

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-38233



CARGURUS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

55 Cambridge Parkway, 6th Floor
Cambridge, Massachusetts

(Address of principal executive offices)

04-3843478

(I.R.S. Employer
Identification No.)

02142

(Zip Code)

(617) 354-0068

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Exchange on Which Registered</u>
Class A Common Stock, par value \$0.001 per share	CARG	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2024, the registrant had 87,369,707 shares of Class A common stock, \$0.001 par value per share, and 15,999,173 shares of Class B common stock, par value \$0.001 per share, outstanding.

Table of Contents

	<u>Page</u>
PART I.	1
<u>FINANCIAL INFORMATION</u>	1
Item 1. <u>Financial Statements</u>	1
<u>Unaudited Condensed Consolidated Balance Sheets</u>	1
<u>Unaudited Condensed Consolidated Income Statements</u>	2
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income</u>	3
<u>Unaudited Condensed Consolidated Statements of Redeemable Noncontrolling Interest and Stockholders' Equity</u>	4
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	23
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	49
Item 4. <u>Controls and Procedures</u>	50
PART II.	52
<u>OTHER INFORMATION</u>	52
Item 1. <u>Legal Proceedings</u>	52
Item 1A. <u>Risk Factors</u>	52
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	53
Item 5. <u>Other Information</u>	54
Item 6. <u>Exhibits</u>	55
<u>Signatures</u>	56

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “aim,” “anticipates,” “believes,” “could,” “estimates,” “expects,” “goal,” “intends,” “may,” “might,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “target,” “will,” “would,” or similar expressions and the negatives of those terms. Forward-looking statements contained in this Quarterly Report include statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses, ability to generate cash flow, and ability to achieve, and maintain, future profitability;
- our growth strategies and our ability to effectively manage any growth;
- the value proposition of our product offerings for dealers and consumers;
- the ability of our combined suite of offerings to increase a dealer’s return on investment, add scale to our marketplace network, drive powerful network effects, create powerful synergies for dealers, transform the end-to-end car-shopping journey for both consumers and dealers, and become the marketplace for all steps of the vehicle acquisition and sale processes;
- our evolution to becoming a transaction-enabled platform where consumers can shop, buy, seek financing, and sell their cars and dealers can predict, source, market, and sell their cars;
- our belief that certain of our strengths, including our trusted marketplace for consumers, our strong value proposition for dealers, and our data-driven approach, among other things, will lead to an advantage over our competitors;
- the value proposition of the CarOffer, LLC, or CarOffer, online wholesale platform, including our belief that as dealer enrollments increase, dealers will see a corresponding increase in inventory on the platform, further enabling liquidity, selection, choice, and business efficiencies;
- our ability to deliver quality leads at a high volume for our dealer customers and to provide the highest return on a dealer’s investment;
- our expectations for CarGurus Sell My Car (Instant Max Cash Offer and Top Dealer Offers) as well as our digital retail offerings and continued investments;
- our ability to maintain and acquire new customers;
- our ability to maintain and build our brand;
- our belief that our partnerships with automotive lending companies provide more transparency to car shoppers and deliver highly qualified car shopper leads to participating dealers;
- our belief that our Geo Expansion offering promotes participating dealers’ delivery capabilities and increases non-local vehicle detail page views;
- our outlook for our Restricted Listings product;
- the impact of competition in our industry and innovation by our competitors;
- our ability to adapt to technological change and effectively enhance, innovate, and scale our platform and offerings;
- 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 or other assets;
- our ability to overcome challenges facing the automotive industry ecosystem, including inventory supply problems, global supply chain challenges, changes to trade policies, and other macroeconomic issues;
- our expectations regarding cash generation and the sufficiency of our cash to fund our operations;
- our expected returns on investments;
- our expectations regarding our deferred tax assets;

- the impact of changes in tax law and related guidance and regulations that may be implemented, including on tax rates;
- our expectations regarding our expenses generally, including our general and administrative, our product, technology, and development, and our sales and marketing expenses;
- domestic and global economic conditions affecting us or our customers;
- our expectations regarding the funding of our share repurchase program;
- our revolving credit facility;
- our ability to adequately protect our intellectual property;
- our ability to hire and retain necessary qualified employees to expand our operations;
- the material weakness in our internal control over financial reporting that we have identified, and our ability to remediate such weakness and enhance our internal control environment;
- our ability to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;
- the impact of accounting pronouncements;
- our ability to stay abreast of, and effectively comply with, new or modified laws and regulations that currently apply or become applicable to our business and our beliefs regarding our compliance therewith;
- the impact of litigation; and
- the future trading prices of our Class A common stock.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, and growth prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors that are described in this Quarterly Report. We have included important risk factors in the cautionary statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the U.S. Securities and Exchange Commission, or SEC, on February 26, 2024, or Annual Report, particularly those discussed in Part I, Item 1A, “Risk Factors,” in our Annual Report and in Part II, Item 1A, “Risk Factors,” of this Quarterly Report, that could cause actual results or events to differ materially from the forward-looking statements that we make. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. Further, our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, or joint ventures in which we may be involved, or investments we may make. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report speak only as of the date of this Quarterly Report. We undertake no obligation to update any forward-looking statement made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law.

NOTE REGARDING TRADEMARKS

CarGurus® is a registered trademark of CarGurus, Inc., and CarOffer® is a registered trademark of CarOffer, LLC. All other product names, trademarks, and registered trademarks are property of their respective owners. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this Quarterly Report.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CarGurus, Inc.

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
Commitments and contingencies (Note 9)		
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

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

CarGurus, Inc.

Unaudited Condensed Consolidated Income Statements

(in thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended 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: (Note 11)				
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.

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

CarGurus, Inc.

Unaudited Condensed Consolidated Statements of Comprehensive Income

(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Consolidated net (loss) income	\$ (68,721)	\$ 13,817	\$ (47,420)	\$ 25,683
Other comprehensive income:				
Foreign currency translation adjustment	(203)	(112)	(802)	303
Consolidated comprehensive (loss) income	(68,924)	13,705	(48,222)	25,986
Comprehensive loss attributable to redeemable noncontrolling interests	—	(2,596)	—	(6,862)
Comprehensive (loss) income attributable to common stockholders	\$ (68,924)	\$ 16,301	\$ (48,222)	\$ 32,848

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

CarGurus, Inc.
Unaudited Condensed Consolidated Statements of Redeemable Noncontrolling Interest and Stockholders' Equity
(in thousands, except share data)

	Redeemable Noncontrolling Interest	Class A Common Stock		Class B Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
		Shares	Amount	Shares	Amount				
Balance as of December 31, 2023	\$ —	92,175,243	\$ 92	15,999,173	\$ 16	\$ 263,498	\$ 354,147	\$ (901)	\$ 616,852
Net income	—	—	—	—	—	—	21,301	—	21,301
Stock-based compensation expense	—	—	—	—	—	17,649	—	—	17,649
Issuance of common stock upon exercise of stock options	—	36,455	—	—	—	11	—	—	11
Issuance of common stock upon vesting of restricted stock units	—	615,383	1	—	—	(1)	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(213,042)	—	—	—	(5,097)	—	—	(5,097)
Repurchase of common stock	—	(3,538,194)	(4)	—	—	(81,751)	—	—	(81,755)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(599)	(599)
Balance as of March 31, 2024	\$ —	89,075,845	\$ 89	15,999,173	\$ 16	\$ 194,309	\$ 375,448	\$ (1,500)	\$ 568,362
Net loss	\$ —	—	\$ —	—	\$ —	—	\$ (68,721)	\$ —	\$ (68,721)
Stock-based compensation expense	—	—	—	—	—	17,198	—	—	17,198
Issuance of common stock upon exercise of stock options	—	54,382	—	—	—	15	—	—	15
Issuance of common stock upon vesting of restricted stock units	—	803,405	1	—	—	(1)	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(273,422)	—	—	—	(6,291)	—	—	(6,291)
Repurchase of common stock	—	(2,654,807)	(3)	—	—	(61,791)	—	—	(61,794)
Other (Note 6)	—	—	—	—	—	3,507	—	—	3,507
Foreign currency translation adjustment	—	—	—	—	—	—	—	(203)	(203)
Balance as of June 30, 2024	\$ —	87,005,403	\$ 87	15,999,173	\$ 16	\$ 146,946	\$ 306,727	\$ (1,703)	\$ 452,073
Balance as of December 31, 2022	\$ 36,749	101,636,649	\$ 102	15,999,173	\$ 16	\$ 413,092	\$ 323,043	\$ (1,644)	\$ 734,609
Net (loss) income	(4,266)	—	—	—	—	—	16,132	—	16,132
Stock-based compensation expense	—	—	—	—	—	16,049	—	—	16,049
Issuance of common stock upon exercise of stock options	—	7,700	—	—	—	19	—	—	19
Issuance of common stock upon vesting of restricted stock units	—	959,935	—	—	—	—	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(335,448)	—	—	—	(5,652)	—	—	(5,652)
Repurchase of common stock	—	(3,989,861)	(4)	—	—	(65,760)	—	—	(65,764)
Tax distributions to redeemable noncontrolling interest holders	(8)	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	415	415
Balance as of March 31, 2023	\$ 32,475	98,278,975	\$ 98	15,999,173	\$ 16	\$ 357,748	\$ 339,175	\$ (1,229)	\$ 695,808
Net (loss) income	\$ (2,596)	—	\$ —	—	\$ —	—	\$ 16,413	\$ —	\$ 16,413
Stock-based compensation expense	—	—	—	—	—	15,895	—	—	15,895
Issuance of common stock upon exercise of stock options	—	1,480	—	—	—	10	—	—	10
Issuance of common stock upon vesting of restricted stock units	—	697,879	—	—	—	—	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(240,674)	—	—	—	(5,196)	—	—	(5,196)
Repurchase of common stock	—	(1,311,387)	(1)	—	—	(21,963)	—	—	(21,964)
Tax distributions to redeemable noncontrolling interest holders	(14)	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	(112)	(112)
Balance at June 30, 2023	\$ 29,865	97,426,273	\$ 97	15,999,173	\$ 16	\$ 346,494	\$ 355,588	\$ (1,341)	\$ 700,854

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

CarGurus, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows

(in thousands)

	Six Months Ended June 30,	
	2024	2023
Operating Activities		
Consolidated net (loss) income	\$ (47,420)	\$ 25,683
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	13,144	23,243
Gain on sale of property and equipment	—	(460)
Currency loss (gain) on foreign denominated transactions	507	(136)
Other non-cash (income) expense, net	(816)	16
Deferred taxes	(44,164)	(16,411)
Provision (recoveries) for doubtful accounts	798	(171)
Stock-based compensation expense	31,159	29,507
Amortization of deferred financing costs	258	258
Amortization of deferred contract costs	6,633	5,603
Goodwill and other long-lived asset impairment	127,655	184
Changes in operating assets and liabilities:		
Accounts receivable	243	13,241
Inventory	(714)	4,740
Prepaid expenses, prepaid income taxes, and other assets	7,425	3,454
Deferred contract costs	(7,448)	(9,738)
Accounts payable	9,301	4,140
Accrued expenses, accrued income taxes, and other liabilities	(862)	(4,091)
Deferred revenue	476	9,016
Lease obligations	27,386	7,603
Net cash provided by operating activities	<u>123,561</u>	<u>95,681</u>
Investing Activities		
Purchases of property and equipment	(54,649)	(4,255)
Proceeds from sale of property and equipment	—	460
Capitalization of website development costs	(10,707)	(7,432)
Purchases of short-term investments	(494)	(95,506)
Sale of short-term investments	21,218	5,000
Advance payments to customers, net of collections	259	(2,601)
Net cash used in investing activities	<u>(44,373)</u>	<u>(104,334)</u>
Financing Activities		
Proceeds from issuance of common stock upon exercise of stock options	26	29
Payment of withholding taxes on net share settlements of restricted stock units	(11,405)	(6,894)
Repurchases of common stock	(142,479)	(91,458)
Payment of finance lease obligations	(37)	(34)
Payment of tax distributions to redeemable noncontrolling interest holders	—	(38)
Change in gross advance payments received from third-party transaction processor	(80)	(2,674)
Net cash used in financing activities	<u>(153,975)</u>	<u>(101,069)</u>
Impact of foreign currency on cash, cash equivalents, and restricted cash	(774)	211
Net decrease in cash, cash equivalents, and restricted cash	(75,561)	(109,511)
Cash, cash equivalents, and restricted cash at beginning of period	293,926	484,132
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 218,365</u>	<u>\$ 374,621</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 25,904	\$ 36,303
Cash paid for operating lease liabilities	\$ 7,534	\$ 9,831
Cash paid for interest	\$ 309	\$ 279
Supplemental noncash disclosure of cash flow information:		
Unpaid purchases of property and equipment and capitalized hosting arrangements	\$ 7,704	\$ 4,509
Unpaid withholding taxes on net share settlement of restricted stock units	\$ 120	\$ 3,958
Unpaid excise tax on repurchases of common stock	\$ 2,654	\$ 559
Capitalized stock-based compensation expense in website development and internal-use software costs and hosting arrangements	\$ 3,688	\$ 2,437
Obtaining a right-of-use asset in exchange for an operating lease liability	\$ (5,029)	\$ 144,556

The accompanying notes are an integral part of these Unaudited Condensed Consolidated Financial Statements.

CarGurus, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

(dollars in thousands, except share and per share data, unless otherwise noted)

1. Organization and Business Description

CarGurus, Inc. (the "Company") 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, LLC ("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.

The Company operates principally in the United States (the "U.S."). In the U.S. it also operates as independent brands the Autolist online marketplace and the CarOffer online wholesale platform. In addition to the U.S., the Company operates online marketplaces under the CarGurus brand in Canada and the United Kingdom (the "U.K."). In the U.K. it also operates as an independent brand the PistonHeads online marketplace.

The Company has subsidiaries in the U.S., Canada, Ireland, and the U.K. and it has two reportable segments, U.S. Marketplace and Digital Wholesale. See Note 13 of the Unaudited Condensed Consolidated Financial Statements (as defined below) for further segment reporting and geographic information.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated financial statements are unaudited (the "Unaudited Condensed Consolidated Financial Statements"). The Unaudited Condensed Consolidated Financial Statements and related disclosures have been prepared in conformity with accounting principles generally accepted in the U.S. ("GAAP"). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Update ("ASU") of the Financial Accounting Standards Board ("FASB").

The Unaudited Condensed Consolidated Financial Statements have also been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The Unaudited Condensed Consolidated Financial Statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for the fair presentation of the Company's financial statements for interim periods. These interim period results are not necessarily indicative of the results to be expected for any other interim period or the full year.

The Unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company's audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed with the SEC on February 26, 2024 (the "Annual Report").

While the Company disclosed unrealized gain on short-term investments and realized gain on short-term investments separately in the Unaudited Condensed Consolidated Statements of Cash Flows in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, filed with the SEC on August 9, 2023, the accompanying Unaudited Condensed Consolidated Statements of Cash Flows for the quarter ended June 30, 2023 present unrealized gain on short-term investments and realized gain on short-term investments consolidated within other noncash expense, net to conform to the current year presentation.

While the Company disclosed unpaid excise tax on repurchases of common stock within unpaid repurchases of common stock in the Unaudited Condensed Consolidated Statements of Cash Flows in the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2023, filed with the SEC on August 9, 2023, the accompanying Unaudited Condensed Consolidated Statements of Cash Flows for the quarter ended June 30, 2023 present unpaid excise tax on repurchases of common stock separately from unpaid repurchases of common stock to conform to the current year presentation.

Principles of Consolidation

The Unaudited Condensed Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Subsequent Event Considerations

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the Unaudited Condensed Consolidated Financial Statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. The Company has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure.

Use of Estimates

The preparation of the Unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. Changes in estimates are recognized in the period in which they become known.

Critical estimates relied upon in preparing the Unaudited Condensed Consolidated Financial Statements include the determination of sales allowance and variable consideration in the Company's revenue recognition, allowance for doubtful accounts, the impairment of long-lived assets, the capitalization of product, technology, and development costs for website development, internal-use software, and hosting arrangements, the valuation of acquired assets and liabilities, the valuation and recoverability of intangible assets and goodwill, the valuation of redeemable noncontrolling interest, the recoverability of the Company's net deferred tax assets and related valuation allowance, the valuation of inventory, and the valuation of liability-classified compensation awards. Accordingly, the Company considers these to be its critical accounting estimates, and believes that of the Company's significant accounting policies, these involve the greatest degree of judgment and complexity. For the three and six months ended June 30, 2024, there were no estimates related to the valuation of redeemable noncontrolling interest and the valuation of liability-classified compensation awards.

During the three months ended June 30, 2024, the Company identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and declines in the volume of the number of vehicles processed from car dealers, consumers, and other marketplaces through the CarOffer website within the applicable period within the Digital Wholesale segment ("Transactions"), which resulted in revisions to the Company's financial projections for the CarOffer reporting unit. The Company performed an updated fair value analysis of the CarOffer reporting unit, resulting in an excess of carrying value over fair value of the CarOffer reporting unit.

Due to the partial impairment of the CarOffer reporting unit goodwill, the remaining goodwill balance related to this reporting unit is still considered to be at risk for future impairments. If projected future operating results further decline, including as a result of economic conditions or operational challenges, the Company may need to record additional impairment charges to further reduce the goodwill at the CarOffer reporting unit, which could be material and negatively affect its operations.

For further discussion of impairments related to goodwill and other long-lived assets, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements.

Concentration of Credit Risk

The Company has no significant off-balance sheet risk, such as foreign exchange contracts, option contracts, or other foreign hedging arrangements. Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash, cash equivalents, short-term investments, trade accounts receivable, and other receivables.

The Company maintains its cash and cash equivalents principally with accredited financial institutions of high credit standing. Although the Company deposits its cash and cash equivalents with multiple financial institutions, its deposits with each such financial institution exceed governmental insured limits.

The Company routinely assesses the creditworthiness of its customers and does not require collateral. The Company generally has not experienced any material losses related to receivables from individual customers or groups of customers.

The Company had no material losses related to marketplace receivables as it was dispersed across a large number of customers. The Company had no material losses related to wholesale and product receivables as the third-party transaction processor does not release the title to the vehicle until successfully collecting funds from the buying dealer. Titling is handled by the Company's third-party transaction processor and titles are held in escrow until it collects funds from the buying dealer (i.e., title is legally transferred from the selling party to the buying party upon signing of bill of sale, but title is held in escrow by the third-party transaction processor until payment is received). Due to these factors, no additional credit risk beyond amounts provided for collection losses was believed by management to be probable in the Company's accounts receivable and other receivables.

As of June 30, 2024 and December 31, 2023, no customer accounted for more than 10% of net accounts receivable and other receivables. All of accounts receivable was dispersed among more than 1,000 customers. Therefore, there is no significant credit risk with respect to accounts receivable because credit risk is dispersed due to the large number of customers.

For the three and six months ended June 30, 2024 and 2023, no customer accounted for more than 10% of total revenue.

The Company is exposed to credit losses primarily through its trade accounts receivable, which includes receivables in transit, net of payables due, from a third-party transaction processor. The third-party transaction processor collects customer payments on the Company's behalf and remits them to the Company. Customer payments received by the third-party transaction processor, but not remitted to the Company as of period end, are deemed to be receivables in transit, net of payables due. Additionally, the third-party transaction processor provides payments in advance for certain selling dealers. If the third-party transaction processor does not receive buying dealer payments associated with the transaction paid in advance, the Company would guarantee losses incurred by the third-party transaction processor and the balance would be deducted from future remittances to the Company. To date, losses associated with these guarantees have not been material.

The Company offsets trade accounts receivables in transit, net of payables due, from the third-party transaction processor with payments received in advance from the third-party transaction processor as it has the right of offset. At any point in time, the Company could have amounts due from the third-party transaction processor for funds the third-party transaction processor has collected from buying dealers and has not yet remitted to the Company (i.e., receivables in transit, net of payables due), as well as amounts paid by the third-party transaction processor to the Company in advance of collecting payments from buying dealers (i.e., payments received in advance). Therefore, as the Company has the right to offset, the Company can either have a net receivable balance due from the third-party transaction processor which is recognized within accounts receivable, net in the Unaudited Condensed Consolidated Balance Sheets, or the Company can have a net liability which is recognized within accrued expenses, accrued income taxes, and other current liabilities in the Unaudited Condensed Consolidated Balance Sheets if the advance payments exceed the receivable position from the third-party transaction processor as of the balance sheet date. The change in payments received in advance from the third-party transaction processor is presented as cash flows from financing activities in the Unaudited Condensed Consolidated Statements of Cash Flows.

As of June 30, 2024, trade accounts receivable from receivables in transit, net of payables due, from the third-party transaction processor was \$1,139, offset by payments received in advance of \$1,935, which resulted in a net payable of \$796 recognized within accrued expenses, accrued income taxes, and other current liabilities in the Unaudited Condensed Consolidated Balance Sheets. As of December 31, 2023, trade accounts receivable from receivables in transit, net of payables due, from the third-party transaction processor was \$2,868, offset by payments received in advance of \$2,015, which resulted in a net receivable of \$853 recognized within accounts receivable, net in the consolidated balance sheets.

As of June 30, 2024 and December 31, 2023, \$11,120 and \$9,581, respectively, was included in net accounts receivable, representing unbilled accounts receivable relating primarily to both advertising customers and dealers invoiced in the period subsequent to services rendered and revenue recognition adjustments for Company offered discounts given to dealers in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606").

Significant Accounting Policies

The Unaudited Condensed Consolidated Financial Statements reflect the application of certain significant accounting policies as described below and elsewhere in these notes to the Unaudited Condensed Consolidated Financial Statements. As of June 30, 2024, there have been no material changes in the Company's significant accounting policies, which are detailed in the Annual Report.

Recent Accounting Pronouncements Not Yet Adopted

From time to time, new accounting pronouncements are issued by the FASB or other standard setting bodies and adopted by the Company on or prior to the specified effective date. Unless otherwise discussed, the Company believes that the impact of recently issued standards that are not yet effective will not have a material impact on its financial position or results of operations upon adoption. As of June 30, 2024, there are no new accounting pronouncements that the Company is considering adopting, other than those described below.

In December 2023 the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). ASU 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. ASU 2023-09 addresses investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. Early adoption is permitted. A public entity should apply ASU 2023-09 prospectively to all annual periods beginning after December 15, 2024. The Company is currently evaluating the impact of ASU 2023-09 on its future consolidated financial statements and related disclosures.

In November 2023 the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). ASU 2023-07 is intended to enhance disclosures for significant segment expenses for all public entities required to report segment information in accordance with ASC Topic 280, *Segment Reporting* ("ASC 280"). ASC 280 requires a public entity to report for each reportable segment a measure of segment profit or loss that its chief operating decision maker ("CODM") uses to assess segment performance and to make decisions about resource allocations. ASU 2023-07 is intended to improve financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities to enable investors to develop more useful financial analyses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply ASU 2023-07 retrospectively to all prior periods presented in the consolidated financial statements. The Company is currently evaluating the impact of ASU 2023-07 on its future consolidated financial statements and related disclosures.

In October 2023 the FASB issued ASU 2023-06, *Disclosure Improvements – Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative* ("ASU 2023-06"). ASU 2023-06 modifies the disclosure and presentation requirements for a variety of topics in the ASC. The Company is currently evaluating the impact of ASU 2023-06 on its future consolidated financial statements and related disclosures.

3. Revenue Recognition

The following table summarizes revenue from contracts with customers by services and products for the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Marketplace	\$ 195,167	\$ 170,950	\$ 382,386	\$ 338,077
Dealer-to-Dealer	15,492	32,950	33,991	61,655
Sell My Car - Instant Max Cash Offer	8,033	35,837	18,111	71,968
Total	<u>\$ 218,692</u>	<u>\$ 239,737</u>	<u>\$ 434,488</u>	<u>\$ 471,700</u>

The Company provides disaggregation of revenue by services and products, by income statement presentation, by segment, and by geographic region.

Revenue by services and products is disaggregated by (i) marketplace services, (ii) Dealer-to-Dealer services and products, and (iii) Sell My Car - Instant Max Cash Offer ("IMCO") services and products as disclosed above.

Revenue by income statement presentation is disaggregated by (i) marketplace, (ii) wholesale, and (iii) product revenue sources as disclosed in the Unaudited Condensed Consolidated Income Statements. Marketplace services are included within marketplace revenue in the Unaudited Condensed Consolidated Income Statements. Dealer-to-Dealer and IMCO services and products are included within both wholesale revenue and product revenue in the Unaudited Condensed Consolidated Income Statements.

Revenue by segment is disaggregated by (i) U.S. Marketplace and (ii) Digital Wholesale segments as disclosed in Note 13 of the Unaudited Condensed Consolidated Financial Statements. Marketplace services are included in the U.S. Marketplace segment and in the Other category of segment reporting. Dealer-to-Dealer and IMCO services and products are included in the Digital Wholesale segment.

Revenue by geographic region is disaggregated by (i) U.S. and (ii) International regions as disclosed in Note 13 of the Unaudited Condensed Consolidated Financial Statements. Marketplace services are provided in the U.S. and International regions. Dealer-to-Dealer and IMCO services and products are provided in the U.S. region.

The Company believes these categories best depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors.

ASC 606 requires that the Company disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as of the relevant quarter end.

For contracts with an original expected duration greater than one year, the aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied as of June 30, 2024, was approximately \$55.7 million, which the Company expects to recognize over the next twelve months.

For contracts with an original expected duration of one year or less, the Company has applied the practical expedient available under ASC 606 to not disclose the amount of transaction price allocated to unsatisfied performance obligations as of June 30, 2024. For performance obligations not satisfied as of June 30, 2024, and to which this expedient applies, the nature of the performance obligations, the variable consideration, and any consideration from contracts with customers not included in the transaction price is consistent with performance obligations satisfied as of June 30, 2024.

For the three months ended June 30, 2024 and 2023, revenue recognized from amounts included in deferred revenue at the beginning of the period was \$21,432 and \$20,808, respectively. For the six months ended June 30, 2024 and 2023, revenue recognized from amounts included in deferred revenue at the beginning of the period was \$21,322 and \$12,249, respectively.

4. Fair Value of Financial Instruments

As of June 30, 2024 and December 31, 2023, assets measured at fair value on a recurring basis consist of the following:

	As of June 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	Total
Cash equivalents:				
Mutual funds	\$ 96,449	\$ —	\$ —	\$ 96,449
Total	\$ 96,449	\$ —	\$ —	\$ 96,449
	As of December 31, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	Total
Cash equivalents:				
Mutual funds	\$ 73,449	\$ —	\$ —	\$ 73,449
Short-term investments:				
Mutual funds	20,724	—	—	20,724
Total	\$ 94,173	\$ —	\$ —	\$ 94,173

For the three months ended June 30, 2024, there was no dividend income recognized within interest income in the Unaudited Condensed Consolidated Income Statements. For the three months ended June 30, 2023 and for the six months ended June 30, 2024 and 2023, dividend income recognized within interest income in the Unaudited Condensed Consolidated Income Statement was immaterial.

For the three months ended June 30, 2024, there was no unrealized and realized gain on short-term investments. For the three months ended June 30, 2023 and for the six months ended June 30, 2024 and 2023, unrealized and realized gain on short-term investments in equity securities was immaterial.

As of June 30, 2024, the Company did not have any short-term investments as all were sold during the six months ended June 30, 2024.

5. Property and Equipment, Net

As of June 30, 2024 and December 31, 2023, property and equipment, net consist of the following:

	As of June 30, 2024	As of December 31, 2023
Capitalized equipment	\$ 865	\$ 1,326
Capitalized internal-use software	16,282	12,279
Capitalized website development	70,477	57,158
Furniture and fixtures	6,265	8,149
Leasehold improvements	18,919	23,308
Construction in progress	79,334	39,835
Finance lease right-of-use assets	221	288
	<u>192,363</u>	<u>142,343</u>
Less accumulated depreciation and amortization	(62,340)	(58,973)
Total	<u>\$ 130,023</u>	<u>\$ 83,370</u>

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, depreciation and amortization expense, excluding amortization of intangible assets, amortization of capitalized hosting arrangements, and impairments, was \$4,906, \$4,160, \$10,505, and \$8,202, respectively.

For the three and six months ended June 30, 2024, the Company impaired \$180 of Digital Wholesale segment capitalized website development costs within wholesale cost of revenue in the Unaudited Condensed Consolidated Income Statements related to certain developed technology that the Company decided to cease investment.

For the three months ended June 30, 2023, the Company impaired \$9 of U.S. Marketplace segment capitalized website development costs within marketplace cost of revenue in the Unaudited Condensed Consolidated Income Statements related to certain developed technology that the Company decided to cease investment. For the six months ended June 30, 2023, the Company impaired \$184 of Digital Wholesale and U.S. Marketplace capitalized website development costs within wholesale and marketplace cost of revenue, respectively, in the Unaudited Condensed Consolidated Income Statements related to certain developed technology that the Company decided to cease investment.

During the six months ended June 30, 2024, capitalized internal-use software costs increased \$4,003 due primarily to continued net investment in the Company's software projects.

During the six months ended June 30, 2024, capitalized website development costs increased \$13,319 due primarily to continued net investment in the Company's product offerings.

During the six months ended June 30, 2024, leasehold improvements costs decreased \$4,389 due primarily to disposals of fully depreciated assets related to the expiration of the lease of office space at 2 Canal Park.

During the six months ended June 30, 2024, construction in progress costs increased \$39,499 due to the buildout of the Company's future headquarters located at 1001 Boylston Street.

6. Goodwill and Other Long-Lived Asset Impairment

Background

During the three months ended June 30, 2024, the Company identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to the Company's financial projections for the CarOffer reporting unit. Prior to testing the goodwill and other long-lived assets included in the CarOffer reporting unit for impairment, the Company first evaluated current assets, inclusive of the cash and cash-equivalents, accounts receivable, inventory, prepaid expenses, and other current assets allocated to the CarOffer reporting unit, under applicable guidance and identified no impairment.

The Company then evaluated other long-lived assets included in the CarOffer reporting unit under ASC 360, *Property, Plant, and Equipment* ("ASC 360"). Other long-lived assets are tested for impairment at the asset group level, and the Company identified the asset group as the entire CarOffer reporting unit, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. As the CarOffer asset group did not pass the step one recoverability test on an undiscounted cash flow basis, the Company then compared the fair value of the asset group to its carrying value. To estimate the fair value of the asset group, the Company utilized an income-based valuation approach by means of a discounted cash flow method, based on market participant assumptions. The assumptions used to estimate the fair value using a discounted cash flow method included forecasted revenue and EBITDA, long term expectations for growth rates and operating profit margin, expected needs for annual capital expenditure and net working capital, and a market-participant discount rate derived via the capital asset pricing model. The excess of the carrying value of the asset group over the fair value was first allocated amongst the long-lived asset group (excluding goodwill), noting each individual long-lived asset within the group may not be impaired below its individual fair value.

As discussed below, the Company recognized impairments of CarOffer lease right-of-use assets of \$4,731 and the CarOffer brand intangible asset of \$7,538 to bring the long-lived assets' carrying value to fair value. All other long-lived assets' carrying value were at or below fair value. Subsequent to performing the impairment assessment of its long-lived assets, the Company then assessed goodwill included in the CarOffer reporting unit, resulting in an impairment charge of \$115,206, inclusive of the deferred tax impact of \$28,437 due to the goodwill being tax deductible. Refer below for further details of each impairment charge.

Right of Use Asset

In connection with the triggering event discussed above, the Company assessed the right-of-use assets associated with CarOffer's Addison, Texas lease for impairment.

As noted above, the carrying value of the CarOffer asset group was determined to not be recoverable. As such, the Company evaluated the fair value of the CarOffer asset group as of June 30, 2024, using a discounted cash flow method that incorporated market participant assumptions. The resulting impairment loss was then allocated to each of the long-lived assets in the asset group, including the CarOffer right-of-use assets. This fair value measurement is categorized as Level 3 within the fair value included hierarchy as there are significant unobservable inputs utilized in the valuation technique, including the selected market rental rates based upon similar office spaces, the discount rate, and other estimated replacement costs.

As of June 30, 2024, a non-cash impairment charge of \$4,731 was allocated to the right-of-use assets in the CarOffer asset group, which was recognized within operating expenses in the Unaudited Condensed Consolidated Income Statements in the Digital Wholesale segment.

Other Intangible Assets

In connection with the triggering event discussed above, the Company recognized an impairment to its brand intangible assets included within the CarOffer asset group as of June 30, 2024 to reduce the carrying value of the brand intangible asset to its fair value. This fair value measurement is categorized as Level 3 within the fair value hierarchy as there are significant unobservable inputs utilized in the valuation technique. The Company estimated fair value using market participant assumptions and the relief from royalty method, with key inputs including forecasted revenue, royalty rate, discount rate, and the useful life.

As of June 30, 2024, a non-cash impairment charge of \$7,538 was allocated to the brand intangible asset for the CarOffer asset group, which was recognized within operating expenses in the Unaudited Condensed Consolidated Income Statements in the Digital Wholesale segment.

As of June 30, 2024 and December 31, 2023, intangible assets consist of the following:

As of June 30, 2024					
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount
Brand	6.6	\$ 32,138	\$ 11,776	\$ 7,538	\$ 12,824
Customer relationships	—	19,870	19,870	—	—
Developed technology	—	65,212	64,565	647	—
Total		<u>\$ 117,220</u>	<u>\$ 96,211</u>	<u>\$ 8,185</u>	<u>\$ 12,824</u>

As of December 31, 2023					
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount
Brand	7.4	\$ 32,193	\$ 10,262	\$ —	\$ 21,931
Customer relationships	0.0	19,870	19,620	—	250
Developed technology	0.0	65,212	63,690	647	875
Total		<u>\$ 117,275</u>	<u>\$ 93,572</u>	<u>\$ 647</u>	<u>\$ 23,056</u>

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, amortization of intangible assets was \$757, \$7,507, \$2,639, and \$15,041, respectively.

For the three and the six months ended June 30, 2024, the Company wrote off \$7,538 of Digital Wholesale segment intangible assets within operating expenses in the Unaudited Condensed Consolidated Income Statements related to the impairment discussed above.

As of June 30, 2024, estimated amortization expense of intangible assets for future periods is as follows:

Year Ending December 31,	Amortization Expense
Remainder of 2024	\$ 1,014
2025	2,028
2026	2,028
2027	2,028
2028	2,028
2029	1,439
Thereafter	2,259
Total	<u>\$ 12,824</u>

Goodwill

The Company determined that there were no indicators of impairment for the U.S. Marketplace or U.K. Marketplace reporting units and therefore an interim impairment assessment was not performed at June 30, 2024.

In connection with the triggering event discussed above, the Company evaluated the CarOffer reporting unit goodwill for impairment as of June 30, 2024, by comparing its estimated fair value to its carrying value. The Company estimated the fair value of the CarOffer reporting unit using an income-based valuation approach by means of a discounted cash flow method. This fair value measurement is categorized as Level 3 within the fair value hierarchy as there are significant unobservable inputs utilized in the valuation technique. The assumptions used to estimate the fair value of the reporting unit included forecasted revenue and EBITDA, long term expectations for growth rates and operating profit margin, expected needs for annual capital expenditure and net working capital, and a market-participant discount rate derived via the capital asset pricing model.

As of June 30, 2024, the carrying value for the CarOffer reporting unit (after adjustments for other long-lived asset impairments discussed above) exceeded its fair value, resulting in a non-cash impairment charge of \$86,769, which was recognized within operating expenses in the Unaudited Condensed Consolidated Income Statements in the Digital Wholesale segment. As the goodwill for the CarOffer reporting unit is tax deductible, the Company then calculated the deferred tax effect of the goodwill impairment charge using the simultaneous equation method. This resulted in additional goodwill impairment and deferred tax assets of \$28,437, for a total goodwill impairment of \$115,206 recognized within operating expenses in the Unaudited Condensed Consolidated Income Statements in the Digital Wholesale segment.

As of June 30, 2024, changes in the carrying value of goodwill are as follows:

	U.S. Marketplace	Digital Wholesale	Other	Total
Balance as of December 31, 2023	\$ 12,477	\$ 130,451	\$ 14,970	\$ 157,898
Impairment of goodwill	—	(115,206)	—	(115,206)
Other ⁽¹⁾	—	4,323	—	4,323
Foreign currency translation adjustment	—	—	(439)	(439)
Balance as of June 30, 2024	<u>\$ 12,477</u>	<u>\$ 19,568</u>	<u>\$ 14,531</u>	<u>\$ 46,576</u>

(1) During the three and six months ended June 30, 2024, the Company recognized an immaterial adjustment to goodwill and additional paid-in-capital, associated with the acquisitions of its equity interests in CarOffer, LLC.

As of June 30, 2024, the accumulated impairment losses of goodwill were \$115,206. As of December 31, 2023, there were no accumulated impairment losses of goodwill.

Due to the partial impairment of the CarOffer reporting unit goodwill, the remaining goodwill balance related to this reporting unit is still considered to be at risk for future impairments. If projected future operating results further decline, including as a result of economic conditions or operational challenges, the Company may need to record additional impairment charges to further reduce the goodwill at the CarOffer reporting unit, which could be material and negatively affect its operations.

7. Accrued Expenses, Accrued Income Taxes, and Other Current Liabilities

As of June 30, 2024 and December 31, 2023, accrued expenses, accrued income taxes, and other current liabilities consist of the following:

	As of June 30, 2024	As of December 31, 2023
Accrued bonus	\$ 12,443	\$ 15,247
Other accrued expenses, accrued income taxes, and other current liabilities	21,481	18,471
Total	<u>\$ 33,924</u>	<u>\$ 33,718</u>

8. Debt

As of June 30, 2024 and December 31, 2023, the Company had no long-term debt outstanding.

Revolving Credit Facility

On September 26, 2022, the Company entered into a Credit Agreement (the "Credit Agreement") with PNC Bank, National Association, as administrative agent and collateral agent and an L/C Issuer (as defined in the Credit Agreement), and the other lenders, L/C Issuers, and parties thereto from time to time. The Credit Agreement consists of a revolving credit facility (the "2022 Revolver"), which allows the Company to borrow up to \$400.0 million, \$50.0 million of which may be comprised of a letter of credit sub-facility (the "2022 Revolver Sub-facility"). The borrowing capacity under the Credit Agreement may be increased in accordance with the terms and subject to the adjustments as set forth in the Credit Agreement. Specifically, the borrowing capacity may be increased by an amount up to the greater of \$250.0 million or 100% of Four Quarter Consolidated EBITDA (as defined in the Credit Agreement) if certain criteria are met and subject to certain restrictions. Any such increase requires lender approval. Proceeds of any borrowings may be used for general corporate purposes. The 2022 Revolver is scheduled to mature on September 26, 2027.

The applicable interest rate is, at the Company's option, based on a number of different benchmark rates and applicable spreads, based on the ratio of the outstanding principal amount of the Company's secured indebtedness to the trailing four quarters of consolidated EBITDA (as determined under the Credit Agreement, the "Consolidated Secured Net Leverage Ratio"). The Credit Agreement also requires the Company to pay a commitment fee to the lenders with respect of the unutilized revolving commitments at a rate ranging from 0.125% to 0.175% per annum based on the Consolidated Secured Net Leverage Ratio, as determined on a quarterly basis.

The 2022 Revolver is secured by a first priority lien on substantially all tangible and intangible property of the Company, as well as any future guarantors, and pledges of the equity of certain wholly-owned subsidiaries, in each case subject to certain exceptions, limitations, and exclusions from the collateral. The Credit Agreement includes customary events of default and requires the Company to comply with customary affirmative and negative covenants, including a financial covenant requiring that the Company not exceed certain Consolidated Secured Net Leverage Ratio ranges at the end of each fiscal quarter. The Company was in compliance with all covenants as of June 30, 2024.

As of June 30, 2024, there were no borrowings and \$9,407 in letters of credit outstanding under the 2022 Revolver associated with the Company's leases, which reduced the borrowing capacity under the 2022 Revolver to \$390,593. As of December 31, 2023, there were no borrowings and \$9,627 in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to \$390,373.

As of June 30, 2024 and December 31, 2023, deferred financing costs were \$1,669 and \$1,927, respectively.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, amortization expense associated with deferred financing costs was immaterial.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, commitment fees under the 2022 Revolver were immaterial.

9. Commitments and Contingencies

Contractual Obligations and Commitments

As of June 30, 2024, all of the Company's property and equipment and hosting arrangements have been purchased with cash with the exception of unpaid amounts as disclosed in the Unaudited Condensed Consolidated Statements of Cash Flows.

In connection with the Company's operating lease agreement in Boston, Massachusetts for 225,428 square feet at 1001 Boylston Street (the "1001 Boylston Street Lease"), the Company expects to spend an additional \$16,348 to complete its buildout, of which \$11,498 has been committed and remains unspent as of June 30, 2024. These costs will be partially reimbursable under the tenant improvement allowance.

The Company is subject to a number of risks and uncertainties common to companies in its and similar industries and stages of development including, but not limited to, rapid technological changes, competition from substitute products and services from larger companies, management of international activities, protection of proprietary rights, patent litigation, and dependence on key individuals.

Leases

The Company's material lease obligations consist of various leases for office space in: Boston, Massachusetts; Cambridge, Massachusetts; Addison, Texas; and Dublin, Ireland.

As of June 30, 2024, there were no material changes in the Company's leases from those disclosed in the Annual Report, other than those described below.

Addison, Texas

During the three months ended June 30, 2024, the Company identified an impairment of right-of-use assets associated with its Addison, Texas lease. For further information, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements.

1001 Boylston

On April 12, 2024 and May 3, 2024, the Company entered into various change orders regarding the 1001 Boylston Street Lease and related buildout. The change orders modify the responsibilities outlined in the 1001 Boylston Street Lease, and reallocate the responsibility of certain buildout costs from the landlord to the Company. The costs related to this work are reimbursable by the landlord, effectively increasing the tenant improvement allowance from the 1001 Boylston Street Lease by \$456. The Company accounted for these change orders as a remeasurement of the 1001 Boylston Street Lease, using an incremental borrowing rate as of the modification date, May 3, 2024. The lease remeasurement resulted in a decrease in the lease liability and right-of-use asset on the Unaudited Condensed Consolidated Balance Sheets of \$1,493. There was not a material impact on the Unaudited Condensed Consolidated Income Statement or future minimum lease payments.

On March 19, 2024, the Company entered into a letter agreement regarding the 1001 Boylston Street Lease (the "2024 Letter Agreement"). The 2024 Letter Agreement memorializes the Substantial Completion Date, Commencement Date, Fixed Rent Commencement Date (as each term is defined in the 1001 Boylston Street Lease), and the rental credits and holdover compensation owed to the Company per the 1001 Boylston Street Lease. The 2024 Letter Agreement also modifies the parking privileges and payments, which commenced on June 1, 2024, and provides reimbursement from the landlord to the Company for additional unexpected costs incurred. The Company accounted for the 2024 Letter Agreement as a remeasurement of the 1001 Boylston Street Lease, using an incremental borrowing rate as of the modification date, March 19, 2024. The lease remeasurement resulted in a decrease in the lease liability and right-of-use asset on the Unaudited Condensed Consolidated Balance Sheets of \$3,536. There was not a material impact on the Unaudited Condensed Consolidated Income Statement or future minimum lease payments.

Restricted Cash

As of June 30, 2024 and December 31, 2023, restricted cash was \$2,196 and \$2,563, respectively, and in each case primarily related to pass-through payments from customers related to the Company's Digital Wholesale business.

Legal Matters

From time to time, the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of its business. The Company recognizes a liability when it believes that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Judgment is required to determine both the probability of having incurred a liability and the estimated amount of the liability. The Company is not presently subject to any pending or threatened litigation that it believes, if determined adversely to the Company, individually or taken together, would reasonably be expected to have a material adverse effect on its business or financial results. However, litigation is inherently unpredictable and the future outcome of legal proceedings and other contingencies may be unexpected or differ from the Company's estimated liabilities, which could have a material adverse effect on the Company's future financial results.

Guarantees and Indemnification Obligations

In the ordinary course of business, the Company enters into agreements with its customers, partners, and service providers that include commercial provisions with respect to licensing, infringement, guarantees, indemnification, and other common provisions.

The Company provides certain guarantees to dealers through products such as its 45-Day Guarantee and OfferGuard service offerings on the CarOffer platform, which are accounted for under ASC Topic 460, *Guarantees*.

45-Day Guarantee is an arrangement through which a selling dealer lists a car on the CarOffer platform, and the Company provides an offer to purchase the vehicle listed at a specified price at any time over a 45-day period. This provides the seller with a put option, where they have the right, but not the obligation, to require the Company to purchase the vehicle during this window. OfferGuard is an arrangement through which a buying dealer purchases a car on the CarOffer platform, and the Company provides an offer to purchase the vehicle at a specified price between days 1 and 3, and days 42 and 45 if the dealer is not able to sell the vehicle after 42 days.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, income for guarantees purchased by dealers was \$127, \$546, \$363, and \$1,160, respectively. For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the net gains or losses recognized within cost of revenue in the Unaudited Condensed Consolidated Income Statements resulting from dealers' exercise of guarantees was immaterial.

As of June 30, 2024, the maximum potential amount of future payments that the Company could be required to make under these guarantees was \$4,945. Of the maximum potential amount of future payments, the losses that were probable were not material. As such, as of June 30, 2024, the Company had no material contingent loss liabilities.

As of December 31, 2023, the maximum potential amount of future payments that the Company could be required to make under these guarantees was \$10,158. Of the maximum potential amount of future payments, the losses that were probable were not material. As such, as of December 31, 2023, the Company had no material contingent loss liabilities.

10. Stock-based Compensation and Common Stock Share Repurchases

Stock-based Compensation Expense

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, stock-based compensation expense by award type and where the stock-based compensation expense was recognized in the Unaudited Condensed Consolidated Income Statements is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Options	\$ 555	\$ 590	\$ 1,146	\$ 1,204
Restricted Stock Units	15,002	14,012	30,233	28,375
CO Incentive Units and Subject Units	—	1,225	—	1,225
Total	\$ 15,557	\$ 15,827	\$ 31,379	\$ 30,804

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cost of revenue	\$ 60	\$ 185	\$ 291	\$ 328
Sales and marketing expense	3,250	2,872	6,124	5,956
Product, technology, and development expense	6,024	6,034	12,001	12,323
General and administrative expense	6,223	6,736	12,963	12,197
Total	\$ 15,557	\$ 15,827	\$ 31,379	\$ 30,804

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, stock-based compensation expense excluded \$1,861, \$1,292, \$3,688, and \$2,437, respectively, of capitalized website development costs, capitalized internal-use software costs, and capitalized hosting arrangements.

Common Stock Share Repurchases

On November 7, 2023, the Company announced that the Board of Directors authorized a share repurchase program (the "2024 Share Repurchase Program") pursuant to which the Company may, from time to time, purchase shares of its Class A common stock for an aggregate purchase price not to exceed \$250.0 million. Share repurchases under the 2024 Share Repurchase Program may be made through a variety of methods, including but not limited to open market purchases, privately negotiated transactions, and transactions that may be effected pursuant to one or more plans under Rule 10b5-1 and/or Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The 2024 Share Repurchase Program does not obligate the Company to repurchase any minimum dollar amount or number of shares. The 2024 Share Repurchase Program has an effective date of January 1, 2024, and an expiration date of December 31, 2024, and prior to its expiration may be modified, suspended, or discontinued by the Board of Directors at any time without prior notice. All repurchased shares of Class A common stock under the 2024 Share Repurchase Program will be retired. The Company has funded and expects to continue to fund any additional share repurchases under the 2024 Share Repurchase Program through cash on hand and cash generated from operations.

On December 8, 2022, the Company announced that the Board of Directors authorized a share repurchase program (the "2022 Share Repurchase Program") pursuant to which the Company could, from time to time, purchase shares of its Class A common stock for an aggregate purchase price not to exceed \$250.0 million. The 2022 Share Repurchase Program expired on December 31, 2023. The 2022 Share Repurchase Program did not obligate the Company to repurchase any minimum dollar amount or number of shares. All repurchased shares of Class A common stock under the 2022 Share Repurchase Program were retired. The Company funded share repurchases under the 2022 Share Repurchase Program through cash on hand and cash generated from operations.

During the three months ended June 30, 2024, the Company repurchased and retired 2,654,807 shares for \$61,350, exclusive of commissions and excise tax, at an average cost of \$23.11 per share, under the 2024 Share Repurchase Program. During the six months ended June 30, 2024, the Company repurchased and retired 6,193,001 shares for \$142,417, exclusive of commissions and excise tax, at an average cost of \$23.00 per share, under the 2024 Share Repurchase Program. As of June 30, 2024, the Company had remaining authorization to purchase up to \$107,583 of the Company's Class A common stock under the 2024 Share Repurchase Program.

During the three months ended June 30, 2023, the Company repurchased and retired 1,311,387 shares for \$21,968, exclusive of commissions and excise tax, at an average cost of \$16.75 per share, under the 2022 Share Repurchase Program. During the six months ended June 30, 2023, the Company repurchased and retired 5,301,248 shares for \$87,119, exclusive of commissions and excise tax, at an average cost of \$16.43 per share, under the Share Repurchase Program.

11. Earnings Per Share

The Company has two classes of common stock authorized: Class A common stock and Class B common stock. The rights of the holders of Class A and Class B common stock are identical, except with respect to voting and conversion. Each share of Class A common stock is entitled to one vote per share and each share of Class B common stock is entitled to ten votes per share. Each share of Class B common stock is convertible into one share of Class A common stock at the option of the holder at any time or automatically upon certain events described in the Company's fourth amended and restated certificate of incorporation, including upon either the death or voluntary termination of the Company's Executive Chair. The Company allocates undistributed earnings attributable to common stock between the common stock classes on a one-to-one basis when computing net income per share. As a result, basic and diluted net income per share of Class A common stock and per share of Class B common stock are equivalent.

During the three months ended June 30, 2024 and 2023 and the six months ended June 30, 2024 and 2023, no shares of Class B common stock were converted into Class A common stock.

Basic net income per share (“Basic EPS”) is computed by dividing consolidated net income adjusted for net loss attributable to redeemable noncontrolling interest and changes in the redemption value of redeemable noncontrolling interest, if applicable, by the weighted-average number of common shares outstanding during the reporting period. The Company computes the weighted-average number of common shares outstanding during the reporting period using the total number of shares of Class A common stock and Class B common stock outstanding as of the last day of the previous year plus the weighted-average of any additional shares issued and outstanding during the reporting period, less the weighted-average of any shares repurchased during the period.

Diluted net income per share (“Diluted EPS”) gives effect to all potentially dilutive securities. Diluted EPS is computed by dividing consolidated net income adjusted for net loss attributable to redeemable noncontrolling interest and changes in the redemption value of redeemable noncontrolling interest, if applicable and dilutive, by the weighted-average number of common shares outstanding during the reporting period using (i) the number of shares of common stock used in the Basic EPS calculation as indicated above, and (ii) if dilutive, the incremental weighted-average common stock that the Company would issue upon the exercise of stock options and the vesting of restricted stock units. The dilutive effect of these common stock equivalents is reflected in diluted earnings per share by application of the treasury stock method. For previous periods, the if-converted method was used to calculate the number of shares issuable upon exercise of the 2024 Put Right (as defined in Note 2 to the consolidated financial statements contained within the Annual Report), inclusive of CarOffer noncontrolling interest and CO Incentive and Subject Units (as each term is defined in Note 2 to the consolidated financial statements contained within the Annual Report), that would have been issuable as of the end of the reporting period assuming the end of the reporting period was also the end of the contingency period.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, a reconciliation of the numerator and denominator used in the calculation of basic and diluted net (loss) income per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Numerator:				
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 — basic	\$ (68,721)	\$ 16,413	\$ (47,420)	\$ 32,545
Net loss attributable to redeemable noncontrolling interest	—	(2,596)	—	(6,862)
Net (loss) income attributable to common stockholders — diluted	\$ (68,721)	\$ 13,817	\$ (47,420)	\$ 25,683
Denominator:				
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
Dilutive effect of share equivalents resulting from stock options	—	226,406	—	228,043
Dilutive effect of share equivalents resulting from unvested restricted stock units	—	826,188	—	576,886
Weighted-average number of shares of common stock used in computing net (loss) income per share attributable to common stockholders — diluted	103,827,661	114,490,651	105,501,236	115,197,890
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

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, potentially dilutive common stock equivalents that have been excluded from the calculation of diluted weighted-average shares outstanding as their effect would have been anti-dilutive are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Stock options outstanding	713,205	558,080	537,981	559,054
Restricted stock units outstanding	6,567,748	2,291,538	1,025,342	2,749,365

For the three and six months ended June 30, 2024, there was no effect of potentially dilutive shares as the numerator was negative and there were no contingently issuable shares as a result of the acquisition of remaining minority equity interests in CarOffer. For the three and six months ended June 30, 2023, the number of issuable shares estimated upon exercise of the 2024 Put Right was zero.

12. Income Taxes

During the three months ended June 30, 2024 and 2023, the Company recognized an income tax benefit of \$21,702 and an income tax provision of \$8,601, representing an effective tax rate of 24.0% and 34.4%, respectively. During the six months ended June 30, 2024 and 2023, the Company recognized an income tax benefit of \$13,318 and income tax provision of \$15,132, representing an effective tax rate of 21.9%, and 31.7%, respectively.

The effective tax rates for the three months ended June 30, 2024 and 2023 and the six months ended June 30, 2024 and 2023, was greater than the statutory tax rate of 21%, principally due to state and local income taxes, the Section 162(m) excess officer compensation limitation, and non-deductible meals and commuter fringe benefits, partially offset by federal and state research and development tax credits.

The Organisation for Economic Co-operation and Development introduced an international tax framework under Pillar Two, which includes a global minimum tax of 15%. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where the Company operates. The Pillar Two legislation became effective for the Company's fiscal year beginning January 1, 2024. The Company performed an assessment of its potential exposure to Pillar Two income taxes based on the Company's most recent tax filings, country-by-country reporting, and financial statements for the constituent entities within the Company. Based on the assessment performed, the Company meets the Pillar Two transitional safe harbor effective tax rate relief as all jurisdictions in which the Company operates are above 15%. The Company does not expect any exposure to Pillar Two income taxes in any jurisdictions.

The Company and its subsidiaries are subject to various U.S. federal, state, and foreign income tax examinations. The Company is currently not subject to income tax examination for the tax years 2019 and prior as a result of applicable statute of limitations of the Internal Revenue Service and a majority of applicable state jurisdictions. The Company is currently not subject to examination in its foreign jurisdictions for the tax years 2018 and prior.

13. Segment and Geographic Information

The Company has two reportable segments, U.S. Marketplace and Digital Wholesale. Segment information is presented in the same manner as the Company's CODM reviews the Company's operating results in assessing performance and allocating resources. The CODM reviews segment revenue and segment operating income (loss) as a proxy for the performance of the Company's operations. The Company's Chief Executive Officer is the CODM on behalf of both reportable segments.

The U.S. Marketplace segment derives revenue from marketplace services from customers within the U.S. The Digital Wholesale segment derives revenue from Dealer-to-Dealer and IMCO services and products which are sold on the CarOffer platform. The Company also has two operating segments which are individually immaterial and therefore aggregated into the Other category to reconcile reportable segments to the Unaudited Condensed Consolidated Income Statements. The Other category derives revenue from marketplace services from customers outside of the U.S.

Revenue and costs discretely incurred by reportable segments, including depreciation and amortization, are included in the calculation of reportable segment income (loss) from operations. For the three and six months ended June 30, 2023, Digital Wholesale segment (loss) from operations also reflects certain IMCO marketing and lead generation fees allocated from the U.S. Marketplace segment. Asset information by reportable segment is not provided to the CODM as asset information is assessed and reviewed on a consolidated basis.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, segment revenue, segment income (loss) from operations, and segment depreciation and amortization are as follows:

	Three Months Ended June 30,		Six Months Ended 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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>Segment Income (Loss) 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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>Segment Depreciation and Amortization:</i>				
U.S. Marketplace	\$ 1,987	\$ 2,823	\$ 4,984	\$ 5,563
Digital Wholesale	3,436	8,701	7,717	17,394
Other	240	143	443	286
Total	\$ 5,663	\$ 11,667	\$ 13,144	\$ 23,243

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, a reconciliation between total segment (loss) income from operations to consolidated (loss) income before income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Total segment (loss) income from operations	\$ (93,584)	\$ 17,738	\$ (67,300)	\$ 31,797
Total other income, net	3,161	4,680	6,562	9,018
Consolidated (loss) income before income taxes	\$ (90,423)	\$ 22,418	\$ (60,738)	\$ 40,815

As of June 30, 2024 and December 31, 2023, segment assets are as follows:

	As of June 30, 2024	As of December 31, 2023
<i>Segment Assets:</i>		
U.S. Marketplace	\$ 575,121	\$ 607,307
Digital Wholesale	137,445	258,458
Other	40,765	53,162
Total	\$ 753,331	\$ 918,927

Digital Wholesale segment assets decreased \$121,013, primarily due to the goodwill and other long-lived asset impairment associated with the CarOffer reporting unit of \$127,475, due to the recent organizational changes and Transaction volume declines, which resulted in revisions to the Company's financial projections for the CarOffer reporting unit. For further discussion of impairments related to right-of-use assets, intangible assets, and goodwill, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, revenue by geographical region is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
<i>Revenue by Geographic Region:</i>				
United States	\$ 203,577	\$ 227,230	\$ 405,142	\$ 447,687
International	15,115	12,507	29,346	24,013
Total	<u>\$ 218,692</u>	<u>\$ 239,737</u>	<u>\$ 434,488</u>	<u>\$ 471,700</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited interim condensed consolidated financial statements, or the Unaudited Condensed Consolidated Financial Statements, and the related notes thereto, included elsewhere in this Quarterly Report, and our consolidated financial statements and the related notes and other financial information included in our Annual Report. Some of the information contained in this discussion and analysis or elsewhere in this Quarterly Report, including information with respect to our plans and strategy for our business and our performance and future success, includes forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements." For a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis you should review our Annual Report, including those cautionary statements set forth under Part I, Item 1A "Risk Factors," and in Part II, Item 1A, "Risk Factors," of this Quarterly Report. We qualify all of our forward-looking statements by such cautionary statements.

In this discussion, we use financial measures that are considered non-GAAP financial measures under SEC rules. These rules regarding non-GAAP financial measures require supplemental explanation and reconciliation, which are included elsewhere in this Quarterly Report. Investors should not consider non-GAAP financial measures in isolation from or in substitution for, financial information presented in compliance with United States, or U.S., generally accepted accounting principles, or GAAP.

This section of this Quarterly Report discusses 2024 and 2023 items and period-to-period comparisons between 2024 and 2023. The period-to-period comparison of financial results is not necessarily indicative of future results.

Company Overview

CarGurus, Inc. 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. We use proprietary technology, search algorithms, and data analytics to bring trust, transparency, and competitive pricing to the automotive shopping experience.

We operate principally in the U.S. In the U.S., we also operate as independent brands the Autolist online marketplace and the CarOffer online wholesale platform. In addition to the U.S., we operate online marketplaces under the CarGurus brand in Canada and the United Kingdom, or U.K. In the U.K., we also operate as an independent brand the PistonHeads online marketplace.

We have subsidiaries in the U.S., Canada, Ireland, and the U.K. and we have two reportable segments, U.S. Marketplace and Digital Wholesale. See Note 13 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report for further segment reporting and geographic information.

We derive our revenue from marketplace revenue, wholesale revenue, and product revenue. Marketplace revenue is included in the U.S. Marketplace segment and Other category of segment reporting. Wholesale revenue and product revenue are included in the Digital Wholesale segment. We generate marketplace revenue primarily from (i) dealer subscriptions to our Listings packages and Real-time Performance Marketing, or RPM, digital advertising suite, Digital Retail, and Sell My Car - Top Dealer Offers, or TDO, (ii) advertising revenue from auto manufacturers and other auto-related brand advertisers, and (iii) revenue from partnerships with financing services companies. We generate wholesale revenue primarily from (x) transaction fees earned from the purchase and sale of vehicles between dealers, or Dealer-to-Dealer transactions, (y) transaction fees earned from the sale of vehicles to dealers that we acquire at other marketplaces, and (z) transaction fees earned from performing inspection and transportation services, inclusive of Dealer-to-Dealer transactions, other marketplace-to-dealer transactions, and IMCO transactions (as defined below). We generate product revenue primarily from (A) aggregate proceeds received from the sale of vehicles to dealers that were acquired directly from customers, or Sell My Car - Instant Max Cash Offer, or IMCO transactions, and (B) proceeds received from the sale of vehicles that were acquired through arbitration.

For the three months ended June 30, 2024, we generated revenue of \$218.7 million, a 9% decrease from \$239.7 million of revenue for the three months ended June 30, 2023. For the three months ended June 30, 2024, we generated consolidated net loss of \$68.7 million and Consolidated Adjusted EBITDA of \$55.6 million, compared to consolidated net income of \$13.8 million and Consolidated Adjusted EBITDA of \$45.2 million for the three months ended June 30, 2023.

For the six months ended June 30, 2024, we generated revenue of \$434.5 million, an 8% decrease from \$471.7 million of revenue for the six months ended June 30, 2023. For the six months ended June 30, 2024, we generated consolidated net loss of \$47.4 million and Consolidated Adjusted EBITDA of \$106.0 million, compared to consolidated net income of \$25.7 million and Consolidated Adjusted EBITDA of \$86.0 million for the six months ended June 30, 2023.

See below for more information regarding our use and reconciliation of these non-GAAP financial measures.

Key Business Metrics

We regularly review a number of metrics, including the key metrics listed below, to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections, and make operating and strategic decisions. We believe it is important to evaluate these metrics for the U.S. and International geographic regions. The International region derives revenue from marketplace revenue from customers outside of the U.S. International markets perform differently from the U.S. market due to a variety of factors, including our operating history in each market, our rate of investment, market size, market maturity, competition, and other dynamics unique to each country.

Monthly Unique Users

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.

Average Monthly Unique Users	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)		(in thousands)	
United States	30,246	31,907	32,126	31,947
International	8,908	7,379	8,738	7,285
Total	39,154	39,286	40,864	39,232

Monthly Sessions

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.

Average Monthly Sessions	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(in thousands)		(in thousands)	
United States	80,843	84,355	84,565	84,314
International	20,439	17,137	20,077	16,904
Total	101,282	101,492	104,642	101,218

Number of Paying Dealers

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.

Number of Paying Dealers	As of June 30,	
	2024	2023
United States	24,446	24,220
International	6,906	6,877
Total	31,352	31,097

Transactions

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 Dealer-to-Dealer transactions and IMCO 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.

Transactions	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Transactions	8,778	20,793	19,080	38,298

Quarterly Average Revenue per Subscribing Dealer (QARSD)

We define QARSD, which is measured at the end of a fiscal quarter, as the marketplace revenue primarily from subscriptions to our Listings packages and RPM, 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, or ROI, 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.

Quarterly Average Revenue per Subscribing Dealer (QARSD)	As of June 30,	
	2024	2023
United States	\$ 6,942	\$ 6,110
International	\$ 1,935	\$ 1,610
Consolidated	\$ 5,848	\$ 5,116

Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest

To provide investors with additional information regarding our financial results, we have presented within this Quarterly Report Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest, each of which is a non-GAAP financial measure. These non-GAAP financial measures are not based on any standardized methodology prescribed by GAAP, and are not necessarily comparable to any similarly titled measures presented by other companies.

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 (as defined below), 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 our consolidated financial statements contained within our Annual Report), which are liability-classified awards that do not participate in the share of loss. Adjusted EBITDA attributable to redeemable noncontrolling interest is reflective of our acquisition of the remaining minority equity interests in CarOffer completed on December 1, 2023, or 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.

We have presented Consolidated Adjusted EBITDA and Adjusted EBITDA within this Quarterly Report 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 and Adjusted EBITDA 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 use Consolidated Adjusted EBITDA and Adjusted EBITDA to evaluate our operating performance and trends and make planning decisions. We believe Consolidated Adjusted EBITDA and Adjusted EBITDA help identify underlying trends in our business that could otherwise be masked by the effect of the expenses that we exclude. Accordingly, we believe that Consolidated Adjusted EBITDA and Adjusted EBITDA provide useful information to investors and others in understanding and evaluating our operating results, enhancing the overall understanding of our past performance and future prospects, and allowing for greater transparency with respect to key financial metrics used by our management in its financial and operational decision-making. We use Adjusted EBITDA attributable to redeemable noncontrolling interest to reconcile Consolidated Adjusted EBITDA to Adjusted EBITDA. It enables an investor to gain a clearer understanding of the portion of Consolidated Adjusted EBITDA that is attributable to our redeemable noncontrolling interest.

Our Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest are not prepared in accordance with GAAP, and should not be considered in isolation of, or as an alternative to, measures prepared in accordance with GAAP. There are a number of limitations related to the use of Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest rather than consolidated net income and net loss attributable to redeemable noncontrolling interest, respectively, which are the most directly comparable GAAP equivalents. Some of these limitations are:

- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude depreciation and amortization expense and, although these are non-cash expenses, the assets being depreciated may have to be replaced in the future;
- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude goodwill and other long-lived asset impairment, which include non-cash one-time expenses associated with the impairment of the CarOffer reporting unit as well as other long-lived asset impairments, certain of which may have to be replaced in the future;
- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude stock-based compensation expense, which will be, for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;
- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude stock-based compensation expense for CarOffer, LLC Units, which consists of one-time modifications and expense associated with our CO Incentive Units and Subject Units, as defined in Note 2 to the consolidated financial statements contained within our Annual Report, and Noncontrolling Interest Units, as defined in Note 4 to the consolidated financial statements contained within our Annual Report;
- Consolidated Adjusted EBITDA and Adjusted EBITDA exclude transaction-related expenses incurred by us during a reporting period, which are inclusive of certain transaction and integration costs associated with the 2023 CarOffer Transaction and which may not be reflective of our operational performance during such period, for acquisitions that have been completed as of the filing date of our annual or quarterly report (as applicable) relating to such period;
- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude other income, net, which consists primarily of interest income earned on our cash, cash equivalents, and short-term investments, and foreign exchange gains and losses;
- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude the (benefit from) provision for income taxes;
- Adjusted EBITDA excludes Adjusted EBITDA attributable to redeemable noncontrolling interest, which is calculated as the net loss attributable to redeemable noncontrolling interest, adjusted for all exclusions used to calculate Consolidated Adjusted EBITDA as described above; and
- other companies, including companies in our industry, may calculate Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest differently, which reduces their usefulness as a comparative measure.

Because of these limitations, we consider, and you should consider, Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest together with other operating and financial performance measures presented in accordance with GAAP.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the following table presents a reconciliation of Consolidated Adjusted EBITDA and Adjusted EBITDA to consolidated net (loss) income, the most directly comparable measure calculated in accordance with GAAP for each of the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023 ⁽¹⁾	2024	2023 ⁽¹⁾
	(in thousands)		(in thousands)	
Reconciliation of Consolidated Adjusted EBITDA and Adjusted EBITDA:				
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
Consolidated Adjusted EBITDA	55,556	45,241	105,954	86,028
Adjusted EBITDA attributable to redeemable noncontrolling interest	—	1,590	—	913
Adjusted EBITDA	\$ 55,556	\$ 43,651	\$ 105,954	\$ 85,115

(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.

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the following table presents a reconciliation of Adjusted EBITDA attributable to redeemable noncontrolling interest to net loss attributable to redeemable noncontrolling interest, the most directly comparable measure calculated in accordance with GAAP, for each of the periods presented.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023 ⁽²⁾	2024	2023 ⁽²⁾
	(in thousands)		(in thousands)	
Reconciliation of Adjusted EBITDA attributable to redeemable noncontrolling interest:				
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
Adjusted EBITDA attributable to redeemable noncontrolling interest	\$ —	\$ 1,590	\$ —	\$ 913

(1) These exclusions are adjusted to reflect the noncontrolling interest of 38%.

(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.

Components of Unaudited Condensed Consolidated Income Statements

Revenue

We derive our revenue from marketplace revenue, wholesale revenue, and product revenue. Marketplace revenue is included in the U.S. Marketplace segment and Other category of segment reporting. Wholesale revenue and product revenue are included in the Digital Wholesale segment. We generate marketplace revenue primarily from (i) dealer subscriptions to our Listings packages, RPM, digital advertising suite, Digital Retail, and Sell My Car - TDO, (ii) advertising revenue from auto manufacturers and other auto-related brand advertisers, and (iii) revenue from partnerships with financing services companies. We generate wholesale revenue primarily from (x) transaction fees earned from Dealer-to-Dealer transactions, (y) transaction fees earned from the sale of vehicles to dealers that we acquire at other marketplaces, and (z) transaction fees earned from performing inspection and transportation services, inclusive of Dealer-to-Dealer transactions, other marketplace-to-dealer transactions, and IMCO transactions. We generate product revenue primarily from (A) aggregate proceeds received from the sale of vehicles that were acquired through IMCO transactions, and (B) proceeds received from the sale of vehicles that were acquired through arbitration.

Marketplace Revenue

We offer multiple types of marketplace Listings packages to our dealers for our CarGurus U.S. platform (availability varies on our other marketplaces): Restricted Listings, which is free; and various levels of Listings packages, which each require a paid subscription under a monthly, quarterly, semiannual, or annual subscription basis.

Our subscriptions for customers generally auto-renew on a monthly basis and are cancellable by dealers with 30 days' advance notice prior to the commencement of the applicable renewal term. Subscription pricing is determined based on a dealer's inventory size, region, and our assessment of the connections and ROI the platform will provide them and is subject to discounts and/or fee reductions that we may offer from time to time. We also offer all dealers on the platform access to our Dealer Dashboard, which includes a performance summary, Dealer Insights tool, and user review management platform. Only dealers subscribing to a paid Listings package have access to the Pricing Tool, Market Analysis tool, and Instant Market Value, or IMV, Scan tool. For details on the Dealer Dashboard and these merchandising tools, refer to "Our Products and Services – U.S. Marketplace and Other – Dealer Offerings – Dealer Dashboard and Merchandising Tools" in Part I, Item 1 in our Annual Report.

We also offer paid Listings packages for the Autolist and PistonHeads websites.

In addition to displaying inventory in our marketplace and providing access to the Dealer Dashboard, we offer dealers subscribing to certain of our Listings packages other subscription advertising and customer acquisition products and enhancements marketed under RPM and our digital advertising suite. Through RPM, dealers can buy advertising that appears in our marketplace, on other sites on the internet, and/or on high-converting social media platforms. Such advertisements can be targeted by the user's geography, search history, CarGurus website activity, and a number of other targeting factors, allowing dealers to increase their visibility with in-market consumers and drive qualified traffic for dealers.

We also offer dealer advertising products for the PistonHeads website.

We also offer dealers subscribing to certain of our Listings packages other subscription advertising and customer acquisition products and enhancements such as Digital Retail, which allows shoppers to complete much of the vehicle-purchase process online through the Dealers' Listings page. Digital Retail is comprised of (i) the Digital Deal Platform, which gives dealers higher quality leads through upfront consumer-provided information, (ii) Geo Expansion, which expands the visibility of a dealer's inventory in the search results beyond its local market, and (iii) Hard Pull Financing, which provides loan information.

We also offer dealers subscribing to certain of our Listings packages other subscription advertising and customer acquisition products and enhancements such as TDO, which allows dealers to pay for leads to receive direct access to shoppers actively looking to sell their vehicles. Dealers can acquire inventory from shoppers who are looking to sell directly through the CarGurus Sell My Car page.

Marketplace revenue also consists of non-dealer advertising revenue from auto manufacturers and other auto-related brand advertisers sold on a cost-per-thousand impressions basis, or CPM basis. An impression is an advertisement loaded on a web page. In addition to advertising sold on a CPM basis, we also have advertising sold on a cost-per-click basis. Pricing is primarily based on advertisement size and position on our websites and mobile applications. Auto manufacturers and other brand advertisers can execute advertising campaigns that are targeted across a wide variety of parameters, including demographic groups, behavioral characteristics, specific auto brands, categories such as Certified Pre-Owned, and segments such as hybrid vehicles. We do not provide minimum impression guarantees or other types of minimum guarantees in our contracts with customers. Advertising is also sold indirectly through revenue sharing arrangements with advertising exchange partners.

We also offer non-dealer advertising products for the Autolist and PistonHeads websites.

Marketplace revenue also includes revenue from partnerships with certain financing services companies pursuant to which we enable eligible consumers on our CarGurus U.S. website to pre-qualify for financing on cars from dealerships that offer financing through such companies. We primarily generate revenue from these partnerships based on the number of funded loans from consumers who pre-qualify with our lending partners through our site.

Wholesale Revenue

The CarOffer Matrix enables buying dealers to create standing buy orders and provides instant offers to selling dealers. Wholesale revenue includes transaction fees earned from Dealer-to-Dealer transactions, where we collect fees from both the buying and selling dealers. We also sell vehicles to dealers that we acquire at other marketplaces, where we collect a transaction fee from the buying dealers.

Wholesale revenue also includes fees earned from performing inspection and transportation services, where we collect fees from the buying dealer. Inspection and transportation service revenue is inclusive of Dealer-to-Dealer transactions, other marketplace-to-dealer transactions, and IMCO transactions.

Wholesale revenue also includes arbitration in which the vehicle is rematched to a new buyer and not acquired by us. Arbitration is the process by which we investigate and resolve claims from buying dealers.

Wholesale revenue also includes fees earned from certain guarantees offered to dealers (which include 45-Day Guarantee and OfferGuard products), where we collect fees from the buying dealer or selling dealer, as applicable.

Product Revenue

The CarOffer Matrix enables consumers who are selling vehicles to be instantly presented with an offer. Product revenue includes the aggregate proceeds received from the sale of vehicles through IMCO transactions, including vehicle sale price and transaction fees collected from the buying dealers. Product revenue also includes proceeds received from the sale of vehicles acquired through arbitration, including vehicle sale price and transaction fees collected from buying dealers. Arbitration is the process by which we investigate and resolve claims from buying dealers. We control the vehicle in these transactions and therefore act as the principal.

Cost of Revenue

Marketplace Cost of Revenue

Marketplace cost of revenue includes expenses related to supporting and hosting marketplace service offerings. These expenses include personnel and related expenses for our customer support team, including salaries, benefits, incentive compensation, and stock-based compensation; third-party service provider expenses such as advertising, data, and hosting expenses; amortization of developed technology; amortization and impairment of capitalized website development; amortization of capitalized hosting arrangements; and allocated overhead expenses.

We allocate overhead expenses, such as rent and facility expenses, software expense, and employee benefit expense, to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category.

Wholesale Cost of Revenue

Wholesale cost of revenue includes expenses related to supporting and hosting Digital Wholesale service offerings, including Dealer-to-Dealer transactions and vehicles sold to dealers acquired at other marketplaces on the CarOffer Matrix. These expenses include vehicle transportation and inspection expenses; net losses on vehicles related to guarantees offered to dealers through Dealer-to-Dealer transactions; personnel and related expenses for employees directly involved in the fulfillment and support of transactions, including salaries, benefits, incentive compensation, and stock-based compensation; third-party service provider expenses; amortization of developed technology; amortization and impairment of capitalized website development; and allocated overhead expenses.

We allocate overhead expenses, such as rent and facility expenses, software expense, and employee benefit expense, to all departments based on headcount. As such, general overhead expenses are reflected in cost of revenue and each operating expense category.

Product Cost of Revenue

Product cost of revenue includes expenses related to vehicles sold to dealers through IMCO transactions and vehicles sold to dealers acquired through arbitration. These expenses include the cost of the vehicle and transportation expenses.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of personnel and related expenses for our sales and marketing team, including salaries, benefits, incentive compensation, commissions, and stock-based compensation; expenses associated with consumer marketing, such as traffic acquisition, brand building, and public relations activities; expenses associated with dealer marketing, such as content marketing, customer and promotional events, and industry events; consulting services; software subscription expenses; travel expenses; amortization of capitalized hosting arrangements; and allocated overhead expenses. A portion of our commissions that are related to obtaining a new contract are capitalized and amortized over the estimated benefit period of customer relationships. All other sales and marketing expenses are expensed as incurred. We expect sales and marketing expenses to fluctuate from quarter to quarter due to seasonality and as we respond to changes in the macroeconomic and competitive landscapes affecting our existing dealers, consumer audience, and brand awareness.

Product, Technology, and Development

Product, technology, and development expenses consist primarily of personnel and related expenses for our research and development team, including salaries, benefits, incentive compensation, and stock-based compensation; software subscription expenses; consulting services; and allocated overhead expenses. Other than website development, internal-use software, and hosting arrangement expenses, research and development expenses are expensed as incurred. We expect product, technology, and development expenses to remain relatively flat for the remainder of the year.

General and Administrative

General and administrative expenses consist primarily of personnel and related expenses for our executive, finance, legal, people & talent, and administrative teams, including salaries, benefits, incentive compensation, and stock-based compensation; expenses associated with professional fees for audit, tax, external legal, and consulting services; payment processing and billing expenses; insurance expenses; software subscription expenses; and allocated overhead expenses. General and administrative expenses are expensed as incurred. We expect general and administrative expenses to remain relatively flat for the remainder of the year.

Goodwill and Other Long-Lived Asset Impairment

During the three months ended June 30, 2024, we identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to our financial projections for the CarOffer reporting unit. As a result, we performed an updated fair value analysis of the CarOffer reporting unit, and subsequently recognized impairment losses of \$4.7 million, \$7.5 million, and \$115.2 million for right-of-use assets, intangible assets, and goodwill, respectively. For further discussion of impairments related to right-of-use assets, intangible assets, and goodwill in the CarOffer reporting unit, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Depreciation and Amortization

Depreciation and amortization expenses consist of depreciation on property and equipment and amortization of intangible assets and internal-use software.

Other Income, Net

Other income, net consists primarily of interest income earned on our cash, cash equivalents, and short-term investments and foreign exchange gains and losses.

(Benefit from) Provision for Income Taxes

We are subject to federal and state income taxes in the U.S. and taxes in foreign jurisdictions in which we operate. For the three and six months ended June 30, 2024, a benefit from income taxes was recognized as a result of the discrete tax benefit associated with the impairment charge despite our consolidated taxable income position. For the three and six months ended June 30, 2023, a provision for income taxes was recognized as a result of the consolidated taxable income position.

We recognize deferred tax assets and liabilities based on temporary differences between the financial reporting and income tax bases of assets and liabilities using enacted tax rates in effect for the year in which the temporary differences are expected to be recovered or settled.

We regularly assess the need to recognize a valuation allowance against net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. As of June 30, 2024 and December 31, 2023, valuation allowances were immaterial.

We assess our income tax positions and recognize an income tax benefit or expense based upon our evaluation of the facts, circumstances, and information available at the reporting date.

For the three and six months ended June 30, 2024, income tax expense recognized related to uncertain tax provisions was immaterial. An immaterial amount of the reserve relating to uncertain tax positions was released as we would be more-likely-than-not to prevail should these tax positions be challenged by the respective tax authorities. As of June 30, 2024, the income tax liability related to uncertain tax positions, exclusive of immaterial interest or penalties related to uncertain tax provisions, was \$0.9 million, which would have favorably affected our effective tax rate, if recognized.

For the three and six months ended June 30, 2023, we did not recognize income tax expense related to uncertain tax provisions. As of December 31, 2023, the income tax liability related to uncertain tax positions, exclusive of immaterial interest or penalties related to uncertain tax provisions, was \$0.8 million, which would have favorably affected our effective tax rate, if recognized.

The Organisation for Economic Co-operation and Development introduced an international tax framework under Pillar Two, which includes a global minimum tax of 15%. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions where we operate. The Pillar Two legislation became effective for our fiscal year beginning January 1, 2024. We have performed an assessment of its potential exposure to Pillar Two income taxes based on our most recent tax filings, country-by-country reporting, and financial statements for our constituent entities. Based on the assessment performed, we meet the Pillar Two transitional safe harbor effective tax rate relief as all jurisdictions in which we operate are above 15%. We do not expect any material exposure to Pillar Two income taxes in any jurisdictions.

Results of Operations

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the Unaudited Condensed Consolidated Income Statements are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(dollars in thousands)		(dollars in thousands)	
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:				
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
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

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, our segment revenue and our segment income (loss) from operations are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(dollars in thousands)		(dollars in thousands)	
Segment Revenue:				
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
Segment Income (Loss) from Operations:				
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

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, the Unaudited Condensed Consolidated Income Statements as a percentage of total revenue are as follows (amounts in the table below may not sum due to rounding):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue:				
Marketplace	89 %	71 %	88 %	72 %
Wholesale	6	13	7	12
Product	5	15	5	16
Total revenue	100	100	100	100
Cost of revenue:				
Marketplace	6	6	6	7
Wholesale	6	10	6	10
Product	5	15	5	16
Total cost of revenue	17	32	18	32
Gross profit	83	68	82	68
Operating expenses:				
Sales and marketing	38	32	38	33
Product, technology, and development	17	16	17	16
General and administrative	13	11	13	11
Goodwill and other long-lived asset impairment	58	—	29	—
Depreciation and amortization	1	2	1	2
Total operating expenses	126	61	98	61
Income from operations	(43)	7	(15)	7
Other income, net:				
Interest income	1	2	1	2
Other income, net	0	0	0	0
Total other income, net	1	2	2	2
(Loss) income before income taxes	(41)	9	(14)	9
(Benefit from) provision for income taxes	(10)	4	(3)	3
Consolidated net (loss) income	(31)	6	(11)	5
Net loss attributable to redeemable noncontrolling interest	—	(1)	—	(1)
Net (loss) income attributable to common stockholders	(31)%	7%	(11)%	7%

For the three months ended June 30, 2024 and 2023 and for the six months ended June 30, 2024 and 2023, our segment revenue as a percentage of total revenue and our segment income (loss) from operations as a percentage of segment revenue are as follows (amounts in the table below may not sum due to rounding):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Segment Revenue:				
U.S. Marketplace	82 %	66 %	81 %	67 %
Digital Wholesale	11	29	12	28
Other	7	5	7	5
Total	100 %	100 %	100 %	100 %
Segment Income (Loss) from Operations:				
U.S. Marketplace	23 %	16 %	22 %	16 %
Digital Wholesale	(587)	(9)	(285)	(13)
Other	17	(5)	17	(8)
Total	(43) %	7 %	(15) %	7 %

For the three months ended June 30, 2024 and 2023

Revenue

Revenue by Source

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Revenue:				
Marketplace	\$ 195,167	\$ 170,950	\$ 24,217	14 %
Wholesale	13,119	31,952	(18,833)	(59)
Product	10,406	36,835	(26,429)	(72)
Total	\$ 218,692	\$ 239,737	\$ (21,045)	(9) %
Percentage of total revenue:				
Marketplace	89 %	71 %		
Wholesale	6	13		
Product	5	15		
Total	100 %	100 %		

Overall revenue decreased \$21.0 million, or 9%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023.

Marketplace revenue increased \$24.2 million, or 14%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 89% of total revenue for the three months ended June 30, 2024, compared to 71% of total revenue for the three months ended June 30, 2023. The increase was due to an increase in Listings revenue, inclusive of certain digital add-on products, as a result of growth in QARSD, which was driven by signing on new dealers with higher average subscription revenue and revenue expansion through product adoption or upgrades and price increases for existing dealers. The increase was additionally driven by an increase in TDO revenue as we expanded into more geographies following the completion of the pilot in the three months ended June 30, 2024.

Wholesale revenue decreased \$18.8 million, or 59%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 6% of total revenue for the three months ended June 30, 2024, compared to 13% of total revenue for the three months ended June 30, 2023. The decrease was due primarily to a 58% decrease in Transactions, which includes Dealer-to-Dealer transactions and IMCO transactions, to 8,778 for the three months ended June 30, 2024, from 20,793 for the three months ended June 30, 2023.

Product revenue decreased \$26.4 million, or 72%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 5% of total revenue for the three months ended June 30, 2024, compared to 15% of total revenue for the three months ended June 30, 2023. The decrease was due primarily to a decrease in proceeds received from the sale of vehicles through IMCO transactions, including lower average vehicle selling prices and lower transaction fees, due to the decrease in Transactions. The decrease in product revenue was offset in part by an increase in proceeds received from the sale of vehicles acquired through arbitration.

Segment Revenue

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Revenue:				
U.S. Marketplace	\$ 180,052	\$ 158,443	\$ 21,609	14 %
Digital Wholesale	23,525	68,787	(45,262)	(66)
Other	15,115	12,507	2,608	21
Total	<u>\$ 218,692</u>	<u>\$ 239,737</u>	<u>\$ (21,045)</u>	<u>(9)%</u>
Percentage of total revenue:				
U.S. Marketplace	82 %	66 %		
Digital Wholesale	11	29		
Other	7	5		
Total	<u>100 %</u>	<u>100 %</u>		

U.S. Marketplace segment revenue increased \$21.6 million, or 14%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 82% of total revenue for the three months ended June 30, 2024, compared to 66% of total revenue for the three months ended June 30, 2023. The increase was due primarily to a \$24.2 million increase in marketplace revenue, as described above.

Digital Wholesale segment revenue, which is comprised of wholesale revenue and product revenue, decreased \$45.3 million, or 66%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 11% of total revenue for the three months ended June 30, 2024, compared to 29% of total revenue for the three months ended June 30, 2023. The decrease in Digital Wholesale segment revenue was due to an \$18.8 million decrease in wholesale revenue and a \$26.4 million decrease in product revenue, as described above.

Cost of Revenue

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Cost of Revenue:				
Marketplace	\$ 13,145	\$ 15,474	\$ (2,329)	(15)%
Wholesale	12,633	24,428	(11,795)	(48)
Product	10,470	35,694	(25,224)	(71)
Total	<u>\$ 36,248</u>	<u>\$ 75,596</u>	<u>\$ (39,348)</u>	<u>(52)%</u>
Percentage of total revenue:				
Marketplace	6 %	6 %		
Wholesale	6	10		
Product	5	15		
Total	<u>17 %</u>	<u>32 %</u>		

Overall cost of revenue decreased \$39.3 million, or 52%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023.

Marketplace cost of revenue decreased \$2.3 million, or 15%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 6% of total revenue for both the three months ended June 30, 2024 and 2023. The decrease was due primarily to a \$1.4 million decrease in fees related to provisioning advertising campaigns on our websites.

Wholesale cost of revenue decreased \$11.8 million, or 48%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 6% of total revenue for the three months ended June 30, 2024, compared to 10% of total revenue for the three months ended June 30, 2023. The decrease was due primarily to a \$6.0 million decrease in transportation expense and a \$1.4 million decrease in inspection expense as a result of lower Transaction volume. The decrease was also due in part to a \$3.8 million decrease in amortization, primarily due to the acquired developed technology intangible asset as it became fully amortized during the first quarter of 2024.

Product cost of revenue decreased \$25.2 million, or 71%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 5% of total revenue for the three months ended June 30, 2024, compared to 15% of total revenue for the three months ended June 30, 2023. The decrease was due primarily to a decrease in expenses related to vehicles sold to dealers through IMCO transactions as a result of lower Transaction volume. The decrease in product cost of revenue was offset in part by an increase in expenses related to vehicles sold to dealers acquired through arbitration.

Operating Expenses

Sales and Marketing Expense

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Sales and marketing	\$ 82,311	\$ 77,838	\$ 4,473	6%
Percentage of total revenue	38%	32%		

Sales and marketing expense increased \$4.5 million, or 6%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023. The increase was due primarily to a \$4.0 million increase in advertising and marketing expense for strategic advertising spend with our performance marketing vendors to maintain year-over-year lead volume and grow with the market. The increase in sales and marketing expense was further driven by our new brand campaign and marketing efforts.

Product, Technology, and Development Expense

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Product, technology, and development	\$ 36,580	\$ 37,391	\$ (811)	(2)%
Percentage of total revenue	17%	16%		

Product, technology, and development expense decreased \$0.8 million, or 2%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023. The decrease was due primarily to a \$2.3 million decrease in expense as a result of increased website development capitalization. The decrease was offset in part by a \$1.3 million increase in salaries and employee-related expenses due primarily to merit increases.

General and Administrative Expense

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
General and administrative	\$ 27,429	\$ 27,267	\$ 162	1%
Percentage of total revenue	13%	11%		

General and administrative expense remained relatively flat during the three months ended June 30, 2024, compared to the three months ended June 30, 2023.

Goodwill and Other Long-Lived Asset Impairment

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Goodwill and other long-lived asset impairment	\$ 127,475	\$ —	\$ 127,475	NM ⁽¹⁾
Percentage of total revenue	58%	0%		

(1) Not meaningful

Goodwill and other long-lived asset impairment increased \$127.5 million in the three months ended June 30, 2024, compared to the three months ended June 30, 2023. During the three months ended June 30, 2024, we identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to our financial projections for the CarOffer reporting unit. As a result, we performed an updated fair value analysis of the CarOffer reporting unit, and subsequently recognized impairment losses of \$4.7 million, \$7.5 million, and \$115.2 million for right-of-use assets, intangible assets, and goodwill, respectively. For further discussion of impairments related to right-of-use assets, intangible assets, and goodwill in the CarOffer reporting unit, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Depreciation and Amortization Expense

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Depreciation and amortization	\$ 2,233	\$ 3,907	\$ (1,674)	(43)%
Percentage of total revenue	1%	2%		

Depreciation and amortization expense decreased \$1.7 million, or 43%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023. The decrease was due primarily to the customer relationships intangible asset related to the Digital Wholesale segment becoming fully amortized during the first quarter of 2024.

Other Income, net

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Other income, net:				
Interest income	\$ 2,440	\$ 4,333	\$ (1,893)	(44)%
Other income, net	721	347	374	108
Total other income, net	\$ 3,161	\$ 4,680	\$ (1,519)	(32)%
Percentage of total revenue:				
Interest income	1%	2%		
Other income, net	0	0		
Total other income, net	1%	2%		

Total other income, net decreased \$1.5 million, or 32%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023. The \$1.9 million decrease in interest income was due primarily to the decrease in cash equivalents to fund the 2024 Share Repurchase Program (as defined below). Other income, net was relatively flat for the three months ended June 30, 2024 compared to the three months ended June 30, 2023.

(Benefit from) Provision for Income Taxes

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
(Benefit from) provision for income taxes	\$ (21,702)	\$ 8,601	\$ (30,303)	(352)%
Percentage of total revenue	(10)%	4%		

(Benefit from) provision for income taxes changed \$30.3 million, or 352%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, primarily due to increased federal and state research development tax credits and a \$31.5 million discrete deferred tax benefit in association with the goodwill and long-term assets impairment charges related to the CarOffer reporting unit recognized during the three months ended June 30, 2024. This was partially offset by a net \$1.2 million tax expense related to the windfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recognized during the three months ended June 30, 2024, compared to an aggregated \$2.6 million shortfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recognized during the three months ended June 30, 2023.

Segment Income (Loss) from Operations

	Three Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Segment Income (Loss) from Operations:				
U.S. Marketplace	\$ 42,043	\$ 24,619	\$ 17,424	71%
Digital Wholesale	(138,158)	(6,307)	(131,851)	(2,091)
Other	2,531	(574)	3,105	541
Total	\$ (93,584)	\$ 17,738	\$ (111,322)	(628)%
Percentage of segment revenue:				
U.S. Marketplace	23%	16%		
Digital Wholesale	(587)	(9)		
Other	17	(5)		
Total	(43)%	7%		

U.S. Marketplace segment income from operations increased \$17.4 million, or 71%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented 23% of U.S. Marketplace segment revenue for the three months ended June 30, 2024, compared to 16% of U.S. Marketplace segment revenue for the three months ended June 30, 2023. The increase was due to an increase in revenue of \$21.6 million, a decrease in cost of revenue of \$2.3 million, and an increase in operating expenses of \$6.5 million.

Digital Wholesale segment loss from operations increased \$131.9 million, or 2,091%, in the three months ended June 30, 2024, compared to the three months ended June 30, 2023, and represented (587)% of Digital Wholesale segment revenue for the three months ended June 30, 2024, compared to (9)% of Digital Wholesale segment revenue for the three months ended June 30, 2023. The increase in the loss was due to a decrease in revenue of \$45.3 million, a decrease in cost of revenue of \$37.0 million, and an increase in operating expenses of \$123.6 million. The increase in operating expenses was inclusive of \$127.5 million of impairment expense related to the CarOffer reporting unit. For further discussion of impairments related to right-of-use assets, intangible assets and goodwill in the CarOffer reporting unit, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

For the six months ended June 30, 2024 and 2023

Revenue

Revenue by Source

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Revenue:				
Marketplace	\$ 382,386	\$ 338,077	\$ 44,309	13%
Wholesale	29,244	57,138	(27,894)	(49)
Product	22,858	76,485	(53,627)	(70)
Total	<u>\$ 434,488</u>	<u>\$ 471,700</u>	<u>\$ (37,212)</u>	<u>(8)%</u>
Percentage of total revenue:				
Marketplace	88%	72%		
Wholesale	7	12		
Product	5	16		
Total	<u>100%</u>	<u>100%</u>		

Overall revenue decreased \$37.2 million, or 8%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023.

Marketplace revenue increased \$44.3 million, or 13%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 88% of total revenue for the six months ended June 30, 2024, compared to 72% of total revenue for the six months ended June 30, 2023. The increase was due to an increase in Listings revenue, inclusive of certain digital add-on products, as a result of growth in QARSD, which was driven by signing on new dealers with higher average subscription revenue and revenue expansion through product adoption or upgrades and price increases for existing dealers. The increase was additionally driven by an increase in TDO revenue as we expanded into more geographies following the completion of the pilot in the six months ended June 30, 2024.

Wholesale revenue decreased \$27.9 million, or 49%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 7% of total revenue for the six months ended June 30, 2024, compared to 12% of total revenue for the six months ended June 30, 2023. The decrease was due primarily to a 50% decrease in Transactions, which includes Dealer-to-Dealer transactions and IMCO transactions, to 19,080 for the six months ended June 30, 2024, from 38,298 for the six months ended June 30, 2023.

Product revenue decreased \$53.6 million, or 70%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 5% of total revenue for the six months ended June 30, 2024, compared to 16% of total revenue for the six months ended June 30, 2023. The decrease was due primarily to a decrease in proceeds received from the sale of vehicles through IMCO transactions, including lower average vehicle selling prices and lower transaction fees, due to the decrease in Transactions, as well as a decrease in average vehicle selling price. The decrease in product revenue was also due in part to a decrease in proceeds received from the sale of vehicles acquired through arbitration as a result of decreased arbitration claims primarily due to lower Transaction volume.

Segment Revenue

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Revenue:				
U.S. Marketplace	\$ 353,040	\$ 314,064	\$ 38,976	12%
Digital Wholesale	52,102	133,623	(81,521)	(61)
Other	29,346	24,013	5,333	22
Total	<u>\$ 434,488</u>	<u>\$ 471,700</u>	<u>\$ (37,212)</u>	<u>(8)%</u>
Percentage of total revenue:				
U.S. Marketplace	81%	67%		
Digital Wholesale	12	28		
Other	7	5		
Total	<u>100%</u>	<u>100%</u>		

U.S. Marketplace segment revenue increased \$39.0 million, or 12%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 81% of total revenue for the six months ended June 30, 2024, compared to 67% of total revenue for the six months ended June 30, 2023. The increase was due primarily to a \$44.3 million increase in marketplace revenue, as described above.

Digital Wholesale segment revenue, which is comprised of wholesale revenue and product revenue, decreased \$81.5 million, or 61%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 12% of total revenue for the six months ended June 30, 2024, compared to 28% of total revenue for the six months ended June 30, 2023. The decrease in Digital Wholesale segment revenue was due to a \$27.9 million decrease in wholesale revenue and a \$53.6 million decrease in product revenue, as described above.

Cost of Revenue

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
(dollars in thousands)				
Cost of Revenue:				
Marketplace	\$ 27,530	\$ 31,007	\$ (3,477)	(11)%
Wholesale	26,857	46,496	(19,639)	(42)
Product	22,696	75,076	(52,380)	(70)
Total	<u>\$ 77,083</u>	<u>\$ 152,579</u>	<u>\$ (75,496)</u>	<u>(49)%</u>
Percentage of total revenue:				
Marketplace	6%	7%		
Wholesale	6	10		
Product	5	16		
Total	<u>18%</u>	<u>32%</u>		

Overall cost of revenue decreased \$75.5 million, or 49%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023.

Marketplace cost of revenue decreased \$3.5 million, or 11%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 6% of total revenue for the six months ended June 30, 2024, compared to 7% of total revenue for the six months ended June 30, 2023. The decrease was due primarily to a \$2.6 million decrease in fees related to provisioning advertising campaigns on our websites.

Wholesale cost of revenue decreased \$19.6 million, or 42%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 6% of total revenue for the six months ended June 30, 2024, compared to 10% of total revenue for the six months ended June 30, 2023. The decrease was due primarily to a \$9.4 million decrease in transportation expense and a \$2.4 million decrease in inspection expense as a result of lower Transaction volume. The decrease was also due in part to a \$7.0 million decrease in amortization, primarily due to the acquired developed technology intangible asset as it became fully amortized during the first quarter of 2024.

Product cost of revenue decreased \$52.4 million, or 70%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 5% of total revenue for the six months ended June 30, 2024, compared to 16% of total revenue for the six months ended June 30, 2023. The decrease was due primarily to a decrease in expenses related to vehicles sold to dealers through IMCO transactions as a result of decreased Transactions. The decrease in product cost of revenue was also due in part to a decrease in expenses related to vehicles sold to dealers acquired through arbitration as a result of decreased arbitration claims primarily due to lower Transaction volume.

Operating Expenses

Sales and Marketing Expense

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Sales and marketing	\$ 164,585	\$ 153,415	\$ 11,170	7%
Percentage of total revenue	38%	33%		

Sales and marketing expense increased \$11.2 million, or 7%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The increase was due primarily to a \$10.7 million increase in advertising and marketing expense for strategic advertising spend with our performance marketing vendors to maintain year-over-year lead volume and grow with the market. The increase in sales and marketing expense was further driven by our new brand campaign and marketing efforts.

Product, Technology, and Development Expense

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Product, technology, and development	\$ 72,125	\$ 73,998	\$ (1,873)	(3)%
Percentage of total revenue	17%	16%		

Product, technology, and development expense decreased \$1.9 million, or 3%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The decrease was due primarily to a \$4.6 million decrease in expenses as a result of increased website development capitalization and a \$1.7 million decrease in consulting services. The decrease was offset in part by a \$2.5 million increase in salaries and employee-related expenses due primarily to merit increases and a \$0.9 million increase in software subscriptions.

General and Administrative Expense

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
General and administrative	\$ 55,495	\$ 52,186	\$ 3,309	6%
Percentage of total revenue	13%	11%		

General and administrative expense increased \$3.3 million, or 6%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The increase was due primarily to a \$3.4 million increase in salaries and employee-related expenses, due primarily to an 8% increase in headcount and merit increases.

Goodwill and Other Long-Lived Asset Impairment

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Goodwill and other long-lived asset impairment	\$ 127,475	\$ —	\$ 127,475	NM ⁽¹⁾
Percentage of total revenue	29%	0%		

(1) Not meaningful

Goodwill and other long-lived asset Impairment increased \$127.5 million in the six months ended June 30, 2024, compared to the six months ended June 30, 2023. During the three months ended June 30, 2024, we identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to our financial projections for the CarOffer reporting unit. As a result, we performed an updated fair value analysis of the CarOffer reporting unit, and subsequently recognized impairment losses of \$4.7 million, \$7.5 million, and \$115.2 million for right-of-use assets, intangible assets, and goodwill, respectively. For further discussion of impairments related to right-of-use assets, intangible assets, and goodwill in the CarOffer reporting unit, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Depreciation and Amortization Expense

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Depreciation and amortization	\$ 5,025	\$ 7,725	\$ (2,700)	(35)%
Percentage of total revenue	1%	2%		

Depreciation and amortization expense decreased \$2.7 million, or 35%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The decrease was due primarily to the customer relationships intangible asset related to the Digital Wholesale segment becoming fully amortized during the first quarter of 2024.

Other Income, net

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Other income, net:				
Interest income	\$ 6,346	\$ 8,076	\$ (1,730)	(21)%
Other income, net	216	942	(726)	(77)
Total other income, net	\$ 6,562	\$ 9,018	\$ (2,456)	(27)%
Percentage of total revenue:				
Interest income	1%	2%		
Other income, net	0	0		
Total other income, net	2%	2%		

Total other income, net decreased \$2.5 million, or 27%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023. The \$1.7 million decrease in interest income was due primarily to the decrease in cash equivalents to fund the 2024 Share Repurchase Program. The decrease in interest income was also due in part to the sale of short-term investments during the first quarter of 2024. The \$0.7 million decrease in other income, net was due primarily to immaterial foreign currency losses in the current year compared to immaterial foreign currency gains in the prior year.

(Benefit from) Provision for Income Taxes

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
(Benefit from) provision for income taxes	\$ (13,318)	\$ 15,132	\$ (28,450)	(188)%
Percentage of total revenue	(3)%	3%		

(Benefit from) provision for income taxes changed \$28.5 million, or 188%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, primarily due to increased federal and state research and development tax credits and a \$31.5 million discrete deferred tax benefit in association with the goodwill and long-term assets impairment charges related to the CarOffer reporting unit recognized during the six months ended June 30, 2024. This was partially offset by a net \$1.6 million tax expense related to the windfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recognized during the six months ended June 30, 2024, compared to an aggregated \$4.2 million shortfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recognized during the six months ended June 30, 2023.

Segment Income (Loss) from Operations

	Six Months Ended June 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Segment Income (Loss) from Operations:				
U.S. Marketplace	\$ 76,260	\$ 51,158	\$ 25,102	49%
Digital Wholesale	(148,498)	(17,532)	(130,966)	(747)
Other	4,938	(1,829)	6,767	370
Total	\$ (67,300)	\$ 31,797	\$ (99,097)	(312)%
Percentage of segment revenue:				
U.S. Marketplace	22%	16%		
Digital Wholesale	(285)	(13)		
Other	17	(8)		
Total	(15)%	7%		

U.S. Marketplace segment income from operations increased \$25.1 million, or 49%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented 22% of U.S. Marketplace segment revenue for the six months ended June 30, 2024, compared to 16% of U.S. Marketplace segment revenue for the six months ended June 30, 2023. The increase was due to an increase in revenue of \$39.0 million, a decrease in cost of revenue of \$3.4 million, and an increase in operating expenses of \$17.3 million.

Digital Wholesale segment loss from operations increased \$131.0 million, or 747%, in the six months ended June 30, 2024, compared to the six months ended June 30, 2023, and represented (285)% of Digital Wholesale segment revenue for the six months ended June 30, 2024, compared to (13)% of Digital Wholesale segment revenue for the six months ended June 30, 2023. The increase in the loss was due to a decrease in revenue of \$81.5 million, a decrease in cost of revenue of \$72.0 million, and an increase in operating expenses of \$121.5 million. The increase in operating expenses was inclusive of \$127.5 million of impairment expense related to the CarOffer reporting unit. For further discussion of impairments related to right-of-use assets, intangible assets and goodwill in the CarOffer reporting unit, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Liquidity and Capital Resources**Cash, Cash Equivalents, Short-term Investments, and Borrowing Capacity**

As of June 30, 2024, our principal sources of liquidity were cash and cash equivalents of \$216.2 million. As of December 31, 2023, our principal sources of liquidity were cash and cash equivalents of \$291.4 million and short-term investments of \$20.7 million. As of June 30, 2024, our borrowing capacity under the 2022 Revolver (as defined below) was \$390.6 million.

Sources and Uses of Cash

During the six months ended June 30, 2024 and 2023, our cash flows from operating, investing, and financing activities, as reflected in the Unaudited Condensed Consolidated Statements of Cash Flows, were as follows:

	Six Months Ended June 30,	
	2024	2023
	(dollars in thousands)	
Net cash provided by operating activities	\$ 123,561	\$ 95,681
Net cash used in investing activities	(44,373)	(104,334)
Net cash used in financing activities	(153,975)	(101,069)
Impact of foreign currency on cash	(774)	211
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (75,561)</u>	<u>\$ (109,511)</u>

Our operations have been financed primarily from operating activities. During the six months ended June 30, 2024 and 2023, we generated cash from operating activities of \$123.6 million and \$95.7 million, respectively.

We believe that our existing sources of liquidity, including access to the 2022 Revolver, will be sufficient to fund our operations for at least the next 12 months from the date of the filing of this Quarterly Report. Our future capital requirements will depend on many factors, including our revenue; expenses associated with our sales and marketing activities and the support of our product, technology, and development efforts; expenses associated with our facilities buildout under our 1001 Boylston Street lease in excess of tenant improvement allowance; payments received in advance from a third-party transaction processor; activity under the 2024 Share Repurchase Program; and our investments in international markets. Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, macroeconomic effects and other risks detailed more specifically in the "Risk Factors" section in Part I, Item 1A in our Annual Report and in the "Risk Factors" section in Part II, Item 1A in this Quarterly Report.

On September 26, 2022, we entered into a Credit Agreement with PNC Bank, National Association, as administrative agent and collateral agent and an L/C Issuer (as defined in the Credit Agreement), and the other lenders, L/C Issuers and parties thereto from time to time, or the Credit Agreement. The Credit Agreement consists of a revolving credit facility, or the 2022 Revolver, which allows us to borrow up to \$400.0 million, \$50.0 million of which may be comprised of a letter of credit sub-facility. The borrowing capacity under the Credit Agreement may be increased in accordance with the terms and subject to the adjustments as set forth in the Credit Agreement. Specifically, the borrowing capacity may be increased by an amount up to the greater of \$250.0 million or 100% of Four Quarter Consolidated EBITDA (as defined in the Credit Agreement) if certain criteria are met and subject to certain restrictions. Any such increase requires lender approval. Proceeds of any borrowings may be used for general corporate purposes. The 2022 Revolver is scheduled to mature on September 26, 2027. As of June 30, 2024, there were no borrowings and \$9.4 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to \$390.6 million. As of December 31, 2023, there were no borrowings and \$9.6 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to \$390.4 million.

In connection with the 1001 Boylston Street lease, we expect to spend an additional \$16.3 million to complete our buildout, of which \$11.5 million has been committed and remains unspent as of June 30, 2024. These costs will be partially reimbursable under the tenant improvement allowance.

On November 7, 2023, we announced that our Board of Directors authorized a share repurchase program, or the 2024 Share Repurchase Program, pursuant to which we may, from time to time, purchase shares of our Class A common stock for an aggregate purchase price not to exceed \$250.0 million. Share repurchases under the 2024 Share Repurchase Program may be made through a variety of methods, including but not limited to open market purchases, privately negotiated transactions, and transactions that may be effected pursuant to one or more plans under Rule 10b5-1 and/or Rule 10b-18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The 2024 Share Repurchase Program does not obligate us to repurchase any minimum dollar amount or number of shares. The 2024 Share Repurchase Program has an effective date of January 1, 2024, and an expiration date of December 31, 2024, and prior to its expiration may be modified, suspended, or discontinued by our Board of Directors at any time without prior notice. All repurchased shares of our Class A common stock under the 2024 Share Repurchase Program will be retired. We have funded share repurchases and expect to continue to fund any additional share repurchases under the 2024 Share Repurchase Program through cash on hand and cash generated from operations. During the three months ended June 30, 2024, we repurchased and retired 2,654,807 shares for \$61.4 million, exclusive of commissions and excise tax, at an average cost of \$23.11 per share under the 2024 Share Repurchase Program. During the six months ended June 30, 2024, we repurchased and retired 6,193,001 shares for \$142.4 million, exclusive of commissions and excise tax, at an average cost of \$23.00 per share under the 2024 Share Repurchase Program. As of June 30, 2024, we had remaining authorization to purchase up to \$107.6 million of our Class A common stock under the 2024 Share Repurchase Program.

To the extent that our operating income, existing cash, cash equivalents, and our borrowing capacity under the 2022 Revolver are insufficient to fund our future activities, we may need to raise additional funds through a public or private equity or debt financing. Additional funds may not be available on terms favorable to us, or at all. See *“Risk Factors—Risks Related to Our Business and Industry—We may require additional capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances. If we are unable to generate sufficient cash flows or if capital is not available to us, our business, operating results, financial condition, and prospects could be adversely affected.”* in Part I, Item 1A in our Annual Report.

Operating Activities

Net cash provided by operating activities of \$123.6 million during the six months ended June 30, 2024 was due primarily to consolidated net loss of \$47.4 million, adjusted for \$127.7 million of goodwill and other long-lived asset impairment due to recent organizational changes and Transaction volume declines, which resulted in revisions to the Company’s financial projections for the CarOffer reporting unit, \$31.2 million of stock-based compensation expense for equity classified awards to employees, \$44.2 million of deferred taxes, and depreciation and amortization expense of \$13.1 million. Net cash provided by operating activities was also attributable to a \$27.4 million increase in lease obligations primarily related to our new headquarters at 1001 Boylston Street.

Net cash provided by operating activities of \$95.7 million during the six months ended June 30, 2023 was due primarily to consolidated net income of \$25.7 million, adjusted for \$29.5 million of stock-based compensation expense for equity classified awards, \$23.2 million of depreciation and amortization, and \$5.6 million of amortization of deferred contract costs, partially offset by \$16.4 million of deferred taxes and \$0.5 million of gain on sale of property and equipment. Net cash provided by operating activities was also attributable to a \$13.2 million decrease in accounts receivable, a \$9.0 million increase in deferred revenue, a \$7.6 million increase in lease obligations, a \$4.7 million decrease in inventory, a \$4.1 million increase in accounts payable, and a \$3.5 million decrease in prepaid expenses, prepaid income taxes, and other assets. The increases in cash flow from operations were partially offset by a \$9.7 million increase in deferred contract costs and a \$4.1 million decrease in accrued expenses, accrued income taxes, and other liabilities.

Investing Activities

Net cash used in investing activities of \$44.4 million during the six months ended June 30, 2024 was due primarily to \$54.6 million in purchases of property and equipment primarily related to our new headquarters at 1001 Boylston Street and \$10.7 million in capitalized website development costs due to continued investment in our product offerings, offset in part by \$21.2 million in sales of short-term investments.

Net cash used in investing activities of \$104.3 million during the six months ended June 30, 2023 was due to \$95.5 million in purchases of short-term investments, \$7.4 million of capitalization of website development costs, \$4.2 million of purchases of property and equipment, and \$2.6 million in advance payments to customer, offset in part by \$5.0 million of sales of short-term investments and \$0.5 million in proceeds from the sale of property and equipment.

Financing Activities

Net cash used in financing activities of \$154.0 million during the six months ended June 30, 2024 was due primarily to \$142.5 million related to the repurchase of our Class A common stock under the 2024 Share Repurchase Program and \$11.4 million related to the payment of withholding taxes on net share settlements of restricted stock units.

Net cash used in financing activities of \$101.1 million during the six months ended June 30, 2023 was due primarily to \$91.5 million of payment for the repurchase of our Class A common stock under the share repurchase program announced by our Board of Directors in December 2022, pursuant to which we could, from time to time, purchase of shares of our Class A common stock for an aggregate purchase price not to exceed \$250.0 million, \$6.9 million of payment of withholding taxes on net share settlements of restricted stock units, and \$2.7 million of change in gross advance payments received from third-party transaction processor.

Contractual Obligations and Known Future Cash Requirements

As of June 30, 2024, there were no material changes in our contractual obligations and commitments from those disclosed in our Annual Report, other than those appearing in the notes to the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report, which are hereby incorporated by reference.

Seasonality

Across the retail automotive industry, consumer purchases are typically greatest in the first three quarters of each year, due in part to the introduction of new vehicle models from manufacturers and the seasonal nature of consumer spending. Additionally, the volume of wholesale vehicle sales can fluctuate from quarter to quarter driven by several factors, including the timing of used vehicles available for sale from selling customers, the seasonality of the retail market for used vehicles, and/or inventory challenges in the automotive industry, which affect the demand side of the wholesale industry.

Macroeconomic conditions, such as slower growth or recession, higher interest rates, unemployment, consumer confidence in the economy, consumer debt levels, labor, disruptions, work stoppages, or strikes, the ongoing military conflict between Russia and Ukraine, the conflict in Israel and surrounding areas and the possible expansion of such conflict, foreign currency exchange rate fluctuations, and other matters that influence consumer spending and preferences, can also impact the volume of wholesale vehicle sales, as was evidenced by the global semiconductor chip shortage and other supply related shortages.

The Digital Wholesale segment operating results have reflected the general seasonality of the wholesale vehicle sales market and macroeconomic conditions of the automotive industry. The U.S. Marketplace segment operating results have reflected the macroeconomic conditions of the automotive industry. However, to date, the U.S. Marketplace segment operating results have not been materially impacted by the general seasonality of the automotive industry. This could possibly change as our business and markets mature.

As a result, revenue and cost of revenue related to volume will fluctuate accordingly on a quarterly basis. Typical seasonality trends may not be observed in periods where other external factors more significantly impact the wholesale industry.

Off-Balance Sheet Arrangements

As of June 30, 2024 and December 31, 2023, we did not have any off-balance sheet arrangement or material leases that are less than 12 months in duration that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting Estimates

The preparation of the Unaudited Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period.

Although we regularly assess these estimates, actual results could differ materially from these estimates. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from management's estimates if these results differ from historical experience, or other assumptions do not turn out to be substantially accurate, even if such assumptions are reasonable when made. Changes in estimates are recognized in the period in which they become known.

Critical estimates relied upon in preparing the Unaudited Condensed Consolidated Financial Statements include the determination of sales allowance and variable consideration in our revenue recognition, allowance for doubtful accounts, the impairment of long-lived assets, the capitalization of product, technology, and development costs for website development, internal-use software and hosting arrangements, the valuation of acquired assets and liabilities, the valuation and recoverability of intangible assets and goodwill, the valuation of redeemable noncontrolling interest, the recoverability of our net deferred tax assets and related valuation allowance, the valuation of inventory, and the valuation of liability-classified compensation awards. Accordingly, we consider these to be our critical accounting estimates and believe that of our significant accounting policies, these involve the greatest degree of judgment and complexity. For the three and six months ended June 30, 2024, there were no estimates related to the valuation of redeemable noncontrolling interest and the valuation of liability-classified compensation awards.

During the three months ended June 30, 2024, we identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to our financial projections for the CarOffer reporting unit. We performed an updated fair value analysis of the CarOffer reporting unit, resulting in an excess of carrying value over fair value of the CarOffer reporting unit.

Due to the partial impairment of the CarOffer reporting unit goodwill, the remaining goodwill balance related to this reporting unit is still considered to be at risk for future impairments. If projected future operating results further decline, including as a result of economic conditions or operational challenges, we may need to record additional impairment charges to further reduce the goodwill at the CarOffer reporting unit, which could be material and negatively affect our operations.

For further discussion of impairments related to right-of-use assets, intangible assets, and goodwill in the CarOffer reporting unit, refer to Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

For a detailed explanation of the judgments made in these areas, refer to Note 2 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

Recently Issued Accounting Pronouncements

Information concerning recently issued accounting pronouncements may be found in Note 2 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may affect our financial position due to adverse changes in financial market prices and rates. We are exposed to market risks as described below.

Interest Rate Risk

As of June 30, 2024, our exposure to market risk associated with changes in interest rates relates primarily to the 2022 Revolver, which allows us to borrow up to \$400.0 million. The applicable interest rate is, at our option, based on a number of different benchmark rates and applicable spreads, as determined by the Consolidated Secured Net Leverage Ratio (as defined in Note 8 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report). A fluctuation in interest rates does not have an impact on interest expense unless the 2022 Revolver is drawn upon. Such impact would also be dependent on the amount of the draw. As of June 30, 2024, there were no borrowings and \$9.4 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to \$390.6 million. As of December 31, 2023, there were no borrowings and \$9.6 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to \$390.4 million.

As of June 30, 2024, we had cash and cash equivalents of \$216.2 million, which consisted of bank deposits, money market accounts, and mutual funds. As of December 31, 2023, we had cash, cash equivalents, and short-term investments of \$312.1 million, which consisted of bank deposits, money market accounts, and mutual funds.

Such interest-earning instruments carry a degree of interest rate risk. Given recent changes in the interest rate environment and in an effort to ensure liquidity, we expect variable returns from our cash equivalents for the foreseeable future. To date, fluctuations resulting from changes in the interest rate environment in interest income have not been material to the operations of the business.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations to date. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, operating results, and financial condition. Additionally, inflationary pressures could negatively impact vehicle purchasing behavior, which could have an adverse impact on our financial results.

Foreign Currency Exchange Risk

As of June 30, 2024 and December 31, 2023, we had immaterial foreign currency exposures in the British pound, the Euro, and the Canadian dollar. Historically, because our operations and sales have been primarily in the U.S., we have not faced any significant foreign currency risk.

As we seek to grow our international operations in Canada and the U.K., our risks associated with fluctuation in currency rates may become greater, and we will continue to reassess our approach to managing these risks.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report.

The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and our management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As described below, based on the evaluation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report, management identified a material weakness in our internal control over financial reporting. As a result of the material weakness, our Principal Executive Officer and Principal Financial Officer have concluded that, as of such date, our disclosure controls and procedures were not effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Exchange Act is recorded, processed, summarized, and reported as and when required.

Notwithstanding this material weakness noted above, our management, including our Principal Executive Officer and Principal Financial Officer, has concluded that our financial statements included in this Quarterly Report present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented in accordance with GAAP.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis.

The control deficiencies, which, in the aggregate, were assessed as a material weakness as disclosed in our Annual Report, have not yet been fully remediated.

At December 31, 2023, we had unremediated operational control deficiencies at CarOffer associated with the operation of logical access and change management of information technology, or IT, general controls, or IT General Controls, around program change and logical access in certain IT systems. Therefore, we were not able to have consistent, effective operation of manual controls that rely on data produced by and maintained within these affected IT systems. As of June 30, 2024, management was unable to demonstrate the consistent, effective operation of IT General Controls and manual controls that rely on data produced by and maintained within affected IT systems due to the limited remediation period. As a result, we did not have effective operation of internal controls over financial reporting to address the risks of material misstatement of various financial statement accounts at June 30, 2024. Management has determined that the impact of the previously identified deficiencies continue to aggregate into a material weakness at June 30, 2024.

This material weakness did not result in a known material misstatement to our financial statements. However, the material weakness could have resulted in material misstatements in our interim or annual financial statements and disclosures which then may not have been prevented or detected. The material weakness also impacts the effectiveness of segregation of duties, impacts the effectiveness of financial controls which rely on information from relevant financial systems, and increases the reliance on corporate accounting personnel to identify errors at the CarOffer subsidiary level.

Remediation Plan

To address the material weaknesses in our internal control over financial reporting as of December 31, 2023, we have continued remediation efforts outlined in previous financial statements, as applicable, including enhancing our control procedures, and in some cases, increasing the frequency at which controls are performed for logical access in IT systems. In addition, until remediation steps have been completed and are operated for a sufficient period of time, and subsequent evaluation of their effectiveness is completed, the material weakness described above will continue to exist. Our ongoing remediation efforts are focused on continued employee training related to internal control over financial reporting and confirming sustained operation of effectively designed control activities, including IT General Controls.

Management is committed to successfully implementing the remediation plan as promptly as possible. As of June 30, 2024, management has implemented or enhanced certain controls to address specific issues related to the material weakness. The material weakness will not be considered remediated until our management implements effective controls that operate for a sufficient period of time and our management has concluded through testing that these controls are effective. The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects. See *"Risk Factors—Risks Related to Our Business and Industry—We have identified a material weakness in our internal control over financial reporting. If we are unable to remediate this material weakness, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and the market price of our common stock."* in Part I, Item 1A in our Annual Report.

Changes in Internal Control over Financial Reporting

Except as otherwise noted above under "Remediation Plan," including the on-going remediation efforts described, there were no changes in our internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Our plans for remediating the material weakness, described above, will constitute changes in our internal control over financial reporting, prospectively, when such remediation plans are effectively implemented.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently subject to any pending or threatened litigation that we believe, if determined adversely to us, would individually, or taken together, reasonably be expected to have a material adverse effect on our business or financial results.

Item 1A. Risk Factors.

Careful consideration should be given to the factors discussed in Part I, Item 1A, "Risk Factors," in our Annual Report, which could materially affect our business, financial condition, or future results, in addition to the information set forth in this Quarterly Report. The risk factor set forth below updates the risk factors in our Annual Report.

Our goodwill, intangible assets, and right-of-use assets have been subject to impairment and may be subject to further impairment in the future, which could have a material adverse effect on our results of operations, financial condition, or future operating results.

We evaluate the recoverability of recognized goodwill amounts and indefinite-lived intangible assets for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. These impairment tests are based on several factors requiring management's judgment, including identification of triggering events for reassessment and determination of the fair value of related assets. If such goodwill or intangible assets are deemed to be impaired, an impairment loss equal to the amount by which the carrying amount exceeds the fair value of the assets would be recognized. Future events may cause impairments of our goodwill or intangible assets based on factors such as the price of our Class A common stock, projected cash flows, assumptions used, or other variables.

In the three months ended June 30, 2024, we recognized a partial impairment charge of \$127.5 million related to the CarOffer reporting unit. We cannot accurately predict the amount and timing of any impairment of goodwill, intangible assets, or right-of-use assets. We may be required to record an additional charge during the period in which further impairment of our goodwill or intangible assets is determined, which could have a material adverse effect on our results of operations, financial condition, or future operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

The following table summarizes information about our purchases of our Class A common stock equity securities for each of the months during the three months ended June 30, 2024:

Period	Total Number of Shares of Common Stock Purchased	Weighted Average Price Paid per Share of Common Stock ⁽¹⁾	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾⁽³⁾	Maximum Approximate Dollar Value of Shares of Common Stock that May Yet be Purchased Under the Plans or Programs ⁽²⁾ (in thousands) ⁽²⁾
April 1, 2024 through April 30, 2024	1,240,919	\$ 22.58	1,240,919	\$ 140,913
May 1, 2024 through May 31, 2024	1,294,706	\$ 23.54	1,294,706	\$ 110,436
June 1, 2024 through June 30, 2024	119,182	\$ 23.94	119,182	\$ 107,583
Total	<u>2,654,807</u>	\$ 23.11	<u>2,654,807</u>	\$ 107,583

(1) The weighted average price paid per share of our Class A common stock does not include cost of commissions.

(2) On November 7, 2023, we announced that our Board of Directors authorized the 2024 Share Repurchase Program, pursuant to which we may, from time to time, purchase shares of our Class A common stock for an aggregate purchase price not to exceed \$250.0 million. Share repurchases under the 2024 Share Repurchase Program may be made through a variety of methods, including but not limited to open market purchases, privately negotiated transactions, and transactions that may be effected pursuant to one or more plans under Rule 10b5-1 and/or Rule 10b-18 of the Exchange Act. The 2024 Share Repurchase Program does not obligate us to repurchase any minimum dollar amount or number of shares. The 2024 Share Repurchase Program has an effective date of January 1, 2024, and an expiration date of December 31, 2024, and prior to its expiration may be modified, suspended, or discontinued by our Board of Directors at any time without prior notice. All repurchased shares of our Class A common stock under the 2024 Share Repurchase Program will be retired. We have funded share repurchases and expect to continue to fund any additional share repurchases under the 2024 Share Repurchase Program through cash on hand and cash generated from operations.

(3) The total number of shares of our Class A common stock purchased as part of the 2024 Share Repurchase Program was inclusive of any shares purchased but not settled as of June 30, 2024.

Item 5. Other Information

Rule 10b5-1 Plan Trading Arrangements

During the three months ended June 30, 2024, the following officer adopted a “Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K) that is intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and our policies on insider trading:

Name & Title	Date Adopted	Aggregate Number of Shares of Class A Common Stock to be Purchased or Sold Pursuant to Trading Arrangement	Expiration Date⁽¹⁾
Dafna Sarnoff, Chief Marketing Officer	May 17, 2024	71,623 shares to be sold ⁽²⁾	May 1, 2025

⁽¹⁾ The Rule 10b5-1 trading arrangement permits transactions through and including the earlier to occur of (a) the completion of all sales or (b) the date listed in the table. The arrangement also provides for automatic expiration in the event of liquidation, dissolution, bankruptcy, insolvency, or death of the adopting person.

⁽²⁾ The Rule 10b5-1 trading arrangement includes the sale of shares to be received upon future vesting of certain outstanding equity awards, net of any shares withheld by us to satisfy applicable taxes. The number of shares to be withheld, and thus the exact number of shares to be sold pursuant to such officer’s Rule 10b5-1 trading arrangement, can only be determined upon the occurrence of the future vesting events. For purposes of this disclosure, we have reported the gross number of shares to be received upon the future vesting of such equity awards, before subtracting any shares to be withheld by us to satisfy applicable taxes in connection with such future vesting events.

On December 15, 2023, Ms. Sarnoff adopted a “Rule 10b5-1 trading arrangement” that was intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act and our policies on insider trading, or the Sarnoff 2023 Plan. Pursuant to the Sarnoff 2023 Plan, up to 73,817 shares were to be sold and it had an expiration date of March 31, 2025. On May 17, 2024, Ms. Sarnoff terminated the Sarnoff 2023 Plan.

Other than those disclosed above, none of our directors or officers adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” in each case as defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

The exhibits listed below are filed, furnished, or incorporated by reference into this Quarterly Report.

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed or Furnished Herewith
		Form	File Number	Filing Date	Exhibit Number	
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-38233	October 16, 2017	3.1	
3.2	Certificate of Amendment to the Fourth Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-38233	June 6, 2024	3.1	
3.3	Third Amended and Restated By-laws of the Registrant.	8-K	001-38233	June 6, 2024	3.2	
10.1#	Offer Letter, dated September 29, 2023, by and between the Registrant and Zachary Hallowell.					X
10.2	Change Orders dated April 12, 2024 and May 3, 2024 to Indenture of Lease between P-12 Property LLC (as successor-in-interest to S&A P-12 Property LLC) and the Registrant, dated as of December 19, 2019, as amended.*					X
10.3	Second Amendment to Sublease, dated April 30, 2024, by and between the Registrant and HubSpot, Inc.					X
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					
101.SCH	Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents.					X
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit)					X

Indicates a management contract or compensatory plan.

* The exhibits and schedules to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and the Registrant agrees to furnish supplementally a copy of any omitted schedule to the staff of the SEC upon request.

** The certifications furnished in Exhibit 32.1 and Exhibit 32.2 hereto are deemed to accompany this Quarterly Report and will not be deemed "filed" for purposes of Section 18 of the Exchange Act, except to the extent that the Registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CarGurus, Inc.

Date: August 8, 2024

By: /s/ Jason Trevisan
Jason Trevisan
Chief Executive Officer
(Principal Executive Officer)



Zachary Hallowell
[Address]
[Address]

Dear Zach,

I am very pleased to offer you the position of Head of Industry Strategy at CarGurus, Inc. (“CarGurus” or the “Company”), reporting to me, Sam Zales, President and Chief Operating Officer. This letter will clarify the terms and conditions of your at-will employment with CarGurus, should you accept our offer. Note, this offer of employment is conditioned on your satisfactory completion of certain requirements, as more fully explained in this letter. Your employment is subject to the terms and conditions set forth in this letter.

1. Position. Subject to satisfaction of all of the conditions described in this letter, your employment will begin on October 16, 2023 (the “Start Date”). Your primary place of work will be the Company’s main offices, currently located at 2 Canal Park, Cambridge, MA, 02141. We expect that you will perform the duties and responsibilities typically associated with your position, and other duties assigned to you, in a satisfactory manner and to the best of your abilities. You agree to devote your full business time, attention and best efforts to the performance of your duties and to the furtherance of the Company’s interests. During the course of your employment with CarGurus, your position and duties are subject to change. Also, you are required to follow the policies and procedures of the Company, as they may exist and be revised during your employment.

2. Compensation & Benefits.

In consideration of your services:

(a) Your semi-monthly salary of \$17,708.34, annualized at \$425,000.00 (the “Base Salary”), will be paid semimonthly on the 15th day and last day of each month and subject to taxes and other withholdings required by law. As an exempt employee you are required to exercise your specialized expertise, independent judgment and discretion to provide high-quality services. You are expected to work the number of hours required to meet the needs of the business.

(b) You will be eligible to participate in the CarGurus Annual Incentive Plan, through which you may be eligible to earn a discretionary bonus up to \$325,000.00, less applicable taxes and withholdings. For the current fiscal year, the amount you are eligible to earn under the CarGurus Annual Incentive Plan will be prorated based upon your start date. Whether to grant a bonus, and in what amount, are determinations to be made in the sole discretion of the Company based on a variety of factors, including, but not limited to, your performance and the Company’s performance. In order to remain eligible and receive a bonus award, if any, you must be employed by the Company at the time it makes bonus payments to employees for that year. This discretionary bonus is not intended to and shall not be deemed a “wage” under any state or federal wage hour law.

(c) You will be eligible for a one time Sign-On Bonus of \$300,000.00 (the

“Sign-On Bonus”), less applicable taxes and withholdings, to be paid as follows: 100% of the Sign-On Bonus within the first sixty days from your Start Date. Should your employment with CarGurus terminate, for any reason, within 12 months, or on the one-year anniversary, of your Start Date, you must immediately repay to CarGurus the Sign-On Bonus (or portion(s) thereof) that you received. In the event of such termination, CarGurus may, in its discretion, also deduct any unreturned Sign-On Bonus amount from any compensation, severance, commission or other amount due to you, subject to applicable laws.

(d) You will be eligible to participate in the Company’s benefit plans on your first day of employment. Your participation in these plans will be subject to the terms of the applicable plan documents and generally applicable policies of the Company, as the same may be in effect from time to time. No representation is made, however, that any specific benefits now available will continue or that any other benefits will be made available. During your first two (2) years of employment with the Company, you will be entitled to four (4) weeks’ paid vacation annually at such reasonable times as you and the Company may determine. Commencing with your third year of employment with the company, you will be entitled to the number of paid vacation days annually in accordance with the Company’s then standard vacation and paid time off policies. Additional information regarding the Company’s benefit plans will be provided under separate cover.

3. Eligibility to Participate in Omnibus Incentive Compensation Plan. You will be eligible to participate in the Company’s Omnibus Incentive Compensation Plan (the “Plan”), under which the Company grants to employees restricted stock units (“RSUs”) that are subject to service-based vesting conditions. We are prepared to recommend to the Company’s Board of Directors (or its committee) an award, a ‘New Hire Grant’ consisting of RSUs representing shares of the Company’s Class A common stock with an award value of \$1,800,000.00 (the “RSU Award Value”). The ‘New Hire Grant’ vesting schedule will be 4 years, with the first 25% of the RSUs vesting on the first anniversary of the vesting start date and an additional 6.25% of the RSUs vesting at the end of each three month period thereafter. Additionally, we are prepared to recommend to the Company’s Board of Directors (or its committee) an award, a ‘One-Time Grant’ consisting of RSUs representing shares of the Company’s Class A common stock with an award value of \$1,000,000.00 (the “RSU Award Value”). The ‘One-Time Grant’ vesting schedule will be 2 years, at 12.50% per quarter beginning on January 1, 2024. Any such grant of RSUs is subject to the approval of the Company’s Board of Directors (or its committee) and to the terms and conditions of the Plan and the RSU grant agreement on the form for executive officers evidencing the terms and conditions of the grant, including the service-based vesting schedule and applicable acceleration provisions. The Board of Directors (or its committee) retains the discretion to change the RSU Award Value, or to determine not to grant any RSUs to you whatsoever. The number of RSUs to be awarded to you will be based on dividing the RSU Award Value by the closing price of CarGurus’ Class A common stock on the Nasdaq Stock Market on the grant approval date, rounded down to the nearest whole share.

4. Modification of Compensation and Incentive Plans. The Company reserves the right, in its sole discretion, to modify, change or eliminate, on a prospective basis, the compensation, bonus and incentive plans, as applicable, addressed in Sections 2 and 3 above.

5. Protection of the Company’s Confidential Information and Goodwill. In order to protect the Company’s substantial investment of time and money in the creation and maintaining of its trade secrets and other confidential and proprietary information, as well as its goodwill with its clients and business partners, including vendors, suppliers and others, you are required to sign the Company’s standard Protection of Confidential Information Agreement (“NDA”), a copy of which is attached to this letter. The terms and conditions of the NDA will remain in effect regardless of any change in the nature of your duties, compensation or employment with the Company and its

affiliates.

6. Representations and Warranties. By accepting this offer, you represent that you are able to accept this job and carry out the work that it would involve without breaching any legal restrictions on your activities, such as non-competition, non-solicitation or other work-related restrictions imposed by a current or former employer. You also represent that you will inform the Company about any such restrictions and provide the Company with as much information about them as possible, including any agreements between you and your current or former employer describing such restrictions on your activities. You further confirm that you will not remove or take any documents or proprietary data or materials of any kind, electronic or otherwise, with you from your current or former employer to the Company without written authorization from your current or former employer, nor will you use or disclose any such confidential information during the course and scope of your employment with the Company. If you have any questions about the ownership of particular documents or other information, you should discuss such questions with your former employer before removing or copying the documents or information.

7. Contingent Offer.

This offer is contingent upon:

- (a) Verification of your right to work in the United States, as demonstrated by your completion of an I-9 form upon hire and your submission of acceptable documentation (as noted on the I-9 form) verifying your identity and work authorization within three days of your Start Date. You will receive an email from HireRight to complete your Form I-9. Please bring the appropriate documents listed on this form with you on your Start Date. If you fail to submit such proof, federal law prohibits us from commencing employment.
- (b) Satisfactory completion of a background investigation which includes, but is not limited to, previous employment, education, and criminal history.
- (c) Your execution of the Company's enclosed Non-Disclosure Agreement ("NDA").
- (d) Your compliance with Section 6.

This offer will be withdrawn if any of the above conditions are not satisfied. The Company may terminate your employment if any of the above conditions are not satisfied

8. Payment on Termination by the Company without Cause or by you for Good Reason. Should your employment be terminated by the Company without "Cause" (as that term is defined in the NDA) or by you for "Good Reason" (as defined below), then in addition to payment of all wages earned through the effective date of such termination (the "Termination Date"), which will be made on or about the Termination Date, and subject to (i) your signing a Separation Agreement and Release in a form and manner satisfactory to the Company, as further described below; and (ii) the Separation Agreement and Release becoming irrevocable, all within 60 days after the Termination Date (or such shorter period as set forth in the Separation Agreement and Release), including any applicable seven (7) business day revocation period provided therein:

- (a) the Company will pay you an amount equal to nine (9) months of your Base Salary (the "Severance Amount");

(b) subject to your copayment of premium amounts at the applicable active employees' rate and your proper election to receive benefits under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), the Company will pay to the group health plan provider, the COBRA provider or you a monthly payment equal to the monthly employer contribution that the Company would have made to provide health insurance to you if you had remained employed by the Company until the earliest of (A) the nine (9)-month anniversary of the Termination Date; (B) your eligibility for group medical plan benefits under any other employer's group medical plan; or (C) the cessation of your continuation rights under COBRA; provided, however, if the Company determines that it cannot pay such amounts to the group health plan provider or the COBRA provider (if applicable) without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), then the Company will convert such payments to payroll payments directly to you for the time period specified above (the "COBRA Subsidy"). Such payments shall be subject to tax-related deductions and withholdings and paid on the Company's regular payroll dates.

The amounts payable under this Section 8, to the extent taxable, will be paid out in substantially equal installments in accordance with the Company's payroll practice over six (6) months commencing within 60 days after the Termination Date; provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the Severance Amount, to the extent it qualifies as "non-qualified deferred compensation" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), shall begin to be paid in the second calendar year by the last day of such 60-day period; provided, further, that the initial payment will include a catch-up payment to cover amounts retroactive to the day immediately following the Termination Date. Each payment pursuant to this Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2).

Your receipt of the Severance Pay and COBRA Subsidy will be conditional on your signing (and, if applicable, not revoking) a Separation Agreement and Release in a form acceptable to the Company, including a general release of claims against the Company and all related persons and entities, a reaffirmation of all of your post-employment obligations under the NDA, and, in the Company's sole discretion, a one-year post-employment noncompetition agreement substantially similar to or the same as the noncompetition provision of the NDA. Further, the Separation Agreement and Release will provide that if you breach the NDA, all payments of the Severance Amount and COBRA Subsidy will immediately cease and be recoverable by the Company.

For purposes of this letter, "Good Reason" means you have complied with the Good Reason Process (as defined below) following the occurrence of any of the following events, without your consent: (i) a material diminution in your title, responsibilities, authority or duties; (ii) a material diminution in your base salary or target bonus, except for across-the-board reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; (iii) a material change in the principal geographic location at which you provide services to the Company (with the exception of travel related to your duties to the Company); or (iv) the material breach by the Company of the written employment agreement, offer letter or severance agreement between you and the Company; and "Good Reason Process" means (i) you reasonably determine in good faith that a "Good Reason" condition has occurred; (ii) you have notified the Company in writing of the first occurrence of the Good Reason condition within thirty (30) days of the first occurrence of such condition; (iii) you cooperate in good faith with the Company's efforts, for a period not less than thirty (30) days following such notice (the "Cure Period"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) you terminate your employment within thirty (30) days after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred.

9. Nature of Relationship; Choice of Law. While we are hopeful and confident that our relationship will be mutually rewarding, satisfactory and sustaining. As explained further in Section 10, your employment with the Company is at will, which means that both you and the Company remain free to end the employment relationship at any time and for any reason. Accordingly, this letter shall not be construed as an agreement, either express or implied, to employ you for any particular term, and does not alter the Company's at will employment policy with respect to your employment. Similarly, nothing in this letter shall be construed as an agreement, either express or implied, to pay you any compensation of any kind, or grant you any benefit, beyond the end of your employment with the Company, other than any payments for which you may become eligible by operation of Section 8.

If you will regularly perform your duties at any of the Company's business locations in Massachusetts, then all aspects of your employment shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, excluding choice of law rules thereof. If you reside and you will regularly perform your duties for the Company outside of Massachusetts, then all aspects of your employment (except for the NDA, which in such case would be governed by Delaware law), shall be governed by and construed in accordance with the laws of state where you reside.

10. At-Will Employment. Your employment with the Company will be for no specific period of time. Rather, your employment will be at-will, meaning that you or the Company may terminate the employment relationship at any time, with or without cause, and with or without notice and for any reason or no particular reason. Although your compensation and benefits may change from time to time, the at-will nature of your employment may only be changed by an express written agreement signed by an authorized officer of the Company.

Zach, we look forward to you joining our organization. In order to confirm your intention to commence employment with CarGurus on the Start Date on the terms set forth in this letter, please sign and return to me this letter and the NDA. If you have any questions, please do not hesitate to speak with me.

Sincerely,

/s/ Sam Zales

Sam Zales

President and Chief Operating Officer CarGurus, Inc.

ACKNOWLEDGEMENT AND AGREEMENT

I have read and understood and I accept all the terms of the offer of employment as set forth in the foregoing letter. I have not relied on any agreements or representations, express or implied, that are not set forth expressly in the foregoing letter, and this letter supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, with respect to the subject matter of this letter. I will commence employment on the Start Date on the terms set forth in this letter.

/s/ Zachary Hallowell 9/29/2023

Zachary Hallowell Date

CarGurus, Inc.

Protection of Confidential Information Agreement

Name: Zachary Hallowell

THIS Protection of Confidential Information Agreement, dated as of this 16th day of October 2023 (this "Agreement"), is between CarGurus, Inc., a Delaware corporation (the "Company"), and Zachary Hallowell (the "Signatory").

WHEREAS, the Signatory is currently, or is about to become, an officer, employee, director, and/or consultant of the Company; and

WHEREAS, it is a condition precedent to the commencement or continuation of the Signatory's association with the Company, whether as an officer, employee, director and/or consultant, that the Signatory shall enter into this Agreement with the Company.

NOW, THEREFORE, in consideration of the foregoing premises, the parties hereto hereby mutually agree as follows:

1. Confidential Information.

(a) For purposes of this Agreement, the term "Confidential Information" shall mean (i) confidential information, knowledge or data of the Company, (ii) trade secrets of the Company and (iii) any other information of the Company disclosed to the Signatory or to which the Signatory is given access, whether such disclosure or access is made or given by the Company or any other person. Without limiting the generality of the foregoing, the term Confidential Information shall include (A) all Inventions (as defined in Section 5(a) hereof) that are owned by the Company or that are required to be assigned to the Company by any person, including, without limitation, the Signatory or any other employee or consultant of the Company, or that are licensed to the Company by any person, (B) information regarding the Company's plans for research and development or for new products, (C) engineering or manufacturing information pertaining to the Company or any of its operations or products, (D) information regarding regulatory matters pertaining to the Company, (E) information regarding any acquisition, strategic alliance or joint venture effected by the Company or any proposed acquisition, strategic alliance or joint venture being considered by the Company, (F) information regarding the status or outcome of any negotiations engaged in by the Company, (G) information regarding the existence or terms of any contract entered into by the Company, (H) information regarding any aspect of the Company's intellectual property position, (I) information regarding prices or costs of the Company, (J) information regarding any aspect of the Company's business strategy, including, without limitation, the Company's marketing, selling and distribution strategies, (K) information regarding customers or suppliers of the Company, (L) information regarding the compensation and other terms of employment or engagement of the Company's employees and consultants, other than of the Signatory, (M) business plans, budgets, unpublished financial statements and unpublished financial data of the Company, (N) information regarding marketing and sales of any actual or proposed product or services of the Company, (O) information regarding website visitor behavior, including referral information, and any other information derived from analyzing website log files and (P) any other information that the Company may designate as confidential.

(b) The Signatory acknowledges that, except to the extent otherwise provided in this Section 1(b) or in Section 1(d), all Confidential Information disclosed to or acquired by

the Signatory is a valuable, special, and unique asset of the Company and is to be held in trust by the Signatory for the Company's sole benefit. The Company acknowledges that its intent is to protect itself with respect to Confidential Information that is relevant and material to its business. It is rebuttably presumed that all Confidential Information is relevant and material to the Company's business. The burden of proving any Confidential Information is not relevant and material shall be on the Signatory. Except as otherwise provided in this Section 1(b) or in Section 1(d), the Signatory shall not, at any time (including, without limitation, after the termination of the Signatory's association with the Company as an employee, consultant, officer and/or director), use for himself, herself or others, or disclose or communicate to any person for any reason, any Confidential Information without the prior written consent of the Company. Notwithstanding anything in this Section 1(b) to the contrary, it is understood that, except to the extent otherwise expressly prohibited by the Company, (A) the Signatory may disclose or use Confidential Information in performing his, her or its duties and responsibilities to the Company but only to the extent required or necessary for the performance of such duties and responsibilities in the ordinary course and within the scope of his, her or its association with the Company as an employee, consultant, officer and/or director, and (B) the Signatory may disclose any Confidential Information pursuant to a request or order of any court or governmental agency, provided that the Signatory promptly notifies the Company of any such request or order and provides reasonable cooperation (at the Company's expense) in the efforts, if any, of the Company to contest or limit the scope of such request or order.

(c) The Signatory acknowledges and agrees that the Company has received, and may receive in the future, confidential or proprietary information from third parties ("Third Party Confidential Information") subject to a duty on the Company's part to maintain the confidentiality of such Third Party Confidential Information and to use it only for certain limited purposes. During the term of the Signatory's association with the Company as an employee, consultant, officer and/or director (the "Term") and at all times thereafter, the Signatory shall hold Third Party Confidential Information in the strictest confidence and will not use or disclose to anyone any Third Party Confidential Information, unless expressly authorized in writing by the Company or unless otherwise provided in this Section 1(c) or in Section 1(d). Notwithstanding anything in this Section 1(c) to the contrary, it is understood that, except to the extent otherwise expressly prohibited by the Company, (A) the Signatory may disclose or use Third Party Confidential Information in performing his, her or its duties and responsibilities to the Company but only to the extent required or necessary for the performance of such duties and responsibilities in the ordinary course and within the scope of his, her or its association with the Company as an employee, consultant, officer and/or director, and (B) the Signatory may disclose any Third Party Confidential Information pursuant to a request or order of any court or governmental agency, provided that the Signatory promptly notifies the Company of any such request or order and provides reasonable cooperation (at the Company's expense or the expense of such third party) in the efforts, if any, of the Company or such third party to contest or limit the scope of such request or order.

(d) The Signatory's obligations under Section 1(b) and/or Section 1(c) not to use, disclose or communicate Confidential Information or Third Party Confidential Information to any person without the prior written consent of the Company shall not apply to any Confidential Information or Third Party Confidential Information that (i) is or becomes publicly known (as demonstrated by written evidence provided by the Signatory) under circumstances involving no breach by the Signatory of this Agreement and/or (ii) was approved for release by the Board of Directors of the Company or an authorized representative of the Company.

(e) The obligations of the Signatory under this Section 1 are without prejudice, and are in addition, to any other obligations or duties of confidentiality, whether express or implied or imposed by applicable law, that are owed to the Company or any other person to whom the Company owes an obligation of confidentiality, provided the obligation to such other person is known to the signatory.

(f) The Signatory understands that nothing contained in this Agreement limits the Signatory's ability to communicate with any federal, state or local governmental agency or commission, including to provide documents or other information, without notice to the Company. The Signatory understands that pursuant to the federal Defend Trade Secrets Act of 2016, the Signatory shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, if the Signatory files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Signatory may disclose the trade secret to the Signatory's attorney and use the trade secret information in the court proceeding, if the Signatory (A) files any document containing the trade secret under seal; and (B) does not disclose the trade secret, except pursuant to court order.

2. Publication. The Signatory hereby understands that the Company has a compelling business interest in preventing the publication (orally or in writing) of any manuscript, document or information containing Confidential Information, Third Party Confidential Information and/or a description of any unpatented Assigned Invention (as defined in Section 5(a) hereof) and, accordingly, the Signatory hereby agrees to submit to the Company, at least ninety (90) days prior to publication, any manuscript, document or information that the Signatory intends to publish (orally or in writing) and that contains technical or scientific information or information about the Company or its business, in each case for purposes of ascertaining whether such manuscript, document or information contains Confidential Information, Third Party Confidential Information and/or any description of any Assigned Invention (whether or not patented). Notwithstanding the foregoing the signatory shall not submit, and shall not be required to submit, any portion of any such manuscript, document, or information if and to the extent that such portion contains any confidential information of third parties that the signatory does not have a legal right to disclose to the Company. In the event that the Company determines that any such manuscript, document or information contains Confidential Information, Third Party Confidential Information and/or any description of any Assigned Invention (whether or not patented), then, to the extent requested by the Company, the Signatory shall delete from any such manuscript, document or information any and all references to such Confidential Information, Third Party Confidential Information and/or description of such Assigned Invention, and all references thereto. The Signatory shall, no later than thirty (30) days prior to such publication, resubmit to the Company a revised draft of any such manuscript, document or information reflecting the deletion such Confidential Information, Third Party Confidential Information and/or description of such Assigned Invention, and all references thereto. Unless and until the Company shall have given its written consent to any proposed publication (orally or in writing) by the Signatory of any manuscript, document or information, the Signatory shall not publish (orally or in writing) all or any portion of such manuscript, document or information. Nothing contained in this Section 2 shall be construed or deemed to limit, change, amend, alter, repeal or invalidate any of the Signatory's obligations under Section 1 of this Agreement.

3. No Improper Disclosure or Use of Materials. The Signatory shall not improperly use or disclose to or for the Company's benefit any confidential information or trade secrets of (i) any former, present or future employer of the Signatory, (ii) any person to whom the Signatory has previously provided, currently provides or may in the future provide consulting or other services or (iii) any other person to whom the Signatory owes an obligation of confidentiality. The Signatory shall not bring onto the premises of the Company any unpublished documents or any property belonging to any person referred to in any of the foregoing clauses (i), (ii) or (iii) unless consented to, in writing, by such person and by the Company.

4. Right to Inspect. The Signatory agrees that any of the Signatory's property situated on the Company's premises, including devices and other storage media, filing cabinets or other work areas, is subject to inspection by Company personnel at any time with or without notice.

5. Inventions; Assignment.

(a) For purposes of this Agreement, the term "Inventions" shall mean all inventions, improvements, developments, ideas, processes, prototypes, plans, drawings, designs, models, formulations, specifications, methods, techniques, shop-practices, discoveries, innovations, creations, technologies, formulas, algorithms, data, computer databases, reports, laboratory notebooks, papers, writings, photographs, source and object codes, software programs, other works of authorship, and know-how (including all records pertaining to any of the foregoing), whether or not reduced to writing and whether or not patented or patentable or registered or registrable under patent, copyright, trademark or similar statute. For purposes of this Agreement, the term "Assigned Inventions" shall mean (i) any and all Inventions that relate to a Competitive Business (as defined below) that are made, conceived, invented, discovered, originated, authored, created, learned or reduced to practice by the Signatory, either alone or together with others, in the course of performing the Signatory's duties and responsibilities to the Company or in the course of otherwise rendering any services to the Company during the Term (regardless of whether or not such Inventions were made, conceived, invented, discovered, originated, authored, created, learned or reduced to practice by the Signatory at the Company's facilities or during regular business hours or utilizing resources of the Company) or (ii) any and all Inventions that relate to a Competitive Business that arise out of or are based upon any Confidential Information or Third Party Confidential Information. For purposes of this Agreement, the term "Proprietary Rights" shall mean (x) any and all rights under or in connection with any patents, patent applications, copyrights, copyright applications, trademarks, trademark applications, service marks, service mark applications, trade names, trade name applications, mask works, trade secrets and/or other intellectual property rights with respect to Assigned Inventions and (y) the goodwill associated with any and all of the rights referred to in the foregoing clause (x).

(b) The Signatory hereby agrees to hold any and all Assigned Inventions and Proprietary Rights in trust for the sole right and benefit of the Company, and the Signatory hereby assigns to the Company all of the Signatory's right, title and interest in and to any and all Assigned Inventions and Proprietary Rights. The Signatory agrees to give the Company prompt written notice of any Assigned Invention or Proprietary Right and agrees to execute such instruments of transfer, assignment, conveyance or confirmation and such other documents as the Company may request to evidence, confirm or perfect the assignment of all of the Signatory's right, title and interest in and to any Assigned Invention or Proprietary Right pursuant to the foregoing provisions of this Section 5(b). The Signatory hereby waives and quitclaims to the Company any and all claims of any nature whatsoever that the Signatory may

now or hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

(c) The Signatory hereby acknowledges and agrees that those Assigned Inventions that are original works of authorship protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act.

(d) At the request of the Company, the Signatory will assist the Company in every proper way (including, without limitation, by executing patent applications) to obtain and enforce in any country in the world Proprietary Rights relating to any or all Assigned Inventions. The Signatory's obligation under this Section 5(d) shall continue after the termination of the Signatory's association with the Company as an employee, consultant, officer or director. If and to the extent that, at any time after the termination of the Signatory's association with the Company as an employee, consultant, officer and/or director, the Company requests assistance from the Signatory with respect to obtaining and enforcing in any country in the world any Proprietary Rights relating to Assigned Inventions, the Company shall compensate the Signatory at a reasonable rate for the time actually spent by the Signatory on such assistance.

(e) By this Agreement, the Signatory hereby irrevocably constitutes and appoints the Company as his, her or its attorney-in-fact for the purpose of executing, in the Signatory's name and on his, her or its behalf, (i) such instruments or other documents as may be necessary to evidence, confirm or perfect any assignment pursuant to the provisions of this Section 5 or (ii) such applications, certificates, instruments or documents as may be necessary to obtain or enforce any Proprietary Rights in any country of the world. This power of attorney is coupled with an interest on the part of the Company and is irrevocable.

(f) Without the prior written consent of the Company, the Signatory shall not, at any time (including, without limitation, at any time after the termination of the Signatory's association with the Company as an employee, consultant, officer and/or director), file, cause to be filed or consent to the filing of any patent, trademark, service mark, trade name or copyright application with respect to, or claiming, any Assigned Inventions or Proprietary Rights.

(g) The obligations of the Signatory under this Section 5 are without prejudice, and are in addition to, any other obligations or duties of the Signatory, whether express or implied or imposed by applicable law, to assign to the Company all Assigned Inventions and all Proprietary Rights.

6. Agreement Not to Compete.

(a) If the Signatory is an employee of the Company, he or she hereby agrees that, during the period commencing on the date of this Agreement and ending on the effective date of the termination of the Signatory's employment with the Company, the Signatory shall not engage, during business hours, in any employment or business activity other than for the Company.

(b) In view of the unique nature of the business of the Company and the need of the Company to maintain its competitive advantage in the industry, and in order to protect the Company's Proprietary Information, trade secrets, good will, and other legitimate business interests, the Signatory hereby agrees that, during the Restricted Period (as defined in Section

6(c) below), the Signatory shall not, directly or indirectly, within the United States of America or within any other country in the world, engage in, own an interest in (except as a holder of no more than five percent (5%) of the shares of any publicly traded corporation), be employed by, consult for, act as an advisor to, or otherwise in any way participate in or become associated with, any Competitive Business (as defined in Section 6(c) below) or any corporation, partnership, limited liability company, business, enterprise, venture or other person or entity that is engaged or participates in any Competitive Business (each, a "Competitive Business Entity"), unless in each case the Signatory shall have given notice to the Board of Directors of the Company of his, her or its intention to be employed by, consult for, act as an advisor to, or otherwise in any way participate in or become associated with, any Competitive Business or any Competitive Business Entity and the Board of Directors of the Company shall have approved the Signatory's relationship with or engagement in such Competitive Business or Competitive Business Entity.

(c) For purposes of this Section 6, the following terms shall have the meanings provided therefor below:

"Competitive Business" shall mean any business that offers a website that allows visitors to do any of the following: (1) research automobiles or automotive products or services, (2) obtain or provide reviews of automobiles, automobile dealers or automotive products or services, or (3) search for or purchase automobiles or automotive products or services.

"Restricted Period" shall mean the period commencing on the date of this Agreement and ending on the first anniversary of the effective date of the termination of the Signatory's association with the Company as an employee, consultant, officer or director; *provided, however, that* if the Signatory breaches his or her fiduciary duty to the Company and/or unlawfully takes, physically or electronically, property belonging to the Company, then the Restricted Period shall end on the second anniversary of such termination date.

(d) The time periods provided for in this Section 6 shall be extended for a period of time equal to any period of time in which the Signatory shall be in violation of any provision of this Section 6 and any period of time required for litigation to enforce the provisions of this Section 6. If at any time the provisions of this Section 6 shall be determined to be invalid or unenforceable, by reason of being vague or unreasonable as to area, duration or scope of activity, this Section 6 shall be considered divisible and shall become and be automatically amended to apply only to such area, duration and scope of activity as shall be determined to be reasonable by the court or other body having jurisdiction over the matter; and the Signatory agrees that this Section 6, as so amended, shall be valid and binding as though any invalid or unenforceable provision had not been included herein.

(e) Notwithstanding the foregoing, the Signatory may, after termination of his or her employment with the Company and during the Restricted Period, be employed by a public company with annual sales in excess of \$500 million dollars, provided he or she does not work for any division that meets the definition of a Competitive Business, and does not otherwise engage or participate on behalf of such company in any activities in connection with or related to a Competitive Business. The Signatory acknowledges that should he or she be so employed by a Competitive Business Entity, the burden of proving he or she is not employed by any division that meets the definition of a Competitive Business, nor engaged or participating in Competitive Businesses, shall be on the Signatory.

(f) In consideration for the Signatory's agreement to the non-competition covenant set forth in this Section 6, the Company shall provide him or her with an equity grant that will be awarded as described in the Company's offer letter to the Signatory and in accordance with and subject to the terms and conditions of the Company's equity plan and is subject to the approval by the Company's Board of the Directors or its designee. If the Signatory is terminated by the Company for Cause (as defined below) or if the Signatory resigns, and at the time of such separation of employment none of the equity granted to him or her at the commencement of employment has vested (in whole or part), then unless the Company elects to waive the post-employment non-competition obligations, the Company shall pay to the Signatory the gross sum of Five Thousand Dollars (\$5,000), such amount to be paid within thirty (30) days of his or her last date of employment, in consideration for the Signatory's agreement in this Section 6. The Signatory acknowledges and agrees that the equity grant and/or payment reflected in this Section 6(f) is mutually agreed upon consideration for the non-competition covenant set forth in this Section 6, and is in lieu of any and all other consideration for the non-competition agreement including, without limitation, any right to "garden leave" payment under Massachusetts law.

(g) The covenants set forth in Section 6(b) shall not apply in the event that the Signatory's employment is terminated without "Cause," which for purposes of this Section 6 is defined as (1) a reasonable basis for the Company's dissatisfaction with the Signatory entertained in good faith, for reasons such as lack of capacity or diligence, failure to conform to usual standards of conduct, or other culpable or inappropriate behavior, (2) grounds for discharge of the Signatory reasonably related, in the Company's judgment, to the needs of its business, (3) breach of any covenant or obligation set forth in this or any other agreement between the Signatory and the Company during the Signatory's employment, and (4) layoff other than one that is unrelated to the Signatory's performance or conduct. The Company's determination as to whether Cause for termination exists shall be final and binding absent clear and convincing evidence that the Company acted arbitrarily and capriciously.

(h) The post-employment non-competition obligations of Section 6(b) shall not apply if, at the time of the Signatory's separation from employment, he or she (i) is classified as nonexempt under the federal Fair Labor Standards Act, (ii) is an undergraduate or graduate student in an internship, coop, or other short-term employment relationship with the Company, or (iii) is age 18 or under.

7. Agreement Not To Solicit.

(a) During the Restricted Period, the Signatory shall not, directly or indirectly, for Signatory or for the benefit of any other person or entity, recruit, hire or solicit the employment or services of (whether as an employee, officer, director, agent, consultant or independent contractor) any existing or future employee, officer, director, agent, consultant or independent contractor of the Company or any of the Company's successors or affiliates (except for such employment or hiring by the Company or any of its successors or affiliates), including during the six months following the termination of the employment of such employees, or encourage or aid such employees, officers, directors, agents, consultants or independent contractors to terminate their employment with the Company or any of the Company's successors or affiliates; *provided, however* that a general solicitation of the public for employment shall not constitute a solicitation hereunder so long as such general solicitation is not designed to target, or does not have the effect of targeting, any employee, officer, director, agent, consultant or independent contractor of the Company any of the Company's successors or affiliates.

(b) During the Restricted Period, the Signatory shall not, directly or indirectly, for Signatory or for the benefit of any other person or entity, solicit, attempt to do business involving or related to a Competitive Business with, do business involving or related to a Competitive Business with any customers, business partners or business affiliates of the Company, or any of the Company's current or future successors or those affiliates of the Company that are engaged in a Competitive Business (collectively, the "**Company Parties**"), or solicit or encourage (regardless of who initiates the contact) any such customers to use the services involving or related to a Competitive Business of any competitor of any of the Company Parties; *provided, however*, that, subject to the other provisions of this Agreement, the Signatory shall not be prohibited from doing business with any customers, business partners, or business affiliates of the Company Parties if: (i) such business activity by Signatory does not result, directly or indirectly, in the lessening or cessation of the level of business activity between such customers, business partners or business affiliates on the one hand, and any of the Company Parties, on the other hand, and (ii) such business activity by Signatory is not in connection with a Competitive Business.

8. Return of Documents. The Signatory will promptly deliver to the Company, upon the termination of the Signatory's association with the Company as an employee, consultant, officer and/or director or, if earlier, upon the request of the Company, all documents and other tangible media (including all originals, copies, reproductions, digests, abstracts, summaries, analyses, notes, notebooks, drawings, manuals, memoranda, records, reports, plans, specifications, devices, formulas, storage media, including software, and computer printouts) in the Signatory's actual or constructive possession or control that contain, reflect, disclose or relate to any Confidential Information, Third Party Confidential Information, Assigned Inventions or Proprietary Rights. The Signatory will destroy any related computer entries on equipment or media not owned by the Company.

9. No Use of Name, Etc. Without the prior written consent of the Company, the Signatory shall not, at any time (including, without limitation, at any time after the termination of the Signatory's association with the Company as an employee, consultant, officer and/or director), use, for himself or herself or on behalf of any other person, any name that is identical or similar to or likely to be confused with the name of the Company or the name of any product or service produced or provided by the Company. Without the prior written consent of the Company, the Signatory shall not, at any time after the termination of the Signatory's association with the Company as an employee, consultant, officer and/or director, directly or indirectly represent himself or herself, whether on his, her or its behalf or on behalf of any other person, as then being in any way connected or associated with the Company.

10. Disclosure of Prior Obligations. The Signatory represents that the Signatory has disclosed and provided copies of any and all agreements that could limit his or her ability to perform fully all of the terms of this Agreement and of all of the Signatory's duties and responsibilities as an employee, consultant, officer and/or director of the Company, including, without limitation, any confidentiality, inventions, non-competition and/or non-solicitation agreement. The Signatory further represents that he or she has not made and will not make any agreements in conflict with this Agreement. The Signatory represents that the Signatory will not disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or third party.

11. Unique Nature of Agreement; Specific Enforcement. The Company and the Signatory agree and acknowledge that the rights and obligations set forth in this Agreement are of a unique and special nature and that the Company is, therefore, without an adequate

legal remedy in the event of the Signatory's violation of any of the covenants set forth in this Agreement. The Company and the Signatory agree, therefore, that, in addition to all other rights and remedies, at law or in equity or otherwise, that may be available to the Company, each of the covenants made by the Signatory under this Agreement (including, without limitation, the covenants made by the Signatory pursuant to Section 6 hereof) shall be enforceable by injunction, specific performance or other equitable relief, without any requirement that the Company have to post a bond or that the Company have to prove any damages. The Signatory hereby agrees, in connection with any action or proceeding to enforce any provisions of this Agreement, to waive any claim or defense that the Company has an adequate remedy at law.

12. Signatory Acknowledgement. The Signatory acknowledges and agrees that he/she has been given sufficient time of at least ten business days before commencement of employment in which to consider whether to sign this Agreement. The Signatory also acknowledges and understands that he/she has the right to consult with an attorney before signing this Agreement. Regardless of whether the Signatory has elected to consult an attorney, the Signatory acknowledges that he/she has read and understands this Agreement, that the Signatory is fully aware of its legal effect, and the Signatory has entered into this Agreement freely and voluntarily and not based upon any representations or promises other than those contained in this Agreement.

13. Miscellaneous.

13.1. Association. The Signatory agrees and understands that nothing in this Agreement shall confer on the Signatory any right with respect to continuation of the Signatory's association with the Company as an employee, consultant, officer and/or director, nor shall it interfere in any way with the Signatory's right or the Company's right to terminate the Signatory's association with the Company as an employee, consultant, officer and/or director at any time, with or without cause.

13.2. Entire Agreement. This Agreement represents the entire agreement of the parties with respect to the arrangements contemplated hereby. No prior agreement, whether written or oral, shall be construed to change, amend, alter, repeal or invalidate this Agreement. This Agreement may be amended only by a written instrument executed in one or more counterparts by the parties.

13.3. Waiver. No consent to or waiver of any breach or default in the performance of any obligations hereunder shall be deemed or construed to be a consent to or waiver of any other breach or default in the performance of any of the same or any other obligations hereunder. Failure on the part of either party to complain of any act or failure to act of the other party or to declare the other party in default, irrespective of the duration of such failure, shall not constitute a waiver of rights hereunder and no waiver hereunder shall be effective unless it is in writing, executed by the party waiving the breach or default hereunder.

13.4. Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. This Agreement may be assigned by the Company to any Affiliate of the Company and to a successor of its business to which this Agreement relates (whether by purchase or otherwise). "Affiliate of the Company," means any person which, directly or indirectly, controls or is controlled by or is under common control with the Company and, for the purposes of this

definition, "control" (including the terms "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of another whether through the ownership of voting securities or holding of office in another, by contract or otherwise. The Signatory may not assign or transfer any or all of his, her or its rights or obligations under this Agreement.

13.5. Jurisdiction and Venue; Waiver of Jury Trial. In case of any dispute hereunder involving a Massachusetts-based Signatory in accordance with Section 13.7 below, the parties will submit to the exclusive jurisdiction and venue of any court of competent jurisdiction sitting in Suffolk County, Massachusetts, and the parties will comply with all requirements necessary to give such court jurisdiction over the parties and the controversy, and the parties further mutually agree that if any such dispute is brought in the Superior Court of the Commonwealth of Massachusetts, it shall be commenced solely in the Business Litigation Session located in Suffolk County, Massachusetts. With respect to any action, demand, claim or counterclaim relating to any dispute concerning a non-Massachusetts based Signatory in accordance with Section 13.7 below, the parties mutually agree that the same shall be resolved in a state or federal court located in Delaware or in the state where the Signatory resides or has a principal place of business, or at the Company's election in Massachusetts, and the parties will comply with all requirements necessary to give such court jurisdiction over the parties and the controversy. EACH PARTY WAIVES ANY RIGHT TO A JURY TRIAL.

13.6. Severability. All headings and subdivisions of this Agreement are for reference only and shall not affect its interpretation. In the event that any provision of this Agreement should be held unenforceable by a court of competent jurisdiction, such court is hereby authorized to amend such provision so as to be enforceable to the fullest extent permitted by law, and all remaining provisions shall continue in full force without being impaired or invalidated in any way.

13.7. Governing Law. If the Signatory performs his or her duties for the Company at the Company's business locations in Massachusetts, then this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, excluding choice of law rules thereof. If the Signatory resides out of the Commonwealth of Massachusetts, and regularly performs his or her duties for the Company outside of Massachusetts, then this Agreement shall be governed by and construed in accordance with the laws of State of Delaware (excluding choice of law rules), where the Company is incorporated.

13.8 Disclosure. The Signatory shall disclose the existence and terms of this Agreement to any employer or other person that the Signatory may work for or be engaged by during the Term and thereafter. The Signatory agrees that the Company may, after notification to the Signatory, provide a copy of this Agreement to any business or enterprise (i) which the Signatory may directly or indirectly own, manage, operate, finance, join, control or participate in the ownership, management, operation, financing, or control of, or (ii) with which the Signatory may be connected with as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise, or in connection with which the Signatory may use or permit the Signatory's name to be used. The Signatory will provide the names and addresses of any of such persons or entities as the Company may from time to time reasonably request.

13.9 Notices. Any notice, demand, request or other communication

hereunder to any party shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class registered, certified or overnight mail, postage prepaid, or telecopied with a confirmation copy by regular, certified or overnight mail, postage prepaid, or sent by electronic mail with a confirmation copy by regular, certified or overnight mail, postage prepaid, to such party at the address, telecopier number or email address, as the case may be, set forth below or such other address, telecopier number, or email address, as the case may be, as may hereafter be designated in writing by the addressee to the addressor listing all parties:

(i) if to the Company, to:

CarGurus, Inc.
Two Canal Park
Cambridge, MA 02141
Attention: Chief People Officer

Email: [email address]

with a copy to:

CarGurus, Inc.
Two Canal Park
Cambridge, MA 02141
Attention: General Counsel

Email: [email address]

if to the Signatory, to:

[address]
[address]

Phone: [phone number]
Email: [email address]

All such notices, requests and other communications shall be deemed to have been received: (i) in the case of personal delivery, on the date of such delivery; (ii) in the case of registered or certified mail, upon receipt or on the date of rejection of receipt (iii) in the case of facsimile transmission, when confirmed by facsimile machine report, and (iv) in the case of electronic mail, upon receipt of an electronic message confirming delivery.

THE SIGNATORY HAS READ THIS AGREEMENT CAREFULLY AND UNDERSTANDS ITS TERMS.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, have executed and delivered this Agreement as an instrument under seal as of the date first above written.

CARGURUS, INC.

By:

/s/ Sam Zales

Name: Sam Zales

Title: President and Chief Operating Officer

/s/ Zachary Hallowell

Print Name

of Signatory: Zachary Hallowell

Parcel 12
Boston, MA

CarGurus Tenant Change Order #18

Date: 3/29/2024

CarGurus, Inc.
2 Canal Park
Cambridge, MA 02141

Mr. John Hart:

RE: Change Order - Lease by and between CarGurus, Inc. ("CarGurus") and P-12 Property LLC ("Landlord"), dated December 19, 2019, as amended (the "Lease")

Pursuant to the Lease, CarGurus has requested modifications to the Base Building Plans and Specifications to accommodate Tenant's design of Tenant's Work, which request requires this change order to such plans and specifications. The work to be performed as a result of this change order is summarized as follows and described in more detail on Exhibit A attached hereto:

Item	Description	Amount
1	<u>Landlord Credit for GWB enclosures. GWB at column enclosures at Base Buidling risers provided by Tenant as part of Tenants Interior fit-out per Lease Exhibit B.</u>	(\$50,620.00)
TOTAL CO#18		(\$50,620.00)

OK MC

CarGurus acknowledges and agrees that (a) this change order constitutes a Tenant Change Order subject to and in accordance with the terms of the Lease; and (b) (i) it will pay to Landlord, as Additional Rent under the Lease, the actual amount of the increased costs and expenses resulting from this Tenant Change Order, and (ii) any and all delays resulting from the work contemplated by or resulting from this Tenant Change Order shall constitute a Tenant Delay under the Lease. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the Lease. Please countersign this change order in the space below to confirm your agreement.

Sincerely,

P-12 Property LLC

Acknowledged and Agreed to by:
CarGurus, Inc.

x /s/ Brandon Morrill
Signature

Brandon Morrill 4/12/2024

Scope Item	Responsibility			Comments
	Tenant	Landlord	As Existing	
Floor Common Area				
Base building mechanical/electric/tel-data rooms - flooring, wall base, painted GWB walls		X		
Taped and sanded GWB at Tenant side of core and mechanical rooms		X		
Type X GWB at interior face of exterior walls	X			
GWB at column enclosures	X			GWB by landlord at all column locations that BB infrastructure occurs (i.e.: rain leaders) - Landlord to credit cost for gwb walls at columns with BB infrastructure. Tenant to provide as part of Tenant Interiors work.
Base building door frames, doors, and hardware		X		
Shell enclosures for Tenant provided systems within building core	X			
Partitions, ceilings, floorings, painting, finishes, doors, millwork, and all build-out within Tenant area	X			
Base building toilet rooms - Tile or polished concrete floor, partial tile coverage on walls, finished ceiling, ADA bathroom accessories, fixtures, hand dryers, and toilet partitions (with privacy panels)		X		Meet 100 SF per person
Tenant kitchens, and Tenant fit-out toilet rooms including plumbing	X			
Mechanical/electric/tel-data rooms for individual Tenant systems	X			
Horizontal window blinds and/or window treatments (See LI standard shade, color, and mounting detail)	X			
Exit stairs - Finishes include painted stringer, risers, and railings, sealed concrete floor and treads, vinyl base at landings, painted GWB walls (except at concrete core), no ceilings		X		
Furnish and install of a larger, dressed up stair to act as a communication stair		X		Landlord to provide paint and flooring at one (1) exit stair at tenant floors to act as a communicating stair.
Vestibule at freight elevator/mechanical spaces including electrified door lock to receive card reader		X		
ELEVATORS				
Garage passenger elevator serving garage levels		X		
Office tower passenger elevators		X		
Building common fire extinguishers		X		
Tenant fire extinguishers	X			
Tenant equipment	X			
Patio heat to extend season usage		X		Heat Lamps to be provided where feasible. South Terrace to be reviewed for alternative methods.
Snow/ice melting decking on patio	X	X		
Patio - Exterior lighting, pavers, convenience power outlets				No
PLUMBING				
Underground utility piping (water, waste, gas) to main service points and base building equipment		X		
Domestic water to base building fixtures		X		
HW generation for base building toilet rooms		X		
2" domestic cold water stubbed into Tenant area and capped for Tenant use		X		
Domestic water distribution within Tenant premises	X			
Waste and vent service for base building areas		X		

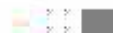


EXHIBIT 2.1-1
LANDLORD/TENANT RESPONSIBILITY MATRIX

1001 Boylston - Office Core/Shell Scope LOI "Exhibit B" - Revised 11-7-19

Scope Item	Responsibility			Comments
	Tenant	Landlord	As Existing	
SITework				
Utilities		X		
Pavements - sidewalks and roadways		X		
Landscaping		X		
STRUCTURE				
Floor to Floor Height: 13'-6" typical on office floors		X		
Fireproofing		X		
Design floor live load: 100 psf		X		
Tenant to reinforce floor locally if specialty program exceeds 100 PSF	X			
Framed openings for additional Tenant shafts not part of base building	X			
Provide client specified openings for communicating stair	X			By Tenant
MISCELLANEOUS METALS				
Misc. metals for base building elements (canopies, elevators, railings, etc.)		X		
Specialty misc. metals/structural work for Tenant rooftop equipment	X			
Misc. metals/structural steel for base building rooftop equipment		X		
Concrete pads and structural modifications related to Tenant fit-out	X			
Egress stairs with concrete filled pan. Painted steel guardrails and handrails.		X		
Steel frame and glass at exterior balconies and amenity deck as shown on the contract documents		X		
BUILDING ENVELOPE				
Exterior Walls				
Aluminum and glass curtain wall.		X		
Aluminum and glass exterior doors of similar construction to exterior glazing system		X		
Mechanical penthouse: aluminum panel system		X		
Penthouse louvers as required for base building common equipment		X		
Penthouse louvers as required for specialty Tenant equipment	X			
South side window treatment for significant sun penetration		X		
Office Tower Roof				
Adhered PVC or TPO membrane roofing system including insulation, transitions, parapets, and accessories		X		
Walkway pads to base building rooftop equipment and perimeter as shown on LL drawings		X		
Pedestal pavers and roof protection pads at office roof as shown on LL drawings		X		
Roof penetrations and walkway pads for Tenant rooftop equipment	X			
OFFICE COMMON AREA				
Main Lobby - Finishes				
Lobby floor finishes		X		Tenant involvement with finishes
Wall finishes		X		Tenant involvement with finishes
Ceiling finish		X		Tenant involvement with finishes
Upper Floor Elevator Lobbies				
Lobby floor finishes	X			Landlord to credit cost for standard C/S finishes. Tenant to provide finishes in elevator lobby.
Wall finishes	X			see above note
Ceiling finish	X			see above note
Lighting	X			see above note

Scope Item	Responsibility			Comments
	Tenant	Landlord	As Existing	
Floor Common Area				
Base building mechanical/electric/tel-data rooms - flooring, wall base, painted GBW walls		X		
Taped and sanded GBW at Tenant side of core and mechanical rooms		X		
Type X GBW at interior face of exterior walls	X			
GBW at column enclosures	X			GBW by landlord at all column locations that BB infrastructure occurs (i.e.: rain leaders). - Landlord to credit cost for gwb walls at columns with BB infrastructure. Tenant to provide as part of Tenant Interiors work.
Base building door frames, doors, and hardware		X		
Shaft enclosures for Tenant provided systems within building core	X			
Partitions, ceilings, floorings, painting, finishes, doors, millwork, and all build-out within Tenant area	X			
Base building toilet rooms - Tile or polished concrete floors, partial tile coverage on walls, finished ceiling, ADA bathroom accessories, fixtures, hand dryers, and toilet partitions (with privacy panels)		X		Meet 100 SF per person
Tenant kitchens, and Tenant fit-out toilet rooms including plumbing	X			
Mechanical/electric/tel-data rooms for individual Tenant systems	X			
Horizontal window blinds and/or window treatments (See LL standard shade, color, and mounting detail)	X			
Exit stairs - Finishes include painted stringer, risers, and railings, sealed concrete floor and treads, vinyl bases, landings, painted GBW walls (except at concrete core), no ceilings		X		
Furnish and install of a larger, dressed up stair to act as a communication stair		X		Landlord to provide paint and flooring at one (1) exit stair at tenant floors to act as a communicating stair.
Vestibule at freight elevator/mechanical spaces including electrified door lock to receive card reader		X		
ELEVATORS				
Garage passenger elevator serving garage levels		X		
Office tower passenger elevators		X		
Building common fire extinguishers		X		
Tenant fire extinguishers	X			
Tenant equipment	X			
Patio heat to extend season usage		X		Heat Lamps to be provided where feasible. South Terrace to be reviewed for alternative methods.
Snow/ice melting decking on patio	X	X		
Patio - Exterior lighting, pavers, convenience power outlets				No
PLUMBING				
Underground utility piping (water, waste, gas) to main service points and base building equipment		X		
Domestic water to base building fixtures		X		
HW generation for base building toilet rooms		X		
2" domestic cold water stubbed into Tenant area and capped for Tenant use		X		
Domestic water distribution within Tenant premises	X			
Waste and vent service for base building areas		X		

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Misc. metals/structural steel for base building rooftop equipment		X		
Concrete pads and structural modifications related to Tenant fit-out	X			
Egress stairs with concrete filled pan. Painted steel guardrails and handrails.		X		
Steel frame and glass at exterior balconies and amenity deck as shown on the contract documents		X		
BUILDING ENVELOPE				
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South side window treatment for significant sun penetration		X		
Office Tower Roof				
Adhered PVC or TPO membrane roofing system including insulation, transitions, parapets, and accessories		X		
Walkway pads to base building rooftop equipment and perimeter as shown on UL drawings		X		
Pedestal pavers and roof protection pads at office roof as shown on UL drawings		X		
Roof penetrations and walkway pads for Tenant rooftop equipment	X			
OFFICE COMMON AREA				
Main Lobby - Finishes				
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Ceiling finish		X		Tenant involvement with finishes
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Shaft enclosures for Tenant provided systems within building core	X			
Partitions, ceilings, floorings, painting, finishes, doors, millwork, and all build-out within Tenant area	X			
Base building toilet rooms - Tile or polished concrete floors, partial tile coverage on walls, finished ceiling, ADA bathroom accessories, fixtures, hand dryers, and toilet partitions (with privacy panels)		X		Meet 100 SF per person
Tenant kitchens, and Tenant fit-out toilet rooms including plumbing	X			
Mechanical/electric/tel-data rooms for individual Tenant systems	X			
Horizontal window blinds and/or window treatments (See LL standard shade, color, and mounting detail)	X			
Exit stairs - Finishes include painted stringer, risers, and railings, sealed concrete floor and treads, vinyl base at landings, painted GBW walls (except at concrete core), no ceilings		X		
Furnish and install of a larger, dressed up stair to act as a communication stair		X		Landlord to provide paint and flooring at one (1) exit stair at tenant floors to act as a communicating stair.
Vestibule at freight elevator/mechanical spaces including electrified door lock to receive card reader		X		
ELEVATORS				
Garage passenger elevator serving garage levels		X		
Office tower passenger elevators		X		
Building common fire extinguishers		X		
Tenant fire extinguishers	X			
Tenant equipment	X			
Patio heat to extend season usage		X		Heat Lamps to be provided where feasible. South Terrace to be reviewed for alternative methods.
Snow/ice melting decking on patio	X	N		
Patio - Exterior lighting, pavers, convenience power outlets				No
PLUMBING				
Underground utility piping (water, waste, gas) to main service points and base building equipment		X		
Domestic water to base building fixtures		X		
HW generation for base building toilet rooms		X		
2" domestic cold water stubbed into Tenant area and capped for Tenant use		X		
Domestic water distribution within Tenant premises	X			
Waste and vent service for base building areas		X		

Scope Item	Responsibility			Comments
	Tenant	Landlord	As Existing	
Floor Common Area				
Base building mechanical/electric/tel-data rooms - flooring, wall base, painted GBW walls		X		
Taped and sanded GWB at Tenant side of core and mechanical rooms		X		
Type X GWB at interior face of exterior walls	X			
GWB at column enclosures	X			GWB by landlord at all column locations that BB infrastructure occurs (i.e.: rain leaders). Landlord to credit cost for gwb walls at columns with BB infrastructure. Tenant to provide as part of Tenant Interiors work
Base building door frames, doors, and hardware		X		
Shaft enclosures for Tenant provided systems within building core	X			
Partitions, ceilings, floorings, painting, finishes, doors, millwork, and all build-out within Tenant area	X			
Base building toilet rooms - Tile or polished concrete floors, partial tile coverage on walls, finished ceiling, ADA bathroom accessories, fixtures, hand dryers, and toilet partitions (with privacy panels)		X		Meet 100 SF per person
Tenant kitchens, and Tenant fit-out toilet rooms including plumbing	X			
Mechanical/electric/tel-data rooms for individual Tenant systems	X			
Horizontal window blinds and/or window treatments (See LL standard shade, color, and mounting detail)	X			
Exit stairs - Finishes include painted stringer, risers, and railings, sealed concrete floor and treads, vinyl base at landings, painted GWB walls (except at concrete core), no ceilings		X		
Furnish and install of a larger, dressed up stair to act as a communication stair		X		Landlord to provide paint and flooring at one (1) exit stair at tenant floors to act as a communicating stair.
Vestibule at freight elevator/mechanical spaces including electrified door lock to receive card reader		X		
ELEVATORS				
Garage passenger elevator serving garage levels		X		
Office tower passenger elevators		X		
Building common fire extinguishers		X		
Tenant fire extinguishers	X			
Fire extinguishers	X			
...				
Patio - Exterior lighting, pavers, convenience power outlets				No
PLUMBING				
Underground utility piping (water, waste, gas) to main service points and base building equipment		X		
Domestic water to base building fixtures		X		
HW generation for base building toilet rooms		X		
2" domestic cold water stubbed into Tenant area and capped for Tenant use		X		
Domestic water distribution within Tenant premises	X			
Waste and vent service for base building areas		X		

SECOND AMENDMENT TO SUBLEASE

This **SECOND AMENDMENT TO SUBLEASE** (this “**Second Amendment**”) is entered into as of the 30th day of April, 2024 (the “**Effective Date**”) by and between HUBSPOT, INC., a Delaware corporation (“**Sublandlord**”), and CARGURUS, INC., a Delaware corporation (“**Subtenant**”).

RECITALS:

WHEREAS, Sublandlord and Subtenant entered into that certain Sublease dated as of October 6, 2021 (the “**Original Sublease**”), as amended by that certain First Amendment to Sublease dated as of July 31, 2022 (the “**First Amendment**”; the Original Sublease, as amended by the First Amendment, the “**Sublease**”) whereby Subtenant leases from Sublandlord certain premises consisting of approximately 48,059 rentable square feet located on the fourth (4th) floor of the building commonly known as Two Canal Park, Cambridge, Massachusetts; and

WHEREAS, the Sublease Term is currently scheduled to expire on April 30, 2024 (the “**Sublease Expiration Date**”); and

WHEREAS, Sublandlord and Subtenant desire to amend the Sublease on the terms and conditions set forth herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Sublease Term and Parking. The parties hereby agree that the Sublease shall terminate with respect to the Subleased Premises (only) on the Sublease Expiration Date. Notwithstanding the foregoing sentence, Subtenant shall continue to have the right to use and the obligation to pay for twenty-nine (29) Parking Passes for the period commencing at 12:01 AM (Eastern) on May 1, 2024 and expiring at 11:59 PM (Eastern) on September 30, 2024 (the “**Extended Parking Period**”). The Parking Passes shall be paid for by Subtenant at the then-current prevailing rate at the Garage as established by the Master Landlord or the Garage Operator, as such rate may vary from time to time. Sublandlord hereby represents to Subtenant that, as of the Effective Date set forth above, the charge for Parking Passes is Two Hundred Fifty and 00/100 Dollars (\$250.00) per calendar month, per pass, subject to increase from time to time, and payment shall be for full months (and not on a pro rata or per diem basis). To the extent applicable to Subtenant’s use of and obligation to pay for the Parking Passes during the Extended Parking Period, the terms and provisions of Sections 6, 8, 9, 12, 14, 15, 18, 19, 20, and 22 of the Original Sublease shall continue in full force and effect until the Extended Parking Period expires. Throughout the Extended Parking Period, Subtenant and its employees shall, subject to Master Landlord’s security program for the Building, continue to have twenty-four (24) hour access (except in the event of emergency) to the Garage and those portions of the Common Areas of the Building necessary to access the Garage (the “**Parking Areas**”); provided, however, that Subtenant’s right to use the twenty-nine (29) Parking Passes and such rights of access shall neither (a) extend the Sublease Term with respect to the Sublease Premises, nor (b) extend Subtenant’s rights or obligations relating to the

Subleased Premises, nor (c) constitute Subtenant holdover of the Subleased Premises. Throughout the Extended Parking Period, Subtenant's insurance and indemnity obligations under the Sublease as to the Parking Areas shall continue to apply to Subtenant's use of the twenty-nine (29) Parking Passes (for the avoidance of doubt, the first sentence of Section 14 of the Original Lease is hereby amended by adding the phrase "and the Parking Areas" immediately after the phrase "for the Subleased Premises"). Notwithstanding anything to the contrary contained in this Section 1, Sublandlord may terminate the Extended Parking Period effective on or after July 31, 2024, by serving Subtenant with not less than thirty (30) days' prior written notice to that effect, whereupon Subtenant's obligation to pay for the twenty-nine (29) Parking Passes shall cease as of the effective date of termination.

2. Surrender. Section 17(a) of the Original Sublease is hereby deleted in its entirety and replaced by the following:

“(a) At the expiration or earlier termination of the Sublease, Subtenant shall quit and surrender the Subleased Premises in vacant, broom clean condition, damage by casualty excepted. Without limitation of any of the foregoing, Subtenant shall on or before the expiration or earlier termination of the Sublease (i) remove all of Subtenant's personal property, including Subtenant's so-called license plate wall, all Subtenant identity signage, and all art fixtures (provided that Subtenant shall not be required to remove its wiring and cabling); and (ii) remove all trash and broom sweep the Subleased Premises. Subtenant shall repair all damage to the Subleased Premises resulting from the removal of such personal property, including patching and filling holes. Notwithstanding the immediately preceding two (2) sentences, all furniture, fixtures and equipment located in the Subleased Premises upon the expiration or earlier termination of the Sublease, including without limitation, all workstations, desks, chairs, A/V equipment, couches, refrigerators, microwave ovens, and freezers (collectively, the “**Remaining Property**”) shall, without the necessity of further action by the parties, become the property of Sublandlord in their “as is” “where is” condition at such time, without representation or warranty by Subtenant. Upon Sublandlord's request, Subtenant shall execute and deliver to Sublandlord a bill of sale confirming the transfer of ownership of the Remaining Property upon the foregoing terms and conditions, but any failure to do so shall not affect such transfer. If any personal property of Subtenant other than the Remaining Property shall remain in the Subleased Premises after the termination of this Sublease, then, at the election of Sublandlord, (x) such property shall be deemed to have been abandoned by Subtenant and may be retained by Sublandlord as its own property; or (y) such property may be removed and disposed of by Sublandlord at the expense of Subtenant. Subtenant's obligation to observe or perform under this Section 17 shall survive the expiration or earlier termination of this Sublease.”

3. Notices. Sublandlord acknowledges and agrees that the current notice addresses for Subtenant under the Sublease are as follows (subject to future change in the manner more particularly provided in Section 19 of the Original Sublease) and replace the prior notice addresses for Subtenant in effect under the Sublease: CarGurus, Inc., 55 Cambridge Parkway, 6th Floor, Cambridge, MA 02142, Attention: Director of Real Estate, with copies to CarGurus, Inc., 55 Cambridge Parkway, 6th Floor, Cambridge, MA 02142, Attention : General Counsel, and Dain, Torpy, Le Ray, Wiest & Garner, P.C., 175 Federal Street, 15th Floor, Boston, MA 02110, Attention: CarGurus.

4. Master Landlord Consent to Amendment. This Second Amendment is subject to and conditioned upon Sublandlord obtaining the written consent of Master Landlord hereto. Notwithstanding anything in this Second Amendment to the contrary, this Second Amendment shall be of no force or effect whatsoever, or be binding in any way, unless and until Master

Landlord has given its written consent to this Second Amendment in accordance with the terms of the Master Lease.

5. No Brokers. Each party represents to the other that it has not dealt with any real estate broker, finder, or other person with respect to this Second Amendment in any manner. Each party shall hold harmless the other party from all damages resulting from any claims that may be asserted against the other party by any broker, finder, or other person with whom the indemnifying party has or purportedly has dealt.

6. Capitalized Terms. All capitalized terms used in this Second Amendment that are not defined in this Second Amendment shall have the meanings ascribed to such terms in the Sublease. In the event of any conflict between the terms of the Sublease and the terms of this Second Amendment, the terms of this Second Amendment shall govern and control.

7. Ratification. Other than as expressly set forth herein, the terms and provisions of the Sublease are hereby ratified and confirmed and shall remain unmodified and in full force and effect.

8. Entire Agreement. This Second Amendment sets forth the entire understanding and agreement of the parties in connection with the subject matter hereof. Neither of the parties hereto has made any statement, representation, or warranty in connection herewith which has been relied upon by any other party hereto, or which has been an inducement for any party to enter into this Second Amendment, except as expressly set forth herein.

9. Authority. Each of the parties represents and warrants to the other party that it has full power and authority to enter into this Second Amendment.

10. Binding Effect. This Second Amendment shall be binding on and inure to the benefit of the respective parties, their respective legal successors, heirs, administrators, and assigns, and each of them, except as expressly stated herein.

11. Amendment. It is expressly understood and agreed that this Second Amendment may not be altered, amended, modified, or otherwise changed in any respect whatsoever, except by a writing duly executed by the parties hereto. The parties agree that they will make no claim at any time that this Second Amendment has been altered or modified or otherwise changed by oral communication of any kind or character.

12. Counterparts and Delivery. This Second Amendment may be executed in counterparts, which together shall constitute a fully executed Second Amendment to the same effect as if the parties had executed the same original document. The parties acknowledge and agree that they will accept faxed transmissions of, or electronically scanned and transmitted versions of, an original signature. In addition, the parties acknowledge and agree that they may conduct this transaction by electronic means and that this Second Amendment may be executed by electronic signature, which shall be considered as an original signature for all purposes and shall have the same force and effect as an original signature.

13. Governing Law. This Second Amendment shall be governed by, construed, and enforced in accordance with the laws of the Commonwealth of Massachusetts.

[No further text on this page; signature page immediately follows]

IN WITNESS WHEREOF, the parties have executed this Second Amendment under seal as of the Effective Date.

SUBLANDLORD: HUBSPOT, INC.,
a Delaware corporation

By: /s/ John Hart
Name: John Hart
Title: Facilities Manager

SUBTENANT:

CARGURUS, INC.,
a Delaware corporation

By: /s/ Ken Papa
Name: Ken Papa
Title: Sr. Director Global Real Estate & Facilities

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason Trevisan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CarGurus, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

By: /s/ Jason Trevisan

Jason Trevisan
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Elisa Palazzo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CarGurus, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

By: /s/ Elisa Palazzo

Elisa Palazzo

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of CarGurus, Inc. (the "Company") for the period ending June 30, 2024 as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Jason Trevisan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2024

By: /s/ Jason Trevisan

Jason Trevisan

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of CarGurus, Inc. (the "Company") for the period ending June 30, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), I, Elisa Palazzo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2024

By: /s/ Elisa Palazzo

Elisa Palazzo

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)
