

# Fourth Quarter and Full Year 2023 Earnings

February 22, 2024

This presentation contains "forward-looking statements" within the meaning of the federal securities laws. All statements other than statements of historical facts are forward-looking statements. These statements often use words such as "believe," "expect," "project," "anticipate," "outlook," "intend," "strategy," "plan," "estimate," "target," "seek," "will," "may," "would," "should," "could," "forecasts," "mission," "strive," "more," "goal" or similar expressions. Forward-looking statements are based on our current expectations, beliefs, strategies, estimates, projections and assumptions, experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments, and other factors we think are appropriate. Such forward-looking statements are based on estimates and assumptions that, while considered reasonable by Cars Commerce and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. While Cars Commerce and its management make such statements in good faith and believe such judgments are reasonable, you should understand that these statements are not guarantees of future strategic action, performance or results. Our actual results, performance, achievements, strategic actions or prospects could differ materially from those expressed or implied by these forward-looking statements. Given these uncertainties, you should not rely on forward-looking statements in making investment decisions. When we make comparisons of results between current and prior periods, we do not intend to express any future trends, or indications of future performance, unless expressed as such, and you should view such comparisons as historical data. Whether or not any such forward-looking statement is in fact achieved will depend on future events, some of which are beyond our control.

Forward-looking statements are subject to a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results and strategic actions to differ materially from those expressed in the forward-looking statements contained in this press release. For a detailed discussion of many of these and other risks and uncertainties, see "Part I, Item 1A., Risk Factors" and "Part II, Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the Securities and Exchange Commission ("SEC") on February 22, 2024 and our other filings filed with the SEC and available on our website at [investor.cars.com](http://investor.cars.com) or via EDGAR at [www.sec.gov](http://www.sec.gov).

You should evaluate all forward-looking statements made in this press release in the context of these risks and uncertainties. The forward-looking statements contained in this press release are based only on information currently available to us and speak only as of the date of this press release. We undertake no obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise. The forward-looking statements in this report are intended to be subject to the safe harbor protection provided by the federal securities laws.

This presentation discusses Adjusted EBITDA, Adjusted EBITDA margin and Free Cash Flow and Adjusted Operating Expenses. These financial measures are not prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). These financial measures are presented as supplemental measures of operating performance because the Company believes they provide meaningful information regarding the Company's performance and provide a basis to compare operating results between periods. In addition, the Company uses Adjusted EBITDA as a measure for determining incentive compensation targets. Adjusted EBITDA also is used as a performance measure under the Company's credit agreement and includes adjustments such as the items defined below and other further adjustments, which are defined in the credit agreement. These non-GAAP financial measures are frequently used by the Company's lenders, securities analysts, investors and other interested parties to evaluate companies in the Company's industry. For a reconciliation of the non-GAAP measures presented in this earnings release to their most directly comparable financial measure prepared in accordance with GAAP, see "Non-GAAP Reconciliations" below.

Other companies may define or calculate these measures differently, limiting their usefulness as comparative measures. Because of these limitations, non-GAAP financial measures should not be considered in isolation or as substitutes for performance measures calculated in accordance with GAAP. Definitions of these non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures are presented in the tables below.

We define Adjusted EBITDA as net income (loss) before (1) interest expense, net, (2) income tax (benefit) expense, (3) depreciation, (4) amortization of intangible assets, (5) stock-based compensation expense, (6) unrealized mark-to-market adjustments and cash transactions related to derivative instruments, and (7) unrealized foreign currency exchange gains and losses, and (8) certain other items, such as transaction-related items, severance, transformation and other exit costs and write-off and impairments of goodwill, intangible assets and other long-lived assets.

Transaction-related items result from actual or potential transactions such as business combinations, mergers, acquisitions, dispositions, spin-offs, financing transactions, and other strategic transactions, including, without limitation, (1) transaction-related bonuses and (2) expenses for advisors and representatives such as investment bankers, consultants, attorneys and accounting firms. Transaction-related items may also include, without limitation, transition and integration costs such as retention bonuses and acquisition-related milestone payments to acquired employees, consulting, compensation and other incremental costs associated with integration projects, fair value changes to contingent considerations and amortization of deferred revenue related to the Accu-Trade acquisition.

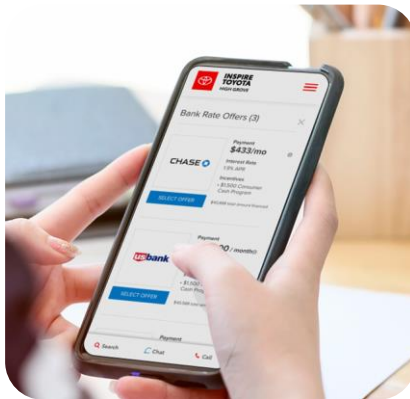
We define Free Cash Flow as net cash provided by operating activities less capital expenditures, including purchases of property and equipment and capitalization of internally developed technology.

We define Adjusted Operating Expenses as total operating expenses adjusted to exclude stock-based compensation, write-off and impairments of goodwill, intangible assets, long-lived assets, severance, transformation and other exit costs and transaction-related items.

# A Strong Year of Growth in 2023



**Revenue Growth**  
**+5% YOY**



**ARPD Growth**  
**+7% YOY**



**Adjusted EBITDA**  
**28% Margin**

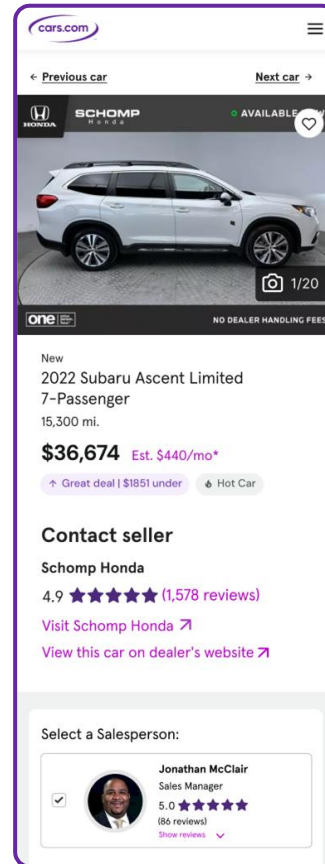
# Advancing Our Platform Strategy

## CUSTOMERS



# Experience Report Helps Dealers Improve Retail Experience

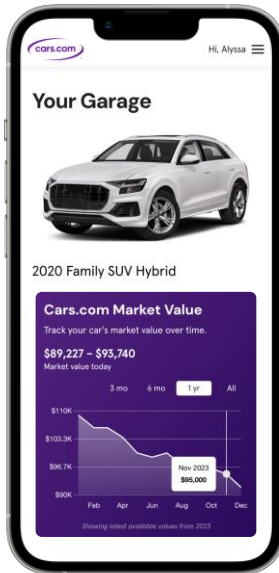
- Schomp Automotive Group leverages Experience Report to actively manage the reputation of their 12-store group
- Monitors progress monthly via Experience Report
- Reputation trending up in every experience category



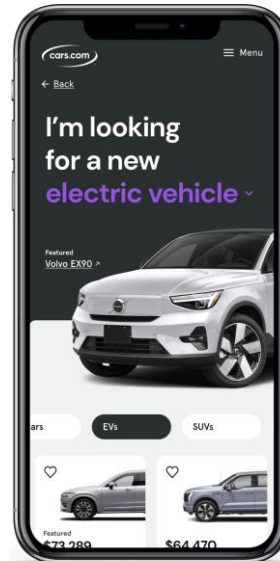
**GEORGE LAWTON**  
Marketing Operations  
Manager, Schomp  
Automotive Group

# Advancing Our Platform Strategy

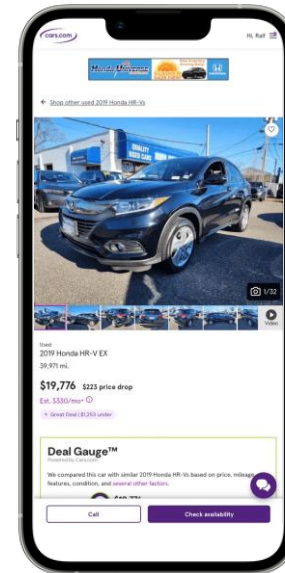
## CONSUMERS



## YOUR GARAGE

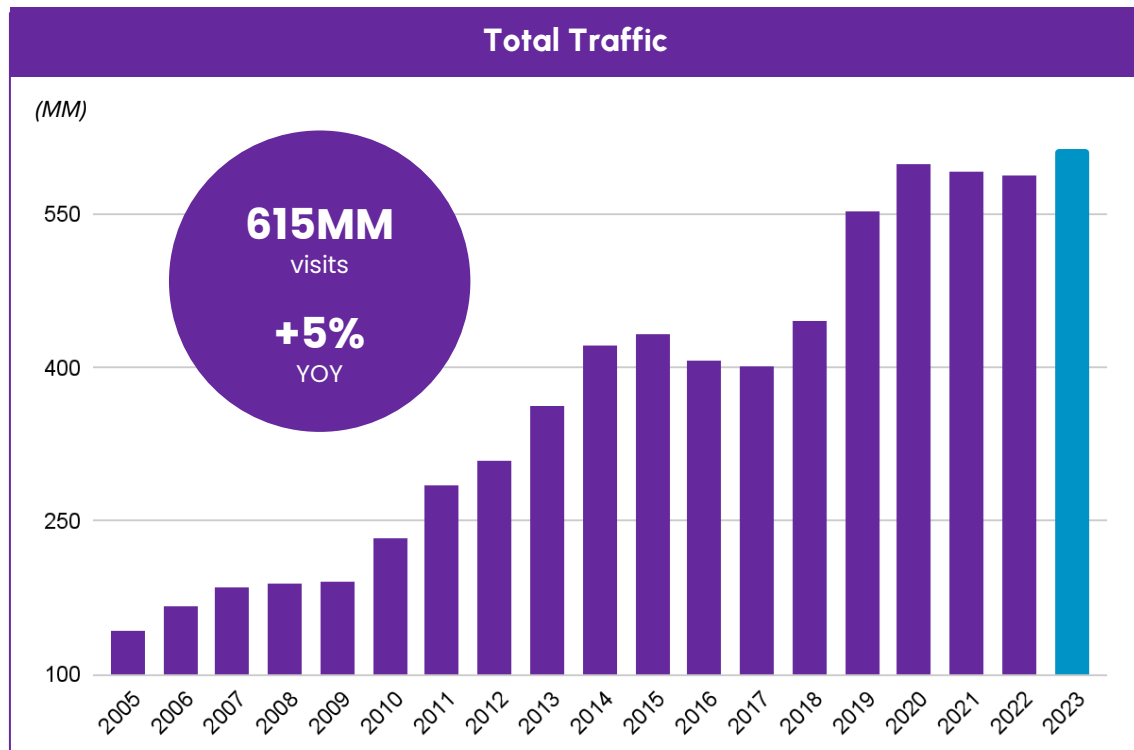


## NEW CAR HUB



## GENERATIVE AI

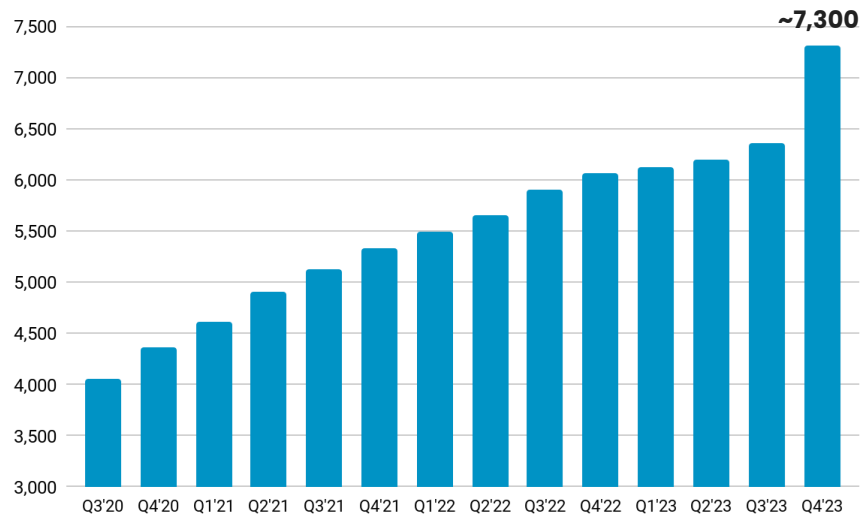
# Company Record for Total Traffic in 2023



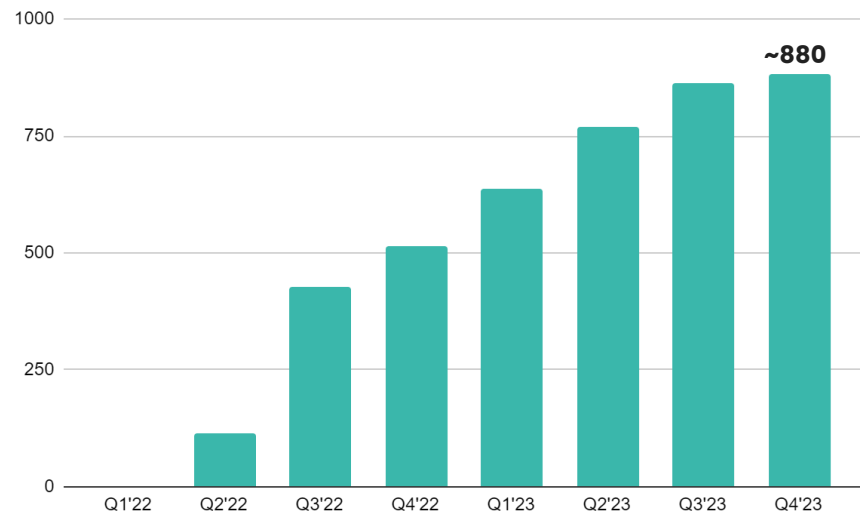


# Continued Adoption of Our Digital Solutions

## Website Customers



## AccuTrade Connected Customers




\*Website customer data includes D2C Media effective Q4'23

# Dealer Usage of AccuTrade Continues to Climb

## 590K


dealer appraisals in Q4,  
+15% QOQ


**AccuTrade**  
A CARS COMMERCE SOLUTION

**Universal Condition Report**

Appraisal ID: 1551179  
 Created: 12/29/23  
 Updated: 12/29/23 07:23PM CST

Dealership  
 Neighborhood Auto  
 1864 High Grove Ln, Naperville IL, 60540



**2019 Sport SUV GS**  
 LS 4 DOOR SUV 1.5L 4 CYL TURBO  
 ZGNAX4AEV9G3898815 | 44,481 Miles

**Instant Offer**  
**\$23,125**

<b>Odometer</b>	<b>+\$422</b>
Base Odometer	\$3,000
+ 44,481 Miles	+\$422

<b>Options</b>	<b>+\$3,872</b>
All Wheel Drive	+\$1,350
18" Wheels	+\$900
Blindspot Assist	+\$300
Navigation w/ Multimedia	+\$422
Monroney	+\$1,300

<b>Color</b>	<b>+\$450</b>
Exterior - White	+\$450
Interior - Tan	\$0

<b>Owner</b>	<b>+\$225</b>
Original Owner	+\$225

<b>Keys</b>	<b>\$0</b>
2 Keys	\$0

<b>Service Status</b>	<b>+\$150</b>
Service Records	+\$150
Protection Package	\$0
Extended Warranty	\$0

<b>Body Damage</b>	<b>-\$755</b>
Back Door - Right   Chipped	-\$150
Back Door - Right   Dent	-\$450
Back Door - Left   Chipped	-\$150
Front Bumper - Buffable Scuff	-\$150
Front Bumper - Rust Repair	-\$350
Rear Bumper - Buffable Scuff	-\$25
Rear Bumper - Paint Touchup	-\$50

<b>Mechanical</b>	<b>-\$725</b>
Electrical - Shift Solenoid E	-\$725
Electrical Failure P0773	\$0

<b>Tire / Wheel</b>	<b>-\$725</b>
Front Left	\$0
Front Right	\$0
Back Left	\$0
Back Right   Oxidized	-\$150

<b>Glass</b>	<b>-\$150</b>
Rear Window   Chipped	-\$150
Windshield	\$0
Front Glass - Right	\$0
Front Glass - Left	\$0
Rear Glass - Right	\$0
Rear Glass - Left	\$0

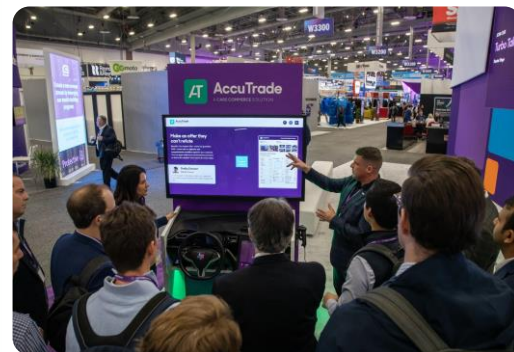
☒ Diagnostic Scan Complete (2 Issues Found)

<b>Condition Disclosures</b>	<b>-\$25</b>
Original Owner	+\$225
Previous Conviction	\$0
Smoke / Odor	\$0
Airbag Previously Deployed	\$0
Hail Damage	-\$245
Lemon Laws	\$0
Water Damage	\$0

<b>OBD-II Error Codes</b>	
Engine run time with MIL set	No MIL
Distance driven with MIL set	No MIL
Engine run time since MIL	0.0
Distance driven since MIL	45 Miles
Engine warmups since MIL	197 Starts
Engine warmups since MIL	197 Starts

**Error code list**

P0773 - Shift Solenoid E Electrical  
 P0804 - Internal Control Module RAM Error

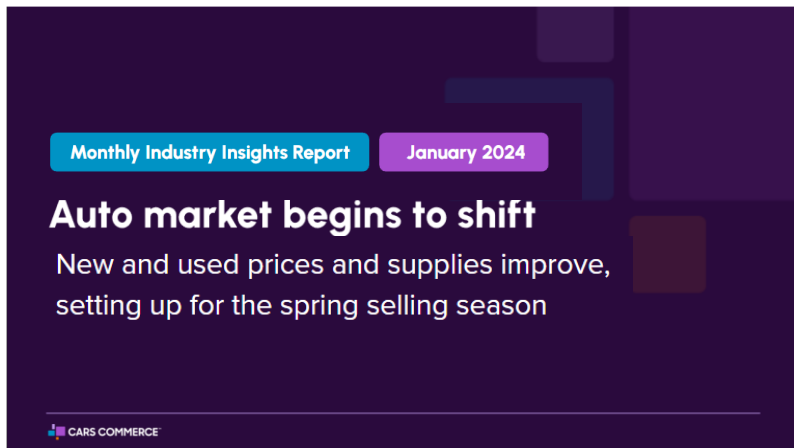


# FordDirect Selects AccuTrade as its Preferred Trade and Appraisal Solution

Opportunity to Work With 3,000+ Ford and Lincoln Retailers



# Key Trends From New Monthly Industry Insights Report



**Shift to a  
Buyers Market**

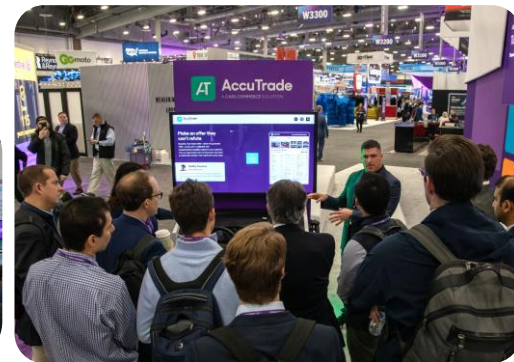
**More  
Affordable  
New Cars**

**Increased  
New-Car  
Inventory**

**Used-Car  
Scarcity  
Increasing**

# 2024 National Automobile Dealers Association Conference (NADA)

- Showcased industry-leading platform and solutions to thousands of current and prospective customers
- Hosted Investor Breakfast with hands-on product demos
- Launched VIN Performance Media



## Five Key Growth Drivers for 2024

**Grow  
Consumers**

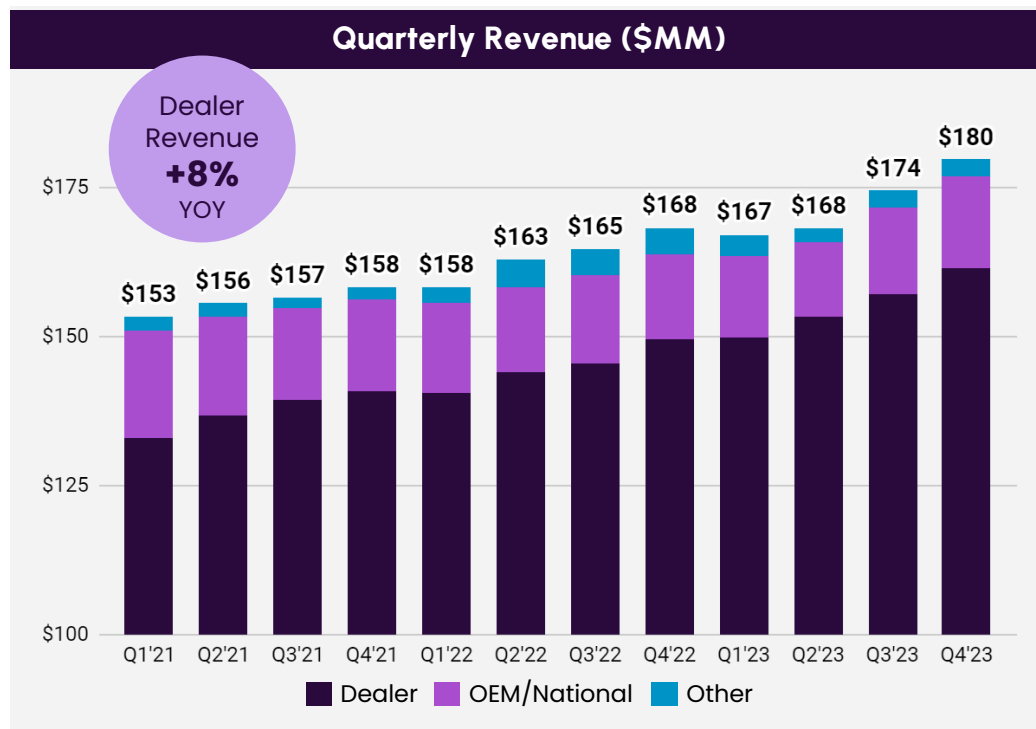
**Grow  
Dealer  
Customers**

**Unlock the  
Cross-Sell**

**Transform  
OEM  
Relationships**

**Create  
Platform  
Advantages**

# Revenue Growth of +7% YOY

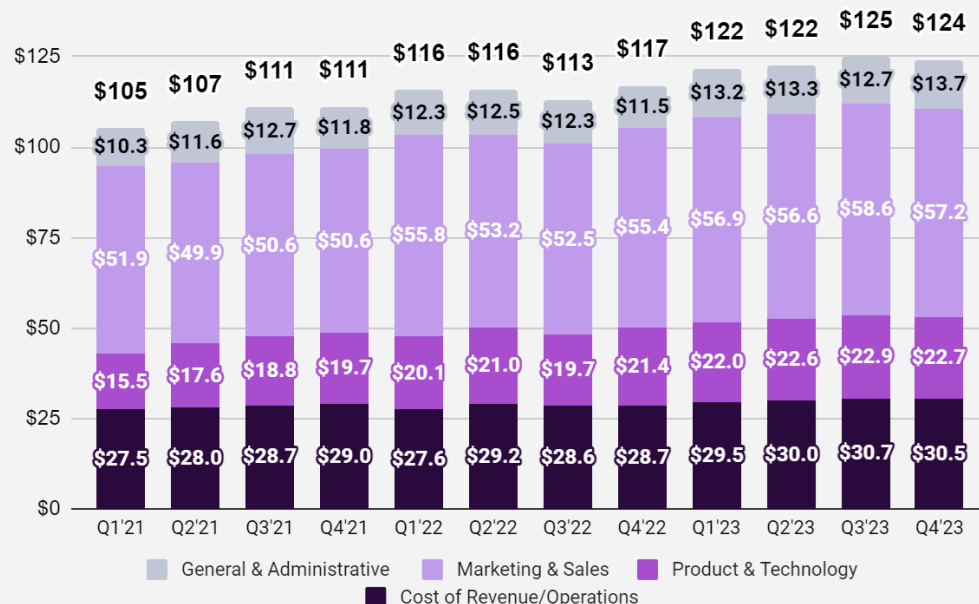


## Drivers of Revenue Growth

- Dealer Revenue +8% YOY driven by growth in solutions, 2023 Marketplace Repackaging Initiative and Media
- OEM & National up 8% YOY, driven by +24% increase in OEM Revenue
- Other Revenue down YOY driven by the expected termination of AccuTrade transition service agreement

# Disciplined Investment in Growth

Quarterly Adjusted Operating Expense (\$MM)



## Drivers of Changes in Expense

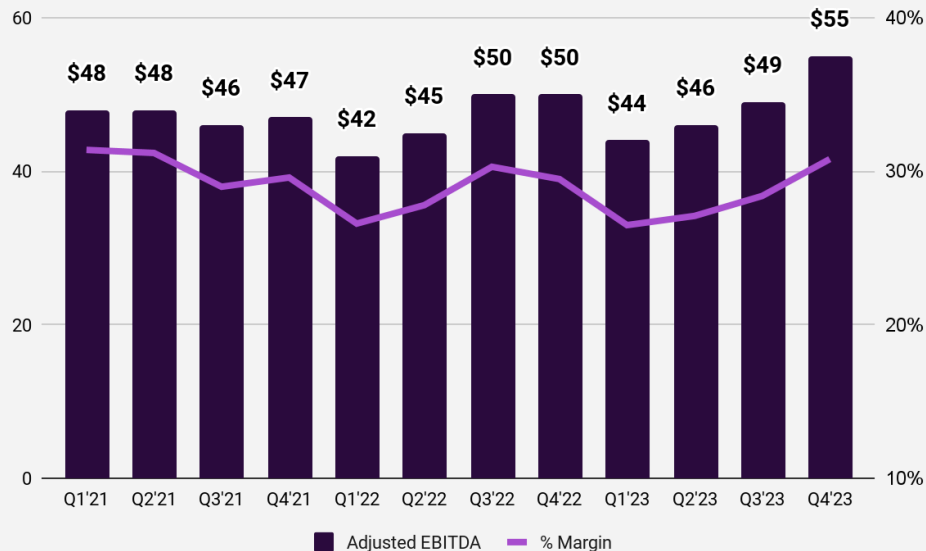
- YOY increase primarily due to continued investments in people, an increase in depreciation and amortization, and investments in marketing to support the launch of our Cars Commerce brand

Note: We define Adjusted Operating Expenses as total operating expenses adjusted to exclude stock-based compensation, write-off and impairments of goodwill, intangible assets, long-lived assets, severance, transformation and other exit costs and transaction-related items. Adjusted Operating Expenses in this graph exclude depreciation and amortization.



# Continued Sequential Improvement in Adjusted EBITDA

Quarterly Adjusted EBITDA (\$MM) & Margin (% Revenue)



## Drivers of Adjusted EBITDA

- Delivered Q4 Adjusted EBITDA margin of 31%, improved ~250 bps sequentially
- YOY Adjusted EBITDA increased 12%

## Full Year Revenue Up 5% YOY

(\$MM)	2023	2022
REVENUE	\$689.2	\$653.9
DEALER REVENUE	\$621.7	\$579.2
OPERATING EXPENSES	\$635.1	\$587.8
ADJUSTED OPERATING EXPENSES	\$594.1	\$555.9
ADJUSTED EBITDA	\$194.9	\$186.7

*Note: We define Adjusted Operating Expenses as total operating expenses adjusted to exclude stock-based compensation, write-off and impairments of goodwill, intangible assets, long-lived assets, severance, transformation and other exit costs and transaction-related items.*

## Strength Across Key Operating Metrics

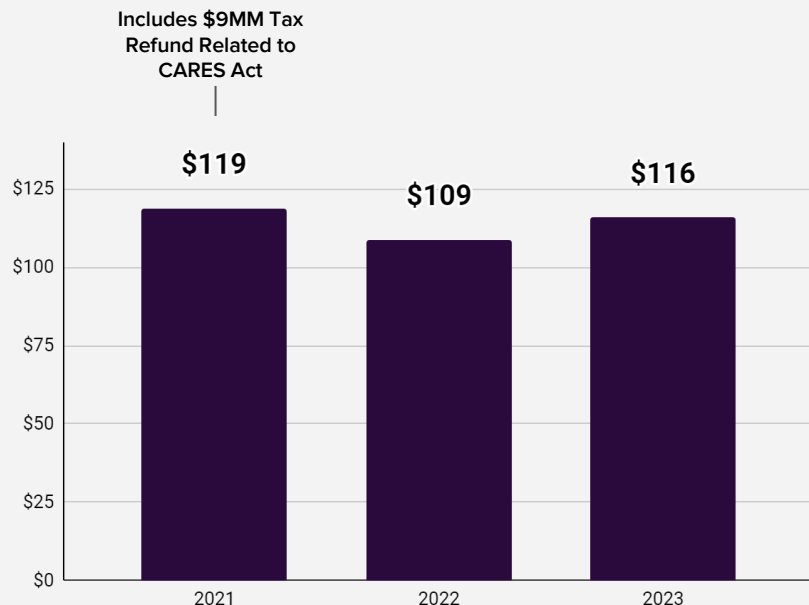
	Q4 2023	Q4 2022
AVERAGE MONTHLY UNIQUE VISITORS	24.3 MM	24.6 MM
TRAFFIC (VISITS)	142.7 MM	140.4 MM
MONTHLY ARPD <sup>1</sup>	\$2,523	\$2,361
DEALER CUSTOMERS <sup>2</sup>	19,504	19,506

<sup>1</sup>ARPD excludes revenue from Dealer Inspire and D2C Media digital advertising services.

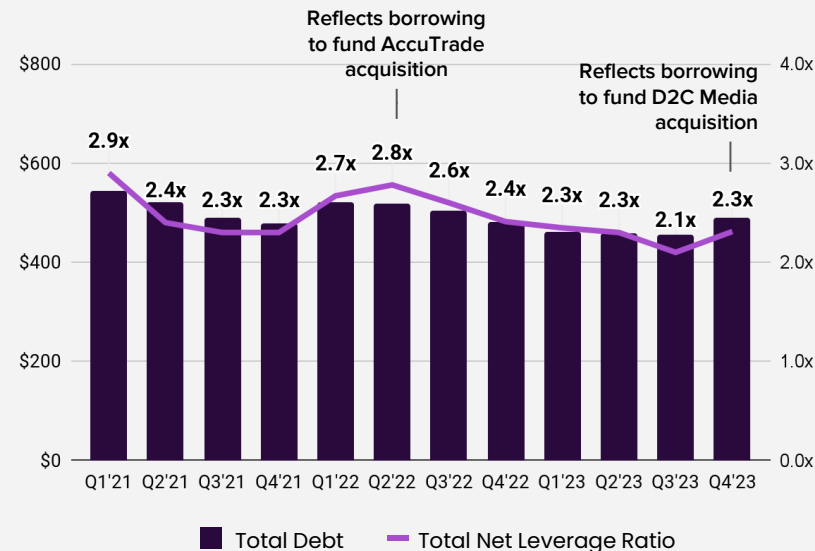
<sup>2</sup>Note: The decline of the digital dealer industry negatively impacted our Dealer Customer count by over 650 cancellations (which started in Q2'22). There are effectively no digital dealers in our Dealer Customer count. Q4 2023 Dealer Customers includes the addition of 950 D2C Media only customers

# Robust Cash Flow, Solid Balance Sheet

## YTD Free Cash Flow Trend (\$MM)



## Total Debt (\$MM) & Net Leverage Ratio



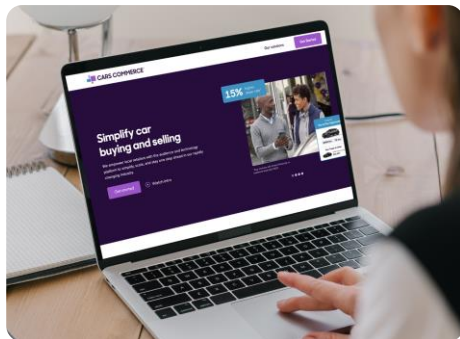
# 2024 Outlook

## Q1 2024 OUTLOOK

- Q1 Revenue: \$179.0 to \$181.0 million
  - Represents 7% to 8% YOY growth
  - Reflects continued strong growth in Dealer revenue, D2C Media and the full year impact of the 2023 Marketplace Repackaging initiative
- Q1 Adjusted EBITDA margin: 27% to 29%

## FULL YEAR 2024 OUTLOOK

- Full Year Revenue: YOY growth of 6% to 8%
- Adjusted EBITDA margins: 28% to 30%
- Capital Expenditures: \$23 to \$25 million
- Cash Taxes: ~\$20 million



# Q&A

# Appendix

# Non-GAAP Reconciliations

(unaudited and in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2023	2022	2023	2022
<b>Reconciliation of Net income to Adjusted EBITDA</b>				
Net income	\$ 8,346	\$ 10,262	\$ 118,442	\$ 17,206
Interest expense, net	8,254	8,442	32,425	35,320
Income tax (benefit) expense	(6,455)	6,200	(100,337)	5,370
Depreciation and amortization	26,619	23,706	101,000	94,394
Stock-based compensation, including related payroll tax expense	7,844	5,390	30,127	22,966
Non-operating foreign exchange income	(2,072)	—	(2,072)	—
Write-off of long-lived assets and other	389	929	1,027	999
Severance, transformation and other exit costs	1,226	960	3,574	4,329
Transaction-related items	11,253	(6,370)	10,698	6,144
Adjusted EBITDA	\$ 55,404	\$ 49,519	\$ 194,884	\$ 186,728

## Reconciliation of Net cash provided by operating activities to Free cash flow

Net cash provided by operating activities	\$ 45,140	\$ 37,220	\$ 136,720	\$ 128,511
Capitalization of internally developed technology	(4,764)	(4,739)	(19,602)	(17,886)
Purchase of property and equipment	(543)	(576)	(1,280)	(1,828)
Free cash flow	\$ 39,833	\$ 31,905	\$ 115,838	\$ 108,797



# Non-GAAP Reconciliations

(unaudited and in thousands)

Reconciliation of Operating expenses to Adjusted operating expenses for the Three Months Ended December 31, 2023:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 30,918	\$ —	\$ (396)	\$ 30,522
Product and technology	25,230	—	(2,518)	22,712
Marketing and sales	58,835	(48)	(1,566)	57,221
General and administrative	23,069	(6,003)	(3,364)	13,702
Depreciation and amortization	26,619	—	—	26,619
Total operating expenses	\$ 164,671	\$ (6,051)	\$ (7,844)	\$ 150,776
Total nonoperating expense, net	\$ (13,044)	\$ 4,745	\$ —	\$ (8,299)

<sup>(1)</sup> Includes transaction related items, unrealized gain on foreign currency denominated transactions, severance, transformation and other exit costs, and write-off of long-lived assets and other.

Reconciliation of Operating expenses to Adjusted operating expenses for the Three Months Ended December 31, 2022:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 28,875	\$ —	\$ (224)	\$ 28,651
Product and technology	23,166	—	(1,765)	21,401
Marketing and sales	56,515	—	(1,164)	55,351
General and administrative	16,128	(2,373)	(2,237)	11,518
Depreciation and amortization	23,706	—	—	23,706
Total operating expenses	\$ 148,390	\$ (2,373)	\$ (5,390)	\$ 140,627
Total nonoperating expense, net	\$ (3,349)	\$ (5,229)	\$ —	\$ (8,578)

<sup>(1)</sup> Includes transaction related items, severance, transformation and other exit costs, and write-off of long-lived assets and other.

# Non-GAAP Reconciliations

(unaudited and in thousands)

Reconciliation of Operating expenses to Adjusted operating expenses for the Year Ended December 31, 2023:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 122,205	\$ —	\$ (1,571)	\$ 120,634
Product and technology	99,584	—	(9,360)	90,224
Marketing and sales	235,471	(48)	(6,078)	229,345
General and administrative	76,807	(10,797)	(13,118)	52,892
Depreciation and amortization	101,000	—	—	101,000
Total operating expenses	\$ 635,067	\$ (10,845)	\$ (30,127)	\$ 594,095
Total nonoperating expense, net	\$ (36,011)	\$ 3,465	\$ —	\$ (32,546)

<sup>(1)</sup> Includes transaction related items, severance, transformation and other exit costs, unrealized gain on foreign currency denominated transactions, and write-off of long-lived assets and other.

Reconciliation of Operating expenses to Adjusted operating expenses for the Year Ended December 31, 2022:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 114,959	\$ —	\$ (983)	\$ 113,976
Product and technology	89,015	—	(6,851)	82,164
Marketing and sales	221,879	—	(5,068)	216,811
General and administrative	67,593	(8,943)	(10,064)	48,586
Depreciation and amortization	94,394	—	—	94,394
Total operating expenses	\$ 587,840	\$ (8,943)	\$ (22,966)	\$ 555,931
Total nonoperating expense, net	\$ (43,460)	\$ 7,946	\$ —	\$ (35,514)

<sup>(1)</sup> Includes transaction related items, severance, transformation and other exit costs, and write-off of long-lived assets and other.