

AUTOWEB, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except per-share and share data)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,993	\$ 38,512
Short-term investment	254	251
Accounts receivable, net of allowances for bad debts and customer credits of \$892 and \$1,015 at December 31, 2017 and 2016, respectively	25,911	33,634
Deferred tax asset	—	4,669
Prepaid expenses and other current assets	1,805	901
Total current assets	52,963	77,967
Property and equipment, net	4,311	4,430
Investments	100	680
Intangible assets, net	29,113	23,783
Goodwill	5,133	42,821
Long-term deferred tax asset	692	14,799
Other assets	601	801
Total assets	<u>\$ 92,913</u>	<u>\$ 165,281</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,083	\$ 9,764
Accrued employee-related benefits	2,411	4,530
Other accrued expenses and other current liabilities	7,252	8,315
Current portion of term loan payable	—	6,563
Total current liabilities	16,746	29,172
Convertible note payable	1,000	1,000
Long-term portion of term loan payable	—	7,500
Borrowings under revolving credit facility	8,000	8,000
Total liabilities	25,746	45,672
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 11,445,187 shares authorized		
Series A Preferred stock, none issued and outstanding	—	—
Series B Preferred stock, none and 168,007 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	—	—
Common stock, \$0.001 par value; 55,000,000 shares authorized; 13,059,341 and 11,012,625 shares issued and outstanding at December 31, 2017 and 2016, respectively	13	11
Additional paid-in capital	356,054	350,022
Accumulated deficit	(288,900)	(230,424)
Total stockholders' equity	67,167	119,609
Total liabilities and stockholders' equity	<u>\$ 92,913</u>	<u>\$ 165,281</u>

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

AUTOWEB, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per-share data)

	Years Ended December 31,		
	2017	2016	2015
Revenues:			
Lead fees	\$ 107,045	\$ 130,684	\$ 120,678
Advertising	34,142	24,508	10,534
Other revenues	938	1,492	2,014
Total revenues	142,125	156,684	133,226
Cost of revenues	99,352	98,771	81,586
Gross profit	42,773	57,913	51,640
Operating expenses:			
Sales and marketing	14,315	18,118	15,956
Technology support	12,567	13,986	11,740
General and administrative	12,110	14,663	13,189
Depreciation and amortization	4,781	5,068	3,106
Litigation settlements	(109)	(50)	(108)
Goodwill impairment	37,688	—	—
Total operating expenses	81,352	51,785	43,883
Operating income (loss)	(38,579)	6,128	7,757
Interest and other income (expense), net	(946)	558	322
Income (loss) before income tax provision	(39,525)	6,686	8,079
Income tax provision	25,439	2,815	3,433
Net income (loss) and comprehensive income (loss)	<u>\$ (64,964)</u>	<u>\$ 3,871</u>	<u>\$ 4,646</u>
Basic earnings (loss) per common share	<u>\$ (5.48)</u>	<u>\$ 0.36</u>	<u>\$ 0.47</u>
Diluted earnings (loss) per common share	<u>\$ (5.48)</u>	<u>\$ 0.29</u>	<u>\$ 0.37</u>

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AUTOWEB, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands, except share data)

	Common Stock		Preferred Stock		Additional Paid-In- Capital	Accumulated Deficit	Total
	Number of of Shares	Amount	Number of Shares	Amount			
Balance at January 1, 2015	8,880,377	\$ 9	-	\$ -	\$ 308,190	\$ (238,941)	\$ 69,258
Share-based compensation	-	-	-	-	2,563	-	2,563
Issuance of common stock upon exercise of stock options	145,979	-	-	-	1,197	-	1,197
Issuance of AWI warrants	-	-	-	-	2,542	-	2,542
Issuance of preferred shares	-	-	168,007	-	21,133	-	21,133
Issuance of restricted stock	125,000	-	-	-	-	-	-
Exercise of warrants	400,000	1	-	-	1,860	-	1,861
Conversion of note payable	1,075,268	1	-	-	5,000	-	5,001
Net income	-	-	-	-	-	4,646	4,646
Balance at December 31, 2015	10,626,624	11	168,007	-	342,485	(234,295)	108,201
Share-based compensation	-	-	-	-	4,486	-	4,486
Issuance of common stock upon exercise of stock options	386,001	-	-	-	3,051	-	3,051
Net income	-	-	-	-	-	3,871	3,871
Balance at December 31, 2016	11,012,625	11	168,007	-	350,022	(230,424)	119,609
Share-based compensation	-	-	-	-	4,106	-	4,106
Issuance of common stock upon exercise of stock options	248,344	-	-	-	1,355	-	1,355
Issuance of restricted stock	345,000	-	-	-	-	-	-
Conversion of preferred shares	1,680,070	2	(168,007)	-	(2)	-	-
DealerX contingent consideration	-	-	-	-	2,470	-	2,470
Repurchase of common stock	(226,698)	-	-	-	(1,897)	-	(1,897)
Cumulative effect adjustment	-	-	-	-	-	6,488	6,488
Net loss	-	-	-	-	-	(64,964)	(64,964)
Balance at December 31, 2017	<u>13,059,341</u>	<u>\$ 13</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 356,054</u>	<u>\$ (288,900)</u>	<u>\$ 67,167</u>

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AUTOWEB, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended December 31,		
	2017	2016	2015
Cash flows from operating activities:			
Net income (loss)	\$ (64,964)	\$ 3,871	\$ 4,646
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	7,653	7,303	4,021
Provision for bad debt	346	344	379
Provision for customer credits	247	592	803
Share-based compensation	4,103	4,412	2,557
Write-down of assets	8	115	—
Gain on sale of business	—	(2,183)	—
(Gain)/loss on long-term strategic investment	580	777	(636)
Change in deferred tax assets	25,264	1,994	2,996
Goodwill impairment	37,688	—	—
Changes in assets and liabilities:			
Accounts receivable	7,130	(3,229)	(381)
Prepaid expenses and other current assets	(904)	(402)	(121)
Other non-current assets	200	946	147
Accounts payable	(2,681)	2,121	(586)
Accrued expenses and other current liabilities	(3,182)	1,581	(1,352)
Non-current liabilities	—	—	(273)
Net cash provided by operating activities	11,488	18,242	12,200
Cash flows from investing activities:			
Purchase of Dealix/Autotegrity	—	—	(25,011)
Investment in GoMoto	—	(375)	(375)
Change in short-term investment	(3)	(251)	—
Purchase of intangible assets	(8,600)	—	—
Purchases of property and equipment	(1,799)	(2,148)	(2,719)
Net cash used in investing activities	(10,402)	(2,774)	(28,105)
Cash flows from financing activities:			
Repurchase of common stock	(1,897)	—	—
Borrowings under credit facility	—	—	2,750
Borrowings under term loan	—	—	15,000
Payments on term loan borrowings	(14,063)	(3,937)	(3,750)
Net proceeds from stock option exercises	1,355	3,051	1,197
Proceeds from exercise of warrants	—	—	1,860
Proceeds from issuance of preferred shares	—	—	2,132
Payment of contingent fee arrangement	—	(63)	(38)
Net cash (used in) provided by financing activities	(14,605)	(949)	19,151
Net increase (decrease) in cash and cash equivalents	(13,519)	14,519	3,246
Cash and cash equivalents, beginning of period	38,512	23,993	20,747
Cash and cash equivalents, end of period	\$ 24,993	\$ 38,512	\$ 23,993
Supplemental disclosure of cash flow information:			
Cash paid for income taxes	\$ 650	\$ 760	\$ 552
Cash paid for interest	\$ 948	\$ 717	\$ 884
Supplemental schedule of non-cash investing and financing activities:			
DealerX contingent consideration	\$ 2,470	\$ —	\$ —
Purchase of AutoWeb	\$ —	\$ —	\$ 21,543
Conversion of Cyber Note	\$ —	\$ —	\$ 5,000
Sale of specialty finance leads business	\$ —	\$ 3,168	\$ —

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