

CARS

TM

Second Quarter 2020 Earnings

July 30, 2020

Forward-Looking Statements

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. Forward-looking statements include information concerning the impact of the COVID-19 pandemic on our industry, our dealer customers and our results of operations, our business strategies, strategic alternatives, plans and objectives, market potential, outlook, trends, future financial performance, planned operational and product improvements, potential strategic transactions, liquidity, including expense reduction and draws from our revolving credit facility, and other matters and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements, strategic actions or prospects may differ materially from those expressed or implied by these forward-looking statements. These statements often include 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, based on our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments, current developments regarding the COVID-19 pandemic and other factors we think are appropriate. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are expressed in good faith and we believe these judgments are reasonable. However, you should understand that these statements are not guarantees of strategic action, performance or results. Our actual results and strategic actions could differ materially from those expressed in the forward-looking statements. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. Comparisons of results between current and prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed 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 presentation. For a detailed discussion of many of these and other risks and uncertainties, see our Annual Report on Form 10-K for the year ended December 31, 2019, our subsequent Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our other filings with the Securities and Exchange Commission, available on our website at investor.cars.com or via EDGAR at www.sec.gov. All forward-looking statements contained in this presentation are qualified by these cautionary statements. You should evaluate all forward-looking statements made in this presentation in the context of these risks and uncertainties. The forward-looking statements contained in this presentation are based only on information currently available to us and speak only as of the date of this presentation. 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.

Non-GAAP Financial Measures

This presentation discusses Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income per Diluted Share and Free Cash Flow. 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 we believe they provide meaningful information regarding our performance and provide a basis to compare operating results between periods. In addition, we use Adjusted EBITDA as a measure for determining incentive compensation targets. Adjusted EBITDA also is used as a performance measure under our 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 our lenders, securities analysts, investors and other interested parties to evaluate companies in our industry.

Other companies may define or calculate these measures differently, limiting their usefulness as comparative measures. Because of these limitations, these 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 (income), net, (2) income tax expense (benefit), (3) depreciation, (4) amortization of intangible assets, (5) stock-based compensation expense, (6) unrealized mark-to-market adjustments related to derivative instruments, plus (7) certain other items, such as transaction-related costs, costs associated with the stockholder activist campaign, severance, transformation and other exit costs and write-off and impairments of goodwill, intangible assets and other long-lived assets. Amortization of unfavorable contracts liability is not adjusted out of Adjusted EBITDA.

We define Adjusted Net Income as net income (loss) excluding the after-tax impact of (1) amortization of intangible assets, (2) stock-based compensation expense, (3) unrealized mark-to-market adjustments related to derivative instruments, and (4) certain other items, such as transaction-related costs, costs associated with the stockholder activist campaign, severance, transformation and other exit costs and write-off and impairments of goodwill, intangible assets and other long-lived assets. Amortization of unfavorable contracts liability is not adjusted out of Adjusted Net Income.

Transaction-related costs are certain expense items resulting 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 costs may also include, without limitation, transition and integration costs such as retention bonuses and acquisition-related milestone payments to acquired employees, in addition to consulting, compensation and other incremental costs associated with integration projects.

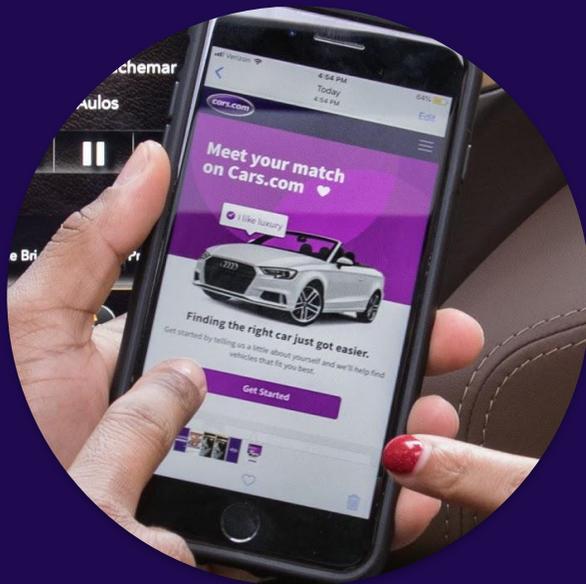
We define Free Cash Flow as net cash provided by operating activities less capital expenditures, including purchases of property and equipment and capitalization of internal-use software and website development costs.

Sonia Jain

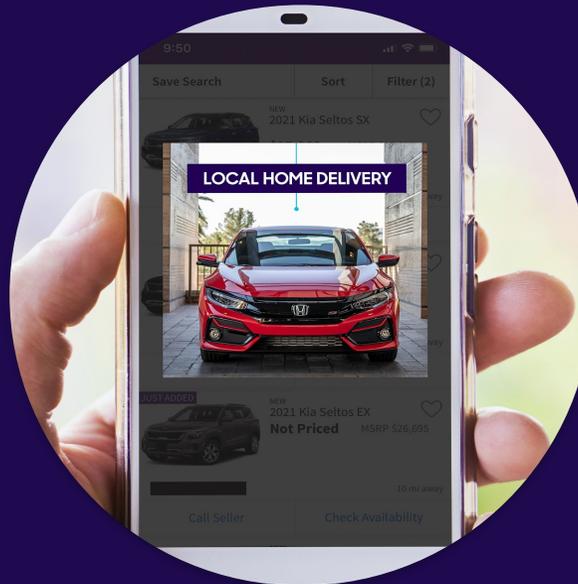
Chief Financial Officer



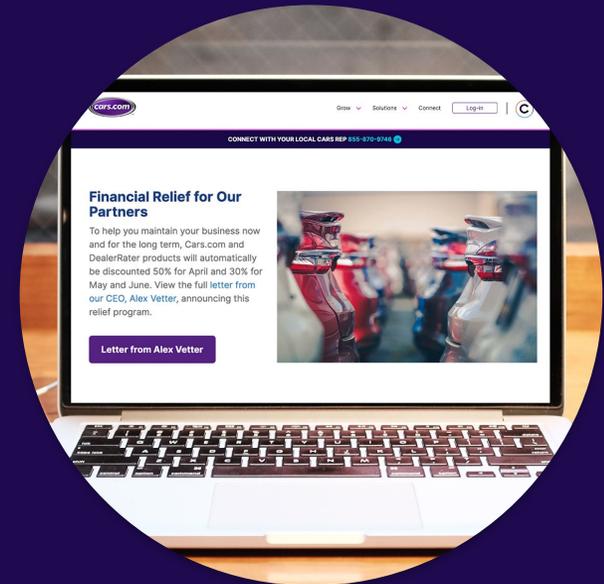
Our Competitive Strengths in a “Stay-at-Home” Market



Strong brand recognition and leading organic traffic generation



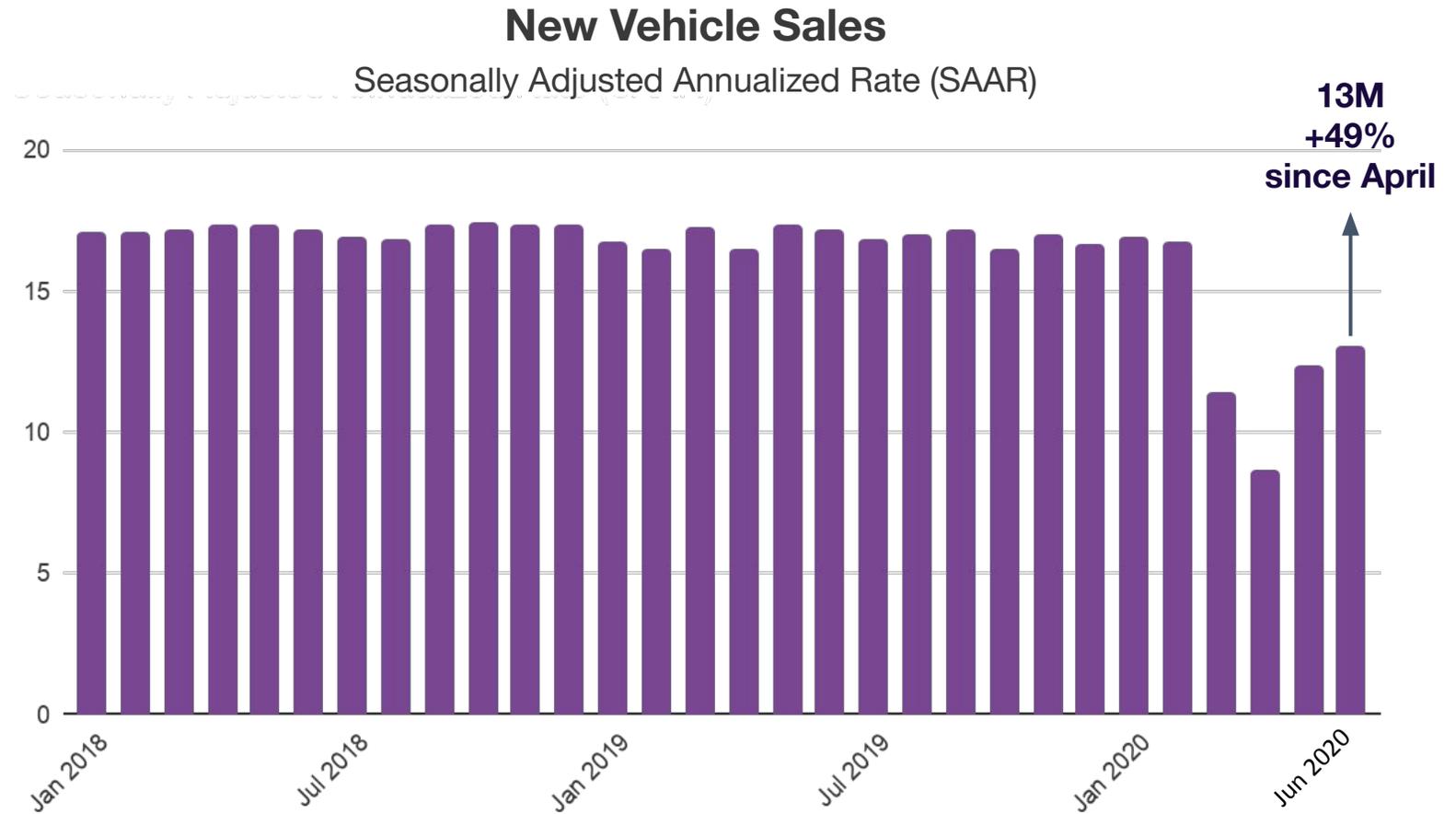
Product agility supporting mobile/at-home shopping



Dealer advocacy

Rebound in New-Car Sales and Pricing

New-vehicle sales fell from a SAAR of 16.9M in Jan. to 8.7M in April. June SAAR was 13M, +49% since April. New vehicle average transaction prices are up 3.1% in June 2020 compared to the prior year.



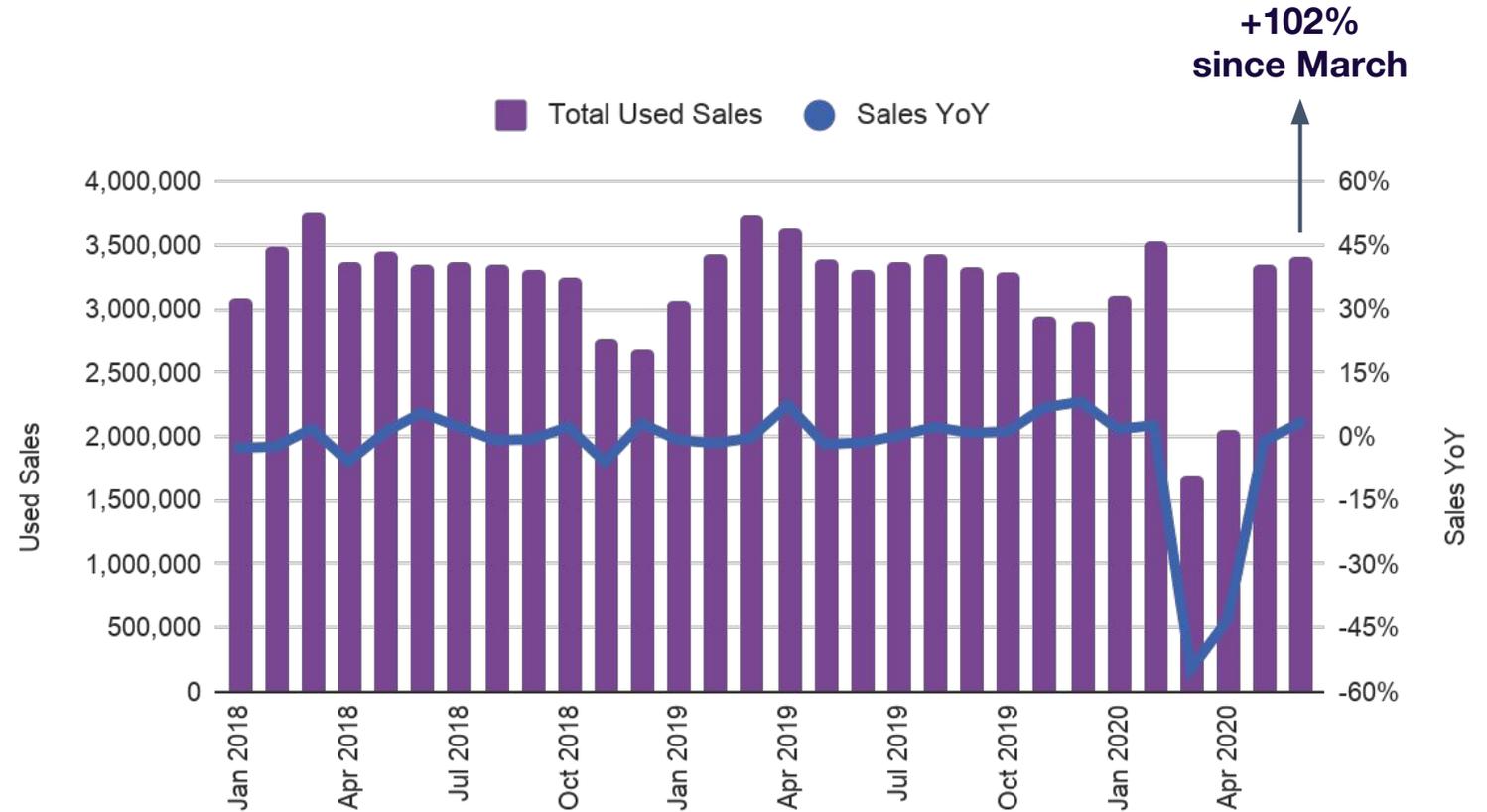
Source: U.S. Bureau of Economic Analysis

Rebound in Used-Car Sales & Pricing

March used vehicle sales dropped by 49% to 1.7 million units compared to the January / February average of 3.3 million. By June, sales rebounded by 102% to 3.4 million units

US used-vehicle prices fell in the first two weeks of April at the fastest pace ever (-11.8% MoM). By the middle of July, the Manheim used vehicle index reached an all-time high, up 11% year over year.

Used Vehicle Sales



Source: Sales: NADA, Pricing: Manheim

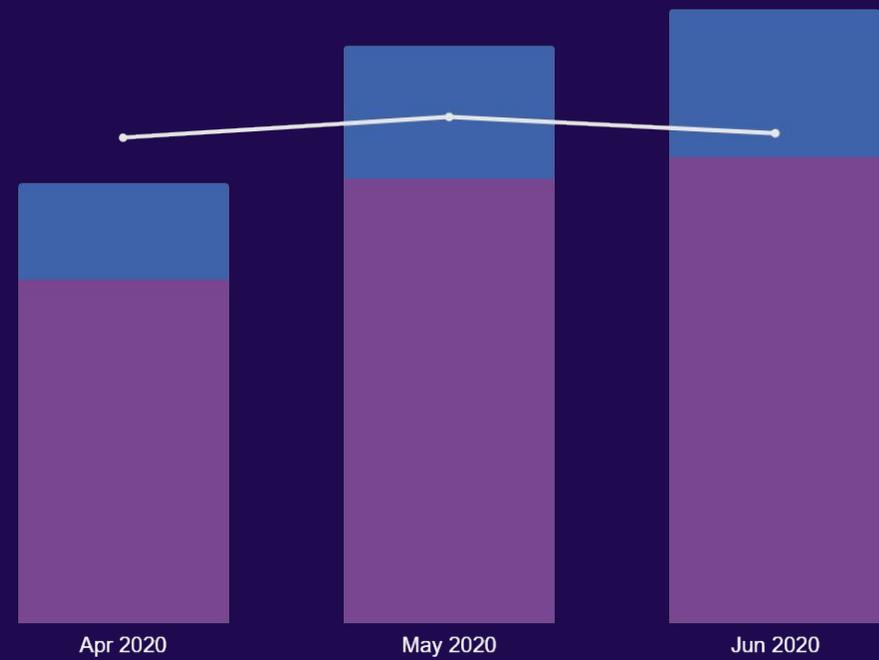
Double-Digit Year-Over-Year Traffic Growth

CARS Traffic Quarterly



CARS Traffic Monthly

54.1M Visits
+25% YoY

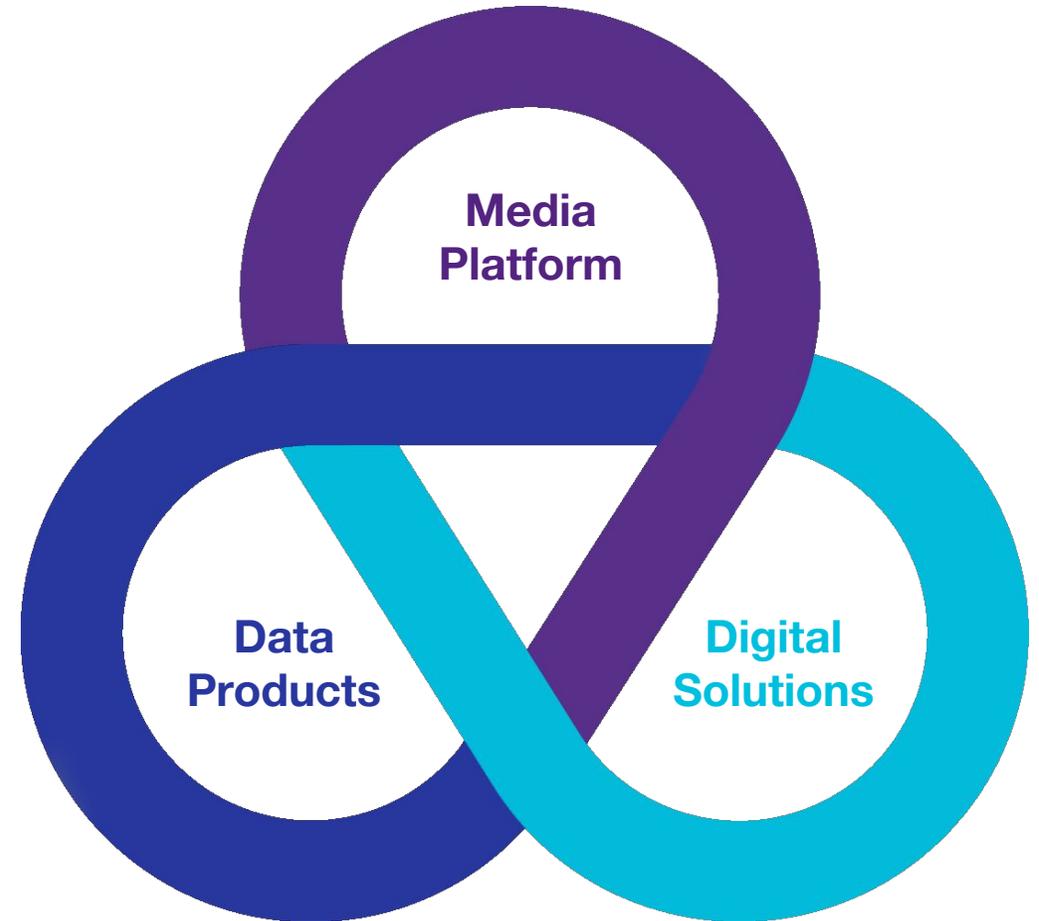


Dealer Customer Momentum Before COVID-19

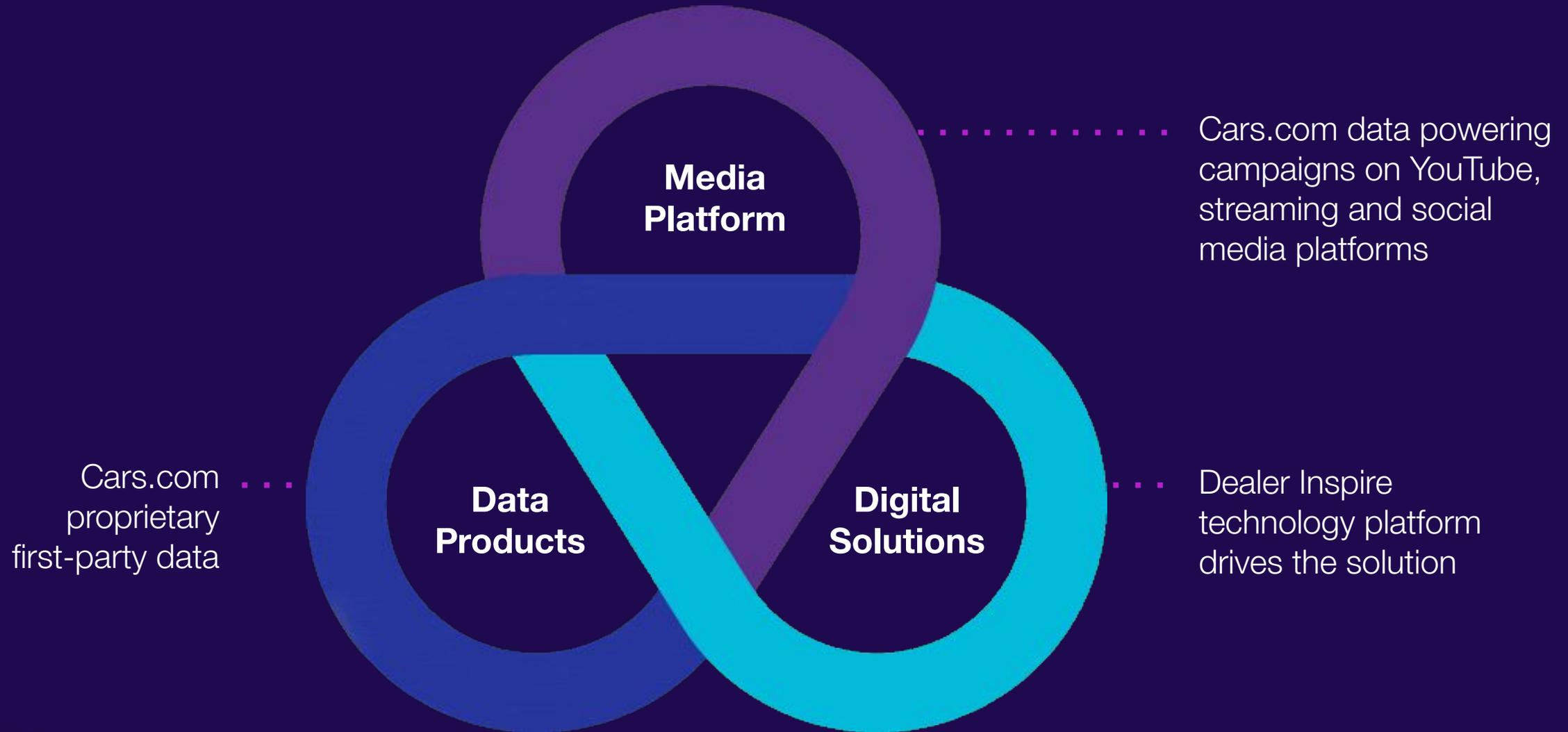


Our Strategy Is Different & Clear

Unite Media, Solutions & Data to drive growth and efficiency for the auto industry.



Strategy in Action: FUEL In-Market Video



Customer Testimonials: FUELing Dealers' Businesses

“

In April, the dealership sold **342 cars**, all online. Sales jumped to **724** in May, when the dealership opened by appointment. And in June, it sold **1,130** cars.

Brian Benstock,
Paragon Honda & Paragon Acura

WSJ | July 7, 2020



“

Last year we were getting 4k-5k direct visits and in May we had **22,208** direct visits...With FUEL not only do we fish where the fish are, we catch the big ones.

Julie Chisum, Marketing Director
Toyota of Cedar Park (Austin, TX)

TOYOTA OF
CEDAR PARK



CARS' Innovative Solutions Support At-Home Shopping

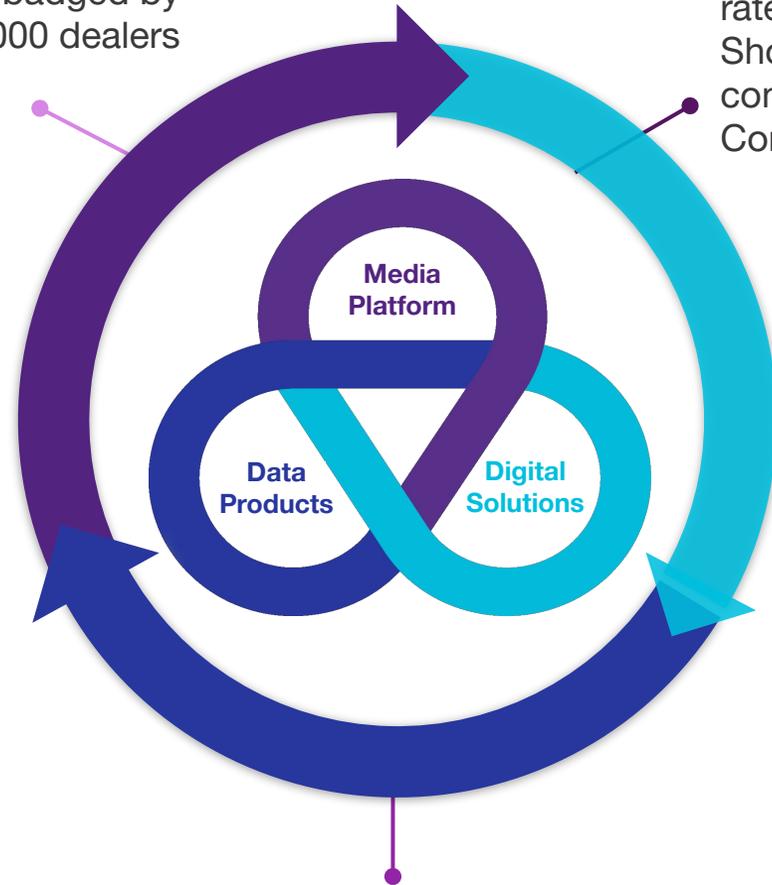
Dealers are increasingly reliant on our digital retail solutions.

Home Delivery & Virtual Appointments

~2M vehicles badged by
~8,000 dealers

Online Shopper & Conversations

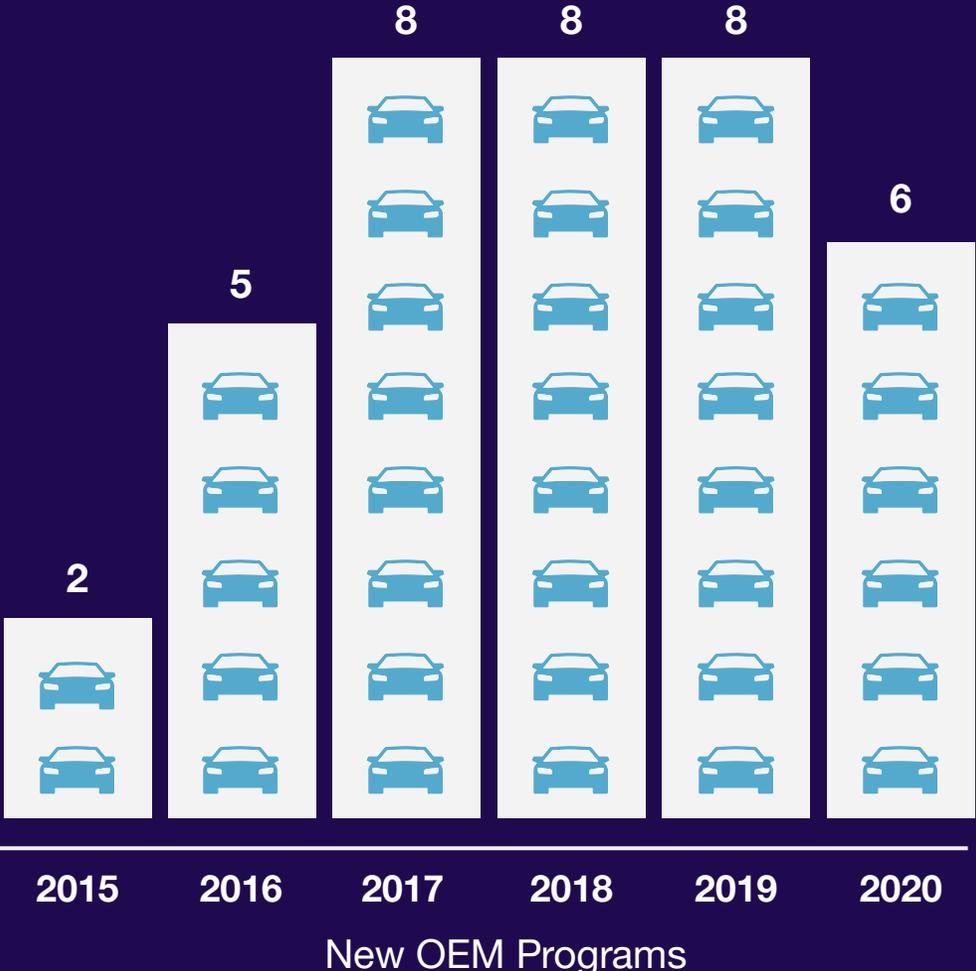
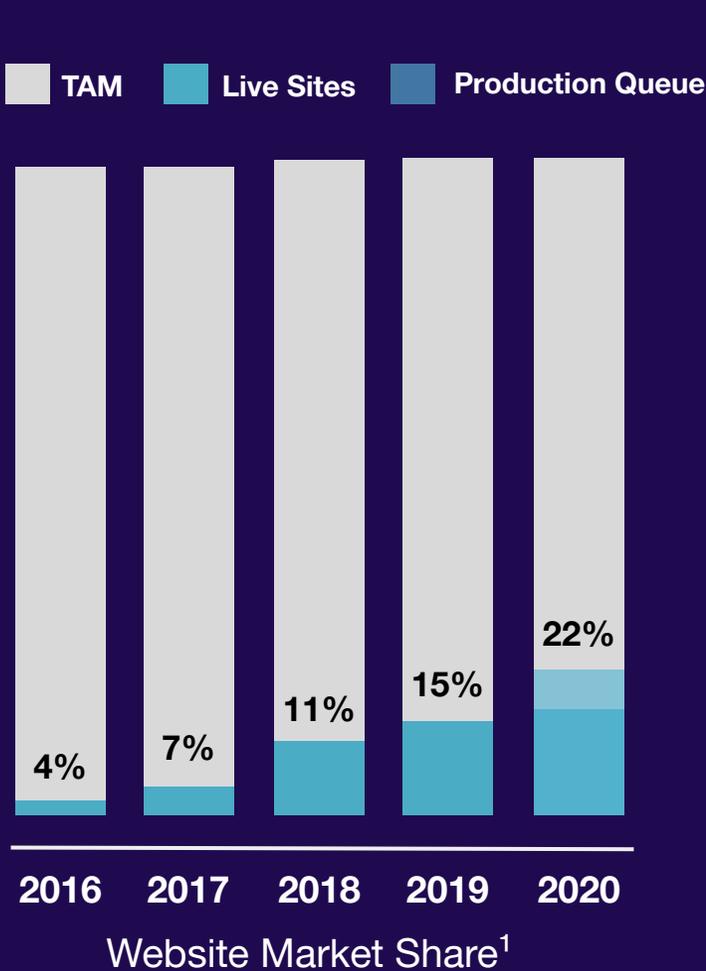
50%+ conversion rate for Online Shopper, 30%+ conversion for Conversations



Fuel In-Market Video

Momentum building,
delivering exceptional results for dealers

Dealer Inspire Taking Market Share Through OEM Program Growth



Prudent Balance Sheet and Expense Management



Sustainable
organic traffic



Maintaining balance
sheet strength



Substantial
reduction of expenses

Equity, Diversity, Inclusion & Belonging



Company



Industry



Community

Q2 2020 Financial Highlights

(\$ in millions, except per share data)

	2020	2019
Revenue	\$102.0	\$148.2
Total Operating Expenses	\$119.2	\$147.2
Net (Loss)/Income	(\$24.6)	(\$6.0)
(Loss)/Earnings per Diluted Share	(\$0.37)	(\$0.09)
Adjusted Net Income	\$8.0	\$20.0
Adjusted Net Income per Diluted Share	\$0.12	\$0.30
Adjusted EBITDA	\$23.2	\$43.5
Adjusted EBITDA as a % of Revenue	23%	29%

Reconciliations of Non-GAAP financials measures to the relevant GAAP measure can be found in the appendix of this presentation.

Q2 2020 Key Operating Metrics

Average Monthly Unique Visitors	+ 6% YOY
Traffic (Visits)	+ 10% YOY
Mobile Traffic ¹	75%
Monthly ARPD ²	\$1,442
Dealer Customers	18,033

¹ Mobile traffic includes mobile browser, mobile app and tablet.

² ARPD includes revenue from dealer websites and related digital solutions from Dealer Inspire.

June 30, 2020 Balance Sheet, Cash Flow & Capitalization

Cash Flows from Operating Activities	\$28.7 million
Free Cash Flow	\$25.8 million
Cash	\$56.9 million
Debt	\$638.9 million
Total Liquidity ¹	\$232.2 million
Net Leverage	4.1x
Shares Outstanding ²	67.2 million
Enterprise Value ³	\$1.0 billion

1. Includes cash plus availability under revolving credit facility.

2. Shares outstanding as of June 30, 2020.

3. Using the closing share price of \$6.59 on July 28, 2020.

Reconciliations of Non-GAAP financials measures to the relevant GAAP measure can be found in the appendix of this presentation.

Questions

Appendix

Non-GAAP Reconciliations

(unaudited and in thousands, except per share data)

Cars.com Inc.
Non-GAAP Reconciliations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Reconciliation of Net loss to Adjusted EBITDA				
Net loss	\$ (24,644)	\$ (6,026)	\$ (812,078)	\$ (15,057)
Interest expense, net	7,924	7,711	15,450	15,277
Income tax expense (benefit)	53	(672)	(134,603)	(3,142)
Depreciation and amortization	31,193	29,666	62,154	57,791
Goodwill and intangible asset impairment	—	—	905,885	—
Stock-based compensation	4,376	3,465	6,287	6,564
Write-off of long-lived assets and other	95	529	9,578	640
Severance, transformation and other exit costs	4,764	1,058	6,168	7,511
Transaction-related costs	20	2,579	117	4,623
Costs associated with the stockholder activist campaign	—	5,225	—	7,920
Unrealized gain on interest rate swap	(558)	—	(558)	—
Adjusted EBITDA*	<u>\$ 23,223</u>	<u>\$ 43,535</u>	<u>\$ 58,400</u>	<u>\$ 82,127</u>

Reconciliation of Net loss to Adjusted net income

Net loss	\$ (24,644)	\$ (6,026)	\$ (812,078)	\$ (15,057)
Amortization of intangible assets	25,277	24,621	50,555	48,713
Goodwill and intangible asset impairment	—	—	905,885	—
Stock-based compensation	4,376	3,465	6,287	6,564
Write-off of long-lived assets and other	95	529	9,578	640
Severance, transformation and other exit costs	4,764	1,058	6,168	7,511
Transaction-related costs	20	2,579	117	4,623
Costs associated with the stockholder activist campaign	—	5,225	—	7,920
Unrealized gain on interest rate swap	(558)	—	(558)	—
Tax impact of adjustments	(1,366)	(11,501)	(136,226)	(20,218)
Adjusted net income*	<u>\$ 7,964</u>	<u>\$ 19,950</u>	<u>\$ 29,728</u>	<u>\$ 40,696</u>
Adjusted net income per share, diluted	<u>\$ 0.12</u>	<u>\$ 0.30</u>	<u>\$ 0.44</u>	<u>\$ 0.60</u>
Weighted-average common shares outstanding, diluted**	67,875	67,007	67,563	67,628

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

Net cash provided by operating activities	\$ 28,737	\$ 12,366	\$ 57,629	\$ 50,755
Purchase of property and equipment	(2,970)	(5,991)	(8,725)	(9,354)
Free cash flow	<u>\$ 25,767</u>	<u>\$ 6,375</u>	<u>\$ 48,904</u>	<u>\$ 41,401</u>

* There was no unfavorable contract liability amortization during 2020 as it was fully amortized as of September 30, 2019. Additionally for 2019, amortization of unfavorable contracts liability is not adjusted out of Adjusted EBITDA or Adjusted net income.

** Weighted-average common shares outstanding, diluted, includes shares excluded from GAAP loss per share due to the net loss position for the three and six months ended June 30, 2020 and June 30, 2019.

Definitions

Traffic (Visits). Traffic is fundamental to our business. Traffic to the CARS network of websites and mobile apps provides value to our advertisers in terms of audience, awareness, consideration and conversion. In addition to tracking traffic volume and sources, we monitor activity on our properties, allowing us to innovate and refine our consumer-facing offerings. Traffic is defined as the number of visits to CARS desktop and mobile properties (responsive sites and mobile apps), measured using Adobe Analytics. Traffic does not include traffic to Dealer Inspire websites. Visits refers to the number of times visitors accessed CARS properties during the period, no matter how many visitors make up those visits. Traffic provides an indication of our consumer reach. Although our consumer reach does not directly result in revenue, we believe our ability to reach in-market car shoppers is attractive to our dealer customers and national advertisers.

Average Monthly Unique Visitors (“UVs”). Growth in unique visitors and consumer traffic to our network of websites and mobile apps increases the number of impressions, clicks, leads and other events we can monetize to generate revenue. We define UVs in a given month as the number of distinct visitors that engage with our platform during that month. Visitors are identified when a user first visits an individual CARS property on an individual device/browser combination or installs one of our mobile apps on an individual device. If a visitor accesses more than one of our web properties or apps or uses more than one device or browser, each of those unique property/browser/app/device combinations counts towards the number of UVs. UVs do not include Dealer Inspire UVs. We measure UVs using Adobe Analytics.

Dealer Customers. Dealer Customers represent dealerships using our products as of the end of each reporting period. Each physical or virtual dealership location is counted separately, whether it is a single-location proprietorship or part of a large consolidated dealer group. Multi-franchise dealerships at a single location are counted as one dealer.

Average Revenue Per Dealer (“ARPD”). We believe our ability to grow ARPD is an indicator of the value proposition of our products. We define ARPD as Direct retail revenue during the period divided by the monthly average number of direct Dealer Customers during the same period.