

# Second Quarter 2023 Earnings

August 3, 2023

**CARS**

# 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 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 draws from our revolving credit facility, expense management 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 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, our 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](http://investor.cars.com) or via EDGAR at [www.sec.gov](http://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 presentation are intended to be subject to the safe harbor protection provided by the federal securities laws.

## Definitions: Non-GAAP Financial Measures



This presentation discusses Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Operating Expenses 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. For a reconciliation of the non-GAAP measures presented in this presentation 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, 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, 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) 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.

# Delivered Solid Results and Profitable Growth in Q2



Revenue Growth,  
**+3% YOY**



ARPD Growth,  
**+6% YOY**



Improved QOQ  
Adjusted EBITDA,  
**27% Margin**

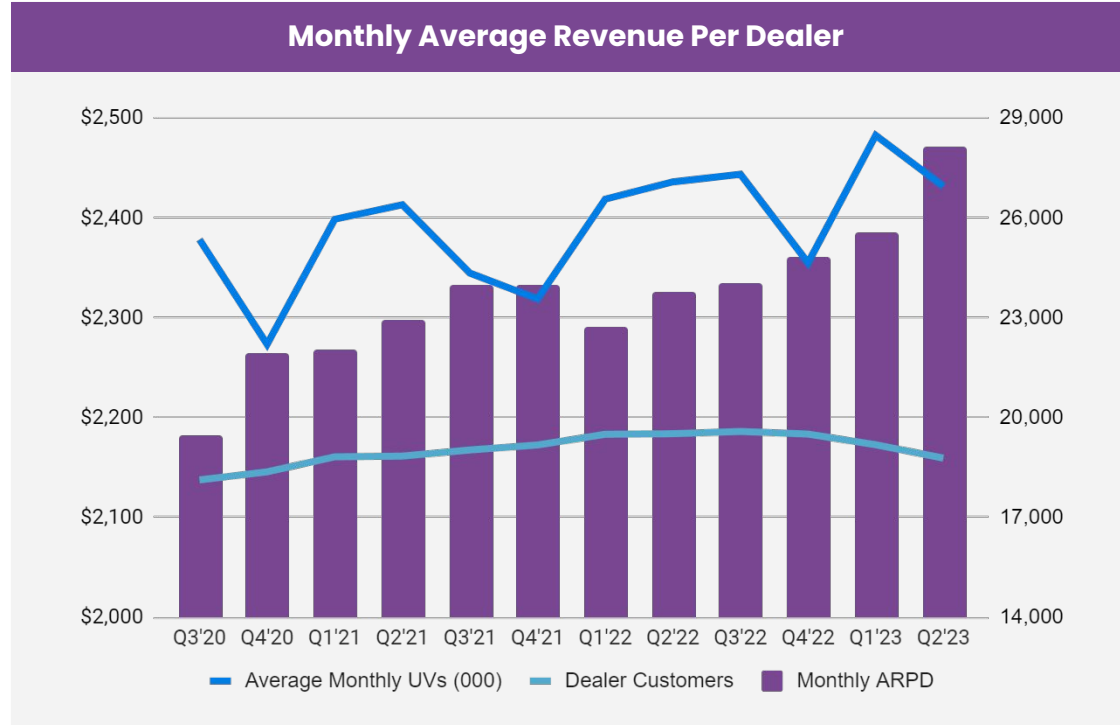
## New Packages Deliver Greater Value

- Two-thirds of customers shifting to higher tier packages
- Accelerating growth in ARPD
- Marketplace Repackaging Initiative more than 60% complete

	BASE	PREFERRED	PREMIUM
All Inventory Listed	✓	✓	✓
Merchandising + AutoCorrected	✓	✓	✓
Similar Vehicles	✓	✓	✓
Managed Chat	✓	✓	✓
Deep Linking (VDP To VDP Website Transfers)		✓	✓
Instant Financing	Network Lenders	Network Lenders	Retailer Selected
Exclusive Display Ads On VDPs			✓
Salesperson Reviews			✓
Automatic Review Building			✓
Search Expansion Placement			✓

# ARPD up 6% YOY

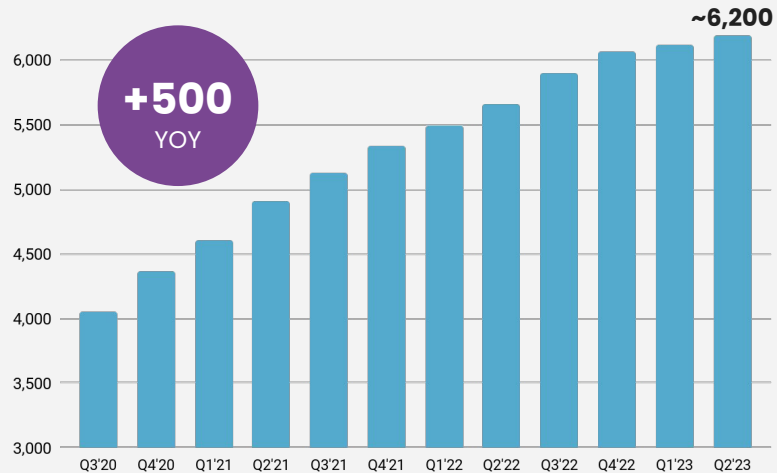
- ARPD driven by balance of Marketplace Repackaging and Solution Sales
- Packages capture benefit of product development and 30%+ traffic growth over the last 5 years



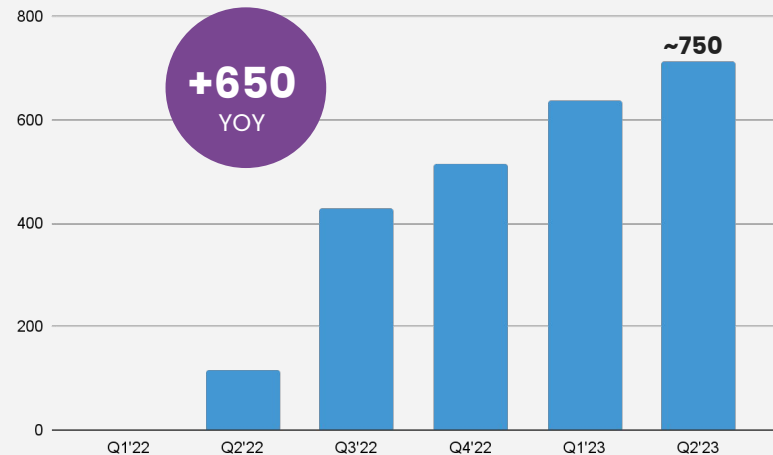
ARPD excludes revenue from Dealer Inspire digital advertising services.

# Digital Solutions Account for ~50% of ARPD Growth

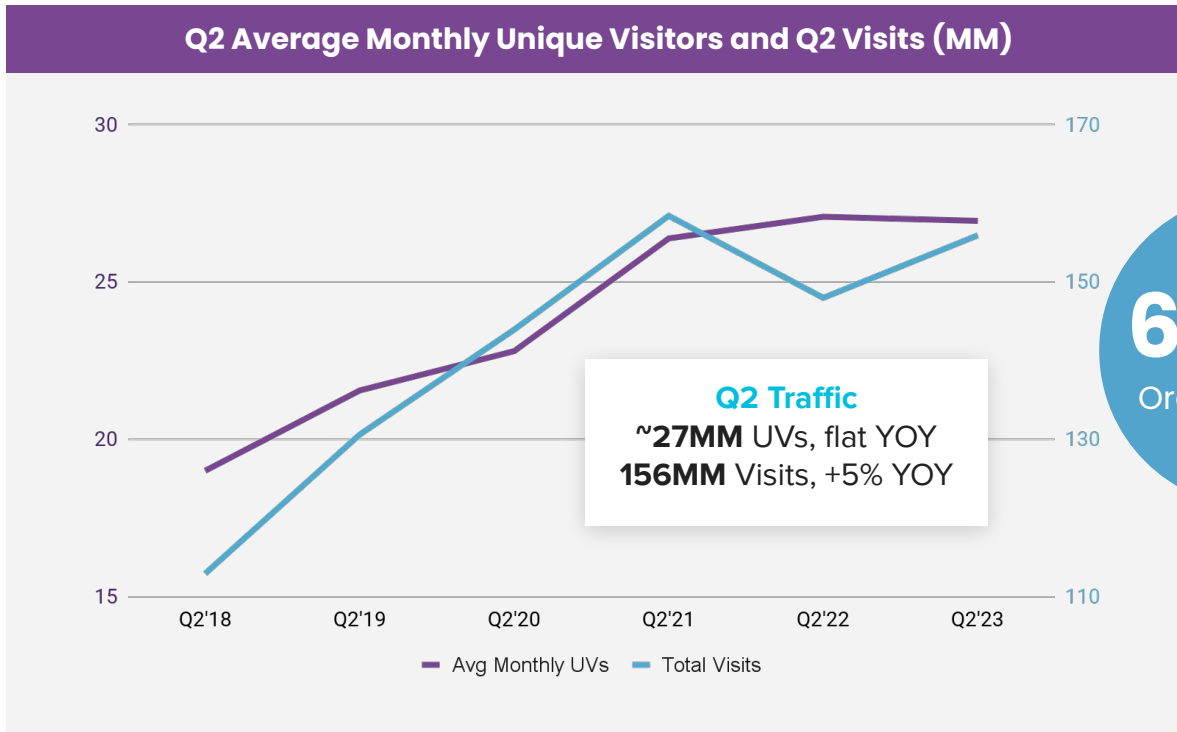
Dealer Inspire Website Customers



Accu-Trade Connected Customers



# Platform Strength Driven by High-Quality Traffic

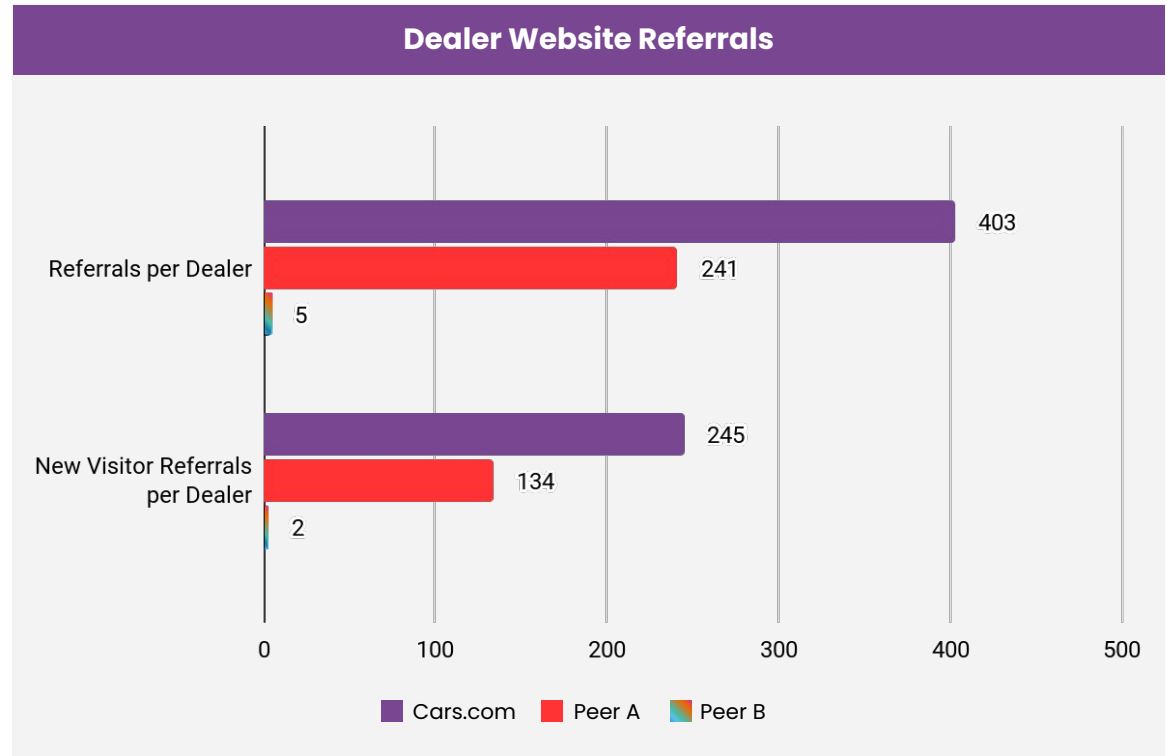


**60% +**  
Organic Traffic



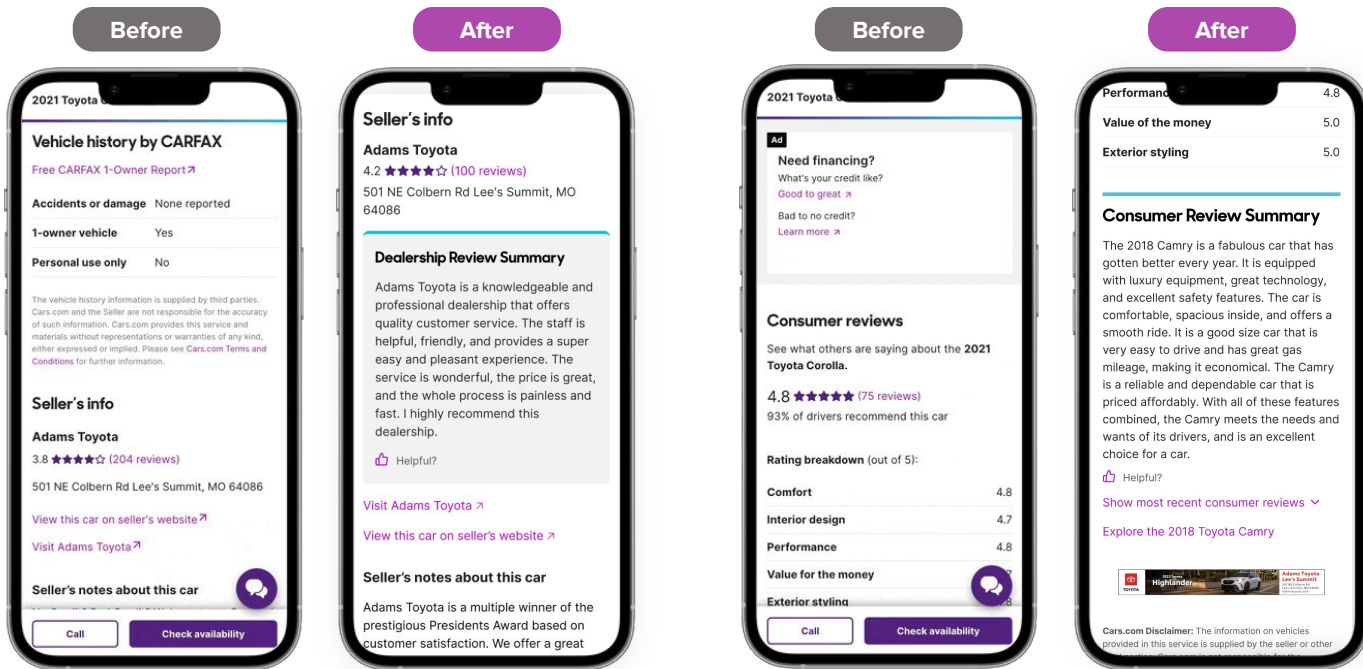
## Our Platform Generates Nearly 2X More Traffic to Dealer Websites than Peers

Shoppers who visit Cars.com and a dealer website are **3X MORE** likely to buy a car than shoppers who only visit a dealer website



Source: Dealer Inspire Google Analytics (approximately 4,900 DI websites analyzed that received a referral from at least one marketplace), Q2 2023

# Artificial Intelligence Further Simplifies Buying & Selling Experience



DEALER REVIEWS

VEHICLE REVIEWS

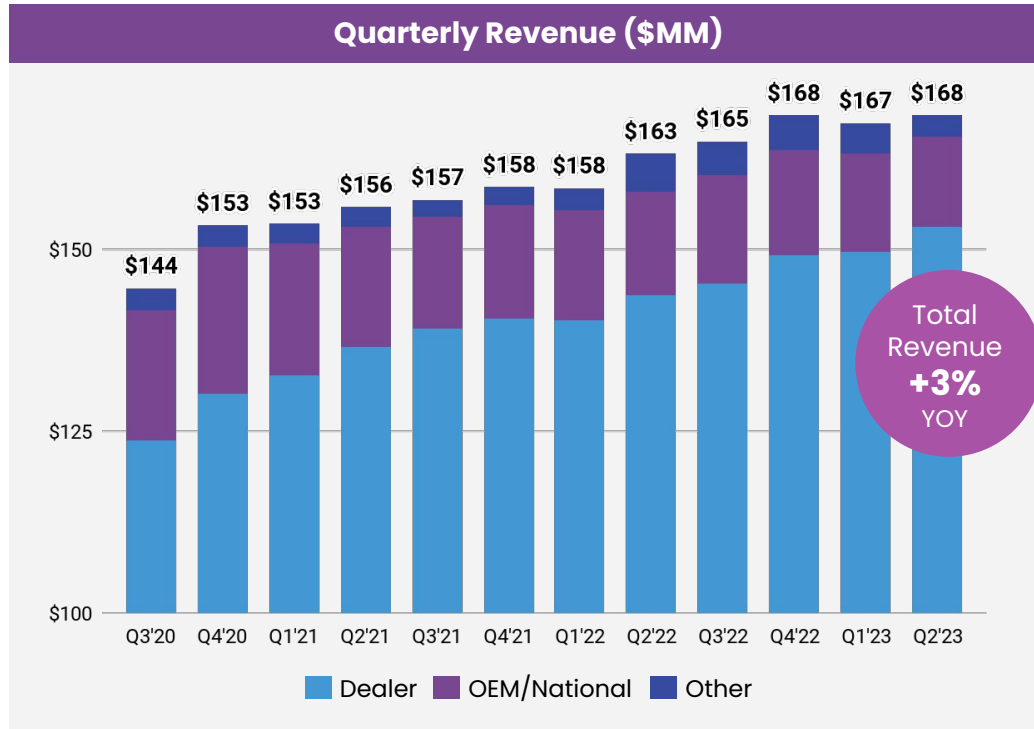


# Launched New Cars.com Ad Campaign and Refreshed Logo

“Possibilities” reminds us that car buying is fun and spurred by various life changes



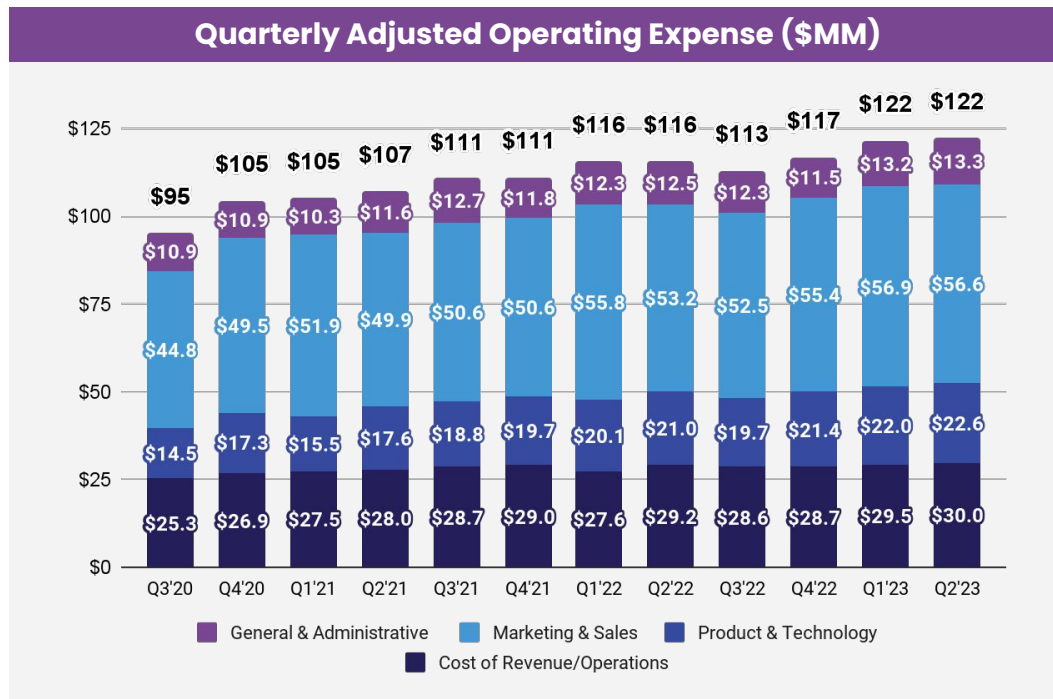
# Dealer Revenue Growth +6% YOY



## Drivers of Revenue Growth

- Dealer Revenue +6% YOY driven by growth in solutions, media upsells and Marketplace Repackaging Initiative
- Dealer revenue growth was partially offset by softer OEM and National revenue

## Disciplined Investment in Growth

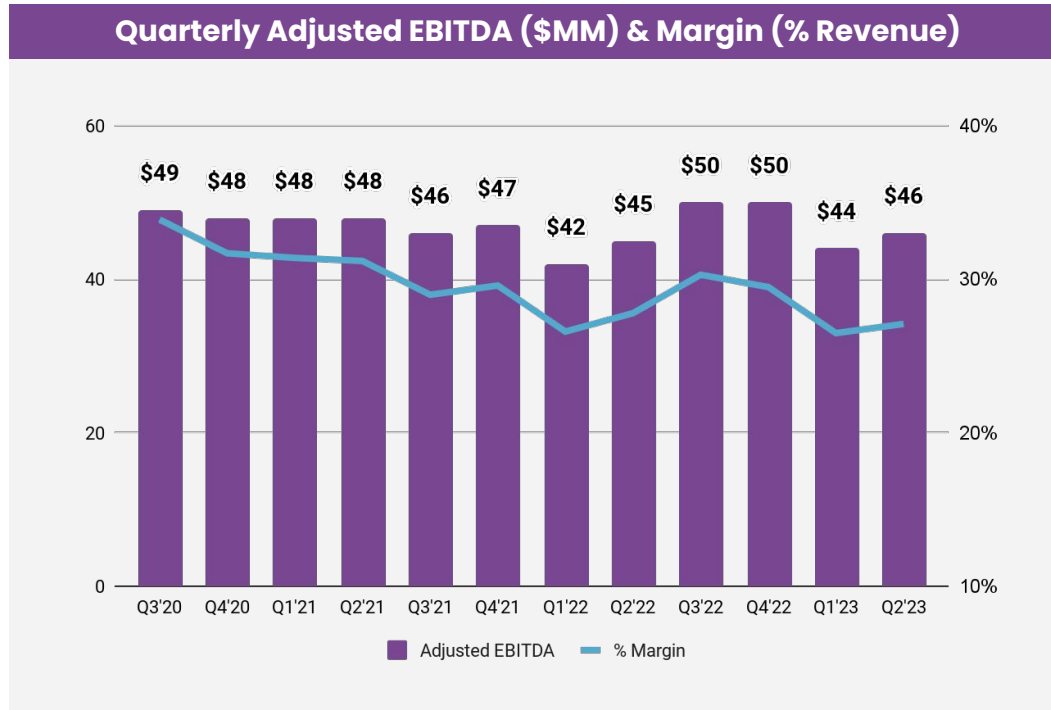


### Drivers of Changes in Expense

- YOY increase in Marketing and sales due to compensation expense and our investment in the Cars.com brand
- YOY increase in Product and technology driven by compensation expense and third-party costs, including licenses and consulting costs.

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.

## Solid Adjusted EBITDA



### Drivers of Adjusted EBITDA

- Adjusted EBITDA reflects investments that support growth and higher YOY Marketing expense for new Cars.com advertising campaign



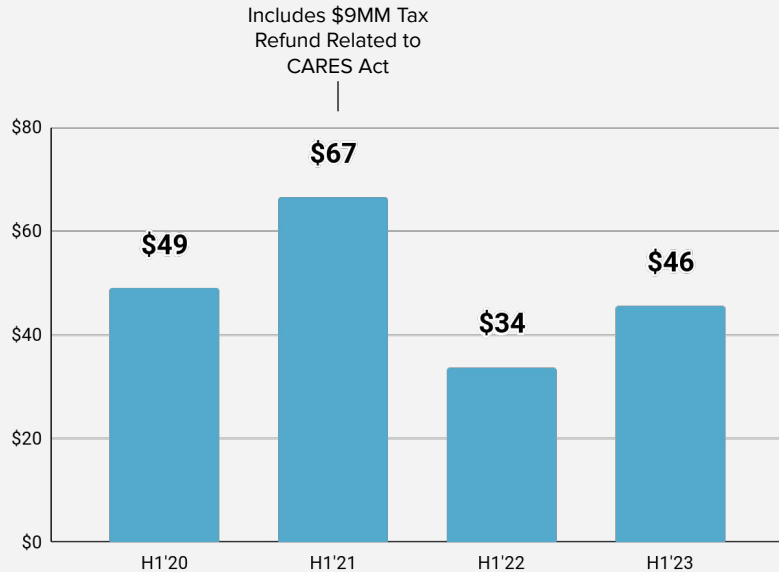
## Strength Across Key Operating Metrics

	Q2 2023	Q2 2022
<b>AVERAGE MONTHLY UNIQUE VISITORS</b>	26.9 MM	27.1 MM
<b>TRAFFIC (VISITS)</b>	156.0 MM	148.0 MM
<b>MONTHLY ARPD <sup>1</sup></b>	\$2,472	\$2,326
<b>DEALER CUSTOMERS</b>	18,785	19,517

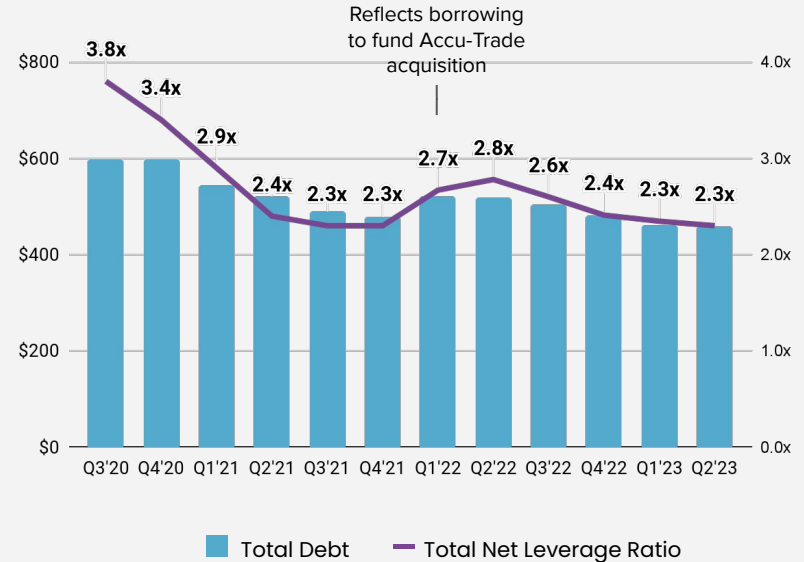
<sup>1</sup>ARPD excludes revenue from Dealer Inspire digital advertising services.

# Robust Cash Flow, Solid Balance Sheet

YTD Free Cash Flow Trend (\$MM)



Total Debt (\$MM) & Net Leverage Ratio





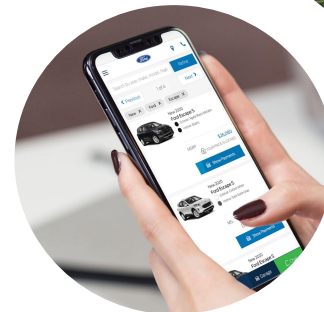


## Q3 2023 OUTLOOK

- Q3 Revenue: \$172.0 to \$174.0 million
  - Represents 4.5% to 5.7% YOY growth
- Q3 Adjusted EBITDA margin: 26.5% to 28.5%

## RAISED MIDPOINT OF FULL-YEAR REVENUE GUIDANCE

- Full Year Revenue: YOY growth of 4% to 6%
- Adjusted EBITDA margins are expected to improve over the course of the year and we expect to exit Q4 with Adjusted EBITDA margins approaching 30%





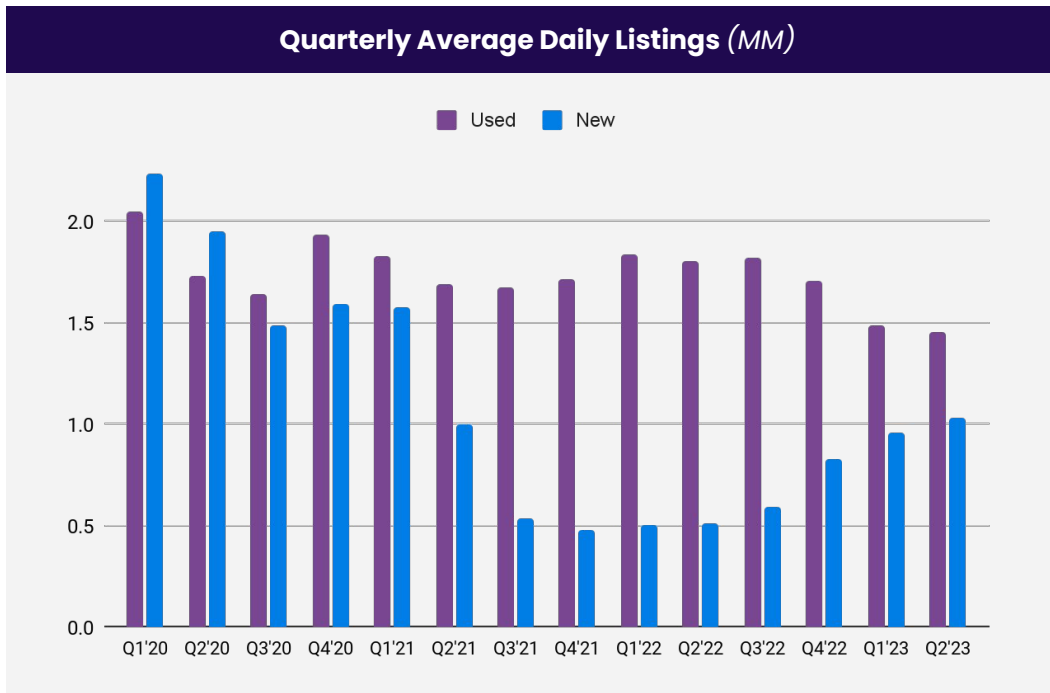
# Q&A



# Appendix

## New Car Market Continues Recovery

- Although still below historical levels, new vehicle daily inventory listings on Cars.com are up 7% QOQ and 101% YOY
- Used car market remains healthy



# Non-GAAP Reconciliations (unaudited and in thousands)



**Cars.com Inc.**  
**Non-GAAP Reconciliations**  
*(In thousands)*  
*(Unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Reconciliation of Net income to Adjusted EBITDA</b>				
Net income	\$ 94,126	\$ 5,545	\$ 105,605	\$ 9,885
Interest expense, net	8,150	9,047	16,394	18,377
Income tax (benefit) expense	(93,075)	739	(92,030)	(1,782)
Depreciation and amortization	24,669	23,001	48,711	47,554
Stock-based compensation	7,720	6,581	14,672	11,998
Write-off of long-lived assets and other	195	15	330	(31)
Severance, transformation and other exit costs	661	1,419	1,878	1,811
Transaction-related items	3,203	(1,043)	(5,574)	(486)
Adjusted EBITDA	\$ 45,649	\$ 45,304	\$ 89,986	\$ 87,326

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

Net cash provided by operating activities	\$ 28,041	\$ 11,922	\$ 56,182	\$ 42,280
Capitalization of internally developed technology	(4,889)	(4,108)	(10,061)	(7,624)
Purchase of property and equipment	(309)	(439)	(508)	(931)
Free cash flow	\$ 22,843	\$ 7,375	\$ 45,613	\$ 33,725

## Non-GAAP Reconciliations (unaudited and in thousands)



### Reconciliation of Operating expenses to Adjusted operating expenses for the Three Months Ended June 30, 2023:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 30,415	\$ —	\$ (443)	\$ 29,972
Product and technology	24,956	—	(2,372)	22,584
Marketing and sales	58,153	—	(1,531)	56,622
General and administrative	17,649	(982)	(3,374)	13,293
Depreciation and amortization	24,669	—	—	24,669
Total operating expenses	\$ 155,842	\$ (982)	\$ (7,720)	\$ 147,140
Total nonoperating expense, net	\$ (11,283)	\$ 3,077	\$ —	\$ (8,206)

<sup>(1)</sup> Includes transaction related items, 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 June 30, 2022:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 29,504	\$ —	\$ (324)	\$ 29,180
Product and technology	23,117	—	(2,092)	21,025
Marketing and sales	54,655	—	(1,467)	53,188
General and administrative	17,211	(2,031)	(2,698)	12,482
Depreciation and amortization	23,001	—	—	23,001
Total operating expenses	\$ 147,488	\$ (2,031)	\$ (6,581)	\$ 138,876
Total nonoperating expense, net	\$ (9,101)	\$ (15)	\$ —	\$ (9,116)

<sup>(1)</sup> Includes severance, transformation and other exit costs, transaction related items, 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 Six Months Ended June 30, 2023:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 60,210	\$ —	\$ (750)	\$ 59,460
Product and technology	49,057	—	(4,429)	44,628
Marketing and sales	116,450	—	(2,964)	113,486
General and administrative	35,953	(2,899)	(6,529)	26,525
Depreciation and amortization	48,711	—	—	48,711
Total operating expenses	\$ 310,381	\$ (2,899)	\$ (14,672)	\$ 292,810
Total nonoperating expense, net	\$ (11,288)	\$ (5,182)	\$ —	\$ (16,470)

<sup>(1)</sup>Includes transaction related items, 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 Six Months Ended June 30, 2022:

	As Reported	Adjustments <sup>(1)</sup>	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 57,256	\$ —	\$ (519)	\$ 56,737
Product and technology	44,424	—	(3,332)	41,092
Marketing and sales	111,749	—	(2,772)	108,977
General and administrative	33,771	(3,646)	(5,375)	24,750
Depreciation and amortization	47,554	—	—	47,554
Total operating expenses	\$ 294,754	\$ (3,646)	\$ (11,998)	\$ 279,110
Total nonoperating expense, net	\$ (18,223)	\$ (185)	\$ —	\$ (18,408)

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



**Average Monthly Unique Visitors (“UVs”) and Traffic (“Visits”).** The Company defines UVs in a given month as the number of distinct visitors that engage with its 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 its mobile apps on an individual device. If a visitor accesses more than one of its web properties or apps or uses more than one device or browser, each of those unique property/browser/app/device combinations counts toward the number of UVs. Traffic is defined as the number of visits to CARS desktop and mobile properties (responsive sites and mobile apps). The Company measures UVs and Traffic via Adobe Analytics. These metrics do not include traffic to Dealer Inspire websites.

**Monthly Average Revenue Per Dealer (“ARPD”).** The Company believes that its ability to grow ARPD is an indicator of the value proposition of its platform. The Company defines ARPD as Dealer revenue, excluding digital advertising services, during the period divided by the monthly average number of Dealer Customers during the same period. Beginning with the three months ended June 30, 2022, Accu-Trade is included in its ARPD metric, which had an immaterial impact on ARPD for the quarterly periods. No prior period has been recast as it would be impracticable to do so.

**Dealer Customers.** Dealer Customers represent dealerships using the Company’s 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. Beginning June 30, 2022, this key operating metric includes Accu-Trade; however, no prior period has been recast as it would be impracticable to do so.



**THANK YOU!**



**CARS**