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 September 30, 2024

OR

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

For the transition period from ________________ to ________________

Commission File Number: 001-38233

CARGURUS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**04-3843478**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
1001 Boylston Street, 16th Floor	
Boston, Massachusetts	**02115**
(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:

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

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

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

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Small reporting company	☐
		Emerging growth company	☐

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

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 October 31, 2024, the registrant had 87,950,796 shares of Class A common stock, $0.001 par value per share, and 15,757,238 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 car-shopping journey for both consumers and dealers, and become the marketplace for all steps of the vehicle acquisition and sale processes;
- our evolution to becoming a transaction-enabled platform where consumers can shop, buy, seek financing, and sell their cars and dealers can predict, source, market, and sell their cars;
- our belief that certain of our strengths, including our trusted marketplace for consumers, our strong value proposition for dealers, and our data-driven approach, among other things, will lead to an advantage over our competitors;
- the value proposition of the CarOffer, LLC, or CarOffer, online wholesale platform, including our belief that as dealer enrollments increase, dealers will see a corresponding increase in inventory on the platform, further enabling liquidity, selection, choice, and business efficiencies;
- our ability to deliver quality leads at a high volume for our dealer customers and to provide the highest return on a dealer's investment;
- our expectations for CarGurus Sell My Car (Instant Max Cash Offer and Top Dealer Offers) as well as our digital retail offerings and continued investments;
- our ability to maintain and acquire new customers;
- our ability to maintain and build our brand;
- our belief that our partnerships with automotive lending companies provide more transparency to car shoppers and deliver highly qualified car shopper leads to participating dealers;
- our belief that our Geo Expansion offering promotes participating dealers' delivery capabilities and increases non-local vehicle detail page views;
- our outlook for our Restricted Listings product;
- the impact of competition in our industry and innovation by our competitors;
- our ability to adapt to technological change and effectively enhance, innovate, and scale our platform and offerings;
- our ability to realize benefits from our acquisitions and successfully implement the integration strategies in connection therewith;
- impairment of the carrying value of our goodwill or other assets;
- our ability to overcome challenges facing the automotive industry ecosystem, including inventory supply problems, global supply chain challenges, changes to trade policies, and other macroeconomic issues;
- our expectations regarding cash generation and the sufficiency of our cash to fund our operations;
- our expected returns on investments;
- our expectations regarding our deferred tax assets;
- the impact of changes in tax law and related guidance and regulations that may be implemented, including on tax rates;

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

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

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

NOTE REGARDING TRADEMARKS

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

CarGurus, Inc.

Unaudited Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

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

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

CarGurus, Inc.

Unaudited Condensed Consolidated Income Statements

(in thousands, except share and per share data)

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

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

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

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

CarGurus, Inc.

Unaudited Condensed Consolidated Statements of Comprehensive Income

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	**2023**	**2024**	**2023**
Consolidated net income (loss)	$ 22,511	$ 18,973	$ (24,909)	$ 44,656
Other comprehensive income:				
Foreign currency translation adjustment	1,382	(778)	580	(475)
Consolidated comprehensive income (loss)	23,893	18,195	(24,329)	44,181
Comprehensive loss attributable to redeemable noncontrolling interests	—	(3,329)	—	(10,191)
Comprehensive income (loss) attributable to common stockholders	$ 23,893	$ 21,524	$ (24,329)	$ 54,372

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

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

	Redeemable Noncontrolling Interest	Class A Common Stock		Class B Common Stock		Additional Paid–in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
		Shares	Amount	Shares	Amount				
Balance as of December 31, 2023	$ —	92,175,243	$ 92	15,999,173	$ 16	$ 263,498	$ 354,147	$ (901)	$ 616,852
Net income	—	—	—	—	—	—	21,301	—	21,301
Stock–based compensation expense	—	—	—	—	—	17,649	—	—	17,649
Issuance of common stock upon exercise of stock options	—	36,455	—	—	—	11	—	—	11
Issuance of common stock upon vesting of restricted stock units	—	615,383	1	—	—	(1)	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(213,042)	—	—	—	(5,097)	—	—	(5,097)
Repurchase of common stock	—	(3,538,194)	(4)	—	—	(81,751)	—	—	(81,755)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(599)	(599)
Balance as of March 31, 2024	$ —	89,075,845	$ 89	15,999,173	$ 16	$ 194,309	$ 375,448	$ (1,500)	$ 568,362
Net loss	$ —	—	$ —	—	$ —	$ —	$ (68,721)	$ —	$ (68,721)
Stock–based compensation expense	—	—	—	—	—	17,198	—	—	17,198
Issuance of common stock upon exercise of stock options	—	54,382	—	—	—	15	—	—	15
Issuance of common stock upon vesting of restricted stock units	—	803,405	1	—	—	(1)	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(273,422)	—	—	—	(6,291)	—	—	(6,291)
Repurchase of common stock	—	(2,654,807)	(3)	—	—	(61,791)	—	—	(61,794)
Other (Note 6)	—	—	—	—	—	3,507	—	—	3,507
Foreign currency translation adjustment	—	—	—	—	—	—	—	(203)	(203)
Balance as of June 30, 2024	$ —	87,005,403	$ 87	15,999,173	$ 16	$ 146,946	$ 306,727	$ (1,703)	$ 452,073
Net income	$ —	—	$ —	—	$ —	$ —	$ 22,511	$ —	$ 22,511
Stock–based compensation expense	—	—	—	—	—	16,994	—	—	16,994
Issuance of common stock upon exercise of stock options	—	58,922	—	—	—	49	—	—	49
Issuance of common stock upon vesting of restricted stock units	—	676,910	1	—	—	(1)	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(236,722)	—	—	—	(5,986)	—	—	(5,986)
Repurchase of common stock	—	(164,301)	—	—	—	(3,550)	—	—	(3,550)
Conversion of common stock	—	241,935	—	(241,935)	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	1,382	1,382
Balance as of September 31, 2024	$ —	87,582,147	$ 88	15,757,238	$ 16	$ 154,452	$ 329,238	$ (321)	$ 483,473
Balance as of December 31, 2022	$ 36,749	101,636,649	$ 102	15,999,173	$ 16	$ 413,092	$ 323,043	$ (1,644)	$ 734,609
Net (loss) income	(4,266)	—	—	—	—	—	16,132	—	16,132
Stock–based compensation expense	—	—	—	—	—	16,049	—	—	16,049
Issuance of common stock upon exercise of stock options	—	7,700	—	—	—	19	—	—	19
Issuance of common stock upon vesting of restricted stock units	—	959,935	—	—	—	—	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(335,448)	—	—	—	(5,652)	—	—	(5,652)
Repurchase of common stock	—	(3,989,861)	(4)	—	—	(65,760)	—	—	(65,764)
Tax distributions to redeemable noncontrolling interest holders	(8)	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	415	415
Balance as of March 31, 2023	$ 32,475	98,278,975	$ 98	15,999,173	$ 16	$ 357,748	$ 339,175	$ (1,229)	$ 695,808
Net (loss) income	$ (2,596)	—	$ —	—	$ —	$ —	$ 16,413	$ —	$ 16,413
Stock-based compensation expense	—	—	—	—	—	15,895	—	—	15,895
Issuance of common stock upon exercise of stock options	—	1,480	—	—	—	10	—	—	10
Issuance of common stock upon vesting of restricted stock units	—	697,879	—	—	—	—	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(240,674)	—	—	—	(5,196)	—	—	(5,196)
Repurchase of common stock	—	(1,311,387)	(1)	—	—	(21,963)	—	—	(21,964)
Tax distributions to redeemable noncontrolling interest holders	(14)	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	(112)	(112)
Balance at June 30, 2023	$ 29,865	97,426,273	$ 97	15,999,173	$ 16	$ 346,494	$ 355,588	$ (1,341)	$ 700,854
Net (loss) income	$ (3,329)	—	$ —	—	$ —	$ —	$ 22,302	$ —	$ 22,302
Stock-based compensation expense	—	—	—	—	—	15,668	—	—	15,668
Issuance of common stock upon exercise of stock options	—	6,654	—	—	—	45	—	—	45
Issuance of common stock upon vesting of restricted stock units	—	615,273	1	—	—	(1)	—	—	—
Payment of withholding taxes on net share settlements of restricted stock units	—	(214,187)	—	—	—	(3,915)	—	—	(3,915)
Repurchase of common stock	—	(956,248)	(1)	—	—	(17,181)	—	—	(17,182)
Tax distributions to redeemable noncontrolling interest holders	—	—	—	—	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	(778)	(778)
Balance at September 30, 2023	$ 26,536	96,877,765	$ 97	15,999,173	$ 16	$ 341,110	$ 377,890	$ (2,119)	$ 716,994

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)

	Nine Months Ended September 30,	
	2024	2023
Operating Activities		
Consolidated net (loss) income	$ (24,909)	$ 44,656
Adjustments to reconcile consolidated net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	18,322	35,713
Gain on sale of property and equipment	—	(460)
Currency (gain) loss on foreign denominated transactions	(234)	249
Other non-cash (income) expense, net	(816)	168
Deferred taxes	(47,344)	(32,129)
Provision for doubtful accounts	1,534	247
Stock-based compensation expense	46,614	43,769
Amortization of deferred financing costs	387	387
Amortization of deferred contract costs	10,241	8,629
Goodwill and other asset impairment	144,431	184
Changes in operating assets and liabilities:		
Accounts receivable	(5,393)	337
Inventory	149	4,959
Prepaid expenses, prepaid income taxes, and other assets	7,093	6,027
Deferred contract costs	(11,307)	(13,688)
Accounts payable	10,770	1,177
Accrued expenses, accrued income taxes, and other liabilities	(2,568)	1,016
Deferred revenue	555	8,797
Lease obligations	32,232	11,993
Net cash provided by operating activities	179,757	122,031
Investing Activities		
Purchases of property and equipment	(64,937)	(9,048)
Proceeds from sale of property and equipment	—	460
Capitalization of website development costs	(15,314)	(11,773)
Purchases of short-term investments	(494)	(96,748)
Sale of short-term investments	21,218	5,000
Advance payments to customers, net of collections	259	(2,908)
Net cash used in investing activities	(59,268)	(115,017)
Financing Activities		
Proceeds from issuance of common stock upon exercise of stock options	75	74
Payment of withholding taxes on net share settlements of restricted stock units	(17,391)	(11,738)
Repurchases of common stock	(146,180)	(107,409)
Payment of finance lease obligations	(56)	(52)
Payment of tax distributions to redeemable noncontrolling interest holders	—	(38)
Change in gross advance payments received from third-party transaction processor	(704)	(4,523)
Net cash used in financing activities	(164,256)	(123,686)
Impact of foreign currency on cash, cash equivalents, and restricted cash	582	(506)
Net decrease in cash, cash equivalents, and restricted cash	(43,185)	(117,178)
Cash, cash equivalents, and restricted cash at beginning of period	293,926	484,132
Cash, cash equivalents, and restricted cash at end of period	$ 250,741	$ 366,954
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 36,959	$ 48,933
Cash paid for operating lease liabilities	$ 11,213	$ 14,762
Cash paid for interest	$ 611	$ 411
Supplemental noncash disclosure of cash flow information:		
Unpaid purchases of property and equipment and capitalized hosting arrangements	$ 6,592	$ 5,706
Unpaid withholding taxes on net share settlement of restricted stock units	$ 120	$ 3,029
Unpaid repurchases of common stock	$ —	$ 1,173
Unpaid excise tax on repurchases of common stock	$ 2,503	$ 617
Capitalized stock-based compensation expense in website development and internal-use software costs and hosting arrangements	$ 5,227	$ 3,843
Obtaining a right-of-use asset in exchange for an operating lease liability	$ (5,029)	$ 145,607

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

CarGurus, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

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

1. Organization and Business Description

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

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

The Company has subsidiaries in the U.S., Canada, Ireland, and the U.K. and it has two reportable segments, U.S. Marketplace and Digital Wholesale. See Note 13 of the Unaudited Condensed Consolidated Financial Statements (as defined in Note 2 of the Unaudited Condensed Consolidated Financial Statements) 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 quarterly period ended September 30, 2023, filed with the SEC on November 7, 2023, the accompanying Unaudited Condensed Consolidated Statements of Cash Flows for the quarterly period ended September 30, 2023, present unpaid excise tax on repurchases of common stock separately from unpaid repurchases of common stock to conform to the current year presentation.

Principles of Consolidation

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

Subsequent Event Considerations

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the Unaudited Condensed Consolidated Financial Statements to provide additional evidence for certain estimates or to identify matters that require additional disclosure. The Company has evaluated all subsequent events and determined that there are no material recognized or unrecognized subsequent events requiring disclosure, other than those described in Note 14 of these Unaudited Condensed Consolidated Financial Statements.

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 and nine months ended September 30, 2024, there were no estimates related to the valuation of redeemable noncontrolling interest.

During the three months ended June 30, 2024, the Company identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and declines in the volume of the number of vehicles processed from car dealers, consumers, and other marketplaces through the CarOffer website within the applicable period within the Digital Wholesale segment ("Transactions"), which resulted in revisions to the Company's financial projections for the CarOffer reporting unit. During the three months ended June 30, 2024, the Company performed an updated fair value analysis of the CarOffer reporting unit, resulting in an excess of carrying value over fair value of the CarOffer reporting unit, which led to the impairment of the CarOffer reporting unit, as discussed in Note 6 of the Unaudited Condensed Consolidated Financial Statements.

During the three months ended September 30, 2024, there was no additional impairment related to the CarOffer reporting unit.

Due to the partial impairment of the CarOffer reporting unit goodwill and other long-term assets during the three months ended June 30, 2024, in which the CarOffer reporting unit was reduced to its fair value, there remains a risk for future impairment charges if projected future operating results further decline, including as a result of economic conditions or operational challenges, which could be material and negatively affect its operations.

For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements.

Concentration of Credit Risk

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

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

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

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

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

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

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

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

As of September 30, 2024, trade accounts receivable from receivables in transit, net of payables due, from the third-party transaction processor was $2,216, offset by payments received in advance of $1,311, which resulted in a net receivable of $905 recognized within accounts receivable 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 September 30, 2024 and December 31, 2023, $11,795 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 September 30, 2024, there have been no material changes in the Company's significant accounting policies, which are detailed in the Annual Report.

Recent Accounting Pronouncements Not Yet Adopted

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

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

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

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

3. Revenue Recognition

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Marketplace	$ 204,019	$ 177,909	$ 586,405	$ 515,986
Dealer-to-Dealer	13,876	23,290	47,867	84,945
Sell My Car - Instant Max Cash Offer	13,463	18,220	31,574	90,188
Total	$ 231,358	$ 219,419	$ 665,846	$ 691,119

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

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

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

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

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

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

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

For contracts with an original expected duration greater than one year, the aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied as of September 30, 2024, was approximately $57.6 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 September 30, 2024. For performance obligations not satisfied as of September 30, 2024, and to which this expedient applies, the nature of the performance obligations, the variable consideration, and any consideration from contracts with customers not included in the transaction price is consistent with performance obligations satisfied as of September 30, 2024.

For the three months ended September 30, 2024 and 2023, revenue recognized from amounts included in deferred revenue at the beginning of the period was $21,785 and $21,267, respectively. For the nine months ended September 30, 2024 and 2023, revenue recognized from amounts included in deferred revenue at the beginning of the period was $21,322 and $12,249, respectively.

4. Fair Value of Financial Instruments

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

	As of September 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1 Inputs)	Significant Other Observable Inputs (Level 2 Inputs)	Significant Unobservable Inputs (Level 3 Inputs)	Total
Cash equivalents:				
Mutual funds	$ 137,781	$ —	$ —	$ 137,781
Total	$ 137,781	$ —	$ —	$ 137,781

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

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

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

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

5. Property and Equipment, Net

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

	As of September 30, 2024	As of December 31, 2023
Capitalized equipment	$ 7,769	$ 1,326
Capitalized internal-use software	18,280	12,279
Capitalized website development	57,258	57,158
Furniture and fixtures	13,660	8,149
Leasehold improvements	92,952	23,308
Construction in progress	—	39,835
Finance lease right-of-use assets	188	288
	190,107	142,343
Less accumulated depreciation and amortization	(63,495)	(58,973)
Total	$ 126,612	$ 83,370

During the nine months ended September 30, 2024, capitalized website development increased $100 due primarily to continued net investment in the Company's product offerings of $19,153, which was offset in part by a $15,583 impairment of capitalized website development costs due to the end of the CG Buy Online pilot which allowed consumers to purchase vehicles online, as well as a $3,470 disposal of fully depreciated assets for the Company's peer-to-peer product which the Company is no longer offering. For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements.

During the nine months ended September 30, 2024, capitalized equipment, furniture and fixtures, and leasehold improvements increased $6,443, $5,511, and $69,644, respectively, due primarily to assets being transferred out of construction in progress and placed into service, as well as additional buildout costs, as the Company began occupying 1001 Boylston Street. The Company also impaired $219 of furniture and fixtures due to the end of the CG Buy Online pilot. For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements.

During the nine months ended September 30, 2024, capitalized internal-use software increased $6,001, due primarily to continued net investment in the Company's software projects.

During the nine months ended September 30, 2024, construction in progress decreased $39,835 due primarily to assets being transferred out of construction in progress and placed into service in their respective categories as the Company began occupying 1001 Boylston Street.

For the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, depreciation and amortization expense, excluding amortization of intangible assets, amortization of capitalized hosting arrangements, and impairments, was $4,669, $4,962, $15,174, and $13,164, respectively.

6. Goodwill and Other Asset Impairments

CarOffer Impairment

Background

During the three months ended June 30, 2024, the Company identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to the Company's financial projections for the CarOffer reporting unit.

Prior to testing the goodwill and other long-lived assets included in the CarOffer reporting unit for impairment, the Company first evaluated current assets, inclusive of the cash and cash-equivalents, accounts receivable, inventory, prepaid expenses, and other current assets allocated to the CarOffer reporting unit, under applicable guidance and identified no impairment.

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

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

Accordingly, during the three months ended June 30, 2024, the Company recognized a $127,475 impairment to the CarOffer reporting unit, reducing its carrying value to its fair value. During the three months ended September 30, 2024, there was no additional impairment related to the CarOffer reporting unit.

Due to the partial impairment of the CarOffer reporting unit goodwill and other assets during the three months ended June 30, 2024, in which the CarOffer reporting unit was reduced to its fair value, there remains a risk for future impairment charges if projected future operating results further decline, including as a result of economic conditions or operational challenges, which could be material and negatively affect its operations.

Right-of-Use Asset

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

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

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

Other Intangible Assets

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

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

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

	As of September 30, 2024				
	Weighted Average Remaining Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Accumulated Impairment	Net Carrying Amount
Brand	6.4	$ 32,212	$ 12,285	$ 7,538	$ 12,389
Customer relationships	—	19,870	19,870	—	—
Developed technology	—	65,212	64,565	647	—
Total		$ 117,294	$ 96,720	$ 8,185	$ 12,389

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

For the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, amortization of intangible assets was $509, $7,508, $3,148, and $22,549, respectively.

For the three months ended September 30, 2024, there was no impairment for intangible assets. For the nine months ended September 30, 2024, the Company impaired $7,538 of Digital Wholesale segment intangible assets within goodwill and other asset impairment operating expenses in the Unaudited Condensed Consolidated Income Statements related to the impairment discussed above.

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

Year Ending December 31,	Amortization Expense
Remainder of 2024	$ 509
2025	2,035
2026	2,035
2027	2,035
2028	2,035
2029	1,410
Thereafter	2,330
Total	$ 12,389

Goodwill

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

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

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

During the three months ended September 30, 2024, there was no additional impairment related to the CarOffer reporting unit goodwill.

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

	U.S. Marketplace	Digital Wholesale	Other	Total
Balance as of December 31, 2023	$ 12,477	$ 130,451	$ 14,970	$ 157,898
Impairment of goodwill	—	(115,206)	—	(115,206)
Other [(1)]	—	4,323	—	4,323
Foreign currency translation adjustment	—	—	205	205
Balance as of September 30, 2024	$ 12,477	$ 19,568	$ 15,175	$ 47,220

(1) As of September 30, 2024, the Company recognized an immaterial adjustment to goodwill and additional paid-in-capital, associated with the acquisitions of its equity interests in CarOffer.

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

CG Buy Online Impairment

During the three months ended September 30, 2024, the Company decided to end its CG Buy Online pilot in order to redirect those resources toward other investment opportunities, including continued product innovation and development across the business. The CG Buy Online pilot was one of the initiatives that allowed consumers to purchase vehicles online. The pilot ended on October 31, 2024.

This was identified as a triggering event for long-lived asset impairment testing under ASC 360. Other long-lived assets are tested for impairment at the asset group level, and the Company identified the asset group as the CG Buy Online Pilot assets, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. These assets were included in the CG Buy Online reporting unit. As the asset group did not pass the step one recoverability test on an undiscounted cash flow basis, the Company then compared the fair value of the asset group to its carrying value. As the Company has decided to end this pilot, the estimated future cash flows, and related fair value are both $0. There is no goodwill associated with this asset group.

During the three months ended September 30, 2024, the Company impaired $15,583 and $219 of Digital Wholesale segment capitalized website development costs and furniture and fixtures, respectively, within property and equipment, net in the Unaudited Condensed Consolidated Balance Sheets. Additionally, the Company impaired $527 and $447 of capitalized hosting arrangements within prepaid expenses, prepaid income taxes and other current assets, and other non-current assets, respectively, in the Unaudited Condensed Consolidated Balance Sheets. These costs were included in the CG Buy Online reporting unit. There is an immaterial remaining balance of these assets, that amortized until the end of the pilot on October 31, 2024.

For both the three and nine months ended September 30, 2024, the Company recognized $9,750 and $7,026 of Digital Wholesale segment impairment charges, related to the CG Buy Online pilot, as wholesale cost of revenue and goodwill and other asset impairment operating expense, respectively, in the Unaudited Condensed Consolidated Income Statement.

For the nine months ended September 30, 2024, the Company recognized $16,766 of Digital Wholesale segment impairment charges as goodwill and other asset impairment adjustment to reconcile net income to net cash in the Unaudited Condensed Consolidated Statements of Cash Flows.

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

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

	As of September 30, 2024	As of December 31, 2023
Accrued bonus	$ 11,685	$ 15,247
Other accrued expenses, accrued income taxes, and other current liabilities	19,897	18,471
Total	$ 31,582	$ 33,718

The decrease of $3,562 in accrued bonus was due primarily to the midyear payout of the fiscal year 2024 bonuses in third quarter of 2024.

8. Debt

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

Revolving Credit Facility

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

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

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

As of September 30, 2024, there were no borrowings and $9,907 in letters of credit outstanding under the 2022 Revolver associated with the Company's leases, which reduced the borrowing capacity under the 2022 Revolver to $390,093. As of December 31, 2023, there were no borrowings and $9,627 in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to $390,373.

As of September 30, 2024 and December 31, 2023, deferred financing costs were $1,540 and $1,927, respectively.

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

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

9. Commitments and Contingencies

Contractual Obligations and Commitments

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

In connection with the Company’s operating lease agreement in Boston, Massachusetts for 225,428 square feet at 1001 Boylston Street (the “1001 Boylston Street Lease"), the Company expects to incur an additional $5,580 of costs to complete its buildout, of which $4,581 has been committed but not incurred as of September 30, 2024. The Company expects the future costs to complete the buildout to be less than the remaining 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 September 30, 2024, there were no material changes in the Company's leases from those disclosed in the Annual Report, other than those described below.

Addison, Texas

During the three months ended June 30, 2024, the Company identified an impairment of right-of-use assets associated with its Addison, Texas lease. For further information on goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements.

1001 Boylston Street

During the three months ended September 30, 2024, the Company began occupying 1001 Boylston Street. As of September 30, 2024, all assets associated with the 1001 Boylston Street lease were placed into service.

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

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

Restricted Cash

As of September 30, 2024 and December 31, 2023, restricted cash was $3,993 and $2,563, respectively, and in each case 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 September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, income for guarantees purchased by dealers was $118, $348, $481, and $1,508, respectively. For the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the net gains or losses recognized within cost of revenue in the Unaudited Condensed Consolidated Income Statements resulting from dealers' exercise of guarantees was immaterial.

As of September 30, 2024, the maximum potential amount of future payments that the Company could be required to make under these guarantees was $3,780. Of the maximum potential amount of future payments, the losses that were probable were not material. As such, as of September 30, 2024, the Company had no material contingent loss liabilities.

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

10. Stock-based Compensation and Common Stock Share Repurchases

Stock-based Compensation Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Options	$ 556	$ 591	$ 1,702	$ 1,795
Restricted Stock Units	14,899	13,672	45,132	42,047
CO Incentive Units and Subject Units [1]	—	(1,225)	—	—
Total	$ 15,455	$ 13,038	$ 46,834	$ 43,842

(1) As each term is defined in Note 2 to the consolidated financial statements contained within the Annual Report.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenue	$ 96	$ 185	$ 387	$ 513
Sales and marketing expense	3,017	2,780	9,141	8,736
Product, technology, and development expense	6,164	5,745	18,165	18,068
General and administrative expense	6,178	4,328	19,141	16,525
Total	$ 15,455	$ 13,038	$ 46,834	$ 43,842

For the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, stock-based compensation expense excluded $1,539, $1,406, $5,227, and $3,843, 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 "Exchange Act"). 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.

On November 7, 2024, the Company announced that the Board of Directors authorized a share repurchase program with an effective date of January 1, 2025, and an expiration date of December 31, 2025. See Note 14 of these Unaudited Condensed Consolidated Financial Statements for additional information.

During the three months ended September 30, 2024, the Company repurchased and retired 164,301 shares for $3,700, exclusive of commissions and excise tax, at an average cost of $22.52 per share, under the 2024 Share Repurchase Program. During the nine months ended September 30, 2024, the Company repurchased and retired 6,357,302 shares for $146,117, exclusive of commissions and excise tax, at an average cost of $22.98 per share, under the 2024 Share Repurchase Program. As of September 30, 2024, the Company had remaining authorization to purchase up to $103,883 of the Company's Class A common stock under the 2024 Share Repurchase Program.

During the three months ended September 30, 2023, the Company repurchased and retired 956,248 shares for $17,115, exclusive of commissions and excise tax, at an average cost of $17.90 per share, under the 2022 Share Repurchase Program. During the nine months ended September 30, 2023, the Company repurchased and retired 6,257,496 shares for $104,234, exclusive of commissions and excise tax, at an average cost of $16.66 per share, under the 2022 Share Repurchase Program.

11. Earnings Per Share

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

During the three and nine months ended September 30, 2024, 241,935 shares of Class B common stock were converted into Class A common stock. During the three and nine months ended September 30, 2023, no shares of Class B common stock were converted into Class A common stock.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Consolidated net income (loss)	$ 22,511	$ 18,973	$ (24,909)	$ 44,656
Net loss attributable to redeemable noncontrolling interest	—	(3,329)	—	(10,191)
Net income (loss) attributable to common stockholders — basic	$ 22,511	$ 22,302	$ (24,909)	$ 54,847
Net loss attributable to redeemable noncontrolling interest	—	(3,329)	—	(10,191)
Net income (loss) attributable to common stockholders — diluted	$ 22,511	$ 18,973	$ (24,909)	$ 44,656
Denominator:				
Weighted-average number of shares of common stock used in computing net income (loss) per share attributable to common stockholders — basic	103,321,988	113,223,711	104,769,518	113,998,928
Dilutive effect of share equivalents resulting from stock options	108,869	224,061	—	226,715
Dilutive effect of share equivalents resulting from unvested restricted stock units	1,628,426	874,507	—	676,093
Weighted-average number of shares of common stock used in computing net income per share attributable to common stockholders — diluted	105,059,283	114,322,279	104,769,518	114,901,736
Net income (loss) per share attributable to common stockholders:				
Basic	$ 0.22	$ 0.20	$ (0.24)	$ 0.48
Diluted	$ 0.21	$ 0.17	$ (0.24)	$ 0.39

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options outstanding	506,554	548,695	701,884	555,601
Restricted stock units outstanding	512,198	2,035,557	6,264,428	2,511,429

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

12. Income Taxes

During the three months ended September 30, 2024 and 2023, the Company recognized an income tax provision of $7,546 and $8,289, respectively, representing an effective tax rate of 25.1% and 27.1%, respectively. During the nine months ended September 30, 2024 and 2023, the Company recognized an income tax benefit of $5,772 and income tax provision of $23,421, representing an effective tax rate of 18.8%, and 29.9%, respectively.

The effective tax rates for the three months ended September 30, 2024 and 2023 and the nine months ended September 30, 2023, was greater than the statutory tax rate of 21%, principally due to state and local income taxes, the Section 162(m) excess officer compensation limitation, and non-deductible meals and commuter fringe benefits, partially offset by federal and state research and development tax credits. The effective tax rate for the nine months ended September 30, 2024, was less than the statutory tax rate of 21% principally due to federal and state research and development tax credits, stock-based compensation windfalls, and the discrete tax benefit associated with the impairment charges, partially offset by state and local income taxes, the Section 162(m) excess officer compensation limitation, and non-deductible meals and commuter fringe benefits.

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

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

13. Segment and Geographic Information

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

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

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

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

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

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

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Segment Depreciation and Amortization:				
U.S. Marketplace	$ 2,594	$ 2,971	$ 7,578	$ 8,534
Digital Wholesale	2,286	9,334	10,003	26,728
Other	298	165	741	451
Total	$ 5,178	$ 12,470	$ 18,322	$ 35,713

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

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Total segment income (loss) from operations	$ 27,434	$ 23,095	$ (39,866)	$ 54,892
Total other income, net	2,623	4,167	9,185	13,185
Consolidated income (loss) before income taxes	$ 30,057	$ 27,262	$ (30,681)	$ 68,077

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

	As of September 30, 2024	As of December 31, 2023
Segment Assets:		
U.S. Marketplace	$ 615,771	$ 607,307
Digital Wholesale	118,839	258,458
Other	43,551	53,162
Total	$ 778,161	$ 918,927

Digital Wholesale segment assets decreased $139,619, due primarily to goodwill and other asset impairments. As of September 30, 2024, the Company recognized a $127,475 CarOffer reporting unit impairment and a $16,776 CG Buy Online reporting unit impairment due to the end of the CG Buy Online pilot. For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Revenue by Geographic Region:				
United States	$ 214,592	$ 205,833	$ 619,734	$ 653,520
International	16,766	13,586	46,112	37,599
Total	$ 231,358	$ 219,419	$ 665,846	$ 691,119

14. Subsequent Events

2025 Share Repurchase Program

On November 7, 2024, the Company announced that the Board of Directors authorized a share repurchase program (the “2025 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 $200.0 million. Share repurchases under the 2025 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 2025 Share Repurchase Program does not obligate the Company to repurchase any minimum dollar amount or number of shares. The 2025 Share Repurchase Program has an effective date of January 1, 2025, and an expiration date of December 31, 2025, 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 under the 2025 Share Repurchase Program will be retired. The Company expects to fund share repurchases under the 2025 Share Repurchase Program through cash on hand and cash generated from operations.

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

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

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

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

Company Overview

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

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

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

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

For the three months ended September 30, 2024, we generated revenue of $231.4 million, a 5% increase from $219.4 million of revenue for the three months ended September 30, 2023. For the three months ended September 30, 2024, we generated consolidated net income of $22.5 million and Consolidated Adjusted EBITDA of $64.9 million, compared to consolidated net income of $19.0 million and Consolidated Adjusted EBITDA of $48.6 million for the three months ended September 30, 2023.

For the nine months ended September 30, 2024, we generated revenue of $665.8 million, a 4% decrease from $691.1 million of revenue for the nine months ended September 30, 2023. For the nine months ended September 30, 2024, we generated consolidated net loss of $24.9 million and Consolidated Adjusted EBITDA of $170.8 million, compared to consolidated net income of $44.7 million and Consolidated Adjusted EBITDA of $134.6 million for the nine months ended September 30, 2023.

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

Key Business Metrics

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

Historically, we have used data from Google Universal Analytics, or Google Analytics, to measure two of our key business metrics: monthly unique users and monthly sessions. Effective July 1, 2024, Google Analytics 4, or GA4, replaced Google Analytics. The methodologies used in GA4 are different and not comparable to the methodologies used in Google Analytics. As discussed below, we also make certain adjustments to the GA4 data in order to improve the accuracy of the reported monthly unique users and monthly sessions. Due to this change in methodology, we are unable to provide comparable monthly unique user and monthly session information for prior periods, including any periods prior to June 30, 2024.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
Average Monthly Unique Users	**2024**	**2023(1)**	**2024(1)**	**2023(1)**
	(in thousands)		(in thousands)	
United States	32,279	N/A	N/A	N/A
International	9,861	N/A	N/A	N/A
Total	42,140	N/A	N/A	N/A

(1) As a result of the change from Google Analytics to GA4, we are unable to provide comparable monthly unique user information for this period.

Monthly Sessions

We define monthly sessions as the number of distinct visits to our websites (excluding the CarOffer website) that include a visitor action that take place each month within a given time frame, as measured and defined by GA4. We calculate average monthly sessions as the sum of the monthly sessions in a given period, divided by the number of months in that period. Effective July 1, 2024, a session is defined as beginning with the first visitor action from a computer or mobile device and ending at the earliest of when a user closes their browser window or after 30 minutes of inactivity. We eliminate any duplicate monthly sessions that may arise when users visit a webview within our native application. We believe that measuring the volume of sessions in a time period, when considered in conjunction with the number of unique users in that time period, is an important indicator to us of consumer satisfaction and engagement with our marketplace, and we believe it provides useful information to our investors because the more satisfied and engaged consumers we have, the more valuable our service is to dealers.

Average Monthly Sessions	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023(1)	Nine Months Ended September 30, 2024(1)	Nine Months Ended September 30, 2023(1)
	(in thousands)		(in thousands)	
United States	80,370	N/A	N/A	N/A
International	20,423	N/A	N/A	N/A
Total	100,793	N/A	N/A	N/A

(1) As a result of the change from Google Analytics to GA4, we are unable to provide comparable monthly sessions information for this period.

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 September 30, 2024	As of September 30, 2023
United States	24,561	24,368
International	7,123	6,823
Total	31,684	31,191

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 September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Transactions	8,249	13,562	27,329	51,860

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.

	As of September 30,	
Quarterly Average Revenue per Subscribing Dealer (QARSD)	**2024**	**2023**
United States	$ 7,177	$ 6,332
International	$ 2,057	$ 1,721
Consolidated	$ 6,038	$ 5,317

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 (loss), adjusted to exclude: depreciation and amortization, goodwill and other asset impairment, stock-based compensation expense, stock-based compensation expense for CarOffer, LLC Units (as defined below), transaction-related expenses, other income, net, and provision for (benefit from) income taxes.

We define Adjusted EBITDA as Consolidated Adjusted EBITDA adjusted to exclude: Adjusted EBITDA attributable to redeemable noncontrolling interest.

We define Adjusted EBITDA attributable to redeemable noncontrolling interest as net loss attributable to redeemable noncontrolling interest, adjusted to exclude: depreciation and amortization, other long-lived asset impairment, stock-based compensation expense, stock-based compensation expense for CarOffer, LLC Units, other expense, net, and provision for income taxes. These exclusions are adjusted for redeemable noncontrolling interest of 38% by taking the noncontrolling interest's full financial results and multiplying each line item in the reconciliation by 38%. We note that we use 38%, versus 49%, to allocate the share of loss because it represents the portion attributable to the redeemable noncontrolling interest. The 38% is exclusive of CO Incentive Units, Subject Units, and 2021 Incentive Units (as each term is defined in Note 2 to our consolidated financial statements contained within our Annual Report), which are liability-classified awards that do not participate in the share of loss. Adjusted EBITDA attributable to redeemable noncontrolling interest is reflective of our acquisition of the remaining minority equity interests in CarOffer completed on December 1, 2023, or the 2023 CarOffer Transaction. Following the 2023 CarOffer Transaction there was no redeemable noncontrolling interest as of December 1, 2023, and as a result, Consolidated Adjusted EBITDA is equivalent to Adjusted EBITDA for the three and nine months ended September 30, 2024.

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

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

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

- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude depreciation and amortization expense and, although these are non-cash expenses, the assets being depreciated may have to be replaced in the future;

- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude goodwill and other asset impairment, which include non-cash one-time expenses associated with the impairment of the CarOffer reporting unit as well as other long-lived asset impairments, certain of which may have to be replaced in the future;

- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude stock-based compensation expense, which will be, for the foreseeable future, a significant recurring expense for our business and an important part of our compensation strategy;

- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude stock-based compensation expense for CarOffer, LLC Units, which consists of one-time modifications and expense associated with our CO Incentive Units and Subject Units (as defined in Note 2 to the consolidated financial statements contained within our Annual Report) and Noncontrolling Interest Units (as defined in Note 4 to the consolidated financial statements contained within our Annual Report);

- Consolidated Adjusted EBITDA and Adjusted EBITDA exclude transaction-related expenses incurred by us during a reporting period, which are inclusive of certain transaction and integration costs associated with the 2023 CarOffer Transaction and which may not be reflective of our operational performance during such period, for acquisitions that have been completed as of the filing date of our annual or quarterly report (as applicable) relating to such period;

- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude other income, net, which consists primarily of interest income earned on our cash, cash equivalents, and short-term investments, and foreign exchange gains and losses;

- Consolidated Adjusted EBITDA, Adjusted EBITDA, and Adjusted EBITDA attributable to redeemable noncontrolling interest exclude the provision for (benefit from) 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 September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, the following table presents a reconciliation of Consolidated Adjusted EBITDA and Adjusted EBITDA to consolidated net (loss) income, the most directly comparable measure calculated in accordance with GAAP for each of the periods presented.

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

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

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

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

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

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

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

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 TDO, (ii) advertising revenue from auto manufacturers and other auto-related brand advertisers, and (iii) revenue from partnerships with financing services companies. We generate wholesale revenue primarily from (x) transaction fees earned from Dealer-to-Dealer transactions, (y) transaction fees earned from the sale of vehicles to dealers that we acquire at other marketplaces, and (z) transaction fees earned from performing inspection and transportation services, inclusive of Dealer-to-Dealer transactions, other marketplace-to-dealer transactions, and IMCO transactions. We generate product revenue primarily from (A) aggregate proceeds received from the sale of vehicles that were acquired through IMCO transactions and (B) proceeds received from the sale of vehicles that were acquired through arbitration.

Marketplace Revenue

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

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

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

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

We also offer dealer advertising products for the PistonHeads website.

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

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

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

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

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

Wholesale Revenue

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

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

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

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

Product Revenue

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

Cost of Revenue

Marketplace Cost of Revenue

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

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

Wholesale Cost of Revenue

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

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

Product Cost of Revenue

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

Operating Expenses

Sales and Marketing

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

Product, Technology, and Development

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

General and Administrative

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

Goodwill and Other Asset Impairment

During the three months ended June 30, 2024, we identified a triggering event for goodwill and other assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to our financial projections for the CarOffer reporting unit. As a result, we performed an updated fair value analysis of the CarOffer reporting unit, and subsequently recognized impairment losses of $4.7 million, $7.6 million, and $115.2 million for right-of-use assets, intangible assets, and goodwill, respectively. For the three months ended September 30, 2024, there were no impairment losses recognized related to the CarOffer reporting unit. For the nine months ended September 30, 2024, we recognized Digital Wholesale segment impairment charges related to the CarOffer reporting unit of $127.5 million as goodwill and other asset impairment operating expense.

During the three months ended September 30, 2024, we decided to end our CG Buy Online pilot in order to redirect those resources toward other investment opportunities, including continued product innovation and development across our business. The CG Buy Online pilot was a one of the initiatives that allowed consumers to purchase vehicles online. As a result, we recognized impairment losses of $15.8 million, $0.5 million and $0.5 million for property and equipment, net, prepaid expenses, prepaid income taxes and other current assets, and other non-current assets, respectively. For both the three and nine months ended September 30, 2024, we recognized Digital Wholesale segment impairment charges related to the CG Buy Online reporting unit of $9.8 million and $7.0 million as wholesale cost of revenue and goodwill and other asset impairment operating expense, respectively.

For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Depreciation and Amortization

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

Other Income, Net

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

Provision for (Benefit from) 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 September 30, 2024, a provision for income taxes was recognized as a result of the consolidated taxable income position. For the nine months ended September 30, 2024, a benefit from income taxes was recognized as a result of the discrete tax benefit associated with the impairment charges and our consolidated taxable loss position. For the three and nine months ended September 30, 2023, a provision for income taxes was recognized as a result of the consolidated taxable income position.

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

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

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

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

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

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

Results of Operations

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
	(dollars in thousands)		(dollars in thousands)	
Segment Revenue:				
U.S. Marketplace	$ 187,253	$ 164,323	$ 540,293	$ 478,387
Digital Wholesale	27,339	41,510	79,441	175,133
Other	16,766	13,586	46,112	37,599
Total	$ 231,358	$ 219,419	$ 665,846	$ 691,119
Segment Income (Loss) from Operations:				
U.S. Marketplace	$ 50,410	$ 33,285	$ 126,670	$ 84,443
Digital Wholesale	(25,317)	(11,652)	(173,815)	(29,184)
Other	2,341	1,462	7,279	(367)
Total	$ 27,434	$ 23,095	$ (39,866)	$ 54,892

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue:				
Marketplace	88 %	81 %	88 %	75 %
Wholesale	5	10	6	11
Product	7	9	6	14
Total revenue	100	100	100	100
Cost of revenue:				
Marketplace	6	7	6	7
Wholesale	9	10	7	10
Product	6	9	6	14
Total cost of revenue	21	25	19	30
Gross profit	79	75	81	70
Operating expenses:				
Sales and marketing	35	35	37	33
Product, technology, and development	16	16	16	16
General and administrative	12	11	13	11
Goodwill and other asset impairment	3	—	20	—
Depreciation and amortization	1	2	1	2
Total operating expenses	67	64	87	62
Income from operations	12	11	(6)	8
Other income, net:				
Interest income	1	2	1	2
Other income, net	(0)	(0)	0	(0)
Total other income, net	1	2	1	2
Income (loss) before income taxes	13	12	(5)	10
Provision for (benefit from)income taxes	3	4	(1)	3
Consolidated net income (loss)	10	9	(4)	6
Net loss attributable to redeemable noncontrolling interest	—	(2)	—	(1)
Net income (loss) attributable to common stockholders	10 %	10 %	(4)%	8 %

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Segment Revenue:				
U.S. Marketplace	81 %	75 %	81 %	69 %
Digital Wholesale	12	19	12	25
Other	7	6	7	5
Total	100 %	100 %	100 %	100 %
Segment Income (Loss) from Operations:				
U.S. Marketplace	27 %	20 %	23 %	18 %
Digital Wholesale	(93)	(28)	(219)	(17)
Other	14	11	16	(1)
Total	12 %	11 %	(6)%	8 %

For the three months ended September 30, 2024 and 2023

Revenue

Revenue by Source

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Revenue:				
Marketplace	$ 204,019	$ 177,909	$ 26,110	15 %
Wholesale	12,107	21,735	(9,628)	(44)
Product	15,232	19,775	(4,543)	(23)
Total	$ 231,358	$ 219,419	$ 11,939	5 %
Percentage of total revenue:				
Marketplace	88 %	81 %		
Wholesale	5	10		
Product	7	9		
Total	100 %	100 %		

Overall revenue increased $11.9 million, or 5%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023.

Marketplace revenue increased $26.1 million, or 15%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 88% of total revenue for the three months ended September 30, 2024, compared to 81% of total revenue for the three months ended September 30, 2023. The increase was due primarily to an increase in Listings revenue, inclusive of certain digital add-on products, as a result of growth in QARSD, which was driven by signing on new dealers with higher average subscription revenue and revenue expansion through product adoption or upgrades and price increases for existing dealers. The increase was also due in part to an increase in TDO revenue as we expanded into more geographies following the completion of the TDO pilot and an increase in advertising revenue due primarily to increased spend by advertisers related to new and existing campaigns.

Wholesale revenue decreased $9.6 million, or 44%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 5% of total revenue for the three months ended September 30, 2024, compared to 10% of total revenue for the three months ended September 30, 2023. The decrease was due primarily to a 39% decrease in Transactions, which includes Dealer-to-Dealer transactions and IMCO transactions, to 8,249 for the three months ended September 30, 2024, from 13,562 for the three months ended September 30, 2023.

Product revenue decreased $4.5 million, or 23%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 7% of total revenue for the three months ended September 30, 2024, compared to 9% of total revenue for the three months ended September 30, 2023. The decrease was due primarily to a decrease in proceeds received from the sale of vehicles through IMCO transactions, driven by a decrease in Transactions. The decrease in product revenue was offset in part by an increase in proceeds received from the sale of vehicles acquired through arbitration.

Segment Revenue

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change Amount	Change %
	(dollars in thousands)			
Revenue:				
U.S. Marketplace	$ 187,253	$ 164,323	$ 22,930	14 %
Digital Wholesale	27,339	41,510	(14,171)	(34)
Other	16,766	13,586	3,180	23
Total	$ 231,358	$ 219,419	$ 11,939	5 %
Percentage of total revenue:				
U.S. Marketplace	81 %	75 %		
Digital Wholesale	12	19		
Other	7	6		
Total	100 %	100 %		

U.S. Marketplace segment revenue increased $22.9 million, or 14%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 81% of total revenue for the three months ended September 30, 2024, compared to 75% of total revenue for the three months ended September 30, 2023. The increase was due primarily to a $26.1 million increase in marketplace revenue, as described above.

Digital Wholesale segment revenue, which is comprised of wholesale revenue and product revenue, decreased $14.2 million, or 34%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 12% of total revenue for the three months ended September 30, 2024, compared to 19% of total revenue for the three months ended September 30, 2023. The decrease in Digital Wholesale segment revenue was due to a $9.6 million decrease in wholesale revenue and a $4.5 million decrease in product revenue, as described above.

Cost of Revenue

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change Amount	Change %
	(dollars in thousands)			
Cost of Revenue:				
Marketplace	$ 13,521	$ 14,823	$ (1,302)	(9)%
Wholesale	20,415	21,284	(869)	(4)
Product	14,871	19,014	(4,143)	(22)
Total	$ 48,807	$ 55,121	$ (6,314)	(11)%
Percentage of total revenue:				
Marketplace	6 %	7 %		
Wholesale	9	10		
Product	6	9		
Total	21 %	25 %		

Overall cost of revenue decreased $6.3 million, or 11%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023.

Marketplace cost of revenue decreased $1.3 million, or 9%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 6% of total revenue for the three months ended September 30, 2024, compared to 7% of total revenue for the three months ended September 30, 2023. The decrease was due primarily to a $1.4 million decrease in fees related to provisioning advertising campaigns on our websites.

Wholesale cost of revenue decreased $0.9 million, or 4%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 9% of total revenue for the three months ended September 30, 2024, compared to 10% of total revenue for the three months ended September 30, 2023. The decrease was due primarily to a $5.2 million decrease in amortization related to the CarOffer acquired developed technology intangible asset as it became fully amortized during the first quarter of 2024. The decrease was also due in part to a $3.6 million decrease in transportation expense and a $0.8 million decrease in inspection expense as a result of lower Transaction volume, and a $0.5 million decrease in employee-related expenses. The decrease in wholesale cost of revenue was offset in part by a $9.8 million increase in impairment of capitalized website development costs due to the end of the CG Buy Online pilot.

Product cost of revenue decreased $4.1 million, or 22%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 6% of total revenue for the three months ended September 30, 2024, compared to 9% of total revenue for the three months ended September 30, 2023. The decrease was due primarily to a decrease in expenses related to vehicles sold to dealers through IMCO transactions as a result of lower Transaction volume. The decrease in product cost of revenue was offset in part by an increase in expenses related to vehicles sold to dealers acquired through arbitration.

Operating Expenses

Sales and Marketing Expense

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 81,216	$ 76,828	$ 4,388	6 %
Percentage of total revenue	35 %	35 %		

Sales and marketing expense increased $4.4 million, or 6%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was due primarily to a $3.3 million increase in advertising and marketing expense for strategic advertising spend with our performance marketing vendors to maintain year-over-year lead volume and grow with the market, as well as our brand awareness campaigns. The increase in sales and marketing expense was also due in part to a $1.1 million increase in salaries and employee-related expenses due primarily to an increase in commissions expense as a result of higher sales, and merit increases.

Product, Technology, and Development Expense

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Product, technology, and development	$ 36,359	$ 35,434	$ 925	3 %
Percentage of total revenue	16 %	16 %		

Product, technology, and development expense increased $0.9 million, or 3%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was due primarily to a $1.9 million increase in salaries and employee-related expenses due primarily to merit increases. The increase in product, technology, and development expense was offset in part by a $0.8 million decrease in expense as a result of increased capitalized website development and a $0.8 million decrease in rent and facilities expense due to the expiration of the lease of office space at 2 Canal Park and a portion of our office space at 55 Cambridge Parkway.

General and Administrative Expense

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
General and administrative	$ 28,187	$ 24,904	$ 3,283	13 %
Percentage of total revenue	12 %	11 %		

General and administrative expense increased $3.3 million, or 13%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was due primarily to a $3.6 million increase in salaries and employee-related expenses, inclusive of a $1.9 million increase in stock-based compensation expense, due primarily to an 8% increase in headcount and merit increases. The increase was also due in part to a $0.5 million increase in tax expense related to the accrual for the non-income tax-related expense. The increase in general and administrative expense was offset in part by a $1.3 million decrease in legal expenses.

Goodwill and Other Asset Impairment

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Goodwill and other asset impairment	$ 7,026	$ —	$ 7,026	NM [(1)]
Percentage of total revenue	3 %	0 %		

(1) Not meaningful

Goodwill and other asset impairment increased $7.0 million in the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The increase was due to a $7.0 impairment due to the end of the CG Buy Online pilot. For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Depreciation and Amortization Expense

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Depreciation and amortization	$ 2,329	$ 4,037	$ (1,708)	(42)%
Percentage of total revenue	1 %	2 %		

Depreciation and amortization expense decreased $1.7 million, or 42%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The decrease was due primarily to the CarOffer customer relationships intangible asset becoming fully amortized during the first quarter of 2024.

Other Income, net

	Three Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Other income, net:				
Interest income	$ 2,717	$ 5,261	$ (2,544)	(48)%
Other expense, net	(94)	(1,094)	1,000	91
Total other income, net	$ 2,623	$ 4,167	$ (1,544)	(37)%
Percentage of total revenue:				
Interest income	1 %	2 %		
Other expense, net	(0)	(0)		
Total other income, net	1 %	2 %		

Total other income, net decreased $1.5 million, or 37%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The $2.5 million decrease in interest income was due primarily to the sale of interest-bearing short-term investments during the first quarter of 2024 as well as a decrease in cash equivalents to fund the 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, which we refer to as the 2024 Share Repurchase Program. The $1.0 million decrease in other expense, net was due primarily to an increase in foreign currency gains in the current year compared to foreign currency losses in the prior year.

Provision for Income Taxes

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change Amount	Change %
	(dollars in thousands)			
Provision for income taxes	$ 7,546	$ 8,289	$ (743)	(9)%
Percentage of total revenue	3%	4%		

Provision for income taxes decreased $0.7 million, or 9%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023. The decrease was due primarily to increased federal and state research development tax credits and a $4.1 million discrete deferred tax benefit in association with the CG Buy Online reporting unit impairment charges recognized during the three months ended September 30, 2024 offset by the higher tax expense as a result of the prorated pre-tax profit as determined under Accounting Standards Codification Topic 740, *Income Taxes*.

Segment Income (Loss) from Operations

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Change Amount	Change %
	(dollars in thousands)			
Segment Income (Loss) from Operations:				
U.S. Marketplace	$ 50,410	$ 33,285	$ 17,125	51%
Digital Wholesale	(25,317)	(11,652)	(13,665)	(117)
Other	2,341	1,462	879	60
Total	$ 27,434	$ 23,095	$ 4,339	19%
Percentage of segment revenue:				
U.S. Marketplace	27%	20%		
Digital Wholesale	(93)	(28)		
Other	14	11		
Total	12%	11%		

U.S. Marketplace segment income from operations increased $17.1 million, or 51%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented 27% of U.S. Marketplace segment revenue for the three months ended September 30, 2024, compared to 20% of U.S. Marketplace segment revenue for the three months ended September 30, 2023. The increase was due to an increase in revenue of $22.9 million, a decrease in cost of revenue of $1.9 million, and an increase in operating expenses of $7.7 million.

Digital Wholesale segment loss from operations increased $13.7 million, or 117%, in the three months ended September 30, 2024, compared to the three months ended September 30, 2023, and represented (93)% of Digital Wholesale segment revenue for the three months ended September 30, 2024, compared to (28)% of Digital Wholesale segment revenue for the three months ended September 30, 2023. The increase was due primarily to a $16.8 million impairment due to the end of the CG Buy Online pilot. For further discussion of goodwill and other asset impairments see Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

For the nine months ended September 30, 2024 and 2023

Revenue

Revenue by Source

	Nine Months Ended September 30,				Change			
	2024		2023		Amount		%	
	(dollars in thousands)							
Revenue:								
Marketplace	$	586,405	$	515,986	$	70,419	14	%
Wholesale		41,351		78,873		(37,522)	(48)	
Product		38,090		96,260		(58,170)	(60)	
Total	$	665,846	$	691,119	$	(25,273)	(4)	%
Percentage of total revenue:								
Marketplace		88 %		75 %				
Wholesale		6		11				
Product		6		14				
Total		100 %		100 %				

Overall revenue decreased $25.3 million, or 4%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023.

Marketplace revenue increased $70.4 million, or 14%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 88% of total revenue for the nine months ended September 30, 2024, compared to 75% of total revenue for the nine months ended September 30, 2023. The increase was due primarily to an increase in Listings revenue, inclusive of certain digital add-on products, as a result of growth in QARSD, which was driven by signing on new dealers with higher average subscription revenue and revenue expansion through product adoption or upgrades and price increases for existing dealers. The increase was also due in part to an increase in TDO revenue as we expanded into more geographies following the completion of the TDO pilot and an increase in advertising revenue due primarily to increased spend by advertisers related to new and existing campaigns.

Wholesale revenue decreased $37.5 million, or 48%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 6% of total revenue for the nine months ended September 30, 2024, compared to 11% of total revenue for the nine months ended September 30, 2023. The decrease was due primarily to a 47% decrease in Transactions, which includes Dealer-to-Dealer transactions and IMCO transactions, to 27,329 for the nine months ended September 30, 2024, from 51,860 for the nine months ended September 30, 2023.

Product revenue decreased $58.2 million, or 60%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 6% of total revenue for the nine months ended September 30, 2024, compared to 14% of total revenue for the nine months ended September 30, 2023. The decrease was due primarily to a decrease in proceeds received from the sale of vehicles through IMCO transactions, driven by a 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 due primarily to lower Transaction volume.

Segment Revenue

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Revenue:				
U.S. Marketplace	$ 540,293	$ 478,387	$ 61,906	13 %
Digital Wholesale	79,441	175,133	(95,692)	(55)
Other	46,112	37,599	8,513	23
Total	$ 665,846	$ 691,119	$ (25,273)	(4)%
Percentage of total revenue:				
U.S. Marketplace	81 %	69 %		
Digital Wholesale	12	25		
Other	7	5		
Total	100 %	100 %		

U.S. Marketplace segment revenue increased $61.9 million, or 13%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 81% of total revenue for the nine months ended September 30, 2024, compared to 69% of total revenue for the nine months ended September 30, 2023. The increase was due primarily to a $70.4 million increase in marketplace revenue, as described above.

Digital Wholesale segment revenue, which is comprised of wholesale revenue and product revenue, decreased $95.7 million, or 55%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 12% of total revenue for the nine months ended September 30, 2024, compared to 25% of total revenue for the nine months ended September 30, 2023. The decrease in Digital Wholesale segment revenue was due to a $37.5 million decrease in wholesale revenue and a $58.2 million decrease in product revenue, as described above.

Cost of Revenue

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Cost of Revenue:				
Marketplace	$ 41,051	$ 45,830	$ (4,779)	(10)%
Wholesale	47,272	67,780	(20,508)	(30)
Product	37,567	94,090	(56,523)	(60)
Total	$ 125,890	$ 207,700	$ (81,810)	(39)%
Percentage of total revenue:				
Marketplace	6 %	7 %		
Wholesale	7	10		
Product	6	14		
Total	19 %	30 %		

Overall cost of revenue decreased $81.8 million, or 39%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023.

Marketplace cost of revenue decreased $4.8 million, or 10%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 6% of total revenue for the nine months ended September 30, 2024, compared to 7% of total revenue for the nine months ended September 30, 2023. The decrease was due primarily to a $3.9 million decrease in fees related to provisioning advertising campaigns on our websites.

Wholesale cost of revenue decreased $20.5 million, or 30%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 7% of total revenue for the nine months ended September 30, 2024, compared to 10% of total revenue for the nine months ended September 30, 2023. The decrease was due primarily to a $12.9 million decrease in transportation expense and a $3.3 million decrease in inspection expense as a result of lower Transaction volume. The decrease was also due in part to a $12.2 million decrease in amortization related to the CarOffer acquired developed technology intangible asset as it became fully amortized during the first quarter of 2024 and a $1.6 million decrease in employee-related expenses. The decrease in wholesale cost of revenue was offset in part by a $9.8 million increase in impairment of capitalized website development costs due to the end of the CG Buy Online pilot.

Product cost of revenue decreased $56.5 million, or 60%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 6% of total revenue for the nine months ended September 30, 2024, compared to 14% of total revenue for the nine months ended September 30, 2023. The decrease was due primarily to a decrease in expenses related to vehicles sold to dealers through IMCO transactions as a result of lower Transaction volume. The decrease in product cost of revenue was 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 due primarily to lower Transaction volume.

Operating Expenses

Sales and Marketing Expense

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Sales and marketing	$ 245,801	$ 230,243	$ 15,558	7 %
Percentage of total revenue	37 %	33 %		

Sales and marketing expense increased $15.6 million, or 7%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was due primarily to a $14.0 million increase in advertising and marketing expense for strategic advertising spend with our performance marketing vendors to maintain year-over-year lead volume and grow with the market, as well as our brand awareness campaigns. The increase in sales and marketing expense was also due in part to a $1.2 million increase in software subscriptions.

Product, Technology, and Development Expense

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Product, technology, and development	$ 108,484	$ 109,432	$ (948)	(1)%
Percentage of total revenue	16 %	16 %		

Product, technology, and development expense decreased $0.9 million, or 1%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The decrease was due primarily to a $5.4 million decrease in expenses as a result of increased capitalized website development, and a $1.5 million decrease in consulting expenses due to the conclusion of consulting services. The decrease in product, technology, and development expense was offset in part by a $4.4 million increase in salaries and employee-related expenses due primarily to merit increases and a $1.2 million increase in software subscriptions.

General and Administrative Expense

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
General and administrative	$ 83,682	$ 77,090	$ 6,592	9 %
Percentage of total revenue	13 %	11 %		

General and administrative expense increased $6.6 million, or 9%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was due primarily to a $7.0 million increase in salaries and employee-related expenses, inclusive of a $2.6 million increase in stock-based compensation expense, due primarily to an 8% increase in headcount and merit increases. The increase was also due in part to a $1.3 million increase in bad debt expense and a $1.0 million increase in payment processing expenses. The increase in general and administrative expense was offset in part by a $1.7 million decrease in legal expenses and a $1.5 million decrease in consulting and recruiting expenses.

Goodwill and Other Asset Impairment

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Goodwill and other asset impairment	$ 134,501	$ —	$ 134,501	NM [(1)]
Percentage of total revenue	20 %	0 %		

(1) Not meaningful

Goodwill and other asset impairment increased $134.5 million in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The increase was due to a $127.5 million CarOffer reporting unit impairment and a $7.0 million impairment due to the end of the CG Buy Online pilot. For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Depreciation and Amortization Expense

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Depreciation and amortization	$ 7,354	$ 11,762	$ (4,408)	(37)%
Percentage of total revenue	1 %	2 %		

Depreciation and amortization expense decreased $4.4 million, or 37%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The decrease was due primarily to the CarOffer customer relationships intangible asset becoming fully amortized during the first quarter of 2024.

Other Income, net

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Other income, net:				
Interest income	$ 9,063	$ 13,337	$ (4,274)	(32)%
Other income (expense), net	122	(152)	274	180
Total other income, net	$ 9,185	$ 13,185	$ (4,000)	(30)%
Percentage of total revenue:				
Interest income	1%	2%		
Other income, net	0	(0)		
Total other income, net	1%	2%		

Total other income, net decreased $4.0 million, or 30%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The $4.3 million decrease in interest income was due primarily to the sale of interest-bearing short-term investments during the first quarter of 2024 as well as a decrease in cash equivalents to fund the 2024 Share Repurchase Program. Other income (expense), net was relatively flat during the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023.

(Benefit from) Provision for Income Taxes

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
(Benefit from) provision for income taxes	$ (5,772)	$ 23,421	$ (29,193)	(125)%
Percentage of total revenue	(1)%	3%		

(Benefit from) provision for income taxes changed $29.2 million, or 125%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023. The change was due primarily to increased federal and state research and development tax credits, a $31.5 million discrete deferred tax benefit in association with the goodwill and long-term asset impairment charges related to the CarOffer reporting unit, and a $4.1 million discrete deferred tax benefit in association with the CG Buy Online reporting unit impairment charges, offset by an aggregated $0.9 million shortfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recognized during the nine months ended September 30, 2024, compared to an aggregated $4.4 million shortfalls on the taxable compensation of stock-based awards and the Section 162(m) excess officer compensation limitation recognized during the nine months ended September 30, 2023.

Segment Income (Loss) from Operations

	Nine Months Ended September 30,		Change	
	2024	2023	Amount	%
	(dollars in thousands)			
Segment Income (Loss) from Operations:				
U.S. Marketplace	$ 126,670	$ 84,443	$ 42,227	50%
Digital Wholesale	(173,815)	(29,184)	(144,631)	(496)
Other	7,279	(367)	7,646	2,083
Total	$ (39,866)	$ 54,892	$ (94,758)	(173)%
Percentage of segment revenue:				
U.S. Marketplace	23%	18%		
Digital Wholesale	(219)	(17)		
Other	16	(1)		
Total	(6)%	8%		

U.S. Marketplace segment income from operations increased $42.2 million, or 50%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented 23% of U.S. Marketplace segment revenue for the nine months ended September 30, 2024, compared to 18% of U.S. Marketplace segment revenue for the nine months ended September 30, 2023. The increase was due to an increase in revenue of $61.9 million, a decrease in cost of revenue of $5.3 million, and an increase in operating expenses of $25.0 million.

Digital Wholesale segment loss from operations increased $144.6 million, or 496%, in the nine months ended September 30, 2024, compared to the nine months ended September 30, 2023, and represented (219)% of Digital Wholesale segment revenue for the nine months ended September 30, 2024, compared to (17)% of Digital Wholesale segment revenue for the nine months ended September 30, 2023. The increase was due primarily to a $127.5 million CarOffer reporting unit impairment and a $16.8 million impairment due to the end of the CG Buy Online pilot. For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

Liquidity and Capital Resources

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

As of September 30, 2024, our principal sources of liquidity were cash and cash equivalents of $246.7 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 September 30, 2024, our borrowing capacity under the 2022 Revolver (as defined below) was $390.1 million.

Sources and Uses of Cash

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

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
	(dollars in thousands)	
Net cash provided by operating activities	$ 179,757	$ 122,031
Net cash used in investing activities	(59,268)	(115,017)
Net cash used in financing activities	(164,256)	(123,686)
Impact of foreign currency on cash	582	(506)
Net decrease in cash, cash equivalents, and restricted cash	$ (43,185)	$ (117,178)

Our operations have been financed primarily from operating activities. During the nine months ended September 30, 2024 and 2023, we generated cash from operating activities of $179.8 million and $122.0 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 the completion of our facilities buildout under our 1001 Boylston Street lease in excess of tenant improvement allowance; payments received in advance from a third-party transaction processor; activity under the 2024 Share Repurchase Program; and our investments in international markets. Cash from operations could also be affected by various risks and uncertainties, including, but not limited to, macroeconomic effects and other risks detailed more specifically in the “Risk Factors” section in Part I, Item 1A in our Annual Report and in the “Risk Factors” section in Part II, Item 1A in this Quarterly Report.

On September 26, 2022, we entered into a Credit Agreement with PNC Bank, National Association, as administrative agent and collateral agent and an L/C Issuer (as defined in the Credit Agreement), and the other lenders, L/C Issuers and parties thereto from time to time, or the Credit Agreement. The Credit Agreement consists of a revolving credit facility, or the 2022 Revolver, which allows us to borrow up to $400.0 million, $50.0 million of which may be comprised of a letter of credit sub-facility. The borrowing capacity under the Credit Agreement may be increased in accordance with the terms and subject to the adjustments as set forth in the Credit Agreement. Specifically, the borrowing capacity may be increased by an amount up to the greater of $250.0 million or 100% of Four Quarter Consolidated EBITDA (as defined in the Credit Agreement) if certain criteria are met and subject to certain restrictions. Any such increase requires lender approval. Proceeds of any borrowings may be used for general corporate purposes. The 2022 Revolver is scheduled to mature on September 26, 2027. As of September 30, 2024, there were no borrowings and $9.9 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to $390.1 million. As of December 31, 2023, there were no borrowings and $9.6 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to $390.4 million.

In connection with the 1001 Boylston Street lease, we expect to incur an additional $5.6 million of costs to complete our buildout, of which $4.6 million has been committed, but not incurred, as of September 30, 2024. We expect future costs to complete the buildout to be less than the remaining tenant improvement allowance.

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 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 September 30, 2024, we repurchased and retired 164,301 shares for $3.7 million, exclusive of commissions and excise tax, at an average cost of $22.52 per share under the 2024 Share Repurchase Program. During the nine months ended September 30, 2024, we repurchased and retired 6,357,302 shares for $146.1 million, exclusive of commissions and excise tax, at an average cost of $22.98 per share under the 2024 Share Repurchase Program. As of September 30, 2024, we had remaining authorization to purchase up to $103.9 million of our Class A common stock under the 2024 Share Repurchase Program.

On November 7, 2024, we announced that our Board of Directors authorized a share repurchase program, or the 2025 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 $200.0 million. Share repurchases under the 2025 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 2025 Share Repurchase Program does not obligate us to repurchase any minimum dollar amount or number of shares. The 2025 Share Repurchase Program has an effective date of January 1, 2025, and an expiration date of December 31, 2025, 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 under the 2025 Share Repurchase Program will be retired. We expect to fund share repurchases under the 2025 Share Repurchase Program through cash on hand and cash generated from operations.

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

Operating Activities

Net cash provided by operating activities of $179.8 million during the nine months ended September 30, 2024 was due primarily to consolidated net loss of $24.9 million, adjusted for $144.4 million of goodwill and other asset impairment due to the CarOffer reporting unit impairment and the end of the CG Buy Online pilot, as discussed in Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report, $47.3 million of deferred taxes, $46.6 million of stock-based compensation expense for equity classified awards to employees, and depreciation and amortization expense of $18.3 million. Net cash provided by operating activities was also attributable to a $32.2 million increase in lease obligations primarily related to tenant improvement allowance costs incurred and amortization reducing the right-of-use asset related to 1001 Boylston Street, partially offset by typical rent payments decreasing the lease liability.

Net cash provided by operating activities of 122.0 million during the nine months ended September 30, 2023 was due primarily to consolidated net income of $44.7 million, adjusted for $43.8 million of stock-based compensation expense for equity classified awards, $35.7 million of depreciation and amortization, and $8.6 million of amortization of deferred contract costs, partially offset by $32.1 million of deferred taxes. Net cash provided by operating activities was also attributable to a $12.0 million increase in lease obligations, a $8.8 million increase in deferred revenue, a $6.0 million decrease in prepaid expenses, prepaid income taxes, and other assets, a $5.0 million decrease in inventory, a $1.2 million increase in accounts payable, and a $1.0 million increase in accrued expenses, accrued income taxes, and other liabilities. The increase in cash flow from operations was partially offset by a $13.7 million increase in deferred contract costs.

Investing Activities

Net cash used in investing activities of $59.3 million during the nine months ended September 30, 2024 was due primarily to $64.9 million in purchases of property and equipment primarily related to our new headquarters at 1001 Boylston Street and $15.3 million in capitalized website development costs due to continued investment on our product offerings, offset in part by $21.2 million in sales of short-term investments.

Net cash used in investing activities of $115.0 million during the nine months ended September 30, 2023 was due to $96.7 million in purchases of short-term investments, $11.8 million of capitalization of website development costs, $9.0 million of purchases of property and equipment, and $2.9 million in advance payments to customers, offset in part by $5.0 million of sales of short-term investments and $0.5 million in proceeds from the sale of property and equipment.

Financing Activities

Net cash used in financing activities of $164.3 million during the nine months ended September 30, 2024 was due primarily to $146.2 million related to the repurchase of our Class A common stock under the 2024 Share Repurchase Program and $17.4 million related to the payment of withholding taxes on net share settlements of restricted stock units.

Net cash used in financing activities of $123.7 million during the nine months ended September 30, 2023 was due primarily to $107.4 million of payment for the repurchase of our Class A common stock under the share repurchase program announced by our Board of Directors in December 2022, pursuant to which we could, from time to time, purchase of shares of our Class A common stock for an aggregate purchase price not to exceed $250.0 million, $11.7 million of payment of withholding taxes on net share settlements of restricted stock units, and $4.5 million of change in gross advance payments received from third-party transaction processor.

Contractual Obligations and Known Future Cash Requirements

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

Seasonality

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

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

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

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

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

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

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

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

During the three months ended June 30, 2024, we identified a triggering event for goodwill and other long-lived assets impairment testing purposes at the CarOffer reporting unit due to recent organizational changes and Transaction volume declines, which resulted in revisions to our financial projections for the CarOffer reporting unit. During the three months ended June 30, 2024, we performed an updated fair value analysis of the CarOffer reporting unit, resulting in an excess of carrying value over fair value of the CarOffer reporting unit, which led to the impairment of the CarOffer reporting unit, as discussed in Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

During the three months ended September 30, 2024, there was no additional impairment related to the CarOffer reporting unit.

Due to the partial impairment of the CarOffer reporting unit goodwill and other long-term assets during the three months ended June 30, 2024, in which the CarOffer reporting unit was reduced to its fair value, there remains a risk for future impairment charges if projected future operating results further decline, including as a result of economic conditions or operational challenges, which could be material and negatively affect our operations.

For further discussion of goodwill and other asset impairments, see Note 6 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report.

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

Recently Issued Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Interest Rate Risk

As of September 30, 2024, our exposure to market risk associated with changes in interest rates relates primarily to the 2022 Revolver, which allows us to borrow up to $400.0 million. The applicable interest rate is, at our option, based on a number of different benchmark rates and applicable spreads, as determined by the Consolidated Secured Net Leverage Ratio (as defined in Note 8 of the Unaudited Condensed Consolidated Financial Statements included elsewhere in this Quarterly Report). A fluctuation in interest rates does not have an impact on interest expense unless the 2022 Revolver is drawn upon. Such impact would also be dependent on the amount of the draw. As of September 30, 2024, there were no borrowings and $9.9 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to $390.1 million. As of December 31, 2023, there were no borrowings and $9.6 million in letters of credit outstanding under the 2022 Revolver, which reduced the borrowing capacity under the 2022 Revolver to $390.4 million.

As of September 30, 2024, we had cash and cash equivalents of $246.7 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. For the three months ended September 30, 2024 and 2023 and for the nine months ended September 30, 2024 and 2023, 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 September 30, 2024 and December 31, 2023, we had immaterial foreign currency exposures in the British pound, the Euro, and the Canadian dollar. Historically, because our operations and sales have been primarily in the U.S., we have not faced any material 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, around program change and logical access in certain IT systems. Therefore, we were not able to demonstrate consistent, effective operation of manual controls that rely on data produced by and maintained within these affected IT systems. As of September 30, 2024, management has not concluded on the consistent, effective operation of IT General Controls and manual controls that rely on data produced by and maintained within affected IT systems. 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 September 30, 2024. Management has determined that the impact of the previously identified deficiencies continue to aggregate into a material weakness at September 30, 2024.

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

Remediation Plan

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

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

Changes in Internal Control over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

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

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

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

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

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

Recent Sales of Unregistered Securities

None.

Purchases of Equity Securities

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

Period	Total Number of Shares of Common Stock Purchased	Weighted Average Price Paid per Share of Common Stock[1]	Total Number of Shares of Common Stock Purchased as Part of Publicly Announced Plans or Programs[2][3]	Maximum Approximate Dollar Value of Shares of Common Stock that May Yet be Purchased Under the Plans or Programs (in thousands)[2]
July 1, 2024 through July 31, 2024	—	$ —	—	$ 107,583
August 1, 2024 through August 31, 2024	164,301	$ 22.52	164,301	$ 103,883
September 1, 2024 through September 30, 2024	—	$ —	—	$ 103,883
Total	164,301	$ 22.52	164,301	$ 103,883

(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. On November 7, 2024, we announced that our Board of Directors authorized the 2025 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 $200.0 million. Share repurchases under the 2025 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 2025 Share Repurchase Program does not obligate us to repurchase any minimum dollar amount or number of shares. The 2025 Share Repurchase Program has an effective date of January 1, 2025, and an expiration date of December 31, 2025, 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 under the 2025 Share Repurchase Program will be retired. We expect to fund share repurchases under the 2025 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 September 30, 2024.

Item 5. Other Information

Rule 10b5-1 Plan Trading Arrangements

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

Name & Title	Date Adopted	Aggregate Number of Shares of Class A Common Stock to be Purchased or Sold Pursuant to Trading Arrangement	Expiration Date
Zachary Hallowell, Chief Executive Officer, CarOffer	August 16, 2024	Up to 78,915 shares to be sold(1)	August 15, 2025(2)
Langley Steinert, Executive Chair and Chair of the Board of Directors(3)	September 12, 2024	1,782,923 shares to be sold(3)	June 18, 2025(4)
Samuel Zales, President and Chief Operating Officer	September 13, 2024	Up to 264,374 shares to be sold(5)	December 31, 2025(2)

(1) 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. Hallowell'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 7,148 shares directly held by Mr. Hallowell and the sale of up to 50% of the net shares that vest on certain applicable vesting dates, up to 71,767 shares.

(2) 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.

(3) The Rule 10b5-1 trading arrangement was entered into among Hilary and Langley Steinert, acting jointly; Langley Steinert Irrevocable Family Trust dated June 21, 2024, or the Steinert Trust; and Comet Foundation, which we collectively refer to as the Steinert Sellers. Of the 1,782,923 shares to be sold pursuant to this Rule 10b5-1 trading arrangement, Hilary and Langley Steinert, acting jointly, contributed 1,386,889 shares, the Steinert Trust contributed 154,099 shares, and the Comet Foundation contributed 241,935 shares.

(4) The Rule 10b5-1 trading arrangement permits transactions through June 18, 2025, subject to early termination for certain specified events set forth in the Rule 10b5-1 trading arrangement, or earlier if all transactions under the Rule 10b5-1 trading arrangement are completed.

(5) The Rule 10b5-1 trading arrangement includes the sale of 120,000 shares directly held by Mr. Zales and an aggregate of 19,714 shares underlying vested and unvested stock options, plus additional shares that remain unsold under Mr. Zales' existing Rule 10b5-1 trading arrangement up to 124,660 shares.

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

Item 6. Exhibits.

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

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File Number	Filing Date	Exhibit Number	Filed or Furnished Herewith
10.1	Fourth Amendment to Lease, dated as of July 11, 2024, between 55 Cambridge Parkway, LLC and the Registrant.*					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

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

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

SIGNATURES

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

CarGurus, Inc.

Date: November 7, 2024

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

FOURTH AMENDMENT TO LEASE

THIS FOURTH AMENDMENT TO LEASE (this "**Amendment**") is made as of this 11th day of July, 2024 (the "**Effective Date**"), by and between 55 CAMBRIDGE PARKWAY, LLC, a Delaware limited liability company, having an address c/o Invesco Real Estate, 2001 Ross Avenue, Suite 3400, Dallas, Texas 75201, as landlord ("**Landlord**"), and CARGURUS, INC., a Delaware corporation, having an address at Two Canal Park, Suite 4, Cambridge, MA 02141, as tenant ("**Tenant**").

WHEREAS, Landlord and Tenant are landlord and tenant, respectively, under that certain Office Lease Agreement dated as of March 11, 2016, as amended by that certain First Amendment to Lease dated as of July 30, 2016, that certain Second Amendment to Lease dated as of August 30, 2019 and that certain Third Amendment to Lease dated as of July 1, 2020 (collectively, the "**Lease**"), for certain premises in the building located at 55 Cambridge Parkway, Cambridge, Massachusetts (the "**Building**"), containing approximately 73,312 rentable square feet in the aggregate (collectively, the "**Premises**"), consisting of (i) 15,267 rentable square feet of space on the fifth (5th) floor of the West Wing of the Building (the "**5W Premises**"), (ii) approximately 15,267 rentable square feet on the sixth (6th) floor of the West Wing of the Building (the "**6W Premises**"), (iii) approximately 21,389 rentable square feet of space on the fifth (5th) floor of the East Wing of the Building (the "**5E Premises**"), and (iv) approximately 21,389 rentable square feet of space on the sixth (6th) floor of the East Wing of the Premises (the "**6E Premises**").

WHEREAS, the Original Term of the Lease is scheduled to expires on January 31, 2025 (the "**Expiration Date**").

WHEREAS, the parties desire to memorialize Tenant's agreement to convey to Landlord certain existing personal property located in the 6W Premises at the end of the Original Term, as hereinafter set forth. Capitalized terms not defined herein shall have the same meanings ascribed to them in the Lease.

WITNESSETH

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Existing 6W FF&E. Notwithstanding anything to the contrary in the Lease, Tenant shall not remove the furniture, fixtures and equipment currently existing in the 6W Premises and listed on Schedule 1 to Exhibit A attached hereto (collectively, the "Existing 6W FF&E"), which Existing 6W FF&E shall remain in the 6W Premises and shall be conveyed to Landlord, effective as of the Expiration Date, for no additional consideration, pursuant to the bill of sale attached hereto as Exhibit A (the "Bill of Sale"). Tenant's execution and delivery of this Amendment shall include Tenant's execution and delivery of the Bill of Sale. Tenant hereby represents and warrants to Landlord that Tenant is the lawful owner of the Existing 6W FF&E and that Tenant has the right to convey to Landlord good and marketable title to the Existing 6W FF&E, free and clear of all liens, claims and encumbrances.

2. Broker. Landlord and Tenant hereby represent and warrant to each other that, other than Lincoln Property Company (the "**Broker**"), neither has dealt with any real estate broker or agent in connection with the procurement of this Amendment. Tenant shall indemnify and hold Landlord harmless from any costs, expense or liability (including costs of suit and reasonable attorneys' fees) for any compensation, commission or fees claimed by any real estate broker or agent, other than the Broker, in connection with the procurement of this Amendment because of any act or statement by Tenant.

3. Ratification of Lease Provisions. Except as otherwise expressly amended, modified and provided for in this Amendment, Landlord and Tenant hereby ratify all of the provisions, covenants and conditions of the Lease, and such provisions, covenants and conditions shall be deemed to be incorporated herein and made a part hereof and shall continue in full force and effect.

4. Entire Amendment. This Amendment contains all the agreements of the parties with respect to the subject matter hereof and supersedes all prior dealings between the parties with respect to such subject matter.

5. Binding Amendment. This Amendment shall be binding upon, and shall inure to the benefit of the parties hereto, and their respective successors and assigns.

6. Governing Law. This Amendment shall be governed by the laws of the Commonwealth of Massachusetts without regard to conflict of laws principles

7. Authority; Landlord's Representation Regarding Mortgages And Primary Leases. Landlord and Tenant each warrant to the other that the person or persons executing this Amendment on its behalf has or have authority to do so and that such execution has fully obligated and bound such party to all terms and provisions of this Amendment. Landlord represents and warrants that, as of the Effective Date, there are no Mortgages or Primary Leases encumbering the Building.

8. No Reservation. Submission of this Amendment for examination or signature is without prejudice and does not constitute a reservation, option or offer, and this Amendment shall not be effective until execution and delivery by each of the parties hereto.

9. Counterparts. This Amendment may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. An electronic mail or facsimile version of an executed original of this Amendment shall be deemed an original, and each of the parties hereto intends to be bound by an electronic mail or facsimile version of a fully-executed original hereof or of an electronic mail or facsimile version of executed counterpart originals hereof.

[SIGNATURES ON FOLLOWING PAGE]

EXECUTED under seal as of the date first above written.

LANDLORD:

55 CAMBRIDGE PARKWAY, LLC,
a Delaware limited liability company

By: Invesco ICRE Massachusetts REIT Holdings, LLC, its sole member

By: /s/ Perry Chudnoff
Name: Perry Chudnoff
Title: Vice President and Assistant Secretary

TENANT:

CARGURUS, INC.,
a Delaware corporation

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

EXHIBIT A

BILL OF SALE

FOR GOOD AND VALUABLE CONSIDERATION of One Dollar ($1.00), the receipt and sufficiency of which are hereby acknowledged, CARGURUS, INC., a Delaware corporation ("Seller"), hereby sells, assigns, transfers and conveys to 55 CAMBRIDGE PARKWAY, LLC, a Delaware limited liability company ("Buyer"), all of Seller's right, title and interest, in and to all of the furniture, fixtures and equipment located in the 6W Premises (as defined in the Fourth Amendment to Lease of even date herewith by and between Buyer, as landlord, and Seller, as tenant) and set forth on Schedule 1 attached hereto (collectively, the "6W FF&E"), effective as of January 31, 2025, which 6W Premises is located within the building known as and numbered 55 Cambridge Parkway, Cambridge, Massachusetts. Seller conveys to Buyer the 6W FF&E with warranty covenants as set forth below.

TO HAVE AND TO HOLD the 6W FF&E unto Buyer, its successors and assigns, to its own use and behalf forever.

Seller hereby covenants with Buyer that it is the lawful owner of the 6W FF&E; that there is no lien, claim, lease, assignment, mortgage or pledge of or other encumbrance upon the 6W FF&E, that Seller has good right to sell the same as aforesaid and Seller has and hereby conveys to Buyer good and marketable title to the 6W FF&E, free and clear of all liens, claims, charges and encumbrances; and that it will warrant and defend the same, against the lawful claims and demands of all persons.

Except as expressly set forth in the prior paragraph, Seller has not made and does not make any express or implied warranty or representation of any kind whatsoever with respect to the 6W FF&E, including but not limited to, its fitness for any particular purpose or the design or condition of the 6W FF&E, and Buyer accepts the 6W FF&E in "AS IS, WHERE IS" condition

IN WITNESS WHEREOF, Seller has executed this Bill of Sale, under seal, to be effective as of January 31, 2025.

SELLER:

CARGURUS, INC., a Delaware corporation

By: ______________________________
Name:
Title:

Exhibit 31.1

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: November 7, 2024

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

Exhibit 31.2

**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: November 7, 2024

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

Exhibit 32.1

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 September 30, 2024 as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Jason Trevisan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2024

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

Exhibit 32.2

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 September 30, 2024, as filed with the U.S. Securities and Exchange Commission on the date hereof (the “Report”), I, Elisa Palazzo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, based on my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2024

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