



CarGurus, Inc.

First Quarter 2026 Earnings Conference Call

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C O R P O R A T E P A R T I C I P A N T S

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Andrew Boone, *Citizens JMP Securities*

Marvin Fong, *BTIG*

Joseph Spak, *UBS*

PRESENTATION

Operator

Good day, and welcome to the CarGurus First Quarter 2026 Earnings Conference Call.

Please note, this event is being recorded. I would now like to turn the call over to Kirndeeep Singh, Vice President, Head, Investor Relations. Please go ahead.

Kirndeeep Singh

Good afternoon, and thank you for joining us. With me on the call today are Jason Trevisan, Chief Executive Officer, and Sam Zales, President and Chief Operating Officer.

We will be making forward-looking statements which are based on our current expectations and beliefs. Those statements are subject to risks and uncertainties and our actual results may differ materially. Information concerning those risks and uncertainties is discussed in our SEC filings. We undertake no obligation to update forward-looking statements except as required by law.

Please refer to our press release and our Investor presentation on the Investor Relations section of our website for a reconciliation of GAAP to non-GAAP measures.

I'll now turn the call over to Jason.

Jason Trevisan

Good afternoon, and thank you for joining us. We delivered strong financial results in the first quarter with 15% year-over-year revenue growth to \$244 million and Adjusted EBITDA up 17% year-over-year with a margin of 33% as our product investments helped drive sustained growth while maintaining healthy profitability. This performance was driven by premium-tier adoption, greater usage of our AI-powered products, lead growth, and net dealer additions.

That strength was especially evident internationally in our U.K. and Canada markets, where revenue grew 39% year-over-year, reinforcing our ROI advantage, driving share gains in both markets. At the foundation of our product innovation and increasing customer engagement is the data layer of our marketplace. We ingest roughly half a billion first-party consumer shopping signals each day across demand, pricing, inventory and engagement.

Today, we apply these proprietary marketplace signals in our AI-enabled analytics platform to build products that enable dealers to make better-informed decisions and help consumers shop with more confidence and achieve better outcomes. That work shows up in our 2026 strategy through three value creation drivers. First, we are expanding CarGurus' offerings into integral parts of the dealer workflow, connecting inventory, marketing, lead conversion and data pillars through mutually reinforcing products. Second, we have begun transforming car shopping into a trusted, AI-led journey, from research to consideration and purchase, giving consumers greater confidence and more benefits from using CarGurus. Third, we are disciplined in our capital deployment with the aim of growing long-term earnings power and stockholder value.

I will now walk through our first quarter progress across each of these drivers. Driver one, expanding CarGurus' offerings into integral parts of the dealer workflow, connecting inventory, marketing, lead conversion, and data pillars to mutually reinforcing products. Our marketplace has long helped dealers market inventory and generate high-quality customers from our largest and most engaged car shopping audience, and dealers rank CarGurus number one in ROI among listings sites, which was recently reaffirmed in a survey of a select group of dealers.

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We're building on that marketing foundation by expanding across additional key dealer pillars, inventory, lead conversion and data, and have begun embedding predictive intelligence more directly into those dealer workflows to support better informed decisions. That is showing up in greater wallet share gains and higher engagement as dealers use CarGurus for more of their day-to-day work.

In our inventory pillar, we're focused on helping dealers make better decisions about which vehicles to stock and how to price them to optimize their margin and turn time goals. PriceVantage, our first specialized software solution sold à la carte, has already reached several hundred paying dealers since its October launch. It uses our first-party demand signals, market data, and machine learning to generate VIN-level pricing recommendations aligned to dealer objectives.

Our top engaged dealers using PriceVantage saw a 117% improvement in turn time relative to their top five competitors on CarGurus, and a 47% median increase in daily VDP views as they adjusted pricing faster and with greater precision in response to live market conditions. We're also making our data available wherever dealers make daily inventory decisions. Our browser extension gives paying customers access to CarGurus' pricing signals directly within inventory management systems and auction sites, putting our data in the dealer's workflow at the point of action. The aim is to make CarGurus intelligence a more embedded input in how dealers source and price vehicles. Usage of the extension tripled quarter-over-quarter, demonstrating that more daily inventory decisions are happening with CarGurus' data in the loop.

In the conversion pillar, we're focused on how dealers turn interest into sales. In April, we launched Shopper Signals in our premium tiers. Shopper Signals brings together first-party shopper behavior across CarGurus, including browsing activity, vehicle preferences, dealer engagement and Digital Deal actions. Leveraging AI, Shopper Signals gives dealers a richer view of each shopper's intent, preferences and activity so they can take a more customer-centric approach to follow-up. That can include prioritizing high-intent leads, understanding which vehicles best match a shopper's needs and suggesting similar inventory when the original vehicle is no longer the best fit or available.

Driven by our leading inventory and consumer demand data, we're able to help dealers better prioritize and personalize their engagements with buyers, improving lead conversion and driving better ROI for dealers. This value is already resonating with our dealer base, with over 8,000 dealers engaging with the feature since its mid-April launch.

In our data pillar, we're focusing on giving dealers a clearer view of their performance relative to their competitors and the market broadly so they can make more profitable decisions. We launched Performance Insights, a monthly report that gives paying dealers a more actionable view of marketplace performance. The report benchmarks dealers on leads and VDP views per vehicle, as well as average turn time relative to comparable dealers in their area, then pairs those benchmarks with VIN-level recommendations to help dealers improve merchandising, optimize inventory mix, price more intelligently, and drive stronger performance.

Dealers receiving Performance Insights had a 76% open rate and made an average 59% more price updates than the period prior. By providing data that contextualizes a dealer's performance, predicts the outcomes of recommended actions, and allows dealers to see the results in our marketplace, we believe we are gaining reliance on our data and engagement with our platform.

Leveraging our marketplace is the foundation of our dealer value proposition. We're expanding our platform by embedding intelligence more directly in the day-to-day decisions dealers make across these four pillars. That has shown up in stronger dealer engagement with our platform, growth in products per dealer, and U.S. QARSD up 9% year-over-year.

Driver number two, transforming car shopping into a trusted AI-led journey from research through consideration and purchase, giving consumers greater confidence and more benefits from using CarGurus. AI is reshaping how consumers discover and research vehicles, but for the second-largest purchase most people make, we believe confidence still comes from trust in a shopping process. In Q1, we deepened our

role across that full journey, engaging shoppers earlier through AI-native discovery, giving them personalized tools to evaluate options, and building more confidence at the point of purchase. That has driven stronger engagement across CarGurus with monthly uniques, sessions, time spent and steps taken on the platform, all growing year-over-year.

Our app reflects that momentum as well. It remained our fastest-growing traffic source, and we are number one in the auto category in active users and time spent. We categorize the consumer journey into three stages, research, consideration and purchase. In research, shoppers often start broad before narrowing to a model, and then a specific vehicle. A very small but growing percentage of shopping journeys now begin in AI-native environments, and we want CarGurus inventory and data to be present where that discovery starts.

In Q1, we launched a CarGurus app inside ChatGPT, becoming the first automotive marketplace in the U.S. to integrate live local inventory directly into the platform. When shoppers express purchase intent in ChatGPT, they can see local vehicles, vehicle details and deal ratings without leaving the conversation, then move directly to CarGurus to contact a dealer or submit a lead. AI-driven search traffic remains small but is growing quickly, and CarGurus has shown up well in that traffic because shoppers can access broad inventory, rich vehicle data and trusted deal ratings directly at the point of discovery. That matters because conversion from this traffic remains meaningfully higher than traditional channels.

We also continue to evolve our onsite generative AI search experience, Discover, from a research feature into a more effective shopping guide. We added new car inventory, improved relevance using shopper profile data, and made it easier for shoppers to move from conversation to specific vehicles and dealer contact all within the experience. That helped move shoppers from exploration to evaluating real inventory and connecting with dealers more quickly while generating richer demand signals across our platform.

Discover users continue to grow quarter-over-quarter, and more notably, leads grew 52% quarter-over-quarter. In consideration, shoppers are deciding whether a specific vehicle fits their needs and budget, comparing options and understanding the trade-in value for their current car. We advanced Sell My Car by introducing a conversational AI flow that makes it easier for consumers to get valuations and offers with less friction. Sell My Car continued to gain traction in the U.S., improving the selling experience for consumers and giving dealers efficient access to sourced inventory.

In the first quarter, we launched Sell My Car in Canada, where early engagement and adoption were off to a strong start. In the purchase step, we're focused on the moment when a shopper is physically on the lot and making a final decision. Dealership Mode is built for that moment. When a CarGurus' app user arrives at a participating dealer, the app brings pricing, deal ratings, payment estimates and AI-powered vehicle comparisons directly into the in-store experience. Recently, we began rolling out capabilities that give dealers more visibility into verified on-lot activity.

Those signals are more predictive of purchase intent than a traditional lead and help us close the loop between online activity and in-store outcomes. Since Q4, daily lot visits have grown 67%. We believe Dealership Mode has also become a leading driver of app downloads, expanding our owned audience at the point of purchase and strengthening the connection between shopper engagement and dealer value.

Across research, consideration and purchase, we're using AI and first-party signals to make CarGurus more relevant, effective and personalized across the consumer journey. As consumers engage with us across more steps, we have more opportunities to help them move from research to action while improving the signals we translate into dealer value. We believe that is driving more leads and more down-funnel shoppers while giving consumers clearer information and greater trust in the outcome.

Driver number three, disciplined capital deployment with the aim of growing long-term earnings power and stockholder value. We generated strong free cash flow, and that cash generation fuels our capital allocation strategy. We will continue investing internally where we see the strongest long-term returns, preserving flexibility for targeted M&A and returning capital to stockholders.

2026 is an investment year by design, with increased product, technology and development spend, including AI-driven innovation, as well as higher sales and marketing investment to support the introduction and adoption of new dealer products and growing our consumer brand and audience. We expect these investments to modestly weigh on margins in the near term, but we believe they will drive more durable long-term growth and a healthy margin profile.

In the first quarter, those investments funded the launches and expansions I described earlier across our dealer pillars and consumer journey. They also funded the infrastructure and internal capabilities needed to launch more products and features faster, as well as the security, governance, standardized systems, and dedicated teams required to scale AI responsibly across the business. Today, a majority of employees use AI in their daily workflow, and in Q1, we standardized AI systems across engineering and product and established a dedicated AI solutions team to identify, prioritize and transform high-value workflows with measurable ROI.

We measure engineering productivity using a mix of internal metrics and external benchmarks. Those indicators show that AI solutions have contributed to a 20% year-over-year productivity lift and a 50% lift quarter-over-quarter among AI laggards, expanding our overall product development capacity. Beyond engineering, AI-powered content creation helped drive a roughly 30% increase in unpaid leads year-over-year, and AI has also helped our sales team spend more time with customers, reach more dealers, and better educate and engage them on how our solutions can help them make better informed decisions.

These investments are improving speed, capacity, and execution across the platform as we move from AI-assisted workflows toward agentic AI capabilities that we believe will support more complex, end-to-end work in the future.

We have applied the same discipline to capital returns. Since 2022, we have repurchased approximately \$896 million worth of shares, or about 29% of our shares outstanding, while continuing to grow revenues and profitability. In 2026, our Board authorized a new \$250 million share repurchase program through year-end. In the first quarter, we deployed approximately \$175 million under that authorization. We will continue to repurchase shares when we believe it is an attractive investment after funding product and technology investment and maintaining balance sheet strength.

We're allocating capital with discipline toward product, technology, and AI-driven innovation while continuing to return capital to stockholders. We believe this approach will expand our capacity to innovate, strengthen profitability, increase cash generation, and create long-term stockholder value.

Q1 showed progress across our dealer and consumer value creation drivers. On the dealer side, we expanded further into the dealer workflow across inventory, marketing, lead conversion, and data. On the consumer side, we extended our role across more of the shopping journey, from AI-native research through purchase.

What connects these efforts is the intelligence layer of our marketplace. The real-time demand, pricing, inventory, and engagement signals across CarGurus help us build better products for dealers and better experiences for consumers. Over time, we expect this to increase dealer reliance on our platform, grow our share of dealer wallet, and deepen consumer engagement across the journey. We are supporting that strategy with disciplined capital allocation, investing in the product, technology, and AI-driven innovation we believe can drive the strongest long-term returns, while continuing to return capital to stockholders.

Now, let me walk through our financial results, followed by our guidance for the second quarter and full year 2026. First quarter revenue grew 15% year-over-year to \$244 million, above the midpoint of our guidance range, driven by strength from our strong year-end 2025 bookings, as well as continued momentum in our international business, with slight moderation in OEM advertising reflecting the typical first-quarter step-down.

In the first quarter, U.S. QARSD grew 9% year-over-year, and we added 963 paying U.S. dealers year-over-year. We continue to increase our dealer base while taking greater wallet share, driven primarily by upgrades and broader adoption of add-on products, with modest contribution from like-for-like price increases and higher lead quantity and quality. For the second quarter in a row, new product adoption was the largest driver of the sequential increase in QARSD.

Our international business outperformed in the first quarter, with revenue up 39% year-over-year, driven by favorable FX and over performance in U.K. advertising revenue.

I will now discuss our profitability and expenses on a non-GAAP basis. First quarter non-GAAP gross profit grew 14% year-over-year to \$225 million. First quarter non-GAAP gross margin was 92%, down about 80 basis points year-over-year. First quarter non-GAAP Adjusted EBITDA grew 17% year-over-year to \$80 million, above the high end of our guidance range, and Adjusted EBITDA margin was 33%, up about 60 basis points year-over-year, due in part to a favorable item related to a retroactive change in Canadian tax law.

First quarter non-GAAP operating expenses totaled \$152 million, up 13% year-over-year, reflecting higher sales and marketing expense and higher product, technology and development expense versus prior year, as we invest to continue the accelerated pace of AI product introductions.

First quarter non-GAAP net income per diluted share attributable to common stockholders was \$0.58, up 21% year-over-year. We ended the quarter with \$72 million in cash and cash equivalents, a decrease of \$118 million from the end of the fourth quarter, primarily driven by \$175 million in share repurchases in the quarter, partly offset by Adjusted EBITDA. As of the end of Q1, we have \$75 million remaining on our 2026 authorization.

I will now turn to our guidance for the second quarter and full year 2026. We expect our second quarter revenue to be in the range of \$247 million to \$252 million, up between 11% and 14% year-over-year, respectively. For the second quarter, we expect our non-GAAP Adjusted EBITDA to be in the range of \$77.5 million to \$85.5 million. We expect second quarter non-GAAP earnings per share to be in the range of \$0.57 to \$0.64, and diluted weighted-average common shares outstanding to be approximately \$91 million.

Turning to the full year. We are reiterating that we expect 2026 revenue to grow in the range of 10% to 13% year-over-year. We still expect full year non-GAAP Adjusted EBITDA margins to compress approximately 1.5 percentage points to 2.5 percentage points in 2026 relative to 2025.

With that, let's open the call for Q&A.

Operator

Thank you. We'll be now conducting a question-and-answer session. We ask that you please limit yourself to one question and one follow-up. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions. Our first question is from Chris Pierce with Needham. Please proceed with your question.

Chris Pierce

Hey, good afternoon, everyone. I think if I look at the midpoint of the guide for 1Q and where things landed, I guess, I'd just love to get some color around, was it planned spending on product technical development that was pushed out or spending coming less than you expected on that line item because of the AI tools you're talking about? Big picture margins came in a lot better than I think we were all expecting. I just want to get a sense of how we should think about it going forward and the full-year guide you still have intact.

Jason Trevisan

Thanks very much, Chris. It's Jason. Thanks for the question. Yes, we called out one thing in particular, which is the retroactive change in Canadian tax law. There were a couple other timing items or smaller one-time items that if you were to aggregate all of those, it certainly would have put us closer to the midpoint. As a result, I would say no sort of structural changes or surprises, which leads us to having reiterated our guide. Timing of spend could be—that's typically marketing and brand as an example, and midpoint is where we aim.

Chris Pierce

Okay, perfect. Thank you. Then just on—if I think about the new tools, you're talking about premium tier adoption, it seems like these are mostly data-related tools. I'm just kind of curious, are dealers still sort of holding off on—holding off the long-term, but on Digital Deal, are they still sort of, they don't want to go full Carvana mode here? They're still afraid they want to get the customer in the room for the loan side of the world, because that seems like an underutilized—that's probably the wrong term, but I guess I'd just love to hear how you're winning so much on data, but customer—dealers are still sort of afraid to rip the band aid off on full digital.

Sam Zales

Hey, thanks, Chris. It's Sam Zales. Digital Deal continued to grow in the quarter. We didn't put any specific metrics on it. It continues to be a very important tool for more than half of our customers. We're really proud of what that product has done. Reminder that consumers are still saying, I want to do much of the purchase process online, but then I'd like to still go to the store. The huge majority are still saying, I want to touch, I want to feel the product in the store.

Only a few percentage points in the market are still buying fully online. We're still gaining more adoption in Digital Deal. When we think about it, we think about high-value actions. That's what we talk about here in our digital process, so a consumer who says, I'm putting some trade-in information in. I'm going to share information on my budget. I may get financing as part of that. You heard about the launch of Shopper Signals in April, which has taken off dramatically with our customers, with 8,000 customers using it now either daily, or it comes out either in a daily process, a real-time process, or integrated to the CRM.

Again, we're providing that information as well. Through multiple products now we're helping dealers engage with high-value actions. It brings the consumer further down the funnel, and they're more ready to buy, and that's why we're achieving the ROI number one status according to dealers in the market. I hope, without giving you the information, it is still growing. That's still a big part of our business, but the dealer knows the consumer still wants to be in store, and that's why we're building multiple ways for dealers to interact with that high-value action, if you will.

Chris Pierce

Okay, that makes sense. Thank you, and good luck.

Operator

Our next question is from Rajat Gupta with JPMorgan. Please proceed with your question.

Rajat Gupta

Great. Thanks for taking the question. You mentioned in your prepared remarks moving from AI-assisted workflows towards agentic AI capabilities. Was that a comment around just your own internal product development and engineering, or was that a comment from a customer standpoint in helping them move in that direction? Just wanted to clarify that and have a follow-up. Thanks.

Jason Trevisan

Hey, it's Jason. The comment, I'm pretty certain, was about internally, and it's both engineering and outside—engineering and product as well as outside for workflow purposes, if I'm remembering the comment correctly, but absolutely, you can assume that that same evolution is happening with our products already.

Rajat Gupta

Got it. Are there one or two use cases around agentic that you can talk about from a customer standpoint that's in your pipeline, either operations or consumer support, pricing workflows? Any hint you can give us there?

Jason Trevisan

Yes, I think the best examples of AI in general today in our products right now are with pricing and inventory where we are reading the market in real-time and making real-time recommendations to dealers and then using that to predict and then hold accountable to those predictions, the implications of those changes. In terms of the definition of AI versus agentic, I would say that's on the margin. Beyond that, I would say it is a broad-based evolution from AI to agentic that is going to manifest in a variety of ways, and we'll be sure to give more detail as there's more sort of pronounced and obvious examples at the customer level.

Rajat Gupta

A quick follow-up around the U.K., we noticed, or we read some reports around potential dealer churn or customer churn at one of the larger players in that market. I'm curious if that in any way benefited your share growth in the region or was that an opportunity at all for you to engage with customers more? Thanks.

Sam Zales

Thanks, Rajat. It's Sam Zales, and thank you for the question. I would say our general success in both the U.K. and Canada just continues on a very, very aggressive and successful path. You saw the numbers in terms of growth in both dealer adds and QARSD. There was probably a positive impact. We heard about it, too. I'm connected into that market very deeply with our team in Europe, and I think Trader did stub its toe a little bit, but that didn't have a massive effect on our business.

What we're doing is we're following our playbook from the U.S. We're listed as the ROI number one in that market, and we have been for a long time with those dealers. That is an element of their saying, how does that compare to the big market leader in that market? They're charging a lot more, and you're producing more from an ROI perspective. I want to test and use your product, and that's why we're gaining new customers and building QARSD because we're also building new products in those markets and following the playbook here from the U.S.

Our visitor base is growing faster than our competitors. We're just making the investments to make a product better standing for our customers and hopefully delivers better return and makes them come to us. I wouldn't put too much emphasis on the incident or the communication in the marketplace that was caught up in November. We're just continuing to seek to outperform, and that's our push.

Rajat Gupta

Understood. Great. Thanks for all that color, and I'll jump back in queue.

Operator

Our next question is from Andrew Boone with Citizens. Please proceed with your question.

Andrew Boone

Thanks so much for taking the questions. I wanted to ask a big-picture question in terms of data. It seems like Dealership Mode, it seems like Discover are both kind of data plays. Can you speak to just new ways you guys are trying to interact with consumers and maybe the additional amount of information that you're gaining from more AI-type interfaces and how you guys think about basically the deeper integration with customers and what that unlocks for you? Then secondly, if I look at traffic for the quarter, maybe it was down in the US, maybe that's weather. Can you just speak to the weather impact and what you guys saw in 1Q and how that kind of ran through the model? Thanks so much.

Jason Trevisan

Thanks, Andrew. Yes, data is certainly a key enabler for us, but I also want to emphasize that it's not just data. It's a lot of things around the data and that we do with the data that allows us to create the products that we're creating that we think are certainly unique in the market.

From a consumer journey perspective, historically, we have been very good once a consumer knows which car they want. Discover is the first example that we had that is growing certainly in its use cases very rapidly and improving quite a bit, helped upstream, helped consumers determine which type of car would be good for them. But as that's expanded, it's done much more than that. It not only does that better, but it also then helps them find and helps them navigate through what we would have traditionally called the sort of consideration phase and then connect with the dealer.

Then Dealership Mode, once they've connected with the dealer, helps them understand the full totality of information around that dealer that they would need and would benefit from in buying the car. In doing that, we learn an extraordinary amount about our customers. They, in a conversational exchange, they'll share a lot of information because the more information they share, the better the response will be, the better, the more informed it will be.

We're able to take that and help them not only through empowering them, but also through guidance and recommendations, help them find a better car, better for them, better match. Then when they're into the Dealership Mode, we understand that dealer well. We understand things about inventory and pricing and demand trends and merchandising and car comparisons and financing. These are all things that we know better than anyone, we would argue, because we have the most retail data and confuses the heck out of consumers because it's sort of overwhelming.

We try to distill all that down. We try to be their companion throughout, and it learns. Our AI mode tools have memory and personalization, and they travel with the consumer. It really is changing the game, we think, from a filter-based, drop-down, episodic hunting and pecking, not to be too pejorative of our historical business, into a guided tour that answers questions and helps them get to the best answer.

On your second question, you had asked if, was that a weather impact on dealers.

Sam Zales

Yes. I'm happy to jump in, Andrew. It's Sam Zales. I think if I got your question correctly, we saw visitor statistics rise year-over-year. We didn't see that impact on our global business and our business in the U.S. It continued to grow. I think you're referencing there were storms that did impact dealers' ability to sell a vehicle and have foot traffic walk in during that period of time. That's just a general phase. There's a lot going on in our market today with gas prices, with consumer sentiment, with inventory acquisition hard to come by. In both uniques and sessions, though, for us, we were up year-over-year and quarter-over-quarter. I think that's a sign of our sustenance of what we believe is the best offering in the marketplace. Does that answer your question, Andrew?

Andrew Boone

Yes. That's great. Thank you, guys.

Operator

Our next question is from Marvin Fong with BTIG. Please proceed with your question.

Marvin Fong

Good evening. Thanks for taking my question here. I would love to dig in just a little more on PriceVantage as your first solution product. It's very exciting here and I appreciate the update on the number of dealers that are now paying. I just wanted a little more color on the type of dealers that are signing up for this. Are these franchise dealers that are pretty sophisticated? Secondly, were these new installs, competitive displacements of an incumbent solution or was PriceVantage like the first time ever really using a sophisticated inventory management system? Just want some color there.

Sam Zales

Hey, Marvin. It's Sam Zales. Thanks for the question. We're really proud of the growth of the PriceVantage product. Here's why it's so different than anything else in the marketplace. It is a profit maximization predictive tool. I think when we see and compare it to others in the marketplace, those are risk mitigation, look back at book prices to figure out how to stem losses and make those as careful as possible. I think what we're doing is trying to help dealers find that future looking with our consumer demand data, what price should I buy the vehicle for? What price should I set the vehicle for retail so I can maximize my profitability? It's truly a differentiator.

We're selling to both independent and franchise dealers. We have seen success on both of those customer segments, which we're really proud about. Remember, there are two things that happened with this product, turn times, how to improve them for dealers. You saw the 47% VDP views and 117% faster closes of those—sale of those vehicles versus their top competition. That's truly happening. Then gross profit per unit happens because you find the right balance between pricing and selling those vehicles. Profit is a huge outcome of our PriceVantage program.

I think to your question of how we can continue to win share, that in some cases is a product that we're selling that a customer never has. They didn't have a product that's in there today and they don't have a pricing tool. In many cases, it's saying I have a tool, but this one does something different. As I talked about the predictability of that vehicle, we're tending to complement something that's already there, but make it better. I think the key to that as you're thinking about the Chrome extension of this product. You may have a tool that you're using today, but you put the CarGurus PriceVantage Chrome extension in, you're looking at a different view of pricing and predictability with consumer demand.

It helps dealers say, I might want to switch because this has given me something that's totally different in the market. Growth was tremendous there. It tripled quarter-over-quarter. I think we're going to continue to push for that to be that product that is changing the way dealers are solving their number one problem in the marketplace. How do I acquire inventory at the right price and sell it at the right price?

Marvin Fong

Got it. If I could do a follow-up here, just on stock buybacks, you guys have done a great job returning capital to Shareholders in 2022. I believe you only have \$75 million left in the remaining authorization. You guys really bought a huge amount in the first quarter. How would you kind of think about the path going forward? Is the plan to just exhaust the remaining authorization over the balance of the year, or do you have an appetite to reload on even more on authorization?

Jason Trevisan

We have that plan in place, and we put plans in place that we hope we can use. At the same time, we, as we have shared, don't have an indiscriminate approach to it. We have an approach that says when we think it is a good investment, then we will get aggressive. We have never hinted at what we might do in the future in terms of expanding or introducing a new program. What we have shared is the \$250,000, we're through \$175,000. Yes, we have \$75,000 left. That \$75,000 will adhere to the same philosophy, which is at prices that we think are more compelling, we're going to get more aggressive.

Marvin Fong

Okay. That sounds great. Thanks, Jason. Thanks, Sam.

Jason Trevisan

Thanks.

Operator

If you'd like to ask a question, please press star, one on your telephone keypad. Our next question is from Joe Spak with UBS. Please proceed with your question.

Joseph Spak

Thanks. Good afternoon, everyone. Maybe just to follow-up on that last topic, the cash balance you finished the quarter at, if the model's right, I think that's the lowest since 2020. Obviously, you generate some healthy cash flow every quarter. But would just be curious if you could give us some indication of sort of minimum cash levels you sort of feel like you want to operate the business at.

Jason Trevisan

Thanks, Joe. We clearly do think about what are right cash levels, what are minimum cash levels. Just to back up quickly, we think about three categories of how to use our cash or our cash production power. The first is investing back in the business. That goes into our operating margin calculus. The second is M&A and powder for M&A. Then the third is returning capital to Shareholders. As you said, we do generate nice free cash. We have—very proud of the free cash flow conversion rate that we have. From a minimum perspective, we think about it as cash we have on hand, as well as cash we have ready access to. We have had a line of credit, which is very easily accessible. That's, we think, a prudent thing to do.

In terms of minimums, we have never shared what sort of a hard floor is here with a line of credit that makes hard floor a much more sort of fluid or almost theoretical threshold because you've got access to so much more. Also it relies on timing of working capital. We can have pretty large cash swings. We control it, but if it dips down artificially because of timing, then it comes back very quickly because of timing. We think about risk mitigation as a balance to us being aggressive when we think shares are underpriced.

Joseph Spak

Fair enough. Then just, appreciate all the commentary on AI and the integration in the apps. Please, if this is sort of unfair because it's sort of too early, then please feel free to respond so. But I am just curious—and I know you sort of said adoption is still pretty low, but I think you did say it's sort of growing fast. But are you able to see yet anything about conversion rates or acquisition costs for dealers as a result of these tools or it's just not there yet and that's not sort of a fair question to answer yet?

Jason Trevisan

I don't know if I can speak much to what dealers are experiencing. I think even if I did, then you'd see a huge, huge range. But what I would say about us is that it remains a very small percent of our traffic and a very small—the LLMs remain a very small percent of our traffic. They remain a very small percent of our leads. It does tend to be high quality traffic.

We show very well in the LLMs in terms of visibility and traffic—receipt of traffic, our share of the traffic that comes from there. They're very top funnel-top of funnel. It is not really a substitute for a marketplace. Whether it's us showing up in an LLM or our app in ChatGPT at marketplace or some of the LLMs are testing paid search now and we're going to be right there front and center because we tend to be at the leading or bleeding edge of these things. We're showing up well, but they're small. In any of those situations, it's top of funnel and it's not a substitute. They need to come to a site where they're going to go through the workflow. They're going to go through the process where they have the trust and confidence, where they can compare and look at pricing and deal ratings. We have vehicle history and ontology and so forth. The data can be scraped. We provide access to some data, but that's very different than a marketplace that has inventory, has contracts with dealers. We're normalizing data. We're validating pricing, we're deduplicating listings and managing real time availability and things like that.

I think the people who are using it, who are the early adopters are getting smarter on it and then they're coming to us to really go through the process. That's why we're both embracing it in terms of our presence in LLMs, but also building our own capabilities and applying AI across our own user experience and dealer workflow so that we stay ahead of the horizontal LLMs as well.

Joseph Spak

Thank you.

Operator

There are no further questions at this time. I would like to turn the floor back over to Jason Trevisan for closing comments.

Jason Trevisan

Thanks very much. I would just like to thank everyone who tuned in this evening and thanks to everyone who asked great questions. As always, we like to really show particular appreciation to not only our shareholders, but also our customers and especially our employees and their passion and hard work that is helping us execute as well as we are today. Thank you very much, everyone. Have a great evening.

Operator

This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.