THE STATE OF THE INDUSTRY

And what’s to come

Bruce Thompson
CEO, Founder of CarOffer
OCTOBER 2021
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Uncharted Waters: Welcome to the Future!

- 18 months of COVID-19 have pushed auto industry evolution forward by at least a decade
- Dealers and OEMs have had to adapt to lockdowns, closures, chip shortages
- The age of digital retail is here
- Wholesale has experienced a paradigm shift

#CGNAVIGATE
Pre-owned Wholesale Prices Hit Record High

- New car shortages, federal stimulus and pent up post-lockdown demand fueled a buying frenzy
- OEMs announced new car allocation reduction
- Hurricane Ida destroyed cars from LA to NJ

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<th>Week End 9/18</th>
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<td>-0.62%</td>
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• Retail prices did not follow the wholesale dip in July/August

• Turn times remained at 34 days which is historically low

• Why would a dealer sell under these circumstances? The only thing that increases wholesale volume is aggressive offers
The Auction Industry Has Changed Forever

• Adesa has indicated they will be 100% online for the future

• The heyday of packed physical auction lanes may very well be over

• Dealer-to-dealer platforms are quickly becoming the preferred transaction agent

• KAR spent nearly $1B acquiring TradeRev, Backlot, and CarWave
What to Expect

- New car shortages will continue into ’22
- Pre-owned retail and wholesale prices will remain high – at least through spring ‘22
- The new car shortage will have a ripple effect on “Nearly New” and “Off-lease” for the next several years
- Dealer-to-dealer transaction platforms will continue to gain significant market share
- Brick-and-mortar supply will continue to be constrained as dealers keep lease returns and rental car companies will be prolonging their fleet lifecycles
- Digital wholesale and digital retail platforms will begin to merge as new supply channels of “direct-from-consumer” vehicles are created with strategic transactions like CarGurus and CarOffer

Sources: Automotive News, PR Newswire, Cox Automotive - Manheim
The CarGurus/CarOffer Combination Creates Powerful Synergies

- The line between digital wholesale and retail is merging quickly
- As we’ve seen historical volatility in pre-owned prices, our dealers have taken advantage of our tools and capitalized on regional market disparity

How?

- Dealers set disciplined buy orders using CarGurus’ IMV within CarOffer’s Buying Matrix, giving them a consistent supply of inventory to help meet target profit margins...EVERY TIME
The Cargurus/CarOffer Merger has created powerful synergies. The line between digital wholesale and retail is merging quickly.
The auto industry’s first instant vehicle trade platform
The Buying Matrix & The Dealer Network

• CarOffer has developed a platform that enables dealers to pre-configure offers based on make, model, mileage, condition, score, color, logistics, etc.

• As of Q2, ~5,500 dealer rooftops were enrolled on the platform, including some of the nation's largest dealers

• Offers are instantaneous as automation replaces traditional manual processes
The Buying Matrix & The Dealer Network

- Billions of dollars in offers every day
- New inventory offers 24/7
- Select an offer to sell a car
- Similar to Amazon checkout experience
- Fresh trade integration is expected to increase appraisal win rate 20-30% instantly
Why do a deal with CarGurus when CarOffer was less than 2 years old?
37,000,000 reasons!

CarGurus’ scale, combined with CarOffer’s unique automated buying platform, enables us to level the playing field for our dealer partners so they can compete with the big box super retailers dominating the "buy from consumer" space.
CarMax + Carvana Consumer Purchases Q1

- CarMax recently stated that 70% of all their retail vehicles were sourced from consumers

- They bought 364,263 cars from consumers in the 1st quarter of 2021
  - 113,000 vehicles per month

- We estimate Carvana is now buying 50,000 vehicles per month directly from consumers

That analogy comes from the online used-car retailer’s Online Car Buyer Report, which reports that Carvana sold 244,000 vehicles in 2020 — or one every 2.2 minutes on average. Sales volume rose 37 percent compared with 2019 — an impressive jump though a slowdown from triple-digit growth in prior years.

Maybe even more important is that Carvana last year also bought a vehicle from a customer every 2.5 minutes on average for a total of 203,000 purchased during 2020. In the aforementioned report, Carvana touted its digital-first sales as a safe, contactless way for people to get rid of their vehicles.
The average dealer does not have the national marketing scale to compete with the big box superstores. **UNTIL NOW!**
CarGurus Instant Max Cash Offer

- We created a new “Direct from Consumer” inventory channel for our dealer partners
- 100% of cars acquired go directly to our dealer partners
- Revolutionary "landing dealer" concept gives all dealers with a live Matrix equal opportunity
48 Hours to Buy or Pass IMCO Vehicles

- CarOffer will pickup and pay the customers for their cars with a White-Glove Concierge service
- The vehicles are routed with logic to the nearest participating CarOffer dealer (the "landing dealer")
- The dealer has 48 hours to keep the car at the winning Matrix offer or simply pass
ConsumerLane Trade-In Widget

- Put the power of CarGurus Instant Max Cash Offer on your own website with ConsumerLane
- Keep the car or sell it to us for a $500 instant wholesale profit!
- All of the customers coming from your ConsumerLane widget are exclusively yours!
On CarOffer ConsumerLane:

“We piloted ConsumerLane and did a side-by-side comparison with other online appraisal applications. CarOffer’s product quickly distanced itself from the competition. We’ve been able to buy many more cars from consumers with ConsumerLane, and those that don’t fit our retail criteria, we simply sell on the CarOffer platform with the click of a button. It’s a very powerful and much needed product and it’s a win-win for our dealerships and our customers.”

Jeff Dyke, President, Sonic Automotive
ANDREW GROCHAL
VP of Product Management, CarGurus
Scale
Data
Tools

#CGNAVIGATE
#1 in car listings available among major US third-party sites

Compared to major online automotive marketplaces in the US, defined as CarGurus.com, Autotrader.com, Cars.com, and TrueCar.com; Based on YiptData as of June 30, 2021.
32.9M
US average monthly unique users

Google Analytics; as of 6/30/2021, represents monthly average for Q2'21
50% of total shopping time spent on automotive 3rd-party shopping sites

Comscore MMX Multi-Platform, Custom-defined list including CarGurus.com, Cars.com, AutoTrader.com, TrueCar, Total Audience, Average Minutes per Visitor, Q2 2021, U.S.
Great! Now tell us what you're willing to offer.

Pick your book *

- Auction
- J.D. Power
- BlackBook
- KBB
- CarGurus

Which adjusted value? *

- Fair
- IMV

- $25,000
- - $1,000
- - $275
- - $95
- - $250

Instant Market Value
Profit Target
Buy Fee
Inspection
Transportation

$23,380 Your Offer
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Deal rating

Instant wholesale offer

Days on lot

Retail price
Introducing: CarGurus Instant Max Cash Offer

Fresh inventory in a changing acquisition landscape
Not enough cars
Hard to win
Too much time
Slow-moving inventory
CarGurus dealers get first access to local cars

CONSUMER

Ensure condition was properly represented

DEALERSHIP

Keep the car for offer price + fees

Pass on the vehicle, we sell it via CarOffer
Bringing dealers the best experience

More and better cars

Saved time

Competition-free

Free and automatic access

#CGNAVIGATE
"It worked pretty seamlessly. Got the offer right away. And I feel like the best selling point of all was that I didn't have to go anywhere. You guys came to me. So that was awesome."

– Haong L.
CG IMCO drives vehicle quality and volume

Total Transacted Vehicles

JULY '21  AUGUST '21  SEPTEMBER '21

#CGNAVIGATE

CarGurus data, September 2021
CarGurus Instant Max Cash Offer has opened up a stream of access to consumer-owned vehicles.

IMED CHAHED, GENERAL MANAGER
MCGEE PRE-OWNED SUPERSTORE

#CGNAVIGATE
Where do we go from here?
Continuing to Grow

1. Launch CarGurus Instant Max Cash Offer nationally
2. Smarter tools to buy and sell inventory
3. Customer benefits from our partnership
THANK YOU