



CarGurus Announces Second Quarter 2024 Results

August 8, 2024

Q2'24 Marketplace revenue accelerated to 14% YoY, marking the third consecutive quarter of double-digit growth

Consolidated GAAP Net Loss of \$68.7 million¹; Non-GAAP Adjusted EBITDA of \$55.6 million, up 23% YoY

Repurchased \$61 million worth of shares in 2Q'24, representing 2.5% of our outstanding capital

CAMBRIDGE, Mass., Aug. 08, 2024 (GLOBE NEWSWIRE) -- CarGurus, Inc. (Nasdaq: CARG), the No. 1 visited digital auto platform for shopping, buying, and selling new and used vehicles*, today announced financial results for the second quarter ended June 30, 2024.

"Our Marketplace business continued to accelerate, achieving the largest quarterly revenue increase since 2021, driven by higher adoption of add-on products, continued migration toward premium subscription tiers, and expansion in our global paying dealer base," said Jason Trevisan, Chief Executive Officer at CarGurus. "In our Digital Wholesale business, we are focused on rebuilding our leadership team, optimizing our go-to-market execution and operational capabilities. Our platform, services and actionable data insights are becoming an integral part of our dealers' daily workflow, and continue to drive engagement and long-term retention".

Second Quarter Financial Highlights

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	Results (in millions)	Variance from Prior Year	Results (in millions)	Variance from Prior Year
Revenue				
Marketplace Revenue	\$ 195.2	14 %	\$ 382.4	13 %
Wholesale Revenue	13.1	(59)%	29.2	(49)%
Product Revenue	10.4	(72)%	22.9	(70)%
Total Revenue	\$ 218.7	(9)%	\$ 434.5	(8)%
Gross Profit	\$ 182.4	11 %	\$ 357.4	12 %
% Margin	83 %	1,496 bps	82 %	1,461 bps
Operating Expenses ⁽²⁾	\$ 276.0	89 %	\$ 424.7	48 %
GAAP Consolidated Net Loss ⁽¹⁾	\$ (68.7)	(597)%	\$ (47.4)	(285)%
Non-GAAP Consolidated Adjusted EBITDA ⁽³⁾	\$ 55.6	23 %	\$ 106.0	23 %
% Margin ⁽³⁾	25 %	653 bps	24 %	615 bps
Cash, Cash Equivalents, and Short-Term Investments at period end ⁽⁴⁾	\$ 216.2	(31)%	\$ 216.2	(31)%

⁽¹⁾ Inclusive of \$127.7 million goodwill and other long-lived asset impairment.

⁽²⁾ Inclusive of \$127.5 million goodwill and other long-lived asset impairment.

⁽³⁾ For more information regarding our use of non-GAAP Consolidated Adjusted EBITDA and other non-GAAP financial measures, please see the reconciliations of GAAP financial measures to non-GAAP financial measures and the section titled "Non-GAAP Financial Measures and Other Business Metrics" below.

⁽⁴⁾ Metric is presented in comparison to December 31, 2023.

	Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	Results	Variance from Prior Year	Results	Variance from Prior Year
Key Performance Indicators ⁽¹⁾				
U.S. Paying Dealers ⁽²⁾	24,446	1 %	24,446	1 %
International Paying Dealers ⁽²⁾	6,906	0 %	6,906	0 %
Total Paying Dealers ⁽²⁾	31,352	1 %	31,352	1 %
U.S. QARSD ⁽²⁾	\$ 6,942	14 %	\$ 6,942	14 %

International QARSD ⁽²⁾	\$	1,935	20 %	\$	1,935	20 %
Consolidated QARSD ⁽²⁾	\$	5,848	14 %	\$	5,848	14 %
Transactions		8,778	(58)%		19,080	(50)%
U.S. Average Monthly Unique Users <i>(in millions)</i> ⁽³⁾		30.2	(5)%		32.1	1 %
U.S. Average Monthly Sessions <i>(in millions)</i> ⁽³⁾		80.8	(4)%		84.6	0 %
International Average Monthly Unique Users <i>(in millions)</i> ⁽³⁾		8.9	21 %		8.7	20 %
International Average Monthly Sessions <i>(in millions)</i> ⁽³⁾		20.4	19 %		20.1	19 %
Segment Reporting <i>(in millions)</i>						
U.S. Marketplace Segment Revenue	\$	180.1	14 %	\$	353.0	12 %
U.S. Marketplace Segment Operating Income	\$	42.0	71 %	\$	76.3	49 %
Digital Wholesale Segment Revenue	\$	23.5	(66)%	\$	52.1	(61)%
Digital Wholesale Segment Operating Loss ⁽⁴⁾	\$	(138.2)	(2,091)%	\$	(148.5)	(747)%

⁽¹⁾ For more information regarding our use of Key Performance Indicators, please see the section titled "Non-GAAP Financial Measures and Other Business Metrics" below.

⁽²⁾ Metrics presented as of June 30, 2024.

⁽³⁾ CarOffer website is excluded from the metrics presented for users and sessions.

⁽⁴⁾ Inclusive of \$127.7 million goodwill and other long-lived asset impairment.

Third Quarter 2024 Guidance

The table below provides CarGurus' guidance, which is based on recent market trends, industry conditions, and management's expectations and assumptions as of today.

Guidance Metrics	Values
Total Revenue	\$212 million to \$232 million
Marketplace Revenue	\$199 million to \$204 million
Non-GAAP Consolidated Adjusted EBITDA	\$56 million to \$64 million
Non-GAAP EPS	\$0.38 to \$0.44

The third quarter 2024 non-GAAP EPS calculation assumes 105.0 million diluted weighted-average common shares outstanding.

The assumptions that are built into guidance for the third quarter 2024 regarding our pace of paid dealer acquisition, churn, and expansion activity for the relevant period are based on recent market trends and industry conditions. Guidance for the third quarter 2024 excludes macro-level industry issues that result in dealers and consumers materially changing their recent market trends or that cause us to enact measures to assist dealers. Guidance also excludes any potential impact of foreign currency exchange gains or losses.

CarGurus has not reconciled its guidance of non-GAAP consolidated adjusted EBITDA to GAAP consolidated net loss or non-GAAP EPS to GAAP EPS because reconciling items between such GAAP and non-GAAP financial measures, which include, as applicable, stock-based compensation, amortization of intangible assets, goodwill and other long-lived asset impairment, depreciation expenses, non-intangible amortization, transaction-related expenses, other income, net, the (benefit from) provision for income taxes, and income tax effects, cannot be reasonably predicted due to, as applicable, the timing, amount, valuation, and number of future employee equity awards and the uncertainty relating to the timing, frequency and effect of acquisitions and the significance of the resulting transaction-related expenses, and therefore cannot be determined without unreasonable effort.

Conference Call and Webcast Information

CarGurus will host a conference call and live webcast to discuss its second quarter 2024 financial results and business outlook at 5:00 p.m. Eastern Time today, August 8, 2024. To access the conference call, dial (844) 826-3035 for callers in the U.S. or Canada, or (412) 317-5195 for international callers. The webcast will be available live on the Investors section of CarGurus' website at <https://investors.cargurus.com>.

An audio replay of the call will also be available to investors beginning at approximately 8:00 p.m. Eastern Time today, August 8, 2024, until 11:59 p.m. Eastern Time on August 22, 2024, by dialing (844) 512-2921 for callers in the U.S. or Canada, or (412) 317-6671 for international callers, and entering passcode 10189905. In addition, an archived webcast will be available on the Investors section of CarGurus' website at <https://investors.cargurus.com>.

About CarGurus

CarGurus (Nasdaq: CARG) is a multinational, online automotive platform for buying and selling vehicles that is building upon its industry-leading listings marketplace with both digital retail solutions and the CarOffer online wholesale platform. The CarGurus platform gives consumers the confidence to purchase and/or sell a vehicle either online or in person, and it gives dealerships the power to accurately price, effectively market, instantly acquire, and quickly sell vehicles, all with a nationwide reach. The Company uses proprietary technology, search algorithms, and data analytics to bring trust, transparency, and competitive pricing to the automotive shopping experience. CarGurus is the most visited automotive shopping site in the U.S.*

CarGurus also operates online marketplaces under the CarGurus brand in Canada and the U.K. In the U.S. and the U.K., CarGurus also operates the

Autolist and PistonHeads online marketplaces, respectively, as independent brands.

To learn more about CarGurus, visit www.cargurus.com, and for more information about CarOffer, visit www.caroffer.com.

*Source: Similarweb: Traffic Report, Q2 2024, U.S.

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Cautionary Language Concerning Forward-Looking Statements

This press release includes forward-looking statements. Other than statements of historical facts, all statements contained in this press release, including statements regarding our future financial and business performance for the third quarter 2024; our business and growth strategy and our plans to execute on our growth strategy; our ability to grow our business profitably and efficiently; our expectation that we will continue to invest in growth initiatives; our ability to quickly make transformations necessary for our business to achieve long-term goals; and the impact of macro-level issues on our industry, business, and financial results, are forward-looking statements. The words “aim,” “anticipate,” “believe,” “could,” “estimate,” “expect,” “goal,” “guide,” “guidance,” “intend,” “may,” “might,” “plan,” “potential,” “predicts,” “projects,” “seeks,” “should,” “target,” “will,” “would,” and similar expressions and their negatives are intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives, and financial needs. You should not rely upon forward-looking statements as predictions of future events.

These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those reflected in such statements, including risks related to our growth and our ability to grow our revenue; our relationships with dealers; competition in the markets in which we operate; market growth; our ability to innovate; our ability to realize benefits from our acquisitions and successfully implement the integration strategies in connection therewith; impairment of the carrying value of our goodwill, intangible assets, or right-of-use assets; increased inflation and interest rates, global supply chain challenges, and other macroeconomic issues; the material weakness identified in our internal controls over financial reporting; changes in our key personnel; natural disasters, epidemics, or pandemics; and our ability to operate in compliance with applicable laws, as well as other risks and uncertainties as may be detailed from time to time in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q and other reports we file with the U.S. Securities and Exchange Commission. Moreover, we operate in very competitive and rapidly changing environments. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, we cannot guarantee that future results, levels of activity, performance, achievements, or events and circumstances reflected in the forward-looking statements will occur. We are under no duty to update any of these forward-looking statements after the date of this press release to conform these statements to actual results or revised expectations, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this press release.

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Unaudited Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

	As of June 30, 2024	As of December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 216,169	\$ 291,363
Short-term investments	—	20,724
Accounts receivable, net of allowance for doubtful accounts of \$616 and \$610, respectively	39,757	39,963
Inventory	459	331
Prepaid expenses, prepaid income taxes and other current assets	18,131	25,152
Deferred contract costs	11,614	11,095
Restricted cash	2,196	2,563
Total current assets	288,326	391,191
Property and equipment, net	130,023	83,370
Intangible assets, net	12,824	23,056
Goodwill	46,576	157,898
Operating lease right-of-use assets	137,133	169,682
Deferred tax assets	117,503	73,356

Deferred contract costs, net of current portion	13,242	12,998
Other non-current assets	7,704	7,376
Total assets	\$ 753,331	\$ 918,927
Liabilities, redeemable noncontrolling interest and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 46,107	\$ 47,854
Accrued expenses, accrued income taxes and other current liabilities	33,924	33,718
Deferred revenue	21,785	21,322
Operating lease liabilities	10,225	12,284
Total current liabilities	112,041	115,178
Operating lease liabilities	183,732	182,106
Deferred tax liabilities	41	58
Other non-current liabilities	5,444	4,733
Total liabilities	301,258	302,075
Stockholders' equity:		
Preferred stock, \$0.001 par value per share; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Class A common stock, \$0.001 par value per share; 500,000,000 shares authorized; 87,005,403 and 92,175,243 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	87	92
Class B common stock, \$0.001 par value per share; 100,000,000 shares authorized; 15,999,173 and 15,999,173 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	16	16
Additional paid-in capital	146,946	263,498
Retained earnings	306,727	354,147
Accumulated other comprehensive loss	(1,703)	(901)
Total stockholders' equity	452,073	616,852
Total liabilities, redeemable noncontrolling interest and stockholders' equity	\$ 753,331	\$ 918,927

Unaudited Condensed Consolidated Income Statements

(in thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Revenue				
Marketplace	\$ 195,167	\$ 170,950	\$ 382,386	\$ 338,077
Wholesale	13,119	31,952	29,244	57,138
Product	10,406	36,835	22,858	76,485
Total revenue	218,692	239,737	434,488	471,700
Cost of revenue ⁽¹⁾⁽²⁾				
Marketplace	13,145	15,474	27,530	31,007
Wholesale	12,633	24,428	26,857	46,496
Product	10,470	35,694	22,696	75,076
Total cost of revenue	36,248	75,596	77,083	152,579
Gross profit	182,444	164,141	357,405	319,121
Operating expenses				
Sales and marketing	82,311	77,838	164,585	153,415
Product, technology, and development	36,580	37,391	72,125	73,998
General and administrative	27,429	27,267	55,495	52,186
Goodwill and other long-lived asset impairment	127,475	—	127,475	—
Depreciation and amortization	2,233	3,907	5,025	7,725
Total operating expenses	276,028	146,403	424,705	287,324
(Loss) income from operations	(93,584)	17,738	(67,300)	31,797
Other income, net				
Interest income	2,440	4,333	6,346	8,076
Other income, net	721	347	216	942
Total other income, net	3,161	4,680	6,562	9,018
(Loss) income before income taxes	(90,423)	22,418	(60,738)	40,815
(Benefit from) provision for income taxes	(21,702)	8,601	(13,318)	15,132
Consolidated net (loss) income	(68,721)	13,817	(47,420)	25,683
Net loss attributable to redeemable noncontrolling interest	—	(2,596)	—	(6,862)

Net (loss) income attributable to common stockholders	(68,721)	16,413	(47,420)	32,545
Net (loss) income per share attributable to common stockholders:				
Basic	\$ (0.66)	\$ 0.14	\$ (0.45)	\$ 0.28
Diluted	\$ (0.66)	\$ 0.12	\$ (0.45)	\$ 0.22
Weighted-average number of shares of common stock used in computing net (loss) income per share attributable to common stockholders:				
Basic	103,827,661	113,438,057	105,501,236	114,392,961
Diluted	103,827,661	114,490,651	105,501,236	115,197,890

(1) Includes depreciation and amortization expense for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023 of \$3,430, \$7,760, \$8,119, and \$15,518, respectively.

(2) Includes impairment of other long-lived assets for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023 of \$180, \$9, \$180, and \$184, respectively.

Unaudited Segment Revenue

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<i>Segment Revenue:</i>				
U.S. Marketplace	\$ 180,052	\$ 158,443	\$ 353,040	\$ 314,064
Digital Wholesale	23,525	68,787	52,102	133,623
Other	15,115	12,507	29,346	24,013
Total	\$ 218,692	\$ 239,737	\$ 434,488	\$ 471,700

Unaudited Segment (Loss) Income from Operations

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
<i>Segment (Loss) Income from Operations:</i>				
U.S. Marketplace	\$ 42,043	\$ 24,619	\$ 76,260	\$ 51,158
Digital Wholesale	(138,158)	(6,307)	(148,498)	(17,532)
Other	2,531	(574)	4,938	(1,829)
Total	\$ (93,584)	\$ 17,738	\$ (67,300)	\$ 31,797

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
Operating Activities				
Consolidated net (loss) income	\$ (68,721)	\$ 13,817	\$ (47,420)	\$ 25,683
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	5,663	11,667	13,144	23,243
Gain on sale of property and equipment	—	—	—	(460)
Currency loss (gain) on foreign denominated transactions	123	62	507	(136)
Other non-cash (income) expense, net	(816)	16	(816)	16
Deferred taxes	(35,112)	(4,490)	(44,164)	(16,411)
Provision (recoveries) for doubtful accounts	508	129	798	(171)
Stock-based compensation expense	15,337	14,603	31,159	29,507
Amortization of deferred financing costs	129	129	258	258
Amortization of deferred contract costs	3,375	2,866	6,633	5,603
Goodwill and other long-lived asset impairment	127,655	9	127,655	184
Changes in operating assets and liabilities:				
Accounts receivable	4,425	6,383	243	13,241
Inventory	(395)	1,095	(714)	4,740

Prepaid expenses, prepaid income taxes, and other assets	1,451	(1,198)	7,425	3,454
Deferred contract costs	(4,122)	(4,600)	(7,448)	(9,738)
Accounts payable	8,594	(6,128)	9,301	4,140
Accrued expenses, accrued income taxes, and other liabilities	(1,543)	(8,633)	(862)	(4,091)
Deferred revenue	356	459	476	9,016
Lease obligations	14,690	3,150	27,386	7,603
Net cash provided by operating activities	<u>71,597</u>	<u>29,336</u>	<u>123,561</u>	<u>95,681</u>
Investing Activities				
Purchases of property and equipment	(25,984)	(1,857)	(54,649)	(4,255)
Proceeds from sale of property and equipment	—	460	—	460
Capitalization of website development costs	(5,242)	(3,943)	(10,707)	(7,432)
Purchases of short-term investments	—	(95,506)	(494)	(95,506)
Sale of short-term investments	—	5,000	21,218	5,000
Advance payments to customers, net of collections	—	(2,601)	259	(2,601)
Net cash used in investing activities	<u>(31,226)</u>	<u>(98,447)</u>	<u>(44,373)</u>	<u>(104,334)</u>
Financing Activities				
Proceeds from issuance of common stock upon exercise of stock options	15	10	26	29
Payment of withholding taxes on net share settlements of restricted stock units	(6,290)	(4,828)	(11,405)	(6,894)
Repurchases of common stock	(65,037)	(22,434)	(142,479)	(91,458)
Payment of finance lease obligations	(19)	(17)	(37)	(34)
Payment of tax distributions to redeemable noncontrolling interest holders	—	(10)	—	(38)
Change in gross advance payments received from third-party transaction processor	394	(552)	(80)	(2,674)
Net cash used in financing activities	<u>(70,937)</u>	<u>(27,831)</u>	<u>(153,975)</u>	<u>(101,069)</u>
Impact of foreign currency on cash, cash equivalents, and restricted cash	(197)	(118)	(774)	211
Net decrease in cash, cash equivalents, and restricted cash	(30,763)	(97,060)	(75,561)	(109,511)
Cash, cash equivalents, and restricted cash at beginning of period	<u>249,128</u>	<u>471,681</u>	<u>293,926</u>	<u>484,132</u>
Cash, cash equivalents, and restricted cash at end of period	\$ 218,365	\$ 374,621	\$ 218,365	\$ 374,621

Unaudited Reconciliation of GAAP Consolidated Net Income to Non-GAAP Consolidated Net Income and Non-GAAP Net Income Attributable to Common Stockholders

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2024	2023 ⁽²⁾	2024	2023 ⁽²⁾
GAAP consolidated net (loss) income	\$ (68,721)	\$ 13,817	\$ (47,420)	\$ 25,683
Stock-based compensation expense	15,557	14,602	31,379	29,579
Stock-based compensation expense for CarOffer, LLC Units	—	1,225	—	1,225
Amortization of intangible assets	757	7,507	2,639	15,041
Goodwill and other asset long-lived impairment ⁽¹⁾	127,655	9	127,655	184
Transaction-related expenses	265	—	1,076	—
Income tax effects and adjustments	(32,781)	(3,312)	(37,799)	(8,678)
Non-GAAP consolidated net income	\$ 42,732	\$ 33,848	\$ 77,530	\$ 63,034
Non-GAAP net income (loss) attributable to redeemable noncontrolling interest	—	853	—	(418)
Non-GAAP net income attributable to common stockholders	\$ 42,732	\$ 32,995	\$ 77,530	\$ 63,452
Non-GAAP net income per share attributable to common stockholders:				
Basic	\$ 0.41	\$ 0.29	\$ 0.73	\$ 0.55
Diluted	\$ 0.41	\$ 0.29	\$ 0.73	\$ 0.55

Shares used in Non-GAAP per share calculations

Basic	103,828	113,438	105,501	114,393
Diluted	103,828	114,491	105,501	115,198

(1) During the three months ended June 30, 2024, we updated the table above to disclose goodwill and other asset long-lived impairment in Non-GAAP Consolidated Net Income and Non-GAAP Net Income Attributable to Common Stockholders and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

(2) We have updated the table above to separately disclose the stock-based compensation expense for CO Incentive Units, Subject Units (each as defined in the Company's Annual Report on Form 10-K as of December 31, 2023, filed on February 26, 2024), and payments made to noncontrolling interest holders, or collectively CarOffer, LLC Units, and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

Unaudited Reconciliation of GAAP Net Loss Attributable to Redeemable Noncontrolling Interest to Non-GAAP Net Income (Loss) Attributable to Redeemable Noncontrolling Interest
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023 ⁽²⁾	2024	2023 ⁽²⁾
GAAP net loss attributable to redeemable noncontrolling interest	\$ —	\$ (2,596)	\$ —	\$ (6,862)
Stock-based compensation expense ⁽¹⁾	—	208	—	429
Stock-based compensation expense for CarOffer, LLC Units ⁽¹⁾	—	467	—	467
Amortization of intangible assets ⁽¹⁾	—	2,774	—	5,548
Non-GAAP net income (loss) attributable to redeemable noncontrolling interest	\$ —	\$ 853	\$ —	\$ (418)

(1) These exclusions are adjusted to reflect the noncontrolling interest of 38% for the period prior to our acquisition of the remaining minority equity interests in CarOffer, LLC in December 2023 (the "2023 CarOffer Transaction").

(2) We have updated the table above to separately disclose the stock-based compensation expense for CarOffer, LLC Units, and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

Unaudited Reconciliation of GAAP Consolidated Net Income to Non-GAAP Consolidated Adjusted EBITDA and Non-GAAP Adjusted EBITDA
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
GAAP consolidated net (loss) income	\$ (68,721)	\$ 13,817	\$ (47,420)	\$ 25,683
Depreciation and amortization	5,663	11,667	13,144	23,243
Goodwill and other long-lived asset impairment ⁽²⁾	127,655	9	127,655	184
Stock-based compensation expense	15,557	14,602	31,379	29,579
Stock-based compensation expense for CarOffer, LLC Units	—	1,225	—	1,225
Transaction-related expenses	265	—	1,076	—
Other income, net	(3,161)	(4,680)	(6,562)	(9,018)
(Benefit from) provision for income taxes	(21,702)	8,601	(13,318)	15,132
Non-GAAP consolidated adjusted EBITDA	55,556	45,241	105,954	86,028
Non-GAAP adjusted EBITDA attributable to redeemable noncontrolling interest	—	1,590	—	913
Non-GAAP adjusted EBITDA	\$ 55,556	\$ 43,651	\$ 105,954	\$ 85,115
Non-GAAP consolidated adjusted EBITDA margin	25 %	19 %	24 %	18 %

(1) We have updated the table above to separately disclose the stock-based compensation expense for CarOffer, LLC Units, and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

(2) During the three and six months ended June 30, 2024, we recognized a goodwill impairment and presented it with long-lived asset impairment. During the three and six months ended June 30, 2023, we did not have a goodwill impairment.

Unaudited Reconciliation of GAAP Net Loss Attributable to Redeemable Noncontrolling Interest to Non-GAAP Adjusted EBITDA Attributable to Redeemable Noncontrolling Interest
(in thousands)

	Three Months Ended June 30,	Six Months Ended June 30,
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	2024	2023 ⁽²⁾	2024	2023 ⁽²⁾
GAAP net loss attributable to redeemable noncontrolling interest	\$ —	\$ (2,596)	\$ —	\$ (6,862)
Depreciation and amortization ⁽¹⁾	—	2,951	—	5,899
Other long-lived asset impairment ⁽¹⁾	—	—	—	67
Stock-based compensation expense ⁽¹⁾	—	208	—	429
Stock-based compensation expense for CarOffer, LLC Units ⁽¹⁾	—	467	—	467
Other expense, net ⁽¹⁾	—	540	—	888
Provision for income taxes ⁽¹⁾	—	20	—	25
Non-GAAP adjusted EBITDA attributable to redeemable noncontrolling interest	\$ —	\$ 1,590	\$ —	\$ 913

⁽¹⁾ These exclusions are adjusted to reflect the noncontrolling interest of 38% for the period prior to the 2023 CarOffer Transaction.

⁽²⁾ We have updated the table above to separately disclose the stock-based compensation expense for CarOffer, LLC Units, and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

Unaudited Reconciliation of GAAP Gross Profit to Non-GAAP Gross Profit and GAAP Gross Profit Margin to Non-GAAP Gross Profit Margin
(in thousands, except percentages)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023 ⁽²⁾	2024	2023 ⁽²⁾
Revenue	\$ 218,692	\$ 239,737	\$ 434,488	\$ 471,700
Cost of revenue	36,248	75,596	77,083	152,579
GAAP gross profit	182,444	164,141	357,405	319,121
Stock-based compensation expense included in Cost of revenue	60	184	291	327
Stock-based compensation expense for CarOffer, LLC Units included in Cost of revenue	—	1	—	1
Amortization of intangible assets included in Cost of revenue	—	5,250	875	10,516
Transaction-related expenses included in Cost of revenue	—	—	92	—
Other long-lived asset impairment included in Cost of revenue ⁽¹⁾	180	9	180	184
Non-GAAP gross profit	\$ 182,684	\$ 169,585	\$ 358,843	\$ 330,149
GAAP gross profit margin	83 %	68 %	82 %	68 %
Non-GAAP gross profit margin	84 %	71 %	83 %	70 %

⁽¹⁾ During the three months ended June 30, 2024, we updated the table above to disclose goodwill and other asset long-lived impairment in Non-GAAP Gross Profit and Non-GAAP Gross Profit Margin and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

⁽²⁾ We have updated the table above to separately disclose the stock-based compensation expense for CarOffer, LLC Units, and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

Unaudited Reconciliation of GAAP Expense to Non-GAAP Expense
(in thousands)

	Three Months Ended June 30, 2024						
	GAAP expense	Stock-based compensation expense	Stock-Based compensation expense for CarOffer, LLC Units	Amortization of intangible assets	Goodwill and other long-lived asset impairment ⁽²⁾	Transaction-related expenses	Non-GAAP expense
Cost of revenue	\$ 36,248	\$ (60)	\$ —	\$ —	\$ (180)	\$ —	\$ 36,008
Sales and marketing	82,311	(3,250)	—	—	—	(170)	78,891
Product, technology, and development	36,580	(6,024)	—	—	—	(62)	30,494
General and administrative	27,429	(6,223)	—	—	—	(33)	21,173
Goodwill and other long-lived asset impairment	127,475	—	—	—	(127,475)	—	—

Depreciation & amortization	2,233	—	—	(757)	—	—	1,476
Operating expenses ⁽¹⁾	\$ 276,028	\$ (15,497)	\$ —	\$ (757)	\$ (127,475)	\$ (265)	\$ 132,034
Total cost of revenue and operating expenses	\$ 312,276	\$ (15,557)	\$ —	\$ (757)	\$ (127,655)	\$ (265)	\$ 168,042

Three Months Ended June 30, 2023

	GAAP expense	Stock-based compensation expense	Stock-based compensation expense for CarOffer, LLC Units ⁽³⁾	Amortization of intangible assets	Goodwill and other long-lived asset impairment ⁽²⁾	Transaction-related expenses	Non-GAAP expense
Cost of revenue	\$ 75,596	\$ (184)	\$ (1)	\$ (5,250)	\$ (9)	\$ —	\$ 70,152
Sales and marketing	77,838	(2,871)	(1)	—	—	—	74,966
Product, technology, and development	37,391	(6,033)	(1)	—	—	—	31,357
General and administrative	27,267	(5,514)	(1,222)	—	—	—	20,531
Goodwill and other long-lived asset impairment	—	—	—	—	—	—	—
Depreciation & amortization	3,907	—	—	(2,257)	—	—	1,650
Operating expenses ⁽¹⁾	\$ 146,403	\$ (14,418)	\$ (1,224)	\$ (2,257)	\$ —	\$ —	\$ 128,504
Total cost of revenue and operating expenses	\$ 221,999	\$ (14,602)	\$ (1,225)	\$ (7,507)	\$ (9)	\$ —	\$ 198,656

Six Months Ended June 30, 2024

	GAAP expense	Stock-based compensation expense	Stock-based compensation expense for CarOffer, LLC Units	Amortization of intangible assets	Goodwill and other long-lived asset impairment ⁽²⁾	Transaction-related expenses	Non-GAAP expense
Cost of revenue	\$ 77,083	\$ (291)	\$ —	\$ (875)	\$ (180)	\$ (92)	\$ 75,645
Sales and marketing	164,585	(6,124)	—	—	—	(564)	157,897
Product, technology, and development	72,125	(12,001)	—	—	—	(63)	60,061
General and administrative	55,495	(12,963)	—	—	—	(357)	42,175
Goodwill and other long-lived asset impairment	127,475	—	—	—	(127,475)	—	—
Depreciation & amortization	5,025	—	—	(1,764)	—	—	3,261
Operating expenses ⁽¹⁾	\$ 424,705	\$ (31,088)	\$ —	\$ (1,764)	\$ (127,475)	\$ (984)	\$ 263,394
Total cost of revenue and operating expenses	\$ 501,788	\$ (31,379)	\$ —	\$ (2,639)	\$ (127,655)	\$ (1,076)	\$ 339,039

Six Months Ended June 30, 2023

	GAAP expense	Stock-based compensation expense	Stock-based compensation expense for CarOffer, LLC Units ⁽³⁾	Amortization of intangible assets	Goodwill and other long-lived asset impairment ⁽²⁾	Transaction-related expenses	Non-GAAP expense
Cost of revenue	\$ 152,579	\$ (327)	\$ (1)	\$ (10,516)	\$ (184)	\$ —	\$ 141,551
Sales and marketing	153,415	(5,955)	(1)	—	—	—	147,459
Product, technology, and development	73,998	(12,322)	(1)	—	—	—	61,675

General and administrative	52,186	(10,975)	(1,222)	—	—	—	39,989
Goodwill and other long-lived asset impairment	—	—	—	—	—	—	—
Depreciation & amortization	7,725	—	—	(4,525)	—	—	3,200
Operating expenses ⁽¹⁾	\$ 287,324	\$ (29,252)	\$ (1,224)	\$ (4,525)	\$ —	\$ —	\$ 252,323
Total cost of revenue and operating expenses	\$ 439,903	\$ (29,579)	\$ (1,225)	\$ (15,041)	\$ (184)	\$ —	\$ 393,874

(1) Operating expenses include sales and marketing, product, technology, and development, general and administrative, and depreciation & amortization.

(2) During the three months ended June 30, 2024, we updated the table above to disclose goodwill and other long-lived asset impairment in Non-GAAP Expense and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

(3) We have updated the table above to separately disclose the stock-based compensation expense for CarOffer, LLC Units, and, as such, have updated the three and six months ended June 30, 2023 for comparison purposes.

Unaudited Reconciliation of GAAP Net Cash and Cash Equivalents Provided by Operating Activities to Non-GAAP Free Cash Flow
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
GAAP net cash and cash equivalents provided by operating activities	\$ 71,597	\$ 29,336	\$ 123,561	\$ 95,681
Purchases of property and equipment	(25,984)	(1,857)	(54,649)	(4,255)
Capitalization of website development costs	(5,242)	(3,943)	(10,707)	(7,432)
Non-GAAP free cash flow	\$ 40,371	\$ 23,536	\$ 58,205	\$ 83,994

Non-GAAP Financial Measures and Other Business Metrics

To supplement our consolidated financial statements, which are prepared and presented in accordance with Generally Accepted Accounting Principles in the U.S. ("GAAP"), we provide investors with certain non-GAAP financial measures and other business metrics, which we believe are helpful to our investors. We use these non-GAAP financial measures and other business metrics for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures and other business metrics provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making.

The presentation of non-GAAP financial information and other business metrics is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. While our non-GAAP financial measures and other business metrics are an important tool for financial and operational decision-making and for evaluating our own operating results over different periods of time, we urge investors to review the reconciliation of these financial measures to the comparable GAAP financial measures included above, and not to rely on any single financial measure to evaluate our business.

While a reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to, as applicable, the timing, amount, valuation, and number of future employee equity awards and the uncertainty relating to the timing, frequency, and effect of acquisitions and the significance of the resulting transaction-related expenses, we have provided a reconciliation of non-GAAP financial measures and other business metrics to the nearest comparable GAAP measures in the accompanying financial statement tables included in this press release.

We monitor operating measures of certain non-GAAP items including non-GAAP gross profit, non-GAAP gross margin, non-GAAP expense, non-GAAP consolidated net income, non-GAAP net income attributable to common stockholders, and non-GAAP net income per share attributable to common stockholders. These non-GAAP financial measures exclude the effect of stock-based compensation expense, stock-based compensation expense for CarOffer, LLC Units, amortization of intangible assets, goodwill and other long-lived asset impairment, and transaction related-expenses. Non-GAAP consolidated net income, non-GAAP net income attributable to common stockholders, and non-GAAP net income per share attributable to common stockholders also exclude certain income tax effects and adjustments. Non-GAAP net income attributable to common stockholders and non-GAAP net income per share attributable to common stockholders also exclude non-GAAP net income (loss) attributable to redeemable noncontrolling interest. We define non-GAAP net income (loss) attributable to redeemable noncontrolling interest as net loss attributable to redeemable noncontrolling interest, adjusted to exclude: stock-based compensation expense, stock-based compensation expense for CarOffer, LLC Units, and amortization of intangible assets. These exclusions are adjusted for redeemable noncontrolling interest, as applicable. Our calculations of non-GAAP net income per share attributable to common stockholders utilize applicable GAAP share counts as included in the accompanying financial statement tables included in this press release. In addition, we evaluate our non-GAAP gross profit in relation to our revenue. We refer to this as non-GAAP gross profit margin and define it as non-GAAP gross profit divided by total revenue. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making.

We define Consolidated Adjusted EBITDA as consolidated net income, adjusted to exclude: depreciation and amortization, goodwill and other long-lived asset impairment, stock-based compensation expense, stock-based compensation expense for CarOffer, LLC Units, transaction-related

expenses, other income, net, and (benefit from) provision for income taxes.

We define Adjusted EBITDA as Consolidated Adjusted EBITDA adjusted to exclude Adjusted EBITDA attributable to redeemable noncontrolling interest.

We define Adjusted EBITDA attributable to redeemable noncontrolling interest as net loss attributable to redeemable noncontrolling interest, adjusted to exclude: depreciation and amortization, impairment of long-lived assets, stock-based compensation expense, stock-based compensation expense for CarOffer, LLC Units, other expense, net, and (benefit from) provision for income taxes. These exclusions are adjusted for redeemable noncontrolling interest of 38% by taking the noncontrolling interest's full financial results and multiplying each line item in the reconciliation by 38%. We note that we use 38%, versus 49%, to allocate the share of loss because it represents the portion attributable to the redeemable noncontrolling interest. The 38% is exclusive of CO Incentive Units, Subject Units, and 2021 Incentive Units (as each term is defined in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission on February 26, 2024), which are liability-classified awards that do not participate in the share of loss. Adjusted EBITDA attributable to redeemable noncontrolling interest is reflective of the 2023 CarOffer Transaction. Following the 2023 CarOffer Transaction, there was no redeemable noncontrolling interest as of December 1, 2023, and as a result, Consolidated Adjusted EBITDA is equivalent to Adjusted EBITDA for the three and six months ended June 30, 2024.

In addition, we evaluate our Adjusted EBITDA in relation to our revenue. We refer to this as Adjusted EBITDA margin and define it as Adjusted EBITDA divided by total revenue.

We have presented Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin because they are key measures used by our management and Board of Directors to understand and evaluate our operating performance, generate future operating plans, and make strategic decisions regarding the allocation of capital. In particular, we believe that the exclusion of certain items in calculating Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin can produce a useful measure for period-to-period comparisons of our business. We have presented Adjusted EBITDA attributable to redeemable noncontrolling interest because it is used by our management to reconcile Consolidated Adjusted EBITDA to Adjusted EBITDA. It represents the portion of Consolidated Adjusted EBITDA that is attributable to our redeemable noncontrolling interest. Adjusted EBITDA attributable to redeemable noncontrolling interest is not intended to be reviewed on its own.

We define Free Cash Flow as cash flow from operations, adjusted to include purchases of property and equipment and capitalization of website development costs. We have presented Free Cash Flow because it is a measure of our financial performance that represents the cash that we are able to generate after expenditures required to maintain or expand our asset base.

We define a paying dealer as a dealer account with an active, paid marketplace subscription at the end of a defined period. The number of paying dealers we have is important to us and we believe it provides valuable information to investors because it is indicative of the value proposition of our marketplace products, as well as our sales and marketing success and opportunity, including our ability to retain paying dealers and develop new dealer relationships.

We define Quarterly Average Revenue per Subscribing Dealer ("QARSD"), which is measured at the end of a fiscal quarter, as the marketplace revenue primarily from subscriptions to our Listings packages, and Real-time Performance Marketing, our digital advertising suite, and other digital add-on products during that trailing quarter divided by the average number of paying dealers in that marketplace during the quarter. We calculate the average number of paying dealers for a period by adding the number of paying dealers at the end of such period and the end of the prior period and dividing by two. This information is important to us, and we believe it provides useful information to investors, because we believe that our ability to grow QARSD is an indicator of the value proposition of our products and the return on investment that our paying dealers realize from our products. In addition, increases in QARSD, which we believe reflect the value of exposure to our engaged audience in relation to subscription cost, are driven in part by our ability to grow the volume of connections to our users and the quality of those connections, which result in increased opportunity to upsell package levels and cross-sell additional products to our paying dealers.

For each of our websites (excluding the CarOffer website), we define a monthly unique user as an individual who has visited any such website within a calendar month, based on data as measured by Google Analytics. We calculate average monthly unique users as the sum of the monthly unique users of each of our websites in a given period, divided by the number of months in that period. We count a unique user the first time a computer or mobile device with a unique device identifier accesses any of our websites during a calendar month. If an individual accesses a website using a different device within a given month, the first access by each such device is counted as a separate unique user. If an individual uses multiple browsers on a single device and/or clears their cookies and returns to our website within a calendar month, each such visit is counted as a separate unique user. We view our average monthly unique users as a key indicator of the quality of our user experience, the effectiveness of our advertising and traffic acquisition, and the strength of our brand awareness. Measuring unique users is important to us and we believe it provides useful information to our investors because our marketplace revenue depends, in part, on our ability to provide dealers with connections to our users and exposure to our marketplace audience. We define connections as interactions between consumers and dealers on our marketplace through phone calls, email, managed text and chat, and clicks to access the dealer's website or map directions to the dealership.

We define monthly sessions as the number of distinct visits to our websites (excluding the CarOffer website) that take place each month within a given time frame, as measured and defined by Google Analytics. We calculate average monthly sessions as the sum of the monthly sessions in a given period, divided by the number of months in that period. A session is defined as beginning with the first page view from a computer or mobile device and ending at the earliest of when a user closes their browser window, after 30 minutes of inactivity, or each night at midnight (i) Eastern Time for our U.S. and Canada websites, other than the Autolist website, (ii) Pacific Time for the Autolist website, and (iii) Greenwich Mean Time for our U.K. websites. A session can be made up of multiple page views and visitor actions, such as performing a search, visiting vehicle detail pages, and connecting with a dealer. We believe that measuring the volume of sessions in a time period, when considered in conjunction with the number of unique users in that time period, is an important indicator to us of consumer satisfaction and engagement with our marketplace, and we believe it provides useful information to our investors because the more satisfied and engaged consumers we have, the more valuable our service is to dealers.

We define Transactions within the Digital Wholesale segment as the number of vehicles processed from car dealers, consumers, and other marketplaces through the CarOffer website within the applicable period. Transactions consists of each unique vehicle (based on vehicle identification number) that reaches "sold and invoiced" status on the CarOffer website within the applicable period, including vehicles sold to car dealers, vehicles sold at third-party auctions, vehicles ultimately sold to a different buyer, and vehicles that are returned to their owners without completion of a sale transaction. We exclude vehicles processed within CarOffer's intra-group trading solution (Group Trade) from the definition of Transactions, and we

only count any unique vehicle once even if it reaches sold status multiple times. Digital Wholesale includes the purchase and sale of vehicles between dealers, or Dealer-to-Dealer transactions, and Sell My Car - Instant Max Cash Offer transactions. We view Transactions as a key business metric, and we believe it provides useful information to investors, because it provides insight into growth and revenue for the Digital Wholesale segment. Transactions drive a significant portion of Digital Wholesale segment revenue. We believe growth in Transactions demonstrates consumer and dealer utilization and our market share penetration in the Digital Wholesale segment.



Source: CarGurus, Inc.