

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 7, 2024



CarGurus, Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38233

(Commission File Number)

04-3843478
(IRS Employer
Identification No.)

1001 Boylston Street, 16th Floor
Boston, Massachusetts 02115

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (617) 354-0068

55 Cambridge Parkway, 6th Floor
Cambridge, Massachusetts 02141

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|--|
| 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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02 Results of Operations and Financial Condition.

On November 7, 2024, CarGurus, Inc. (the "Company") announced its financial results for the quarter ended September 30, 2024. The full text of the press release issued by the Company in connection with the announcement is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

The press release attached as Exhibit 99.1 hereto is being furnished pursuant to Item 2.02 of this Current Report on Form 8-K and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.**(d) Exhibits.**

| <i>Exhibit No.</i> | <i>Description</i> |
|------------------------|--|
| 99.1 | Press Release of CarGurus, Inc., dated November 7, 2024. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

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: November 7, 2024

By: /s/ Jason Trevisan

Name: Jason Trevisan

Title: Chief Executive Officer



CarGurus Announces Third Quarter 2024 Results

Q3'24 Marketplace revenue further accelerated to 15% YoY

Consolidated GAAP Net Income of \$22.5 million¹, up 19% YoY; Non-GAAP Consolidated Adjusted EBITDA of \$64.9 million, up 33% YoY

CarGurus' Board of Directors authorized \$200.0 million share repurchase program for fiscal year 2025

BOSTON, November 7, 2024 - CarGurus, Inc. (Nasdaq: CARG), the No. 1 visited digital auto platform for shopping, buying, and selling new and used vehicles*, today announced financial results for the third quarter ended September 30, 2024.

"We are proud of our third quarter results as our Marketplace revenue growth further accelerated, and we leveraged our cost base to drive operating efficiencies," said Jason Trevisan, Chief Executive Officer at CarGurus. "Our customer-centric focus has enabled us to capture greater wallet share, as we strive to continuously enhance the value proposition we offer to our dealer partners, delivering actionable insights, tools, and functionalities that will over time drive adoption, engagement, and retention across our platform."

Third Quarter Financial Highlights

| | Three Months Ended September 30, 2024 | | Nine Months Ended September 30, 2024 | |
|--|--|-----------------------------|---|-----------------------------|
| | Results (in millions) | Variance from Prior Year | Results (in millions) | Variance from Prior Year |
| Revenue | | | | |
| Marketplace Revenue | \$ 204.0 | 15 % | \$ 586.4 | 14 % |
| Wholesale Revenue | 12.1 | (44)% | 41.4 | (48)% |
| Product Revenue | 15.2 | (23)% | 38.1 | (60)% |
| Total Revenue | \$ 231.4 | 5 % | \$ 665.8 | (4)% |
| Gross Profit ⁽²⁾ | \$ 182.6 | 11 % | \$ 540.0 | 12 % |
| % Margin | 79 % | 403 bps | 81 % | 1,115 bps |
| Operating Expenses ⁽³⁾ | \$ 155.1 | 10 % | \$ 579.8 | 35 % |
| GAAP Consolidated Net Income (Loss) ⁽¹⁾ | \$ 22.5 | 19 % | \$ (24.9) | (156)% |
| % Margin | 10 % | 108 bps | (4)% | (1,020) bps |
| Non-GAAP Consolidated Adjusted EBITDA ⁽⁴⁾ | \$ 64.9 | 33 % | \$ 170.8 | 27 % |
| % Margin ⁽⁴⁾ | 28 % | 589 bps | 26 % | 618 bps |
| Cash, Cash Equivalents, and Short-Term Investments at period end ⁽⁵⁾ | \$ 246.7 | (21)% | \$ 246.7 | (21)% |

(1) Inclusive of \$16.8 million and \$144.4 million of impairment-related charges for the three and nine months ended September 30, 2024, respectively.

(2) Inclusive of \$9.8 million and \$9.9 million of impairment-related charges for the three and nine months ended September 30, 2024, respectively.

(3) Inclusive of \$7.0 million and \$134.5 million of impairment-related charges for the three and nine months ended September 30, 2024, respectively.

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

(5) Variance represents the change from December 31, 2023.

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|---------------------------|---------------------------|---------------------------|
| | September 30, 2024 | | September 30, 2024 | |
| | Results | Variance from Prior Year | Results | Variance from Prior Year |
| Key Performance Indicators ⁽¹⁾ | | | | |
| U.S. Paying Dealers ⁽²⁾ | 24,561 | 1% | 24,561 | 1% |
| International Paying Dealers ⁽²⁾ | 7,123 | 4% | 7,123 | 4% |
| Total Paying Dealers ⁽²⁾ | 31,684 | 2% | 31,684 | 2% |
| U.S. QARSD ⁽²⁾ | \$ 7,177 | 13% | \$ 7,177 | 13% |
| International QARSD ⁽²⁾ | \$ 2,057 | 20% | \$ 2,057 | 20% |
| Consolidated QARSD ⁽²⁾ | \$ 6,038 | 14% | \$ 6,038 | 14% |
| Transactions | 8,249 | (39)% | 27,329 | (47)% |
| U.S. Average Monthly Unique Users (in millions) ⁽³⁾ | 32.3 | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ |
| U.S. Average Monthly Sessions (in millions) ⁽³⁾ | 80.4 | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ |
| International Average Monthly Unique Users (in millions) ⁽³⁾ | 9.9 | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ |
| International Average Monthly Sessions (in millions) ⁽³⁾ | 20.4 | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ | N/A ⁽⁵⁾ |
| Segment Reporting (in millions) | | | | |
| U.S. Marketplace Segment Revenue | \$ 187.3 | 14% | \$ 540.3 | 13% |
| U.S. Marketplace Segment Operating Income | \$ 50.4 | 51% | \$ 126.7 | 50% |
| Digital Wholesale Segment Revenue | \$ 27.3 | (34)% | \$ 79.4 | (55)% |
| Digital Wholesale Segment Operating Loss ⁽⁴⁾ | \$ (25.3) | (117)% | \$ (173.8) | (496)% |

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

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

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

(4) Inclusive of \$16.8 million and \$144.4 million of impairment-related charges for the three and nine months ended September 30, 2024, respectively.

(5) As a result of the change from Google Universal Analytics ("Google Analytics") to Google Analytics 4 ("GA4") on July 1, 2024, we are unable to provide comparable monthly unique users or monthly sessions information for this period. For more information regarding the change in methodology for monthly unique users or monthly sessions, please see the section titled "Non-GAAP Financial Measures and Other Business Metrics" below.

Fourth Quarter and Full-Year 2024 Guidance

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

| Fourth Quarter 2024 Guidance Metrics | Values |
|---|--------------------------------|
| Total Revenue | \$219 million to \$239 million |
| Marketplace Revenue | \$208 million to \$213 million |
| Non-GAAP Consolidated Adjusted EBITDA | \$72 million to \$80 million |
| Non-GAAP EPS | \$0.50 to \$0.55 |

| Full-Year 2024 Guidance Metrics | Values |
|--|--------------------------------|
| Total Revenue | \$885 million to \$905 million |
| Marketplace Revenue | \$794 million to \$799 million |
| Non-GAAP Consolidated Adjusted EBITDA | \$243 million to \$251 million |
| Non-GAAP EPS | \$1.67 to \$1.73 |

The fourth quarter and full-year 2024 non-GAAP EPS calculations assume 106.0 million diluted weighted-average common shares outstanding.

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

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

Conference Call and Webcast Information

CarGurus will host a conference call and live webcast to discuss its third quarter 2024 financial results and business outlook at 5:00 p.m. Eastern Time today, November 7, 2024. To access the conference call, dial (844) 834-0648 for callers in the U.S. or Canada, or (412) 542-4103 for international callers. The webcast will be available live on the Investors section of CarGurus' website at <https://investors.cargurus.com>.

An audio replay of the call will also be available to investors beginning at approximately 8:00 p.m. Eastern Time today, November 7, 2024, until 11:59 p.m. Eastern Time on November 21, 2024, by dialing (844) 512-2921 for callers in the U.S. or Canada, or (412) 317-6671 for international callers, and entering passcode 10192482. In addition, an archived webcast will be available on the Investors section of CarGurus' website at <https://investors.cargurus.com>.

About CarGurus

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

CarGurus also operates online marketplaces under the CarGurus brand in Canada and the U.K. In the U.S. and the U.K., CarGurus also operates the Autolist and PistonHeads online marketplaces, respectively, as independent brands.

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

**Source: Similarweb: Traffic Report, Q3 2024, U.S.*

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Cautionary Language Concerning Forward-Looking Statements

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

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

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Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)

| | As of September 30, 2024 | As of December 31, 2023 |
|---|--------------------------------|-------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 246,748 | \$ 291,363 |
| Short-term investments | — | 20,724 |
| Accounts receivable, net of allowance for doubtful accounts of \$826 and \$610, respectively | 44,542 | 39,963 |
| Inventory | 345 | 331 |
| Prepaid expenses, prepaid income taxes and other current assets | 19,085 | 25,152 |
| Deferred contract costs | 11,924 | 11,095 |
| Restricted cash | 3,993 | 2,563 |
| Total current assets | 326,637 | 391,191 |
| Property and equipment, net | 126,612 | 83,370 |
| Intangible assets, net | 12,389 | 23,056 |
| Goodwill | 47,220 | 157,898 |
| Operating lease right-of-use assets | 127,125 | 169,682 |
| Deferred tax assets | 120,642 | 73,356 |
| Deferred contract costs, net of current portion | 13,274 | 12,998 |
| Other non-current assets | 4,262 | 7,376 |
| Total assets | \$ 778,161 | \$ 918,927 |
| Liabilities, redeemable noncontrolling interest and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 47,238 | \$ 47,854 |
| Accrued expenses, accrued income taxes and other current liabilities | 31,582 | 33,718 |
| Deferred revenue | 21,882 | 21,322 |
| Operating lease liabilities | 9,886 | 12,284 |
| Total current liabilities | 110,588 | 115,178 |
| Operating lease liabilities | 178,909 | 182,106 |
| Deferred tax liabilities | — | 58 |
| Other non-current liabilities | 5,191 | 4,733 |
| Total liabilities | 294,688 | 302,075 |
| Stockholders' equity: | | |
| Preferred stock, \$0.001 par value per share; 10,000,000 shares authorized; no shares issued and outstanding | — | — |
| Class A common stock, \$0.001 par value per share; 500,000,000 shares authorized; 87,582,147 and 92,175,243 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively | 88 | 92 |
| Class B common stock, \$0.001 par value per share; 100,000,000 shares authorized; 15,757,238 and 15,999,173 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively | 16 | 16 |
| Additional paid-in capital | 154,452 | 263,498 |
| Retained earnings | 329,238 | 354,147 |
| Accumulated other comprehensive loss | (321) | (901) |
| Total stockholders' equity | 483,473 | 616,852 |
| Total liabilities, redeemable noncontrolling interest and stockholders' equity | \$ 778,161 | \$ 918,927 |

Unaudited Condensed Consolidated Income Statements
(in thousands, except share and per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-------------|------------------------------------|-------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue | | | | |
| Marketplace | \$ 204,019 | \$ 177,909 | \$ 586,405 | \$ 515,986 |
| Wholesale | 12,107 | 21,735 | 41,351 | 78,873 |
| Product | 15,232 | 19,775 | 38,090 | 96,260 |
| Total revenue | 231,358 | 219,419 | 665,846 | 691,119 |
| Cost of revenue ⁽¹⁾ | | | | |
| Marketplace | 13,521 | 14,823 | 41,051 | 45,830 |
| Wholesale ⁽²⁾ | 20,415 | 21,284 | 47,272 | 67,780 |
| Product | 14,871 | 19,014 | 37,567 | 94,090 |
| Total cost of revenue | 48,807 | 55,121 | 125,890 | 207,700 |
| Gross profit | 182,551 | 164,298 | 539,956 | 483,419 |
| Operating expenses | | | | |
| Sales and marketing | 81,216 | 76,828 | 245,801 | 230,243 |
| Product, technology, and development | 36,359 | 35,434 | 108,484 | 109,432 |
| General and administrative | 28,187 | 24,904 | 83,682 | 77,090 |
| Goodwill and other asset impairment | 7,026 | — | 134,501 | — |
| Depreciation and amortization | 2,329 | 4,037 | 7,354 | 11,762 |
| Total operating expenses | 155,117 | 141,203 | 579,822 | 428,527 |
| Income (loss) from operations | 27,434 | 23,095 | (39,866) | 54,892 |
| Other income, net | | | | |
| Interest income | 2,717 | 5,261 | 9,063 | 13,337 |
| Other (expense) income, net | (94) | (1,094) | 122 | (152) |
| Total other income, net | 2,623 | 4,167 | 9,185 | 13,185 |
| Income (loss) before income taxes | 30,057 | 27,262 | (30,681) | 68,077 |
| Provision for (benefit from) income taxes | 7,546 | 8,289 | (5,772) | 23,421 |
| Consolidated net income (loss) | 22,511 | 18,973 | (24,909) | 44,656 |
| Net loss attributable to redeemable noncontrolling interest | — | (3,329) | — | (10,191) |
| Net income (loss) attributable to common stockholders | 22,511 | 22,302 | (24,909) | 54,847 |
| Net income (loss) per share attributable to common stockholders: | | | | |
| Basic | \$ 0.22 | \$ 0.20 | \$ (0.24) | \$ 0.48 |
| Diluted | \$ 0.21 | \$ 0.17 | \$ (0.24) | \$ 0.39 |
| Weighted-average number of shares of common stock used in computing net income (loss) per share attributable to common stockholders: | | | | |
| Basic | 103,321,988 | 113,223,711 | 104,769,518 | 113,998,928 |
| Diluted | 105,059,283 | 114,322,279 | 104,769,518 | 114,901,736 |

(1) Includes depreciation and amortization expense for the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023 of \$2,849, \$8,433, \$10,968, and \$23,951, respectively.

(2) Includes impairment of other assets for the three months ended September 30, 2024 and for the nine months ended September 30, 2024 and 2023 of \$9,750, \$9,930, and \$184, respectively. There was no impairment of other assets for the three months ended September 30, 2023.

Unaudited Segment Revenue
(in thousands)

| | Three Months Ended | | Nine Months Ended | |
|-------------------------|--------------------|-------------------|-------------------|-------------------|
| | September 30, | | September 30, | |
| | 2024 | 2023 | 2024 | 2023 |
| <i>Segment Revenue:</i> | | | | |
| U.S. Marketplace | \$ 187,253 | \$ 164,323 | \$ 540,293 | \$ 478,387 |
| Digital Wholesale | 27,339 | 41,510 | 79,441 | 175,133 |
| Other | 16,766 | 13,586 | 46,112 | 37,599 |
| Total | <u>\$ 231,358</u> | <u>\$ 219,419</u> | <u>\$ 665,846</u> | <u>\$ 691,119</u> |

Unaudited Segment Income (Loss) from Operations
(in thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------------|--------------------|------------------|
| | September 30, | | September 30, | |
| | 2024 | 2023 | 2024 | 2023 |
| <i>Segment Income (Loss) from Operations:</i> | | | | |
| U.S. Marketplace | \$ 50,410 | \$ 33,285 | \$ 126,670 | \$ 84,443 |
| Digital Wholesale | (25,317) | (11,652) | (173,815) | (29,184) |
| Other | 2,341 | 1,462 | 7,279 | (367) |
| Total | <u>\$ 27,434</u> | <u>\$ 23,095</u> | <u>\$ (39,866)</u> | <u>\$ 54,892</u> |

Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|------------|-------------------|------------|
| | September 30, | | September 30, | |
| | 2024 | 2023 | 2024 | 2023 |
| Operating Activities | | | | |
| Consolidated net income (loss) | \$ 22,511 | \$ 18,973 | \$ (24,909) | \$ 44,656 |
| Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 5,178 | 12,470 | 18,322 | 35,713 |
| Gain on sale of property and equipment | — | — | — | (460) |
| Currency (gain) loss on foreign denominated transactions | (741) | 385 | (234) | 249 |
| Other non-cash expense (income), net | — | 152 | (816) | 168 |
| Deferred taxes | (3,180) | (15,718) | (47,344) | (32,129) |
| Provision for doubtful accounts | 736 | 418 | 1,534 | 247 |
| Stock-based compensation expense | 15,455 | 14,262 | 46,614 | 43,769 |
| Amortization of deferred financing costs | 129 | 129 | 387 | 387 |
| Amortization of deferred contract costs | 3,608 | 3,026 | 10,241 | 8,629 |
| Goodwill and other asset impairment | 16,776 | — | 144,431 | 184 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (5,636) | (12,904) | (5,393) | 337 |
| Inventory | 863 | 219 | 149 | 4,959 |
| Prepaid expenses, prepaid income taxes, and other assets | (332) | 2,573 | 7,093 | 6,027 |
| Deferred contract costs | (3,859) | (3,950) | (11,307) | (13,688) |
| Accounts payable | 1,469 | (2,963) | 10,770 | 1,177 |
| Accrued expenses, accrued income taxes, and other liabilities | (1,706) | 5,107 | (2,568) | 1,016 |
| Deferred revenue | 79 | (219) | 555 | 8,797 |
| Lease obligations | 4,846 | 4,390 | 32,232 | 11,993 |
| Net cash provided by operating activities | 56,196 | 26,350 | 179,757 | 122,031 |
| Investing Activities | | | | |
| Purchases of property and equipment | (10,288) | (4,793) | (64,937) | (9,048) |
| Proceeds from sale of property and equipment | — | — | — | 460 |
| Capitalization of website development costs | (4,607) | (4,341) | (15,314) | (11,773) |
| Purchases of short-term investments | — | (1,242) | (494) | (96,748) |
| Sale of short-term investments | — | — | 21,218 | 5,000 |
| Advance payments to customers, net of collections | — | (307) | 259 | (2,908) |
| Net cash used in investing activities | (14,895) | (10,683) | (59,268) | (115,017) |
| Financing Activities | | | | |
| Proceeds from issuance of common stock upon exercise of stock options | 49 | 45 | 75 | 74 |
| Payment of withholding taxes on net share settlements of restricted stock units | (5,986) | (4,844) | (17,391) | (11,738) |
| Repurchases of common stock | (3,701) | (15,951) | (146,180) | (107,409) |
| Payment of finance lease obligations | (19) | (18) | (56) | (52) |
| Payment of tax distributions to redeemable noncontrolling interest holders | — | — | — | (38) |
| Change in gross advance payments received from third-party transaction processor | (624) | (1,849) | (704) | (4,523) |
| Net cash used in financing activities | (10,281) | (22,617) | (164,256) | (123,686) |
| Impact of foreign currency on cash, cash equivalents, and restricted cash | 1,356 | (717) | 582 | (506) |
| Net decrease in cash, cash equivalents, and restricted cash | 32,376 | (7,667) | (43,185) | (117,178) |
| Cash, cash equivalents, and restricted cash at beginning of period | 218,365 | 374,621 | 293,926 | 484,132 |
| Cash, cash equivalents, and restricted cash at end of period | \$ 250,741 | \$ 366,954 | \$ 250,741 | \$ 366,954 |

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

(in thousands, except per share data)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2024 | 2023 ⁽²⁾ | 2024 | 2023 ⁽²⁾ |
| GAAP consolidated net income (loss) | \$ 22,511 | \$ 18,973 | \$ (24,909) | \$ 44,656 |
| Stock-based compensation expense | 15,455 | 14,263 | 46,834 | 43,842 |
| Stock-based compensation expense for CarOffer, LLC Units | — | (1,225) | — | — |
| Amortization of intangible assets | 509 | 7,508 | 3,148 | 22,549 |
| Goodwill and other asset impairment ⁽¹⁾ | 16,776 | — | 144,431 | 184 |
| Transaction-related expenses | 39 | — | 1,115 | — |
| Income tax effects and adjustments | (8,232) | (2,004) | (46,031) | (10,682) |
| Non-GAAP consolidated net income | \$ 47,058 | \$ 37,515 | \$ 124,588 | \$ 100,549 |
| Non-GAAP net loss attributable to redeemable noncontrolling interest | — | (812) | — | (1,230) |
| Non-GAAP net income attributable to common stockholders | \$ 47,058 | \$ 38,327 | \$ 124,588 | \$ 101,779 |
| Non-GAAP net income per share attributable to common stockholders: | | | | |
| Basic | \$ 0.46 | \$ 0.34 | \$ 1.19 | \$ 0.89 |
| Diluted | \$ 0.45 | \$ 0.34 | \$ 1.19 | \$ 0.89 |
| Shares used in Non-GAAP per share calculations | | | | |
| Basic | 103,322 | 113,224 | 104,770 | 113,999 |
| Diluted | 105,059 | 114,322 | 104,770 | 114,902 |

(1) During the three months ended June 30, 2024, we updated the table to disclose goodwill and other asset impairment in Non-GAAP Consolidated Net Income and Non-GAAP Net Income Attributable to Common Stockholders; the three and nine months ended September 30, 2023 have been updated for comparison purposes.

(2) During the three months ended December 31, 2023, we updated the table to separately disclose the stock-based compensation expense for CO Incentive Units, Subject Units (each as defined in the Company's Annual Report on Form 10-K as of December 31, 2023, filed with the U.S. Securities and Exchange Commission on February 26, 2024), and payments made to noncontrolling interest holder (collectively, the "CarOffer, LLC Units"); the three and nine months ended September 30, 2023 have been updated for comparison purposes.

Unaudited Reconciliation of GAAP Net Loss Attributable to Redeemable Noncontrolling Interest to Non-GAAP Net Loss Attributable to Redeemable Noncontrolling Interest

(in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2024 | 2023 ⁽²⁾ | 2024 | 2023 ⁽²⁾ |
| GAAP net loss attributable to redeemable noncontrolling interest | \$ — | \$ (3,329) | \$ — | \$ (10,191) |
| Stock-based compensation expense ⁽¹⁾ | — | 210 | — | 639 |
| Stock-based compensation expense for CarOffer, LLC Units ⁽¹⁾ | — | (467) | — | — |
| Amortization of intangible assets ⁽¹⁾ | — | 2,774 | — | 8,322 |
| Non-GAAP net loss attributable to redeemable noncontrolling interest | \$ — | \$ (812) | \$ — | \$ (1,230) |

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

(2) During the three months ended December 31, 2023, we updated the table to separately disclose the stock-based compensation expense for CarOffer, LLC Units; the three and nine months ended September 30, 2023 have been updated for comparison purposes.

Unaudited Reconciliation of GAAP Consolidated Net Income (Loss) to Non-GAAP Consolidated Adjusted EBITDA and Non-GAAP Adjusted EBITDA and GAAP Consolidated Net Income (Loss) Margin to Non-GAAP Consolidated Adjusted EBITDA Margin

(in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2024 | 2023 ⁽¹⁾ | 2024 | 2023 ⁽¹⁾ |
| GAAP consolidated net income (loss) | \$ 22,511 | \$ 18,973 | \$ (24,909) | \$ 44,656 |
| Depreciation and amortization | 5,178 | 12,470 | 18,322 | 35,713 |
| Goodwill and other asset impairment ⁽²⁾ | 16,776 | — | 144,431 | 184 |
| Stock-based compensation expense | 15,455 | 14,263 | 46,834 | 43,842 |
| Stock-based compensation expense for CarOffer, LLC Units | — | (1,225) | — | — |
| Transaction-related expenses | 39 | — | 1,115 | — |
| Other income, net | (2,623) | (4,167) | (9,185) | (13,185) |
| Provision for (benefit from) income taxes | 7,546 | 8,289 | (5,772) | 23,421 |
| Non-GAAP consolidated adjusted EBITDA | 64,882 | 48,603 | 170,836 | 134,631 |
| Non-GAAP adjusted EBITDA attributable to redeemable noncontrolling interest | — | (527) | — | 386 |
| Non-GAAP adjusted EBITDA | \$ 64,882 | \$ 49,130 | \$ 170,836 | \$ 134,245 |

| | | | | |
|--|-----|-----|------|-----|
| GAAP consolidated net income (loss) margin | 10% | 9% | (4)% | 6% |
| Non-GAAP consolidated adjusted EBITDA margin | 28% | 22% | 26% | 19% |

(1) During the three months ended December 31, 2023, we updated the table to separately disclose the stock-based compensation expense for CarOffer, LLC Units; the three and nine months ended September 30, 2023 have been updated for comparison purposes.

(2) During the nine months ended September 30, 2024, we recognized a goodwill impairment charge of \$127.5 million and presented it with other asset impairments. The remaining charges related to other asset impairments. During the three months ended September 30, 2024 and the three and nine months ended September 30, 2023, we did not have a goodwill impairment.

Unaudited Reconciliation of GAAP Net Loss Attributable to Redeemable Noncontrolling Interest to Non-GAAP Adjusted EBITDA Attributable to Redeemable Noncontrolling Interest

(in thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2024 | 2023 ⁽²⁾ | 2024 | 2023 ⁽²⁾ |
| GAAP net loss attributable to redeemable noncontrolling interest | \$ — | \$ (3,329) | \$ — | \$ (10,191) |
| Depreciation and amortization ⁽¹⁾ | — | 2,975 | — | 8,874 |
| Other long-lived asset impairment ⁽¹⁾ | — | — | — | 67 |
| Stock-based compensation expense ⁽¹⁾ | — | 210 | — | 639 |
| Stock-based compensation expense for CarOffer, LLC Units ⁽¹⁾ | — | (467) | — | — |
| Other expense, net ⁽¹⁾ | — | 84 | — | 972 |
| Provision for income taxes ⁽¹⁾ | — | — | — | 25 |
| Non-GAAP adjusted EBITDA attributable to redeemable noncontrolling interest | \$ — | \$ (527) | \$ — | \$ 386 |

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

(2) During the three months ended December 31, 2023, we updated the table above to separately disclose the stock-based compensation expense for CarOffer, LLC Units; the three and nine months ended September 30, 2023 have been updated for comparison purposes.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
| | 2024 | 2023 ⁽²⁾ | 2024 | 2023 ⁽²⁾ |
| Revenue | \$ 231,358 | \$ 219,419 | \$ 665,846 | \$ 691,119 |
| Cost of revenue | 48,807 | 55,121 | 125,890 | 207,700 |
| GAAP gross profit | 182,551 | 164,298 | 539,956 | 483,419 |
| Stock-based compensation expense included in Cost of revenue | 96 | 186 | 387 | 513 |
| Stock-based compensation expense for CarOffer, LLC Units included in Cost of revenue | — | (1) | — | — |
| Amortization of intangible assets included in Cost of revenue | — | 5,250 | 875 | 15,766 |
| Transaction-related expenses included in Cost of revenue | — | — | 92 | — |
| Other asset impairment included in Cost of revenue ⁽¹⁾ | 9,750 | — | 9,930 | 184 |
| Non-GAAP gross profit | <u>\$ 192,397</u> | <u>\$ 169,733</u> | <u>\$ 551,240</u> | <u>\$ 499,882</u> |
| GAAP gross profit margin | 79 % | 75 % | 81 % | 70 % |
| Non-GAAP gross profit margin | 83 % | 77 % | 83 % | 72 % |

(1) During the three months ended June 30, 2024, we updated the table to disclose other asset impairment in Non-GAAP Gross Profit and Non-GAAP Gross Profit Margin; the three and nine months ended September 30, 2023 have been updated for comparison purposes.

(2) During the three months ended December 31, 2023, we updated the table to separately disclose the stock-based compensation expense for CarOffer, LLC Units; the three and nine months ended September 30, 2023 have been updated for comparison purposes.

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

| Three Months Ended September 30, 2024 | | | | | | | |
|--|--------------|----------------------------------|--|-----------------------------------|--|------------------------------|------------------|
| | GAAP expense | Stock-based compensation expense | Stock-based compensation expense for CarOffer, LLC Units | Amortization of intangible assets | Goodwill and other asset impairment ⁽²⁾ | Transaction-related expenses | Non-GAAP expense |
| Cost of revenue | \$ 48,807 | \$ (96) | \$ — | \$ — | \$ (9,750) | \$ — | \$ 38,961 |
| Sales and marketing | 81,216 | (3,017) | — | — | — | (6) | 78,193 |
| Product, technology, and development | 36,359 | (6,164) | — | — | — | — | 30,195 |
| General and administrative | 28,187 | (6,178) | — | — | — | (33) | 21,976 |
| Goodwill and other asset impairment | 7,026 | — | — | — | (7,026) | — | — |
| Depreciation & amortization | 2,329 | — | — | (509) | — | — | 1,820 |
| Operating expenses ⁽¹⁾ | \$ 155,117 | \$ (15,359) | \$ — | \$ (509) | \$ (7,026) | \$ (39) | \$ 132,184 |
| Total cost of revenue and operating expenses | \$ 203,924 | \$ (15,455) | \$ — | \$ (509) | \$ (16,776) | \$ (39) | \$ 171,145 |

| Three Months Ended September 30, 2023 | | | | | | | |
|--|--------------|----------------------------------|---|-----------------------------------|--|------------------------------|------------------|
| | GAAP expense | Stock-based compensation expense | Stock-based compensation expense for CarOffer, LLC Units ⁽³⁾ | Amortization of intangible assets | Goodwill and other asset impairment ⁽²⁾ | Transaction-related expenses | Non-GAAP expense |
| Cost of revenue | \$ 55,121 | \$ (186) | \$ 1 | \$ (5,250) | \$ — | \$ — | \$ 49,686 |
| Sales and marketing | 76,828 | (2,781) | 1 | — | — | — | 74,048 |
| Product, technology, and development | 35,434 | (5,746) | 1 | — | — | — | 29,689 |
| General and administrative | 24,904 | (5,550) | 1,222 | — | — | — | 20,576 |
| Goodwill and other asset impairment | — | — | — | — | — | — | — |
| Depreciation & amortization | 4,037 | — | — | (2,258) | — | — | 1,779 |
| Operating expenses ⁽¹⁾ | \$ 141,203 | \$ (14,077) | \$ 1,224 | \$ (2,258) | \$ — | \$ — | \$ 126,092 |
| Total cost of revenue and operating expenses | \$ 196,324 | \$ (14,263) | \$ 1,225 | \$ (7,508) | \$ — | \$ — | \$ 175,778 |

| Nine Months Ended September 30, 2024 | | | | | | | |
|--|--------------|----------------------------------|--|-----------------------------------|--|------------------------------|------------------|
| | GAAP expense | Stock-based compensation expense | Stock-based compensation expense for CarOffer, LLC Units | Amortization of intangible assets | Goodwill and other asset impairment ⁽²⁾ | Transaction-related expenses | Non-GAAP expense |
| Cost of revenue | \$ 125,890 | \$ (387) | \$ — | \$ (875) | \$ (9,930) | \$ (92) | \$ 114,606 |
| Sales and marketing | 245,801 | (9,141) | — | — | — | (570) | 236,090 |
| Product, technology, and development | 108,484 | (18,165) | — | — | — | (63) | 90,256 |
| General and administrative | 83,682 | (19,141) | — | — | — | (390) | 64,151 |
| Goodwill and other asset impairment | 134,501 | — | — | — | (134,501) | — | — |
| Depreciation & amortization | 7,354 | — | — | (2,273) | — | — | 5,081 |
| Operating expenses ⁽¹⁾ | \$ 579,822 | \$ (46,447) | \$ — | \$ (2,273) | \$ (134,501) | \$ (1,023) | \$ 395,578 |
| Total cost of revenue and operating expenses | \$ 705,712 | \$ (46,834) | \$ — | \$ (3,148) | \$ (144,431) | \$ (1,115) | \$ 510,184 |

| Nine Months Ended September 30, 2023 | | | | | | | |
|--|--------------|----------------------------------|---|-----------------------------------|--|------------------------------|------------------|
| | GAAP expense | Stock-based compensation expense | Stock-based compensation expense for CarOffer, LLC Units ⁽³⁾ | Amortization of intangible assets | Goodwill and other asset impairment ⁽²⁾ | Transaction-related expenses | Non-GAAP expense |
| Cost of revenue | \$ 207,700 | \$ (513) | \$ — | \$ (15,766) | \$ (184) | \$ — | \$ 191,237 |
| Sales and marketing | 230,243 | (8,736) | — | — | — | — | 221,507 |
| Product, technology, and development | 109,432 | (18,068) | — | — | — | — | 91,364 |
| General and administrative | 77,090 | (16,525) | — | — | — | — | 60,565 |
| Goodwill and other asset impairment | — | — | — | — | — | — | — |
| Depreciation & amortization | 11,762 | — | — | (6,783) | — | — | 4,979 |
| Operating expenses ⁽¹⁾ | \$ 428,527 | \$ (43,329) | \$ — | \$ (6,783) | \$ — | \$ — | \$ 378,415 |
| Total cost of revenue and operating expenses | \$ 636,227 | \$ (43,842) | \$ — | \$ (22,549) | \$ (184) | \$ — | \$ 569,652 |

- (1) Operating expenses include sales and marketing, product, technology, and development, general and administrative, goodwill and other asset impairment, and depreciation & amortization.
- (2) During the three months ended June 30, 2024, we updated the table above to disclose goodwill and other asset impairment in Non-GAAP Expense; the three and nine months ended September 30, 2023 have been updated for comparison purposes.
- (3) During the three months ended December 31, 2023, we updated the table above to separately disclose the stock-based compensation expense for CarOffer, LLC Units; the three and nine months ended September 30, 2023 have been updated for comparison purposes.

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------------|------------------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| GAAP net cash and cash equivalents provided by operating activities | \$ 56,196 | \$ 26,350 | \$ 179,757 | \$ 122,031 |
| Purchases of property and equipment | (10,288) | (4,793) | (64,937) | (9,048) |
| Capitalization of website development costs | (4,607) | (4,341) | (15,314) | (11,773) |
| Non-GAAP free cash flow | <u>\$ 41,301</u> | <u>\$ 17,216</u> | <u>\$ 99,506</u> | <u>\$ 101,210</u> |

Non-GAAP Financial Measures and Other Business Metrics

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

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

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

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

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

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

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

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

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

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

We define Transactions within the Digital Wholesale segment as the number of vehicles processed from car dealers, consumers, and other marketplaces through the CarOffer website within the applicable period. Transactions consists of each unique vehicle (based on vehicle identification number) that reaches "sold and invoiced" status on the CarOffer website within the applicable period, including vehicles sold to car dealers, vehicles sold at third-party auctions, vehicles ultimately sold to a different buyer, and vehicles that are returned to their owners without completion of a sale transaction. We exclude vehicles processed within CarOffer's intra-group trading solution (Group Trade) from the definition of Transactions, and we only count any unique vehicle once even if it reaches sold status multiple times. Digital Wholesale includes the purchase and sale of vehicles between dealers, or Dealer-to-Dealer transactions, and Sell My Car - Instant Max Cash Offer transactions. We view Transactions as a key business metric, and we believe it provides useful information to investors, because it provides insight into growth and revenue for the Digital Wholesale segment. Transactions drive a significant portion of Digital Wholesale segment revenue. We believe growth in Transactions demonstrates consumer and dealer utilization and our market share penetration in the Digital Wholesale segment.

Historically, we have used data from Google Analytics to measure two of our key business metrics: monthly unique users and monthly sessions. Effective July 1, 2024, GA4 replaced Google Analytics. The methodologies used in GA4 are different and not comparable to the methodologies used in Google Analytics. As discussed below, we also make certain adjustments to the GA4 data in order to improve the accuracy of the reported monthly unique users and monthly sessions. Due to this change in methodology, we are unable to provide comparable monthly unique user and monthly session information for prior periods, including any periods prior to June 30, 2024.

For each of our websites (excluding the CarOffer website), we define a monthly unique user as an individual who has visited any such website and taken a visitor action (as defined below) within a calendar month, based on data as measured by GA4. 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. Effective July 1, 2024, we count a unique user the first time a computer or mobile device with a unique device identifier accesses any of our websites or application during a calendar month and takes an action on such website or in such application, such as performing a search, visiting vehicle detail pages, and connecting with a dealer (a "visitor action"). If an individual accesses a website or application using a different device within a given month, the first visitor action taken 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 or application and takes a visitor action within a calendar month, each such visitor action is counted as a separate unique user. We eliminate any duplicate unique users that may arise when users visit a webview within our native application. We view our average monthly unique users as a key indicator of the quality of our user experience, the effectiveness of our advertising and traffic acquisition, and the strength of our brand awareness. Measuring unique users is important to us and we believe it provides useful information to our investors because our marketplace revenue depends, in part, on our ability to provide dealers with connections to our users and exposure to our marketplace audience. We define connections as interactions between consumers and dealers on our marketplace through phone calls, email, managed text and chat, and clicks to access the dealer's website or map directions to the dealership.

We define monthly sessions as the number of distinct visits to our websites (excluding the CarOffer website) that include a visitor action that take place each month within a given time frame, as measured and defined by GA4. 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. Effective July 1, 2024, a session is defined as beginning with the first visitor action from a computer or mobile device and ending at the earliest of when a user closes their browser window or after 30 minutes of inactivity. We eliminate any duplicate monthly sessions that may arise when users visit a webview within our native application. 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.

