

CarGurus, Inc.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	At December 31,	
	2018	2017
Assets		
Current assets:		
Cash and cash equivalents.....	\$ 34,887	\$ 87,709
Investments	122,800	50,000
Accounts receivable, net of allowance for doubtful accounts of \$479 and \$494, respectively	13,614	12,577
Prepaid expenses and prepaid income taxes	10,144	5,313
Deferred contract costs.....	5,253	—
Other current assets	7,410	1,605
Restricted cash	750	—
Total current assets	194,858	157,204
Property and equipment, net.....	24,269	16,563
Restricted cash.....	1,921	1,843
Deferred tax assets.....	38,886	825
Deferred contract costs, net of current portion	7,252	—
Other long-term assets	1,104	159
Total assets	<u>\$ 268,290</u>	<u>\$ 176,594</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 34,345	\$ 23,908
Accrued expenses, accrued income taxes and other current liabilities	18,654	13,588
Deferred revenue.....	8,811	4,305
Deferred rent	1,693	1,165
Total current liabilities	63,503	42,966
Deferred rent, net of current portion.....	9,395	5,648
Other non-current liabilities.....	1,281	955
Total liabilities.....	74,179	49,569
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding	—	—
Class A common stock, \$0.001 par value; 500,000,000 shares authorized; 89,728,223 and 77,884,754 shares issued and outstanding at December 31, 2018 and 2017, respectively	90	78
Class B common stock, \$0.001 par value; 100,000,000 shares authorized; 20,702,084 and 28,226,104 shares issued and outstanding at December 31, 2018 and 2017, respectively	21	28
Additional paid-in capital.....	184,216	185,190
Retained earnings (accumulated deficit).....	9,713	(58,499)
Accumulated other comprehensive income	71	228
Total stockholders' equity	194,111	127,025
Total liabilities and stockholders' equity	<u>\$ 268,290</u>	<u>\$ 176,594</u>

The accompanying notes are an integral part of these consolidated financial statements.

CarGurus, Inc.

Consolidated Statements of Operations

(in thousands, except share and per share data)

	Year Ended December 31,		
	2018	2017	2016
Revenue.....	\$ 454,086	\$ 316,861	\$ 198,141
Cost of revenue ⁽¹⁾	24,811	17,609	9,575
Gross profit.....	429,275	299,252	188,566
Operating expenses:			
Sales and marketing.....	315,939	236,165	154,125
Product, technology, and development.....	47,866	22,470	11,453
General and administrative	39,475	22,688	12,783
Depreciation and amortization.....	2,804	2,655	1,634
Total operating expenses.....	406,084	283,978	179,995
Income from operations	23,191	15,274	8,571
Other income, net:			
Interest income.....	2,283	869	416
Other income (expense).....	10	(306)	(42)
Total other income, net	2,293	563	374
Income before income taxes.....	25,484	15,837	8,945
(Benefit from) provision for income taxes	(39,686)	2,638	2,448
Net income	65,170	\$ 13,199	\$ 6,497
Reconciliation of net income to net income (loss) attributable to common stockholders:			
Net income	65,170	\$ 13,199	\$ 6,497
Deemed dividend to preferred stockholders	—	—	(32,087)
Net income attributable to participating securities	—	(6,098)	—
Net income (loss) attributable to common stockholders — basic.....	65,170	\$ 7,101	\$ (25,590)
Net income	65,170	\$ 13,199	\$ 6,497
Deemed dividend to preferred stockholders	—	—	(32,087)
Net income attributable to participating securities	—	(5,829)	—
Net income (loss) attributable to common stockholders — diluted.....	65,170	\$ 7,370	\$ (25,590)
Net income (loss) per share attributable to common stockholders: (Note 9)			
Basic	\$ 0.60	\$ 0.13	\$ (0.58)
Diluted.....	\$ 0.57	\$ 0.12	\$ (0.58)
Weighted-average number of shares of common stock used in computing net income (loss) per share attributable to common stockholders:			
Basic	108,833,028	55,835,265	44,138,922
Diluted.....	113,364,712	60,637,584	44,138,922

⁽¹⁾ Includes depreciation and amortization expense for the years ended December 31, 2018, 2017, and 2016 of \$2,225, \$1,140, and \$438, respectively.

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CarGurus, Inc.

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2018	2017	2016
Operating Activities			
Net income.....	\$ 65,170	\$ 13,199	\$ 6,497
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,029	3,795	2,072
Unrealized currency (gain) loss on foreign denominated transactions	(190)	128	—
Deferred taxes.....	(39,040)	(1,117)	782
Provision for doubtful accounts.....	1,680	1,117	508
Stock-based compensation expense.....	20,794	5,028	322
Amortization of deferred contract costs	3,689	—	—
Excess tax benefit related to exercise of stock options	—	—	(821)
Changes in operating assets and liabilities:			
Accounts receivable, net.....	(1,911)	(7,039)	(1,432)
Prepaid expenses, prepaid income taxes, and other assets	(11,753)	(2,287)	(2,226)
Deferred contracts costs	(12,987)	—	—
Accounts payable	9,345	6,244	5,811
Accrued expenses, accrued income taxes and other current liabilities	2,695	5,191	4,118
Deferred revenue	4,508	962	1,856
Deferred rent.....	4,289	227	1,927
Other non-current liabilities.....	405	243	590
Net cash provided by operating activities	51,723	25,691	20,004
Investing Activities			
Purchases of property and equipment.....	(5,956)	(5,157)	(5,846)
Capitalization of website development costs	(1,522)	(2,215)	(1,372)
Investments in certificates of deposit	(212,800)	(50,000)	(59,774)
Maturities of certificates of deposit	140,000	44,774	15,000
Net cash used in investing activities.....	(80,278)	(12,598)	(51,992)
Financing Activities			
Initial public offering proceeds	—	47,690	—
Payment of initial public offering costs.....	(1,142)	(3,308)	—
Proceeds from issuance of preferred stock.....	—	—	59,732
Proceeds from exercise of stock options	3,632	398	137
Excess tax benefit related to exercise of stock options	—	—	821
Cash paid for repurchase of preferred stock, common stock, and vested options	—	—	(60,000)
Payment of withholding taxes on net share settlements of equity awards	(25,885)	—	—
Net cash (used in) provided by financing activities	(23,395)	44,780	690
Impact of foreign currency on cash, cash equivalents, and restricted cash	(44)	159	(45)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(51,994)	58,032	(31,343)
Cash, cash equivalents, and restricted cash at beginning of period.....	89,552	31,520	62,863
Cash, cash equivalents, and restricted cash at end of period.....	<u>\$ 37,558</u>	<u>\$ 89,552</u>	<u>\$ 31,520</u>
Supplemental disclosure of cash flow information:			
Cash paid for income taxes.....	<u>\$ 2,308</u>	<u>\$ 4,393</u>	<u>\$ 2,045</u>
Cash paid for interest.....	<u>\$ 19</u>	<u>\$ 29</u>	<u>\$ 26</u>
Supplemental disclosure of non-cash investing and financing activities:			
Unpaid purchases of property and equipment	<u>\$ 5,287</u>	<u>\$ 510</u>	<u>\$ 476</u>
Unpaid initial public offering costs	<u>\$ —</u>	<u>\$ 1,142</u>	<u>\$ —</u>
Capitalized stock-based compensation in website development costs.....	<u>\$ 490</u>	<u>\$ 176</u>	<u>\$ —</u>

The accompanying notes are an integral part of these consolidated financial statements.