EVERQUOTE

2020 Annual Report

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, 2020

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	**26-3101161**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
210 Broadway Cambridge, Massachusetts	**02139**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.001 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 30, 2020, the aggregate market value of its Class A common stock and Class B common stock (based on a closing price of $58.16 per share on June 30, 2020 as reported on the Nasdaq Global Market) held by non-affiliates was approximately $989,798,228.

As of February 23, 2021, the registrant had 22,045,813 shares of Class A common stock, $0.001 par value per share, issued and outstanding and 6,429,502 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 2021 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, 2020, 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. 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.

Summary of Risk Factors

In addition to the other information in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating our company and our business. A summary of the principal factors that create risk in investing in our securities and might cause actual results to differ is set forth below:

- 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 insurance providers using our marketplace;
- our dependence on our relationships with insurance providers with no long-term contracts;
- our reliance on a single insurance provider for a significant portion of our revenue;
- our ability to attract consumers searching for insurance, including through search engines, display advertising, email and social media;
- 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 ability to properly collect, process, store, share, disclose and use consumer information and other data;
- our reliance on our third-party service providers;

- 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 limited experience acquiring quote requests from third-party sources;
- our ability to stay abreast of and comply with new or modified laws and regulations that currently apply or become applicable to our business;
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud; and
- the future trading prices of our Class A common stock.

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. and its consolidated subsidiaries.

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 mission is to empower insurance shoppers to better protect life's most important assets—their family, property, and future. Our vision is to become the largest online source of insurance policies by using data and technology to make insurance simpler, more affordable and personalized, ultimately reducing cost and risk. Our results-driven marketplace, powered by our proprietary data and technology platform, is reshaping the insurance shopping experience for consumers and improving the way insurance providers, which we view as including both carriers and agents, attract and connect with customers shopping for insurance.

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 and, in select verticals, directly from commissions on the sale of policies. In consumer surveys we have conducted, consumers purchasing auto insurance policies from referrals made through our marketplace reported average annual premium savings of approximately $600.

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.

Industry Overview

Insurance is one of the largest segments of the United States economy and is highly fragmented with over 2,000 insurance carriers and 100,000 insurance agencies, which collectively issued policies representing approximately $2 trillion in premiums in 2020. To capture new policies and retain existing customers, U.S. insurance carriers spent $154 billion in 2020 on marketing and distribution consisting of $137 billion in commissions to agents and $16.7 billion in advertising, according to data from S&P Global Market Intelligence; SNL Insurance Data, a study we commissioned by Stax Inc and our own estimates. Based on these same sources, online insurance advertising spend of North American insurance carriers and agents was $6.5 billion in 2020 and is estimated to grow more than 16% annually through 2024.

Market Opportunity

The challenges faced in the $154 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
- A complex, fragmented and opaque market for consumers
- Inefficient advertising channels for insurance providers

Due to these challenges, insurance providers are seeking more efficient ways to connect with consumers, and as a result the internet has become increasingly influential in consumer insurance shopping. While carriers continue to shift advertising dollars online in order to capitalize on the superior marketing characteristics of digital channels, the shift of marketing budgets online continues to lag the shift in consumer behavior. The insurance industry is also beginning to make products easier to buy and sell through digital channels with the integration and digitalization of insurance products. We believe that the rise of digital insurance products and shopping experiences will enable more personal, end-to-end shopping experiences, products and services.

Our Solution

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 match them to relevant providers for streamlined quoting. This enables us to maintain high levels of quality control and provide real-time referrals to our insurance provider customers at the moment of the consumer's purchase intent.

Consumer engagement and benefits. We engage with consumers through user-friendly and easy-to-navigate websites that make shopping for insurance easy, cost-effective and more personal. 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 or insurance agent and through our verified partner network.

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

- Saving time and money
- A single starting point for a comprehensive insurance shopping experience
- A results-driven insurance shopping destination efficiently matching consumers with relevant options
- Seamless online or offline handoff to quote or bind a policy

Insurance provider engagement and benefits. Insurance carriers and agents connect with our marketplace through our web-based provider portal. 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. 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.

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
- Efficient acquisition of consumers that match providers' specific criteria
- High bind rates for referrals through broad data integration with providers
- A flexible advertising channel

Our Strengths

We believe that our results driven marketplace provides us a competitive advantage based on the following key strengths:

Proprietary Data Assets and Algorithms. 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 well as improve our own monetization. Our proprietary data assets and machine learning algorithms efficiently attract consumers, match them with relevant insurance providers and drive our overall business model. We utilize our data assets and machine learning capabilities 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, combining the use of proprietary data assets with scalable machine learning driven automation, give us a significant competitive advantage.

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. Over time, 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 27 million in 2020.

Flexible business model. 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 periods of economic expansion, we can increase advertising spend to attract consumers to our platform and further enhance the strength of our marketplace. Conversely, during economic downturns, advertising expenses can be rapidly reduced. 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.

Breadth and scale of our distribution. Over the past decade, we have cultivated relationships with a broad range of insurance provider partners and currently have over 100 carriers participating in our marketplace either directly or via our network of over 8,500 agents. We believe that the breadth of our coverage provides a significant benefit to our consumers and is a key competitive advantage, particularly in our largest vertical of auto insurance where significantly all of the top carriers participate in our marketplace.

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 other markets such as home, life and health insurance. We have the ability to enter new verticals with only a modest increase in headcount.

Diversified business model. Our marketplace operates in several insurance markets including auto, home, renters, life, health and commercial, which provides an opportunity to diversify our revenue base and expand our potential growth opportunities. Additionally, by operating in several verticals we can lessen our exposure to negative impacts in any one of these markets.

Our Growth Strategies

We aspire to be the largest online source of insurance policies by using data and technology to make insurance simpler, more affordable and personalized, ultimately reducing cost and risk. 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. 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 $346.9 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.

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.

Expand our platform. We regularly evaluate new products and services that we believe will attract more consumers, and deepen our consumer and insurance provider engagement, which we believe will result in enhanced monetization. For example, we recently launched our direct-to-consumer, or DTC, agency offerings in our life vertical. Additionally, in September 2020, we acquired Crosspointe Insurance & Financial Services, LLC, or Crosspointe, a specialized health insurance agency. Crosspointe is a DTC sales and decision support contact center that connects consumers to high quality health insurance in a customer-centric environment and serves the individual and family health, Medicare, and ancillary health product markets. This acquisition enables us to accelerate and expand our opportunity in the health insurance market, by providing insurance shoppers with a broader range of health insurance products through access to a greater number of carrier partners, and an improved and more personalized customer buying experience. We believe that our DTC agency experience will enable us to deepen consumer-provider engagement by creating a more personalized and streamlined end-to-end consumer shopping journey, with enhanced product selection and less friction from arrival to policy sale. We also plan to continue to invest in the growth of our non-auto insurance verticals and expect to expand these areas by leveraging our customer acquisition capabilities, proprietary technology and data assets to attract consumers and build distribution. In addition, we may selectively look for opportunities to expand into additional non-auto insurance verticals beyond those currently in our marketplace, through either organic development or acquisition.

We believe there are additional opportunities to grow our business, such as expanding internationally and launching non-insurance financial service offerings.

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.

Sales and 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. Additionally, we have built an efficient, consultative sales and customer success organization, which sells our marketplace referrals to insurance carriers and agencies and engages directly with consumers to sell life and health insurance policies.

Consumer marketing. Our marketplace relies on consumer acquisition from our online and, to a lesser extent, our 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 19% 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.

Direct-to-consumer sales. Our DTC agency group is a data-driven, sales and decision support contact center that connects consumers to health and life insurance in a customer centric environment. In September 2020, we acquired Crosspointe, a specialized health insurance agency, to accelerate growth in our health vertical and our own initiatives to offer DTC agency experiences.

Carrier sales and marketing. Our carrier marketing initiatives are designed to 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 educating 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 through participation in our marketplace. We reach new agents online through email, search, social media, and content marketing and 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 22% and 21% of our revenue for the years ended December 31, 2020 and 2019, 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, 2020, we had over 8,500 enrolled insurance agencies on our platform. We are focused on further penetrating the large base of more than 100,000 insurance agencies in the United States.

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.

Employees

Our company culture is data-driven, entrepreneurial, diverse and innovative. We are focused on delivering superb results for our consumers, insurance providers and partners. As of December 31, 2020, we had 456 employees, of which 447 were full-time.

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 and Accountability Act, and similar state laws. In addition, we are a licensed insurance producer. 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 copyrights, trademarks, service marks, domain names, trade secret laws, confidentiality procedures and contractual restrictions.

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. 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. 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 Electronic Data Gathering, Analysis and Retrieval 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 consolidated 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 or visitor traffic 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 to time. For example, quote requests 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. Quote requests increased to 7,392,000 in the three months ended March 31, 2020, decreased to 6,777,000 in the three months ended June 30, 2020 decreased to 6,291,000 in the three months ended September 30, 2020 and increased to 6,553,000 in the three months ended December 31, 2020. 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.

The ongoing COVID-19 pandemic could adversely affect our business, results of operations and financial condition.

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has continued to spread throughout the United States and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. As a result, we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic, containment measures and the potential economic impact on our insurance provider customers and our users.

To support the health and well-being of our employees and communities, our employees began working remotely starting in March 2020. Work-from-home and other measures introduce additional operational risks, including cybersecurity risks, and have affected the way we conduct our product and business development efforts as well as other activities, which could have an adverse effect on our operations. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus, and illness and workforce disruptions could lead to unavailability of key personnel and harm our ability to perform critical functions. The disruptions to our operations caused by COVID-19 may result in inefficiencies, delays and additional costs in our sales and marketing efforts that we cannot fully mitigate through remote or other alternative work arrangements. We are also unsure what additional actions our carrier and agent customers, as well as our users, may take in response to coronavirus (COVID-19). In addition, we are unable to predict how user behavior will change in response to COVID-19. For example, we believe that immediately after shelter-in-place orders went into effect consumers performed less searches for insurance online.

The degree to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, other actions taken by governments, businesses, and individuals in response to the virus and resulting economic disruption, and how quickly and to what extent normal economic and operating conditions can resume. We are similarly unable to predict the degree to which the pandemic will impact our users, insurance provider customers, suppliers, vendors, and other partners, and their financial conditions, but a material effect on these parties could also adversely affect us. The impact of COVID-19 could also exacerbate other risks discussed in this Risk Factors section and this report, which could in turn have a material adverse effect on us. Developments related to COVID-19 have been rapidly changing, and additional impacts and risks may arise that we are not currently aware of or to which we may not be able to appropriately respond.

Although we expect that current cash and cash equivalent balances and cash flows generated from operations will be sufficient to meet our working capital needs and other capital and liquidity requirements for at least the next 12 months, if our access to capital is restricted or our borrowing costs increase, our operations and financial condition could be adversely impacted.

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. 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; 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.

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 22% and 21% of our revenue for the years ended December 31, 2020 and 2019, respectively. This customer 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 this customer will continue to purchase from us at its historical levels or at all. If this customer 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 our business may be substantially harmed.

If email providers implement new or more restrictive email or content delivery or accessibility policies 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.

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 further 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 82% of our total revenue for the year ended December 31, 2020 and 85% of our revenue for the year ended December 31, 2019. 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.

We depend on third-party publishers, including strategic partners, for a significant portion of our visitors. Any decline in the supply of media available through these third-party publishers' websites or increase in the price of this media could cause our revenue to decline or our cost to reach visitors to increase.

A significant portion of our revenue is attributable to visitor traffic originating from third-party publishers (including strategic partners). In many instances, third-party publishers can change the media inventory they make available to us at any time in ways that could impact our results of operations. In addition, third-party publishers may place significant restrictions on our offerings. These restrictions may prohibit advertisements from specific clients or specific industries, or restrict the use of certain creative content or formats. If a third-party publisher decides not to make its media channel or inventory available to us or decides to demand a higher cost for such inventory, we may not be able to find media inventory from other websites that satisfies our requirements in a timely and cost-effective manner. Consolidation of internet advertising networks and third-party publishers could eventually lead to a concentration of desirable inventory on websites or networks owned by a small number of individuals or entities, which could limit the supply or impact the pricing of inventory available to us. Additionally, third-party publishers may use advertising creatives that do not meet our compliance guidelines or that of our insurance provider customers, which could result in loss of revenue and reputational harm. As a result, we may not be able to acquire media inventory that meets our insurance provider's performance, price, and quality requirements, in which case our revenue could decline or our operating costs could increase.

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 further 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.

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.

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 television advertisements, direct mail and 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. While we have increased the number of quote requests acquired from these third-party sources, we still have 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. Additionally, any failure by us or third parties in our verified partner network on which we rely for quote requests to adhere to or successfully implement appropriate processes and procedures in response to existing regulations and changing regulatory requirements could result in legal and monetary liability, significant fines and penalties, or damage to our reputation in the marketplace, any of 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.

Consumer adoption of call blocking technology, or restrictions placed by telephone carriers and communication platforms, may reduce our ability to call or text message our consumers, which could significantly decrease the number of quote requests and value of our data referrals and substantially harm our business.

Increased adoption of call blocking technology may prevent us from reaching our consumers that have expressed an interest in getting insurance information. Additionally, telephone carriers and communication platforms may themselves place restrictions on our ability to call or send text messages to our consumers. If calls or text messages to our consumers are blocked, or if insurance providers obtaining data referrals have their calls or text messages blocked due to these call blocking technologies or restrictions, we may see a significant decrease in quote requests, 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.

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, to $248.8 million in 2019 and to $346.9 million in 2020, increases of 26.8%, 2.8%, 29.4%, 52.3% and 39.4%, 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.

Cybersecurity risks have significantly increased in recent years, in part, because of the proliferation of new technologies, the use of the internet and telecommunications technologies to exchange information and conduct transactions, and the increased sophistication and activities of computer hackers, organized crime, terrorists, and other external parties, including foreign state actors. We have been subject to, and are likely to continue to be the target of, future cyberattacks. These cyberattacks could include computer viruses, malicious or destructive code, phishing attacks, denial of service or information, improper access by employees or third-party partners or other security breaches that have or could in the future result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our confidential, proprietary and other information, confidential and other information concerning employees or consumers, or otherwise materially disrupt our or our other third party partners' network access or business operations.

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 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.

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.

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. For example, in September 2020, we closed our acquisition of Crosspointe Insurance & Financial Services, LLC, or Crosspointe. 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 use third-party contractor insurance agents to sell insurance for our direct-to-consumer agency. These agents could take actions that could harm our business.

We contract licensed insurance agents to sell insurance in connection with our direct-to-consumer agency. These agents are independent contractors and, as such, are not our employees, and we do not exercise control over their day-to-day operations. If independent contractors were to provide diminished quality of service to customers, engage in fraud, misconduct or negligence or otherwise violate the law, our image and reputation may suffer materially, and we may become subject to liability claims based upon such actions of our independent contractor agents. Additionally, actions by our independent contractor agents could damage our brand and even isolated incidents can result in considerable negative publicity or litigation. Any such incidence could adversely affect our results of operations.

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 were previously subject to class action lawsuits alleging violations of the Telephone Consumer Protection Act, or TCPA, and were 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 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 vendors to comply with applicable laws. For example, with the commencement of our verified partner network in 2019, we depend upon these third-party vendors to obtain consent from consumers to receive telemarking calls in compliance with the TCPA. We may be alleged to have indemnification obligations to third-party customers 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. We have been and may continue to 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.

We may become subject to enforcement actions or litigation as a result of our failure to comply with laws and regulations, even though noncompliance was inadvertent or unintentional.

We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations; however, some legal and regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were systems and procedures designed to ensure compliance in place at the time.

For example, we engage in outbound telephone and text communications with consumers, and accordingly must comply with a number of statutes and regulations, including the TCPA and Telemarketing Sales Rules, that govern those communications and the use of automatic telephone dialing systems, or ATDS, and artificial or pre-recorded voice messages. The U.S. Federal Communications Commission (the “FCC”), and the U.S. Federal Trade Commission (the “FTC”) have responsibility for regulating various aspects of these laws. Among other requirements, the TCPA requires us to obtain prior express written consent for certain telemarketing calls. Many states have similar consumer protection laws regulating telemarketing. These laws limit our ability to communicate with consumers and reduce the effectiveness of our marketing programs. The TCPA does not currently distinguish between voice and data, and, as such, SMS/MMS messages are also “calls” for the purpose of TCPA obligations and restrictions.

For violations of the TCPA, the law provides for a private right of action under which a plaintiff may recover monetary damages of $500 for each call or text made in violation of the prohibitions on calls made using an “artificial or pre-recorded voice” or an ATDS. A court may treble the amount of damages upon a finding of a “willful or knowing” violation. There is no statutory cap on maximum aggregate exposure. An action may be brought by the FCC, a state attorney general, an individual, or a class of individuals. Like other companies that rely on telephone and text communications, we have been and may be subject to future putative class action suits alleging violations of the TCPA. If in the future we are found to have violated the TCPA, the amount of damages and potential liability could be extensive and adversely impact our business. Accordingly, were such a class certified or if we are unable to successfully defend such a suit, then TCPA damages could have a material adverse effect on our results of operations and financial condition.

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

We have $25.0 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 (for example, the covenants in the loan and security agreement for our revolving line of credit include limitations on our ability to incur additional indebtedness and engage in certain fundamental business transactions, such as mergers or acquisitions of other businesses);

- 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.

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 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.

From time to time we have faced and may continue to 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, the Health Insurance Portability and Accountability Act, and employment laws, including those governing wage and hour requirements.

We also generate a significant amount of revenue from calls made by our internal call centers as well as, in some cases, by third-party publishers' call centers. We also purchase a portion of our lead data from third-party vendors. These third-party vendors are outside contractors and we do not exercise control over their business or day-to-day operations and cannot guarantee that these third parties will comply with regulations. Any failure by us or the third-party vendors on which we rely for telemarketing, email marketing, and other lead generation activities to adhere to or successfully implement appropriate processes and procedures in response to existing regulations and changing regulatory requirements could result in legal and monetary liability, significant fines and penalties, or damage to our reputation in the marketplace, any of which could have a material adverse effect on our business, financial condition, and results of operations.

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. The CCPA authorized the Attorney General to bring enforcement actions for violations beginning July 1, 2020. The CCPA may have a substantial negative impact on our business activities and increase our compliance costs and potential liability. Additionally, effective starting on January 1, 2023, the California Privacy Rights Act, or the CPRA, will significantly modify the CCPA, including by expanding consumers' rights with respect to certain sensitive personal information. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. Many similar privacy laws have been proposed at the federal level and in other states. These potential new laws may impact our business practice and/or the business practices of our customers and may have a material impact on our business activities.

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. Additionally, as a result of our entry into the health insurance vertical and our acquisition of Crosspointe, we are now engaged in marketing and selling Medicare plans that are principally regulated by The Centers for Medicare & Medicaid Services, but are also subject to state laws. The laws and regulations applicable to the marketing and sale of Medicare plans are numerous, ambiguous and complex.

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 and 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, along with third parties we acquire quote requests from, 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, along with third parties we acquire quote requests from, 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 significant amount of 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, third parties we acquire quote requests from, 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 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 $63.44 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 December 31, 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;
- loss 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 addition, equity markets in general, and the equities of technology companies in particular, have experienced and may experience in the future, extreme price and volume fluctuations due to, among other factors, the actions of market participants or other actions outside of our control, including general market volatility caused by the COVID-19 pandemic. Such price and volume fluctuations may adversely affect the market price of our common stock for reasons unrelated to our business or operating results.

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 were 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;
- bind 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.

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 78% of the voting power of our capital stock as of February 23, 2021; and Link Ventures, directly or through a voting agreement, together with Cogo Labs, held approximately 77% 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 78% of the voting power of our capital stock as of February 23, 2021; and Link Ventures, directly or through a voting agreement pursuant to which each of Seth Birnbaum, including through his heirs and estate, 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 77% 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 December 31, 2020, there were 1,032,613 shares of Class A common stock subject to outstanding options, 1,156,306 shares of either Class A common stock or Class B common stock subject to outstanding options, 3,142,220 shares of Class A common stock subject to outstanding restricted stock unit awards, or RSUs, and an additional 1,026,673 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 December 31, 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, or the Securities Act. In *Salzberg v. Sciabacucchi*, No. 346, 2019 (Del. Mar. 18, 2020), the Delaware Supreme Court, reversing the Delaware Court of Chancery held that such federal forum selection provisions are “facially valid” under Delaware law, although there is uncertainty as to whether courts in other states will enforce these provisions and we may incur additional costs of litigation should such enforceability be challenged. Neither of these choice of forum provisions would affect suits brought to enforce any liability or duty created by the Securities 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.

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 as we are no longer an emerging growth 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.

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.

We are obligated to maintain a system of effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may harm investor confidence in our company and, as a result, the value of our common stock.

The Sarbanes-Oxley Act of 2002 requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting.

Our compliance with Section 404 necessitates that we incur substantial accounting expense and expend significant management efforts. We will continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting and to compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. However, we cannot assure you that our independent registered public accounting firm will be able to attest to the effectiveness of our internal control over financial reporting. We may not be able to remediate any material weaknesses that may be identified, or to complete our evaluation, testing and any required remediation in a timely fashion and 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.

Any failure to maintain adequate internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal control when they are required to issue such opinion, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our Class A common stock could decline, and we could be subject to sanctions or investigations by the Nasdaq Stock Market, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

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

Information with respect to legal proceedings and this item is included in Note 12 of the Notes to Consolidated Financial Statements contained in Part II, Item 8 of this Annual Report on Form 10-K, which is incorporated herein by reference.

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.

Holders of Our Common Stock

As of February 23, 2021, there were approximately 14 holders of record of shares of our Class A common stock and 9 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 2021 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, 2020, we estimate that we have used approximately $32.4 million of the net proceeds from our IPO for general corporate purposes, capital expenditures and our acquisition of Crosspointe, including $7.0 million to repay amounts outstanding under our revolving line of credit with Western Alliance Bank. 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, 2020 to December 31, 2020.

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

This Annual Report on Form 10-K includes scaled disclosures for smaller reporting companies, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, and, as such, this information is not required.

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 consolidated 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, connecting consumers with insurance providers. Our mission is to empower insurance shoppers to better protect life's most important assets—their family, property, and future. Our vision is to become the largest online source of insurance policies by using data and technology to make insurance simpler, more affordable and personalized, ultimately reducing cost and risk. Our results-driven marketplace, powered by our proprietary data and technology platform, is reshaping the insurance shopping experience for consumers and improving the way insurance providers, which we view as including both carriers and agents, attract and connect with customers shopping for insurance.

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 and, in select verticals, directly from commissions on the sale of policies.

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, renters and commercial insurance in our marketplace.
- In 2020, we launched our direct-to-consumer insurance offerings in our life vertical and in our health vertical via the acquisition of Crosspointe Insurance & Financial Services, LLC, or Crosspointe.

In the years ended December 31, 2020 and 2019, our total revenue was $346.9 million and $248.8 million, respectively, representing year-over-year growth of 39.4%. We had net losses of $11.2 million and $7.1 million for the years ended December 31, 2020 and 2019, respectively, and had $18.4 million and $8.3 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.

COVID-19

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has continued to spread throughout the United States and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations, as well as that of our customers and consumer traffic to our marketplace for an indefinite period of time. For example, we believe that immediately after shelter-in-place orders went into effect consumers performed less searches for insurance online. To support the health and well-being of our employees, customers, partners and communities, our employees continue to work remotely as of March 1, 2021. While such disruptions have not had a material adverse impact on our financial results through December 31, 2020, such disruptions may impact consumer insurance shopping behavior. We continue to monitor and are managing our operations for the ongoing impact of COVID-19.

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. 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.

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.

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 and mix of advertising and the conversion rate of marketplace visitors who request an insurance quote. While we seek to minimize cost per quote request, 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 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.

Variable Marketing Margin

We define variable marketing margin, or VMM, as revenue, as reported in our consolidated 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.

Adjusted EBITDA

We define Adjusted EBITDA as net income (loss), adjusted to exclude: stock-based compensation expense, depreciation and amortization expense, acquisition-related costs, legal settlement expense, interest income 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:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Automotive	$ 283,236	$ 212,300
Other	63,699	36,511
Total Revenue	$ 346,935	$ 248,811

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 and amortization of sales and marketing-related intangible assets. Advertising expenditures consist of variable costs that are related to attracting consumers to our marketplace, generating consumer quote requests and promoting our marketplace to carriers and agents. 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 continue to incur the costs of compliance associated with being a publicly traded company, including legal, audit, insurance and consulting fees.

Acquisition-related costs

Acquisition-related costs include expenses associated with third-party professional services we utilize for the evaluation and execution of successful acquisitions as well as changes in the fair value of our contingent consideration liability recorded as the result of the Crosspointe acquisition.

Legal settlement

Legal settlement includes costs associated with the settlement of securities litigation in connection with our initial public offering (see Note 12 to the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K) representing the net of the settlement amount and the insurance proceeds.

Other Income

Other income consists of interest income and other income. Interest income consists of interest earned on invested cash balances. 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, 2020 and 2019 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, 2020, we had federal net operating loss carryforwards of $72.9 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 $63.9 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, 2020, we had state net operating loss carryforwards of $60.7 million, which may be available to offset future taxable income and expire at various dates beginning in 2027. As of December 31, 2020, we also had federal and state research and development tax credit carryforwards of $4.5 million and $2.4 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 consolidated 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; acquisition-related costs; legal settlement expense; interest income; 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 acquisition-related costs that affect cash available to us;
- adjusted EBITDA excludes legal settlement expense that affect cash available to us;
- adjusted EBITDA does not reflect the cash received from interest income on our investments, which affects 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:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in thousands)	
Net loss	$ (11,202)	$ (7,117)
Stock-based compensation	24,179	12,721
Depreciation and amortization	3,350	2,186
Acquisition-related costs	2,258	—
Legal settlement	—	1,227
Interest income	(189)	(669)
Adjusted EBITDA	$ 18,396	$ 8,348

Results of Operations

Comparison of the Years Ended December 31, 2020 and 2019

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in thousands)	
Statement of Operations Data:		
Revenue(1)	$ 346,935	$ 248,811
Cost and operating expenses(2):		
Cost of revenue	21,373	15,903
Sales and marketing	284,880	202,689
Research and development	29,662	20,214
General and administrative	20,444	16,827
Acquisition-related costs	2,258	—
Legal settlement	—	1,227
Total cost and operating expenses	358,617	256,860
Loss from operations	(11,682)	(8,049)
Other income:		
Interest income	189	669
Other income	291	263
Total other income	480	932
Net loss	$ (11,202)	$ (7,117)
Other Financial and Operational Data:		
Quote requests	27,013	20,011
Variable marketing margin	$ 108,642	$ 73,316
Adjusted EBITDA(3)	$ 18,396	$ 8,348

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Direct channels	92%	94%
Indirect channels	8%	6%
	100%	100%

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in thousands)	
Cost of revenue	$ 361	$ 193
Sales and marketing	10,246	3,805
Research and development	7,751	3,967
General and administrative	5,821	4,756
	$ 24,179	$ 12,721

(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	
	2020	2019	Amount	%
	(dollars in thousands)			
Revenue	$ 346,935	$ 248,811	$ 98,124	39.4%

Revenue increased by $98.1 million from $248.8 million for the year ended December 31, 2019 to $346.9 million for the year ended December 31, 2020. The increase in revenue was due to an increase of $70.9 million and $27.2 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 and an increase in revenue per quote request. 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	
	2020	2019	Amount	%
	(dollars in thousands)			
Cost of revenue	$ 21,373	$ 15,903	$ 5,470	34.4%
Percentage of revenue	6.2%	6.4%		

Cost of revenue increased by $5.5 million from $15.9 million for the year ended December 31, 2019 to $21.4 million for the year ended December 31, 2020. Cost of revenue increased due primarily to increased hosting costs of $1.8 million related to increased marketplace activity and to increased third-party call center costs of $1.5 million, which were primarily related to increased volume of call referrals. Technical services increased by $1.0 million due primarily to increased volume of consumer referrals and amortization of capitalized software costs increased by $0.7 million.

Sales and Marketing

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Sales and marketing expense	$ 284,880	$ 202,689	$ 82,191	40.6%
Percentage of revenue	82.1%	81.5%		

Sales and marketing expenses increased by $82.2 million from $202.7 million for the year ended December 31, 2019 to $284.9 million for the year ended December 31, 2020. The increase in sales and marketing expense was primarily due to an increase in advertising expenditures of $62.8 million and an increase in personnel-related costs of $15.4 million. Personnel-related costs for the years ended December 31, 2020 and 2019 included stock-based compensation expense of $10.2 million and $3.8 million, respectively.

Research and Development

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Research and development expense	$ 29,662	$ 20,214	$ 9,448	46.7%
Percentage of revenue	8.5%	8.1%		

Research and development expenses increased by $9.4 million from $20.2 million for the year ended December 31, 2019 to $29.7 million for the year ended December 31, 2020. The increase in research and development expense was primarily due to an increase in personnel-related costs of $9.9 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, 2020 and 2019 included stock-based compensation expense of $7.8 million and $4.0 million, respectively.

General and Administrative

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
General and administrative expense	$ 20,444	$ 16,827	$ 3,617	21.5%
Percentage of revenue	5.9%	6.8%		

General and administrative expenses increased by $3.6 million from $16.8 million for the year ended December 31, 2019 to $20.4 million for the year ended December 31, 2020. The increase in general and administrative expenses was primarily due to an increase in personnel-related costs of $2.9 million and an increase in insurance costs of $0.6 million. Personnel-related costs for the years ended December 31, 2020 and 2019 included stock-based compensation expense of $5.8 million and $4.8 million, respectively.

Acquisition-related Costs

Acquisition-related costs for the year ended December 31, 2020 were $2.3 million and consisted of costs for third-party professional services we utilized for the evaluation and execution of our Crosspointe acquisition of $0.5 million and expense of $1.8 million related to the change in the fair value of our contingent consideration liability recorded as the result of the Crosspointe acquisition.

Legal Settlement

Legal settlement expenses for the year ended December 31, 2019 were $1.2 million and were associated with the settlement of securities litigation in connection with our initial public offering (see Note 12 to the Consolidated Financial Statements).

Other Income

The decrease in interest income from $0.7 million for the year ended December 31, 2019 to $0.2 million for the year ended December 31, 2020 was due to lower interest rates on invested cash balances. Other income also included sublease income of $0.3 million in each of the years ended December 31, 2020 and 2019. The sublease ended in 2020.

Quote Requests

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(in thousands except percentages)			
Quote requests	27,013	20,011	7,002	35.0%

Quote requests increased by 7.0 million for 2020 as compared to 2019 due to increased spending on online marketplace advertising as well as improvements in our traffic acquisition.

Variable Marketing Margin

	Year Ended December 31,		Change	
	2020	2019	Amount	%
	(dollars in thousands)			
Revenue	$ 346,935	$ 248,811	$ 98,124	39.4%
Less: total advertising expense (a component of sales and marketing expense)	238,293	175,495		
Variable marketing margin	$ 108,642	$ 73,316	$ 35,326	48.2%
Percentage of revenue	31.3%	29.5%		

The increase in variable marketing margin was due primarily to an increased volume of quote requests.

Liquidity and Capital Resources

At December 31, 2020, our principal sources of liquidity were cash and cash equivalents of $42.9 million and availability of $25.0 million 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. As of December 31, 2020, we were in compliance with these covenants. 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.

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 12 months, without considering the borrowing availability under 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, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Net cash provided by operating activities	$ 10,668	$ 4,413
Net cash used in investing activities	(18,752)	(2,975)
Net cash provided by financing activities	4,907	2,982
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(7)	—
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (3,184)	$ 4,420

Net cash provided by operating activities

Operating activities provided $10.7 million and $4.4 million of cash during the years ended December 31, 2020 and 2019, respectively. Cash provided by operating activities in 2020 primarily resulted from the offset of net non-cash charges of $29.4 million to our net loss of $11.2 million and net cash used by changes in our operating assets and liabilities of $7.5 million. Net cash used by changes in our operating assets and liabilities consisted primarily of a $14.0 million increase in accounts receivable, partially offset by an aggregate $5.3 million increase in accounts payable and accrued expenses and other current liabilities and a $0.8 million increase in other long-term liabilities. Cash provided by operating activities in 2019 primarily resulted from the offset of net non-cash charges of $15.5 million to our net loss of $7.1 million and net cash used by changes in our operating assets and liabilities of $4.0 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.

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. The change in other long-term liabilities in 2020 was primarily due to the deferred payment of employer tax remittances.

Net cash used in investing activities

Net cash used in investing activities was $18.8 million and $3.0 million for the years ended December 31, 2020 and 2019, respectively. Net cash used in investing activities for the year ended December 31, 2020 included cash paid of $14.9 million to purchase Crosspointe. Cash used in investing activities for the years ended December 31, 2020 and 2019 also consisted of cash used to acquire property and equipment, which included the capitalization of software development costs. During the years ended December 31, 2020 and 2019, we capitalized $3.0 million and $2.7 million, respectively, of software development costs.

Net cash provided by financing activities

During the years ended December 31, 2020 and 2019, net cash provided by financing activities was $4.9 million and $3.0 million, respectively, and consisted of proceeds received from the exercise of common stock options.

Critical Accounting Policies and Significant Judgments and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of our consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

Goodwill and Acquired Intangible Assets

We record goodwill when consideration paid in a business acquisition exceeds the value of the net assets acquired. Our estimates of fair value are based upon assumptions believed to be reasonable at that time but that are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results. During the measurement period, which extends no later than one year from the acquisition date, we may record certain adjustments to the carrying value of the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, all adjustments are recorded in the consolidated statements of operations and comprehensive loss as operating expenses or income.

Goodwill is not amortized, but rather is tested for impairment annually, or more frequently if facts and circumstances warrant a review, such as 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. We have determined that there is a single reporting unit for the purpose of conducting our goodwill impairment assessment. We assess both the existence of potential impairment and the amount of impairment loss by comparing the fair value of the reporting unit with its carrying amount, including goodwill. Intangible assets are recorded at their estimated fair values at the date of acquisition. We amortize acquired intangible assets over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis.

Valuation of Contingent Consideration

The Crosspointe acquisition provides for shares of Class A common stock to be issued to the former owners of Crosspointe upon achievement of certain revenue targets over three years. Shares of Class A common stock issuable upon achievement of the first two annual targets are for a fixed number of shares of Class A common stock, and as such, we recorded the fair value of these shares within stockholders' equity based on the number of shares issuable and the fair market value of Class A common stock on the acquisition date. Achievement of the third annual target will result in the issuance of a variable number of shares of Class A common stock and, as such, we recorded the fair value of these shares as a long-term liability. We estimated the fair value of the shares of Class A common stock issuable upon achievement of the three annual targets as of the acquisition date. We remeasure the fair value of the shares of Class A common stock issuable upon the estimated achievement levels of the third annual target at each subsequent reporting date until the liability is fully settled. We use a Monte Carlo simulation model in our estimates. Significant assumptions and estimates utilized in the model include the forecasted revenue, revenue volatility and discount rate.

Revenue Recognition

We derive our revenue by selling consumer referrals to insurance provider customers, including insurance carriers and agents. On January 1, 2019, we adopted the new revenue standard ASC 606, which amended revenue recognition principles and provides a single, comprehensive set of criteria for revenue recognition within and across all industries. To determine revenue recognition for arrangements that we determine are within the scope of the 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.

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. 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.

We estimate the fair value of stock options with service-based vesting or performance-based vesting granted to employees, non-employees and directors 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 measure stock options with market-based vesting based on the fair value on the date of grant using a Monte Carlo simulation model. 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.

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 consolidated 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 consolidated financial statements appearing in Part II, Item 8 of this Annual Report on Form 10-K.

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

This Annual Report on Form 10-K includes scaled disclosures for smaller reporting companies, as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, and, as such, this information is not required.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

EVERQUOTE, INC.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of EverQuote, Inc. and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations and comprehensive loss, of stockholders' equity and of cash flows for each of the two years in the period ended December 31, 2020, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2020.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting 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 in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Report on Internal Control over Financial Reporting, management has excluded Crosspointe Insurance & Financial Services, LLC ("Crosspointe") from its assessment of internal control over financial reporting as of December 31, 2020 because it was acquired by the Company in a purchase business combination during 2020. We have also excluded Crosspointe from our audit of internal control over financial reporting. Crosspointe is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 2% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2020.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Acquisition of Crosspointe Insurance & Financial Services, LLC – Valuation of Contingent Consideration and Customer Relationship Intangible Asset

As described in Note 3 to the consolidated financial statements, the Company completed its acquisition of Crosspointe Insurance & Financial Services, LLC ("Crosspointe") on September 1, 2020. The purchase consideration of $16.7 million reflected a cash payment of $14.9 million and contingent consideration of $1.8 million representing the fair value of Class A common stock issuable to the former owners of Crosspointe upon achievement of certain revenue targets over three years. These revenue targets are measured in annual intervals. Shares of Class A common stock issuable upon achievement of the first two annual targets are for a fixed number of shares of Class A common stock and, as such, management has recorded the fair value of these shares within stockholders' equity based on the number of shares issuable and the fair market value of Class A common stock on the acquisition date. Achievement of the third annual target will result in the issuance of a variable number of shares of Class A common stock and, as such, management has recorded the fair value of these shares as a long-term liability. As of September 1, 2020, the acquisition date, the estimated fair value of the contingent consideration included in other long-term liabilities was $0.4 million. As of December 31, 2020, management estimated the fair value of the contingent consideration included in other long-term liabilities to be $2.2 million, and as a result recorded a $1.8 million charge to acquisition-related costs for the increase in fair value subsequent to the acquisition date. Management estimated the fair value of the shares upon achievement of the three annual targets as of the acquisition date, and remeasures the fair value of the shares issuable upon the estimated achievement levels of the third annual target at each subsequent reporting date until the liability is fully settled, using a Monte Carlo simulation model. Management's significant assumptions and estimates utilized in the model include the forecasted revenue, revenue volatility, and discount rate. Additionally, as part of the preliminary allocation of the purchase price for Crosspointe, management recorded $3.6 million for the customer relationship intangible asset at fair value using the income approach. Management's significant assumptions and estimates utilized in the model include the customer attrition rate and discount rate.

The principal considerations for our determination that performing procedures relating to the valuation of contingent consideration and the customer relationship intangible asset in the Crosspointe acquisition is a critical matter are (i) the high degree of auditor judgment and subjectivity in applying procedures relating to the fair value measurement of the contingent consideration and the customer relationship intangible asset due to the significant judgment by management when developing the fair value estimates, (ii) significant audit effort in evaluating management's significant assumptions related to the forecasted revenue, revenue volatility, and discount rate for the contingent consideration, and the customer attrition rate and discount rate for the customer relationship intangible asset, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the acquisition accounting, including controls over management's determination of the fair value of contingent consideration and the customer relationship intangible asset. These procedures also included, among others, (i) reading the purchase agreement, (ii) testing the completeness and accuracy of the underlying data used in the valuation models, and (iii) evaluating the appropriateness of the valuation models and reasonableness of the significant assumptions used by management related to the forecasted revenue, revenue volatility, and discount rate for the contingent consideration and the customer attrition rate and discount rate for the customer relationship intangible asset. Evaluating the reasonableness of the forecasted revenue used in developing the fair value of the contingent consideration involved considering the consistency with external economic and market data. Evaluating the reasonableness of the customer attrition rate used in the determination of the fair value of the customer relationship intangible asset involved considering the consistency with historical data. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Monte Carlo simulation model for the contingent consideration and the income approach for the customer relationship intangible asset, as well as evaluating the appropriateness of the significant assumptions related to the revenue volatility and discount rate for the contingent consideration, and the customer attrition rate and discount rate for the customer relationship intangible asset.

/s/ PricewaterhouseCoopers LLP

Boston, Massachusetts
March 1, 2021

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

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

	December 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	$ 42,870	$ 46,054
Accounts receivable, net	46,079	32,214
Prepaid expenses and other current assets	8,452	7,065
Total current assets	97,401	85,333
Property and equipment, net	6,173	5,197
Goodwill	9,794	—
Acquired intangible assets, net	3,366	—
Operating lease right-of-use assets	9,621	—
Other assets	2,695	691
Total assets	$ 129,050	$ 91,221
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 32,964	$ 23,663
Accrued expenses and other current liabilities	9,421	13,225
Deferred revenue	1,869	1,501
Operating lease liabilities	2,593	—
Total current liabilities	46,847	38,389
Operating lease liabilities, net of current portion	8,093	—
Other long-term liabilities	3,128	1,062
Total liabilities	58,068	39,451
Commitments and contingencies (Note 12)		
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; 20,784,065 shares and 14,635,834 shares issued and outstanding at December 31, 2020 and 2019, respectively	21	15
Class B common stock, $0.001 par value; 30,000,000 shares authorized; 7,429,502 shares and 11,802,341 shares issued and outstanding at December 31, 2020 and 2019, respectively	7	12
Additional paid-in capital	189,172	158,752
Accumulated other comprehensive loss	(7)	—
Accumulated deficit	(118,211)	(107,009)
Total stockholders' equity	70,982	51,770
Total liabilities and stockholders' equity	$ 129,050	$ 91,221

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

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

	Year Ended December 31,	
	2020	**2019**
Revenue	$ 346,935	$ 248,811
Cost and operating expenses:		
Cost of revenue	21,373	15,903
Sales and marketing	284,880	202,689
Research and development	29,662	20,214
General and administrative	20,444	16,827
Acquisition-related costs	2,258	—
Legal settlement	—	1,227
Total cost and operating expenses	358,617	256,860
Loss from operations	(11,682)	(8,049)
Other income:		
Interest income	189	669
Other income	291	263
Total other income	480	932
Net loss	$ (11,202)	$ (7,117)
Net loss per share, basic and diluted	$ (0.41)	$ (0.28)
Weighted average common shares outstanding, basic and diluted	27,329	25,759
Comprehensive loss:		
Net loss	$ (11,202)	$ (7,117)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(7)	—
Comprehensive loss	$ (11,209)	$ (7,117)

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

EVERQUOTE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share amounts)

	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balances at December 31, 2018	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
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)
Balances at December 31, 2019	14,635,834	15	11,802,341	12	158,752	—	(107,009)	51,770
Contingent consideration to be settled in Class A common stock	—	—	—	—	1,335	—	—	1,335
Issuance of common stock upon exercise of stock options	776,914	1	—	—	4,906	—	—	4,907
Vesting of restricted stock units	998,478	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	24,179	—	—	24,179
Transfer of Class B common stock to Class A common stock	4,372,839	5	(4,372,839)	(5)	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	(7)	—	(7)
Net loss	—	—	—	—	—	—	(11,202)	(11,202)
Balances at December 31, 2020	20,784,065	$ 21	7,429,502	$ 7	$ 189,172	$ (7)	$ (118,211)	$ 70,982

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

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

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net loss	$ (11,202)	$ (7,117)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	3,350	2,186
Loss on disposal of property and equipment	—	98
Stock-based compensation expense	24,179	12,721
Change in fair value of contingent consideration	1,778	—
Provision for bad debt	105	478
Changes in operating assets and liabilities, net of effects from acquisition:		
Accounts receivable	(13,970)	(15,232)
Prepaid expenses and other current assets	623	(5,609)
Operating lease right-of-use assets	2,076	—
Other assets	(554)	(1)
Accounts payable	9,301	6,837
Accrued expenses and other current liabilities	(3,968)	10,126
Operating lease liabilities	(2,233)	—
Deferred revenue	368	61
Other long-term liabilities	815	(135)
Net cash provided by operating activities	10,668	4,413
Cash flows from investing activities:		
Acquisition of property and equipment, including costs capitalized for development of internal-use software	(3,822)	(2,975)
Acquisition of business	(14,930)	—
Net cash used in investing activities	(18,752)	(2,975)
Cash flows from financing activities:		
Proceeds from exercise of stock options	4,907	2,982
Net cash provided by financing activities	4,907	2,982
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(7)	—
Net increase (decrease) in cash, cash equivalents and restricted cash	(3,184)	4,420
Cash, cash equivalents and restricted cash at beginning of period	46,304	41,884
Cash, cash equivalents and restricted cash at end of period	$ 43,120	$ 46,304
Supplemental disclosure of noncash investing and financing information:		
Fair value of contingent consideration in connection with acquisition included in stockholders' equity	$ 1,335	$ —
Fair value of contingent consideration in connection with acquisition included in other long-term liabilities	$ 416	$ —
Operating lease liabilities arising from obtaining right-of-use assets	$ 541	$ —
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 42,870	$ 46,054
Restricted cash (included in other assets)	250	250
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 43,120	$ 46,304

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

EVERQUOTE, INC.
NOTES TO CONSOLIDATED 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.

In addition, the Company is subject to risks and uncertainties relating to the ongoing outbreak of the novel strain of coronavirus ("COVID-19"), which the World Health Organization declared a pandemic in March 2020. The COVID-19 pandemic has continued to spread throughout the United States and the world and has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. Work-from-home and other measures have introduced additional operational risks, including cybersecurity risks, and may adversely affect the way the Company and its customers and insurance providers conduct business. The extent to which the COVID-19 pandemic impacts the Company's workforce, business, financial condition, results of operations and the Company's use of estimates in preparation of its consolidated financial statements will depend on future developments, which are highly uncertain and cannot be predicted at this time.

The accompanying consolidated 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 $11.2 million and $7.1 million for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had an accumulated deficit of $118.2 million. As of the issuance date of these consolidated 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 consolidated financial statements, without considering borrowing availability of up to $25.0 million under the Company's revolving line of credit.

The Company's consolidated 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 accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to, revenue recognition and collectability of accounts receivable, the expensing and capitalization of website and software development costs, goodwill and acquired intangible assets, commissions receivable, the contingent consideration liability, 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 estimates are recorded in periods in which they become known. Actual results may differ from those estimates or assumptions. Due to the COVID-19 pandemic, there has been uncertainty and disruption in the global economy and financial markets. The Company is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of March 1, 2021, the date of issuance of these consolidated financial statements. These estimates may change, as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Restricted Cash

As of both December 31, 2020 and 2019, 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 years ended December 31, 2020 and 2019, one customer represented 22% and 21%, respectively, of total revenue. As of December 31, 2020, one customer accounted for 12% of the accounts receivable balance. As of December 31, 2019, two customers accounted for 14% each of the accounts receivable balance.

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. The Company monitors economic conditions to identify facts or circumstances that may indicate that its receivables are at risk of collection. The Company provides reserves against accounts receivable for estimated losses, if any, that may result from a customer's inability to pay based on the composition of its accounts receivable, current economic conditions, and historical credit loss activity. Amounts determined to be uncollectible are charged or written-off against the reserve. The Company's allowance for doubtful accounts was $0.1 million as of December 31, 2020. The Company had no allowance for doubtful accounts as of December 31, 2019. During the year ended December 31, 2020, the Company wrote off less than $0.1 million of uncollectible accounts. During the year ended December 31, 2019, the Company wrote off $0.5 million of uncollectible accounts.

Commissions Receivable

Commissions receivable are contract assets that represent estimated variable consideration for commissions to be received from insurance carriers for performance obligations that have been satisfied. The current portion of commissions receivable (included within prepaid expenses and other current assets) are estimated commissions expected to be received within one year, while the non-current portion of commissions receivable (included within other assets (non-current)) are expected to be received beyond one year. The

Company assesses impairment for uncollectible consideration when information available indicates it is probable that an asset has been impaired. There were no impairments recorded during the year ended December 31, 2020.

Commissions Payable

Commissions payable represent the estimated share of policy commissions earned by the Company's agents. The current portion of commissions payable (included within accrued expenses and other current liabilities) are estimated commissions expected to be paid within one year, while the non-current portion of commissions payable (included within other long-term liabilities) are expected to be paid beyond one year.

Goodwill and Acquired Intangible Assets

The Company records goodwill when consideration paid in a business acquisition exceeds the value of the net assets acquired. The Company's estimates of fair value are based upon assumptions believed to be reasonable at that time but that are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events or circumstances may occur, which may affect the accuracy or validity of such assumptions, estimates or actual results. During the measurement period, which extends no later than one year from the acquisition date, the Company may record certain adjustments to the carrying value of the assets acquired and liabilities assumed with the corresponding offset to goodwill. After the measurement period, all adjustments are recorded in the consolidated statements of operations and comprehensive loss as operating expenses or income.

Goodwill is not amortized, but rather is tested for impairment annually, or more frequently if facts and circumstances warrant a review, such as 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. The Company has determined that there is a single reporting unit for the purpose of conducting this goodwill impairment assessment. The Company assesses both the existence of potential impairment and the amount of impairment loss by comparing the fair value of the reporting unit with its carrying amount, including goodwill. Intangible assets are recorded at their estimated fair values at the date of acquisition. The Company amortizes acquired intangible assets over their estimated useful lives based on the pattern of consumption of the economic benefits or, if that pattern cannot be readily determined, on a straight-line basis.

Valuation of Contingent Consideration

The Crosspointe acquisition provides for shares of Class A common stock to be issued to the former owners of Crosspointe upon achievement of certain revenue targets over three years. Shares of Class A common stock issuable upon achievement of the first two annual targets are for a fixed number of shares of Class A common stock and, as such the Company has recorded the fair value of these shares within stockholders' equity based on the number of shares issuable and the fair market value of Class A common stock on the acquisition date. Achievement of the third annual target will result in the issuance of a variable number of shares of Class A common stock and, as such, the Company has recorded the fair value of these shares as a long-term liability. The Company estimated the fair value of the shares of Class A common stock issuable upon achievement of the three annual targets as of the acquisition date. The Company remeasures the fair value of the shares of Class A common stock issuable upon the estimated achievement levels of the third annual target at each subsequent reporting date until the liability is fully settled. The Company uses a Monte Carlo simulation model in its estimates. Significant assumptions and estimates utilized in the model include the forecasted revenue, revenue volatility and discount rate.

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.

Leases

Prior to January 1, 2020, the Company accounted for leases under ASC 840, *Leases* (“ASC 840”). Effective January 1, 2020, the Company accounts for leases under ASC 842, *Leases* (“ASC 842”). Therefore, as of and for the year ended December 31, 2019, the Company’s financial statements continue to be presented in accordance with ASC 840, the accounting standard originally in effect for such period. As of and for the year ended December 31, 2020 the Company’s consolidated financial statements are presented in accordance with ASC 842.

In accordance with ASC 842, the Company accounts for a contract as a lease when it has the right to control the asset for a period of time while obtaining substantially all of the asset’s economic benefits. The Company determines if an arrangement is a lease or contains an embedded lease at inception. For arrangements that meet the definition of a lease, the Company determines the initial classification and measurement of its right-of-use asset and lease liability at the lease commencement date and thereafter if modified. The lease term includes any renewal options that the Company is reasonably assured to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease, if that rate is readily determinable; otherwise, the Company uses its estimated secured incremental borrowing rate for that lease term. The Company’s policy is to not record leases with an original term of twelve months or less on its consolidated balance sheets and recognizes those lease payments in the income statement on a straight-line basis over the lease term. The Company’s existing leases are for office space.

In addition to rent, the leases may require the Company to pay additional costs, such as utilities, maintenance and other operating costs, which are generally referred to as non-lease components. The Company has elected to not separate lease and non-lease components. Only the fixed costs for lease components and their associated non-lease components are accounted for as a single lease component and recognized as part of a right-of-use asset and lease liability. Rent expense for operating leases is recognized on a straight-line basis over the reasonably assured lease term based on the total lease payments and is included in operating expense in the consolidated statements of operations and comprehensive loss.

Impairment of Long-Lived Assets

Long-lived assets consist primarily of property and equipment, right-of-use assets and intangible assets with finite lives. 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, 2020 or 2019.

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 $15.8 million as of December 31, 2020, consisting of money market funds, are carried at fair value based on Level 1 inputs. The carrying values of the Company's accounts receivable, commissions receivable and commissions payable, accounts payable and accrued expenses and other current liabilities approximate their fair values due to the short-term nature of these assets and liabilities. The Company's contingent consideration included in other long-term liabilities is carried at fair value based on Level 3 inputs (see Note 3).

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. Significantly 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, which amended revenue recognition principles and provides a single, comprehensive set of criteria for revenue recognition within and across all industries. To determine revenue recognition for arrangements that the Company determines are within the scope of the 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,	
	2020	2019
Direct channels	92%	94%
Indirect channels	8%	6%
	100%	100%

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

	Year Ended December 31,	
	2020	2019
Automotive	$ 283,236	$ 212,300
Other	63,699	36,511
Total Revenue	$ 346,935	$ 248,811

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, 2020 and 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 $1.9 million and $1.5 million as of December 31, 2020 and 2019, respectively. During the year ended December 31, 2020, the Company recognized revenue of $1.1 million that was included in the contract liability balance (deferred revenue) at December 31, 2019. 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 and promoting its marketplace to insurance carriers and agents. 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, 2020 and 2019, advertising expense totaled $238.3 million and $175.5 million, respectively.

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 stock options with market-based vesting based on the fair value on the date of grant using a Monte Carlo simulation 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.

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.

Foreign Currency Translation

The functional currency of the Company’s foreign subsidiary is the currency of the local country. Assets and liabilities of the Company’s foreign subsidiary is translated into U.S. dollars using the period-end exchange rates, and income and expense items are translated into U.S. dollars using average exchange rates in effect during each period. The effects of these foreign currency translation adjustments are included in accumulated other comprehensive loss, a separate component of stockholders’ equity. The Company also incurs transaction gains and losses resulting from intercompany transactions as well as transactions with customers or vendors denominated in currencies other than the functional currency of the legal entity in which the transaction is recorded. Foreign currency transaction gains (losses) are included in the consolidated statements of operations and comprehensive loss as a component of other income (expense) and has not been significant.

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. The Company’s only element of other comprehensive loss are foreign currency translation adjustments.

Net Income (Loss) per Share

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 affect 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 8, 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.

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:

	December 31,	
	2020	2019
Options to purchase common stock	2,188,919	2,827,868
Unvested restricted stock units	3,142,220	3,367,846
	5,331,139	6,195,714

The Company may also issue up to 97,922 shares of common stock to the former owners of Crosspointe Insurance & Financial Services, LLC, upon the achievement of certain revenue targets (see Note 3). These shares were not included in the Company's calculation of basic or diluted net income (loss) per common share or in the table above.

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 consolidated 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 consolidated 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 consolidated 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

The Company adopted ASU No. 2016-02, Leases (Topic 842), effective January 1, 2020, using the modified retrospective method under ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. Since the Company ceased to be an emerging growth company as of December 31, 2020, the Company adopted the standard during the fourth quarter of 2020 effective as of January 1, 2020. The modified retrospective transition method allows entities to apply the transition requirements at the effective date rather than at the beginning of the earliest comparative period presented. The Company's reporting for comparative periods is presented in accordance with ASC 840. Adoption of the new standard resulted in the recording of right-of-use ("ROU") assets and lease liabilities of $9.7 million and $10.9 million, respectively. The adoption of the standard did not have a material impact on the Company's results of operations or cash flows. The Company elected to use the transition package of three practical expedients, which among other things, allowed the Company to carry forward the historical lease classification. The Company has elected, under ASC 842, the further practical expedient not to separate non-lease components from the lease components to which they relate and instead to combine them and account for them as a single lease component. The Company also elected the accounting policy election to keep leases with a term of twelve months or less off the balance sheet and to recognize payments for those leases on a straight-line basis over the lease term. The underlying assets of the Company's leases as of the adoption date consisted of office space.

The Company adopted ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASU 2016-13) for the year ended December 31, 2020. This standard requires entities to estimate an expected lifetime credit loss on financial assets and report credit losses using an expected losses model rather than the incurred losses model that was previously used, and establishes additional disclosures related to credit risks. The adoption of this standard did not have a material impact on the consolidated financial statements and related disclosures.

The Company adopted ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (Subtopic 350-40)* for the year ended December 31, 2020. 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. The adoption of this standard did not have a material impact on the consolidated financial statements and related disclosures.

Recently Issued Accounting Pronouncements

In December 2019, the FASB issued ASU No. 2019-12*, Income Taxes - Simplifying the Accounting for Income Taxes (Topic 740)*. The amendments in this update simplify the accounting for income taxes by removing certain exceptions to the general principles as well as clarifying and amending existing guidance to improve consistent application. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. Depending on the amendment, adoption may be applied on the retrospective, modified retrospective or prospective basis. The Company is currently assessing the impact of the adoption of this guidance on its consolidated financial statements.

3. Acquisition

On September 1, 2020, the Company completed the acquisition of Crosspointe Insurance & Financial Services, LLC ("Crosspointe"), a health insurance agency headquartered in Evansville, Indiana. Crosspointe is a sales and decision support contact center that connects consumers to high quality health insurance in a customer-centric environment and serves the individual and family health, Medicare, and ancillary health product markets. This acquisition enables the Company to accelerate and expand its opportunity in the health insurance market, by providing insurance shoppers with a broader range of health insurance products through access to a greater number of carrier partners, and an improved and more personalized customer buying experience.

The Crosspointe acquisition was accounted for as a purchase of a business under ASC Topic 805, *Business Combinations*. Under the acquisition method of accounting, the assets and liabilities of Crosspointe were recorded as of the acquisition date, at their respective fair values. The purchase consideration of $16.7 million reflected a cash payment of $14.9 million and contingent consideration of $1.8 million representing the fair value of Class A common stock issuable to the former owners of Crosspointe upon achievement of certain revenue targets over three years. The former owners of Crosspointe are eligible to receive up to 97,922 shares of Class A common stock upon achievement of certain revenue targets. These revenue targets are measured in annual intervals. Shares of Class A common stock issuable upon achievement of the first two annual targets are for a fixed number of shares of Class A common stock and, as such, the Company has recorded the fair value of these shares within stockholders' equity based on the number of shares issuable and the fair market value of Class A common stock on the acquisition date. Achievement of the third annual target will result in the issuance of a variable number of shares of Class A common stock and, as such, the Company has recorded the fair value of these shares as a long-term liability. The Company's consolidated financial statements reflect the preliminary allocation of the purchase price to the assets and liabilities assumed based on fair value as of the date of the acquisition. The Company's preliminary estimate of the fair value of specifically identifiable assets acquired and liabilities assumed as of the date of acquisition is subject to change upon finalizing its valuation analysis. The final determination may result in changes in the fair value of certain assets and liabilities as compared to these preliminary estimates, which is expected to be finalized in the first half of 2021.

The Company estimated the fair value of the shares of Class A common stock issuable upon achievement of the three annual targets as of the acquisition date. The Company remeasures the fair value of the shares of Class A common stock issuable upon the estimated achievement levels of the third annual target at each subsequent reporting date until the liability is fully settled. The Company uses a Monte Carlo simulation model in its estimates. Significant assumptions and estimates utilized in the model include the forecasted revenue, revenue volatility and discount rate. As of September 1, 2020, the acquisition date, the estimated fair value of the contingent consideration included in other long-term liabilities was $0.4 million. The Company recognizes changes in the fair value of the liability in earnings until the liability is fully settled. As of December 31, 2020, the Company estimated the fair value of the contingent consideration included in other long-term liabilities to be $2.2 million, and as a result recorded a $1.8 million charge to acquisition-related costs for the increase in fair value subsequent to the acquisition date.

The following tables summarize the preliminary purchase price for Crosspointe and the preliminary allocation of the purchase price (in thousands):

Cash paid	$	14,930
Fair value of contingent consideration to be settled in stock		1,751
Total purchase price consideration	$	16,681

Assets acquired and liabilities assumed:		
Commission receivable (current and long-term)	$	3,460
Customer relationships		3,600
Other identifiable intangible assets		270
Operating lease right-of-use assets		1,469
Goodwill		9,794
Total assets acquired		18,593
Accounts payable and accrued expenses (current and long-term)		(443)
Operating lease liabilities		(1,469)
Total allocation of purchase price consideration	$	16,681

Customer relationships were valued using the income approach. Significant assumptions and estimates utilized in the model include the customer attrition rate and discount rate. Acquired intangible assets are amortized over their estimated useful lives of three to five years based on the pattern of consumption of the economic benefits of the intangible asset.

Commissions receivable were recorded at constrained lifetime values.

Goodwill was recognized for the excess purchase price over the fair value of the net assets acquired. Goodwill is primarily attributable to the workforce of the acquired business (which is not eligible for separate recognition as an identifiable intangible asset) and future growth. Goodwill from the Crosspointe acquisition is included within the Company's one reporting unit and is included in the Company's enterprise-level annual review for impairment. Goodwill resulting from the acquisition of Crosspointe is deductible for tax purposes.

The Company incurred costs of $0.5 million for third-party professional services utilized for the acquisition, which were expensed as incurred within acquisition-related costs on the Company's consolidated statements of operations and comprehensive loss. The operating results of the acquired entity have been included in the consolidated financial statements beginning on the acquisition date but have not been disclosed as the Company does not account for the results of the acquired entity separate from its own results. Pro forma results of operations for the acquisition have not been presented as they are not material to the Company's consolidated results of operations.

4. Goodwill and Acquired Intangible Assets

The carrying amount of goodwill was $9.8 million as of December 31, 2020 related to goodwill from the Company's acquisition of Crosspointe. Goodwill is not amortized, but instead is reviewed for impairment at least annually or more frequently when events and circumstances occur indicating that the recorded goodwill may be impaired. The Company considers its business to be one reporting unit for purposes of performing its goodwill impairment analysis. To date, the Company has had no impairments to goodwill.

Acquired intangible assets consisted of the following (in thousands):

		December 31, 2020		
	Weighted Average Useful Life	Gross Amount	Accumulated Amortization	Carrying Value
	(in years)			
Customer relationships	5	$ 3,600	$ (464)	$ 3,136
Other identifiable intangible assets	3.7	270	(40)	230
		$ 3,870	$ (504)	$ 3,366

Future amortization expense of the intangible assets as of December 31, 2020, is expected to be as follows (in thousands):

Year Ending December 31,	
2021	$ 1,182
2022	826
2023	609
2024	440
2025	309
	$ 3,366

5. Property and Equipment, Net

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

	December 31,	
	2020	2019
Computer equipment	$ 2,183	$ 1,940
Software	11,113	8,829
Furniture and fixtures	1,127	1,032
Leasehold improvements	921	850
	15,344	12,651
Less: Accumulated depreciation and amortization	(9,171)	(7,454)
	$ 6,173	$ 5,197

Depreciation and amortization expense was $2.8 million and $2.2 million for the years ended December 31, 2020 and 2019, respectively. The Company capitalized costs associated with the development of internal use software of $3.0 million and $2.7 million included in the Software line item above and recorded related amortization expense of $2.2 million and $1.4 million (included in depreciation and amortization expense) during the years ended December 31, 2020 and 2019, respectively. The remaining net book value of capitalized software costs was $4.8 million and $4.0 million as of December 31, 2020 and 2019, respectively.

6. Accrued Expenses and Other Current Liabilities

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

	December 31, 2020	December 31, 2019
Accrued employee compensation and benefits	$ 4,105	$ 2,388
Accrued advertising expenses	2,596	4,119
Accrued legal settlement	—	4,750
Other current liabilities	2,720	1,968
	$ 9,421	$ 13,225

7. Loan and Security Agreement

As of December 31, 2019, the Company had available borrowings of $11.0 million under its amended Loan and Security Agreement, as modified by the 2018 Loan and Modification Agreement (the "2018 Loan Modification"). Pursuant to the 2018 Loan Modification, borrowings under the revolving line of credit could not exceed 80% of eligible accounts receivable balances and bore interest at one-half percent (0.5%) above the greater of 4.25% or the prime rate. The 2018 Loan Modification was amended during the three months ended March 31, 2020 to extend the availability of the line of credit to May 2020. The 2018 Loan Modification was amended and restated in August 2020 (the "2020 Loan Agreement") to increase the available line of credit to $25.0 million, extend the maturity date to August 2022 and amend the interest rate. Pursuant to the 2020 Loan Agreement, borrowings under the revolving line of credit cannot exceed 80% of eligible accounts receivable balances and bear interest at the greater of 3.25% or the prime rate. Borrowings are collateralized by substantially all of the Company's assets and property. As of December 31, 2020, the Company had available borrowings of $25.0 million under the 2020 Loan Agreement.

Under the 2020 Loan Agreement, 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. As of December 31, 2020, the Company was in compliance with these covenants. 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 2020 Loan Agreement 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, 2020, the Company had no amounts outstanding on the revolving line of credit.

8. Equity

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.

9. 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, 2020, 1,026,673 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 1,410,678 shares effective as of January 1, 2021 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

During the year ended December 31, 2020, the Company granted 531,108 options with service-based, market-based and performance-based vesting conditions. The fair value of these grants is estimated using a Monte Carlo simulation model. Assumptions and estimates utilized in the model include the risk-free interest rate, dividend yield, expected stock volatility and the estimated period to achievement of the performance and market condition.

The following table presents the assumptions used in the Monte Carlo simulation model to determine the fair value of these stock-based awards on their issuance date:

Risk-free interest rate	1.5%
Expected volatility	49.0%
Expected dividend yield	0%
Derived service period (in years)	4.1

Stock-based compensation expense is recognized when the achievement of the performance-based vesting conditions is probable regardless of whether the market condition is achieved. The aggregate grant date fair value of these options was $8.1 million. As the Company has deemed achievement of the performance condition to be probable, the Company is recognizing stock-based compensation for these awards over the estimated service period using the graded-vesting method.

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, 2019:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
			(in years)	(in thousands)
Outstanding as of December 31, 2019	2,827,868	$ 7.17	6.5	$ 76,850
Granted	531,108	45.17		
Exercised	(776,914)	6.32		
Forfeited	(393,143)	33.26		
Outstanding as of December 31, 2020	2,188,919	$ 12.01	5.72	$ 57,538
Vested and expected to vest as of December 31, 2020	2,121,884	$ 12.12	5.71	$ 55,616
Options exercisable as of December 31, 2020	1,370,762	$ 6.94	4.84	$ 41,689

As of December 31, 2020, outstanding options of 1,032,613 were for the purchase of Class A common stock and outstanding options of 1,156,306 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, 2020 and 2019 was $26.6 million and $8.8 million, respectively.

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. RSUs 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.

The following table summarizes the Company's RSU activity since December 31, 2019:

	Number of Shares	Weighted Average Grant-Date Fair Value
Unvested balance December 31, 2019	3,367,846	$ 14.84
Granted	1,331,417	42.35
Vested	(998,478)	16.30
Forfeited	(558,565)	19.02
Unvested balance December 31, 2020	3,142,220	$ 25.29

As of December 31, 2020, the Company had outstanding 270,131 unvested RSUs with performance-based vesting conditions for which achievement of the performance condition has not been deemed probable.

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):

	Year Ended December 31,	
	2020	2019
Cost of revenue	$ 361	$ 193
Sales and marketing	10,246	3,805
Research and development	7,751	3,967
General and administrative	5,821	4,756
	$ 24,179	$ 12,721

Stock-based compensation expense for the year ended December 31, 2020 included a total of $2.0 million related to unvested RSUs and option awards with performance-based vesting conditions, including options with performance- and market-based vesting conditions, for which the performance-based condition has not yet been achieved but has been deemed probable of being achieved. As of December 31, 2020, unrecognized compensation expense for RSUs and option awards with service-based vesting conditions and RSUs and option awards with performance-based vesting conditions either achieved or deemed probable of being achieved was $50.1 million, which is expected to be recognized over a weighted average period of 3.6 years. Additionally, the Company had unrecognized compensation expense of $5.8 million related to unvested awards with performance-based vesting conditions, which have not been deemed probable.

10. Income Taxes

The Company had no income tax expense for the years ended December 31, 2020 or 2019. The Company's foreign operations have not been significant and therefore, the Company 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:

	Year Ended December 31,	
	2020	2019
Federal statutory income tax rate	21.0 %	21.0 %
State taxes, net of federal benefit	4.2	5.5
Federal and state research and development tax credits	12.4	19.4
Nondeductible items	(0.7)	(1.6)
Stock-based compensation	97.2	13.3
Other	2.2	(0.9)
Change in valuation allowance	(136.3)	(56.7)
Effective income tax rate	— %	— %

Net deferred tax assets as of December 31, 2020 and 2019 consisted of the following (in thousands):

	December 31,	
	2020	2019
Deferred tax assets:		
Net operating loss carryforwards	$ 19,197	$ 8,165
Research and development tax credit carryforwards	6,470	5,040
Accrued expenses and other current liabilities	566	671
Intangible assets	1,598	33
Property and equipment	220	215
Stock-based compensation	3,092	1,463
Operating lease liability	2,829	—
Other	221	725
Total deferred tax assets	34,193	16,312
Valuation allowance	(30,558)	(15,292)
Net deferred tax assets	3,635	1,020
Deferred tax liabilities:		
Capitalized software development costs	(1,088)	(1,020)
Operating lease right-of-use assets	(2,547)	—
Deferred tax liabilities	(3,635)	(1,020)
Net deferred tax assets and liabilities	$ —	$ —

As of December 31, 2020, the Company had federal net operating loss carryforwards of $72.9 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 $63.9 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, 2020, the Company had state net operating loss carryforwards of $60.7 million, which may be available to offset future taxable income and expire at various dates beginning in 2027. As of December 31, 2020, the Company also had federal and state research and development tax credit carryforwards of $4.5 million and $2.4 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, 2020 and 2019. 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, 2020 and 2019 related primarily to an increase in net operating loss carryforwards and research, development tax credit carryforwards and stock-based compensation expense. The changes in the valuation allowance were as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Valuation allowance as of beginning of year	$ 15,292	$ 11,257
Increases recorded to tax provision	15,266	4,035
Valuation allowance as of end of year	$ 30,558	$ 15,292

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 consolidated 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, 2020 and 2019.

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 2017 to the present, however, carryforward attributes that were generated prior to January 1, 2017 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.

11. Leases

The Company leases office space in Cambridge, Massachusetts under a non-cancelable operating lease that expires in September 2024. The Company also leases office space in Woburn, Massachusetts under a non-cancelable operating lease that expires in January 2022. In the first quarter of 2020, the Company entered into a three-year non-cancelable operating lease in Seattle, Washington under which lease payments commenced in the second quarter of 2020.

In connection with the acquisition of Crosspointe, the Company acquired a ten-year non-cancelable operating lease in Evansville, Indiana that expires in August 2030.

As of December 31, 2020 and 2019, the Company maintained security deposits of $0.5 million and $0.4 million, respectively, with the landlords of its leases, which amounts are included in other assets on the Company's consolidated balance sheet.

The components of lease cost under ASC 842 were as follows (in thousands):

	Year Ended December 31, 2020
Operating lease cost	$ 2,590
Short-term lease cost	—
Variable lease cost	387
	$ 2,977

Supplemental disclosure of cash flow information related to leases was as follows (in thousands):

	Year Ended December 31, 2020
Cash paid for amounts included in the measurement of operating lease liabilities	$ 2,747
Operating lease liabilities arising from obtaining right-of-use assets	$ 541

The weighted-average remaining lease term and discount rate were as follows:

	December 31, 2020
Weighted-average remaining lease term - operating leases (in years)	4.44
Weighted-average discount rate - operating leases	4.67%

Because the interest rate implicit in the lease was not readily determinable, the Company's incremental borrowing rate was used to calculate the present value of the leases. In determining its incremental borrowing rate, the Company considered its credit quality and assessed interest rates available in the market for similar borrowings, adjusted for the impact of collateral over the term of the lease.

Future annual lease payments under the Company's leases as of December 31, 2020 were as follows (in thousands):

Year Ending December 31,	
2021	$ 3,025
2022	2,872
2023	2,785
2024	2,099
2025	177
Thereafter	826
Total future minimum lease payments	11,784
Less: imputed interest	(1,098)
Total operating lease liabilities	$ 10,686

The following table presents lease assets and liabilities and their classification on the consolidated balance sheet (in thousands):

Included in the balance sheet (in thousands):		**December 31, 2020**
Current operating lease liabilities	$	2,593
Operating lease liabilities, net of current portion		8,093
Total operating lease liabilities	$	10,686

Disclosures under ASC 840

The following table summarizes the future minimum lease payments due under the Company's operating leases as of December 31, 2019 (in thousands), presented in accordance with ASC 840, the relevant accounting standard at that time:

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

12. Commitments and Contingencies

Leases

The Company's commitments under its leases are described in Note 11.

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, 2020 and 2019, 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 consolidated financial statements as of December 31, 2020 and 2019, 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, of which $3.6 million was reimbursed by the Company's insurance provider. The parties thereafter on February 6, 2020 filed a Stipulation of Settlement settling the litigation in principle, subject to final approval of the Court. On June 11, 2020, the Court entered a final order approving the settlement and terminating the case.

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.

On April 29, 2020, EverQuote was named as a defendant in a putative, statewide (Colorado) class action lawsuit filed in U.S. District Court for the District of Colorado captioned Scott M. Runyon v EverQuote, Inc. The complaint alleged that the Company violated the Telephone Consumer Protection Act by making unsolicited marketing calls to his cellphone and those of other Colorado residents using an automatic telephone dialing system without prior express consent. Plaintiff sought, among other forms of relief, statutory damages of $500 to $1,500 for each alleged violation and an order enjoining future violations. Plaintiff also asserted an individual claim against the Company for invasion of privacy arising out of the same calls to his cellphone and a claim for unspecified damages. The Company believed Plaintiff's claims lacked merit. On July 23, 2020, the U.S. District Court granted a stay pending the Supreme Court's decision in Facebook Inc. v. Duguid, Case No. 19-511. In October 2020 the case was resolved on an individual basis for an immaterial amount, with EverQuote denying any wrongdoing, and was dismissed pursuant to settlement in November 2020.

On July 30, 2020, EverQuote was named as a defendant in a putative, nationwide class action lawsuit filed in U.S. District Court for the Western District of Pennsylvania captioned Carol Scavo v. EverQuote, Inc. The complaint alleged that the Company violated the Telephone Consumer Protection Act by sending unsolicited text message advertisements to her cellphone and those of other United States residents using an automatic telephone dialing system without prior express consent. Plaintiff sought, among other forms of relief, statutory damages of $500 to $1,500 for each alleged violation and an order enjoining future violations. The Company believed Plaintiff's claims lacked merit. The case was resolved on an individual basis for an immaterial amount, with EverQuote denying any wrongdoing, and was dismissed pursuant to settlement in October 2020.

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.

13. 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 $0.7 million and $0.5 million during the years ended December 31, 2020 and 2019, respectively.

14. 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, 2020 and 2019, the Company recorded expense of $3.1 million and $5.2 million, respectively, related to these arrangements. During the years ended December 31, 2020 and 2019, the Company paid $3.1 million and $5.7 million, respectively, related to these arrangements. As of December 31, 2020 and 2019, amounts due to related-party affiliates totaled $0.5 million and $0.6 million, respectively, which were included in accounts payable and accrued expenses on the balance sheets.

15. Selected Quarterly Financial Data (Unaudited)

The following information has been derived from unaudited consolidated 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, 2020	**Sep 30, 2020**	**Jun 30, 2020**	**Mar 31, 2020**	**Dec 31, 2019**	**Sep 30, 2019**	**Jun 30, 2019**	**Mar 31, 2019**
Statements of Operations Data:								
Revenue	$ 97,292	$ 89,977	$ 78,302	$ 81,364	$ 73,799	$ 67,112	$55,667	$ 52,233
Cost of revenue	5,683	5,378	4,977	5,335	4,681	4,052	3,504	3,666
Loss from operations	(3,784)	(3,289)	(2,956)	(1,653)	(1,155)	(82)	(2,246)	(4,566)
Net income (loss)	(3,768)	(3,184)	(2,808)	(1,442)	(934)	173	(1,974)	(4,382)
Basic and diluted net income (loss) per share available (attributable) to common stockholders:	$ (0.13)	$ (0.12)	$ (0.10)	$ (0.05)	$ (0.04)	$ 0.01	$ (0.08)	$ (0.17)

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, 2020. 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, 2020, 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 process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria described in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our management has concluded that as of December 31, 2020, our internal control over financial reporting is effective, based on the specified criteria.

As permitted by the U.S. Securities and Exchange Commission staff guidance, we have excluded Crosspointe Insurance & Financial Services, LLC ("Crosspointe") from our assessment of the effectiveness of internal control over financial reporting as of December 31, 2020, because it was acquired in a purchase business combination during 2020. The total assets and revenue of Crosspointe, a wholly-owned subsidiary, represent 2% and 1%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting

No changes 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, 2020 that have materially affected, or are 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 2021 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, 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 2021 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 2021 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 2021 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 2021 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 Consolidated Financial Statements in 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 consolidated financial statements or the notes thereto.

3. *Exhibits*

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

(b) **Exhibit Index.**

Exhibit Number	Description
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)
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)

Exhibit Number	Description
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	Amended and Restated Loan and Security Agreement, dated August 7, 2020, by and between Western Alliance Bank and the Registrant (incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-38549) filed with the SEC on November 6, 2020)
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 (incorporated by reference to Exhibit 10.14 to the Registrant’s Annual Report on Form 10-K (File No. 001-38549) filed with the SEC on March 13, 2020)
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)
10.16#	Form of Performance-Based Stock Option Agreement under 2018 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-38549) filed with the SEC on May 8, 2020)
21.1	Subsidiaries of the Registrant
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	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document

Exhibit Number	Description
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

# 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.

March 1, 2021

By: /s/ Jayme Mendal
Jayme Mendal
Chief Executive Officer and President

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.

Signature	Title	Date
/s/ Jayme Mendal Jayme Mendal	Chief Executive Officer and President and Director (Principal Executive Officer)	March 1, 2021
/s/ John Wagner John Wagner	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	March 1, 2021
/s/ David Blundin David Blundin	Chairman of the Board of Directors	March 1, 2021
/s/ Darryl Auguste Darryl Auguste	Director	March 1, 2021
/s/ Sanju Bansal Sanju Bansal	Director	March 1, 2021
/s/ Paul Deninger Paul Deninger	Director	March 1, 2021
/s/ John Lunny John Lunny	Director	March 1, 2021
/s/ George Neble George Neble	Director	March 1, 2021
/s/ John Shields John Shields	Director	March 1, 2021
/s/ Mira Wilczek Mira Wilczek	Director	March 1, 2021

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CORPORATE INFORMATION

Board of Directors

- David Blundin, *Chairman, Managing Partner of Link Ventures*
- Darryl Auguste, *Executive Vice President, Strategic Projects, EverQuote, Inc.*
- Sanju Bansal, *Chief Executive Officer of Hunch Analytics, LLC*
- Paul Deninger, *Retired Senior Managing Director of Evercore, Inc.*
- John Lunny, *Chief Executive Officer of Vestmark, Inc.*
- Jayme Mendal, *Chief Executive Officer and President, EverQuote, 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

- Jayme Mendal, *Chief Executive Officer and President*
- David Brainard, *Chief Technology Officer*
- Nicholas Graham, *Chief Revenue Officer*
- Craig Lister, *Chief Marketing Officer*
- David Mason, *General Counsel and Secretary*
- Elyse Neumeier, *Chief People Officer*
- Tomas Revesz, *Chief Architect Officer*
- Eugene Suzuki, *Chief Information Officer*
- John Wagner, *Chief Financial Officer and Treasurer*

Corporate Headquarters

- 210 Broadway, Cambridge, Massachusetts 02139 USA

2021 Annual Meeting of Stockholders

- Our annual meeting is being held on June 10, 2021 at 10:00 A.M. Eastern Time via the internet at a virtual web conference at *https://www.virtualshareholdermeeting.com/EVER2021*.

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 2020 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 13 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

210 Broadway
Cambridge, MA 02139