

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 March 31, 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

04-3843478

(State or other jurisdiction of
incorporation or organization)

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

55 Cambridge Parkway

,

6

th

Floor

Cambridge

,

Massachusetts

02142

(Address of principal executive offices)

(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.

<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Large accelerated filer		
<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>
Non-accelerated filer		
	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 May 2, 2024, the registrant had

88,193,268
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.

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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;
- 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;

- 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 in the section "Risk Factors" in Part I, Item 1A, 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 March 31, 2024	As of December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 246,342	\$ 291,363
Short-term investments	—	20,724
Accounts receivable, net of allowance for doubtful accounts of \$ 610 and \$ 610, respectively	44,298	39,963
Inventory	391	331
Prepaid expenses, prepaid income taxes and other current assets	18,893	25,152
Deferred contract costs	11,106	11,095
Restricted cash	2,786	2,563
Total current assets	323,816	391,191
Property and equipment, net	108,143	83,370
Intangible assets, net	21,131	23,056
Goodwill	157,566	157,898
Operating lease right-of-use assets	153,711	169,682
Deferred tax assets	82,392	73,356
Deferred contract costs, net of current portion	13,015	12,998
Other non-current assets	11,029	7,376
Total assets	\$ 870,803	\$ 918,927

Liabilities, redeemable noncontrolling interest and stockholders' equity			
Current liabilities:			
Accounts payable			
		\$	\$
		46,471	47,854
Accrued expenses, accrued income taxes and other current liabilities			
		38,353	33,718
Deferred revenue			
		21,432	21,322
Operating lease liabilities			
		10,063	12,284
Total current liabilities			
		116,319	115,178
Operating lease liabilities			
		181,052	182,106
Deferred tax liabilities			
		42	58
Other non-current liabilities			
		5,028	4,733
Total liabilities			
		302,441	302,075
Commitments and contingencies (Note 8)			
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;			
89,075,845			
and			
92,175,243			
shares issued and outstanding			
at March 31, 2024 and December 31, 2023, respectively			
		89	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 March 31, 2024 and December 31, 2023, respectively

16

16

Additional paid-in capital

194,309

263,498

Retained earnings

375,448

354,147

Accumulated other comprehensive loss

(

(

1,500

901

)

)

Total stockholders' equity

568,362

616,852

Total liabilities, redeemable noncontrolling interest and stockholders' equity

870,803

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)

	2024	Three Months Ended March 31,	2023
Revenue			
Marketplace			
	\$	187,219	\$ 167,127
Wholesale			
		16,125	25,186
Product			
		12,452	39,650
Total revenue		215,796	231,963
Cost of revenue ⁽¹⁾			
Marketplace			
		14,385	15,533
Wholesale			
		14,224	22,068
Product			
		12,226	39,382
Total cost of revenue		40,835	76,983
Gross profit		174,961	154,980
Operating expenses:			
Sales and marketing			
		82,274	75,577
Product, technology, and development			
		35,545	36,607
General and administrative			
		28,066	24,919
Depreciation and amortization			
		2,792	3,818
Total operating expenses		148,677	140,921
Income from operations		26,284	14,059
Other income, net:			
Interest income			
		3,906	3,743
Other (expense) income, net		(505)	595

Total other income, net	3,401	4,338
Income before income taxes	29,685	18,397
Provision for income taxes	8,384	6,531
Consolidated net income	21,301	11,866
Net loss attributable to redeemable noncontrolling interest	—	(4,266)
Net income attributable to common stockholders	<u>\$ 21,301</u>	<u>\$ 16,132</u>
Net income per share attributable to common stockholders: (Note 10)		
Basic	<u>\$ 0.20</u>	<u>\$ 0.14</u>
Diluted	<u>\$ 0.20</u>	<u>\$ 0.10</u>
Weighted-average number of shares of common stock used in computing net income per share attributable to common stockholders:		
Basic	107,174,812	115,358,475
Diluted	108,632,159	115,915,737

(1) Includes depreciation and amortization expense for the three months ended March 31, 2024 and 2023 of \$

4,689
and \$

7,758
, 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)

	2024	Three Months Ended March 31,	2023
Consolidated net income	\$ 21,301		\$ 11,866
Other comprehensive income:			
Foreign currency translation adjustment	(599)		415
Consolidated comprehensive income	20,702		12,281
Comprehensive loss attributable to redeemable noncontrolling interests			(4,266)
Comprehensive income attributable to common stockholders	20,702		16,547
	\$ <u>20,702</u>		\$ <u>16,547</u>

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 Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulate d Other Comprehen sive Loss	Total Stockholders' Equity
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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
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
	\$		\$		\$		\$	\$	\$

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)

	2024	Three Months Ended March 31, 2023
Operating Activities		
Consolidated net income		
	\$ 21,301	\$ 11,866
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	7,481	11,576
Gain on sale of property and equipment	—	(460)
Currency loss (gain) on foreign denominated transactions	384	198
Deferred taxes	(9,052)	(11,921)
Provision (Recoveries) for doubtful accounts	290	300
Stock-based compensation expense	15,822	14,904
Amortization of deferred financing costs	129	129
Amortization of deferred contract costs	3,258	2,737
Impairment of long-lived assets	—	175
Changes in operating assets and liabilities:		
Accounts receivable	(4,182)	6,858
Inventory	(319)	3,645
Prepaid expenses, prepaid income taxes, and other assets	5,974	4,652
Deferred contract costs	(3,326)	5,138
Accounts payable	707	10,268
Accrued expenses, accrued income taxes, and other liabilities	681	4,542
Deferred revenue	120	8,557

Lease obligations		
	12,696	4,453
Net cash provided by operating activities		
	51,964	66,345
Investing Activities		
Purchases of property and equipment	((
	28,665	2,398
))
Capitalization of website development costs	((
	5,465	3,489
))
Purchases of short-term investments	(
	494	
)	—
Sale of short-term investments		
	21,218	—
Advance payments to customers, net of collections		
	259	—
Net cash used in investing activities	((
	13,147	5,887
))
Financing Activities		
Proceeds from issuance of common stock upon exercise of stock options		
	11	19
Payment of withholding taxes on net share settlements of restricted stock units	((
	5,115	2,066
))
Repurchases of common stock	((
	77,442	69,024
))
Payment of finance lease obligations	((
	18	17
))
Payment of tax distributions to redeemable noncontrolling interest holders		(
		28
	—)
Change in gross advance payments received from third-party transaction processor	((
	474	2,122
))
Net cash used in financing activities	((
	83,038	73,238
))
Impact of foreign currency on cash, cash equivalents, and restricted cash	(
	577	329
)	
Net decrease in cash, cash equivalents, and restricted cash	((
	44,798	12,451
))
Cash, cash equivalents, and restricted cash at beginning of period		
	293,926	484,132
Cash, cash equivalents, and restricted cash at end of period		
	249,128	471,681
	\$	\$
Supplemental disclosure of cash flow information:		
Cash paid for income taxes		
	1,132	2,410
	\$	\$

Cash paid for operating lease liabilities

		4,788	4,129
	\$	\$	
Cash paid for interest		143	144
	\$	\$	
Supplemental noncash disclosure of cash flow information:			
Unpaid purchases of property and equipment and capitalized hosting arrangements		16,329	1,822
	\$	\$	
Receivable from sale of property and equipment			460
	\$	—	\$
Unpaid withholding taxes on net share settlement of restricted stock units		119	3,590
	\$	\$	
Unpaid repurchases of common stock		3,658	456
	\$	\$	
Unpaid excise tax on repurchases of common stock		2,239	574
	\$	\$	
Capitalized stock-based compensation expense in website development and internal-use software costs and hosting arrangements		1,827	1,145
	\$	\$	
Obtaining a right-of-use asset in exchange for an operating lease liability		(
	\$	3,536	144,556
)	
Accrued tax distributions to redeemable noncontrolling interest holders			(
	\$	—	\$
			4
)

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 12 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 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 March 31, 2023, filed with the SEC on May 9, 2023, the accompanying Unaudited Condensed Consolidated Statements of Cash Flows for the quarter ended March 31, 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, 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 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 months ended March 31, 2024, there were no estimates related to the valuation of redeemable noncontrolling interest and the valuation of liability-classified compensation awards.

Although no impairment was identified during the annual impairment test as of October 1, 2023, the excess of the fair value over the carrying value declined for the CarOffer reporting unit in the Digital Wholesale segment. If projected future operating results further decline, including as a result of economic conditions or operational challenges, the Company may need to record an impairment charge to reduce its goodwill at CarOffer, which could be material and negatively affect the Company's operations. During the three months ended March 31, 2024, the Company did not identify any triggering events that would require an interim impairment assessment.

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 has had no material losses related to marketplace receivables as it was dispersed across a large number of customers. The Company has 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 March 31, 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 months ended March 31, 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 March 31, 2024, trade accounts receivable from receivables in transit, net of payables due, from the third-party transaction processor was \$

3,916

, offset by payments received in advance of \$

1,541

, which resulted in a net receivable of \$

2,375

recognized within accounts receivable, net 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 March 31, 2024 and December 31, 2023, \$

10,401

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 March 31, 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 March 31, 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 March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Marketplace		
	\$ 187,219	\$ 167,127
Dealer-to-Dealer		
	18,499	28,705
Sell My Car - Instant Max Cash Offer		
	10,078	36,131
Total	<u>\$ 215,796</u>	<u>\$ 231,963</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 12 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 12 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 March 31, 2024, was approximately \$

53.6 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 March 31, 2024. For performance obligations not satisfied as of March 31, 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 March 31, 2024.

For the three months ended March 31, 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 March 31, 2024 and December 31, 2023, assets measured at fair value on a recurring basis consist of the following:

	As of March 31, 2024			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	
Cash equivalents:				
Mutual funds				
	\$ 115,980	\$ —	\$ —	\$ 115,980
Total	\$ 115,980	\$ —	\$ —	\$ 115,980
	<u>\$ 115,980</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 115,980</u>
	As of December 31, 2023			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	
Cash equivalents:				
Mutual funds				
	\$ 73,449	\$ —	\$ —	\$ 73,449
Short-term investments:				
Mutual funds				
	\$ 20,724	—	—	20,724
	<u>\$ 20,724</u>	<u>—</u>	<u>—</u>	<u>20,724</u>

Total

	94,173				94,173
\$		\$	—	\$	—

For the three months ended March 31, 2024, dividend income recognized within interest income in the Unaudited Condensed Consolidated Income Statements was immaterial. For the three months ended March 31, 2023, there was no dividend income as the Company did not hold any investments.

For the three months ended March 31, 2024, unrealized and realized gain on short-term investments in equity securities was immaterial. For the three months ended March 31, 2023, there was

no
gain or loss investments in equity securities as the Company did

no
t hold any investments.

As of March 31, 2024, the Company did not have any short-term investments as all were sold during the three months ended March 31, 2024.

5. Property and Equipment, Net

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

	As of March 31, 2024	As of December 31, 2023
Capitalized equipment	1,081	1,326
	\$	\$
Capitalized internal-use software	13,957	12,279
Capitalized website development	64,016	57,158
Furniture and fixtures	8,174	8,149
Leasehold improvements	23,336	23,308
Construction in progress	61,601	39,835
Finance lease right-of-use assets	254	288
	172,419	142,343
Less accumulated depreciation and amortization	(64,276)	(58,973)
Total	<u>\$ 108,143</u>	<u>\$ 83,370</u>

For the three months ended March 31, 2024 and 2023, depreciation and amortization expense, excluding amortization of intangible assets, amortization of capitalized hosting arrangements, and impairments, was \$

5,599
and \$

4,042
, respectively.

For the three months ended March 31, 2024, the Company did

no
t have any impairments. For the three months ended March 31, 2023, the Company impaired \$

175

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 in which the Company decided to cease investment.

During the three months ended March 31, 2024, capitalized website development costs increased \$

6,858

due to continued net investment in the Company's product offerings.

During the three months ended March 31, 2024, construction in progress costs increased \$

21,766

due to the buildout of the Company's future headquarters located at 1001 Boylston Street.

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

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

	As of March 31, 2024	As of December 31, 2023
Accrued bonus		
	\$ 6,114	\$ 15,247
Accrued repurchases of common stock, including excise taxes		
	5,897	1,584
Accrued income taxes		
	8,942	1,095
Other accrued expenses and other current liabilities		
	17,400	15,792
Total		
	\$ 38,353	\$ 33,718

The decrease of \$

9,133

in accrued bonus was due primarily to the payout of the second portion of the fiscal year 2023 bonuses in the first quarter of 2024, offset in part by the accrual for the fiscal year 2024 bonuses.

The increase of \$

4,313

in accrued repurchases of common stock, including excise taxes was due primarily to shares purchased but not yet settled as of March 31, 2024, under the Company's 2024 Share Repurchase Program (as defined below) as well as unpaid excise taxes.

The increase of \$

7,847

in accrued income taxes was due primarily to the timing of income tax payments, which were paid subsequent to March 31, 2024.

7. Debt

As of March 31, 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 March 31, 2024.

As of both March 31, 2024 and December 31, 2023, there were

no

borrowings and \$

9,627

in letters of credit outstanding under the 2022 Revolver associated with the Company's leases, which reduces the borrowing capacity under the 2022 Revolver to \$

390,373

.

As of March 31, 2024 and December 31, 2023, deferred financing costs were \$

1,798

and \$

1,927

, respectively.

For both the three months ended March 31, 2024 and 2023, amortization expense associated with deferred financing costs was \$

129

.

For the three months ended March 31, 2024 and 2023, commitment fees under the 2022 Revolver were immaterial.

8. Commitments and Contingencies

Contractual Obligations and Commitments

As of March 31, 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 \$ 35,171 to complete its buildout, of which \$ 26,285 has been committed and remains unspent as of March 31, 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 March 31, 2024, there were no material changes in the Company's leases from those disclosed in the Annual Report, other than those described below.

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 will now commence on June 1, 2024. The 2024 Letter Agreement also 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. 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 March 31, 2024 and December 31, 2023, restricted cash was \$

2,786
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 March 31, 2024 and 2023, income for guarantees purchased by dealers was \$

236
and \$

614

, respectively. For the three months ended March 31, 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 March 31, 2024, the maximum potential amount of future payments that the Company could be required to make under these guarantees was \$

5,887

. Of the maximum potential amount of future payments, the losses that were probable were not material. As such, as of March 31, 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.

9. Stock-based Compensation and Common Stock Share Repurchases

Stock-based Compensation Expense

For the three months ended March 31, 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 March 31,	
	2024	2023
Options		
	\$ 591	\$ 614
Restricted Stock Units		
	15,231	14,363
Total	<u>\$ 15,822</u>	<u>\$ 14,977</u>

	Three Months Ended March 31,	
	2024	2023
Cost of revenue		
	\$ 231	\$ 143
Sales and marketing expense		
	2,874	3,084
Product, technology, and development expense		
	5,977	6,289
General and administrative expense		
	6,740	5,461
Total	<u>\$ 15,822</u>	<u>\$ 14,977</u>

For the three months ended March 31, 2024 and 2023, stock-based compensation expense excluded \$

1,827
and \$

1,145

, 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 March 31, 2024, the Company repurchased and retired

3,538,194
shares for \$

81,067
, exclusive of commissions and excise tax, at an average cost of \$

22.91
per share, under the 2024 Share Repurchase Program. As of March 31, 2024, the Company had remaining authorization to purchase up to \$

168,933
of the Company's Class A common stock under the 2024 Share Repurchase Program.

During the three months ended March 31, 2023, the Company repurchased and retired

3,989,861
shares for \$

65,151
, exclusive of commissions and excise tax, at an average cost of \$

16.33
per share, under the 2022 Share Repurchase Program.

10. 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 March 31, 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 RSUs. 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 March 31, 2024 and 2023, a reconciliation of the numerator and denominator used in the calculation of basic and diluted net income per share is as follows:

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Consolidated net income		
	\$ 21,301	\$ 11,866
Net loss attributable to redeemable noncontrolling interest		(4,266)
Net income attributable to common stockholders — basic	\$ 21,301	\$ 16,132
Net loss attributable to redeemable noncontrolling interest		(4,266)
Net income attributable to common stockholders — diluted	\$ 21,301	\$ 11,866
Denominator:		
Weighted-average number of shares of common stock used in computing net income per share attributable to common stockholders — basic	107,174,812	115,358,475
Dilutive effect of share equivalents resulting from stock options	215,891	229,679
Dilutive effect of share equivalents resulting from unvested restricted stock units	1,241,456	327,583
Weighted-average number of shares of common stock used in computing net income per share attributable to common stockholders — diluted	108,632,159	115,915,737
Net income per share attributable to common stockholders:		
Basic	\$ 0.20	\$ 0.14
Diluted	\$ 0.20	\$ 0.10

For the three months ended March 31, 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 March 31,	
	2024	2023
Stock options outstanding	537,981	560,027

Restricted stock units outstanding

1,178,036

3,207,191

For the three months ended March 31, 2024, there were no contingently issuable shares as a result of the acquisition of remaining minority equity interests in CarOffer. For the three months ended March 31, 2023, the number of issuable shares estimated upon exercise of the 2024 Put Right was zero.

11. Income Taxes

During the three months ended March 31, 2024, the Company recorded an income tax provision of \$

8,384

, representing an effective tax rate of

28.2

%. The effective tax rate for the three months ended March 31, 2024, 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.

During the three months ended March 31, 2023, the Company recorded an income tax provision of \$

6,531

, representing an effective tax rate of

28.8

%. The effective tax rate for the three months ended March 31, 2023, was greater than the statutory rate of

21

%, principally due to state and local income taxes, shortfalls on the taxable compensation of share-based awards, and the Section 162(m) excess officer compensation limitation, 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 has 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.

12. 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 months ended March 31, 2023, Digital Wholesale segment income (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 March 31, 2024 and 2023, segment revenue, segment income (loss) from operations, and segment depreciation and amortization are as follows:

	Three Months Ended March 31,	
	2024	2023
<i>Segment Revenue:</i>		
U.S. Marketplace		
	\$ 172,988	\$ 155,621
Digital Wholesale		
	28,577	64,836
Other		
	14,231	11,506
Total		
	\$ 215,796	\$ 231,963

	Three Months Ended March 31,	
	2024	2023
<i>Segment Income (Loss) from Operations:</i>		
U.S. Marketplace		
	\$ 34,217	\$ 26,539
Digital Wholesale		
	(10,340)	(11,225)
Other		
	2,407	1,255
Total		
	\$ 26,284	\$ 14,059

	Three Months Ended March 31,	
	2024	2023
<i>Segment Depreciation and Amortization:</i>		
U.S. Marketplace		
	\$ 2,997	\$ 2,740
Digital Wholesale		
	4,281	8,693
Other		
	203	143
Total		
	\$ 7,481	\$ 11,576

For the three months ended March 31, 2024 and 2023, a reconciliation between total segment income from operations to consolidated income before income taxes is as follows:

	Three Months Ended March 31,	
	2024	2023
Total segment income from operations		
	\$ 26,284	\$ 14,059

Total other income, net

3,401

4,338

Consolidated income before income taxes

29,685

18,397

\$

\$

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

As of
March 31,
2024

As of
December 31,
2023

Segment Assets:

U.S. Marketplace

603,315

607,307

\$

\$

Digital Wholesale

214,553

258,458

Other

52,935

53,162

Total

870,803

918,927

\$

\$

For the three months ended March 31, 2024 and 2023, revenue by geographical region is as follows:

	Three Months Ended March 31,	
	2024	2023
<i>Revenue by Geographic Region:</i>		
United States		
	\$ 201,565	\$ 220,457
International		
	14,231	11,506
Total		
	\$ 215,796	\$ 231,963

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, appearing 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." 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 12 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 March 31, 2024, we generated revenue of \$215.8 million, a 7% decrease from \$232.0 million of revenue for the three months ended March 31, 2023. For the three months ended March 31, 2024, we generated consolidated net income of \$21.3 million and Consolidated Adjusted EBITDA of \$50.4 million, compared to consolidated net income of \$11.9 million and Consolidated Adjusted EBITDA of \$40.8 million for the three months ended March 31, 2023.

See “Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest” below for more information regarding our use of Adjusted EBITDA, a non-GAAP financial measure, and a reconciliation of Adjusted EBITDA to our consolidated net income.

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 March 31,	
	2024	2023
	(in thousands)	
United States	34,006	31,986
International	8,568	7,191
Total	42,574	39,177

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 March 31,	
	2024	2023
	(in thousands)	
United States	88,286	84,274
International	19,714	16,672
Total	108,000	100,946

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 March 31,	
	2024	2023
United States	24,419	24,394
International	6,756	6,897
Total	31,175	31,291

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 March 31,	
	2024	2023
Transactions	10,302	17,505

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 March 31,			
	2024		2023	
United States	\$	6,702	\$	5,943
International	\$	1,882	\$	1,550
Consolidated	\$	5,664	\$	4,986

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, impairment of long-lived assets, stock-based compensation expense, transaction-related expenses, other income, net, and 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, 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 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 months ended March 31, 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 impairment of long-lived assets and, although these are non-cash adjustments, the assets being impaired 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 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 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 March 31, 2024 and 2023, the following table presents a reconciliation of Consolidated Adjusted EBITDA and Adjusted EBITDA to consolidated net income, the most directly comparable measure calculated in accordance with GAAP for each of the periods presented.

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Reconciliation of Consolidated Adjusted EBITDA and Adjusted EBITDA:		
Consolidated net income	\$ 21,301	\$ 11,866
Depreciation and amortization	7,481	11,576
Impairment of long-lived assets	—	175
Stock-based compensation expense	15,822	14,977
Transaction-related expenses	811	—
Other income, net	(3,401)	(4,338)
Provision for income taxes	8,384	6,531
Consolidated Adjusted EBITDA	50,398	40,787
Adjusted EBITDA attributable to redeemable noncontrolling interest	—	(677)
Adjusted EBITDA	\$ 50,398	\$ 41,464

For the three months ended March 31, 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 March 31,	
	2024	2023
	(in thousands)	
Reconciliation of Adjusted EBITDA attributable to redeemable noncontrolling interest:		
Net loss attributable to redeemable noncontrolling interest	\$ —	\$ (4,266)
Depreciation and amortization ⁽¹⁾	—	2,948
Impairment of long-lived assets ⁽¹⁾	—	67
Stock-based compensation expense ⁽¹⁾	—	221
Other expense, net ⁽¹⁾	—	348
Provision for income taxes ⁽¹⁾	—	5
Adjusted EBITDA attributable to redeemable noncontrolling interest	\$ —	\$ (677)

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

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 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 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 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 fluctuate as we invest in additional engineering resources to develop new solutions and make improvements to our existing platform.

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 fluctuate as we continue to scale our business.

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.

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 months ended March 31, 2024 and 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 March 31, 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 months ended March 31, 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 a result of settlement with taxing authorities. As of March 31, 2024, 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.

For the three months ended March 31, 2023, we did not recognize income tax expense related to uncertain tax positions. 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 March 31, 2024 and 2023, the Unaudited Condensed Consolidated Income Statements are as follows:

	Three Months Ended March 31,	
	2024	2023
	(dollars in thousands)	
Revenue:		
Marketplace	\$ 187,219	\$ 167,127
Wholesale	16,125	25,186
Product	12,452	39,650
Total revenue	215,796	231,963
Cost of revenue:		
Marketplace	14,385	15,533
Wholesale	14,224	22,068
Product	12,226	39,382
Total cost of revenue	40,835	76,983
Gross profit	174,961	154,980
Operating expenses:		
Sales and marketing	82,274	75,577
Product, technology, and development	35,545	36,607
General and administrative	28,066	24,919
Depreciation and amortization	2,792	3,818
Total operating expenses	148,677	140,921
Income from operations	26,284	14,059
Other income, net:		
Interest income	3,906	3,743
Other (expense) income, net	(505)	595
Total other income, net	3,401	4,338
Income before income taxes	29,685	18,397
Provision for income taxes	8,384	6,531
Consolidated net income	21,301	11,866
Net loss attributable to redeemable noncontrolling interest	—	(4,266)
Net income attributable to common stockholders	\$ 21,301	\$ 16,132

For the three months ended March 31, 2024 and 2023, our segment revenue and our segment income (loss) from operations are as follows:

	Three Months Ended March 31,	
	2024	2023
	(dollars in thousands)	
Segment Revenue:		
U.S. Marketplace	\$ 172,988	\$ 155,621
Digital Wholesale	28,577	64,836
Other	14,231	11,506
Total	<u>\$ 215,796</u>	<u>\$ 231,963</u>
Segment Income (Loss) from Operations:		
U.S. Marketplace	\$ 34,217	\$ 26,539
Digital Wholesale	(10,340)	(11,225)
Other	2,407	(1,255)
Total	<u>\$ 26,284</u>	<u>\$ 14,059</u>

For the three months ended March 31, 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 March 31,	
	2024	2023
Revenue:		
Marketplace	87%	72%
Wholesale	7	11
Product	6	17
Total revenue	100	100
Cost of revenue:		
Marketplace	7	7
Wholesale	7	10
Product	6	17
Total cost of revenue	19	33
Gross profit	81	67
Operating expenses:		
Sales and marketing	38	33
Product, technology, and development	16	16
General and administrative	13	11
Depreciation and amortization	1	2
Total operating expenses	69	61
Income from operations	12	6
Other income, net:		
Interest income	2	2
Other (expense) income, net	(0)	0
Total other income, net	2	2
Income before income taxes	14	8
Provision for income taxes	4	3
Consolidated net income	10	5
Net loss attributable to redeemable noncontrolling interest	—	(2)
Net income attributable to common stockholders	<u>10%</u>	<u>7%</u>

For the three months ended March 31, 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 March 31,	
	2024	2023
Segment Revenue:		
U.S. Marketplace	80 %	67 %
Digital Wholesale	13	28
Other	7	5
Total	<u>100 %</u>	<u>100 %</u>
Segment Income (Loss) from Operations:		
U.S. Marketplace	20 %	17 %
Digital Wholesale	(36)	(17)
Other	17	(11)
Total	<u>12 %</u>	<u>6 %</u>

For the three months ended March 31, 2024 and 2023

Revenue

Revenue by Source

	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Revenue:				
Marketplace	\$ 187,219	\$ 167,127	\$ 20,092	12 %
Wholesale	16,125	25,186	(9,061)	(36)
Product	12,452	39,650	(27,198)	(69)
Total	<u>\$ 215,796</u>	<u>\$ 231,963</u>	<u>\$ (16,167)</u>	<u>(7) %</u>
Percentage of total revenue:				
Marketplace	87 %	72 %		
Wholesale	7	11		
Product	6	17		
Total	<u>100 %</u>	<u>100 %</u>		

Overall revenue decreased \$16.2 million, or 7%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023.

Marketplace revenue increased \$20.1 million, or 12%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 87% of total revenue for the three months ended March 31, 2024, compared to 72% of total revenue for the three months ended March 31, 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 monthly recurring revenue and revenue expansion through product upgrades and price increases for existing dealers.

Wholesale revenue decreased \$9.1 million, or 36%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 7% of total revenue for the three months ended March 31, 2024, compared to 11% of total revenue for the three months ended March 31, 2023. The decrease was due primarily to a 41% decrease in Transactions, which includes Dealer-to-Dealer transactions and IMCO transactions, to 10,302 for the three months ended March 31, 2024, from 17,505 for the three months ended March 31, 2023, as a result of our focus on improving the performance of our sales team and enhancing how dealers interact with the CarOffer Matrix over unit volume.

Product revenue decreased by \$27.2 million, or 69%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 6% of total revenue for the three months ended March 31, 2024, compared to 17% of total revenue for the three months ended March 31, 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 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 decreased Transactions.

Segment Revenue

	Three Months Ended March 31,			Change	
	2024	2023	Amount	%	
	(dollars in thousands)				
Revenue:					
U.S. Marketplace	\$ 172,988	\$ 155,621	\$ 17,367	11%	
Digital Wholesale	28,577	64,836	(36,259)	(56)	
Other	14,231	11,506	2,725	24	
Total	\$ 215,796	\$ 231,963	\$ (16,167)	(7)%	
Percentage of total revenue:					
U.S. Marketplace	80%	67%			
Digital Wholesale	13	28			
Other	7	5			
Total	100%	100%			

U.S. Marketplace segment revenue increased \$17.4 million, or 11%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 80% of total revenue for the three months ended March 31, 2024, compared to 67% of total revenue for the three months ended March 31, 2023. The increase was due primarily to a \$20.1 million increase in marketplace revenue, as described above.

Digital Wholesale segment revenue, which is comprised of wholesale revenue and product revenue, decreased \$36.3 million, or 56%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 13% of total revenue for the three months ended March 31, 2024, compared to 28% of total revenue for the three months ended March 31, 2023. The decrease in Digital Wholesale segment revenue was due to a decrease in wholesale revenue and product revenue, as described above.

Cost of Revenue

	Three Months Ended March 31,			Change	
	2024	2023	Amount	%	
	(dollars in thousands)				
Cost of Revenue:					
Marketplace	\$ 14,385	\$ 15,533	\$ (1,148)	(7)%	
Wholesale	14,224	22,068	(7,844)	(36)	
Product	12,226	39,382	(27,156)	(69)	
Total	\$ 40,835	\$ 76,983	\$ (36,148)	(47)%	
Percentage of total revenue:					
Marketplace	7%	7%			
Wholesale	7	10			
Product	6	17			
Total	19%	33%			

Overall cost of revenue decreased \$36.1 million, or 47%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023.

Marketplace cost of revenue decreased \$1.1 million, or 7%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 7% of total revenue for both the three months ended March 31, 2024 and 2023. The decrease was due primarily to a \$1.1 million decrease in fees related to provisioning advertising.

Wholesale cost of revenue decreased \$7.8 million, or 36%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 7% of total revenue for the three months ended March 31, 2024, compared to 10% of total revenue for the three months ended March 31, 2023. The decrease was due in part to a \$3.4 million decrease in transportation expense and a \$1.1 million decrease in inspection expense as a result of lower Transaction volume. The decrease was also due in part a \$3.2 million decrease in amortization, primarily due to the acquired developed technology intangible asset as it became fully amortized during the quarter.

Product cost of revenue decreased \$27.2 million, or 69%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 6% of the total revenue for the three months ended March 31, 2024, compared to 17% of total revenue for the three months ended March 31, 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

	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Sales and marketing	\$ 82,274	\$ 75,577	\$ 6,697	9%
Percentage of total revenue	38%	33%		

Sales and marketing expense increased \$6.7 million, or 9%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was due primarily to a \$6.7 million increase in advertising and marketing expense due to new brand campaign and marketing efforts.

Product, Technology, and Development Expense

	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Product, technology, and development	\$ 35,545	\$ 36,607	\$ (1,062)	(3)%
Percentage of total revenue	16%	16%		

Product, technology, and development expense decreased \$1.1 million, or 3%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The decrease was due primarily to a \$2.3 million decrease in expense as a result of increased website development capitalization and a \$1.3 million decrease in consulting services. The decrease was offset in part by a \$1.2 million increase in salaries and employee-related expenses due primarily to a 5% increase in headcount and a \$0.5 million increase in rent and utilities.

General and Administrative Expense

	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
General and administrative	\$ 28,066	\$ 24,919	\$ 3,147	13%
Percentage of total revenue	13%	11%		

General and administrative expense increased \$3.1 million, or 13%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was due primarily to a \$2.0 million increase in salaries and employee-related expenses, exclusive of stock-based compensation, due primarily to a 7% increase in headcount. The increase was also due in part to a \$1.3 million increase in stock-based compensation due to new grants awarded to employees.

Depreciation and Amortization Expense

	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Depreciation and amortization	\$ 2,792	\$ 3,818	\$ (1,026)	(27)%
Percentage of total revenue	1%	2%		

Depreciation and amortization expense decreased \$1.0 million, or 27%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The decrease was the result of the customer relationships intangible asset related to the Digital Wholesale segment becoming fully amortized during the quarter.

Other Income, net

	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Other income, net:				
Interest income	\$ 3,906	\$ 3,743	\$ 163	4%
Other (expense) income, net	(505)	595	(1,100)	185
Total other income, net	3,401	4,338	\$ (937)	22%
Percentage of total revenue:				
Interest income	2%	2%		
Other (expense) income, net	(0)	0		
Total other income, net	2%	2%		

Total other income, net decreased \$0.9 million, or 22%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The \$0.2 million increase in interest income was due primarily to higher interest earned on investments. These investments were subsequently sold during the three months ended March 31, 2024. The \$1.1 million decrease in other (expense) income, net was due primarily to a \$0.6 million increase in realized and unrealized loss associated with the fluctuation of certain foreign currencies.

Provision for Income Taxes

	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Provision for income taxes	\$ 8,384	\$ 6,531	\$ 1,853	28%
Percentage of total revenue	4%	3%		

Provision for income taxes increased \$1.9 million, or 28%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, primarily due to increased profitability. This was partially offset by an aggregated \$0.4 million tax expense related to shortfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recorded during the three months ended March 31, 2024, compared to a \$3.4 million tax expense related to shortfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recorded during the three months ended March 31, 2023.

Segment Income (Loss) from Operations

	Three Months Ended March 31,			Change	
	2024	2023	Amount	%	
(dollars in thousands)					
Segment Income (Loss) from Operations:					
U.S. Marketplace	\$ 34,217	\$ 26,539	\$ 7,678	29%	
Digital Wholesale	(10,340)	(11,225)	885	8	
Other	2,407	(1,255)	3,662	292	
Total	<u>\$ 26,284</u>	<u>\$ 14,059</u>	<u>\$ 12,225</u>	<u>87%</u>	
Percentage of segment revenue:					
U.S. Marketplace	20%	17%			
Digital Wholesale	(36)	(17)			
Other	17	(11)			
Total	12%	6%			

U.S. Marketplace segment income from operations increased \$7.7 million, or 29%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented 20% of U.S. Marketplace segment revenue for the three months ended March 31, 2024, and 17% of U.S. Marketplace segment revenue for the three months ended March 31, 2023. The increase was due to an increase in revenue of \$17.4 million, a decrease in cost of revenue of \$1.1 million, and an increase in operating expenses of \$10.8 million.

Digital Wholesale segment loss from operations decreased \$0.9 million, or 8%, in the three months ended March 31, 2024, compared to the three months ended March 31, 2023, and represented (36)% of Digital Wholesale segment revenue for the three months ended March 31, 2024 and (17)% of Digital Wholesale segment revenue for the three months ended March 31, 2023. The decrease in the loss was due to a decrease in revenue of \$36.3 million, a decrease in cost of revenue of \$35.0 million, and a decrease in operating expenses of \$2.2 million.

Liquidity and Capital Resources

Cash, Cash Equivalents, Short-term Investments, and Borrowing Capacity

As of March 31, 2024, our principal sources of liquidity were cash and cash equivalents of \$246.3 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 March 31, 2024, our borrowing capacity under the 2022 Revolver (as defined below) was \$390.4 million.

Sources and Uses of Cash

During the three months ended March 31, 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:

	Three Months Ended March 31,	
	2024	2023
	(dollars in thousands)	
Net cash provided by operating activities	\$ 51,964	\$ 66,345
Net cash used in investing activities	(13,147)	(5,887)
Net cash used in financing activities	(83,038)	(73,238)
Impact of foreign currency on cash	(577)	329
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (44,798)</u>	<u>\$ (12,451)</u>

Our operations have been financed primarily from operating activities. During the three months ended March 31, 2024 and 2023, we generated cash from operating activities of \$52.0 million and \$66.3 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 build-out under our 1001 Boylston Street lease in excess of tenant allowance; payments received in advance from a third-party transaction processor; activity under the 2024 Share Repurchase Program (as defined below); 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.

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 both March 31, 2024 and December 31, 2023, there were no borrowings and \$9.6 million in letters of credit outstanding under the 2022 Revolver, which reduces 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 \$35.2 million to complete our buildout, of which \$26.3 million has been committed and remains unspent as of March 31, 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 March 31, 2024, we repurchased and retired 3,538,194 shares for \$81.1 million, exclusive of commissions and excise tax, at an average cost of \$22.91 per share under the 2024 Share Repurchase Program. As of March 31, 2024, we had remaining authorization to purchase up to \$168.9 million of our Class A common stock under the 2024 Share Repurchase Program.

To the extent that our operating income, existing cash, cash equivalents, short-term investments, 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 \$52.0 million during the three months ended March 31, 2024 was due primarily to consolidated net income of \$21.3 million, adjusted for \$15.8 million of stock-based compensation expense, \$7.5 million of depreciation and amortization, and \$3.3 million of amortization of deferred contract costs, partially offset by \$9.1 million of deferred taxes. Net cash provided by operating activities was also attributable to a \$12.7 million increase due to changes in our lease obligations, a \$6.0 million decrease in prepaid expenses, prepaid income taxes, and other assets, a \$0.7 million increase in accounts payable, and a \$0.7 million increase in accrued expenses, accrued income taxes, and other liabilities. The increases in cash flow from operations were partially offset by a \$4.2 million increase in accounts receivable and a \$3.3 million increase in deferred contract costs.

Net cash provided by operating activities of \$66.3 million during the three months ended March 31, 2023 was due primarily to consolidated net income of \$11.9 million, adjusted for \$14.9 million of stock-based compensation expense, \$11.6 million of depreciation and amortization, and \$2.7 million of amortization of deferred contract costs, partially offset by \$11.9 million of deferred taxes. Cash provided by operating activities was also attributable to a \$10.3 million increase in accounts payable, an \$8.6 million increase in deferred revenue, a \$6.9 million decrease in accounts receivable, a \$4.7 million decrease in prepaid expenses, prepaid income taxes, and other assets, a \$4.5 million increase in accrued expenses, accrued income taxes, and other liabilities, a \$4.5 million increase in lease obligations, and a \$3.6 million decrease in inventory. The increases in cash flow from operations were partially offset by a \$5.1 million increase in deferred contract costs.

Investing Activities

Net cash used in investing activities of \$13.1 million during the three months ended March 31, 2024 was due primarily to \$28.7 million of purchases of property and equipment and \$5.5 million of capitalization of website development costs, offset in part by \$20.7 million of sales of short-term investments, net of purchases.

Net cash provided by investing activities of \$5.9 million during the three months ended March 31, 2023 was due to \$3.5 million of capitalization of website development costs and \$2.4 million of purchases of property and equipment.

Financing Activities

Net cash used in financing activities of \$83.0 million during the three months ended March 31, 2024 was due primarily to \$77.4 million of payment for repurchase of our Class A common stock under the 2024 Share Repurchase Program, \$5.1 million of payment of withholding taxes on net share settlements of restricted stock units, and \$0.5 million of change in gross advance payments received from third-party transaction processor.

Net cash used in financing activities of \$73.2 million during the three months ended March 31, 2023 was due primarily to \$69.0 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 shares of our Class A common stock for an aggregate purchase price not to exceed \$250.0 million, a \$2.1 million change in gross advance payments received from third party transaction processor, and \$2.1 million of payment of withholding taxes on net share settlements of restricted stock units.

Contractual Obligations and Known Future Cash Requirements

As of March 31, 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 appearing 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 March 31, 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 months ended March 31, 2024, there were no estimates related to the valuation of redeemable noncontrolling interest and the valuation of liability-classified compensation awards.

Although no impairment was identified during the annual impairment test as of October 1, 2023, the excess of the fair value over the carrying value declined for the CarOffer reporting unit in the Digital Wholesale segment. If projected future operating results further decline, including as a result of economic conditions or operational challenges, we may need to record an impairment charge to reduce our goodwill at CarOffer, which could be material and negatively affect our operations. During the three months ended March 31, 2024, we did not identify any triggering events that would require an interim impairment assessment.

For a detailed explanation of the judgments made in these areas, refer to Note 2 of the Unaudited Condensed Consolidated Financial Statements appearing 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 appearing 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 March 31, 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 7 of the Unaudited Condensed Consolidated Financial Statements appearing 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 both March 31, 2024 and December 31, 2023, there were no borrowings and \$9.6 million in letters of credit outstanding under the 2022 Revolver, which reduces the borrowing capacity under the 2022 Revolver to \$390.4 million.

As of March 31, 2024, we had cash and cash equivalents of \$246.3 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 March 31, 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 March 31, 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 March 31, 2024. Management has determined that the impact of the previously identified deficiencies continue to aggregate into a material weakness at March 31, 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 March 31, 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.

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 March 31, 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 (in thousands) ⁽²⁾
January 1, 2024 through January 31, 2024	760,089	\$ 23.02	760,089	\$ 232,503
February 1, 2024 through February 29, 2024	575,503	\$ 22.97	575,503	\$ 219,284
March 1, 2024 through March 31, 2024	2,202,602	\$ 22.86	2,202,602	\$ 168,933
Total	<u>3,538,194</u>	\$ 22.91	<u>3,538,194</u>	\$ 168,933

(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 March 31, 2024.

Item 5. Other Information

Rule 10b5-1 Plan Trading Arrangements

During the three months ended March 31, 2024, each of the following officers 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⁾
Jason Trevisan	March 8, 2024	30,000 shares to be sold	May 30, 2025
Chief Executive Officer		Up to	
Matthew Quinn	March 5, 2024	50,757 shares to be sold ⁽²⁾	March 3, 2025
Chief Technology Officer			
Javier Zamora	March 4, 2024	22,808 shares to be sold ⁽³⁾	March 3, 2025
General Counsel and Corporate Secretary			

⁽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 Mr. Quinn'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. Furthermore, the Rule 10b5-1 trading arrangement provides for the sale of 40% of the net shares that vest on the applicable vesting date.

⁽³⁾ 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 Mr. Zamora'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 5, 2023, Mr. Quinn 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 Quinn 2023 Plan. Pursuant to the Quinn 2023 Plan, \$

45,000

in shares were to be sold and it had an expiration date of December 31, 2024. On March 4, 2024, Mr. Quinn terminated the Quinn 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 or incorporated by reference into this Quarterly Report.

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed or Furnished Herewith
			File Number	Filing Date	Exhibit Number	
10.1#	Separation Agreement and Release, dated February 26, 2024, by and between the Registrant and Andrea Eldridge.					X
10.2	Letter Agreement regarding Lease between P-12 Property LLC (as successor-in-interest to S&A P-12 Property LLC) and the Registrant, dated as of March 19, 2024.					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 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 Securities Exchange Act of 1934, as amended, 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: May 9, 2024

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

SEPARATION AGREEMENT AND RELEASE

Andrea Eldridge

[Address]

[Address]

Dear Andrea:

The purpose of this Separation Agreement (the "Agreement") is to set forth the terms of your separation of employment from CarGurus, Inc. ("CarGurus" or the "Company"), including the following defined terms:

- **Date of this Agreement:** February 26, 2024
- **Separation Date:** April 5, 2024, or your last day of employment with the Company if terminated earlier (such actual date, the "Separation Date").
- **Severance Pay:** A total gross amount of \$258,750, less all applicable federal, state and other employment related deductions, representing an amount equal to nine (9) months of your current base salary (the "Severance Pay"). For the avoidance of doubt, the Severance Pay is inclusive of, and is not offered in addition to, any severance payment contemplated in your Offer Letter with the Company dated January 17, 2020 (the "Offer Letter").
- **Severance Benefits:** Subject to your completion of the appropriate forms, and subject to all the requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"), through January 31, 2025 (the Separation Date through this date is the "COBRA subsidy period"), the Company will pay the employer portion of premiums for your participation in the Company's medical and dental insurance plans through COBRA, to the same extent that such insurance is provided to persons currently employed by the Company (the "Severance Benefits"). The Company will make these payments to the COBRA administrator each month during the COBRA subsidy period while you remain eligible if you do not become eligible for other benefits through new employment, and you will be required to pay the employee portion of premiums plus a 2% administrative fee, also directly to the Company's COBRA administrator. If you obtain employment that provides medical and/or dental insurance, you agree to promptly notify the Company, and the Company will no longer be obligated to provide payment for the benefit continuation hereunder. You also have the right to continue insurance coverage after this period, subject to the requirements of COBRA, at your own cost.

1. Effect of Agreement. To accept this Agreement, you must sign and return the Agreement within three (3) business days of the date of this Agreement. This Agreement shall be effective and binding on all parties on the date that the Agreement is executed by both you and the Company (the "Effective Date").

2. Termination of Employment. Your employment with the Company will terminate on the Separation Date. After the Separation Date, you shall have no authority to represent yourself as an employee or agent of the Company. On the Separation Date, the Company shall pay your accrued but unpaid base salary and any accrued but unused vacation through the Separation Date. You acknowledge that from and after the Separation Date, you shall have no authority to and shall not represent yourself as an employee or agent of the Company.

3. Transition Period. From the date you sign this Agreement through the Separation Date (the "Transition Period"), you agree to continue to perform your duties as a full-time employee of the Company and to comply with all CarGurus policies and procedures. During the Transition Period, you will be paid your usual and customary wages and remain eligible to participate in the benefits generally available to employees of the Company. Further, during the Transition Period, you agree to (i) remain an employee with the Company in good standing, and (ii) transition any of your responsibility areas and related activities, contacts, and action items to the appropriate CarGurus team members (collectively, the Transition Duties").

4. Severance Package. In consideration of the mutual covenants set forth in this Agreement and provided that you have accepted this Agreement and complied with its terms and conditions, including, but not limited to, the completion of the Transition Duties and your execution and non-revocation of a post-employment release of claims on the Separation Date (the "Supplemental Release," attached as Exhibit A to this Agreement), the Company agrees to provide you with the following (together, the "Severance Package"):

(i) The Company will pay you the Severance Pay. The Severance Pay will be paid as a one-time, lump sum payment on the first practicable payroll date following the Supplemental Release Effective Date (as defined in Exhibit A).

(ii) The Company will accelerate the vesting of those restricted stock units ("RSUs") and those shares subject to the nonqualified stock option ("NQSO") granted to you during your employment that would have vested during the nine (9) month period following the Separation Date (equal to a total of 34,364 RSUs (the "Accelerated RSUs") and a total of 6,161 shares subject to the NQSO (the "Accelerated NQSO Shares")) had your employment continued during that time, as set forth on Exhibit B hereto (the "Acceleration of Vesting"). The Acceleration of Vesting will occur on the Supplemental Release Effective Date.

(iii) The Company will issue to you one (1) share of Class A common stock of the Company for each Accelerated RSU, within thirty (30) days following the Supplemental Release Effective Date, in accordance with the terms of the applicable Company plan and the applicable RSU agreement. All remaining unvested RSUs shall be forfeited as of the Separation Date without any consideration. The NQSO with respect to the Accelerated NQSO Shares shall be exercisable only in accordance with the terms and conditions of the applicable Company plan and the applicable stock option grant agreement, including those provisions regarding the time in which you must exercise vested options, except that, notwithstanding anything to the contrary in such plan or agreement, the Accelerated NQSO Shares subject to the NQSO shall be deemed outstanding following the Separation Date for purposes of the accelerated vesting provisions of this Section 4. For the avoidance of doubt, the vested portion of the NQSO, including the Accelerated NQSO Shares subject to the NQSO, shall remain outstanding until the expiration of the 90-day period following the Separation Date, in accordance with the applicable stock option grant agreement, and shall automatically terminate on the last day of such 90-day period.

(iv) The Company will provide you with the Severance Benefits. If you do not accept and allow this Agreement to become effective, then subject to your completion of the appropriate forms, and subject to all the requirements of COBRA, you will be entitled to continue your participation, if any, in the Company's medical and dental insurance plans, to the same extent

that such insurance is provided to persons then employed by the Company and made available to you prior to the date hereof, in accordance with applicable law, at your own cost. In all cases, the "qualifying event" under COBRA shall be deemed to have occurred on the Separation Date.

(v) The Severance Package is subject to tax withholdings and any other authorized deductions (as applicable).

5.No Additional Amounts Owing. You acknowledge and agree that the Severance Package is not otherwise due or owing to you under any other agreement (including, but not limited to, the Offer Letter), obligation or any Company policy or practice. The Severance Package is not intended to be, and shall not be construed to constitute, a severance plan, and shall confer no benefit on anyone other than the parties specified herein. You further acknowledge that except for (i) the specific financial consideration set forth in this Agreement, (ii) any unpaid regular wages earned through the Separation Date, (iii) any accrued but unused vacation earned through the Separation Date, (iv) any business expenses incurred by you on behalf of the Company for which you submit a timely reimbursement claim in accordance with Company policy on or prior to the Separation Date (which will be paid as soon as practicable thereafter), (v) the Company's obligations for indemnification pursuant to Company charter documents, Bylaws, or an indemnification agreement with the Company, if any, or applicable directors' and officers' liability insurance, and (vi) any vested amount owing to you pursuant to any 401(k) savings plan of the Company, you are not and shall not in the future be entitled to any other compensation, benefit or reimbursement including, without limitation, other wages, commissions, bonuses, incentives, vacation pay, holiday pay, overtime pay, sabbatical pay, any form of equity, any equity vesting or acceleration or any other form of compensation or benefit.

6.Equity Grants. Except for the Acceleration of Vesting that is included with the Severance Package and specified on Exhibit B hereto, if you have received a grant of equity from the Company, you acknowledge and agree that from and after the Separation Date, all vesting of any equity grant under any equity plan (of whatever name or kind, including, without limitation, any stock option plan or plan relating to RSUs) that you participated in or were eligible to participate in during your employment with the Company will terminate. If you have received a grant of stock options from the Company, you further acknowledge and agree that you are entitled to exercise only those stock options that have vested as of the Separation Date (including in connection with the Acceleration of Vesting hereunder), and only in accordance with the terms and conditions of the applicable Company plan, including those provisions regarding the time in which you must exercise vested options.

7. Confidentiality, Acknowledgements and Other Obligations. You and the Company expressly acknowledge and agree to the following:

(i) You will keep all confidential information and trade secrets of the Company confidential, and not use or disclose any of the same, and you will abide by any and all common law and statutory obligations relating to protection and non-disclosure of the Company's trade secrets and confidential or proprietary documents and information. In addition, you acknowledge that the Company is providing you with notice of immunity under the Defend Trade Secrets Act of 2016, attached as Exhibit C.

(ii) Except as may be set forth in this Agreement, you acknowledge that you remain obligated under, and agree that you will comply with, the provisions of any agreement between you and the Company that protects the confidentiality of the Company's information and imposes certain restrictions and obligations on you after your employment, including on your ability to use or share confidential information, to solicit employees or customers of the Company or to compete with the Company (each such agreement, collectively, the "NDA"), each of which is incorporated herein by reference. You specifically acknowledge and agree that you have received and are now receiving consideration for any restrictive covenants included in the NDA, and you expressly reaffirm these restrictive covenants.

(iii) You shall keep confidential all information relating to the negotiations associated with this Agreement, and shall not disclose such information to any person or entity (other than an immediate family member, legal counsel or financial advisor, provided that you instruct any such individual to whom disclosure is made about these obligations and such individual agrees to be bound by these confidentiality obligations), except as required by law.

(iv) During the Transition Period, you may continue using any Company property (including computer equipment) and Company information for the sole and exclusive purpose of performing the Transition Duties. Within five (5) business days after request by the Company, you will return to the Company in the manner specified by the Company all Company property and equipment and all Company documents, code, information and data in any form (including financial plans, management reports, customer lists and other documents and information), in each case without deleting or otherwise damaging or altering the same and without retaining any copies. On or prior to the Separation Date, you will provide the Company with all information necessary to log in to, assume control of and access any database, system, account or application over which you had control or to which you had access during your employment (including username, password, PIN information and any other access credentials for any devices or accounts). From and after the Separation Date, unless specifically requested by the Company in writing, you will no longer access any such database, system, account or application.

(v) You will not make any statements that are professionally or personally disparaging about, or adverse to, the interests of the Company (including its officers, directors and employees) including, but not limited to, any statements that disparage any person, product, service, financial condition, capability or any other aspect of the business of the Company, and you will not engage in any conduct that could reasonably be expected to harm professionally or personally the reputation of the Company (including its officers, directors and employees).

(vi) You represent to the Company that you have not engaged in any fraudulent or unlawful conduct relating to the Company or your employment, that you have complied with all contractual obligations with the Company, that you have complied with Company policies and procedures and that you have fully disclosed to the Company all material information relating to the performance of your employment.

8.Cooperation. Through the Separation Date and thereafter, you will make yourself available to the Company, upon reasonable notice, to assist in any matter relating to the services performed by you during your employment with the Company including, but not limited to,

transitioning your duties to others at the Company and providing assistance in any legal or regulatory investigation, matter or Claim (as defined below).

9. Release of Claims. You hereby acknowledge and agree that by signing this Agreement and accepting the consideration to be provided to you, including but not limited to the Severance Package, you (on behalf of yourself and your representatives, agents, estate, heirs, attorneys, insurers, spouse, executors, administrators, successors and assigns) are waiving and releasing your right to assert any Claim, and you hereby release the Company from any Claim, arising from acts, omissions, facts or circumstances that occurred on or before the Effective Date.

You agree that your waiver and release bars any form of legal claim, lawsuit, charge, complaint or any other form of action against the Company (each, a "Claim") seeking money or any other form of relief, including without limitation equitable relief (whether declaratory, injunctive or otherwise), damages or any other form of monetary recovery whatsoever (including without limitation back pay, front pay, compensatory damages, overtime pay, emotional distress, punitive damages, attorneys' fees and any other costs or expenses). You understand that there could be unknown or unanticipated Claims resulting from your employment with the Company and the termination of your employment, and you agree that such Claims are included in this waiver and release. You specifically waive and release the Company from any Claims arising from or related to your employment relationship with the Company or the termination of your employment, including without limitation Claims under any statute, ordinance, regulation, executive order, common law, constitution and any other source of law of any state, country and/or locality, including but not limited to the United States, the Commonwealth of Massachusetts, the state in which you reside, and/or any other state or locality where you worked for the Company (collectively "Law" or "Laws").

Without limiting the foregoing waiver and release, except for Claims resulting from the failure of the Company to perform its obligations under this Agreement or your rights to indemnification pursuant to Company charter documents, Bylaws, or an indemnification agreement with the Company, and applicable directors' and officers' liability insurance, you specifically waive and release the Company from:

(i) Claims under any Law concerning equal pay, civil rights, discrimination, harassment, retaliation and fair employment practices, including the Massachusetts Sexual Harassment Law (M.G.L. c. 214, § 1C), the Massachusetts Equal Pay Act (M.G.L. c. 149, § 105A), the Massachusetts Equal Rights Act (M.G.L. c. 93, §§ 102, 103), the Massachusetts Fair Employment Practices Statute (M.G.L. c. 151B §§ 1 et seq.), the Massachusetts Civil Rights Act (M.G.L. c. 12 §§ 11H & 11I), the Massachusetts Privacy Statute (M.G.L. c. 214 § 1B), the Massachusetts Sexual Harassment Statute (M.G.L. c. 214 § 1C), the Civil Rights Acts of 1866 and 1871 and Title VII of the Civil Rights Act of 1964 and the Civil Rights Act of 1991 (42 U.S.C. § 2000e et seq.), 42 U.S.C. § 1981, the Age Discrimination in Employment Act and Older Workers Benefit Protection Act (29 U.S.C. § 621 et seq.), the Equal Pay Act (29 U.S.C. § 201 et seq.), the Genetic Information Non-Discrimination Act (42 U.S.C. § 2000ff et seq.), the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. § 4301 et seq.), the Lily Ledbetter Fair Pay Act, the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.), the Rehabilitation Act of 1973, the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.) and

any similar Massachusetts or other local, state or federal statute, Law or ordinance, each as they may have been amended through the Effective Date.

(ii) Claims under any Law relating to wages, hours, overtime, whistleblowing, leaves of absence or any other terms and conditions of employment, including but not limited to the Massachusetts Payment of Wages Law (M.G.L. c. 149, §§ 148, 150), Massachusetts General Laws Chapter 149 in its entirety, Massachusetts General Laws Chapter 151 in its entirety (including but not limited to the minimum wage and overtime provisions), the Massachusetts Wage Act (M.G.L. c. 149 §§ 148 et. seq.), the Massachusetts Minimum Fair Wages Act (M.G.L. c. 151 §§ 1 et. seq.), the Massachusetts Equal Pay Act (M.G.L. c. 149 § 105A), the Family and Medical Leave Act of 1993 (29 U.S.C. § 2601 et seq.), the Family and Medical Leave Act (29 U.S.C. § 2601 et seq.), the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1000 et seq.), the federal Consolidated Omnibus Budget Reconciliation Act (29 U.S.C. § 1161 et seq.), the Families First Coronavirus Response Act (Public Law No: 116-127, as amended and corrected), the Coronavirus Aid, Relief, and Economic Security Act (Public Law No: 116-136) and all other local, state or federal Laws, regulations or ordinances relating to personal, sick, medical and/or family leave or benefits, the Sarbanes-Oxley Act (including 18 U.S.C. § 1514A), the Dodd-Frank Act (12 U.S.C. § 5301 et seq.), and any similar state Law, the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), the Fair Labor Standards Act (29 U.S.C. § 201 et seq.), the National Labor Relations Act (29 U.S.C. § 151 et seq.), the Worker Adjustment and Retraining Notification Act (29 U.S.C. § 2101 et seq.) and any similar Massachusetts or other local, state or federal statute, Law or ordinance, each as they may have been amended through the Effective Date. **Please note that this section specifically includes a waiver and release of Claims that you have or may have regarding payments or amounts covered by the Massachusetts Wage Act and the Massachusetts Minimum Fair Wages Act (including, for instance, hourly wages, salary, overtime, minimum wages, commissions, vacation pay, holiday pay, sick leave pay, dismissal pay, bonus pay or severance pay), as well as Claims for retaliation under the Massachusetts Wage Act and the Massachusetts Minimum Fair Wages Act.**

(iii) Claims under any local, state or federal common law theory including, without limitation, any Claim for wrongful discharge, unjust enrichment, breach of a covenant of good faith and fair dealing, violating of public policy, defamation, interference with contractual relations, intentional or negligent infliction of emotional distress, invasion of privacy, misrepresentation, deceit, fraud or negligence, breach of contract, implied contract, promissory estoppel, quantum meruit, any Claim to attorney's fees under any applicable statute or common law theory of recovery or any Claim sounding in tort.

(iv) Claims under any Massachusetts (or any other state) or federal statute, regulation or executive order (as amended through the Effective Date) relating to whistleblower protections, violation of public policy or any other form of retaliation or wrongful termination, including but not limited to the Sarbanes-Oxley Act of 2002 and any similar Massachusetts or other state or federal statute.

(v) Claims arising under any Company compensation, employment, benefit, stock, stock option, incentive compensation, bonus, carried interest, restricted stock and/or equity plan, program, policy, practice or agreement, including, without limitation, your Offer Letter with the Company.

(v) Claims arising under any other Law or constitution.

You acknowledge and agree that your receipt of the Severance Package is contingent upon your providing the waivers and releases in this Agreement, and not revoking this Agreement or the Supplemental Release.

Nothing in this Agreement prohibits or prevents you from filing a charge with or participating, testifying or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency (e.g., U.S. Equal Employment Opportunity Commission, National Labor Relations Board, U.S. Securities and Exchange Commission) (each, a "Government Agency"), nor does anything in this Agreement preclude, prohibit or otherwise limit, in any way, your rights and abilities to contact, communicate with, report matters to or otherwise participate in any whistleblower program administered by any such Government Agencies. You further understands this Agreement does not limit your or the Company's ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency in connection with reporting a possible securities Law violation, or other violation of Law, without notice to the Company. You acknowledge and agree that by signing this Agreement, however, you waive your right to, and shall not seek or accept, any monetary or other relief of any nature whatsoever in connection with any such charges, investigations or proceedings. Further, nothing in this Agreement shall limit the Company's right to seek immediate dismissal of such charge or complaint on the basis that your signing of this Agreement constitutes a full release of any individual rights under applicable Law, or the Company's right to seek restitution or other legal remedies of the economic benefits provided to you under this Agreement in the event that you successfully challenge the validity of this release and prevail in any claim brought before a Government Agency.

10. Consequences of Breach or Revocation. In addition to any other remedies set forth in this Agreement or otherwise available to the Company in law or equity, a breach by you of any of your obligations set forth in this Agreement shall entitle the Company to cease providing any Severance Pay or other portion of the Severance Package and to recover any Severance Pay or other portion of the Severance Package already provided to you. Notwithstanding any such breach, your release and waiver set forth in this Agreement will remain in full force and effect to the maximum extent permitted by law.

11. Unemployment Benefits. You may seek unemployment benefits as a result of the termination of your employment from the Company. Decisions regarding unemployment eligibility, including whether the Severance Package affects the amount of eligibility, if any, are made by the applicable unemployment agency, not by the Company. The Company agrees to provide any necessary documents to enable you to seek such unemployment benefits promptly after a request in writing by an applicable state unemployment agency. Nothing in this Section 11 shall be construed to require the Company to make, and the Company will not make, untruthful statements to an agency in connection with any claim for unemployment benefits.

12. Governing Provisions.

(i) Except as otherwise expressly provided in this Agreement and specifically your continuing obligations under the NDA, this Agreement (including Exhibits A, B, and C)

supersedes any prior oral or written agreement, including, but not limited to, your Offer Letter, and sets forth the entire agreement between you and the Company. No variations or modifications to this Agreement shall be valid unless reduced to writing and signed by the parties to this Agreement.

(ii) The validity, interpretation and performance of this Agreement shall be governed by, and construed in accordance with, the internal laws of the Commonwealth of Massachusetts, or if required by the laws of the state in which you reside, the laws of such state, without giving effect to conflict of law principles. Any action, demand, claim or counterclaim relating to the terms and provisions of this Agreement, or to its breach, shall be commenced in Massachusetts in a court of competent jurisdiction, and venue for such actions shall lie exclusively in Massachusetts. To the fullest extent permitted by law, any action, demand, claim or counterclaim relating to this Agreement shall be resolved by a judge alone, and both parties hereby waive the right to a trial before a civil jury.

(iii) The terms of this Agreement are severable, and if for any reason any part hereof shall be found to be unenforceable, the remaining terms and conditions shall be enforced in full.

(iv) This Agreement shall inure to the benefit of the Company and any of its successors and assigns and shall be enforceable against your heirs, executors and assigns.

(v) Except for the Company's obligations set forth in Section 4 of this Agreement, which shall be the obligations solely of CarGurus, Inc., wherever the term the Company is used in this Agreement, it shall include CarGurus, Inc. and any and all entities corporately related to CarGurus, Inc. (including but not limited to any parents, divisions, affiliates and subsidiaries), and its and their respective partners, officers, directors, employees, agents, representatives, successors, predecessors and assigns. The parties agree that all of such foregoing entities and persons are intended third party beneficiaries of this Agreement.

(vi) The Company advises you to consult with legal counsel for the purpose of reviewing the terms of this Agreement. By executing this Agreement, you are acknowledging that you have been afforded sufficient time to understand the terms and effects of this Agreement and to consult with legal counsel, that your agreements and obligations hereunder are made voluntarily, knowingly and without duress, and that neither the Company nor any of its employees, agents or representatives has made any representations to you inconsistent with the provisions of this Agreement.

[signature page immediately follows]

To accept the terms of this Agreement, you must sign and return this Agreement to the Company's General Counsel at [email] or by electronic signature and transmission (if made available by the Company) within the applicable period specified in Section 1.

Very truly yours,

CARGURUS, INC.

By: /s/ Jason Trevisan

Name: Jason Trevisan

Title: Chief Executive Officer

ACCEPTED AND AGREED:

/s/ Andrea Eldridge

Printed Name: Andrea Eldridge

Date: February 26, 2024

EXHIBIT A

SUPPLEMENTAL RELEASE OF CLAIMS

In consideration of the covenants set forth in my Separation Agreement with CarGurus, Inc., including but not limited to any parents, divisions, affiliates and subsidiaries, and its and their respective partners, officers, directors, employees, agents, representatives, successors, predecessors and assigns ("CarGurus" or the "Company"), dated February 26, 2024 (the "Separation Agreement"), and more particularly in consideration of the Severance Package provided to me pursuant to the Separation Agreement and other good and valuable consideration, I, Andrea Eldridge (on behalf of myself and my representatives, agents, estate, heirs, attorneys, insurers, spouse, executors, administrators, successors and assigns), am waiving and releasing my right to assert any Claim (defined below), and I hereby release the Company from any Claim, arising from acts, omissions, facts or circumstances that occurred on or before the Supplemental Release Effective Date (defined below).

I agree that my waiver and release bars any form of legal claim, lawsuit, charge, complaint or any other form of action against the Company (each, a "Claim") seeking money or any other form of relief, including without limitation equitable relief (whether declaratory, injunctive or otherwise), damages or any other form of monetary recovery whatsoever (including without limitation back pay, front pay, compensatory damages, overtime pay, emotional distress, punitive damages, attorneys' fees and any other costs or expenses). I understand that there could be unknown or unanticipated Claims resulting from my employment with the Company and the termination of my employment, and I agree that such Claims are included in this waiver and release. I specifically waive and release the Company from any Claims arising from or related to my employment relationship with the Company or the termination of my employment, including without limitation Claims under any statute, ordinance, regulation, executive order, common law, constitution and any other source of law of any state, country and/or locality, including but not limited to the United States, the Commonwealth of Massachusetts, the state in which I reside, and/or any other state or locality where I worked for the Company (collectively "Law" or "Laws").

Without limiting the foregoing waiver and release, except for Claims resulting from the failure of the Company to perform its obligations under the Separation Agreement or my rights to indemnification pursuant to Company charter documents, Bylaws, or an indemnification agreement with the Company, and applicable directors' and officers' liability insurance, I specifically waive and release the Company from:

(i) Claims under any Law concerning equal pay, civil rights, discrimination, harassment, retaliation and fair employment practices, including the Massachusetts Sexual Harassment Law (M.G.L. c. 214, § 1C), the Massachusetts Equal Pay Act (M.G.L. c. 149, § 105A), the Massachusetts Equal Rights Act (M.G.L. c. 93, §§ 102, 103), the Massachusetts Fair Employment Practices Statute (M.G.L. c. 151B §§ 1 et seq.), the Massachusetts Civil Rights Act (M.G.L. c. 12 §§ 11H & 11I), the Massachusetts Privacy Statute (M.G.L. c. 214 § 1B), the Massachusetts Sexual Harassment Statute (M.G.L. c. 214 § 1C), the Civil Rights Acts of 1866 and 1871 and Title VII of the Civil Rights Act of 1964 and the Civil Rights Act of 1991 (42 U.S.C. § 2000e et seq.), 42 U.S.C. § 1981, the Age Discrimination in Employment Act and Older Workers

Benefit Protection Act (29 U.S.C. § 621 et seq.), the Equal Pay Act (29 U.S.C. § 201 et seq.), the Genetic Information Non-Discrimination Act (42 U.S.C. § 2000ff et seq.), the Uniformed Services Employment and Reemployment Rights Act of 1994 (38 U.S.C. § 4301 et seq.), the Lily Ledbetter Fair Pay Act, the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.), the Rehabilitation Act of 1973, the Americans with Disabilities Act (42 U.S.C. § 12101 et seq.) and any similar Massachusetts or other local, state or federal statute, Law or ordinance, each as they may have been amended through the Supplemental Release Effective Date.

(ii) Claims under any Law relating to wages, hours, overtime, whistleblowing, leaves of absence or any other terms and conditions of employment, including but not limited to the Massachusetts Payment of Wages Law (M.G.L. c. 149, §§ 148, 150), Massachusetts General Laws Chapter 149 in its entirety, Massachusetts General Laws Chapter 151 in its entirety (including but not limited to the minimum wage and overtime provisions), the Massachusetts Wage Act (M.G.L. c. 149 §§ 148 et. seq.), the Massachusetts Minimum Fair Wages Act (M.G.L. c. 151 §§ 1 et. seq.), the Massachusetts Equal Pay Act (M.G.L. c. 149 § 105A), the Family and Medical Leave Act of 1993 (29 U.S.C. § 2601 et seq.), the Family and Medical Leave Act (29 U.S.C. § 2601 et seq.), the Employee Retirement Income Security Act of 1974 (29 U.S.C. § 1000 et seq.), the federal Consolidated Omnibus Budget Reconciliation Act (29 U.S.C. § 1161 et seq.), the Families First Coronavirus Response Act (Public Law No: 116-127, as amended and corrected), the Coronavirus Aid, Relief, and Economic Security Act (Public Law No: 116-136) and all other local, state or federal Laws, regulations or ordinances relating to personal, sick, medical and/or family leave or benefits, the Sarbanes-Oxley Act (including 18 U.S.C. § 1514A), the Dodd-Frank Act (12 U.S.C. § 5301 et seq.), and any similar state Law, the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), the Fair Labor Standards Act (29 U.S.C. § 201 et seq.), the National Labor Relations Act (29 U.S.C. § 151 et seq.), the Worker Adjustment and Retraining Notification Act (29 U.S.C. § 2101 et seq.) and any similar Massachusetts or other local, state or federal statute, Law or ordinance, each as they may have been amended through the Supplemental Release Effective Date. **I specifically note that this section specifically includes a waiver and release of Claims that I have or may have regarding payments or amounts covered by the Massachusetts Wage Act and the Massachusetts Minimum Fair Wages Act (including, for instance, hourly wages, salary, overtime, minimum wages, commissions, vacation pay, holiday pay, sick leave pay, dismissal pay, bonus pay or severance pay), as well as Claims for retaliation under the Massachusetts Wage Act and the Massachusetts Minimum Fair Wages Act.**

(iii) Claims under any local, state or federal common law theory including, without limitation, any Claim for wrongful discharge, unjust enrichment, breach of a covenant of good faith and fair dealing, violating of public policy, defamation, interference with contractual relations, intentional or negligent infliction of emotional distress, invasion of privacy, misrepresentation, deceit, fraud or negligence, breach of contract, implied contract, promissory estoppel, quantum meruit, any Claim to attorney's fees under any applicable statute or common law theory of recovery, or any Claim sounding in tort.

(iv) Claims under any Massachusetts (or any other state) or federal statute, regulation or executive order (as amended through the Supplemental Release Effective Date)

relating to whistleblower protections, violation of public policy or any other form of retaliation or wrongful termination, including but not limited to the Sarbanes-Oxley Act of 2002 and any similar Massachusetts or other state or federal statute.

(v) Claims arising under any Company compensation, employment, benefit, stock, stock option, incentive compensation, bonus, carried interest, restricted stock and/or equity plan, program, policy, practice or agreement, including, without limitation, my Offer Letter with the Company dated January 17, 2020.

(v) Claims arising under any other Law or constitution.

I acknowledge and agree that my receipt of the Severance Package is contingent upon my providing the waivers and releases in this Supplemental Release of Claims, and not revoking Supplemental Release of Claims.

Nothing in this Agreement prohibits or prevents me from filing a charge with or participating, testifying, or assisting in any investigation, hearing, whistleblower proceeding or other proceeding before any federal, state, or local government agency (e.g., U.S. Equal Employment Opportunity Commission, National Labor Relations Board, U.S. Securities and Exchange Commission) (each, a "Government Agency"), nor does anything in this Supplemental Release of Claims preclude, prohibit or otherwise limit, in any way, my rights and abilities to contact, communicate with, report matters to or otherwise participate in any whistleblower program administered by any such Government Agencies. I further understand this Supplemental Release of Claims does not limit my or the Company's ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency in connection with reporting a possible securities Law violation, or other violation of Law, without notice to the Company. I acknowledge and agree that by signing this Supplemental Release of Claims, however, I waive my right to, and shall not seek or accept, any monetary or other relief of any nature whatsoever in connection with any such charges, investigations or proceedings. Further, nothing in this Supplemental Release of Claims shall limit the Company's right to seek immediate dismissal of such charge or complaint on the basis that my signing of this Supplemental Release of Claims constitutes a full release of any individual rights under applicable Law, or the Company's right to seek restitution or other legal remedies of the economic benefits provided to me under this Supplemental Release of Claims and the Separation Agreement in the event that I successfully challenge the validity of this Supplemental Release of Claims and prevail in any claim brought before a Government Agency.

Because I am at least forty (40) years of age, I have specific rights under the federal Age Discrimination in Employment Act ("ADEA") and Older Workers Benefits Protection Act ("OWBPA"), which prohibit discrimination on the basis of age. The release in this Supplemental Release of Claims is intended to release any Claim I may have against the Company alleging discrimination on the basis of age under the ADEA, OWBPA and other Laws.

Notwithstanding anything to the contrary in this Supplemental Release of Claims, the release in this Supplemental Release of Claims does not cover rights or Claims under the ADEA that arise after the Supplemental Release Effective Date. The Company desires that I fully understand the provisions and effects of this Supplemental Release of Claims. Consistent with the provisions of the OWBPA, I have a period of twenty-one (21) days from the Separation Date (as

defined in the Separation Agreement) to consider and accept the provisions of this Agreement. I acknowledge and agree that any changes to this Agreement, whether material or immaterial, do not extend this period. I may revoke this Agreement within seven (7) business days after the Supplemental Release Effective Date by sending an email to the Company's General Counsel at [email] with a copy to the Company's Legal Department at [email] that specifically notifies the Company of my revocation of this Supplemental Release of Claims .

This Supplemental Release of Claims shall become effective on the eighth (8th) day following my acceptance of it (the "Supplemental Release Effective Date").

Confirmed And Agreed:

CarGurus, Inc.

/s/ Andrea Eldridge

/s/ Jason Trevisan

Printed Name: Andrea Eldridge

Name: Jason Trevisan
Title: Chief Executive Officer

Dated: April 5, 2024

Dated: April 5, 2024

EXHIBIT B

The chart below shows the number of RSUs and shares subject to the NQSO under your outstanding equity awards that will accelerate and become vested as of the Supplemental Release Effective Date, subject to the terms and conditions of the Agreement:

Grant Date	Type of Award	Original Vesting Date	Number of RSUs Scheduled to Vest on the Vesting Date
September 21, 2020	RSU	July 1, 2024	641
February 10, 2021	NQSO	July 1, 2024	2,054
February 10, 2021	NQSO	October 1, 2024	2,053
February 10, 2021	NQSO	January 1, 2025	2,054
February 10, 2021	RSU	July 1, 2024	1,975
February 10, 2021	RSU	October 1, 2024	1,974
February 10, 2021	RSU	January 1, 2025	1,975
February 8, 2022	RSU	July 1, 2024	4,033
February 8, 2022	RSU	October 1, 2024	4,033
February 8, 2022	RSU	January 1, 2025	4,033
February 16, 2023	RSU	July 1, 2024	5,233
February 16, 2023	RSU	October 1, 2024	5,233
February 16, 2023	RSU	January 1, 2025	5,234
TOTAL			34,364 RSUs
			6,161 shares subject to the NQSO

EXHIBIT C

NOTICE OF IMMUNITY

Consistent with federal law, the Company hereby notifies you of the following provisions of the Defend Trade Secrets Act of 2016.

IMMUNITY FROM LIABILITY FOR CONFIDENTIAL DISCLOSURE OF A TRADE SECRET TO THE GOVERNMENT OR IN A COURT FILING—

(1) **IMMUNITY.**—An individual 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.

(2) **USE OF TRADE SECRET INFORMATION IN ANTI-RETALIATION LAWSUIT.**—An individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual—

(A) files any document containing the trade secret under seal; and

(B) does not disclose the trade secret, except pursuant to court order.

P-12 PROPERTY LLC
c/o Samuels & Associates 136 Brookline Avenue
Boston, MA 02215
March 19, 2024

CarGurus, Inc.
2 Canal Park
Cambridge, MA 02141
Attention: Senior Manager Facilities & Operations

Re: Lease dated December 19, 2019 between P-12 Property LLC (as successor-in interest to S&A P-12 Property LLC) and CarGurus, Inc., as amended by that certain First Amendment to Lease dated as of June 12, 2020 (as amended, the "Lease") at 1001 Boylston Street, Boston, Massachusetts

Ladies and Gentlemen:

Reference is hereby made to the Lease. Capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Lease.

This letter agreement is entered into by Landlord and Tenant to confirm and memorialize the following with respect to the Lease:

1. The Substantial Completion Date is December 4, 2023.
2. The Commencement Date is February 3, 2024.
3. The Fixed Rent Commencement Date is October 3, 2024.
4. As the parties have previously agreed, Tenant is entitled to rent credits in the amount of \$7,862,311.03 (the "Delivery Date Rent Credits") on account of the Delivery Date occurring on February 3, 2023. The Delivery Date Rent Credits shall be applied by Landlord against the payments of Annual Fixed Rent otherwise due and payable under the Lease commencing on the Fixed Rent Commencement Date and each month thereafter until such Delivery Date Rent Credits have been credited in full to Annual Fixed Rent, as set forth in the chart below.

<u>Tine Period</u>	<u>Monthly Fixed Rent Due</u>	<u>Delivery Date Rent Credits Amount Applied</u>
Fixed Rent Commencement Date – October 31, 2024	\$1,141,411.05	\$ 1,141,411.05
November 1, 2024 – November 30, 2024	\$1,220,129.05	\$1,220,129.05
December 1, 2024 – December 31, 2024	\$1,220,129.05	\$1,220,129.05
January 1, 2025 – January 31, 2025	\$1,220,129.05	\$1,220,129.05
February 1, 2025 – February 28, 2025	\$1,220,129.05	\$1,220,129.05
March 1, 2025 – March 31, 2025	\$1,244,550.42	\$1,244,550.42
April 1, 2025 – April 30, 2025	\$1,244,550.42	\$595,833.36*

*Tenant shall, on or before April 1, 2025, pay to Landlord \$648,717.06, constituting the balance of Monthly Fixed Rent due for the month of April 2025. From and after May 1, 2025, Tenant shall pay Monthly Fixed Rent in the amount, time, and manner set forth in the Lease.

5. As the parties have previously agreed, the full and final amount of the Holdover Compensation payable by Landlord to Tenant is \$1,482,487.76. Landlord shall pay the Holdover Compensation to Tenant within ten (10) business days after the execution and delivery of this letter agreement.

6. Notwithstanding the provisions of Section 10.1 of the Lease, for the period prior to June 1, 2024 only, (i) Landlord shall not be obligated to provide the Parking Privileges to Tenant, (ii) Landlord may close the Parking Facility and cease operations thereof, and (iii) Tenant shall not be required to pay the Monthly Parking Charge. Commencing on June 1, 2024, Landlord and Tenant shall each perform their respective obligations under Article X of the Lease.

7. As the parties have previously agreed, Landlord shall pay to Tenant the amount of \$26,246.00 as reimbursement to Tenant for costs incurred by Tenant in connection with elevator car no. 5 being out of service from September 25, 2023 through October 20, 2023 for cab finish work. Landlord shall make such payment to Tenant within ten (10) business days after the execution and delivery of this letter agreement.

8. Tenant hereby acknowledges and agrees that apart from the credits and reimbursements in the amounts set forth above and as specifically stated herein, Tenant has no other existing claims for rent credits, rent abatements or offsets under the Lease as of the date hereof.

Except as expressly set forth herein, the Lease shall remain unmodified and in full force and effect in accordance with and subject to the terms and conditions thereof. This letter agreement is intended by the parties to conclusively settle and resolve all obligations, claims and disputes referenced in Tenant's letter to Landlord dated January 19, 2024, Landlord's response letter to Tenant dated January 26, 2024 and Tenant's response letter to Landlord dated February 6, 2024.

Please confirm your agreement with and acknowledgment of the terms of this letter agreement where indicated below.

Very truly yours,

P-12 PROPERTY LLC,
a Delaware limited liability company

By: /s/ Peter Sougarides
Name: Peter Sougarides
Title: Authorized Signatory

ACKNOWLEDGED AND AGREED as of the
date first set forth above:

CARGURUS, INC.,
a Delaware corporation

By: /s/ Andrea Eldridge
Name: Andrea Eldridge
Title: CPO

**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: May 9, 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: May 9, 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 March 31, 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: May 9, 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 March 31, 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: May 9, 2024

By: /s/ Elisa Palazzo
Elisa Palazzo
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
