



## CarGurus Announces First Quarter 2019 Results

May 9, 2019

### *First Quarter Highlights:*

- **Total revenue of \$135.3 million, an increase of 37% year-over-year**
- **GAAP operating income of \$7.4 million; non-GAAP operating income of \$15.3 million**
- **GAAP net income of \$12.6 million; non-GAAP net income of \$13.5 million**
- **Adjusted EBITDA of \$16.7 million**

CAMBRIDGE, Mass., May 09, 2019 (GLOBE NEWSWIRE) -- CarGurus, Inc. (Nasdaq: CARG), a leading global automotive marketplace, today announced financial results for the first quarter ended March 31, 2019.

"CarGurus is off to a strong start in 2019, highlighted by the launch of our consumer finance offering in the U.S., our acquisition of PistonHeads, and robust first quarter financial results," said Langley Steinert, Founder and Chief Executive Officer of CarGurus. "Our U.S. audience grew 24% year-over-year, and we generated 38 million average unique monthly visitors, our highest total to date. Dealers are recognizing the value of our large audience and expanding product portfolio, as U.S. AARSD grew 24% year-over-year, and we continue to generate strong growth in our international audience and paying dealer base."

### **Revenue**

- Total revenue was \$135.3 million, an increase of 37% compared to \$98.6 million in the first quarter of 2018.
- Marketplace subscription revenue was \$120.8 million, an increase of 36% compared to \$89.2 million in the first quarter of 2018.
- Advertising and other revenue was \$14.4 million, an increase of 53% compared to \$9.4 million in the first quarter of 2018.

### **Operating Income**

- GAAP operating income was \$7.4 million, or 5% of total revenue, compared to \$6.5 million, or 7% of total revenue, in the first quarter of 2018.
- Non-GAAP operating income was \$15.3 million, or 11% of total revenue, compared to \$10.3 million, or 10% of total revenue, in the first quarter of 2018.

### **Net Income & Adjusted EBITDA**

- GAAP net income was \$12.6 million, or \$0.11 per fully diluted share during the first quarter ended March 31, 2019, compared to \$5.5 million, or \$0.05 per fully diluted share during the first quarter ended March 31, 2018.
- Non-GAAP net income was \$13.5 million, or \$0.12 per fully diluted share during the first quarter ended March 31, 2019, compared to \$8.4 million, or \$0.07 per fully diluted share during the first quarter ended March 31, 2018.
- Adjusted EBITDA, a non-GAAP metric, was \$16.7 million, compared to \$11.5 million in the first quarter of 2018.

### **Balance Sheet and Cash Flow**

- As of March 31, 2019, CarGurus had cash, cash equivalents, and short-term investments of \$138.4 million and no debt.
- The Company generated \$9.7 million in cash from operations and \$3.2 million in free cash flow, a non-GAAP metric, during the first quarter of 2019 compared to generating \$6.4 million in cash from operations and \$5.4 million in free cash flow during the first quarter of 2018.

### **First Quarter Business Metrics**

- U.S. revenue was \$128.4 million in the first quarter of 2019, an increase of 35% compared to \$95.1 million in the first quarter of 2018. GAAP operating income in the U.S. was \$17.4 million, an increase of 25% compared to \$13.9 million in the first quarter of 2018.
- International revenue was \$6.9 million in the first quarter of 2019, an increase of 95% compared to \$3.5 million in the first quarter of 2018. GAAP operating loss in International markets was (\$9.9) million, an increase of 33% compared to a loss of (\$7.5) million in the first quarter of 2018.
- Total paying dealers were 33,235<sup>(1)</sup> at March 31, 2019, an increase of 15% compared to 29,026 at March 31, 2018. Of the total paying dealers at March 31, 2019, U.S. and International accounted for 28,061 and 5,174<sup>(1)</sup>, respectively, compared to 26,261 and 2,765, respectively, at March 31, 2018.
- Average annual revenue per subscribing dealer (AARSD) in the U.S. was \$15,440 as of March 31, 2019, an increase of 24% compared to \$12,470 as of March 31, 2018.
- AARSD in International markets was \$4,883<sup>(2)</sup> as of March 31, 2019, a decrease of 3% compared to \$5,045 as of March 31, 2018.
- Website traffic and consumer engagement metrics for the first quarter of 2019 were as follows:
  - U.S. average monthly unique users were 38.0 million, an increase of 24% compared to 30.8 million in the first quarter of

2018. U.S. average monthly sessions were 101.6 million, an increase of 20% compared to 84.8 million in the first quarter of 2018.

- International average monthly unique users were 11.5 million<sup>(3)</sup>, an increase of 230% compared to 3.5 million in the first quarter of 2018. International average monthly sessions were 25.8 million<sup>(4)</sup>, an increase of 219% compared to 8.1 million in the first quarter of 2018.

(1) Includes paying dealers from the PistonHeads website from January 8, 2019 (the date of the closing of our acquisition of PistonHeads) to March 31, 2019.

(2) Excludes AARSD from the PistonHeads website as it was acquired on January 8, 2019, and therefore, data for the trailing 12-month revenue calculation is not available.

(3) Includes users from the PistonHeads website from January 8, 2019 (the date of the closing of our acquisition of PistonHeads) to March 31, 2019.

(4) Includes sessions from the PistonHeads website from January 8, 2019 (the date of the closing of our acquisition of PistonHeads) to March 31, 2019.

## **Second Quarter and Full-Year 2019 Guidance**

CarGurus anticipates total revenue, non-GAAP operating income, and non-GAAP earnings per share to be in the following ranges:

### **Second Quarter 2019:**

- Total revenue \$138 to \$141 million
- Non-GAAP operating income \$8.0 to \$10.0 million
- Non-GAAP EPS \$0.06 to \$0.08

The second quarter 2019 non-GAAP earnings per share calculation assumes 114.0 million diluted weighted-average common shares outstanding.

### **Full-Year 2019:**

- Total revenue \$569 to \$578 million
- Non-GAAP operating income \$50 to \$56 million
- Non-GAAP EPS \$0.39 to \$0.43

The full-year non-GAAP earnings per share calculation assumes 114.5 million diluted weighted-average common shares outstanding. Guidance for the second quarter and full-year 2019 does not include any potential impact of foreign currency exchange gains or losses.

CarGurus has not reconciled its non-GAAP operating income guidance to GAAP operating income, or its non-GAAP EPS guidance to GAAP EPS, because stock-based compensation and amortization of intangible assets, the reconciling items between such GAAP and non-GAAP financial measures, cannot be reasonably predicted due to, as applicable, the timing, amount, valuation and number of future employee equity awards, and the occurrence of acquisitions and therefore cannot be determined without unreasonable effort. For more information regarding the non-GAAP financial measures discussed in this release, please see the reconciliations of GAAP financial measures to non-GAAP financial measures and the section titled “Non-GAAP Financial Measures and Other Business Metrics” below.

## **Conference Call and Webcast Information**

CarGurus will host a conference call and live webcast to discuss its first quarter 2019 financial results and second quarter and full fiscal year 2019 financial guidance at 5:00 p.m. Eastern Time today, May 9, 2019. To access the conference call, dial (877) 451-6152 for callers in the U.S. or Canada, or (201) 389-0879 for international callers. The webcast will be available live on the Investors section of the Company's website at <https://investors.cargurus.com>.

An audio replay of the call will also be available to investors beginning at approximately 8:00 p.m. Eastern Time on May 9, 2019, until 11:59 p.m. Eastern Time on May 23, 2019, by dialing (844) 512-2921 for callers in the U.S. or Canada, or (412) 317-6671 for international callers, and entering passcode 13689437. In addition, an archived webcast will be available on the Investors section of the Company's website at <https://investors.cargurus.com>.

## **About CarGurus**

Founded in 2006, CarGurus (Nasdaq: CARG) is a global, online automotive marketplace connecting buyers and sellers of new and used cars. The Company uses proprietary technology, search algorithms and data analytics to bring trust and transparency to the automotive search experience and help users find great deals from top-rated dealers. CarGurus is the largest automotive shopping site in the U.S. by unique monthly visitors (source: Comscore Media Metrix® Multi-Platform, Automotive – Information/Resources, Total Audience, Q1 2019, U.S. (Competitive set includes: CarGurus.com, Autotrader.com, Cars.com, TrueCar.com)). In addition to the United States, CarGurus operates online marketplaces in Canada, the United Kingdom, Germany, Italy, and Spain. To learn more

about CarGurus, visit [www.cargurus.com](http://www.cargurus.com). CarGurus® is a registered trademark of CarGurus, Inc.

### Cautionary Language Concerning Forward-Looking Statements

This press release includes forward-looking statements. All statements contained in this press release other than statements of historical facts, including, without limitation, statements regarding our future financial and business performance for the second quarter 2019 and full-year 2019, are forward-looking statements. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “guide,” “intend,” “likely,” “may,” “will” and similar expressions and their negatives are intended to identify forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including, without limitation, risks related to our rapid growth and ability to sustain our revenue growth rate, our relationships with dealers, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to expand effectively into new markets, our ability to realize benefits from our acquisition of PistonHeads and successfully implement the integration strategies in connection therewith, our ability to operate in compliance with applicable laws as well as other risks and uncertainties set forth in the “Risk Factors” section of our Quarterly Report on Form 10-Q, filed on May 9, 2019 with the Securities and Exchange Commission (SEC), and subsequent reports that we file with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no duty to update any of these forward-looking statements after the date of this press release to conform these statements to actual results or revised expectations, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this press release.

### Unaudited Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

|                                                                                              | At<br>March 31,<br>2019 | At<br>December 31,<br>2018 |
|----------------------------------------------------------------------------------------------|-------------------------|----------------------------|
| <b>Assets</b>                                                                                |                         |                            |
| Current assets                                                                               |                         |                            |
| Cash and cash equivalents                                                                    | \$ 29,939               | \$ 34,887                  |
| Investments                                                                                  | 108,500                 | 122,800                    |
| Accounts receivable, net of allowance for doubtful accounts of \$223 and \$479, respectively | 15,111                  | 13,614                     |
| Prepaid expenses and prepaid income taxes                                                    | 9,680                   | 10,144                     |
| Deferred contract costs                                                                      | 6,591                   | 5,253                      |
| Other current assets                                                                         | 8,835                   | 7,410                      |
| Restricted cash                                                                              | 750                     | 750                        |
| Total current assets                                                                         | 179,406                 | 194,858                    |
| Property and equipment, net                                                                  | 26,550                  | 24,269                     |
| Intangible assets                                                                            | 4,407                   | —                          |
| Goodwill                                                                                     | 15,852                  | —                          |
| Operating lease right-of-use assets                                                          | 50,742                  | —                          |
| Restricted cash                                                                              | 1,918                   | 1,921                      |
| Deferred tax assets                                                                          | 42,714                  | 38,886                     |
| Deferred contract costs, net of current portion                                              | 8,446                   | 7,252                      |
| Other long-term assets                                                                       | 1,892                   | 1,104                      |
| Total assets                                                                                 | <u>\$ 331,927</u>       | <u>\$ 268,290</u>          |
| <b>Liabilities and stockholders' equity</b>                                                  |                         |                            |
| Current liabilities                                                                          |                         |                            |
| Accounts payable                                                                             | \$ 35,253               | \$ 34,345                  |
| Accrued expenses, accrued income taxes and other current liabilities                         | 13,793                  | 18,654                     |
| Deferred revenue                                                                             | 8,942                   | 8,811                      |
| Operating lease liabilities                                                                  | 7,486                   | 1,693                      |
| Total current liabilities                                                                    | 65,474                  | 63,503                     |
| Operating lease liability non-current                                                        | 52,956                  | 9,395                      |
| Deferred tax liabilities                                                                     | 1,002                   | —                          |
| Other non-current liabilities                                                                | 1,486                   | 1,281                      |

|                                                                                                                                                                                                 |                   |                   |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| Total liabilities                                                                                                                                                                               | 120,918           | 74,179            |
| Commitments and contingencies                                                                                                                                                                   |                   |                   |
| Stockholders' equity:                                                                                                                                                                           |                   |                   |
| Class A common stock, \$0.001 par value per share; 500,000,000 shares authorized; 90,370,773 and 89,728,223 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively | 90                | 90                |
| Class B common stock, \$0.001 par value per share; 100,000,000 shares authorized; 20,702,084 and 20,702,084 shares issued and outstanding at March 31, 2019 and December 31, 2018, respectively | 21                | 21                |
| Additional paid-in capital                                                                                                                                                                      | 188,954           | 184,216           |
| Retained earnings                                                                                                                                                                               | 22,297            | 9,713             |
| Accumulated other comprehensive (loss) income                                                                                                                                                   | (353)             | 71                |
| Total stockholders' equity                                                                                                                                                                      | 211,009           | 194,111           |
| Total liabilities and stockholders' equity                                                                                                                                                      | <u>\$ 331,927</u> | <u>\$ 268,290</u> |

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

|                                                                                                                               | <b>Three Months Ended<br/>March 31,</b> |                 |
|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------|
|                                                                                                                               | <b>2019</b>                             | <b>2018</b>     |
| Revenue                                                                                                                       | \$ 135,270                              | \$ 98,575       |
| Cost of revenue <sup>(1)</sup>                                                                                                | 7,720                                   | 5,569           |
| Gross profit                                                                                                                  | 127,550                                 | 93,006          |
| Operating expenses:                                                                                                           |                                         |                 |
| Sales and marketing                                                                                                           | 91,316                                  | 68,845          |
| Product, technology, and development                                                                                          | 15,972                                  | 9,098           |
| General and administrative                                                                                                    | 11,760                                  | 7,871           |
| Depreciation and amortization                                                                                                 | 1,067                                   | 733             |
| Total operating expenses                                                                                                      | 120,115                                 | 86,547          |
| Income from operations                                                                                                        | 7,435                                   | 6,459           |
| Other income, net:                                                                                                            |                                         |                 |
| Interest income                                                                                                               | 744                                     | 291             |
| Other income (expense)                                                                                                        | 902                                     | (9)             |
| Total other income, net                                                                                                       | 1,646                                   | 282             |
| Income before income taxes                                                                                                    | 9,081                                   | 6,741           |
| (Benefit from) provision for income taxes                                                                                     | (3,503)                                 | 1,246           |
| Net income                                                                                                                    | <u>\$ 12,584</u>                        | <u>\$ 5,495</u> |
| Net income per share attributable to common stockholders:                                                                     |                                         |                 |
| Basic                                                                                                                         | <u>\$ 0.11</u>                          | <u>\$ 0.05</u>  |
| Diluted                                                                                                                       | <u>\$ 0.11</u>                          | <u>\$ 0.05</u>  |
| Weighted-average number of shares of common stock used in computing net income per share attributable to common stockholders: |                                         |                 |
| Basic                                                                                                                         | 110,800,037                             | 106,942,799     |
| Diluted                                                                                                                       | 113,406,320                             | 113,341,308     |

(1) Includes depreciation and amortization expense for the three months ended March 31, 2019 and 2018 of \$560 and \$504, respectively.

**Unaudited Condensed Consolidated Statements of Cash Flows**  
(in thousands)

|                             | <b>Three Months Ended<br/>March 31,</b> |             |
|-----------------------------|-----------------------------------------|-------------|
|                             | <b>2019</b>                             | <b>2018</b> |
| <b>Operating Activities</b> |                                         |             |

|                                                                                   |    |                 |    |                 |
|-----------------------------------------------------------------------------------|----|-----------------|----|-----------------|
| Net income                                                                        | \$ | 12,584          | \$ | 5,495           |
| Adjustments to reconcile net income to net cash provided by operating activities: |    |                 |    |                 |
| Depreciation and amortization                                                     |    | 1,627           |    | 1,237           |
| Unrealized currency (gain) loss on foreign denominated transactions               |    | (833)           |    | 53              |
| Deferred taxes                                                                    |    | (3,692)         |    | (1,317)         |
| Provision for doubtful accounts                                                   |    | 15              |    | 377             |
| Stock-based compensation expense                                                  |    | 7,686           |    | 3,818           |
| Amortization of deferred contract costs                                           |    | 1,830           |    | 513             |
| Changes in operating assets and liabilities:                                      |    |                 |    |                 |
| Accounts receivable                                                               |    | (1,519)         |    | 133             |
| Prepaid expenses, prepaid income taxes, and other assets                          |    | (1,760)         |    | (507)           |
| Deferred contract costs                                                           |    | (4,376)         |    | (3,176)         |
| Accounts payable                                                                  |    | 3,225           |    | 649             |
| Accrued expenses, accrued income taxes, and other current liabilities             |    | (4,009)         |    | (3,651)         |
| Deferred revenue                                                                  |    | 132             |    | 2,811           |
| Lease obligations                                                                 |    | (1,380)         |    | (215)           |
| Other non-current liabilities                                                     |    | 155             |    | 154             |
| Net cash provided by operating activities                                         |    | <u>9,685</u>    |    | <u>6,374</u>    |
| <b>Investing Activities</b>                                                       |    |                 |    |                 |
| Purchases of property and equipment                                               |    | (5,700)         |    | (434)           |
| Capitalization of website development costs                                       |    | (811)           |    | (581)           |
| Cash paid for acquisition                                                         |    | (19,139)        |    | —               |
| Investments in certificates of deposit                                            |    | (25,700)        |    | (60,000)        |
| Maturities of certificates of deposit                                             |    | 40,000          |    | 30,000          |
| Net cash used in investing activities                                             |    | <u>(11,350)</u> |    | <u>(31,015)</u> |
| <b>Financing Activities</b>                                                       |    |                 |    |                 |
| Proceeds from exercise of stock options                                           |    | 697             |    | 80              |
| Financing cash flows from finance leases                                          |    | (6)             |    | —               |
| Payment of initial public offering costs                                          |    | —               |    | (1,142)         |
| Payment of withholding taxes on net share settlements of equity awards            |    | (3,954)         |    | —               |
| Net cash used in financing activities                                             |    | <u>(3,263)</u>  |    | <u>(1,062)</u>  |
| Impact of foreign currency on cash, cash equivalents, and restricted cash         |    | (23)            |    | 24              |
| Net decrease in cash, cash equivalents, and restricted cash                       |    | (4,951)         |    | (25,679)        |
| Cash, cash equivalents, and restricted cash at beginning of period                |    | 37,558          |    | 89,552          |
| Cash, cash equivalents, and restricted cash at end of period                      | \$ | <u>32,607</u>   | \$ | <u>63,873</u>   |
| <b>Supplemental disclosure of cash flow information:</b>                          |    |                 |    |                 |
| Cash paid for income taxes                                                        | \$ | <u>14</u>       | \$ | <u>5</u>        |
| Cash paid for interest                                                            | \$ | <u>1</u>        | \$ | <u>5</u>        |
| Unpaid purchases of property and equipment                                        | \$ | <u>2,112</u>    | \$ | <u>188</u>      |
| Capitalized stock-based compensation expense in website development costs         | \$ | <u>309</u>      | \$ | <u>149</u>      |
| Cash paid for operating lease liabilities                                         | \$ | <u>3,005</u>    | \$ | <u>—</u>        |

**Unaudited Reconciliation of GAAP Operating Income to Non-GAAP Operating Income and GAAP Operating Margin to Non-GAAP Operating Margin**  
(in thousands, except percentages)

|                                   | <b>Three Months Ended<br/>March 31,</b> |                  |
|-----------------------------------|-----------------------------------------|------------------|
|                                   | <b>2019</b>                             | <b>2018</b>      |
| GAAP operating income             | \$ 7,435                                | \$ 6,459         |
| Stock-based compensation expense  | 7,686                                   | 3,818            |
| Amortization of intangible assets | 155                                     | —                |
| Non-GAAP operating income         | <u>\$ 15,276</u>                        | <u>\$ 10,277</u> |
| GAAP operating margin             | 5 %                                     | 7 %              |
| Non-GAAP operating margin         | 11 %                                    | 10 %             |

**Unaudited Reconciliation of GAAP Net Income to Non-GAAP Net Income**  
(in thousands, except per share data)

|                                                                              | Three Months Ended<br>March 31, |                 |
|------------------------------------------------------------------------------|---------------------------------|-----------------|
|                                                                              | 2019                            | 2018            |
| GAAP net income                                                              | \$ 12,584                       | \$ 5,495        |
| Stock-based compensation expense, net of tax <sup>(1)</sup>                  | 6,072                           | 3,016           |
| Change in tax provision from stock-based compensation expense <sup>(2)</sup> | (5,323)                         | (113)           |
| Amortization of intangible assets                                            | 155                             | —               |
| Non-GAAP net income                                                          | <u>\$ 13,488</u>                | <u>\$ 8,398</u> |
| Non-GAAP net income per share:                                               |                                 |                 |
| Basic                                                                        | <u>\$ 0.12</u>                  | <u>\$ 0.08</u>  |
| Diluted                                                                      | <u>\$ 0.12</u>                  | <u>\$ 0.07</u>  |
| Shares used in non-GAAP per share calculations                               |                                 |                 |
| Basic                                                                        | 110,800                         | 106,943         |
| Diluted                                                                      | 113,406                         | 113,341         |

(1) The stock-based compensation amounts reflected in the table above, for 2019 and 2018, are tax effected at the U.S. federal statutory tax rate of 21%.

(2) This adjustment reflects the tax effect of differences between tax deductions related to stock compensation and the corresponding financial statement expense.

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

|                                                              | Three Months Ended<br>March 31, |                  |
|--------------------------------------------------------------|---------------------------------|------------------|
|                                                              | 2019                            | 2018             |
| Revenue                                                      | \$ 135,270                      | \$ 98,575        |
| Cost of revenue                                              | <u>7,720</u>                    | <u>5,569</u>     |
| Gross profit                                                 | 127,550                         | 93,006           |
| Stock-based compensation expense included in Cost of revenue | 81                              | 89               |
| Non-GAAP gross profit                                        | <u>\$ 127,631</u>               | <u>\$ 93,095</u> |
| GAAP gross profit margin                                     | 94 %                            | 94 %             |
| Non-GAAP gross profit margin                                 | 94 %                            | 94 %             |

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

|                             | Three Months Ended<br>March 31, |                                  |                                   |                  |              |                                  |                                   |                  |
|-----------------------------|---------------------------------|----------------------------------|-----------------------------------|------------------|--------------|----------------------------------|-----------------------------------|------------------|
|                             | 2019                            |                                  |                                   |                  | 2018         |                                  |                                   |                  |
|                             | GAAP expense                    | Stock-based compensation expense | Amortization of intangible assets | Non-GAAP expense | GAAP expense | Stock-based compensation expense | Amortization of intangible assets | Non-GAAP expense |
| Cost of revenue             | \$ 7,720                        | \$ (81)                          | \$ —                              | \$ 7,639         | \$ 5,569     | \$ (89)                          | \$ —                              | \$ 5,480         |
| S&M                         | 91,316                          | (2,312)                          | —                                 | 89,004           | 68,845       | (1,010)                          | —                                 | 67,835           |
| P,T&D <sup>(1)</sup>        | 15,972                          | (3,183)                          | —                                 | 12,789           | 9,098        | (1,661)                          | —                                 | 7,437            |
| G&A                         | 11,760                          | (2,110)                          | —                                 | 9,650            | 7,871        | (1,058)                          | —                                 | 6,813            |
| Depreciation & amortization | <u>1,067</u>                    | <u>—</u>                         | <u>(155)</u>                      | <u>912</u>       | <u>733</u>   | <u>—</u>                         | <u>—</u>                          | <u>733</u>       |

|                                   |                   |                   |                 |                   |                  |                   |             |                  |
|-----------------------------------|-------------------|-------------------|-----------------|-------------------|------------------|-------------------|-------------|------------------|
| Operating expenses <sup>(2)</sup> | \$ 120,115        | \$ (7,605)        | \$ (155)        | \$ 112,355        | \$ 86,547        | \$ (3,729)        | \$ —        | \$ 82,818        |
| Total expenses                    | <u>\$ 127,835</u> | <u>\$ (7,686)</u> | <u>\$ (155)</u> | <u>\$ 119,994</u> | <u>\$ 92,116</u> | <u>\$ (3,818)</u> | <u>\$ —</u> | <u>\$ 88,298</u> |

(1) Product, Technology, & Development

(2) Operating expenses include S&M, P,T&D, G&A, and depreciation & amortization

#### Unaudited Reconciliation of GAAP Net Income to Adjusted EBITDA

(in thousands)

|                                              | Three Months Ended<br>March 31, |                  |
|----------------------------------------------|---------------------------------|------------------|
|                                              | 2019                            | 2018             |
| GAAP net income                              | \$ 12,584                       | \$ 5,495         |
| Depreciation and amortization <sup>(1)</sup> | 1,627                           | 1,237            |
| Stock-based compensation expense             | 7,686                           | 3,818            |
| Other income, net                            | (1,646)                         | (282)            |
| (Benefit from) provision for income taxes    | (3,503)                         | 1,246            |
| Adjusted EBITDA                              | <u>\$ 16,748</u>                | <u>\$ 11,514</u> |

(1) Includes amortization of intangible assets for the three months ended March 31, 2019 and 2018 of \$155 and \$0, respectively.

#### Unaudited Reconciliation of GAAP Net Cash and Cash Equivalents Provided by Operating Activities to Non-GAAP Free Cash Flow

(in thousands)

|                                                                     | Three Months Ended<br>March 31, |                 |
|---------------------------------------------------------------------|---------------------------------|-----------------|
|                                                                     | 2019                            | 2018            |
| GAAP net cash and cash equivalents provided by operating activities | \$ 9,685                        | \$ 6,374        |
| Purchases of property and equipment                                 | (5,700)                         | (434)           |
| Capitalization of website development costs                         | (811)                           | (581)           |
| Non-GAAP free cash flow                                             | <u>\$ 3,174</u>                 | <u>\$ 5,359</u> |

#### Non-GAAP Financial Measures and Other Business Metrics

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

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

We define Adjusted EBITDA as GAAP net income, adjusted to exclude: depreciation and amortization, stock-based compensation expense, other income, net, the (benefit from) provision for income taxes, and certain one-time, non-recurring items, if and when applicable. We have presented Adjusted EBITDA because it is a key measure 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 Adjusted EBITDA can produce a useful measure for period-to-period comparisons of our business.

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

We also monitor operating measures of certain non-GAAP items including non-GAAP gross margin, non-GAAP expense, non-GAAP

operating income, non-GAAP operating margin, non-GAAP net income and non-GAAP net income per share. These non-GAAP financial measures exclude the effect of stock-based compensation expense and amortization of intangible assets. Non-GAAP net income and non-GAAP income per share also exclude the change in tax provision from stock-based compensation expense. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making.

While a reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort as a result of the uncertainty regarding, and the potential variability of, stock-based compensation expenses and amortization of intangible assets that we may incur in the future, we have provided a reconciliation of non-GAAP financial measures and other business metrics to the nearest comparable GAAP measures in the accompanying financial statement tables included in this press release.

We define a paying dealer as a dealer, based on a distinct associated inventory feed, that subscribes to one of our paid listing or display products at the end of a defined period.

We define AARSD, which is measured at the end of a defined period, as the total marketplace subscription revenue during the trailing 12 months divided by the average number of paying dealers during the same trailing 12-month period.

For each of our websites, we define a monthly unique user as an individual who visited 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 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 one of our websites during a calendar month. If an individual accesses one of our websites using a different device within a given month, the first access by each such device is counted as a separate unique user.

We define monthly sessions as the number of distinct visits to our websites 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 United States and Canada websites, (ii) Greenwich Mean Time for our UK websites and (iii) Central European Time (or Central European Summer Time when daylight savings is observed) for our Germany, Italy and Spain websites, as applicable. 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.

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Source: CarGurus, Inc.