end of each financial reporting period prior to completion of



the service, the fair value of these awards was remeasured using the then-current fair value of our common stock and updated assumption inputs in the Black-Scholes option-pricing model for options.

We estimate the fair value of stock options using the Black-Scholes option-pricing model, which uses as inputs the fair value of our common stock and assumptions we make for the volatility of our common stock, the expected term of our common stock options, the risk-free interest rate for a period that approximates the expected term of our common stock options, and our expected dividend yield. We estimate the fair value of each restricted stock unit, or RSU, based on the fair value using the market value of our common stock.

### ***Capitalization of Website and Software Development Costs***

We capitalize certain costs associated with the development of our websites and internal-use software after the preliminary project stage is complete and until the software is ready for its intended use. Research and development costs incurred during the preliminary project stage or costs incurred for data conversion activities, training, maintenance, and administration or overhead costs are expensed as incurred. Capitalization begins when the preliminary project stage is complete, management, with the relevant authority, authorizes and commits to the funding of the software project, it is probable the project will be completed, the software will be used to perform the functions intended and certain functional and quality standards have been met. Qualified costs incurred during the operating stage of our software applications relating to upgrades and enhancements are capitalized to the extent it is probable that they will result in added functionality, while costs that cannot be separated between maintenance of, and minor upgrades and enhancements to, internal-use software are expensed as incurred.

Capitalized software development costs are amortized on a straight-line basis over their estimated useful life of three years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets.

### ***Income Taxes***

We account for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and tax basis of assets and liabilities, as measured by enacted tax rates anticipated to be in effect when these differences reverse. This method also requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not. Deferred tax expense or benefit is the result of changes in the deferred tax assets and liabilities. We assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, we establish a valuation allowance through a charge to income tax expense. We evaluate the potential for recovery of deferred tax assets by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

### **Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined in the rules and regulations of the Securities and Exchange Commission.

### **Recently Issued Accounting Pronouncements**

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our audited financial statements appearing in Part II, Item 8 of this Annual Report on Form 10-K.

### **Emerging Growth Company Status**

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have elected to use the extended transition period for complying with new or revised accounting standards; and as a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates. We may take advantage of these exemptions up until the last day of the fiscal year following the fifth anniversary of our IPO or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company earlier if we have more than \$1.07 billion in annual revenue, we have more than \$700.0 million in market value of our stock held by non-affiliates or we issue more than \$1.0 billion of non-convertible debt securities over a three-year period.

### **Inflation Risk**

During the last two years, inflation and changing prices have not had a material effect on our business. We are unable to predict whether inflation or changing prices will materially affect our business in the foreseeable future.

### **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are a smaller reporting company, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, for this reporting period and are not required to provide the information required under this item.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**EVERQUOTE, INC.**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of EverQuote, Inc.

### ***Opinion on the Financial Statements***

We have audited the accompanying balance sheets of EverQuote, Inc. (the “Company”) as of December 31, 2019 and 2018, and the related statements of operations and comprehensive loss, of redeemable convertible preferred stock and stockholders’ equity (deficit) and of cash flows for the years then ended, including the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 2 to the financial statements, the Company changed the manner in which it accounts for revenue from contracts with customers in 2019.

### ***Basis for Opinion***

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
March 13, 2020

We have served as the Company’s auditor since 2014.

**EVERQUOTE, INC.**  
**BALANCE SHEETS**  
(In thousands, except share and per share amounts)

	December 31,	
	2019	2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 46,054	\$ 41,634
Accounts receivable	32,214	17,460
Prepaid expenses and other current assets	7,065	1,456
Total current assets	85,333	60,550
Property and equipment, net	5,197	4,481
Other assets	691	715
Total assets	\$ 91,221	\$ 65,746
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 23,663	\$ 16,826
Accrued expenses and other current liabilities	13,225	3,099
Deferred revenue	1,501	1,440
Total current liabilities	38,389	21,365
Deferred rent, net of current portion	1,062	1,197
Total liabilities	39,451	22,562
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Class A common stock, \$0.001 par value; 220,000,000 shares authorized; 14,635,834 shares and 7,528,741 shares issued and outstanding at December 31, 2019 and 2018, respectively	15	8
Class B common stock, \$0.001 par value; 30,000,000 shares authorized; 11,802,341 shares and 17,696,414 shares issued and outstanding at December 31, 2019 and 2018, respectively	12	18
Additional paid-in capital	158,752	143,050
Accumulated deficit	(107,009)	(99,892)
Total stockholders' equity	51,770	43,184
Total liabilities and stockholders' equity	\$ 91,221	\$ 65,746

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

**EVERQUOTE, INC.**  
**STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(In thousands, except share and per share amounts)

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Revenue	\$ 248,811	\$ 163,349
Cost and operating expenses:		
Cost of revenue	15,903	11,678
Sales and marketing	202,689	140,743
Research and development	20,214	14,173
General and administrative	16,827	10,667
Legal settlement	1,227	—
Total cost and operating expenses	<u>256,860</u>	<u>177,261</u>
Loss from operations	(8,049)	(13,912)
Other income (expense):		
Interest income (expense), net	669	121
Other income	263	—
Total other income (expense), net	<u>932</u>	<u>121</u>
Net loss and comprehensive loss	(7,117)	(13,791)
Accretion of redeemable convertible preferred stock to redemption value	—	(37,415)
Net loss attributable to common stockholders	<u>\$ (7,117)</u>	<u>\$ (51,206)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.28)</u>	<u>\$ (3.03)</u>
Weighted average common shares outstanding, basic and diluted	<u>25,758,649</u>	<u>16,922,225</u>

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

**EVERQUOTE, INC.**  
**STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS'**  
**EQUITY (DEFICIT)**  
**(in thousands, except share amounts)**

	Series A, B and B-1		Class A		Class B		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Redeemable Convertible Preferred Stock		Common Stock		Common Stock				
	Shares	Amount	Shares	Amount	Shares	Amount			
<b>Balances at December 31, 2017</b>	1,574,508	\$ 50,937	24,000	\$—	8,670,992	\$ 9	\$ 766	\$ (51,319)	\$(50,544)
Accretion of redeemable convertible preferred stock to redemption value	—	37,415	—	—	—	—	(2,633)	(34,782)	(37,415)
Conversion of preferred stock to common stock upon IPO	(1,574,508)	(88,352)	—	—	12,596,064	13	88,339	—	88,352
Issuance of common stock upon IPO, net of issuance costs of \$3,713	—	—	3,125,000	3	—	—	48,597	—	48,600
Transfer of Class B common stock to Class A common stock	—	—	4,116,404	4	(4,116,404)	(4)	—	—	—
Issuance of common stock upon exercise of stock options	—	—	55,256	—	545,762	—	861	—	861
Issuance of common stock upon vesting of restricted stock units	—	—	208,081	1	—	—	(1)	—	—
Stock-based compensation expense	—	—	—	—	—	—	7,121	—	7,121
Net loss	—	—	—	—	—	—	—	(13,791)	(13,791)
<b>Balances at December 31, 2018</b>	—	—	7,528,741	8	17,696,414	18	143,050	(99,892)	43,184
Issuance of common stock upon exercise of stock options	—	—	645,920	1	—	—	2,981	—	2,982
Issuance of common stock upon vesting of restricted stock units	—	—	567,100	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	12,721	—	12,721
Transfer of Class B common stock to Class A common stock	—	—	5,894,073	6	(5,894,073)	(6)	—	—	—
Net loss	—	—	—	—	—	—	—	(7,117)	(7,117)
<b>Balances at December 31, 2019</b>	—	\$ —	14,635,834	\$15	11,802,341	\$12	\$158,752	\$(107,009)	\$ 51,770

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

**EVERQUOTE, INC.**  
**STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (7,117)	\$ (13,791)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	2,186	1,341
Loss on disposal of property and equipment	98	—
Stock-based compensation expense	12,721	7,121
Noncash interest expense	—	14
Provision for bad debt	478	—
Deferred rent	(135)	337
Changes in operating assets and liabilities:		
Accounts receivable	(15,232)	(2,766)
Prepaid expenses and other current assets	(5,609)	(863)
Other assets	(1)	—
Accounts payable	6,837	4,932
Accrued expenses and other current liabilities	10,126	1,324
Deferred revenue	61	454
Net cash provided by (used in) operating activities	4,413	(1,897)
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment, including costs capitalized for development of internal-use software	(2,975)	(3,668)
Net cash used in investing activities	(2,975)	(3,668)
<b>Cash flows from financing activities:</b>		
Proceeds from initial public offering, net of underwriting discounts and commissions	—	52,313
Proceeds from exercise of stock options	2,982	861
Proceeds from borrowings on line of credit	—	22,729
Repayments of borrowings on line of credit	—	(24,729)
Repayments of term loan	—	(2,625)
Payments of initial public offering costs	—	(3,713)
Net cash provided by financing activities	2,982	44,836
<b>Net increase in cash, cash equivalents and restricted cash</b>	4,420	39,271
Cash, cash equivalents and restricted cash at beginning of period	41,884	2,613
Cash, cash equivalents and restricted cash at end of period	\$ 46,304	\$ 41,884
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ —	\$ 214
<b>Supplemental disclosure of noncash investing and financing information:</b>		
Conversion of convertible preferred stock to common stock	\$ —	\$ 88,352
Accretion of redeemable convertible preferred stock to redemption value	\$ —	\$ 37,415

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



**EVERQUOTE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Nature of the Business and Basis of Presentation**

EverQuote, Inc. (the “Company”) was incorporated in the state of Delaware in 2008. Through its internet websites, the Company operates an online marketplace for consumers shopping for auto, home and renters, life, health and commercial insurance. The Company generates revenue by selling consumer referrals to insurance provider customers, consisting of carriers and agents, and indirect distributors in the United States.

The Company is subject to a number of risks and uncertainties common to companies in similar industries and stages of development including, but not limited to, rapid technological changes, competition from substitute products and services from larger companies, protection of proprietary technology, customer concentration, patent litigation, the need to obtain additional financing to support growth and dependence on third parties and key individuals.

On July 2, 2018, the Company completed an initial public offering (“IPO”), in which it issued and sold 3,125,000 shares of Class A common stock at a public offering price of \$18.00 per share, resulting in net proceeds to the Company of approximately \$48.6 million after deducting underwriting discounts and commissions and other offering costs. Additionally, certain of the Company’s stockholders sold 1,562,500 shares of Class A common stock at the same public offering price of \$18.00 per share. The Company did not receive any proceeds from the sale of shares by its stockholders. Upon closing of the IPO, the Company’s outstanding redeemable convertible preferred stock automatically converted into shares of Class B common stock (see Note 6).

The accompanying financial statements have been prepared on the basis of continuity of operations, realization of assets and the satisfaction of liabilities and commitments in the ordinary course of business. Since inception, the Company has incurred operating losses, including net losses of \$7.1 million and \$13.8 million for the years ended December 31, 2019 and 2018, respectively. As of December 31, 2019, the Company had an accumulated deficit of \$107.0 million. The Company has primarily funded its operations through issuances of shares of redeemable convertible preferred stock and common stock, debt, including a revolving line of credit with Western Alliance Bank, cash flows from operations and proceeds from the Company’s IPO. As of the issuance date of these financial statements, the Company expects that its cash and cash equivalents will be sufficient to fund its operating expenses and capital expenditure requirements for at least the next 12 months from the issuance date of the financial statements, without considering available borrowings under the Company’s revolving line of credit.

The Company’s financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”).

The Company is an “emerging growth company,” as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and may remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the IPO, subject to specified conditions. The JOBS Act provides that an emerging growth company can take advantage of the extended transition period afforded by the JOBS Act for the implementation of new or revised accounting standards. The Company has elected not to “opt out” of such extended transition period, which means that when a standard is issued or revised and it has different application dates for public or non-public entities, the Company will adopt the new or revised standard at the time non-public entities adopt the new or revised standard, provided that the Company continues to be an emerging growth company.

## **2. Summary of Significant Accounting Policies**

### ***Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, revenue recognition, the expensing and capitalization of website and software development costs, the valuation of stock-based awards and income taxes. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates, as there are changes in circumstances, facts and experience. Changes in estimate are recorded in periods in which they become known. Actual results may differ from those estimates or assumptions.

### ***Restricted Cash***

As of December 31, 2019 and 2018, restricted cash consisted of \$0.3 million deposited in a separate restricted bank account as a security deposit for the Company's corporate credit cards. Restricted cash accounts are classified within other assets.

### ***Cash Equivalents***

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

### ***Concentrations of Credit Risk and of Significant Customers***

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 its cash and cash equivalents at two accredited financial institutions. The Company does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships.

The Company sells its consumer referrals to insurance provider customers, consisting of carriers and agents, and indirect distributors in the United States. For the year ended December 31, 2019, one customer represented 21% of total revenue. For the year ended December 31, 2018, two customers represented 19% and 10%, respectively, of total revenue. As of December 31, 2019, two customers accounted for 14% each of the accounts receivable balance. As of December 31, 2018, two customers accounted for 12% and 11%, respectively, of the accounts receivable balance.

### ***Deferred Financing Costs***

The Company capitalizes lender, legal and other third-party fees that are directly associated with obtaining access to capital under credit facilities. Deferred financing costs incurred in connection with obtaining access to capital are recorded in prepaid expenses and other current assets and are amortized over the availability period or term of the credit facility. Deferred financing costs related to a recognized debt liability are recorded as a direct reduction of the carrying amount of the debt liability and amortized to interest expense on an effective interest basis over the repayment term.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense is recognized using the straight-line method over the estimated useful life of each asset as follows:

	Estimated Useful Life
Computer equipment	3 years
Software	3 years
Furniture and fixtures	5 years
Leasehold improvements	Shorter of lease term or estimated useful life

Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is included in loss from operations on the statements of operations and comprehensive loss. Expenditures for repairs and maintenance are charged to expense as incurred.

### ***Impairment of Long-Lived Assets***

Long-lived assets consist primarily of property and equipment. Long-lived assets to be held and used are tested for recoverability whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate a long-lived asset group for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset group to its carrying value. An impairment loss would be recognized in loss from operations when estimated undiscounted future cash flows expected to result from the use of an asset group are less than its carrying amount. The impairment loss would be based on the excess of the carrying value of the impaired asset group over its fair value, determined based on discounted cash flows. The Company did not record any impairment losses on long-lived assets during the years ended December 31, 2019 or 2018.

### ***Fair Value Measurements***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The Company's cash equivalents of \$23.2 million as of December 31, 2019, consisting of money market funds, are carried at fair value based on Level 1 inputs. The carrying values of the Company's accounts receivable, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these assets and liabilities.

#### ***Classification and Accretion of Redeemable Convertible Preferred Stock***

The Company classified redeemable convertible preferred stock outside of stockholders' equity (deficit) because the shares contained certain redemption features that were not solely within the control of the Company. Costs incurred in connection with the issuance of each series of redeemable convertible preferred stock were recorded as a reduction of gross proceeds from issuance. The Company recognized changes in the redemption values of its outstanding redeemable convertible preferred stock immediately as they occurred and adjusted the carrying value of the redeemable convertible preferred stock to equal the redemption value at the end of each reporting period as if the end of each reporting period were the redemption date. Adjustments to the carrying values of the redeemable convertible preferred stock at each reporting date resulted in an increase or decrease to net income (loss) attributable to common stockholders.

#### ***Segment Information***

The Company manages its operations as a single segment for the purposes of assessing performance and making operating decisions. The Company operates an online marketplace for consumers shopping for auto, home and renters, life, health and commercial insurance quotes. All of the Company's tangible assets are held in the United States.

#### ***Revenue Recognition***

The Company derives its revenue by selling consumer referrals to its insurance provider customers, including insurance carriers and agents. On January 1, 2019, the Company adopted the new revenue standard ASC 606, discussed below under the heading "Recently Adopted Accounting Pronouncements", which amended revenue recognition principles and provides a single, comprehensive set of criteria for revenue recognition within and across all industries. The new revenue standard provides a five-step framework whereby revenue is recognized when control of promised goods or services is transferred to a customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of the new revenue standard, the Company performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

The Company only applies the five-step model to contracts when collectability of the consideration to which the Company is entitled in exchange for the goods or services it transfers to the customer is determined to be probable. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional. The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less. The Company recognizes revenue when it satisfies its performance obligations by delivering the referrals to its customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those referrals.

The Company presents disaggregated revenue from contracts with customers by distribution channel as the distribution channel impacts the nature and amount of the Company's revenue and by vertical market segment.

Total revenue is comprised of revenue from the following distribution channels:

	Year Ended December 31,	
	2019	2018
Direct channels	94%	90%
Indirect channels	6%	10%
	<u>100%</u>	<u>100%</u>

Total revenue is comprised of revenue from the following insurance verticals (in thousands):

	Year ended December 31,	
	2019	2018
Automotive	\$ 212,300	\$ 141,187
Other	36,511	22,162
Total Revenue	<u>\$ 248,811</u>	<u>\$ 163,349</u>

The Company has elected to apply the practical expedient in ASC 606 to expense incremental direct costs of obtaining a contract, consisting of sales commissions, as incurred as the expected period of benefit of the sales commissions is one year or less. At December 31, 2019, the Company had not capitalized any costs to obtain any of its contracts.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue in the accompanying balance sheets. Amounts expected to be recognized as revenue within 12 months of the balance sheet date are classified as current deferred revenue. Deferred revenue was \$1.5 million and \$1.4 million as of December 31, 2019 and 2018, respectively. During the year ended December 31, 2019, the Company recognized revenue of \$1.1 million that was included in the contract liability balance (deferred revenue) at December 31, 2018. The Company recognizes deferred revenue by first allocating from the beginning deferred revenue balance to the extent that the beginning deferred revenue balance exceeds the revenue to be recognized. Billings during the period are added to the deferred revenue balance to be recognized in future periods.

### ***Research and Development***

Research and development expenses consist primarily of personnel-related expenses (wages, fringe benefit costs and stock-based compensation expense) for product management and software development. Research and development costs are expensed as incurred, except for certain costs which are capitalized in connection with the development of the Company's website and internal-use software.

Costs incurred in the preliminary and post-implementation stages of development are expensed as incurred. Once an application has reached the development stage, internal costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing performed to ensure the product is ready for its intended use. The Company also capitalizes costs related to specific upgrades and enhancements of its website and internal-use software when it is probable that the expenditures will result in additional functionality. Maintenance and training costs are expensed as incurred. Capitalized software costs are recorded as part of property and equipment and are amortized on a straight-line basis over an estimated useful life of three years.

### ***Advertising Expense***

Advertising expense consists of variable costs that are related to attracting consumers to the Company's marketplace and generating consumer quote requests, promoting its marketplace to insurance carriers and agents, and increasing downloads of the Company's social safe-driving mobile app EverDrive. In November 2019, the Company announced that it would no longer support EverDrive. The Company expenses advertising costs as

incurred and such costs are included in sales and marketing expense in the accompanying statements of operations and comprehensive income (loss). During the years ended December 31, 2019 and 2018, advertising expense totaled \$175.5 million and \$117.3 million, respectively.

### ***Accounts Receivable***

The Company provides credit to customers in the ordinary course of business and believes its credit policies are prudent and reflect industry practices and business risk. Management reviews accounts receivable on a periodic basis and reserves for receivables in the Company's allowance for doubtful accounts on a specific identification basis when they are determined to be uncollectible. After the Company has exhausted all collection efforts, the outstanding receivable is written off against the allowance. The Company had no allowance for doubtful accounts as of December 31, 2019 and 2018, as the Company deemed all amounts to be collectible. During the year ended December 31, 2019, the Company wrote off \$0.5 million of uncollectible accounts.

### ***Stock-Based Compensation***

The Company measures stock options with service-based vesting or performance-based vesting granted to employees, non-employees and directors based on the fair value on the date of grant using the Black-Scholes option-pricing model. The Company measures restricted common stock units based on the fair value on the date of grant using the market value of the Company's common stock. Compensation expense for employee awards is recognized over the requisite service period, which is generally the vesting period of the respective award. The Company uses the straight-line method to record the expense of employee awards with only service-based vesting conditions. The Company uses the graded-vesting method to record the expense of employee awards with both service-based and performance-based vesting conditions, commencing once achievement of the performance condition becomes probable. Compensation expense for nonemployee awards is recognized in the same manner as if the Company had paid cash for the goods or services received.

Prior to the adoption of ASU 2018-07 effective January 1, 2019 discussed below, the Company measured the fair value of stock-based awards granted to non-employees on the date that the related service was complete, which was generally the vesting date of the award. Prior to the service completion date, compensation expense was recognized over the period during which services were rendered by such non-employees. At the end of each financial reporting period prior to the service completion date, the fair value of these awards was remeasured using the then-current fair value of the Company's common stock and updated assumption inputs in the Black-Scholes option-pricing model for options or the then-current fair value of the Company's common stock for restricted common stock units.

The Company classifies stock-based compensation expense in its statements of operations and comprehensive loss in the same manner in which the award recipient's payroll costs are classified or in which the award recipient's service payments are classified.

### ***Comprehensive Loss***

Comprehensive loss includes net loss as well as other changes in stockholders' equity (deficit) that result from transactions and economic events other than those with stockholders. For the years ended December 31, 2019 and 2018, there was no difference between net loss and comprehensive loss.

### ***Net Income (Loss) per Share***

Prior to the closing of its IPO, the Company followed the two-class method when computing net income (loss) per share, as the Company had issued shares that met the definition of participating securities. The two-class method determines net income (loss) per share for each class of common and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common and participating securities based upon their respective rights to receive dividends as if all income for the period had

been distributed. The Company's redeemable convertible preferred stock contractually entitled the holders of such shares to participate in dividends but did not contractually require the holders of such shares to participate in losses of the Company. Accordingly, in periods in which the Company reported a net loss, such losses were not allocated to such participating securities, and as a result, basic and diluted net loss per share were the same.

Subsequent to the closing of its IPO, basic net income (loss) per common share is computed by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period, including potential dilutive common shares assuming the dilutive effect of outstanding stock options and unvested restricted stock units. For periods in which the Company reported a net loss, diluted net loss per common share is the same as basic net loss per common share, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

The Company has two classes of common stock outstanding: Class A common stock and Class B common stock. As more fully described in Note 7, the rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder at any time. The Company allocates undistributed earnings attributable to common stock between the common stock classes on a one-to-one basis when computing net income (loss) per share. As a result, basic and diluted net income (loss) per share of Class A common stock and share of Class B common stock are equivalent.

### ***Income Taxes***

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the financial statements or in the Company's tax returns. Deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Changes in deferred tax assets and liabilities are recorded in the provision for income taxes. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and, to the extent it believes, based upon the weight of available evidence, that it is more likely than not that all or a portion of the deferred tax assets will not be realized, a valuation allowance is established through a charge to income tax expense. Potential for recovery of deferred tax assets is evaluated by estimating the future taxable profits expected and considering prudent and feasible tax planning strategies.

The Company accounts for uncertainty in income taxes recognized in the financial statements by applying a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon external examination by the taxing authorities. If the tax position is deemed more-likely-than-not to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. The provision for income taxes includes the effects of any resulting tax reserves, or unrecognized tax benefits, that are considered appropriate as well as the related net interest and penalties. The Company's policy is to record interest and penalties related to income taxes as part of the tax provision.

### ***Recently Adopted Accounting Pronouncements***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"), and has since issued several additional amendments thereto, collectively referred to herein as ASC 606. ASC 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. The new standards require entities to apportion consideration from contracts to performance obligations on a relative standalone selling price basis, based on a five-step model. Under ASC 606,

revenue is recognized when a customer obtains control of a promised good or service and is recognized in an amount that reflects the consideration that the entity expects to receive in exchange for the good or service. In addition, ASC 606 provides guidance on accounting for certain revenue related costs including costs associated with obtaining and fulfilling a contract. ASC 606 may be applied using either a full retrospective approach, under which all years included in the financial statements will be presented under the revised guidance, or a modified retrospective approach, under which financial statements will be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings at the effective date for contracts that still require performance by the entity at the date of adoption. For public entities, the guidance was effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. For non-public entities and emerging growth companies that choose to take advantage of the extended transition periods, the guidance was effective for annual periods beginning after December 15, 2018. The Company adopted ASC 606 as of January 1, 2019 using the modified retrospective transition approach. The adoption of this guidance did not have a material impact on the Company's financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments (Topic 230)* ("ASU 2016-15"), to address diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. For public entities, the standard was effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. For non-public entities and emerging growth companies that choose to take advantage of the extended transition periods, the standard was effective for annual periods beginning after December 15, 2018. Early adoption was permitted for all entities. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. An entity that elects early adoption must adopt all of the amendments in the same period. The Company adopted ASU 2016-15 on January 1, 2019, in accordance with the non-public company requirements. The adoption of this guidance did not have a material impact on the Company's financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting* ("ASU 2018-07"). ASU 2018-07 is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with the accounting for employee share-based compensation. For public entities, ASU 2018-07 was required to be adopted for annual periods beginning after December 15, 2018, including interim periods within those fiscal years. For non-public entities and emerging growth companies that choose to take advantage of the extended transition periods, ASU 2018-07 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted for all entities but no earlier than the Company's adoption of ASU 2014-09. The Company early-adopted ASU 2018-07 on January 1, 2019 and the adoption did not have a material impact on the Company's financial statements.

### ***Recently Issued Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* ("ASU 2016-02"), which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. For public entities, the guidance was effective for annual reporting periods beginning after December 15, 2018 and for interim periods within those fiscal years. For non-public entities and emerging growth companies that choose to take advantage of the extended transition periods, the guidance is effective for annual reporting periods beginning after December 15, 2019. Early adoption is permitted. ASU



2016-02 initially required adoption using a modified retrospective approach, under which all years presented in the financial statements would be prepared under the revised guidance. In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842)*, which added an optional transition method under which financial statements may be prepared under the revised guidance for the year of adoption, but not for prior years. Under the latter method, entities will recognize a cumulative catch-up adjustment to the opening balance of retained earnings in the period of adoption. In November 2019, the FASB issued ASU No. ASU 2019-10, which deferred the effective date for non-public entities and emerging growth companies that choose to take advantage of the extended transition periods to annual reporting periods beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application is permitted. The Company expects to adopt ASU No. 2016-02 on January 1, 2021 using the modified retrospective approach transition method as of the date of adoption such that prior periods will not be restated. The Company expects that the adoption will result in the recognition of material right-of-use assets and lease liabilities on its balance sheet.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The new standard adjusts the accounting for assets held at amortized costs basis, including marketable securities accounted for as available for sale, and trade receivables. The standard eliminates the probable initial recognition threshold and requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2019 and for interim periods within those fiscal years. For non-public entities and emerging growth companies that choose to take advantage of the extended transition periods, the guidance was effective for annual reporting periods beginning after December 15, 2020. Early adoption is permitted for all entities. In November 2019, the FASB issued ASU No. 2019-10, which deferred the effective date for non-public entities to annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years. Early application continues to be allowed. The Company is currently assessing the impact of the adoption of this guidance on its financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The objective of the standard is to align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. For public entities, the guidance is effective for annual reporting periods beginning after December 15, 2019 and for interim periods within those fiscal years. For non-public entities and emerging growth companies that choose to take advantage of the extended transition periods, the guidance is effective for annual reporting periods beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. The Company is currently assessing the impact of the adoption of this guidance on its financial statements.

### 3. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	December 31,	
	2019	2018
Computer equipment	\$ 1,940	\$ 2,459
Software	8,829	6,419
Furniture and fixtures	1,032	1,053
Leasehold improvements	850	818
	<u>12,651</u>	<u>10,749</u>
Less: Accumulated depreciation and amortization	(7,454)	(6,268)
	<u>\$ 5,197</u>	<u>\$ 4,481</u>

Depreciation and amortization expense was \$2.2 million and \$1.3 million for the years ended December 31, 2019 and 2018, respectively. The Company capitalized costs associated with the development of internal use software of \$2.7 million and \$2.5 million included in the Software line item above and recorded related amortization expense of \$1.4 million and \$0.6 million (included in depreciation and amortization expense) during the years ended December 31, 2019 and 2018, respectively. The Company wrote off internal use software with a gross book value of \$0.2 million and accumulated amortization of \$0.1 million in 2019. The remaining net book value of capitalized software costs was \$4.0 million and \$2.9 million as of December 31, 2019 and 2018, respectively.

#### 4. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31,	
	2019	2018
Accrued employee compensation and benefits	\$ 2,388	\$ 1,369
Accrued advertising expenses	4,119	919
Accrued legal settlement	4,750	—
Other current liabilities	1,968	811
	<u>\$ 13,225</u>	<u>\$ 3,099</u>

#### 5. Loan and Security Agreement

As of December 31, 2019, the Company had available borrowings of \$11.0 million under its amended 2018 Loan and Security Agreement, as modified by the 2018 Loan and Modification Agreement (the “2018 Loan Modification”), which modified the amended Loan and Security Agreement. Pursuant to the 2018 Loan Modification, borrowings under the revolving line of credit cannot exceed 80% of eligible accounts receivable balances and bear interest at one-half percent (0.5%) above the greater of 4.25% or the prime rate. Borrowings are collateralized by substantially all of the Company’s assets and property.

Under the 2018 Loan Modification, the Company is subject to specified affirmative and negative covenants until maturity. These covenants include limitations on the Company’s ability to incur additional indebtedness and engage in certain fundamental business transactions, such as mergers or acquisitions. In addition, the Company is required to maintain a financial performance covenant: a minimum asset coverage ratio of 1.5 to 1, calculated as the sum of unrestricted cash and qualified accounts receivable divided by borrowings outstanding under the revolving line of credit. Events which would meet the criteria of a default under the 2018 Loan Modification include failure to make payments when due, insolvency events, failure to comply with covenants or material adverse events with respect to the Company. As of December 31, 2019, the Company was in compliance with all covenants related to the revolving line of credit. There can be no guarantee that these covenants will be met in the future, and if not met, that waivers will be obtained.

As of December 31, 2019, the Company had no amounts outstanding on the revolving line of credit.

#### 6. Redeemable Convertible Preferred Stock

The Company had issued Series A redeemable convertible preferred stock (the “Series A Preferred Stock”), Series B redeemable convertible preferred stock (the “Series B Preferred Stock”) and Series B-1 redeemable convertible preferred stock (the “Series B-1 Preferred Stock”). The Series A Preferred Stock, the Series B Preferred Stock and the Series B-1 Preferred Stock are collectively referred to as the “Preferred Stock.”

During the year ended December 31, 2018, the Company recorded adjustments of \$37.4 million to the carrying value of Series B and B-1 Preferred Stock, with corresponding offsets to additional paid-in capital and accumulated deficit representing the change in the redemption value from December 31, 2017.

Upon the closing of the Company's IPO in July 2018, all 1,574,508 shares of the Company's then-outstanding Preferred Stock automatically converted into an aggregate of 12,596,064 shares of the Company's Class B common stock. Upon conversion of the redeemable convertible preferred stock, the Company reclassified the carrying value of the Preferred Stock to common stock and additional paid-in capital.

## **7. Equity**

On June 15, 2018, the Company effected an eight-for-one forward stock split of its issued and outstanding shares of common stock and a proportional adjustment to the existing conversion ratios for each series of the Company's Preferred Stock. Accordingly, all share and per share amounts for all periods presented in the accompanying financial statements and notes thereto have been adjusted retroactively, where applicable, to reflect this stock split and adjustment of the preferred stock conversion ratios. In connection with the stock split, the Company effected an increase in the number of authorized common shares to 57,570,856 shares.

On July 2, 2018, the Company completed its IPO, in which it issued and sold 3,125,000 shares of Class A common stock at a public offering price of \$18.00 per share, resulting in net proceeds to the Company of approximately \$48.6 million after deducting underwriting discounts and commissions and other offering costs. Upon closing of the IPO, the Company's authorized shares of common stock were increased to 220,000,000 shares of Class A common stock and 30,000,000 shares of Class B common stock. The Company also authorized 10,000,000 shares of undesignated preferred stock.

Each share of Class A common stock entitles the holder to one vote for each share on all matters submitted to a vote of the Company's stockholders at all meetings of stockholders and written actions in lieu of meetings. Each share of Class B common stock entitles the holder to ten votes for each share on all matters submitted to a vote of the Company's stockholders at all meetings of stockholders and written actions in lieu of meetings.

Holders of both classes of common stock are entitled to receive dividends, when and if declared by the board of directors.

Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder at any time. Automatic conversion shall occur upon the occurrence of a transfer of such share of Class B common stock or at the date and time, or the occurrence of an event, specified by a vote or written consent of the holders of a majority of the voting power of the then outstanding shares of Class B common stock. A transfer is described as a sale, assignment, transfer, conveyance, hypothecation or disposition of such share or any legal or beneficial interest in such share other than certain permitted transfers as described in the Restated Certificate of Incorporation, including a transfer to a holder of Preferred Stock. Each share of Class B common stock held by a stockholder shall automatically convert into one fully paid and non-assessable share of Class A common stock nine months after the death or incapacity of the holder of such Class B common stock.

During the years ended December 31, 2019 and 2018, 5,894,073 shares and 4,116,404 shares, respectively, of Class B common stock were automatically converted to 5,894,073 shares and 4,116,404 shares, respectively, of Class A common stock pursuant to transfers as described above. No additional consideration was paid or received by the Company in connection with these exchanges.

## **8. Stock-Based Compensation**

The Company has outstanding awards under its 2008 Stock Incentive Plan, as amended (the "2008 Plan"), but is no longer granting awards under this plan. Shares of common stock issued upon exercise of stock options granted prior to September 8, 2017 will be issued as either Class A common stock or Class B common stock. Shares of common stock issued upon exercise of stock options granted after September 8, 2017 will be issued as Class A common stock.

The Company's 2018 Equity Incentive Plan (the "2018 Plan" and, together with the 2008 Plan, the "Plans") provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights,

restricted stock awards, restricted stock units, and other stock-based awards. The number of shares initially reserved for issuance under the 2018 Plan is the sum of 2,149,480 shares of Class A common stock, plus the number of shares (up to 5,028,832 shares) equal to the sum of (i) the 583,056 shares of Class A common stock and Class B common stock that were available for grant under the 2008 Plan upon the effectiveness of the 2018 Plan and (ii) the number of shares of Class A common stock and Class B common stock subject to outstanding awards under the 2008 Plan that expire, terminate or are otherwise surrendered, canceled, forfeited or repurchased by the Company at their original issuance price pursuant to a contractual repurchase right (subject, in the case of incentive stock options, to any limitations of the Internal Revenue Code). The number of shares of Class A common stock that may be issued under the 2018 Plan will automatically increase on the first day of each fiscal year until, and including, the fiscal year ending December 31, 2028, equal to the least of (i) 2,500,000 shares of Class A common stock; (ii) 5% of the sum of the number of shares of Class A common stock and Class B common stock outstanding on the first day of such fiscal year; and (iii) an amount determined by the Company's board of directors. The shares of common stock underlying any awards that are forfeited, canceled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, repurchased or are otherwise terminated by the Company under the 2018 Plan will be added back to the shares of common stock available for issuance under the 2018 Plan. As of December 31, 2019, 615,584 shares remain available for future grants under the 2018 Plan. The number of authorized shares reserved for issuance under the 2018 Plan was increased by 1,321,908 shares effective as of January 1, 2020 in accordance with the provisions of the 2018 Plan described above.

Options and restricted stock units granted under the Plans vest over periods determined by the board of directors. Options granted under the Plans expire no longer than ten years from the date of the grant. The exercise price for stock options granted is not less than the fair value of common shares based on quoted market prices.

#### ***Stock Option Valuation***

The fair value of each stock option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The Company, historically, has been a private company and lacks company-specific historical and implied volatility information. Therefore, the Company estimates its expected stock volatility based on the historical volatility of its publicly traded set of peer companies and expects to continue to do so until such time as it has adequate historical data regarding the volatility of its own traded stock price. The expected term of the Company's stock options has been determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The expected term of stock options granted to non-employees is equal to the contractual term of the option award. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future. The relevant data used to determine the value of the stock option grants for employees and directors for the year ended December 31, 2018 is as follows, presented on a weighted-average basis:

	<u>Year Ended December 31, 2018</u>
Risk-free interest rate	2.79%
Expected volatility	49.66%
Expected dividend yield	0%
Expected term (in years)	5.73

The Company did not grant stock options in the year ended December 31, 2019.

### ***Stock Option Activity***

The following table summarizes the Company's option activity since December 31, 2018:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u> (in years)	<u>Aggregate Intrinsic Value</u> (in thousands)
Outstanding as of December 31, 2018	3,770,086	\$ 6.91	7.44	\$ 1,956
Granted	—	0.00		
Exercised	(645,920)	4.62		
Forfeited	(296,298)	9.35		
Outstanding as of December 31, 2019	<u>2,827,868</u>	\$ 7.17	6.50	\$ 76,850
Vested and expected to vest as of December 31, 2019	<u>2,634,417</u>	\$ 7.03	6.44	\$ 71,979
Options exercisable as of December 31, 2019	<u>1,690,960</u>	\$ 6.20	5.98	\$ 47,599

As of December 31, 2019, outstanding options of 1,092,081 were for the purchase of Class A common stock and outstanding options of 1,735,787 were for the purchase of either Class A common stock or Class B common stock.

The aggregate intrinsic value of stock options is calculated as the difference between the exercise price of the stock options and the fair value of the Company's common stock for those stock options that had strike prices lower than the fair value of the Company's common stock.

The aggregate intrinsic value of options exercised during the years ended December 31, 2019 and 2018 was \$8.8 million and \$1.7 million, respectively. The weighted average grant-date fair value of awards granted during the year ended December 31, 2018 was \$5.09 per share.

### ***Restricted Stock Units***

The Company has granted restricted stock units ("RSUs") with service-based vesting conditions and with both service-based and performance-based vesting conditions. Restricted stock units with service-based and both service-based and performance-based vesting conditions are valued on the grant date using the grant date market price of the underlying shares.

As of December 31, 2019, the Company has outstanding 86,500 unvested RSUs granted in a previous year that contain both service-based and performance-based vesting conditions. These RSU's vest in equal annual installments upon the achievement of certain Company-specific goals and continued service in each of the next two years. During the year ended December 31, 2019, the Company granted 128,733 RSUs that contain service-based and performance-based vesting conditions. These RSUs will cumulatively vest upon the achievement of certain Company-specific goals and continued service.

The following table summarizes the Company's RSU activity since December 31, 2018:

	<u>Number of Shares</u>	<u>Weighted Average Grant-Date Fair Value</u>
Unvested balance December 31, 2018	2,409,893	\$ 15.98
Granted	1,705,580	12.61
Vested	(567,100)	14.66
Forfeited	(180,527)	9.55
Unvested balance December 31, 2019	<u>3,367,846</u>	\$ 14.84

### ***Stock-Based Compensation***

The Company recorded stock-based compensation expense in the following expense categories of its statements of operations and comprehensive loss (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Cost of revenue	\$ 193	\$ 42
Sales and marketing	3,805	1,955
Research and development	3,967	2,011
General and administrative	4,756	3,113
	<u>\$ 12,721</u>	<u>\$ 7,121</u>

As of December 31, 2019, unrecognized compensation expense related to unvested options and RSUs was \$38.4 million, which is expected to be recognized over a weighted average period of 4.6 years. Additionally, as of December 31, 2019, unrecognized compensation expense related to unvested RSUs for which performance has not been deemed probable was \$3.9 million.

### **9. Income Taxes**

The Company had no income tax expense for the years ended December 31, 2019 or 2018. The Company has no foreign operations and therefore, has not provided for any foreign taxes. A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Federal statutory income tax rate	21.0 %	21.0 %
State taxes, net of federal benefit	5.5	6.1
Federal and state research and development tax credits	19.4	9.6
Nondeductible items	(1.6)	(0.8)
Stock-based compensation	13.3	4.4
Other	(0.9)	0.2
Change in valuation allowance	(56.7)	(40.5)
Effective income tax rate	<u>— %</u>	<u>— %</u>

Net deferred tax assets as of December 31, 2019 and 2018 consisted of the following (in thousands):

	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
Deferred tax assets:		
Net operating loss carryforwards	\$ 8,165	\$ 5,691
Research and development tax credit carryforwards	5,040	3,772
Accrued expenses and other current liabilities	671	501
Intangible assets	33	38
Property and equipment	215	150
Stock-based compensation	1,463	1,479
Other	725	382
Total deferred tax assets	16,312	12,013
Valuation allowance	(15,292)	(11,257)
Net deferred tax assets	1,020	756
Deferred tax liabilities:		
Capitalized software development costs	(1,020)	(756)
Deferred tax liabilities	(1,020)	(756)
Net deferred tax assets and liabilities	\$ —	\$ —

As of December 31, 2019, the Company had federal net operating loss carryforwards of \$31.1 million, which may be available to offset future taxable income, of which \$9.0 million of the total net operating loss carryforwards expire at various dates beginning in 2029, while the remaining \$22.1 million do not expire but are limited in their usage to an annual deduction equal to 80% of annual taxable income. As of December 31, 2019, the Company had state net operating loss carryforwards of \$25.8 million, which may be available to offset future taxable income and expire at various dates beginning in 2027. As of December 31, 2019, the Company also had federal and state research and development tax credit carryforwards of \$3.5 million and \$1.9 million, respectively, which may be available to reduce future tax liabilities and expire at various dates beginning in 2030 and 2029, respectively.

Utilization of the U.S. federal and state net operating loss carryforwards and research and development tax credit carryforwards may be subject to a substantial annual limitation under Section 382 and Section 383 of the Internal Revenue Code of 1986, and corresponding provisions of state law, due to ownership changes that have occurred previously or that could occur in the future. These ownership changes may limit the amount of carryforwards that can be utilized annually to offset future taxable income and tax liabilities. In general, an ownership change, as defined by Section 382, results from transactions increasing the ownership of certain stockholders or public groups in the stock of a corporation by more than 50% over a three-year period. In 2019, the Company performed an analysis of the ownership changes as defined within IRC §382(g) during the period beginning with the first issuance of the Company's stock on August 8, 2008 through June 30, 2019. It was determined that it is more likely than not that the Company did not undergo an ownership change within the meaning of IRC §382(g) during the analysis period. Therefore net operating losses for that period are not limited and will be available to cover future taxable income.

The Company has evaluated the positive and negative evidence bearing upon its ability to realize the deferred tax assets, which are comprised primarily of net operating loss carryforwards and research and development tax credit carryforwards. Management has considered the Company's history of cumulative net losses incurred since inception, estimated future taxable income and prudent and feasible tax planning strategies and has concluded that it is more likely than not that the Company will not realize the benefits of federal and state deferred tax assets. Accordingly, a full valuation allowance has been established against the net deferred tax

assets as of December 31, 2019 and 2018. The Company reevaluates the positive and negative evidence at each reporting period.

The change in the valuation allowance for deferred tax assets during the years ended December 31, 2019 and 2018 related primarily to an increase in net operating loss carryforwards and research and development tax credit carryforwards. The changes in the valuation allowance for 2019 and 2018 were as follows (in thousands):

	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Valuation allowance as of beginning of year	\$ 11,257	\$ 5,677
Increases recorded to tax provision	4,035	5,580
Valuation allowance as of end of year	<u>\$ 15,292</u>	<u>\$ 11,257</u>

The Company assesses the uncertainty in its income tax positions to determine whether a tax position of the Company is more likely than not to be sustained upon examination, including resolution of any related appeals of litigation processes, based on the technical merits of the position. For tax positions meeting the more-likely-than-not threshold, the tax amount recognized in the financial statements is reduced by the largest benefit that has a greater than fifty percent likelihood of being realized upon the ultimate settlement with the relevant taxing authority. No reserve for uncertain tax positions or related interest and penalties has been recorded at December 31, 2019 and 2018.

The Company files tax returns as prescribed by the tax laws of the jurisdictions in which it operates. In the normal course of business, the Company is subject to examination by federal and state jurisdictions, where applicable. There are currently no pending tax examinations. The Company is open to future tax examination under statute from 2016 to the present, however, carryforward attributes that were generated prior to January 1, 2016 may still be adjusted upon examination by federal, state or local tax authorities if they either have been or will be used in a future period.

## **10. Commitments and Contingencies**

### ***Operating Leases***

The Company leases office space in Cambridge, Massachusetts under a non-cancelable operating lease that expires in September 2024. In September 2018, the Company amended its existing lease agreement to lease additional space, which commenced in March 2019 and expires in September 2024. The Company also leases office space in Woburn, Massachusetts under a non-cancelable operating lease that expires in January 2022.

Lease incentives, payment escalations and rent holidays specified in the lease agreements are accrued or deferred as appropriate such that rent expense per square foot is recognized on a straight-line basis over the terms of occupancy. As of December 31, 2019 and 2018, the Company had a deferred rent liability of \$1.2 million. During the years ended December 31, 2019 and 2018, the Company recorded rent expense of \$2.5 million and \$2.1 million, respectively.

As of December 31, 2019 and 2018, the Company maintained security deposits of \$0.4 million with the landlords of its leases, which amounts are included in other assets on the Company's balance sheet.



Future minimum lease payments under the operating leases as of December 31, 2019 are as follows (in thousands):

<u>Year Ending December 31,</u>		
2020	\$	2,573
2021		2,659
2022		2,502
2023		2,534
2024		1,922
Thereafter		—
	<u>\$</u>	<u>12,190</u>

### ***Indemnification Agreements***

In the normal course of business, the Company may provide indemnification of varying scope and terms to third parties and enters into commitments and guarantees (“Agreements”) under which it may be required to make payments. The duration of these Agreements varies, and in certain cases, is indefinite. Furthermore, many of these Agreements do not limit the Company’s maximum potential payment exposure.

In addition, the Company has entered into indemnification agreements with members of its board of directors and executive officers that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers.

Through December 31, 2019 and 2018, the Company has not incurred any material costs as a result of such indemnifications. The Company does not believe that the outcome of any claims under indemnification arrangements will have a material effect on its financial position, results of operations or cash flows, and it has not accrued any liabilities related to such obligations in its financial statements as of December 31, 2019 and 2018, respectively.

### ***Legal Proceedings and Other Contingencies***

On February 15, 2019, Sean F. Townsend, a purported holder of the Company’s common stock, filed a civil action in the Supreme Court for the State of New York against the Company, the Company’s chief executive officer, chief financial officer, general counsel, the Company’s directors, and the Company’s underwriters for its IPO, captioned *Townsend v. EverQuote, Inc. et al.*, Index No. 650997-2019. On February 26, 2019, Mark Townsend, a second purported holder of the Company’s common stock, filed an identical civil action in the Supreme Court for the State of New York against the same defendants, captioned *Townsend v. EverQuote, Inc. et al.*, Index No. 651177-2019. The plaintiffs alleged claims for violations of Sections 11, 12(a), and 15 of the Securities Act of 1933, on behalf of a purported class of all persons or entities who purchased or otherwise acquired the Company’s common stock pursuant or traceable to the Registration Statement issued in connection with its IPO. Those claims generally challenged as false or misleading certain of the Company’s disclosures about its quote request volume. The plaintiffs sought, on behalf of themselves and the purported class, damages, costs and expenses of litigation, and rescission, disgorgement, or other equitable relief. After filing a motion to dismiss the plaintiffs’ consolidated amended complaint, the Company participated in a mediation and agreed to pay \$4.8 million in settlement of all of plaintiffs’ purported class claims, approximately \$3.6 million of which is expected to be reimbursed by the Company’s insurance provider. Accordingly, the Company has recorded an other receivable of \$3.6 million within prepaid expenses and other current assets and an accrued liability of \$4.8 million within accrued expenses and other current liabilities on the balance sheet. The Company has expensed \$1.2 million in the accompanying financial statements as legal settlement expense, representing the net of the settlement amount and the expected insurance proceeds. The parties thereafter on February 6, 2020 filed a Stipulation of Settlement settling the litigation in principle, subject to final approval of the Court. The Court has scheduled a final approval hearing for the settlement on June 11, 2020.

The Company was contacted by a representative from a state tax assessor's office requesting remittance of uncollected sales taxes. The Company does not believe its services are taxable in this state and is investigating this request and intends to vigorously defend this position. If the Company does not prevail in its position, uncollected sales taxes due for the period could amount to approximately \$1.5 million, including interest and penalties. The Company has not recorded any liabilities related to this matter as the loss has not been deemed probable.

The Company is from time to time subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of its business. While the outcome of these other claims cannot be predicted with certainty, management does not believe that the outcome of any of these other legal matters will have a material adverse effect on the Company's results of operations or financial condition.

## 11. Net Loss per Share

The Company has two classes of common stock. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. As a result, basic and diluted net income (loss) per share of Class A common stock and share of Class B common stock are equivalent. Basic and diluted net loss per share attributable to common stockholders was calculated as follows (in thousands, except share and per share amounts):

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Basic net loss per share:		
Numerator:		
Net loss	\$ (7,117)	\$ (13,791)
Accretion of redeemable convertible preferred stock to redemption value	—	(37,415)
Net loss attributable to common stockholders	<u>\$ (7,117)</u>	<u>\$ (51,206)</u>
Denominator:		
Weighted average common shares outstanding, basic and diluted	<u>25,758,649</u>	<u>16,922,225</u>
Net income loss per share attributable to common stockholders, basic and diluted	<u>\$ (0.28)</u>	<u>\$ (3.03)</u>

The Company's potentially dilutive securities have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share attributable to common stockholders. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same.

The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect:

	<u>December 31,</u>	
	<u>2019</u>	<u>2018</u>
Options to purchase common stock	2,827,868	3,770,086
Unvested restricted stock units	<u>3,367,846</u>	<u>2,409,893</u>
	<u>6,195,714</u>	<u>6,179,979</u>

## 12. Retirement Plan

The Company has established a defined-contribution plan under Section 401(k) of the Internal Revenue Code (the “401(k) Plan”). The 401(k) Plan covers all employees who meet defined minimum age and service requirements, and allows participants to defer a portion of their annual compensation on a pre-tax basis. As currently established, the Company is not required to make any contributions to the 401(k) Plan. The Company contributed \$0.5 million and \$0.4 million during the years ended December 31, 2019 and 2018, respectively.

## 13. Related Party Transactions

The Company has, in the ordinary course of business, entered into arrangements with other companies who have shareholders in common with the Company. Pursuant to these arrangements, related-party affiliates receive payments for providing website visitor referrals and to a lesser extent a small amount of office space. During the years ended December 31, 2019 and 2018, the Company recorded expense of \$5.2 million and \$8.2 million, respectively, related to these arrangements. During the years ended December 31, 2019 and 2018, the Company paid \$5.7 million and \$8.7 million, respectively, related to these arrangements. As of December 31, 2019 and 2018, amounts due to related-party affiliates totaled \$0.6 million and \$1.0 million, respectively, which were included in accounts payable and accrued expenses on the balance sheets.

## 14. Selected Quarterly Financial Data (Unaudited)

The following information has been derived from unaudited financial statements that, in the opinion of management, include all recurring adjustments necessary for a fair statement of such information (in thousands except per share data):

	Three Months Ended							
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
<b>Statements of Operations Data:</b>								
Revenue	\$73,799	\$67,112	\$55,667	\$52,233	\$39,779	\$41,748	\$ 41,092	\$ 40,730
Cost of revenue	4,681	4,052	3,504	3,666	3,075	3,115	2,873	2,615
Loss from operations(1)	(1,155)	(82)	(2,246)	(4,566)	(7,114)	(3,936)	(1,627)	(1,235)
Net income (loss)(1)	(934)	173	(1,974)	(4,382)	(6,925)	(3,808)	(1,730)	(1,328)
Net income (loss) available (attributable) to common stockholders(1)	(934)	173	(1,974)	(4,382)	(6,925)	(3,808)	(28,132)	(12,341)
Basic and diluted net income (loss) per share available (attributable) to common stockholders:	\$ (0.04)	\$ 0.01	\$ (0.08)	\$ (0.17)	\$ (0.28)	\$ (0.15)	\$ (3.10)	\$ (1.42)

- (1) The Company’s statements of operations were impacted in the third and fourth quarter of 2018 by the recognition of \$0.6 million and \$1.1 million of stock-based compensation expense, respectively, related to performance-based RSU grants for which achievement of the performance condition became probable. The amount recorded in the fourth quarter of 2018 included an out-of-period adjustment of \$0.8 million to correct an error in the expense recognition for the performance-based RSU grants from the third quarter of 2018. The Company did not consider the out-of-period adjustment to be material to the financial statements.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2019. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2019, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

### **Internal Control Over Financial Reporting**

#### ***Management’s Report on Internal Control Over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a system designed to provide reasonable assurance to our management and board of directors regarding the preparation and fair presentation of published financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its 2013 *Internal Control—Integrated Framework*. Based on this assessment, our management has concluded that as of December 31, 2019, our internal control over financial reporting is effective.

As an emerging growth company, as defined under the terms of the JOBS Act of 2012, our independent registered accounting firm is not required to issue an attestation report on the internal control over financial reporting.

#### ***Changes in Internal Control Over Financial Reporting***

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the three months ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

None.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this Item 10 will be included in our definitive proxy statement to be filed with the SEC with respect to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

Our board of directors has adopted a Code of Business Conduct and Ethics applicable to all officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the code is available at the Investors section of our website, located at [investors.everquote.com](http://investors.everquote.com), under “Corporate Governance—Governance Documents.” We intend to make all required disclosures regarding any amendments to, or waivers from, any provisions of the code at the same location of our website.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item 11 will be included in our definitive proxy statement to be filed with the SEC with respect to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item 12 will be included in our definitive proxy statement to be filed with the SEC with respect to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this Item 13 will be included in our definitive proxy statement to be filed with the SEC with respect to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item 14 will be included in our definitive proxy statement to be filed with the SEC with respect to our 2020 Annual Meeting of Stockholders and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a) 1. *Financial Statements*

For a list of the financial statements included herein, see Index to Financial Statements on this Annual Report on Form 10-K, incorporated into this Item by reference.

#### 2. *Financial Statement Schedules*

Financial statement schedules have been omitted because they are either not required or not applicable or the information is included in the financial statements or the notes thereto.

#### 3. *Exhibits*

See the Exhibit Index in Item 15(b) below.

#### (b) **Exhibit Index.**

<b>Exhibit Number</b>	<b>Description</b>
3.1	Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-38549) filed with the SEC on July 2, 2018)
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-38549) filed with the SEC on July 2, 2018)
4.1	Specimen stock certificate evidencing shares of Class A common stock of the Registrant (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 18, 2018)
4.2	Description of Securities of the Registrant
9.1	Voting Agreement, dated February 8, 2018, by and among certain stockholders of the Registrant (incorporated by reference to Exhibit 9.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.1	Amended and Restated Investors' Rights Agreement, dated as of June 30, 2016, by and among the Registrant and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.2#	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.3#	Amended and Restated 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.4#	Form of Incentive Stock Option Agreement under 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.5#	Form of Non-Qualified Stock Option Agreement under 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)

Exhibit Number	Description
10.6#	Form of Restricted Stock Unit Issuance Agreement under 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.7#	2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 27, 2018)
10.8#	Form of Stock Option Agreement under 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 18, 2018)
10.9#	Form of Restricted Stock Unit Agreement under 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 18, 2018)
10.10	Lease, dated as of July 24, 2013, as amended by the First, Second, Third, Fourth, Fifth and Sixth Amendments thereto, by and between BMR-Broadway LLC and the Registrant (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.11	Loan and Security Agreement, dated as of August 11, 2014, as amended, by and between Western Alliance Bank and the Registrant (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.12#	Offer Letter, dated as of August 27, 2010, by and between the Registrant and Seth Birnbaum (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.13#	Offer Letter, dated as of July 31, 2017, by and between the Registrant and Jayme Mendal (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
10.14#	Employment Agreement, dated March 17, 2014, by and between the Registrant and John Wagner
10.15	Seventh Amendment to Lease, dated as of September 26, 2018, by and between the Registrant and BMR-Broadway LLC (incorporated by reference to Exhibit 99.1 to the Registrant's Current Report on Form 8-K (File No. 001-38549) filed with the SEC on October 1, 2018)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-225379) filed with the SEC on June 1, 2018)
23.1	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm
31.1	Certification of Chief Executive Officer of the Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer of the Registrant Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1†	Certification of Chief Executive Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2†	Certification of Chief Financial Officer of the Registrant Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Consent of Stax Inc.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document

Exhibit Number	Description
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

# Indicates management contract or compensation plan.

† The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K, are not deemed filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of EverQuote, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.



**ITEM 16. FORM 10-K SUMMARY**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EVERQUOTE, INC.

Date: March 13, 2020

By: /s/ Seth Birnbaum

Seth Birnbaum  
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Seth Birnbaum</u> Seth Birnbaum	President, Chief Executive Officer and Director (Principal Executive Officer)	March 13, 2020
<u>/s/ John Wagner</u> John Wagner	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 13, 2020
<u>/s/ David Blundin</u> David Blundin	Chairman of the Board of Directors	March 13, 2020
<u>/s/ Sanju Bansal</u> Sanju Bansal	Director	March 13, 2020
<u>/s/ Paul Deninger</u> Paul Deninger	Director	March 13, 2020
<u>/s/ John Lunny</u> John Lunny	Director	March 13, 2020
<u>/s/ George Neble</u> George Neble	Director	March 13, 2020
<u>/s/ John Shields</u> John Shields	Director	March 13, 2020
<u>/s/ Mira Wilczek</u> Mira Wilczek	Director	March 13, 2020

## **CORPORATE INFORMATION**

### **Board of Directors**

- David Blundin, *Chairman, Managing Partner of Link Ventures*
- Sanju Bansal, *Chief Executive Officer of Hunch Analytics, LLC*
- Seth Birnbaum, *Chief Executive Officer and President, EverQuote, Inc.*
- Paul Deninger, *Retired Senior Managing Director of Evercore, Inc.*
- John Lunny, *Chief Executive Officer of Vestmark, Inc.*
- George Neble, *Managing Partner (retired), Ernst & Young LLP, Boston*
- John Shields, *President of Advisor Guidance, Inc.*
- Mira Wilczek, *Managing Director of Link Ventures*

### **Executive Officers**

- Seth Birnbaum, *Chief Executive Officer and President*
- Tomas Revesz, *Chief Technology Officer*
- John Wagner, *Chief Financial Officer and Treasurer*
- Jayme Mendal, *Chief Operating Officer*
- David Mason, *General Counsel and Secretary*
- Eugene Suzuki, *Chief Information Officer*
- Elyse Neumeier, *Chief People Officer*

### **Corporate Headquarters**

- 210 Broadway, Cambridge, Massachusetts 02139 USA

### **2020 Annual Meeting of Stockholders**

- Our annual meeting is being held on June 11, 2020 at 10:00 A.M. Eastern Time via the internet at a virtual web conference at <https://www.virtualshareholdermeeting.com/EVER2020>.

### **Requests for Reports and Other Stockholder Inquiries**

- Our quarterly and annual reports, including Forms 10-Q and 10-K, are available on the investor relations section of our website, <https://investors.everquote.com>. You also may obtain, free of charge, a copy of our Annual Report on Form 10-K for fiscal year 2019 and make other stockholder inquiries upon written requests directed to: EverQuote, Inc., Attn: Investor Relations, 210 Broadway, Cambridge, Massachusetts 02139 USA.

### **Stock Exchange Listing**

- Our Class A common stock is listed on the Nasdaq Global Market under the symbol "EVER".

### **Stock Transfer Agent**

- American Stock Transfer & Trust Company, LLC, Brooklyn, NY USA

### **Independent Registered Public Accounting Firm**

- PricewaterhouseCoopers LLP, Boston, MA USA

### **FORWARD-LOOKING STATEMENTS**

This Annual Report contains statements reflecting our views about our future performance that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (Reform Act). Statements that constitute forward-looking statements within the meaning of the Reform Act are generally identified through the inclusion of words such as "anticipate," "believe," "estimate," "expect," "confident," "forecast," "future," "goal," "guidance," "intend," "may," "objective," "outlook," "plan," "position," "potential," "project," "seek," "should," "strategy," "target," "will" or similar statements or variations of such words and other similar expressions. All statements addressing our future operating performance, and statements addressing events and developments that we expect or anticipate will occur in the future, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on currently available information, operating plans and projections about future events and trends. They inherently involve risks and uncertainties that could cause actual results to differ materially from those predicted in any such forward-looking statement. These risks and uncertainties include, but are not limited to, those described in "Item 1A. Risk Factors" starting on page 22 of our Annual Report on Form 10-K included herewith. Investors are cautioned not to place undue reliance on any such forward-looking statements, which speak only as of the date they are made. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

# EVERQUOTE

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