



Third Quarter 2022 Earnings

November 3, 2022

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 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 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, 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, 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 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 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 internal-use software and website development costs.

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.

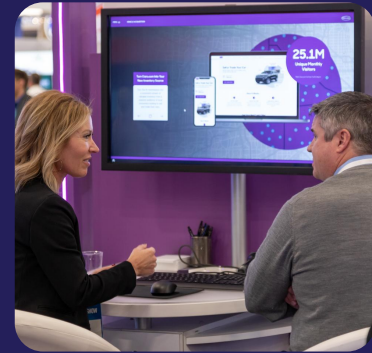
Solid Q3 2022 Results



**Continued
Innovation and
Product Adoption**



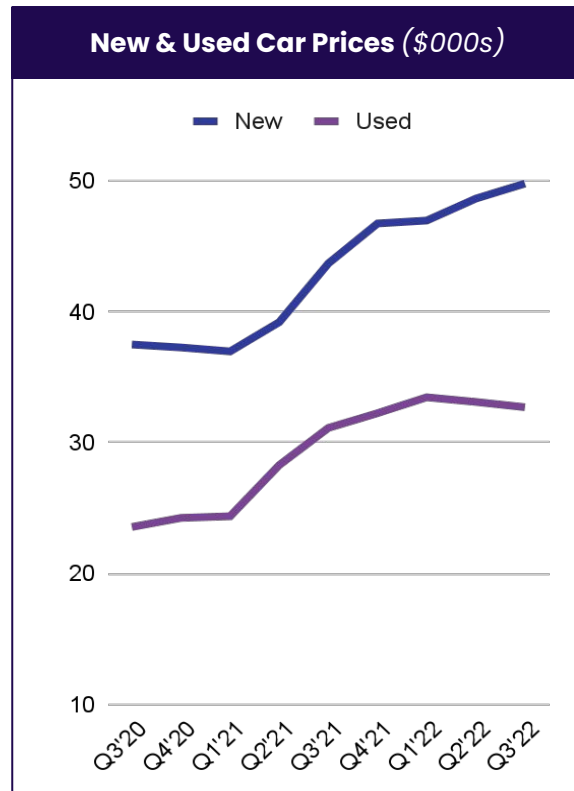
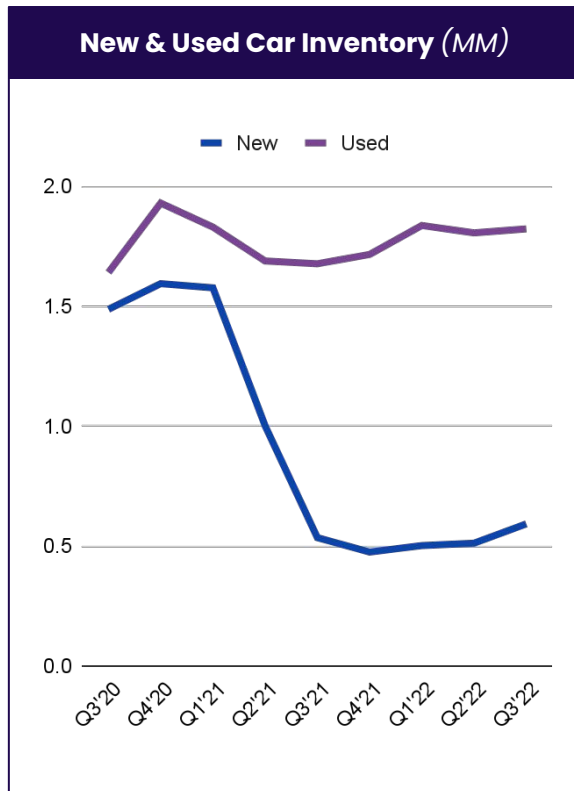
**Dealer Growth and
Strong Customer
Retention**



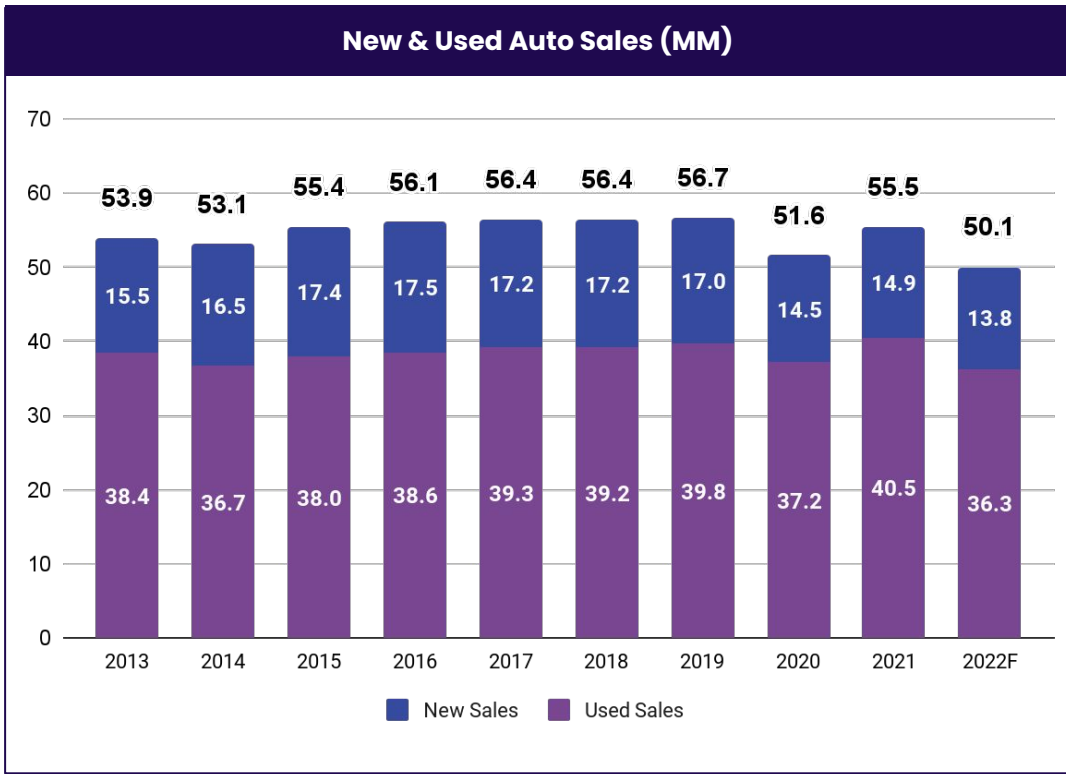
**Revenue Growth and
Strong Cash Flow**

Inventory Showing Signs of Improvement

- New-car listings on our marketplace are up 11% YOY.
- Used-car listings on our marketplace are up 9% YOY.
- Used car prices remain high but have declined 1% QOQ as new car inventory levels are beginning to increase.



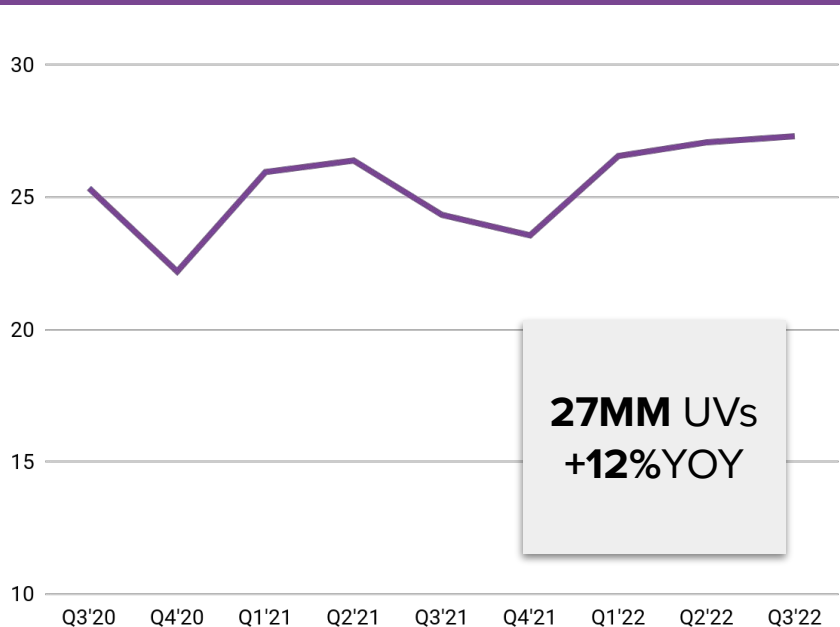
Resiliency of the Auto Market



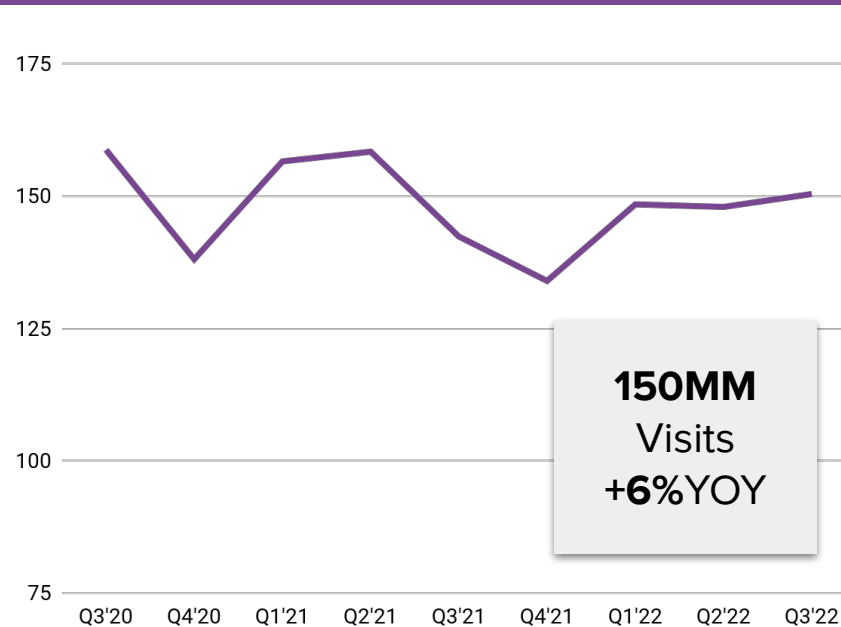
Sources: BEA (new car), NADA (used car)

High-Quality In-Market Demand at Scale

Average Monthly Unique Visitors (MM)



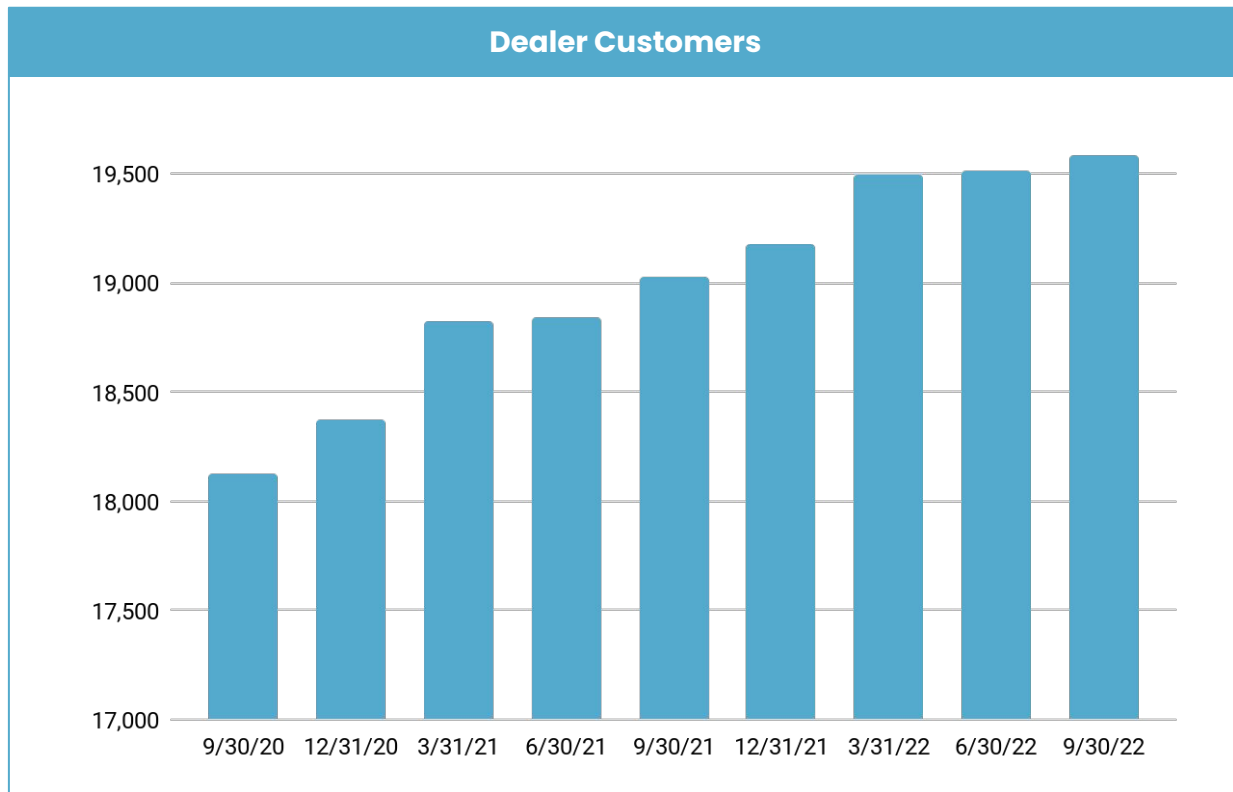
Total Visits (MM)



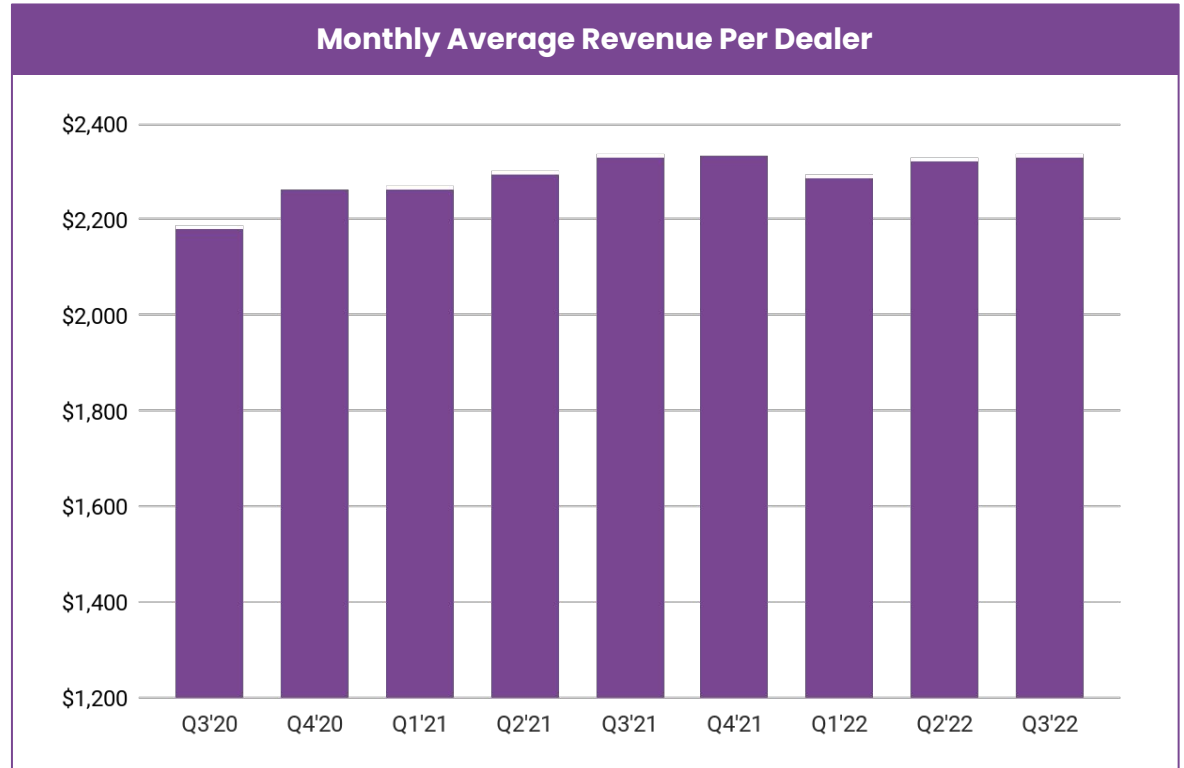
Healthy Dealer Customer Growth, Supported by Strong Retention

+556

Q3 YOY Growth



ARPD Strong, Driven by Value Delivery and Growth in Solutions



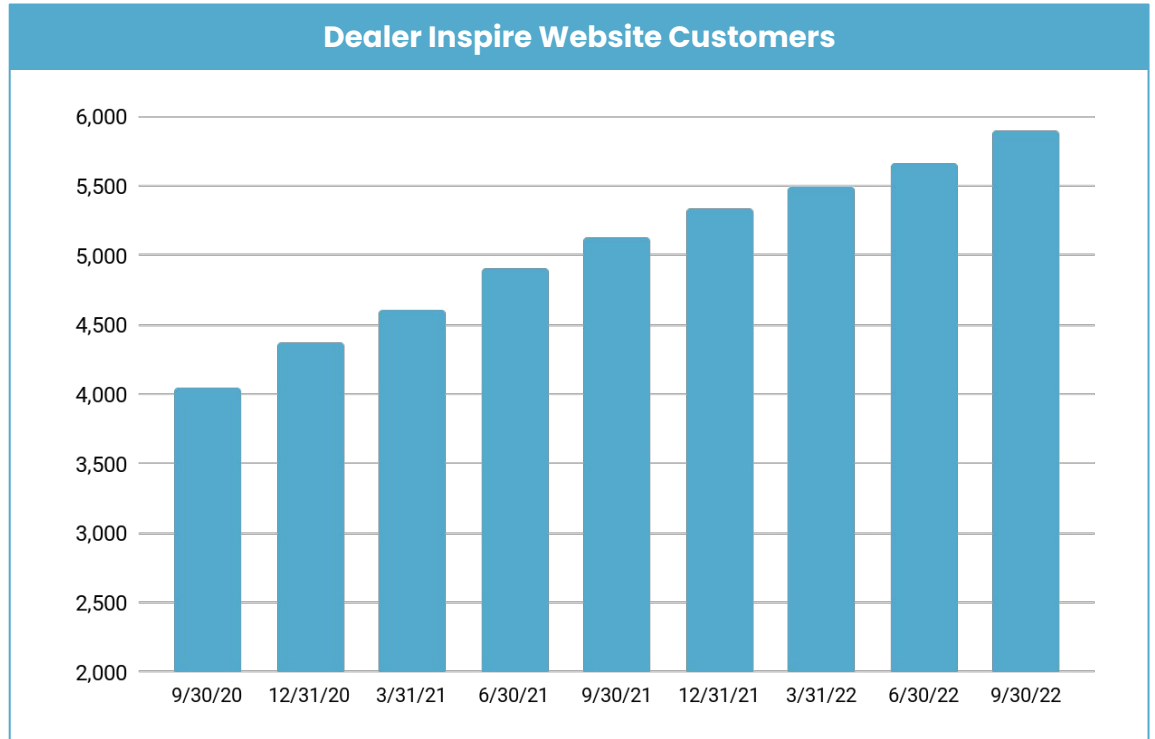
ARPD excludes revenue from Dealer Inspire digital advertising services.



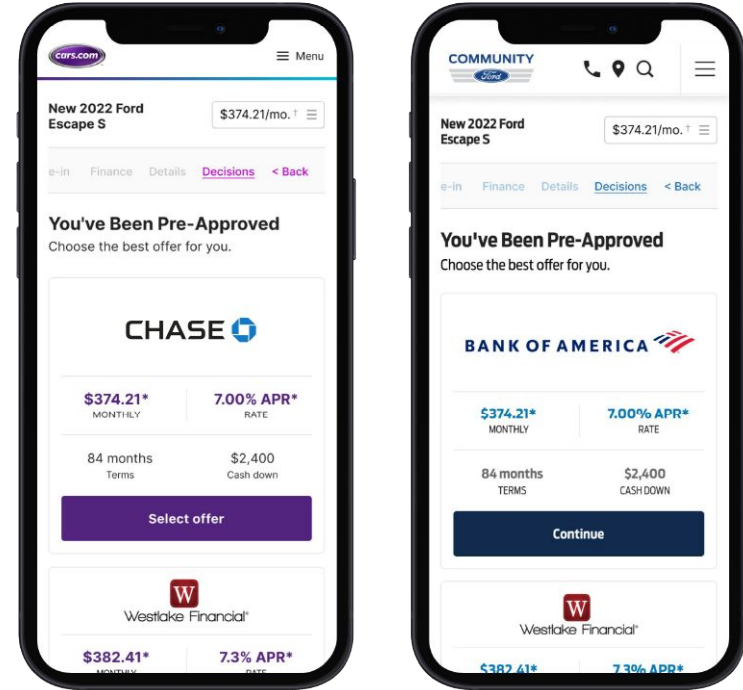
Continued Growth in Website Customers

5,900

Total Website Customers



Expanded Lender Network Drives Dealer Adoption and Consumer Financing Options

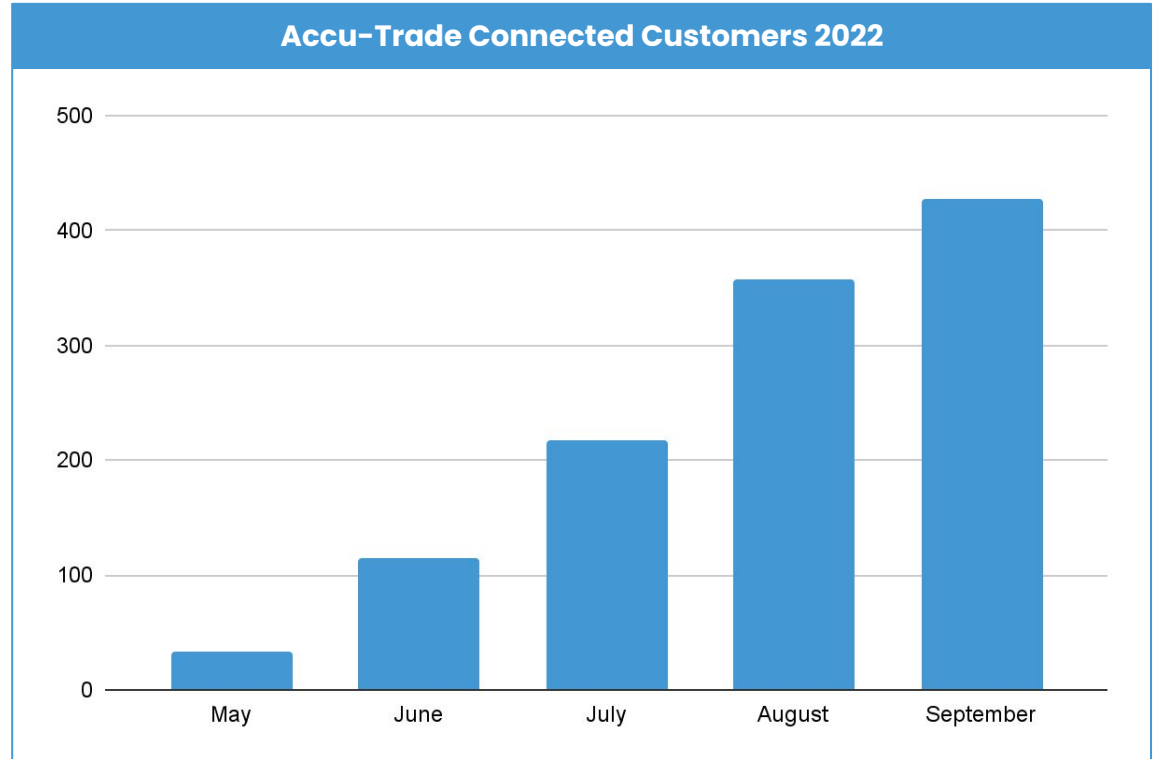


Digital Financing on Cars.com & Dealer Websites

Demand for Accu-Trade Remains Robust

400+

Accu-Trade Connected Customers



Accu-Trade Customer Testimonial

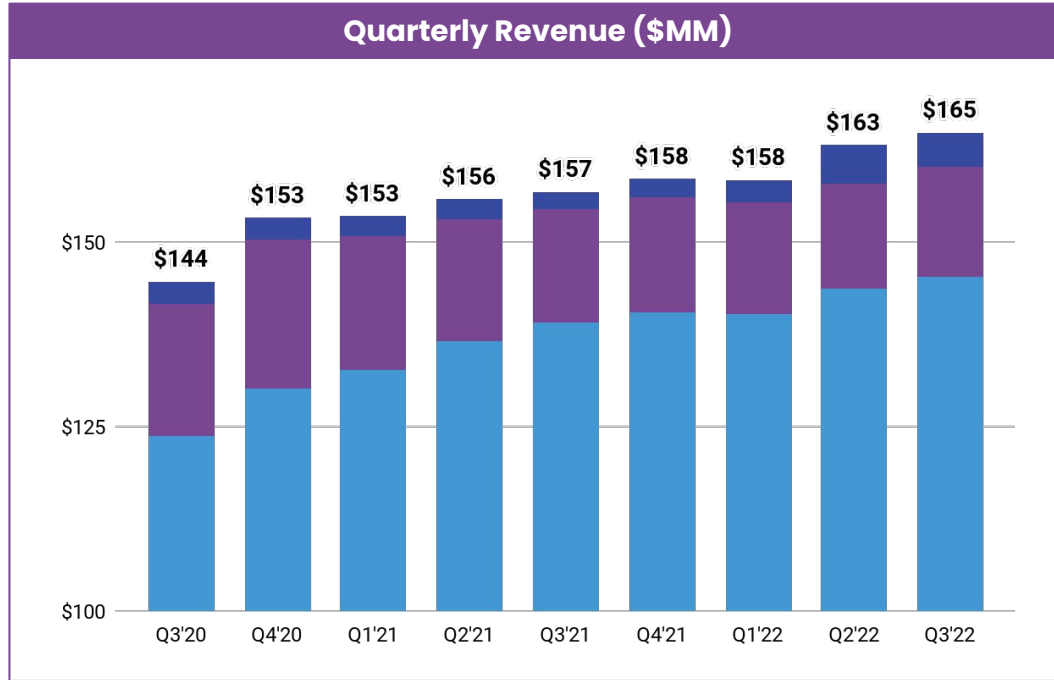
“Before using Accu-Trade it would take up to an hour to appraise each vehicle and now it takes as little as 15 minutes. With more than 1,800 vehicles appraised this quarter, this is a meaningful savings, cutting our time spent by 75%. We recently adjusted our trade-in process onto Accu-Trade 100%, expanding the technology to all eight of our stores.”

Joel Bassam | President | Easterns Automotive Group



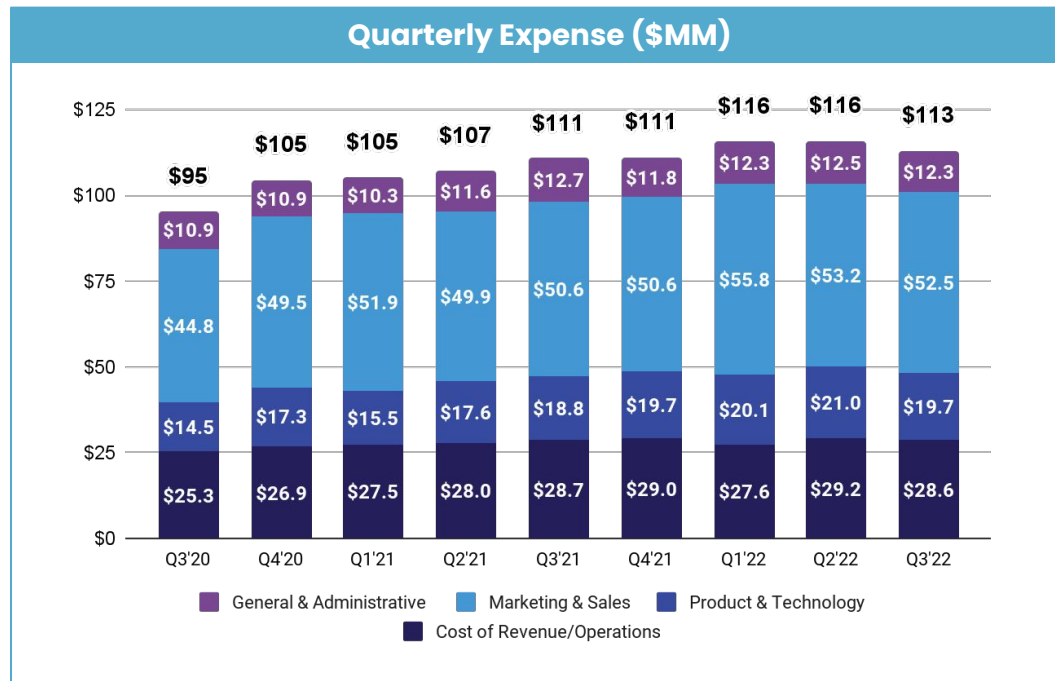


Revenue Growth Continues



Other OEM/National Dealer

Disciplined Management of Operating Expenses

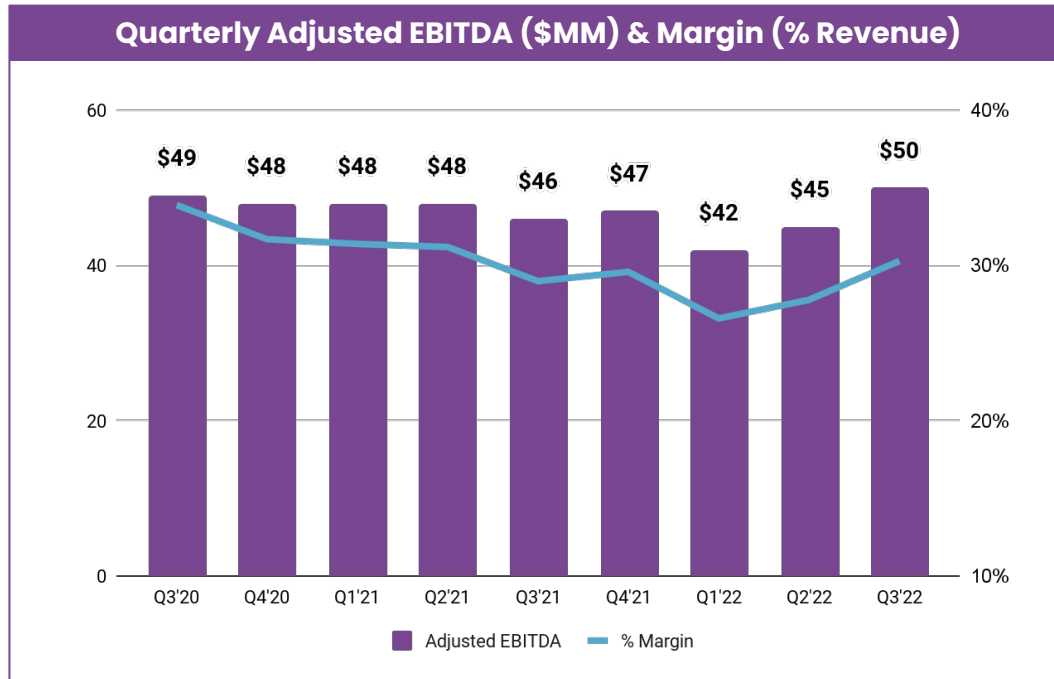


Drivers of Changes in Expense

- QOQ decrease primarily the result of lower marketing investments due to strength in audience
- YOY increase primarily due to recent acquisitions and investment in growth

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.

Strong Adjusted EBITDA





Growth Across All Key Operating Metrics

	Q3 2022	Q3 2021
AVERAGE MONTHLY UNIQUE VISITORS	27.3 MM	24.3 MM
TRAFFIC (VISITS)	150.4 MM	142.4 MM
MONTHLY ARPD ¹	\$2,334	\$2,332
DEALER CUSTOMERS	19,585	19,029

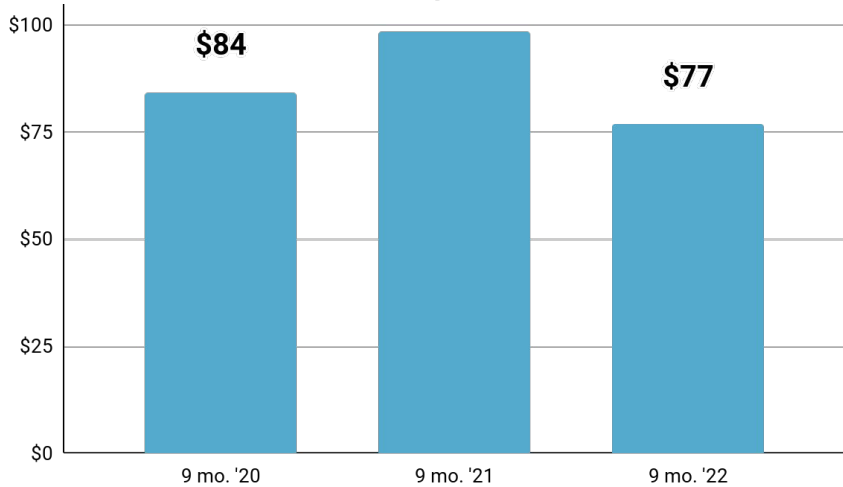
¹ARPD excludes revenue from Dealer Inspire digital advertising services.

Robust Cash Flow, Solid Balance Sheet

YTD Free Cash Flow Trend (\$MM)

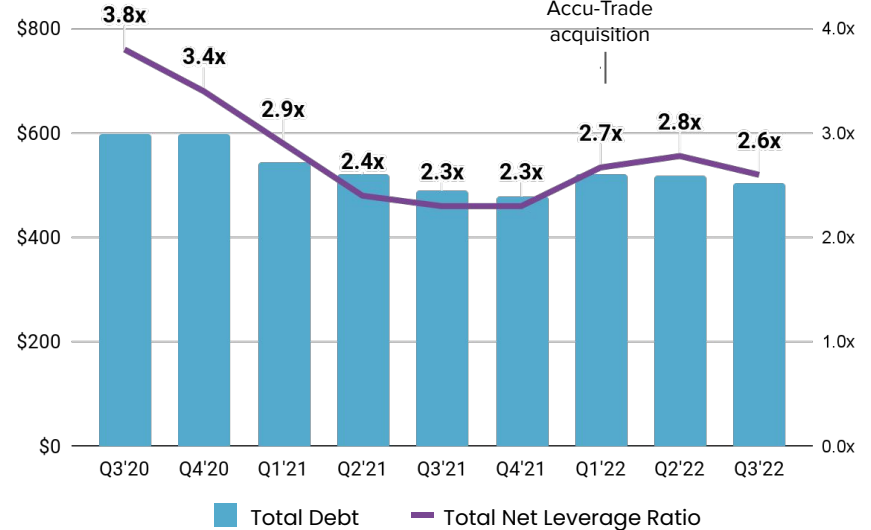
Includes \$9MM Tax Refund Related to CARES Act

\$98



Total Debt (\$MM) & Net Leverage Ratio

Reflects borrowing to fund Accu-Trade acquisition



Q4 2022 Outlook

- Q4 Revenue: \$165 to \$167 million
 - Represents sequential and YOY growth even in this challenging macroeconomic environment
- Q4 Adjusted EBITDA margin: 28.5% to 30.0%





Q&A



Appendix

Non-GAAP Reconciliations (unaudited and in thousands)



	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Reconciliation of Net income to Adjusted EBITDA				
Net (loss) income	\$ (2,941)	\$ 2,431	\$ 6,944	\$ 13,675
Interest expense, net	8,501	9,522	26,878	29,362
Income tax expense (benefit)	952	140	(830)	1,257
Depreciation and amortization	23,134	25,552	70,688	76,530
Stock-based compensation	5,578	5,623	17,576	16,760
Write-off of long-lived assets and other	100	809	70	888
Severance, transformation and other exit costs	1,558	1,073	3,369	2,780
Transaction-related items	13,001	622	12,514	1,134
Adjusted EBITDA	\$ 49,883	\$ 45,772	\$ 137,209	\$ 142,386

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

Net cash provided by operating activities	\$ 49,011	\$ 36,607	\$ 91,291	\$ 116,226
Purchase of property and equipment	(5,844)	(4,784)	(14,399)	(17,879)
Free cash flow	\$ 43,167	\$ 31,823	\$ 76,892	\$ 98,347

Non-GAAP Reconciliations (unaudited and in thousands)



Reconciliation of Operating expenses to Adjusted operating expenses for the Three Months Ended September 30, 2022:

	As Reported	Adjustments ⁽¹⁾	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 28,828	\$ —	\$ (240)	\$ 28,588
Product and technology	21,425	—	(1,754)	19,671
Marketing and sales	53,615	—	(1,132)	52,483
General and administrative	17,694	(2,924)	(2,452)	12,318
Depreciation and amortization	23,134	—	—	23,134
Total operating expenses	\$ 144,696	\$ (2,924)	\$ (5,578)	\$ 136,194
Total nonoperating expense, net	\$ (21,888)	\$ 13,360	\$ —	\$ (8,528)

⁽¹⁾ 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 September 30, 2021:

	As Reported	Adjustments ⁽¹⁾	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 28,928	\$ —	\$ (187)	\$ 28,741
Product and technology	20,132	—	(1,323)	18,809
Marketing and sales	51,948	—	(1,374)	50,574
General and administrative	17,919	(2,458)	(2,739)	12,722
Depreciation and amortization	25,552	—	—	25,552
Total operating expenses	\$ 144,479	\$ (2,458)	\$ (5,623)	\$ 136,398
Total nonoperating expense, net	\$ (9,503)	\$ 46	\$ —	\$ (9,457)

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

Non-GAAP Reconciliations (unaudited and in thousands)



Reconciliation of Operating expenses to Adjusted operating expenses for the Nine Months Ended September 30, 2022:

	As Reported	Adjustments ⁽¹⁾	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 86,084	\$ —	\$ (759)	\$ 85,325
Product and technology	65,849	—	(5,086)	60,763
Marketing and sales	165,364	—	(3,904)	161,460
General and administrative	51,465	(6,570)	(7,827)	37,068
Depreciation and amortization	70,688	—	—	70,688
Total operating expenses	\$ 439,450	\$ (6,570)	\$ (17,576)	\$ 415,304
Total nonoperating expense, net	\$ (40,111)	\$ 13,175	\$ —	\$ (26,936)

⁽¹⁾ 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 Nine Months Ended September 30, 2021:

	As Reported	Adjustments ⁽¹⁾	Stock-Based Compensation	As Adjusted
Cost of revenue and operations	\$ 84,978	\$ —	\$ (730)	\$ 84,248
Product and technology	56,326	—	(4,399)	51,927
Marketing and sales	156,468	—	(4,135)	152,333
General and administrative	46,800	(4,677)	(7,496)	34,627
Depreciation and amortization	76,530	—	—	76,530
Total operating expenses	\$ 421,102	\$ (4,677)	\$ (16,760)	\$ 399,665
Total nonoperating expense, net	\$ (29,344)	\$ 125	\$ —	\$ (29,219)

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

Definitions: Key Metrics



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. 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 toward the number of UVs. UVs do not include UVs associated with Dealer Inspire hosted websites. We measure UVs using Adobe Analytics.

Average Revenue Per Dealer (“ARPD”). We believe that our ability to grow ARPD is an indicator of the value proposition of our platform. We define 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 the three months ended June 30, 2022, Accu-Trade is included in our ARPD metric, which had an immaterial impact on ARPD; however, no prior period has been recast as it would be impracticable to do so.

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. 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