UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2019

OR

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

For the transition period from to

Commission file number 1-8993

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Exact name of Registrant as specified in its charter)

Bermuda	**94-2708455**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
80 South Main Street	
Hanover,	**03755-2053**
New Hampshire	(Zip Code)
(Address of principal executive offices)	

Registrant's telephone number, including area code: **(603) 640-2200**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $1.00 per share	WTM	New York Stock Exchange Bermuda Stock Exchange

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 o

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 o 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 o

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 o

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

Large accelerated filer ☒	Accelerated filer o	Non-accelerated filer o
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. o

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

The aggregate market value of voting shares (based on the closing price of those shares listed on the New York Stock Exchange and the consideration received for those shares not listed on a national or regional exchange) held by non-affiliates of the Registrant as of June 30, 2019, was $3,169,884,560.

As of February 28, 2020, 3,193,509 common shares, par value of $1.00 per share, were outstanding (which includes 43,105 restricted common shares that were not vested at such date).

EXPLANATORY NOTE

This Amendment No 1. on Form 10-K/A (the “Amendment”) is filed by White Mountains Insurance Group, Ltd. (“White Mountains” or the “Company”) to amend its Annual Report on Form 10-K for the year ended December 31, 2019 (the “2019 Form 10-K”) filed on March 2, 2020. The purpose of the Amendment is to amend Part IV, Item 15 of the 2019 Form 10-K to include the audited consolidated financial statements of QL Holdings, LLC (“MediaAlpha”) as of December 31, 2019 and for the period from February 26, 2019 through December 31, 2019, and to include the consolidated financial statements of MediaAlpha as of and for the years ended December 31, 2019 and 2018 (not covered by the Independent Auditor's Report). MediaAlpha became an equity method eligible investee on February 26, 2019 and was significant under the income test of Rule 3-09 for the period from February 26, 2019 through December 31, 2019. No other items of the 2019 Form 10-K are amended in the Form 10-K/A.

PART IV

ITEM 15. Exhibits and Financial Statement Schedules

b. Exhibits

Exhibit Number	Name
23.1	Consent of PricewaterhouseCoopers, LLP for QL Holdings, LLC (*)
31.1	Principal Executive Officer Certification Pursuant to Rule 13a-14(a) (*)
31.2	Principal Financial Officer Certification Pursuant to Rule 13a-14(a) (*)
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
32.2	Principal Financial Officer Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*)
99.1	QL Holdings, LLC and Subsidiary Consolidated Financial Statements as of December 31, 2019 and for the Period From February 26, 2019 through December 31, 2019 and Report of Independent Auditors (*) (**)
99.2	QL Holdings, LLC and Subsidiary Consolidated Financial Statements as of December 31, 2019 and 2018 and for the Years Ended December 31, 2019 and 2018 (not covered by the Independent Auditor's Report) (*) (***)
101	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.

(*) Included herein.

(**) Exhibit 99.1 to this Form 10-K/A is being filed to provide audited financial statements and the related footnotes as of December 31, 2019 and for the period from February 26, 2019 through December 31, 2019 of MediaAlpha in accordance with SEC Rule 3-09 of Regulation S-X. The management of MediaAlpha is solely responsible for the form and content of the MediaAlpha financial statements. White Mountains has no responsibility for the form or content of the MediaAlpha financial statements since it does not control MediaAlpha.

(***) Exhibit 99.2 to this Form 10-K/A is being filed to provide financial statements and related footnotes as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 of MediaAlpha for comparative purposes. These financial statements are not covered by the Independent Auditor's Report. White Mountains has no responsibility for the form or content of the MediaAlpha financial statements since it does not control MediaAlpha.

c. Financial Statement Schedules and Separate Financial Statements of Subsidiaries Not Consolidated and Fifty Percent or Less Owned Persons

Item 15.c has been amended to include the audited consolidated financial statements of MediaAlpha as of December 31, 2019 and for the period from February 26, 2019 through December 31, 2019, and to include the consolidated financial statements of MediaAlpha as of and for the years ended December 31, 2019 and 2018 (not covered by the Independent Auditor's Report).

As required by Rule 12b-15 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), updated certifications by the Principal Executive Officer and Principal Financial Officer are filed as exhibits to the Amendment.

We make no attempt in this filing to update matters in the 2019 Form 10-K for any other activities or events occurring after the original filing date; neither do we change any previously reported financial results of operations or any disclosures contained in that document except to the extent expressly provided herein.

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.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

Date: March 30, 2020 By: /s/ J. BRIAN PALMER
J. Brian Palmer
Managing Director and Chief Accounting Officer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-220469, 333-83206, 333-68438, 333-68460, 333-132388, 333-143574) of White Mountains Insurance Group, Ltd. of our report dated March 30, 2020 relating to the financial statements of QL Holdings, LLC, which appears in this Form 10-K/A.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 30, 2020

Exhibit 31.1

PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934

I, G. Manning Rountree, Chief Executive Officer of White Mountains Insurance Group, Ltd., certify that:

I have reviewed the Amendment No. 1 on Form 10-K/A for the fiscal year ended December 31, 2019 of White Mountains Insurance Group, Ltd.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 30, 2020
By:

/s/ G. Manning Rountree
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a)
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Reid T. Campbell, Executive Vice President and Chief Financial Officer of White Mountains Insurance Group, Ltd., certify that:

I have reviewed the Amendment No. 1 on Form 10-K/A for the fiscal year ended December 31, 2019 of White Mountains Insurance Group, Ltd.;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 30, 2020
By:

/s/ Reid T. Campbell
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

**PRINCIPAL EXECUTIVE OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Amendment No.1 on Form 10-K/A of White Mountains Insurance Group, Ltd. (the "Company"), for the period ending December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, G. Manning Rountree, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ G. Manning Rountree

Chief Executive Officer
(Principal Executive Officer)

March 30, 2020

Exhibit 32.2

PRINCIPAL FINANCIAL OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Amendment No. 1 on Form 10-K/A of White Mountains Insurance Group, Ltd. (the “Company”), for the period ending December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Reid T. Campbell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

(b) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Reid T. Campbell

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

March 30, 2020

Exhibit 99.1

QL HOLDINGS, LLC AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2019 AND FOR THE PERIOD FROM FEBRUARY 26, 2019 THROUGH DECEMBER 31, 2019 AND REPORT OF INDEPENDENT AUDITORS

QL HOLDINGS, LLC AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2019 AND FOR THE PERIOD FROM
FEBRUARY 26, 2019 THROUGH DECEMBER 31, 2019

TABLE OF CONTENTS

Report of Independent Auditors

To the Board of Directors of QL Holdings, LLC

We have audited the accompanying consolidated financial statements of QL Holdings, LLC and its subsidiary, which comprise the consolidated balance sheet as of December 31, 2019 and the related consolidated statements of operations, of changes in members' equity and of cash flows for the period from February 26, 2019 through December 31, 2019.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of QL Holdings, LLC and its subsidiary as of December 31, 2019 and the results of their operations and their cash flows for the period from February 26, 2019 through December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 30, 2020

QL HOLDINGS, LLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET AS OF
DECEMBER 31, 2019
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

ASSETS

		December 31, 2019
Current assets:		
Cash and cash equivalents	$	10,028
Accounts receivable, net of allowance for doubtful accounts		56,012
Prepaid expenses and other current assets		1,301
Total current assets		67,341
Property and equipment, net		755
Intangible assets, net		20,397
Goodwill		18,402
Total assets	$	106,895

LIABILITIES AND MEMBERS' EQUITY

		December 31, 2019
Current liabilities:		
Accounts payable	$	40,455
Accrued expenses		6,532
Current portion of long-term debt		1,000
Current portion of deferred rent		40
Total current liabilities		48,028
Long-term debt, net of current portion		96,218
Deferred rent, net of current portion		330
Total liabilities	$	144,576
Commitments and contingencies (See note 8)		
Members' equity:		
Class A common and paid in capital		135,809
Class B common and paid in capital		14,901
Dividends in excess of earnings		(188,391)
Total members' equity		(37,681)
Total liabilities and members' equity	$	106,895

QL HOLDINGS, LLC AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE PERIOD FROM FEBRUARY 26, 2019 THROUGH DECEMBER 31, 2019
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

		For the period from February 26 through December 31, 2019
Net revenues	$	359,142
Cost of revenues		299,354
Gross profit		59,788
Operating expenses		5,709
Payroll and benefits expense		19,266
Amortization of intangible assets		3,248
Income from operations		31,565
Interest expense		6,575
Net income (loss)	$	24,990

QL HOLDINGS, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY
FOR THE PERIOD FROM FEBRUARY 26, 2019 THROUGH DECEMBER 31, 2019
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Class A Common		Class B Common		Dividends in Excess of Earnings	Total Members' Equity
	Units	Amount	Units	Amount		
Balance as of February 25, 2019	**1,136,842**	**$ 73,003**	**64,652**	**$ 12,062**	**$ (49,182)**	**$ 35,883**
Class B vesting	-	-	12,023	-	-	-
Class B forfeited	-	-	(23,842)	-	-	-
Class A issuances	-	62,805	-	-	-	62,805
Class B issuances	-	-	-	2,839	-	2,839
Member distributions	-	-	-	-	(164,199)	(164,199)
Net Income	-	-	-	-	24,990	24,990
Balance as of December 31, 2019	**1,136,842**	**$ 135,809**	**52,833**	**$ 14,901**	**$ (188,391)**	**$ (37,681)**

QL HOLDINGS, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM FEBRUARY 26, 2019 THROUGH DECEMBER 31, 2019
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

		For the period from February 26 through December 31, 2019
Cash flows from operating activities:		
Net income (loss)	$	24,990
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock compensation costs		2,839
Depreciation on property and equipment		224
Amortization of intangible assets		3,252
Amortization of deferred debt issuance costs		370
Changes in operating assets and liabilities:		
Accounts receivable		(7,232)
Prepaid expenses and other current assets		(394)
Accounts payable		51
Accrued expenses		(1,836)
Deferred rent		(78)
Net cash provided by operating activities		22,186
Cash flows from investing activities:		
Purchases of property and equipment		(117)
Acquisition of intangible assets		(148)
Net cash used in investing activities		(265)
Cash flows from financing activities:		
Proceeds from revolving line of credit		-
Repayments on revolving line of credit		-
Borrowings on term debt		100,000
Repayments on term debt		(14,561)
Payments of debt issue costs		(2,302)
Member contributions		62,805
Member distributions		(164,199)
Net cash used in financing activities		(18,257)
Net increase in cash and cash equivalents		3,665
Cash and cash equivalents, beginning of period (February 26, 2019)		6,363
Cash and cash equivalents, end of period (December 31, 2019)	$	10,028
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
State income taxes	$	636
Interest	$	6,186

NOTE 1. ORGANIZATION

Formation and Acquisition

QL Holdings, LLC ("QLH"), a Delaware limited liability company, was formed on March 7, 2014, for the sole purpose of reorganizing the ownership structure of Quote Lab, Inc. ("QL Inc.") and MediaAlpha Ventures, LLC ("MAV") in order to effectuate the purchase of 60% of the membership interests of QLH by White Mountains Capital, Inc. ("WMC"), pursuant to the membership interest purchase agreement effective March 14, 2014 (the "Acquisition" or "Closing"). Concurrent to the Closing, QL Inc. was restructured into QuoteLab, LLC ("QL"), a Delaware limited liability company, and the historical owners (collectively, the "Sellers") transferred all ownership of QL and MAV to QLH.

The Acquisition was accounted for under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"), under which the purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of the Acquisition. In accordance with ASC 805, QLH and its wholly owned subsidiaries QL and MAV (collectively, the "Company"), elected the option to apply pushdown accounting, and accordingly, recorded goodwill to the extent the purchase price exceeded the fair value of assets acquired, net of liabilities assumed, on the accounting records of QLH. The Company prepared the valuations for all identifiable intangible assets acquired internally.

On September 26, 2016, MAV was dissolved to effectuate its merger with QL, pursuant to the Certificate of Merger of Domestic Limited Liability Companies.

Nature of Business

The Company does business as MediaAlpha. MediaAlpha is a leading marketing technology company that enables the programmatic buying and selling of vertical-specific, performance-based media between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory) through cost-per-click, cost-per-call and cost-per-lead pricing models. MediaAlpha's media buying platform ("MediaAlpha for Advertisers") enables advertisers to create and automate data-driven bidding strategies designed to improve the efficiency and enhance the overall performance of their customer acquisition spend. MediaAlpha has developed distinctive platform solutions for a range of insurance verticals, including auto, motorcycle, home, renter, health and life, and non-insurance verticals, including travel, education and personal finance.

NOTE 2. SIGNIFICANT TRANSACTIONS

Insignia Capital Group

On February 26, 2019, WMC and founders sold 25% of their class A membership units to Insignia Capital Group in connection with a recapitalization transaction. The transaction valued MediaAlpha at approximately $350 million. As part of that transaction, MediaAlpha entered into a new secured credit facility with Monroe Capital Management Advisors, LLC on February 26, 2019 ("Monroe Credit Facility"). See Note 7 for more information.

White Mountains remains a significant equity holder in MediaAlpha with a 42% ownership interest on a fully-diluted basis. Insignia capital is a significant minority equity holder in MediaAlpha with a 22% ownership interest on a fully-diluted basis. MediaAlpha's founders continue to lead the business, and each remain a significant equity holder.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Company maintains their accounting records under the accrual method of accounting in conformity with US GAAP, where revenues and expenses are recorded as earned and incurred, respectively.

These financial statements present the financial position, results of operations, changes in Members's equity and cash flows for the period from February 26, 2019 through December 31, 2019. (the "Stub Period").

Principles of Consolidation

The consolidated financial statements include the accounts of QLH and its wholly owned subsidiary QL. Significant intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, certain disclosures at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates affecting the consolidated financial statements have been prepared on the basis of the most current and best available information. However, actual results from the resolution of such estimates and assumptions may vary from those used in the preparation of the consolidated financial statements.

Revenue Recognition

The Company operates primarily in the insurance and travel verticals and generates revenue by facilitating cost per call, cost per lead, and cost per click media transactions ("Monetization Transactions"). The Monetization Transactions are used for both Company owned and operated (or "O&O") properties as well as third party providers of online media (or "Publishers").

The price and amount of advertising sold varies, and is a function of a number of market conditions and consumer attributes, including (i) the time of day, (ii) the source of the media and quality of conversion by source, (iii) the demographic classification and geographic location of consumers, (iv) advertiser bids, and (v) advertiser demand and budget.

The Monetization Transactions are summarized as follows:

- Call revenue is earned and recognized when a consumer transfers to a call advertiser and remains engaged for a requisite duration of time, as specified by each advertiser.
- Click revenue is recognized on a pay-per-click basis and revenue is earned and recognized when a consumer clicks on a listed advertiser's link, presented subsequent to a user search (e.g. auto insurance quote search or airfare search).
- Lead revenue is recognized when the Company delivers data leads to lead advertisers. Data leads are generated when users complete a full quote request on the O&O properties or by users of

Publisher sites who make the data lead available through the MediaAlpha Exchange. Delivery is deemed to have occurred at the time of lead transfer.

Revenue related to revenue sharing arrangements with Publishers is recognized based on the Monetization Methods resulting from media generated through Publisher websites. Revenue is recorded at gross amounts and revenue share payments to Publishers are recorded in costs of revenue.

Revenue related to the licensing of the Company's software platform used to serve, track, price, and report on the Monetization Methods is recognized on a net basis as a percentage of the licensee's gross revenue generated.

On January 1, 2018, the Company adopted *ASC 606, Revenue from Contracts with Customers ("ASC 606")*, which governs how the Company recognizes revenue derived from the Monetization Transactions. The Company recognizes revenue when the Company transfers promised goods or services to clients in an amount that reflects the consideration to which the Company is entitled. The Company recognizes revenue pursuant to the framework contained in ASC 606: (i) identify the contract with a client; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when the Company satisfies the performance obligations.

Generally, the Company's contracts with advertisers specify a period of time covered and a budget governing spend limits. While contracts can specify a term, most of the Company's contracts can be terminated at any time without penalty. Specific prices for each lead, click, or call delivered are specified in the MediaAlpha platform and determined in real time based on market conditions, at the discretion of the customer. As a result, the transaction price for each Monetization Transaction is determined and recorded in real time and no estimation of variable consideration or future consideration is required. The Company satisfies its performance obligations as services are provided. The Company does not promise to provide any other significant goods or services to its customers after delivery and does not allow returns.

Separately from agreements the Company has with its customers, the Company has agreements with Internet search companies and Publishers to generate Monetization Transactions delivered to customers. The Company receives revenue from customers for the Monetization Transactions, and:

(i) Pays a fee to the Internet search companies to drive consumers to O&O properties
(ii) Pays a revenue share to Publishers, recorded simultaneously with recording of revenue derived from Monetization Transactions.

The Company is the principal in the transactions described above. As a result, fees derived from Monetization Transactions are recorded as revenue and fees paid to Internet search companies and Publishers are included in cost of revenue.

With respect to private marketplace transactions where Publishers and Advertisers leverage the MediaAlpha platform to execute Monetization Transactions but remain the primarily obligors of the transactions, MediaAlpha charges a licensing fee on the gross media transacted and recognizes the revenue on a net basis. In these relationships, the Advertisers and Publishers contract with one another directly and leverage the MediaAlpha platform to facilitate transparent, real-time transactions utilizing the sophisticated reporting and analytical tools available to them via the Company's platforms.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid, unrestricted investments with original maturities of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivables are stated at amounts due from customers. As a general policy, the Company determines an allowance for doubtful accounts by considering a number of factors including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

The Company reported an allowance for doubtful accounts of $0.3 million as of December 31, 2019.

Financial Instruments and Concentrations of Credit and Business Risk

The Company maintains cash balances that can, at times, exceed amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in these accounts and believes it is not exposed to any credit risk in this area based on the financial strength of institutions with which the Company maintains its deposits.

The Company's accounts receivable, which are unsecured, expose the Company to credit risks such as collectability and business risks such as customer concentrations. The Company controls credit risk by investigating the creditworthiness of all customers prior to establishing relationships with them, performing periodic reviews of the credit activities of those customers during the course of the business relationship, regularly analyzing the collectability of accounts receivables, and recording allowances for doubtful accounts when these receivables become uncollectible. Customer concentrations for the Stub Period ended December 31, 2019 consisted of one customer that accounted for approximately $66.0 million, or 18% of total revenues; the same customer accounted for approximately $4.7 million or 8% of the Company's total accounts receivable as of December 31, 2019.

The Company's accounts payable can expose the Company to business risks such as supplier concentrations. Supplier concentrations consisted of two suppliers that accounted for approximately $74.0 million or 24% of total purchases for the Stub Period; the same suppliers accounted for approximately $13.9 million, or 34%, of the Company's total accounts payable as of December 31, 2019.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the related assets, which are approximately three years. Leasehold improvements are amortized on a straight-line basis over the shorter of their lease term or the estimated useful life of the leased asset.

Betterments, renewals, and extraordinary repairs that materially extend the useful lives of assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation and amortization applicable to assets retired are removed from the accounts, and the gain or loss on disposition, if any, is recognized in the consolidated statement of operations for the period.

Internal-Use Software Development Costs

In accordance with FASB ASC Subtopic 350-40, *Internal-Use Software*, the Company capitalizes certain costs incurred in connection with developing internal use software. The Company expenses all costs that relate to the planning and post-implementation phases of development as operating expenses. Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life. Costs associated with the repair or maintenance of existing software is included in operating expenses. Amortization expense for capitalized internal-use software development costs is calculated using the straight-line method over the estimated useful life of the software, which is approximately three years.

MediaAlpha did not capitalize any software development costs during the Stub Period.

Goodwill and Other Identifiable Intangible Assets

In accordance with FASB ASC Topic 350, *Intangibles, Goodwill and Other* ("ASC 350"), goodwill and other identifiable intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually and more frequently if events and circumstances indicate that the asset might be impaired. ASC 350 also requires that identifiable intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with FASB ASC Topic 360, *Property, Plant and Equipment – Impairment or Disposal of Long Lived Assets* ("ASC 360").

Impairment of Long-Lived Assets

In accordance with ASC 360, long-lived assets such as property and equipment and intangible assets with estimable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. In such cases, the carrying value of these assets are adjusted to their estimated fair values and assets held for sale are adjusted to their estimated fair values less selling expenses.

Goodwill is not amortized, but rather is evaluated for impairment on an annual basis, or whenever indications of potential impairment exist. In the absence of any indications of potential impairment, the evaluation of goodwill is performed during the fourth quarter of each year. MediaAlpha initially evaluates goodwill using a qualitative approach (step zero) to determine whether it is more likely than not that the fair value of goodwill is greater than its carrying value. If the results of the qualitative evaluation indicate that it is more likely than not that the carrying value of goodwill exceeds its fair value, MediaAlpha performs the two-step quantitative test for impairment.

Other intangible assets with finite lives are evaluated for impairment at least annually and when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. For the Stub Period, MediaAlpha did not recognize any impairments for property and equipment, identifiable intangible assets, or goodwill.

Deferred Debt Issuance Costs

Costs incurred directly as a result from financing transactions are capitalized and amortized to interest expense over the terms of the applicable debt agreements using a method that approximates the effective interest method. These remaining deferred costs are presented as direct deductions from the face amounts of the related long-term debt on the accompanying consolidated balance sheet.

Comprehensive Income

For the Stub Period ended December 31, 2019, the Company did not have any differences between its net income and comprehensive income.

Member Distributions

The Company's policy is to record payment of common unit distributions as a reduction to retained earnings, which is in a position of dividends in excess of earnings as of December 31, 2019.

Leases

The Company categorizes non-cancellable leases at their inception as either operating or capital leases. Costs for operating leases that include incentives such as payment escalations or rent abatements are recognized on a straight-line basis over the term of the lease. Additionally, inducements received from lessors are treated as a reduction of costs over the term of the agreement. Costs for capital leases are capitalized at the present value of the future minimum lease payments, less any taxes and fees, with the corresponding obligation recorded in liabilities. The capital leases are amortized in accordance with the Company's property and equipment policies and the corresponding obligations are reduced as lease payments are made.

Fair Value Measurements

The Company accounts for the fair value of its financial instruments in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Non-recurring, nonfinancial assets and liabilities are also accounted for under the provisions of ASC 820.

ASC 820 defines fair value, establishes a framework for measuring fair value under US GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The Company's management used the following methods and assumptions to estimate the fair value of its intangible assets:

- The multi-period-excess-earnings method estimates fair value using the present value of the incremental after-tax cash flows attributable solely to an intangible asset over its remaining life. This approach was used to estimate the fair value of intangible assets associated with customer relationships.

- The relief-from-royalty method was used to estimate fair value for intangible assets that relate to rights that could be obtained via a license from a third-party owner. Under this method, the fair value is estimated using the present value of license fees avoided by owning rather than leasing the asset. This technique was used to estimate the fair value of domain names.

- The with-or-without method estimates the fair value of an intangible asset that provides an incremental benefit. Under this method, the fair value of the intangible asset is calculated by comparing the value of the entity with and without the intangible asset. This approach was used to estimate the fair value of the non-compete agreement.

- The cost method estimates the fair value of an intangible asset based on the amount that currently would be required to replace the service capacity of an existing asset (replacement cost). This approach was used to estimate the fair value of the cost to acquire third party publishers.

The significant unobservable inputs used in the fair value measurement of the Company's financial instruments are financial statement forecasts, annual growth rates, discount rates and weighted average cost of capital. The change in any of those inputs in isolation would result in a significant change of fair value measurement.

MediaAlpha records its financial instruments at fair value with the exception of the outstanding debt, which are recorded as debt at face value less unamortized original issue discount and debt issuance costs. The carrying value of the debt as of December 31, 2019 is $97.2 million.

During the period from February 26, 2019 through December 31, 2019, MediaAlpha also recognized $2.8 million at fair value of stock compensation expense relating to Class B shares. These equity compensation awards were measured at fair value on a non-recurring basis at the various dates of issuance using a market multiple and discounted cash flows hybrid technique as well as equity transactions with third party investors.

Sales Taxes

ASC 606-10 provides that the presentation of taxes assessed by a governmental authority, which are directly imposed on revenue-producing transactions (i.e. sales, use, and excise taxes) between a seller and a customer, on a gross basis (included in revenues and costs), or on a net basis (excluded from revenues), is a management decision on accounting policies that should be disclosed. In addition, for any such taxes that are reported on a gross basis, the amounts of those taxes should be disclosed in the consolidated financial statements for each period for which a consolidated statement of operations is presented, if those amounts are significant. Sales taxes for the Stub Period are presented on a net basis.

Cost of Revenues

Cost of revenues is measured based on contract terms and recognized when the related revenue transactions are executed. MediaAlpha's cost of revenues is comprised primarily of revenue share-based payments to publishers and traffic acquisition costs paid to top tier search engines. Cost of revenue was approximately $299.4 million for the Stub Period ended December 31, 2019. The costs consisted primarily of $250.1 million of revenue share-based payments and $48.2 million of traffic acquisition costs during 2019.

Income Taxes

QLH and QL are Delaware limited liability companies (or "LLCs") that have elected to be treated as partnerships for federal income tax purposes and LLCs for Delaware, California, and various other state income tax purposes. Pursuant to these elections, the net income or loss of the Company is included in the tax returns of the members and is not subject to federal income taxes at the partnership level. With few exceptions, the Company is no longer subject to examination by tax authorities for returns filed prior to 2013, and no examinations are currently pending.

The Company follows the provisions of uncertain tax positions as addressed in FASB ASC Subtopic 740-10, *Income Taxes,* and recognizes interest accrued related to unrecognized tax benefits in operating expenses. The Company did not recognize any liabilities for uncertain tax positions, and has taken no tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility for tax returns filed through the Stub Period ended December 31, 2019. The Company had no accruals for interest and penalties and no such interest and penalties were recognized during the Stub Period ended December 31, 2019.

Recently Adopted Accounting Pronouncements

Revenue Recognition

On January 1, 2018, MediaAlpha adopted ASU 2014-09, Revenue from Contracts with Customers (ASC 606), which modifies the guidance for revenue recognition. Under ASU 2014-09, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled once it fulfills its performance obligations under the terms of its contract with the customer. Adoption of ASU 2014-09 did not have any impact on MediaAlpha's financial statements.

Definition of a Business

In January 2017, the FASB issued ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business* (ASC 805), which clarifies the definition of a business and affects the determination of whether acquisitions or disposals are accounted for as assets or as a business. Under the new guidance, when substantially all of the fair value of the assets is concentrated in a single identifiable asset or a group of similar identifiable assets, it is not a business. The new guidance is effective for annual periods beginning after December 15, 2018. Adoption of ASU 2017-01 did not have any impact on MediaAlpha's financial statements.

Recently Issued Not Yet Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under existing guidance recognition of lease assets and liabilities is not required for operating leases. The lease assets and liabilities to be recognized are both measured initially based on the present value of the lease payments. Under the new guidance, a sale-leaseback transaction must meet the recognition criteria under ASC 606, *Revenues,* in order to be accounted for as sale. The Company is currently in the process of evaluating the potential impact of this new accounting guidance, which is effective for the Company for annual periods beginning after December 15, 2020.

Recently Issued Accounting Pronouncements (Continued)

Goodwill

In January 2017, the FASB issue ASU 2017-04, *Simplifying the Test for Goodwill Impairment* (ASC 350), which changes the guidance on goodwill impairment testing. Under the new guidance, the qualitative assessment of the recoverability of goodwill remains the same. However, the second step required under the existing guidance has been eliminated. Goodwill is considered impaired if the carrying value exceeds the estimated fair value. The new guidance is effective for fiscal years beginning after December 15, 2021.

NOTE 4. Disaggregation of Revenue

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

Thousands	For the period from February 26 through December 31,	
Revenue	2019	
Insurance	$	315,420
Travel		40,981
Other		2,741
Total	$	359,142

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31,

Thousands

	2019	
Leasehold improvements	$	783
Furniture and fixtures		302
Computers		215
Property and equipment, gross	$	1,300
Less: accumulated depreciation		(545)
Property and equipment, net	$	755

Depreciation expense related to property and equipment amounted to $0.3 million for the Stub Period.

NOTE 6. GOODWILL AND OTHER IDENTIFIABLE INTANGIBLE ASSETS

Goodwill and other identifiable intangible assets consisted of:

Thousands

		December 31, 2019		
	Useful Life (Months)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and intellectual property	60	$ 32,027	$ (32,027)	$ -
Customer relationships	120	25,040	(5,634)	19,406
Costs to acquire third party publishers	24	1,363	(1,363)	-
Non-compete agreements	60	303	(136)	167
Domain names	60	1,022	(400)	622
Subtotal		$ 59,754	$ (39,560)	$ 20,194
Goodwill	Indefinite	18,402	-	18,402
Domain names	Indefinite	203	-	203
Total Goodwill and other intangible assets		$ 78,359	$ (39,560)	$ 38,799

Amortization expense related to identifiable intangible assets amounted to $3.2 million for the Stub Period.

The following table presents the change in goodwill and other intangible assets:

Thousands

	2019	
	Goodwill	Intangible Assets
Beginning balance, February 26,	$ 18,402	$ 23,501
Acquisitions of asset groups	-	148
Amortization	-	(3,252)
Ending balance, December 31,	$ 18,402	$ 20,397

Future amortization expense on identifiable intangible assets with estimable useful lives over the next five years is as follows:

Thousands	Amortization Expense
2020	$ 2,769
2021	2,769
2022	2,711
2023	2,534
2024	2,526
	$ 13,308

NOTE 7. LONG-TERM DEBT

Credit Facility

In connection with the Healthplans.com acquisition in October 2017, the Company entered into a Credit Facility with Bridge Bank, providing for a Term Loan of $18.4 million and a Revolver of $6.0 million. At February 26, 2019 immediately prior to the recapitalization, the Bridge Bank Term Loan had an outstanding balance of $13.8 million, with no outstanding borrowings under the Revolver.

New Revolver and New Term Loan

MediaAlpha entered into a new secured credit facility with Monroe Capital management Advisors, LLC on February 26, 2019 ("Monroe Credit Facility"). The new facility provides for a total commitment of $105.0 million, consisting of a $100.0 million Term Loan ("Term Loan"), which was fully drawn at close and a Revolving Credit Facility of $5.0 million ("Revolver"), which was undrawn at close and remains undrawn. Proceeds from the $100.0 million Term Loan were used to (i) pay off the Bridge Bank Term Loan in full, (ii) pay a dividend to class A membership unit holders, (iii) pay transaction expenses, (iv) fund transaction bonuses to employees, and (v) pay profit interests payouts to class B membership unit holders.

On June 12, 2019, the Company executed an amendment to the Monroe Credit Facility to bring City National Bank on as a lender. Monroe Capital Management Advisors, LLC assigned $25.0 million of the Term Loan to City National and the $5.0 million Revolver to City National. In connection with the assignment of the Debt, the applicable margin on borrowings was reduced from LIBOR plus 5.50% to LIBOR plus 4.85%. In connection with the amendment, MediaAlpha incurred $0.2 million of legal fees and $0.1 million in an annual administrative agency fee. Given the insignificant change in cash flows, this amendment was accounted for as a modification to the Term Loan.

As of December 31, 2019, the Company did not have outstanding borrowings on the Revolver, which allows for maximum borrowings up to $5.0 million. The Term Loan was issued with an original principal balance of $100.0 million. As of December 31, 2019, the balance of the Term Loan outstanding was $97.2 million net of deferred debt issuance costs of $2.0 million.

The Monroe Credit Facility is collateralized by substantially all of the Company's assets and contains certain financial and non-financial covenants, with which the Company was in compliance as of December 31, 2019. The financial covenants include a minimum Fixed Charge Coverage Ratio and a maximum Net Debt to EBITDA ratio. Non-financial covenants include restrictions on permitted equity repurchases, acquisitions, and incurrences of debt.

The Revolver and Term Loan mature on February 26, 2025, at which time all outstanding borrowings and accrued interest are due. The Term Loan amortizes at a level rate of $250,000 per quarter, starting June 30, 2019. Additionally, the Term Loan requires a mandatory debt repayment based on an excess cash flow calculation performed annually ("Excess Cash Flow Sweep"). The percentage of excess cash flow to repaid declines based on the Net Debt to EBITDA Ratio. When the Net Debt to EBITDA Ratio is less than 2.00 to 1.00, percentage of excess cash flow will be 25% and 50% otherwise.

The Monroe Credit Facility bears interest at a rate equal to LIBOR plus 4.85% on borrowings.

Future maturities on the term loan are as follows:

Thousands	December 31, 2019
Due in one year or less	$ 1,000
Due in two to three years	2,000
Due in four to five years	2,000
Due after five years	94,250
Total	$ 99,250
Less: deferred debt issuance costs, net	(2,032)
Net of Deferred Debt Issuance Costs	$ 97,218

The Company incurred interest expense of $6.6 million during the Stub Period. Included in interest expense is $0.4 million of amortization of debt issuance costs during the Stub Period. Accrued interest as of December 31, 2019 was $0.02 million.

Deferred Debt Issuance Costs

As of December 31, 2019, deferred debt issuance costs, net of accumulated amortization, amounted to $2.0 million. Total deferred debt issuance costs amortized to interest expense amounted to $0.4 million for the Stub Period. Future amortization of deferred debt issuance costs is as follows:

Thousands	December 31, 2019
2020	$ 426
2021	384
2022	384
2023	384
2024	384
2025	69
	$ 2,032

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company is obligated under certain non-cancellable operating leases for its facilities, which expire on various dates through 2027. Certain facility leases contain predetermined fixed escalation of minimum rents. The Company recognizes rent expense on a straight-line basis for these leases and records the difference between recognized rental expense and the amounts payable under the lease agreement as deferred rent. The deferred rent liability totaled $0.4 million as of December 31, 2019. Total rental expense amounted to $0.5 million for the Stub Period ended December 31, 2019, and is included in operating expenses on the accompanying consolidated statement of operations.

Future minimum lease payments under the non-cancellable leases are as follows:

Thousands

Years Ending December 31,	Rent Payments	Rent Expense	Deferred Rent
2020	$ 489	$ 449	$ 40
2021	540	466	74
2022	555	501	55
2023	532	503	29
2024	599	531	68
Total	$ 2,715	$ 2,449	$ 265

Litigation

The Company is subject to certain legal proceedings and claims that arise in the normal course of business. The Company does not believe that the amount of liability, if any, as a result of these proceedings and claims will have a materially adverse effect on the Company's consolidated financial position, results of operations, and cash flows.

NOTE 9. MEMBERS' EQUITY

Authorized, Issued, and Outstanding Units

As of December 31, 2019, there are 1,136,842 units of class A membership units authorized, issued, and outstanding, and 169,943 units of class B membership units authorized with 163,800 units issued, of which 52,833 are vested and outstanding.

Member Distributions

Member distributions generally represent reimbursement of the tax liability passed through to the Company's members as a result of the taxable income generated by the Company.

Class A Common Units

Class A common units are entitled to: one vote for each class A common unit; distributions from normal operations, approved by the board of directors ("BOD"), in the proportion of units held to the total common units issued and outstanding; and liquidating distributions, approved by the BOD, in the proportion of units held to the total common units issued and outstanding.
On October 5, 2017, in connection with the Healthplans.com Acquisition transaction, 136,842 units of class A membership units were issued to the Company's existing members in exchange for $13.0 million cash. As a result of the contribution, WMC's membership interest in the Company increased from 60% as of December 31, 2016 to 64% as of December 31, 2017.

On February 26, 2019, MediaAlpha closed a transaction whereby WMC and founders sold 25% of their class A membership units, or 284,211 units, to Insignia Capital Group in connection with a recapitalization transaction. The transaction valued MediaAlpha at approximately $350.0 million.

Class B Common Units

Class B common units are non-voting and will participate in the same normal distributions and liquidating distributions as the class A common units, provided that cumulative distributions up to the

Participation Threshold, as defined in the amended and restated LLC agreement, have already been paid to the class A common units (the "performance condition"). Class B common units are reserved for issuance to directors, officers, employees, consultants, service providers, and advisors of the Company, upon BOD's approvals. Class B common units can be redeemed at fair value by the Company upon the occurrence of a Termination Event, as defined in the amended and restated LLC agreement, at the Company's discretion.

In accordance with FASB ASC Subtopic 718-10, *Compensation – Stock Compensation*, the class B common units' fair value estimated at the grant date should factor in whether the performance condition is probable. From February 26 through December 31, 2019 the company recorded stock compensation expense of $2.8 million for grants of the Class B shares issued between March 2014 and March 2018. The remaining class B common units have no fair value based on their grant date and will not be re-valued until achievement of the performance condition is determined to be probable.

The following is a summary of the class B common units issued and outstanding as of December 31, 2019:

	Vested	Non-Vested	Total
Total outstanding, February 26, 2019	64,652	38,438	103,090
Issued	-	97,738	97,738
Vested	12,023	(12,023)	-
Redeemed	(23,842)	(8,510)	(32,352)
Forfeited	-	(4,676)	(4,676)
Total outstanding, December 31, 2019	52,833	110,967	163,800

NOTE 10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred from January 1, 2020 to March 30, 2020, which is the date that the consolidated financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition in the consolidated financial statements other than the matters described below.

On February 28, 2020, MediaAlpha amended the Monroe Credit Facility providing for incremental borrowing term loan capacity of up to $5.0 million ("Delayed Draw Term Loan"). The Delayed Draw Term Loan was undrawn prior to March 30, 2020. If and when drawn, the Delayed Draw Term Loan will carry interest at the same rate as the Monroe Credit Facility and will amortize over the same term as the Term Loan, with no material changes to covenants, seniority, or security. In connection with the amendment, on February 28, 2020, MediaAlpha drew down $2.5 million on the Revolver to provide increased liquidity for a contemplated minority investment.

The COVID-19 (Coronavirus) outbreak is currently impacting the United States and many countries around the world. Due to the recent and rapidly evolving nature of these events, the Company is unable to estimate the full impact at this time. However, at this time, the Company does not believe the situation will materially impact the Company's liquidity or capital position.

Exhibit 99.2

QL HOLDINGS, LLC AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018 AND FOR THE YEARS
ENDED DECEMBER 31, 2019 AND 2018
(NOT COVERED BY THE INDEPENDENT AUDITOR'S REPORT)

QL HOLDINGS, LLC AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2019 AND 2018 AND FOR THE YEARS
ENDED DECEMBER 31, 2019 AND 2018
(NOT COVERED BY THE INDEPENDENT AUDITOR'S REPORT)

TABLE OF CONTENTS

QL HOLDINGS, LLC AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS AS OF
DECEMBER 31, 2019 AND 2018
(NOT COVERED BY THE INDEPENDENT AUDITOR'S REPORT)
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

ASSETS

	December 31	
	2019	2018
Current assets:		
Cash and cash equivalents	$ 10,028	$ 5,662
Accounts receivable, net of allowance for doubtful accounts	56,012	37,150
Prepaid expenses and other current assets	1,301	1,287
Total current assets	67,341	44,098
Property and equipment, net	755	881
Intangible assets, net	20,397	25,108
Goodwill	18,402	18,402
Total assets	$ 106,895	$ 88,489

LIABILITIES AND MEMBERS' EQUITY

	2019	2018
Current liabilities:		
Accounts payable	$ 40,455	$ 27,014
Accrued expenses	6,532	5,160
Current portion of long-term debt	1,000	3,067
Current portion of deferred rent	40	92
Total current liabilities	48,028	35,333
Long-term debt, net of current portion	96,218	11,183
Deferred rent, net of current portion	330	370
Total liabilities	$ 144,576	$ 46,886
Commitments and contingencies (See note 8)		
Members' equity:		
Class A common and paid in capital	135,809	73,003
Class B common and paid in capital	14,901	11,718
Dividends in excess of earnings	(188,391)	(43,118)
Total members' equity	(37,681)	41,603
Total liabilities and members' equity	$ 106,895	$ 88,489

QL HOLDINGS, LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(NOT COVERED BY THE INDEPENDENT AUDITOR'S REPORT)
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Years Ended December 31,	
	2019	2018
Net revenues	$ 407,902	$ 297,125
Cost of revenues	339,941	244,955
Gross profit	67,961	52,170
Operating expenses	13,560	5,367
Payroll and benefits expense	23,816	26,393
Amortization of intangible assets	4,859	10,286
Income from operations	25,726	10,125
Interest expense	6,800	1,194
Net income (loss)	$ 18,926	$ 8,930

QL HOLDINGS, LLC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(NOT COVERED BY THE INDEPENDENT AUDITOR'S REPORT)
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Class A Common		Class B Common		Dividends in excess of earnings	Total Members' Equity
	Units	**Amount**	**Units**	**Amount**		
Balance as of December 31, 2017	1,136,842	$ 73,003	46,529	$ -	$ (36,170)	$ 36,834
Class B vesting	-	-	16,314	-	-	-
Class B forfeited	-	-	-	-	-	-
Class A issuances	-	-	-	-	-	-
Class B issuances	-	-	-	11,718	-	11,718
Member distributions	-	-	-	-	(15,879)	(15,879)
Net Income	-	-	-	-	8,930	8,930
Balance as of December 31, 2018	1,136,842	$ 73,003	62,843	$ 11,718	$ (43,118)	$ 41,603
Class B vesting	-	-	13,832	-	-	-
Class B forfeited	-	-	(23,842)	-	-	-
Class A issuances	-	62,805	-	-	-	62,805
Class B issuances	-	-	-	3,184	-	3,184
Member distributions	-	-	-	-	(164,199)	(164,199)
Net Income	-	-	-	-	18,926	18,926
Balance as of December 31, 2019	**1,136,842**	**$ 135,809**	**52,833**	**$ 14,901**	**$ (188,391)**	**$ (37,681)**

QL HOLDINGS, LLC AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(NOT COVERED BY THE INDEPENDENT AUDITOR'S REPORT)
(THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	Years Ended December 31, 2019	Years Ended December 31, 2018
Cash flows from operating activities:		
Net income (loss)	$ 18,926	$ 8,930
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock compensation costs	3,184	11,718
Depreciation on property and equipment	272	187
Amortization of intangible assets	4,859	10,286
Amortization of deferred debt issuance costs	351	15
Changes in operating assets and liabilities:		
Accounts receivable	(18,862)	(4,622)
Prepaid expenses and other current assets	(14)	(478)
Accounts payable	13,441	(5,373)
Accrued expenses	1,372	1,786
Deferred rent	(92)	200
Net cash provided by operating activities	23,436	22,649
Cash flows from investing activities:		
Purchases of property and equipment	(146)	(640)
Acquisition of intangible assets	(148)	-
Net cash used in investing activities	(294)	(640)
Cash flows from financing activities:		
Proceeds from revolving line of credit	-	3,000
Repayments on revolving line of credit	-	(9,000)
Borrowings on term debt	100,000	-
Repayments on term debt	(15,072)	(3,567)
Payments of debt issue costs	(2,310)	-
Member contributions	62,805	-
Member distributions	(164,199)	(15,879)
Net cash (used in) provided by financing activities	(18,775)	(25,445)
Net increase (decrease) in cash and cash equivalents	4,367	(3,436)
Cash and cash equivalents, beginning of year	5,662	9,098
Cash and cash equivalents, end of year	$ 10,028	$ 5,662
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
State income taxes	$ 711	$ 491
Interest	$ 6,398	$ 1,201

NOTE 1. ORGANIZATION

Formation and Acquisition

QL Holdings, LLC ("QLH"), a Delaware limited liability company, was formed on March 7, 2014, for the sole purpose of reorganizing the ownership structure of Quote Lab, Inc. ("QL Inc.") and MediaAlpha Ventures, LLC ("MAV") in order to effectuate the purchase of 60% of the membership interests of QLH by White Mountains Capital, Inc. ("WMC"), pursuant to the membership interest purchase agreement effective March 14, 2014 (the "Acquisition" or "Closing"). Concurrent to the Closing, QL Inc. was restructured into QuoteLab, LLC ("QL"), a Delaware limited liability company, and the historical owners (collectively, the "Sellers") transferred all ownership of QL and MAV to QLH.

The Acquisition was accounted for under the acquisition method of accounting in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 805, *Business Combinations* ("ASC 805"), under which the purchase price was allocated to the assets acquired and liabilities assumed based on the estimated fair values at the date of the Acquisition. In accordance with ASC 805, QLH and its wholly owned subsidiaries QL and MAV (collectively, the "Company"), elected the option to apply pushdown accounting, and accordingly, recorded goodwill to the extent the purchase price exceeded the fair value of assets acquired, net of liabilities assumed, on the accounting records of QLH. The Company prepared the valuations for all identifiable intangible assets acquired internally.

On September 26, 2016, MAV was dissolved to effectuate its merger with QL, pursuant to the Certificate of Merger of Domestic Limited Liability Companies.

Nature of Business

The Company does business as MediaAlpha. MediaAlpha is a leading marketing technology company that enables the programmatic buying and selling of vertical-specific, performance-based media between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory) through cost-per-click, cost-per-call and cost-per-lead pricing models. MediaAlpha's media buying platform ("MediaAlpha for Advertisers") enables advertisers to create and automate data-driven bidding strategies designed to improve the efficiency and enhance the overall performance of their customer acquisition spend. MediaAlpha has developed distinctive platform solutions for a range of insurance verticals, including auto, motorcycle, home, renter, health and life, and non-insurance verticals, including travel, education and personal finance.

NOTE 2. SIGNIFICANT TRANSACTIONS

Healthplans.com Acquisition

On October 5, 2017, the Company entered into an agreement with Healthplans.com, LLC to acquire certain assets, including customer relationships and domain names, associated with its life, health, and Medicare business (the "Healthplans.com Acquisition") for cash consideration. The Healthplans.com acquisition was accounted for as an asset acquisition with the purchase price allocated to the assets acquired based on their relative estimated fair values at the acquisition date.

Insignia Capital Group

On February 26, 2019, WMC and founders sold 25% of their class A membership units to Insignia Capital Group in connection with a recapitalization transaction. The transaction valued MediaAlpha at approximately $350 million. As part of that transaction, MediaAlpha entered into a new secured credit facility with Monroe Capital Management Advisors, LLC on February 26, 2019 ("Monroe Credit Facility"). See Note 7 for more information.

White Mountains remains a significant equity holder in MediaAlpha with a 42% ownership interest on a fully-diluted basis. Insignia capital is a significant minority equity holder in MediaAlpha with a 22% ownership interest on a fully-diluted basis. MediaAlpha's founders continue to lead the business, and each remain a significant equity holder.

The Company incurred total transaction expenses of $9.4 million in 2019, including $8.7 million related to the sale of Class A membership units to Insignia Capital Group and the closing of the new secured credit facility with Monroe Capital Management Advisors, LLC.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Company maintains their accounting records under the accrual method of accounting in conformity with US GAAP, where revenues and expenses are recorded as earned and incurred, respectively.

Principles of Consolidation

The consolidated financial statements include the accounts of QLH and its wholly owned subsidiary QL. Significant intercompany transactions and balances have been eliminated upon consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, certain disclosures at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Significant estimates affecting the consolidated financial statements have been prepared on the basis of the most current and best available information. However, actual results from the resolution of such estimates and assumptions may vary from those used in the preparation of the consolidated financial statements.

Revenue Recognition

The Company operates primarily in the insurance and travel verticals and generates revenue by facilitating cost per call, cost per lead, and cost per click media transactions ("Monetization Transactions"). The Monetization Transactions are used for both Company owned and operated (or "O&O") properties as well as third party providers of online media (or "Publishers").

The price and amount of advertising sold varies, and is a function of a number of market conditions and consumer attributes, including (i) the time of day, (ii) the source of the media and quality of conversion by source, (iii) the demographic classification and geographic location of consumers, (iv) advertiser bids, and (v) advertiser demand and budget.

The Monetization Transactions are summarized as follows:

- Call revenue is earned and recognized when a consumer transfers to a call advertiser and remains engaged for a requisite duration of time, as specified by each advertiser.

- Click revenue is recognized on a pay-per-click basis and revenue is earned and recognized when a consumer clicks on a listed advertiser's link, presented subsequent to a user search (e.g. auto insurance quote search or airfare search).

- Lead revenue is recognized when the Company delivers data leads to lead advertisers. Data leads are generated when users complete a full quote request on the O&O properties or by users of Publisher sites who make the data lead available through the MediaAlpha Exchange. Delivery is deemed to have occurred at the time of lead transfer.

Revenue related to revenue sharing arrangements with Publishers is recognized based on the Monetization Methods resulting from media generated through Publisher websites. Revenue is recorded at gross amounts and revenue share payments to Publishers are recorded in costs of revenue.

Revenue related to the licensing of the Company's software platform used to serve, track, price, and report on the Monetization Methods is recognized on a net basis as a percentage of the licensee's gross revenue generated.

The Company adopted *ASC 606, Revenue from Contracts with Customers ("ASC 606")*, which governs how the Company recognizes revenue derived from the Monetization Transactions. The Company recognizes revenue when the Company transfers promised goods or services to clients in an amount that reflects the consideration to which the Company is entitled. The Company recognizes revenue pursuant to the framework contained in ASC 606: (i) identify the contract with a client; (ii) identify the performance obligations in the contract, including whether they are distinct in the context of the contract; (iii) determine the transaction price, including the constraint on variable consideration; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when the Company satisfies the performance obligations.

Generally, the Company's contracts with advertisers specify a period of time covered and a budget governing spend limits. While contracts can specify a term, most of the Company's contracts can be terminated at any time without penalty. Specific prices for each lead, click, or call delivered are specified in the MediaAlpha platform and determined in real time based on market conditions, at the discretion of the customer. As a result, the transaction price for each Monetization Transaction is determined and recorded in real time and no estimation of variable consideration or future consideration is required. The Company satisfies its performance obligations as services are provided. The Company does not promise to provide any other significant goods or services to its customers after delivery and does not allow returns.

Separately from agreements the Company has with its customers, the Company has agreements with Internet search companies and Publishers to generate Monetization Transactions delivered to customers. The Company receives revenue from customers for the Monetization Transactions, and:

(i) Pays a fee to the Internet search companies to drive consumers to O&O properties
(ii) Pays a revenue share to Publishers, recorded simultaneously with recording of revenue derived from Monetization Transactions.

The Company is the principal in the transactions described above. As a result, fees derived from Monetization Transactions are recorded as revenue and fees paid to Internet search companies and Publishers are included in cost of revenue.

With respect to private marketplace transactions where Publishers and Advertisers leverage the MediaAlpha platform to execute Monetization Transactions but remain the primarily obligors of the transactions, MediaAlpha charges a licensing fee on the gross media transacted and recognizes the revenue on a net basis. In these relationships, the Advertisers and Publishers contract with one another directly and leverage the MediaAlpha platform to facilitate transparent, real-time transactions utilizing the sophisticated reporting and analytical tools available to them via the Company's platforms.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid, unrestricted investments with original maturities of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivables are stated at amounts due from customers. As a general policy, the Company determines an allowance for doubtful accounts by considering a number of factors including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

The Company reported an allowance for doubtful accounts of $0.3 million as of December 31, 2019 and $0.5 million as of December 31, 2018.

Financial Instruments and Concentrations of Credit and Business Risk

The Company maintains cash balances that can, at times, exceed amounts insured by the Federal Deposit Insurance Corporation. The Company has not experienced any losses in these accounts and believes it is not exposed to any credit risk in this area based on the financial strength of institutions with which the Company maintains its deposits.

The Company's accounts receivable, which are unsecured, expose the Company to credit risks such as collectability and business risks such as customer concentrations. The Company controls credit risk by investigating the creditworthiness of all customers prior to establishing relationships with them, performing periodic reviews of the credit activities of those customers during the course of the business relationship, regularly analyzing the collectability of accounts receivables, and recording allowances for doubtful accounts when these receivables become uncollectible. Customer concentrations for the years ended December 31, 2019 and December 31, 2018 consisted of one customer that accounted for approximately $78.8 million, or 19% and $85.6 million or 29% of total net revenues, respectively; the same customer accounted for approximately $4.7 million or 8% of the Company's total accounts receivable as of December 31, 2019 compared to $4.8 million or 13% as of December 31, 2018.

The Company's accounts payable can expose the Company to business risks such as supplier concentrations. As of December 31, 2019 supplier concentrations consisted of two suppliers that accounted for approximately $84.6 million, or 23%, compared to $58.2 million or 28% of total purchases; the same suppliers accounted for approximately $13.9 million, or 34%, of the Company's total accounts payable as of December 31, 2019 compared to $8.7 million or 32% as of December 31, 2018.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is calculated using the straight-line method over the estimated useful lives of the related assets, which are approximately three years. Leasehold improvements are amortized on a straight-line basis over the shorter of their lease term or the estimated useful life of the leased asset.

Betterments, renewals, and extraordinary repairs that materially extend the useful lives of assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation and amortization applicable to assets retired are removed from the accounts, and the gain or loss on disposition, if any, is recognized in the consolidated statement of operations for the period.

Internal-Use Software Development Costs

In accordance with FASB ASC Subtopic 350-40, *Internal-Use Software*, the Company capitalizes certain costs incurred in connection with developing internal use software. The Company expenses all costs that relate to the planning and post-implementation phases of development as operating expenses. Costs incurred in the development phase are capitalized and amortized over the product's estimated useful life. Costs associated with the repair or maintenance of existing software is included in operating expenses. Amortization expense for capitalized internal-use software development costs is calculated using the straight-line method over the estimated useful life of the software, which is approximately three years.

MediaAlpha did not capitalize any software development costs during the years ended December 31, 2019 and 2018.

Goodwill and Other Identifiable Intangible Assets

In accordance with FASB ASC Topic 350, *Intangibles, Goodwill and Other* ("ASC 350"), goodwill and other identifiable intangible assets acquired in a purchase business combination and determined to have an indefinite useful life are not amortized, but instead tested for impairment at least annually and more frequently if events and circumstances indicate that the asset might be impaired. ASC 350 also requires that identifiable intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment in accordance with FASB ASC Topic 360, *Property, Plant and Equipment – Impairment or Disposal of Long Lived Assets* ("ASC 360").

Impairment of Long-Lived Assets

In accordance with ASC 360, long-lived assets such as property and equipment and intangible assets with estimable useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amount of the assets. In such cases, the carrying value of these assets are adjusted to their estimated fair values and assets held for sale are adjusted to their estimated fair values less selling expenses.

Goodwill is not amortized, but rather is evaluated for impairment on an annual basis, or whenever indications of potential impairment exist. In the absence of any indications of potential impairment, the evaluation of goodwill is performed during the fourth quarter of each year. MediaAlpha initially evaluates goodwill using a qualitative approach (step zero) to determine whether it is more likely than not that the fair value of goodwill is greater than its carrying value. If the results of the qualitative evaluation indicate that it is more likely than not that the carrying value of goodwill exceeds its fair value, MediaAlpha performs the two-step quantitative test for impairment.

Other intangible assets with finite lives are evaluated for impairment at least annually and when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. For the years ended December 31, 2019 and December 31, 2018, there were no impairments recognized for property and equipment, identifiable intangible assets, or goodwill.

Deferred Debt Issuance Costs

Costs incurred directly as a result from financing transactions are capitalized and amortized to interest expense over the terms of the applicable debt agreements using a method that approximates the effective interest method. These remaining deferred costs are presented as direct deductions from the face amounts of the related long-term debt on the accompanying consolidated balance sheet.

Comprehensive Income

For the year ended December 31, 2019 and December 31, 2018, the Company did not have any differences between its net income and comprehensive income.

Member Distributions

The Company's policy is to record payment of common unit distributions as a reduction to retained earnings, which is in a position of dividends in excess of earnings as of December 31, 2019 and December 31, 2018.

Leases

The Company categorizes non-cancellable leases at their inception as either operating or capital leases. Costs for operating leases that include incentives such as payment escalations or rent abatements are recognized on a straight-line basis over the term of the lease. Additionally, inducements received from lessors are treated as a reduction of costs over the term of the agreement. Costs for capital leases are capitalized at the present value of the future minimum lease payments, less any taxes and fees, with the corresponding obligation recorded in liabilities. The capital leases are amortized in accordance with the Company's property and equipment policies and the corresponding obligations are reduced as lease payments are made.

Fair Value Measurements

The Company accounts for the fair value of its financial instruments in accordance with FASB ASC Topic 820, *Fair Value Measurements and Disclosures* ("ASC 820"). Non-recurring, nonfinancial assets and liabilities are also accounted for under the provisions of ASC 820.

ASC 820 defines fair value, establishes a framework for measuring fair value under US GAAP and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The Company's management used the following methods and assumptions to estimate the fair value of its intangible assets:

- The multi-period-excess-earnings method estimates fair value using the present value of the incremental after-tax cash flows attributable solely to an intangible asset over its remaining life. This approach was used to estimate the fair value of intangible assets associated with customer relationships.

- The relief-from-royalty method was used to estimate fair value for intangible assets that relate to rights that could be obtained via a license from a third-party owner. Under this method, the fair value is estimated using the present value of license fees avoided by owning rather than leasing the asset. This technique was used to estimate the fair value of domain names.

- The with-or-without method estimates the fair value of an intangible asset that provides an incremental benefit. Under this method, the fair value of the intangible asset is calculated by comparing the value of the entity with and without the intangible asset. This approach was used to estimate the fair value of the non-compete agreement.

- The cost method estimates the fair value of an intangible asset based on the amount that currently would be required to replace the service capacity of an existing asset (replacement cost). This approach was used to estimate the fair value of the cost to acquire third party publishers.

The significant unobservable inputs used in the fair value measurement of the Company's financial instruments are financial statement forecasts, annual growth rates, discount rates and weighted average cost of capital. The change in any of those inputs in isolation would result in a significant change of fair value measurement.

MediaAlpha records its financial instruments at fair value with the exception of the outstanding debt, which are recorded as debt at face value less unamortized original issue discount and debt issuance costs. The carrying value of the debt as of December 31, 2019 is $97.2 million compared to $14.2 million as of December 31, 2018.

During 2019, MediaAlpha also recognized $3.2 million at fair value of stock compensation expense relating to Class B shares compared to $11.7 million during 2018. These equity compensation awards were measured at fair value on a non-recurring basis at the various dates of issuance using a market multiple and discounted cash flows hybrid technique as well as equity transactions with third party investors.

<u>Sales Taxes</u>

ASC 606-10 provides that the presentation of taxes assessed by a governmental authority, which are directly imposed on revenue-producing transactions (i.e. sales, use, and excise taxes) between a seller and a customer, on a gross basis (included in revenues and costs), or on a net basis (excluded from revenues), is a management decision on accounting policies that should be disclosed. In addition, for any such taxes that are reported on a gross basis, the amounts of those taxes should be disclosed in the consolidated financial statements for each period for which a consolidated statement of operations is presented, if those amounts are significant. Sales taxes for the years ended December 31, 2019 and 2018 are presented on a net basis.

<u>Cost of Revenues</u>

Cost of revenues is measured based on contract terms and recognized when the related revenue transactions are executed. MediaAlpha's cost of revenues is comprised primarily of revenue share-based payments to publishers and traffic acquisition costs paid to top tier search engines. Cost of revenue was approximately $339.9 million for the year ended December 31, 2019 and $245.0 million for the year ended December 31, 2018. The costs consisted primarily of $284.5 million of revenue share-based payments and $54.2 million of traffic acquisition costs during 2019 compared to $210.1 million of revenue share-based payments and $34 million of traffic acquisition costs during 2018.

Income Taxes

QLH and QL are Delaware limited liability companies (or "LLCs") that have elected to be treated as partnerships for federal income tax purposes and LLCs for Delaware, California, and various other state income tax purposes. Pursuant to these elections, the net income or loss of the Company is included in the tax returns of the members and is not subject to federal income taxes at the partnership level. With few exceptions, the Company is no longer subject to examination by tax authorities for returns filed prior to 2013, and no examinations are currently pending.

The Company follows the provisions of uncertain tax positions as addressed in FASB ASC Subtopic 740-10, *Income Taxes,* and recognizes interest accrued related to unrecognized tax benefits in operating expenses. The Company did not recognize any liabilities for uncertain tax positions, and has taken no tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the

timing of such deductibility for tax returns filed through the years-ended December 31, 2019 and 2018, respectively. The Company had no accruals for interest and penalties and no such interest and penalties were recognized as of December 31, 2019 and December 31, 2018, and for the years then ended.

Recently Adopted Accounting Pronouncements

Revenue Recognition

On January 1, 2018, MediaAlpha adopted ASU 2014-09, Revenue from Contracts with Customers (ASC 606), which modifies the guidance for revenue recognition. Under ASU 2014-09, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled once it fulfills its performance obligations under the terms of its contract with the customer. Adoption of ASU 2014-09 did not have any impact on MediaAlpha's financial statements.

Definition of a Business

In January 2017, the FASB issued ASU 2017-01, *Business Combinations: Clarifying the Definition of a Business* (ASC 805), which clarifies the definition of a business and affects the determination of whether acquisitions or disposals are accounted for as assets or as a business. Under the new guidance, when substantially all of the fair value of the assets is concentrated in a single identifiable asset or a group of similar identifiable assets, it is not a business. The new guidance is effective for annual periods beginning after December 15, 2018. Adoption of ASU 2017-01 did not have any impact on MediaAlpha's financial statements.

Recently Issued Not Yet Adopted Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under existing guidance recognition of lease assets and liabilities is not required for operating leases. The lease assets and liabilities to be recognized are both measured initially based on the present value of the lease payments. Under the new guidance, a sale-leaseback transaction must meet the recognition criteria under ASC 606, *Revenues,* in order to be accounted for as sale. The Company is currently in the process of evaluating the potential impact of this new accounting guidance, which is effective for the Company for annual periods beginning after December 15, 2020.

Recently Issued Accounting Pronouncements (Continued)

Goodwill

In January 2017, the FASB issue ASU 2017-04, *Simplifying the Test for Goodwill Impairment* (ASC 350), which changes the guidance on goodwill impairment testing. Under the new guidance, the qualitative assessment of the recoverability of goodwill remains the same. However, the second step required under the existing guidance has been eliminated. Goodwill is considered impaired if the carrying value exceeds the estimated fair value. The new guidance is effective for fiscal years beginning after December 15, 2021.

NOTE 4. Disaggregation of Revenue

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

Thousands	**Year Ended December 31,**	
Revenue	**2019**	**2018**
Insurance	$ 356,559	$ 261,546
Travel	45,249	26,945
Other	6,094	7,034
Total	$ 407,902	$ 295,525

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31,

Thousands	**2019**	**2018**
Leasehold improvements	$ 783	$ 877
Furniture and fixtures	302	306
Computers	215	212
Property and equipment, gross	$ 1,300	$ 1,395
Less: accumulated depreciation	(545)	(514)
Property and equipment, net	$ 755	$ 881

Depreciation expense related to property and equipment amounted to $0.3 million and $0.2 million for the years ended December 31, 2019 and 2018.

NOTE 6. GOODWILL AND OTHER IDENTIFIABLE INTANGIBLE ASSETS

Goodwill and other identifiable intangible assets consisted of

Thousands

		December 31, 2019			December 31, 2018		
	Useful Life (Months)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Technology and intellectual property	60	$ 32,027	$ (32,027)	$ -	$ 32,027	$ (30,425)	$ 1,602
Customer relationships	120	25,040	(5,634)	19,406	25,040	(3,130)	21,910
Costs to acquire third party publishers	24	1,363	(1,363)	-	1,363	(852)	511
Non-compete agreements	60	303	(136)	167	303	(76)	227
Domain names	60	1,022	(400)	622	874	(218)	656
Subtotal		$ 59,754	$ (39,560)	$ 20,194	$ 59,607	$ (34,701)	$ 24,906
Goodwill	Indefinite	18,402	-	18,402	18,402	-	18,402
Domain names	Indefinite	203	-	203	203	-	203
Total Goodwill and other intangible assets		$ 78,359	$ (39,560)	$ 38,799	$ 78,211	$ (34,701)	$ 43,510

Amortization expense related to identifiable intangible assets amounted to $4.9 million for the year ended December 31, 2019 and $10.3 million for the year ended December 31, 2018.

The following table presents the change in goodwill and other intangible assets:

Thousands

	December 31, 2019		December 31, 2018	
	Goodwill	Intangible Assets	Goodwill	Intangible Assets
Beginning balance, January 1,	$ 18,402	$ 25,108	$ 18,402	$ 35,384
Acquisitions of asset groups	-	148	-	10
Amortization	-	(4,859)	-	(10,286)
Ending balance, December 31,	$ 18,402	$ 20,397	$ 18,402	$ 25,108

Future amortization expense on identifiable intangible assets with estimable useful lives over the next five years is as follows:

Thousands	**Amortization Expense**
2020	$ 2,769
2021	2,769
2022	2,711
2023	2,534
2024	2,526
	$ 13,308

NOTE 7. LONG-TERM DEBT

Credit Facility

In connection with the Healthplans.com acquisition in October 2017, the Company entered into a Credit Facility with Bridge Bank, providing for a Term Loan of $18.4 million and a Revolver of $6.0 million. The Bridge Bank Credit Facility was collateralized by substantially all of the Company's assets and contained certain financial covenants, with which the Company was in compliance as of December 31, 2018. At December 31, 2018, the Bridge Bank Term Loan had an outstanding balance of $14.3 million, with no outstanding borrowings under the Revolver.

New Revolver and New Term Loan

MediaAlpha entered into a new secured credit facility with Monroe Capital management Advisors, LLC on February 26, 2019 ("Monroe Credit Facility"). The new facility provides for a total commitment of $105.0 million, consisting of a $100.0 million Term Loan ("Term Loan"), which was fully drawn at close and a Revolving Credit Facility of $5.0 million ("Revolver"), which was undrawn at close and remains undrawn. Proceeds from the $100.0 million Term Loan were used to (i) pay off the Bridge Bank Term Loan in full, (ii) pay a dividend to class A membership unit holders, (iii) pay transaction expenses, (iv) fund transaction bonuses to employees, and (v) pay profit interests payouts to class B membership unit holders.

On June 12, 2019, the Company executed an amendment to the Monroe Credit Facility to bring City National Bank on as a lender. Monroe Capital Management Advisors, LLC assigned $25.0 million of the Term Loan to City National and the $5.0 million Revolver to City National. In connection with the assignment of the Debt, the applicable margin on borrowings was reduced from LIBOR plus 5.50% to LIBOR plus 4.85%. In connection with the amendment, MediaAlpha incurred $0.2 million of legal fees and $0.1 million in an annual administrative agency fee. Given the insignificant change in cash flows, this amendment was accounted for as a modification to the Term Loan.

As of December 31, 2019, the Company did not have outstanding borrowings on the Revolver, which allows for maximum borrowings up to $5.0 million. The Term Loan was issued with an original principal balance of $100.0 million. As of December 31, 2019, the balance of the Term Loan outstanding was $97.2 million net of deferred debt issuance costs of $2.0 million.

The Monroe Credit Facility is collateralized by substantially all of the Company's assets and contains certain financial and non-financial covenants, with which the Company was in compliance as of December 31, 2019. The financial covenants include a minimum Fixed Charge Coverage Ratio and a maximum Net Debt to EBITDA ratio. Non-financial covenants include restrictions on permitted equity repurchases, acquisitions, and incurrences of debt.

The Revolver and Term Loan mature on February 26, 2025, at which time all outstanding borrowings and accrued interest are due. The Term Loan amortizes at a level rate of $250,000 per quarter, starting June 30, 2019. Additionally, the Term Loan requires a mandatory debt repayment based on an excess cash flow calculation performed annually ("Excess Cash Flow Sweep"). The percentage of excess cash flow to repaid declines based on the Net Debt to EBITDA Ratio. When the Net Debt to EBITDA Ratio is less than 2.00 to 1.00, percentage of excess cash flow will be 25% and 50% otherwise.

The Monroe Credit Facility bears interest at a rate equal to LIBOR plus 4.85% on borrowings.

Future maturities on the term loan are as follows:

Thousands		**December 31, 2019**
Due in one year or less	$	1,000
Due in two to three years		2,000
Due in four to five years		2,000
Due after five years		94,250
Total	$	99,250
Less: deferred debt issuance costs, net		(2,032)
Net of Deferred Debt Issuance Costs	$	97,218

The Company incurred interest expense of $6.8 million during 2019 compared to $1.2 million during 2018. Included in interest expense is $0.4 million of amortization of debt issuance costs during 2019 compared to $0.3 million during 2018. Accrued interest as of December 31, 2019 was $0.02 million compared to $0.01 million for 2018.

Deferred Debt Issuance Costs

As of December 31, 2019, deferred debt issuance costs, net of accumulated amortization, amounted to $2.0 million compared to $.01 million for the year ended December 31, 2018. Total deferred debt issuance costs amortized to interest expense amounted to $0.4 million for the year ended December 31, 2019 compared to $0.02 million for the year ended December 31, 2018.

Future amortization of deferred debt issuance costs is as follows:

Thousands		**December 31, 2019**
2020	$	426
2021		384
2022		384
2023		384
2024		384
2025		69
	$	2,032

NOTE 8. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company is obligated under certain non-cancellable operating leases for its facilities, which expire on various dates through 2027. Certain facility leases contain predetermined fixed escalation of minimum rents. The Company recognizes rent expense on a straight-line basis for these leases and records the difference between recognized rental expense and the amounts payable under the lease agreement as deferred rent. The deferred rent liability totaled $0.4 million as of December 31, 2019. Total rental expense amounted to $0.5 million for the year ended December 31, 2019, and is included in operating expenses on the accompanying consolidated statement of operations.

Future minimum lease payments under the non-cancellable leases are as follows:

Thousands

Years Ending December 31,	Rent Payments		Rent Expense		Deferred Rent	
2020	$	489	$	449	$	40
2021		540		466		74
2022		555		501		55
2023		532		503		29
2024		599		531		68
Total	$	2,715	$	2,449	$	265

The Deferred Rent balance as of December 31, 2018 was $0.5 million. Rental expense of $0.4 million and $0.2 million was included during 2018.

Litigation

The Company is subject to certain legal proceedings and claims that arise in the normal course of business. The Company does not believe that the amount of liability, if any, as a result of these proceedings and claims will have a materially adverse effect on the Company's consolidated financial position, results of operations, and cash flows.

NOTE 9. MEMBERS' EQUITY

Authorized, Issued, and Outstanding Units

As of December 31, 2019, there are 1,136,842 units of class A membership units authorized, issued, and outstanding, and 169,943 units of class B membership units authorized with 163,800 units issued, of which 52,833 are vested and outstanding.

Member Distributions

Member distributions generally represent reimbursement of the tax liability passed through to the Company's members as a result of the taxable income generated by the Company.

Class A Common Units

Class A common units are entitled to: one vote for each class A common unit; distributions from normal operations, approved by the board of directors ("BOD"), in the proportion of units held to the total common units issued and outstanding; and liquidating distributions, approved by the BOD, in the proportion of units held to the total common units issued and outstanding.

On October 5, 2017, in connection with the Healthplans.com Acquisition transaction, 136,842 units of class A membership units were issued to the Company's existing members in exchange for $13.0 million cash. As a result of the contribution, WMC's membership interest in the Company increased from 60% as of December 31, 2016 to 64% as of December 31, 2017.

On February 26, 2019, MediaAlpha closed a transaction whereby WMC and founders sold 25% of their class A membership units, or 284,211 units, to Insignia Capital Group in connection with a recapitalization transaction. The transaction valued MediaAlpha at approximately $350.0 million.

Class B Common Units

Class B common units are non-voting and will participate in the same normal distributions and liquidating distributions as the class A common units, provided that cumulative distributions up to the Participation Threshold, as defined in the amended and restated LLC agreement, have already been paid to the class A common units (the "performance condition"). Class B common units are reserved for issuance to directors, officers, employees, consultants, service providers, and advisors of the Company, upon BOD's approvals. Class B common units can be redeemed at fair value by the Company upon the occurrence of a Termination Event, as defined in the amended and restated LLC agreement, at the Company's discretion.

In accordance with FASB ASC Subtopic 718-10, *Compensation – Stock Compensation*, the class B common units' fair value estimated at the grant date should factor in whether the performance condition is probable. As of December 31, 2019, the company recorded stock compensation expense of $3.2 million for grants of the Class B shares issued between March 2014 and March 2018 compared to $11.7 million in 2018. The remaining class B common units have no fair value based on their grant date and will not be re-valued until achievement of the performance condition is determined to be probable.

The following is a summary of the class B common units issued and outstanding as of December 31,

Current Year: 2019

	Vested	Non-Vested	Total
Total outstanding, beginning of year	62,843	40,247	103,090
Issued	-	97,738	97,738
Vested	13,832	(13,832)	-
Redeemed	(23,842)	(8,510)	(32,352)
Forfeited	-	(4,676)	(4,676)
Total outstanding, end of year	52,833	110,967	163,800

Prior Year: 2018

	Vested	Non-Vested	Total
Total outstanding, beginning of year	46,529	35,061	81,590
Issued	-	24,000	24,000
Vested	16,314	(16,314)	-
Forfeited	-	(2,500)	(2,500)
Total outstanding, end of year	62,843	40,247	103,090

NOTE 10. SUBSEQUENT EVENTS

The Company has evaluated subsequent events that have occurred from January 1, 2020 to March 30, 2020, which is the date that the consolidated financial statements were available to be issued and determined that there were no subsequent events or transactions that required recognition in the consolidated financial statements, other than the matter described below.

On February 28, 2020, MediaAlpha amended the Monroe Credit Facility providing for incremental borrowing term loan capacity of up to $5.0 million ("Delayed Draw Term Loan"). The Delayed Draw Term Loan was undrawn prior to March 30, 2020. If and when drawn, the Delayed Draw Term Loan will carry interest at the same rate as the Monroe Credit Facility and will amortize over the same term as the Term Loan, with no material changes to covenants, seniority, or security. In connection with the amendment, on February 28, 2020 MediaAlpha drew down $2.5 million on the Revolver to provide increased liquidity for a contemplated minority investment.

The COVID-19 (Coronavirus) outbreak is currently impacting the United States and many countries around the world. Due to the recent and rapidly evolving nature of these events, the Company is unable to estimate the full impact at this time. However, at this time, the Company does not believe the situation will materially impact the Company's liquidity or capital position.