

Carvana

5 Reasons We Are More Bullish Post-Earnings

May 19, 2021

Key Takeaway

A 28% pullback in CVNA's stock since early March presents a compelling buying opportunity, particularly when considering that the fundamental outlook has improved since 1Q results (our view). We raise our 2021 units/revenue estimates by 2%/3% and are now modestly above consensus, but keep our PT unchanged at \$375 (65% upside) due to lower peer valuation. CVNA remains our top pick.

(1) **An average 20%+ sequential increase in 2Q unit sales implies there is upside to consensus:** CVNA's unit sales historically increase 22% Q/Q in 2Q (avg. 2014-2019), which implies 105% y/y growth and 14% upside to consensus, assuming retail sales follow their historical seasonal trajectory. In addition, CVNA entered 2Q with 51% more capacity than 1Q and plans to begin rebuilding available inventory, which could cause them to outperform the typical sequential trend. We are raising our 2Q estimate above consensus to reflect this dynamic, but are still only assuming a 10% Q/Q increase.

(2) **Traffic growth continues to defy gravity:** CVNA's app/site traffic grew 170% in April, which represents an acceleration from 108% in 1Q, as growth also improved on a 2-year stacked basis (to 98% vs. 88%). We believe the acceleration indicates CVNA's efforts to rebuild available inventory are helping drive more car buyers to the site. We also see this as a positive read for 2Q21, given CVNA's unit sales per visitor has been relatively stable in recent quarters despite a shortage in capacity.

(3) **CVNA is effectively navigating a tight wholesale market:** A common question we received heading into 1Q results was if higher wholesale prices would pressure CVNA's Retail GPU, a concern that appears supported by our historical analysis which shows an 0.8 correlation to the retail/wholesale price spread. That said, commentary at 1Q suggested the company is relatively sanguine about higher wholesale prices, with Retail GPU expected to follow the typical seasonal trend in 2021 as CVNA leverages an expanded customer sourcing channel and optimizes prices.

(4) **Finance GPU should permanently benefit from structural improvements:** 1Q was CVNA's third consecutive quarter of record Other GPU, driven by higher attachment rates on ancillary products and higher Finance GPU, as CVNA benefited from a combination of structural improvements, low-interest rates, and tighter credit standards. Specifically on structural improvements, CVNA went from selling loans directly to investors (inception to March '19), to entering the ABS market with full credit spectrum deals (March '19 to March '20), to selling separate Prime and Non-Prime deals (December '20 to present). In addition, a growing track record of loan performance and improvements to credit scoring has also contributed to lower funding costs.

(5) **Valuation now stands 40% below where it stood just 2 months ago:** CVNA's shares are down 14% since reporting 1Q earnings and 28% since early March. Valuation is now 3.9x NTM Sales following the pullback, representing a significant moderation from 6.5x just two months ago. The de-rating has been widespread across peers, with CVNA continuing to trade in line with the 4.0x peer-based growth adjusted multiple.

Estimate Change

USA | Internet

RATING	BUY
PRICE	\$227.35^
MARKET CAP	\$39.4B
PRICE TARGET (PT)	\$375.00
UPSIDE SCENARIO PT	\$520.00
DOWNSIDE SCENARIO PT	\$100.00

^Prior trading day's closing price unless otherwise noted.

FY Dec

USD	2020A	2021E	2022E	2023E
EPS	(1.03)	↑(0.86)	↑(0.41)	↑0.66
Prev.		(0.88)	(0.46)	0.60
FY P/E	NM	NM	NM	NM

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CARVANA (CVNA)

Estimates				
USD	2020A	2021E	2022E	2023E
Rev. (MM)	5,586.6	↑ 9,731.8	↑ 13,114.8	↑ 17,829.6
Previous		9,494.3	12,856.6	17,545.3
EBITDA (MM)	(230.6)	↑ (104.1)	↑ 152.1	↑ 749.9
Previous		(114.3)	131.8	716.1
EPS				
Q1	(0.38)	(0.21)A	(0.13)	↓ 0.12
Previous				0.13
Q2	(0.24)	↑ (0.20)	↑ (0.08)	↑ 0.18
Previous		(0.21)	(0.09)	0.16
Q3	(0.04)	↓ (0.20)	(0.07)	↓ 0.19
Previous		(0.19)		0.20
Q4	(0.36)	↑ (0.25)	↑ (0.13)	↑ 0.15
Previous		(0.28)	(0.16)	0.11
FY Dec	(1.03)	↑ (0.86)	↑ (0.41)	↑ 0.66
Previous		(0.88)	(0.46)	0.60

Valuation				
	2020A	2021E	2022E	2023E
Jefe	0.1	(0.2)	(0.4)	(1.1)
EV/Rev	7.5x	4.3x	3.2x	2.4x
P/Rev	7.1x	4.1x	3.0x	2.2x
EV/EBITDA	NM	NM	NM	56.2x
FY P/E	NM	NM	NM	NM

Market Data	
52-Week Range:	\$323.39 - \$86.53
Total Entprs. Value	\$42.1B
Avg. Daily Value MM (USD)	369.20
Float (%)	41.5%

The Long View

Scenarios

Base Case

- Retail unit sales CAGR approaches ~40% over the next 3 years, driven by increased inventory and secular tailwinds resulting from the pandemic
- Total GPU continues expanding until reaching ~\$3,800 by 2022 driven by increasing scale (lower delivery costs, higher conversion, better funding costs)
- CVNA becomes positive EBITDA in 2021 and thereafter, reaching a low-single-digit margin in 2022 driven by increasing GPU and OPEX leverage
- DCF derived \$375/share PT implies ~5x '22 EV/Sales

Upside Scenario

- Retail unit sales CAGR approaches ~55% over the next 3 years, driven by increased inventory and secular tailwinds resulting from the pandemic
- Total GPU continues expanding until reaching ~\$4,000 by 2022 driven by increasing scale (lower delivery costs, higher conversion, better funding costs)
- CVNA becomes positive EBITDA in 2021 and thereafter, reaching a mid-single-digit margin in 2022 driven by increasing GPU and OPEX leverage
- DCF derived \$520/share PT implies ~6.5x '22 EV/Sales

Downside Scenario

- Retail unit sales CAGR approaches ~20% over the next 3 years, as growth slows because of a larger base, more e-commerce competition, and difficulty acquiring inventory at attractive economics
- Total GPU continues stagnates at ~\$3,300 by 2022 driven by slowing growth and difficulty acquiring inventory at attractive economics
- CVNA remains negative EBITDA in 2021 and 2022 as growing competition and slowing top-line causes the company to spend more than expected on advertising
- DCF derived \$100/share PT implies ~2x '22 EV/Sales

Investment Thesis / Where We Differ

More inventory and lower variable costs provide superior economics and car buying experience, allowing CVNA to gain share in the massive \$550B market for used passenger vehicles. Our outlook is supported by our cohort analysis, which implies significant upside to consensus estimates. We see valuation moving higher over time as the market gains comfort over CVNA's long-term economics and market opportunity.

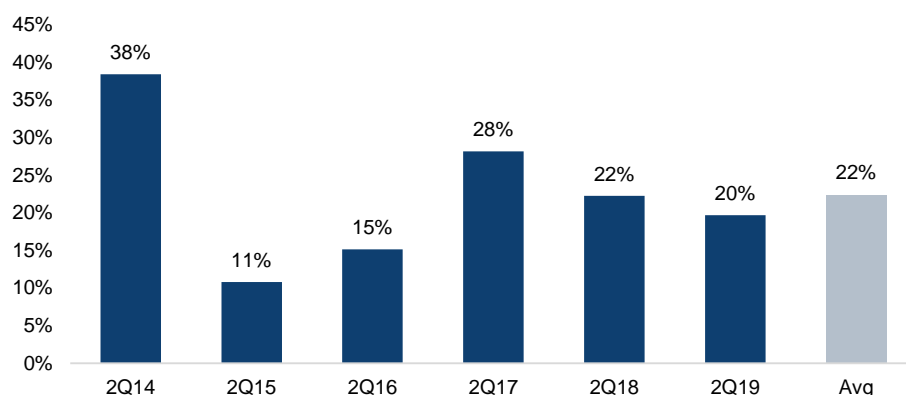
Catalysts

(1) Earnings results; (2) Third-party data releases; (3) Used car industry macro data releases; (4) Public actions taken by competition (in e-commerce and traditional dealerships); (5) Headlines concerning the pandemic.

Analysis

(1) An average 20%+ sequential increase in 2Q unit sales implies there is upside to consensus: CVNA's unit sales historically increase 22% Q/Q in 2Q (avg. 2014-2019), which implies 105% y/y growth and 14% upside to consensus, assuming retail sales follow their historical seasonal trajectory. In addition, CVNA entered 2Q with 51% more capacity than 1Q and plans to begin rebuilding available inventory, which could cause them to outperform the typical sequential trend. We are raising our 2Q estimate above consensus to reflect this dynamic, but are still only assuming a 10% Q/Q increase.

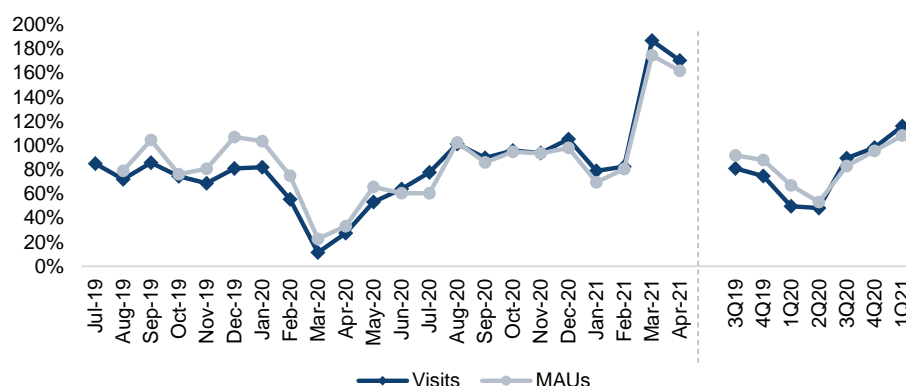
Exhibit 1 - Sequential Q/Q Increase in Retail Unit Sales



Source: Company Reports, Jefferies

(2) Traffic growth continues to defy gravity: CVNA's app/site traffic grew 170% in April, which represents an acceleration from 108% in 1Q, as growth also improved on a 2-year stacked basis (to 98% vs. 88%). We believe the acceleration indicates CVNA's efforts to rebuild available inventory are helping drive more car buyers to the site. We also see this as a positive read for 2Q21, given CVNA's unit sales per visitor has been relatively stable in recent quarters despite a shortage in capacity.

Exhibit 2 - CVNA App/Site Traffic (% Y/Y Chg)



Source: SimilarWeb

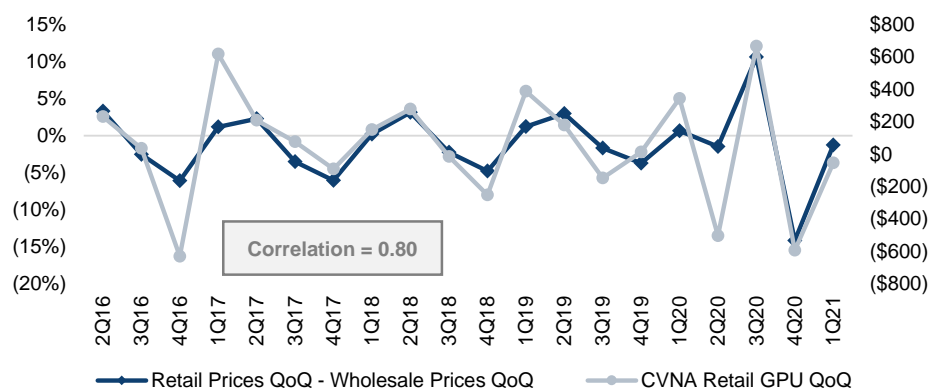
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Jefferies

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an 0.8 correlation to the retail/wholesale price spread. That said, commentary at 1Q suggested the company is relatively sanguine about higher wholesale prices, with Retail GPU expected to follow the typical seasonal trend in 2021 as CVNA leverages an expanded customer sourcing channel and optimizes prices.

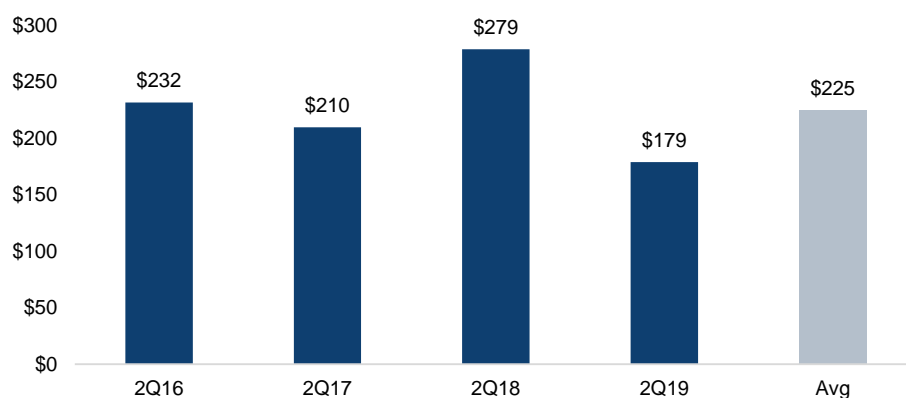
Exhibit 3 - CVNA's Retail GPU (QoQ) vs. Retail/Wholesale Price Spread (QoQ)



Source: Company Reports, BLS, Cox, Jefferies

(4) Finance GPU should permanently benefit from structural improvements: 1Q was CVNA's third consecutive quarter of record Other GPU, driven by higher attachment rates on ancillary products and higher Finance GPU, as CVNA benefited from a combination of structural improvements, low-interest rates, and tighter credit standards. Specifically on structural improvements, CVNA went from selling loans directly to investors (inception to March '19), to entering the ABS market with full credit spectrum deals (March '19 to March '20), to selling separate Prime and Non-Prime deals (December '20 to present). In addition, a growing track record of loan performance and improvements to credit scoring has also contributed to lower funding costs.

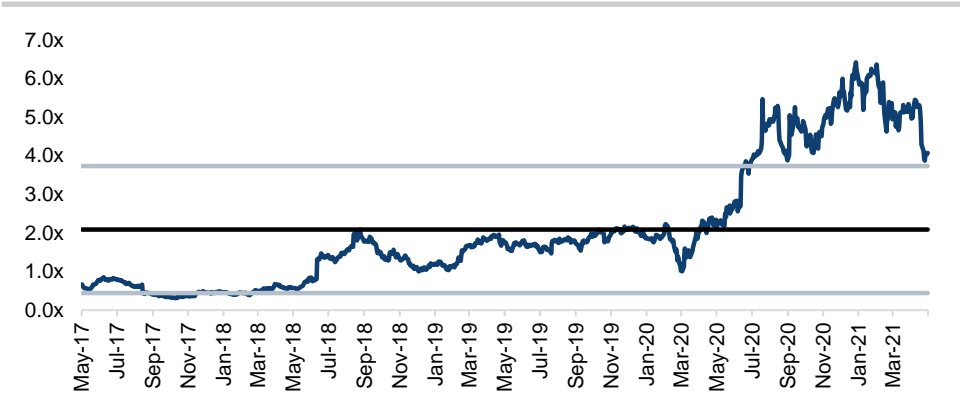
Exhibit 4 - Sequential Increase in Retail GPU



Source: Company Reports, Jefferies

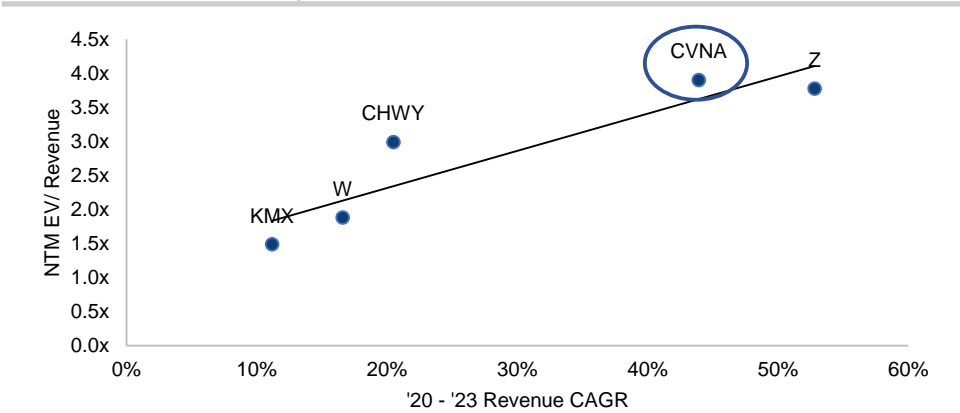
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Exhibit 5 - CVNA NTM EV/Sales



Source: FactSet

Exhibit 6 - CVNA Growth Adjusted Multiple

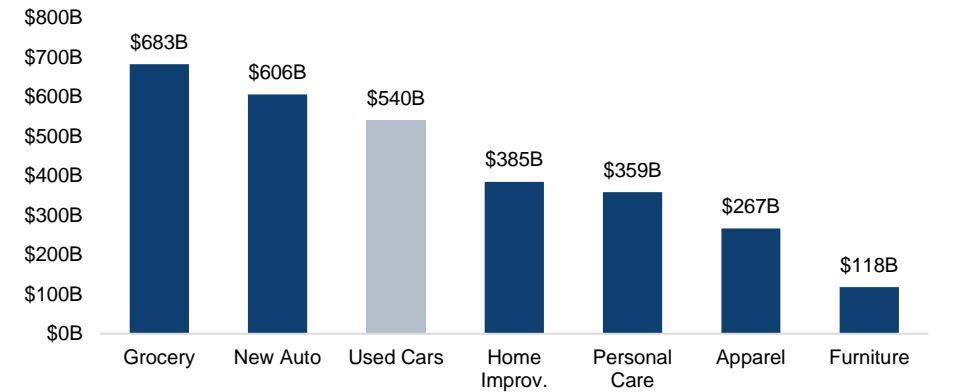


Source: FactSet, Company Data, Jefferies

Summary of thesis

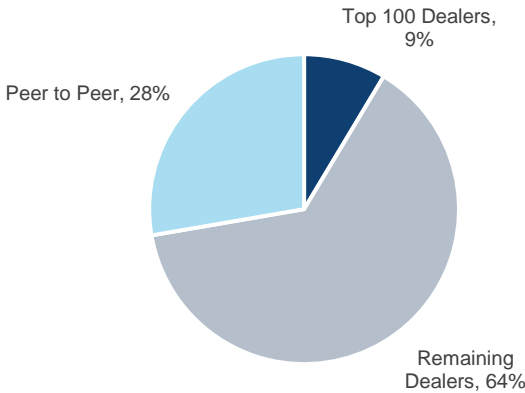
Massive addressable market ripe for disruption: CVNA is the dominant e-commerce player in used vehicles, a massive ~\$550B market (our est) ripe for disruption. We anticipate e-commerce penetration will expand meaningfully from under 1% today, supported by low consumer satisfaction at auto dealers and demographic tailwinds from younger generations' willingness to buy online. In addition, a fragmented industry structure with limited tech expertise curbs incumbent players' ability to create an alternative offering.

Exhibit 7 - A massive addressable market



Source: Company Data, U.S. Census, NADA, Cox

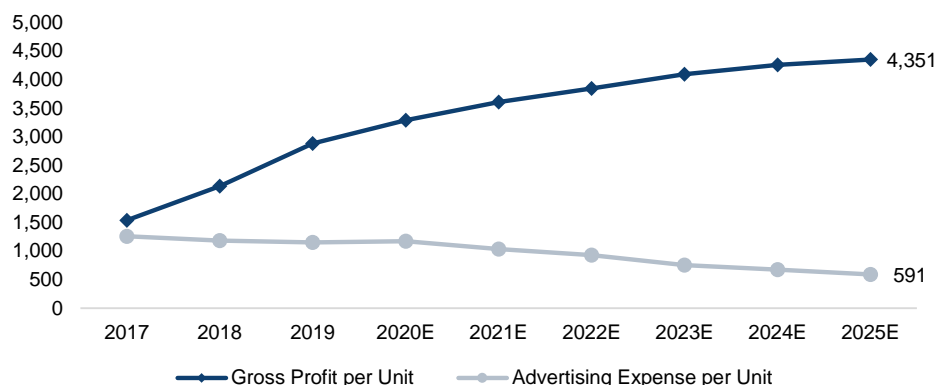
Exhibit 8 - Dealership market share of used car sales



Source: Company Reports

A superior business model that improves with scale: CVNA currently offers ~30K vehicles on its site/app, whereas traditional dealers typically offer under 200 vehicles. Having more inventory is a key driver of conversion and competitive advantage, since consumers are often searching for specific models. In addition, CVNA's e-commerce site/app and self-service tools reduce costs by avoiding the need for salespeople and prime real estate, providing flexibility to offer lower prices while still achieving attractive economics. The cost structure also improves with scale, as more inventory increases conversion and reduces delivery costs/time. In addition, CVNA benefits from moderating customer acquisition costs over time as consumer awareness grows.

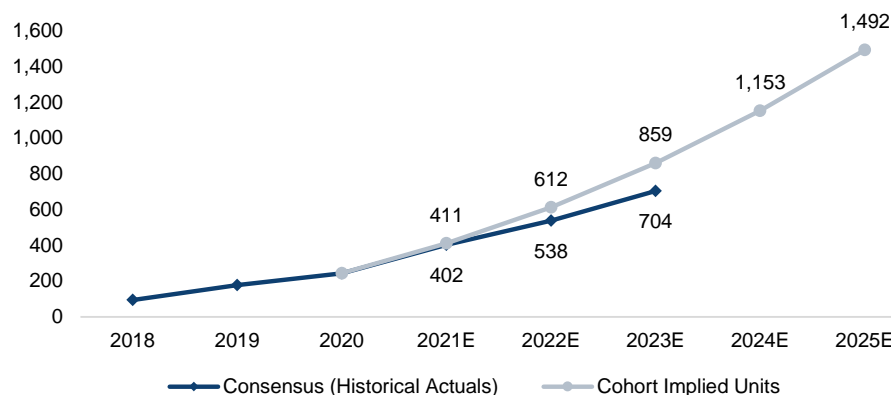
Exhibit 9 - CVNA's gross profit per unit (GPU) and Advertising expense per unit



Source: Company Reports, Jefferies

Market share analysis implies CVNA's stock price could double: We estimate ~60% revenue CAGR and ~25% upside to 2022 consensus if CVNA's historical market share progression continues into the future. We use this market share analysis in our Bull case, which implies CVNA's stock price doubles to \$530/share despite us assuming there is no change in the multiple. For perspective, ~60% CAGR would still represent a substantial moderation in growth from 128%/102% in 2018/19. As such, we believe CVNA is better positioned to achieve our Bull case estimates than our other SMID-cap internet coverage.

Exhibit 10 - CVNA's unit sales implied by past market share gains vs. consensus

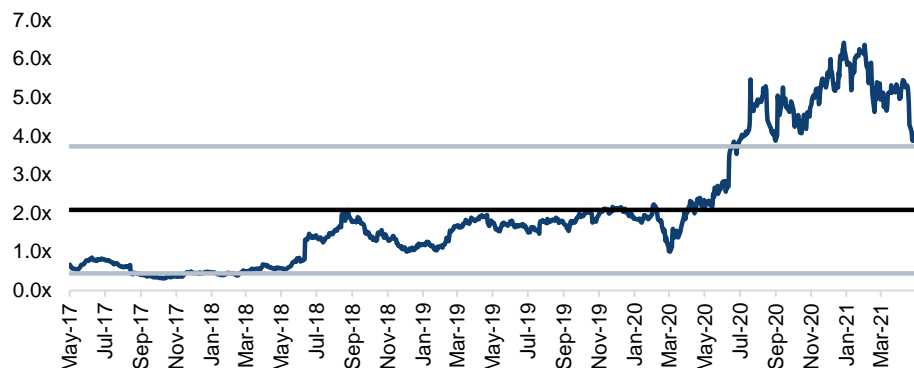


Source: Company Data, Visible Alpha

A rare COVID beneficiary with easy comps next year, as intentional inventory reductions early in the pandemic constrained sales in 2Q-4Q despite record consumer demand. We believe current valuation is justified by CVNA's attractive growth profile and our expectation for upside to consensus, led by secular tailwinds and supported by our market share analysis. We also believe historical valuation was held back by skepticism of the viability and long-term economics of CVNA's previously untested business model. Our DCD-derived \$375 PT implies ~5x 2022e EV/Sales, which is modestly below the current multiple.

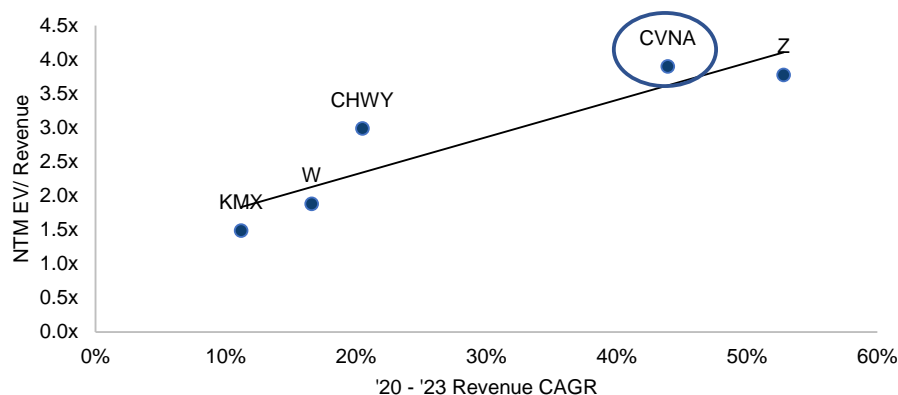
Valuation

Exhibit 11 - CVNA NTM EV/Sales



Source: FactSet

Exhibit 12 - CVNA Growth Adjusted Multiple



Source: FactSet, Company Data, Jefferies

Exhibit 13 - CVNA Comp Sheet

Key comps	Ticker	YTD (%)	M-Cap (\$M)	EV (\$M)	Revenue 2020A	EV/Sales NTM	EV/Sales 2022E	EV/EBITDA NTM	EV/EBITDA 2022E	% from A.T. high
Chewy, Inc. Class A	CHWY	(22%)	\$30,101	\$29,885	\$7,150	3.1x	2.8x	127.0x	82.2x	(41%)
CarMax, Inc.	KMX	27%	\$19,898	\$34,926	\$18,950	1.5x	1.4x	21.5x	20.4x	(10%)
Shift Technologies Inc Class A	SFT	(8%)	\$610	\$897	\$196	1.5x	1.0x	-	-	(48%)
Vroom, Inc.	VRM	NA	\$5,643	\$4,949	\$1,358	1.6x	1.2x	-	-	(47%)
Wayfair, Inc. Class A	W	35%	\$32,476	\$33,762	\$14,145	2.0x	1.8x	35.3x	28.5x	(18%)
Zillow Group, Inc. Class C	Z	(15%)	\$28,471	\$26,143	\$3,340	4.2x	3.3x	44.0x	37.3x	(47%)
Key comps Average						2.3x	1.9x	56.9x	42.1x	(33%)
Key comps Median						1.8x	1.6x	39.6x	32.9x	(41%)
Carvana Co. Class A	CVNA	(5%)	\$39,712	\$41,742	\$5,587	3.9x	3.2x	-	236.1x	(30%)

Source: Jefferies, FactSet

Summary Financials

Exhibit 14 - CVNA Revenue & Profit Drivers

	2Q21E	3Q21E	4Q21E	1Q22E	2Q22E		2021E	2022E	2023E	2024E	2025E
Sales Drivers											
Used vehicle sales, net	\$1,966	\$1,998	\$2,185	\$2,482	\$2,645		\$7,950	\$10,706	\$14,447	\$19,025	\$24,153
% Y/Y Growth	98%	55%	46%	38%	35%		68%	35%	35%	32%	27%
Used vehicle units	101,598	102,414	108,172	126,207	135,348		404,641	539,641	724,641	949,641	1,199,641
% Y/Y Growth	84%	59%	50%	37%	33%		66%	33%	34%	31%	26%
Used vehicle sales per unit	\$19,351	\$19,513	\$20,202	\$19,663	\$19,544		\$19,646	\$19,839	\$19,936	\$20,034	\$20,133
% Y/Y Growth	8%	(3%)	(3%)	1%	1%		1%	1%	0%	0%	0%
Wholesale vehicle sales	\$241	\$249	\$250	\$318	\$316		\$980	\$1,284	\$1,819	\$2,448	\$3,173
% Y/Y Growth	387%	91%	34%	33%	31%		120%	31%	42%	35%	30%
Wholesale vehicle units	27,277	27,375	28,298	35,415	36,652		108,990	146,490	206,490	276,490	356,490
% Y/Y Growth	275%	78%	30%	36%	34%		97%	34%	41%	34%	29%
Wholesale vehicle sales per unit	\$8,831	\$9,084	\$8,844	\$8,986	\$8,610		\$8,990	\$8,766	\$8,811	\$8,856	\$8,900
% Y/Y Growth	30%	8%	3%	(2%)	(3%)		11%	(2%)	1%	1%	1%
Other sales and revenues	\$192	\$196	\$209	\$294	\$268		\$802	\$1,124	\$1,564	\$2,091	\$2,669
% Y/Y Growth	149%	57%	45%	43%	40%		100%	40%	39%	34%	28%
Gross Profit Drivers											
Gross profit, total, GAAP	\$368	\$372	\$381	\$492	\$522		\$1,459	\$2,076	\$2,966	\$4,043	\$5,219
% of Revenue	15%	15%	14%	16%	16%		15%	16%	17%	17%	17%
bps chg	189 bps	(171)bps	107 bps	86 bps	83 bps		78 bps	84 bps	81 bps	52 bps	25 bps
Total gross profit per unit, excl one-tim	\$3,618	\$3,630	\$3,526	\$3,901	\$3,853		\$3,605	\$3,846	\$4,093	\$4,257	\$4,351
% Y/Y Growth	33%	(10%)	4%	7%	7%		10%	7%	6%	4%	2%
Used vehicle gross profit, GAAP	\$155	\$155	\$155	\$173	\$228		\$577	\$857	\$1,264	\$1,760	\$2,294
% of Revenue	8%	8%	7%	7%	9%		7%	8%	9%	9%	9%
bps chg	125 bps	(150)bps	100 bps	75 bps	75 bps		(32)bps	74 bps	75 bps	50 bps	25 bps
Used vehicle gross profit per unit, excl	\$1,521	\$1,518	\$1,436	\$1,371	\$1,683		\$1,427	\$1,588	\$1,745	\$1,853	\$1,912
% Y/Y Growth	28%	(18%)	13%	13%	11%		(5%)	11%	10%	6%	3%
Wholesale vehicle gross profit, GAAP	\$21	\$20	\$17	\$25	\$25		\$79	\$94	\$138	\$192	\$257
% of Revenue	9%	8%	7%	8%	8%		8%	7%	8%	8%	8%
bps chg	(650)bps	(500)bps	250 bps	(75)bps	(75)bps		51 bps	(74)bps	25 bps	25 bps	25 bps
Wholesale vehicle gross profit per unit	\$773	\$742	\$592	\$719	\$689		\$726	\$643	\$669	\$694	\$720
% Y/Y Growth	(25%)	(33%)	65%	(11%)	(11%)		7%	(11%)	4%	4%	4%
Other gross profit, GAAP	\$192	\$196	\$209	\$294	\$268		\$802	\$1,124	\$1,564	\$2,091	\$2,669
% of Revenue	100%	100%	100%	100%	100%		100%	100%	100%	100%	100%
bps chg	0 bps	0 bps	0 bps	0 bps	0 bps		0 bps	0 bps	0 bps	0 bps	0 bps
Other gross profit per unit, excl one-tin	\$1,889	\$1,914	\$1,935	\$2,328	\$1,983		\$1,983	\$2,084	\$2,158	\$2,202	\$2,225
% Y/Y Growth	35%	(1%)	(3%)	5%	5%		21%	5%	4%	2%	1%
Expense Drivers											
SG&A Total	\$412	\$410	\$438	\$501	\$506		\$1,657	\$2,037	\$2,355	\$2,837	\$3,261
% of Revenue	17%	17%	17%	16%	16%		17%	16%	13%	12%	11%
bps chg	(430)bps	(55)bps	(220)bps	(150)bps	(150)bps		(313)bps	(149)bps	(233)bps	(117)bps	(117)bps
SG&A Total expense per retail unit sol	4,050	4,008	4,050	3,967	3,735		4,095	3,775	3,250	2,988	2,718
% Y/Y Growth	(7%)	(4%)	(15%)	(8%)	(8%)		(10%)	(8%)	(14%)	(8%)	(9%)

Source: Company Reports, Jefferies

Exhibit 15 - CVNA Financial Statement Summary

	2Q21E	3Q21E	4Q21E	1Q22E	2Q22E		2021E	2022E	2023E	2024E	2025E
Income Statement											
Sales & operating revenue	\$2,399	\$2,443	\$2,645	\$3,094	\$3,229		\$9,732	\$13,115	\$17,830	\$23,565	\$29,994
% Y/Y Growth	114%	58%	45%	38%	35%		74%	35%	36%	32%	27%
Gross profit, GAAP	368	372	381	492	522		1,459	2,076	2,966	4,043	5,219
% Margin	15%	15%	14%	16%	16%		15%	16%	17%	17%	17%
bps chg	189 bps	(171)bps	107 bps	86 bps	83 bps		78 bps	84 bps	81 bps	52 bps	25 bps
Operating income (loss), GAAP	(44)	(39)	(57)	(8)	16		(198)	39	611	1,205	1,958
% Margin	(2%)	(2%)	(2%)	(0%)	0%		(2%)	0%	3%	5%	7%
bps chg	619 bps	(116)bps	327 bps	236 bps	233 bps		391 bps	233 bps	313 bps	169 bps	141 bps
EBITDA, Adjusted	(25)	(18)	(32)	18	43		(104)	152	750	1,365	2,135
% Margin	(1%)	(1%)	(1%)	1%	1%		(1%)	1%	4%	6%	7%
bps chg	515 bps	(210)bps	266 bps	192 bps	235 bps		306 bps	223 bps	305 bps	159 bps	133 bps
Balance Sheet											
Cash and cash equivalents	136	209	177	105	105		177	105	418	782	1,233
Accounts receivable	105	107	116	135	141		116	154	206	270	342
Finance receivables held for sale	648	502	398	529	873		398	528	709	929	1,176
Vehicle inventory	1,329	1,367	1,506	1,717	1,772		1,506	1,914	2,458	3,088	3,755
Other current assets	317	317	317	317	317		317	317	317	317	317
Total current assets	2,535	2,501	2,514	2,803	3,208		2,514	3,018	4,108	5,387	6,823
Property and equipment	1,110	1,232	1,321	1,377	1,522		1,321	1,745	2,193	2,665	3,162
Intangible assets	5	5	5	5	5		5	5	5	5	5
Goodwill	9	9	9	9	9		9	9	9	9	9
Other non-current assets	195	195	195	195	195		195	195	195	195	195
Total assets	3,855	3,942	4,044	4,390	4,939		4,044	4,972	6,510	8,262	10,194
Accounts payable & accrued liabilities	440	449	490	564	587		490	644	857	1,116	1,408
Other current liabilities	212	212	212	525	1,071		212	1,102	2,100	2,840	3,173
Total current liabilities	652	661	702	1,088	1,658		702	1,746	2,957	3,955	4,580
Long-term debt	2,404	2,554	2,704	2,704	2,704		2,704	2,704	2,704	2,704	2,704
Other L-T liabilities	148	148	148	148	148		148	148	148	148	148
Additional paid-in capital	763	771	780	792	804		780	828	891	970	1,063
Retained earnings (accumulated deficit)	(468)	(548)	(646)	(699)	(730)		(646)	(811)	(546)	129	1,342
Other shareholders' equity	356	356	356	356	356		356	356	356	356	356
Shareholders' equity	651	580	490	449	430		490	374	702	1,454	2,761
Total liabilities and shareholder eq	3,855	3,942	4,044	4,390	4,939		4,044	4,972	6,510	8,262	10,194
Cash Flow Statement											
Net (loss) income	(78)	(79)	(99)	(53)	(31)		(338)	(164)	265	674	1,214
Depreciation and amortization	23	24	27	28	28		95	120	145	170	195
Equity-based compensation	8	8	9	12	12		33	48	63	78	93
Other non-cash operating adjustments	(264)	147	104	(131)	(343)		(178)	(130)	(181)	(220)	(247)
Working capital changes	79	(31)	(106)	(157)	(38)		(375)	(291)	(385)	(435)	(446)
Net cash from operating activities	(233)	68	(66)	(301)	(373)		(763)	(418)	(93)	267	810
Purchases of property and equipment	(151)	(145)	(116)	(84)	(173)		(494)	(544)	(593)	(642)	(692)
Other investing activities	0	0	0	0	0		7	0	0	0	0
Net cash from investing activities	(151)	(145)	(116)	(84)	(173)		(487)	(544)	(593)	(642)	(692)
Revolving credit facilities	0	0	0	313	546		83	890	998	740	333
Long-term debt (repayment), net	150	150	150	0	0		1,069	0	0	0	0
Other financing activities	0	0	0	0	0		(9)	0	0	0	0
Net cash from financing activities	150	150	150	313	546		1,143	890	998	740	333
Net increase in cash and equivalent	(234)	73	(32)	(72)	(0)		(107)	(72)	313	365	451
Cash and equivalents, beginning of pe	415	181	254	222	150		329	222	150	463	827
Cash and equivalents, end of period	181	254	222	150	150		222	150	463	827	1,278

Source: Company Reports, Jefferies

Exhibit 16 - CVNA Income Statement

Income Statement (\$ in Millions)	2019				2020				2021E				2019	2020	2021E	2022E	2023E	2024E	CAGR '19-2024
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E							
Sales & operating revenue	755.2	986.2	1,094.9	1,103.6	1,098.2	1,118.3	1,543.6	1,826.4	2,245.0	2,398.8	2,443.1	2,644.9	3,939.9	5,586.6	9,731.8	13,114.8	17,829.6	23,564.7	43.0%
Cost of sales	666.7	848.4	957.3	961.0	959.8	968.1	1,282.3	1,582.5	1,907.0	2,031.2	2,071.3	2,263.5	3,433.5	4,792.8	8,273.1	11,039.0	14,863.5	19,522.1	41.6%
Gross profit, GAAP	88.5	137.8	137.5	142.5	138.4	150.2	261.3	243.9	338.0	367.6	371.8	381.4	506.4	793.8	1,458.8	2,075.7	2,966.1	4,042.6	51.5%
% Margin	11.7%	14.0%	12.6%	12.9%	12.6%	13.4%	16.9%	13.4%	15.1%	15.3%	15.2%	14.4%	12.9%	14.2%	15.0%	15.8%	16.6%	17.2%	
Compensation & benefits	48.8	54.2	60.7	72.9	84.3	74.2	80.2	99.6	126.0	129.2	133.1	137.7	236.6	338.3	525.9	643.5	741.3	921.1	31.2%
Advertising expense	39.5	50.4	55.3	58.9	74.8	62.3	65.1	84.2	100.0	103.7	103.1	112.6	204.0	286.4	419.5	499.8	545.9	639.2	25.7%
Market occupancy	4.4	4.7	5.5	6.6	8.1	8.0	9.7	10.6	13.0	16.0	14.2	15.3	21.3	36.4	58.5	72.3	92.9	118.1	40.9%
Logistics	12.2	13.6	14.1	18.1	18.9	16.7	18.1	23.1	30.0	29.8	28.6	30.9	58.1	76.8	119.3	147.7	192.1	242.2	33.1%
Other	50.3	58.9	72.5	85.1	89.7	78.7	94.6	125.2	128.0	132.8	131.5	141.6	266.8	388.1	533.8	673.7	782.5	916.5	28.0%
Total operating expenses	155.2	181.8	208.0	241.7	275.7	239.9	267.8	342.7	397.0	411.5	410.5	438.1	786.7	1,126.2	1,657.0	2,037.1	2,354.7	2,837.2	29.2%
Operating income (loss), GAAP	(66.7)	(44.1)	(70.4)	(99.1)	(137.3)	(89.7)	(6.6)	(98.8)	(59.0)	(43.9)	(38.7)	(56.7)	(280.3)	(332.4)	(198.3)	38.7	611.3	1,205.5	
% Margin	(8.8%)	(4.5%)	(6.4%)	(9.0%)	(12.5%)	(8.0%)	(0.4%)	(5.4%)	(2.6%)	(1.8%)	(1.6%)	(2.1%)	(7.1%)	(5.9%)	(2.0%)	0.3%	3.4%	5.1%	
Interest expense	15.6	19.3	21.0	24.7	28.9	19.9	20.3	62.5	30.0	31.3	37.8	40.1	80.6	131.5	139.1	196.6	251.8	295.8	29.7%
Other income	0.2	0.7	0.8	2.0	17.4	(3.1)	(9.2)	(6.6)	(7.0)	3.3	2.6	1.9	3.7	(1.4)	0.8	6.5	6.3	10.6	
Earnings before taxes	(82.6)	(64.1)	(92.2)	(125.7)	(183.6)	(106.6)	(17.6)	(154.7)	(82.0)	(78.5)	(79.1)	(98.6)	(364.6)	(462.5)	(338.2)	(164.4)	353.2	899.0	
Income tax provision	0.0	0.0	0.0	0.0	0.0	(0.2)	0.1	(0.1)	0.0	0.0	0.0	0.0	0.0	(0.3)	0.0	0.0	88.3	224.8	
Effective tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	(0.2%)	0.4%	(0.1%)	0.0%	0.0%	0.0%	0.0%	0.0%	(0.1%)	0.0%	0.0%	(25.0%)	(25.0%)	N/A
Net income (loss)	(82.6)	(64.1)	(92.2)	(125.7)	(183.6)	(106.3)	(17.7)	(154.6)	(82.0)	(78.5)	(79.1)	(98.6)	(364.6)	(462.2)	(338.2)	(164.4)	264.9	674.3	
Net loss attributable to non-controlling interests	(54.0)	(37.4)	(53.2)	(84.6)	(123.7)	(65.5)	(10.6)	(91.3)	(46.0)	(44.0)	(44.4)	(55.3)	(229.3)	(291.1)	(189.7)	(92.2)	148.6	378.3	
Net income (loss) attributable to CVNA	(28.5)	(26.6)	(39.0)	(41.1)	(59.9)	(40.8)	(7.1)	(63.3)	(36.0)	(34.4)	(34.7)	(43.3)	(135.3)	(171.1)	(148.5)	(72.2)	116.3	296.0	
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net earnings (loss) to shareholders	(28.5)	(26.6)	(39.0)	(41.1)	(59.9)	(40.830)	(7.1)	(63.3)	(36.0)	(34.4)	(34.7)	(43.3)	(135.3)	(171.1)	(148.5)	(72.2)	116.3	296.0	
Basic EPS, GAAP	(\$0.19)	(\$0.17)	(\$0.25)	(\$0.26)	(\$0.38)	(\$0.24)	(\$0.04)	(\$0.36)	(\$0.21)	(\$0.20)	(\$0.20)	(\$0.25)	(\$0.88)	(\$1.03)	(\$0.86)	(\$0.41)	\$0.66	\$1.65	(213.5%)
Diluted EPS, GAAP	(\$0.19)	(\$0.17)	(\$0.25)	(\$0.26)	(\$0.38)	(\$0.24)	(\$0.04)	(\$0.36)	(\$0.21)	(\$0.20)	(\$0.20)	(\$0.25)	(\$0.88)	(\$1.03)	(\$0.86)	(\$0.41)	\$0.66	\$1.65	(213.5%)
Diluted EPS, Adjusted	(\$0.53)	(\$0.40)	(\$0.56)	(\$0.79)	(\$1.04)	(\$0.62)	(\$0.10)	(\$0.89)	(\$0.47)	(\$0.45)	(\$0.46)	(\$0.57)	(\$2.28)	(\$2.65)	(\$1.95)	(\$0.94)	\$1.50	\$3.77	(210.5%)
Adjusted Basic Shares, Average	150.3	152.4	155.5	155.6	155.6	171.4	174.4	174.6	174.7	172.6	173.1	173.6	153.8	166.7	173.5	174.8	176.9	178.9	
Adjusted Diluted Shares, Average	150.3	152.4	155.5	155.6	155.6	171.4	174.4	174.6	174.7	172.6	173.1	173.6	153.8	166.7	173.5	174.8	176.9	178.9	
EBITDA, GAAP																			
Operating income (loss), including other expense, GAAP	(66.9)	(44.7)	(71.3)	(101.1)	(154.7)	(86.6)	2.6	(92.2)	(52.0)	(47.2)	(41.3)	(58.6)	(284.0)	(330.9)	(199.1)	32.2	605.0	1,194.9	
Depreciation and amortization	7.9	8.9	10.7	13.8	15.8	17.6	18.6	21.7	22.0	22.6	23.6	26.7	41.3	73.8	95.0	120.0	145.0	169.9	
Other	3.0	3.3	4.4	2.5	26.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.2	26.5	0.0	0.0	0.0	0.0	
EBITDA, Adjusted	(56.0)	(32.5)	(56.2)	(84.8)	(112.4)	(69.0)	21.3	(70.5)	(30.0)	(24.6)	(17.6)	(31.9)	(229.5)	(230.6)	(104.1)	152.1	749.9	1,364.8	
% Margin	(7.4%)	(3.3%)	(5.1%)	(7.7%)	(10.2%)	(6.2%)	1.4%	(3.9%)	(1.3%)	(1.0%)	(0.7%)	(1.2%)	(5.8%)	(4.1%)	(1.1%)	1.2%	4.2%	5.8%	
Adjusted net income																			
Net earnings (loss) to CVNA	(28.5)	(26.6)	(39.0)	(41.1)	(59.9)	(40.8)	(7.1)	(63.3)	(36.0)	(34.4)	(34.7)	(43.3)	(135.3)	(171.1)	(148.5)	(72.2)	116.3	296.0	
Net loss attributable to non-controlling interests	(54.0)	(37.4)	(53.2)	(84.6)	(123.7)	(65.5)	(10.6)	(91.3)	(46.0)	(44.0)	(44.4)	(55.3)	(229.3)	(291.1)	(189.7)	(92.2)	148.6	378.3	
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	3.0	3.3	4.4	2.5	21.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.2	21.1	0.0	0.0	0.0	0.0	
Adjusted net income	(79.6)	(60.7)	(87.8)	(123.2)	(162.5)	(106.3)	(17.7)	(154.6)	(82.0)	(78.5)	(79.1)	(98.6)	(351.4)	(441.2)	(338.2)	(164.4)	264.9	674.3	
Beginning Share Count	145.5	145.6	151.1	151.5	151.7	151.9	170.6	171.7	172.1	172.4	172.9	173.4	145.5	151.7	172.1	173.9	175.9	177.9	
Share Repurchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Share Issuance	0.1	5.5	0.4	0.2	0.2	18.7	1.1	0.4	0.2	0.5	0.5	0.5	6.2	20.4	1.7	2.0	2.0	2.0	
Ending Share Count	145.6	151.1	151.5	151.7	151.9	170.6	171.7	172.1	172.4	172.9	173.4	173.9	151.7	172.1	173.9	175.9	177.9	179.9	
Basic Shares Outstanding, Average	150.3	152.4	155.5	155.6	155.6	171.4	174.4	174.6	174.7	172.6	173.1	173.6	153.8	166.7	173.5	174.8	176.9	178.9	
Dilution	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Diluted Shares Outstanding, Average	150.3	152.4	155.5	155.6	155.6	171.4	174.4	174.6	174.7	172.6	173.1	173.6	153.8	166.7	173.5	174.8	176.9	178.9	
Shares repurchased	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repurchase Price	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	N/A	N/A	N/A	N/A	N/A	
Repurchase of shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	

Source: Company Reports, Jefferies


CVNA Balance Sheet

Balance Sheet (\$ in Millions)	2019				2020				2021E				2019	2020	2021E	2022E	2023E	2024E
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E						
Cash and cash equivalents	85.3	40.2	94.9	76.0	72.4	246.3	173.7	300.7	370.0	135.7	208.7	176.8	76.0	300.7	176.8	105.0	417.9	782.4
Restricted cash	21.7	2.2	13.5	42.4	72.6	120.0	22.6	28.3	45.0	45.0	45.0	45.0	42.4	28.3	45.0	45.0	45.0	45.0
Accounts receivable	38.2	42.1	59.0	39.9	26.6	45.5	82.9	78.6	118.0	105.0	107.0	115.8	39.9	78.6	115.8	153.6	206.2	270.2
Finance receivables held for sale	151.2	177.7	180.9	287.0	199.0	358.1	317.0	274.9	384.0	648.2	501.7	398.2	287.0	274.9	398.2	528.2	709.2	929.2
Vehicle inventory	525.7	606.5	629.8	762.7	844.7	629.4	967.5	1,036.2	1,439.0	1,329.4	1,367.0	1,506.2	762.7	1,036.2	1,506.2	1,913.7	2,458.2	3,088.5
Beneficial interest in securitization	19.5	45.2	75.8	98.8	118.9	116.6	112.1	131.3	177.0	177.0	177.0	177.0	98.8	131.3	177.0	177.0	177.0	177.0
Other current assets	35.1	43.6	44.0	52.7	59.3	55.6	71.2	73.0	95.0	95.0	95.0	95.0	52.7	73.0	95.0	95.0	95.0	95.0
Total current assets	876.8	957.5	1,098.0	1,359.4	1,393.6	1,571.5	1,747.1	1,923.0	2,628.0	2,535.3	2,501.3	2,514.0	1,359.4	1,923.0	2,514.0	3,017.5	4,108.5	5,387.3
Property and equipment	353.5	392.2	457.2	543.5	645.5	704.7	800.2	909.2	982.0	1,110.5	1,232.0	1,321.4	543.5	909.2	1,321.4	1,745.1	2,193.0	2,665.3
Operating lease	77.8	91.6	95.4	123.4	169.7	166.3	141.7	155.5	156.0	156.0	156.0	156.0	123.4	155.5	156.0	156.0	156.0	156.0
Intangible assets	8.5	8.1	7.7	7.2	6.7	6.3	6.0	5.6	5.0	5.0	5.0	5.0	7.2	5.6	5.0	5.0	5.0	5.0
Goodwill	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.0	9.0	9.0	9.0	9.4	9.4	9.0	9.0	9.0	9.0
Other non-current assets	12.5	15.6	16.8	14.9	14.4	18.5	28.5	31.8	39.0	39.0	39.0	39.0	14.9	31.8	39.0	39.0	39.0	39.0
Total assets	1,338.4	1,474.4	1,684.3	2,057.7	2,239.2	2,476.8	2,732.8	3,034.4	3,819.0	3,854.8	3,942.2	4,044.3	2,057.7	3,034.4	4,044.3	4,971.6	6,510.5	8,261.6
Accounts payable & accrued liabilities	170.8	178.0	191.6	234.4	246.8	278.1	355.9	342.2	484.0	440.0	448.7	490.3	234.4	342.2	490.3	644.2	856.7	1,115.7
Short-term revolving facilities	434.8	39.7	262.2	568.8	812.2	31.0	127.0	39.8	122.0	122.0	122.0	122.0	568.8	39.8	122.0	1,011.7	2,010.0	2,749.6
Current Portion of L-T Debt	15.3	20.7	40.2	48.7	53.3	52.5	54.3	65.5	69.0	69.0	69.0	69.0	48.7	65.5	69.0	69.0	69.0	69.0
Other current liabilities	9.2	11.4	13.4	12.9	16.1	11.7	11.6	19.5	21.0	21.0	21.0	21.0	12.9	19.5	21.0	21.0	21.0	21.0
Total current liabilities	630.0	249.8	507.5	864.9	1,128.4	373.3	548.8	467.0	696.0	652.0	660.7	702.3	864.9	467.0	702.3	1,745.9	2,956.7	3,955.3
Long-term debt	479.0	743.1	776.6	883.1	936.1	965.7	1,080.9	1,617.0	2,254.0	2,404.0	2,554.0	2,704.0	883.1	1,617.0	2,704.0	2,704.0	2,704.0	2,704.0
Operating lease obligations-net of current	74.6	85.8	87.3	116.1	159.8	163.2	140.0	147.5	147.0	147.0	147.0	147.0	116.1	147.5	147.0	147.0	147.0	147.0
Other long-term liabilities	1.8	1.8	1.8	1.8	1.7	1.6	1.5	1.4	1.0	1.0	1.0	1.0	1.8	1.4	1.0	1.0	1.0	1.0
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.2	0.2	0.0	0.0	0.0	0.0
Additional paid-in capital	157.8	263.4	274.2	281.0	285.9	709.5	721.2	741.6	755.0	763.2	771.1	780.1	281.0	741.6	780.1	828.3	891.5	969.7
Retained earnings (accumulated deficit)	(103.2)	(129.8)	(168.8)	(183.0)	(242.9)	(283.8)	(290.8)	(354.2)	(390.0)	(468.5)	(547.5)	(646.2)	(183.0)	(354.2)	(646.2)	(810.6)	(545.7)	128.6
Other shareholder equity	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity attributable to CVNA	54.8	133.7	105.5	98.1	43.1	426.0	430.5	387.6	365.0	294.8	223.5	134.0	98.1	387.6	134.0	17.7	345.8	1,098.2
Non-controlling interests	98.1	260.1	205.6	93.8	(29.9)	547.1	531.1	413.9	356.0	356.0	356.0	356.0	93.8	413.9	356.0	356.0	356.0	356.0
Shareholders' equity	152.8	393.8	311.2	191.9	13.2	973.1	961.6	801.5	721.0	650.8	579.5	490.0	191.9	801.5	490.0	373.7	701.8	1,454.2
Total liabilities and shareholder equity	1,338.4	1,474.4	1,684.3	2,057.7	2,239.2	2,476.8	2,732.8	3,034.4	3,819.0	3,854.8	3,942.2	4,044.3	2,057.7	3,034.4	4,044.3	4,971.6	6,510.5	8,261.6

Source: Company Reports, Jefferies

CVNA Cash Flow Statement

Cash Flow Statement (\$ in Millions)	2019				2020				2021E				2019	2020	2021E	2022E	2023E	2024E
	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E						
Net (loss) income	(82.6)	(64.1)	(92.2)	(125.7)	(183.6)	(106.3)	(17.7)	(154.6)	(82.0)	(78.5)	(79.1)	(98.6)	(364.6)	(462.2)	(338.2)	(164.4)	264.9	674.3
Depreciation and amortization	7.9	8.9	10.7	13.8	15.8	17.6	18.6	21.7	22.0	22.6	23.6	26.7	41.3	73.8	95.0	120.0	145.0	169.9
Loss on disposal of property & equipment	0.0	0.6	0.4	0.7	0.1	4.5	1.1	0.4	0.0				1.7	6.1	0.0	0.0	0.0	0.0
Provision for bad debt expense	1.4	1.9	3.7	4.9	5.2	2.4	3.1	43.9	1.0				11.9	54.6	1.0	0.0	0.0	0.0
Gain on loan sales	(19.2)	(40.4)	(39.8)	(37.9)	(13.0)	(39.3)	(76.8)	(88.6)	(138.0)				(137.3)	(217.6)	(138.0)	0.0	0.0	0.0
Equity-based compensation	7.7	8.0	9.6	7.7	5.9	6.2	5.9	7.1	8.0	8.2	7.9	9.1	33.1	25.1	33.1	48.2	63.2	78.2
Amortization and write-off of debt issuance costs	1.0	1.2	1.4	2.0	1.9	1.9	1.9	2.2	2.0				5.5	8.0	2.0	0.0	0.0	0.0
Finance receivables, net	(47.0)	90.6	(0.4)	(101.4)	56.3	(123.6)	113.6	99.3	(27.0)	(264.2)	146.5	103.5	(58.2)	145.6	(41.2)	(130.1)	(180.9)	(220.1)
Unrealized loss on beneficial interest in securitization	0.0	(0.2)	0.4	0.7	11.4	(8.0)	(7.4)	(4.8)	(2.0)				1.0	(8.8)	(2.0)	0.0	0.0	0.0
Changes in assets and liabilities	(83.8)	(86.9)	(33.6)	(87.2)	(68.7)	237.6	(313.6)	(88.3)	(316.0)	78.6	(30.8)	(106.4)	(291.5)	(232.9)	(374.6)	(291.4)	(384.7)	(435.2)
Accounts receivable	(5.4)	(4.3)	(18.2)	18.2	13.0	(20.0)	(38.5)	2.6	(41.0)	13.0	(1.9)	(8.8)	(9.7)	(43.0)	(38.8)	(37.8)	(52.6)	(64.0)
Vehicle inventory	(112.5)	(79.5)	(21.8)	(131.1)	(80.0)	217.2	(335.2)	(65.4)	(397.0)	109.6	(37.6)	(139.2)	(344.9)	(263.3)	(464.2)	(407.5)	(544.6)	(630.2)
Other assets	(12.9)	(11.2)	(1.7)	(6.9)	(4.0)	0.6	(14.4)	(8.7)	(29.0)				(32.6)	(26.4)	(29.0)	0.0	0.0	0.0
Accounts payable	48.6	8.5	8.3	32.5	1.8	37.5	73.2	(18.3)	151.0	(44.0)	8.7	41.6	97.9	94.2	157.3	153.9	212.5	259.0
Operating leases liabilities, net	(1.2)	(0.5)	(0.3)	0.2	0.6	2.4	1.4	1.6	0.0	0.0	0.0	0.0	(1.7)	6.0	0.0	0.0	0.0	0.0
Other liabilities	(0.4)	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	0.0				(0.4)	(0.4)	0.0	0.0	0.0	0.0
Net cash from operating activities	(214.5)	(80.3)	(139.8)	(322.5)	(168.5)	(7.0)	(271.3)	(161.7)	(532.0)	(233.2)	68.1	(65.7)	(757.1)	(608.4)	(762.8)	(417.8)	(92.6)	267.1
Purchases of property and equipment	(28.0)	(60.1)	(63.2)	(79.2)	(89.4)	(81.6)	(99.4)	(89.3)	(82.0)	(151.1)	(145.2)	(116.1)	(230.5)	(359.8)	(494.4)	(543.6)	(592.9)	(642.2)
Payments received on interests in securitizations	0.0	1.1	1.5	0.2	0.7	3.1	4.9	5.1	7.0				2.8	13.9	7.0	0.0	0.0	0.0
Business acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
Net cash from investing activities	(28.0)	(59.0)	(61.8)	(78.9)	(88.7)	(78.5)	(94.5)	(84.2)	(75.0)	(151.1)	(145.2)	(116.1)	(227.7)	(345.9)	(487.4)	(543.6)	(592.9)	(642.2)
Revolving credit facilities	237.8	(500.5)	222.5	306.6	243.4	(781.2)	96.0	(87.2)	83.0	0.0	0.0	0.0	266.5	(529.0)	83.0	889.7	998.3	739.6
Long-term debt (repayment), net	38.2	263.5	46.1	106.8	42.6	29.4	100.9	479.9	619.0	150.0	150.0	150.0	454.6	652.8	1,069.0	0.0	0.0	0.0
Common stock issuance	0.0	297.6	0.0	0.0	0.0	1,058.9	0.0	0.0	0.0				297.6	1,058.9	0.0	0.0	0.0	0.0
Convertible stock issuance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from exercise of stock options	0.4	0.4	0.7	0.2	0.1	2.7	2.1	0.5	0.0				1.7	5.4	0.0	0.0	0.0	0.0
Tax withholdings from restricted stock awards	(0.4)	(1.6)	(1.6)	(2.3)	(2.4)	(3.1)	(14.5)	(14.5)	(9.0)				(5.8)	(23.1)	(9.0)	0.0	0.0	0.0
Dividends paid (common & preferred)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
Share repurchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				0.0	0.0	0.0	0.0	0.0	0.0
Net cash from financing activities	276.1	59.5	267.7	411.4	283.7	306.7	195.8	378.7	693.0	150.0	150.0	150.0	1,014.6	1,165.0	1,143.0	889.7	998.3	739.6
Effect of exchange rate changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.1)	0.0				0.0	(0.1)	0.0	0.0	0.0	0.0
Net increase in cash and equivalents	33.5	(79.8)	66.1	10.0	26.6	221.3	(170.0)	132.7	86.0	(234.3)	73.0	(31.9)	29.8	210.6	(107.2)	(71.8)	312.9	364.5
Cash and equivalents, beginning of period	88.7	122.2	42.4	108.5	118.5	145.0	366.3	196.3	329.0	415.0	180.7	253.7	88.7	118.5	329.0	221.8	150.0	462.9
Cash and equivalents, end of period	122.2	42.4	108.5	118.5	145.0	366.3	196.3	329.0	415.0	180.7	253.7	221.8	118.5	329.0	221.8	150.0	462.9	827.4

Source: Company Reports, Jefferies

CVNA DCF

DCF (\$ in Millions)	2019	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	CAGR '18-2023
Sales & operating revenue	3,939.9	5,586.6	9,731.8	13,114.8	17,829.6	23,564.7	29,994.0	36,582.1	43,330.9	50,197.2	57,182.3	64,287.5	55.6%
% Y/Y Growth	101.5%	41.8%	74.2%	34.8%	36.0%	32.2%	27.3%	22.0%	18.4%	15.8%	13.9%	12.4%	
EBITDA, adjusted	(229.5)	(230.6)	(104.1)	152.1	749.9	1,364.8	2,135.4	2,949.5	3,876.5	4,828.3	5,792.2	6,833.7	(231.0%)
% Margin	(5.8%)	(4.1%)	(1.1%)	1.2%	4.2%	5.8%	7.1%	8.1%	8.9%	9.6%	10.1%	10.6%	
% Y/Y Growth	18.1%	0.5%	(54.9%)	(246.2%)	393.0%	82.0%	56.5%	38.1%	31.4%	24.6%	20.0%	18.0%	
Cash operating taxes	0.0	0.0	0.0	(31.9)	(157.5)	(286.6)	(448.4)	(619.4)	(814.1)	(1,013.9)	(1,216.4)	(1,435.1)	
CAPEX	(230.5)	(359.8)	(494.4)	(543.6)	(592.9)	(642.2)	(691.6)	(741.2)	(790.8)	(840.4)	(890.2)	(939.9)	
Working capital changes	(291.5)	(232.9)	(374.6)	(291.4)	(384.7)	(435.2)	(445.7)	(403.1)	(486.3)	(557.8)	(567.1)	(576.5)	
Free cash flow	(751.5)	(823.4)	(973.1)	(714.9)	(385.1)	0.8	549.6	1,185.9	1,785.4	2,416.1	3,118.5	3,882.2	
% Y/Y Growth	55.0%	9.6%	18.2%	(26.5%)	(46.1%)	(100.2%)	72,753.1%	115.8%	50.6%	35.3%	29.1%	24.5%	
NPV of cash flows	3,448.9												
Terminal value	56,963.6												
EV	60,412.5												
Net debt	2,673.2												
NPV of NOL tax savings	117.8												
Equity value	57,857.1												
Diluted shares outstanding, average	173.5												
Value per share, current	\$333												
Cost of equity	12.6%												
Value per share, +1 yr	\$375												
Implied Exit Multiple (EV/EBITDA)	8.3x												
Risk free rate	2.3%												
Beta (3 yr)	2.5												
ERP	4.1%												
Cost of equity	12.6%												
Cost of debt	5.0%												
Debt-to-capital ratio	5.0%												
Tax rate	21.0%												
WACC	12.2%												
Perpetual growth rate	5.0%												

	Perpetual Growth Rate				
WACC	4.0%	4.5%	5.0%	5.5%	6.0%
10.2%	\$387	\$422	\$464	\$516	\$579
11.2%	\$332	\$358	\$388	\$424	\$467
12.2%	\$290	\$310	\$333	\$359	\$390
13.2%	\$257	\$273	\$291	\$311	\$334
14.2%	\$230	\$243	\$257	\$274	\$292

Source: Company Reports, Jefferies

Company Description

Carvana

Carvana is a leading e-commerce platform for buying and selling used cars.

Company Valuation/Risks

Carvana

Price Target Methodology: We base our price target on discounted cash flow

Risks: Upside risks: (1) Revenue growth accelerates back to prior levels, (2) GPU expands reaches KMX faster than expected, (3) Increased revenue drives OPEX leverage and EBITDA margins to long-term targets within 5 years, (4) Pandemic accelerates adoption of used car e-commerce, accelerating Carvana's share gains above historical levels, (5) M&A. **Downside risks:** (1) Revenue growth decelerates or remains muted, (2) Wholesale market gets more competitive, negatively impacting retail GPU, (3) Proliferation of used car e-commerce sites negatively impacts traffic to Carvana, (4) Limited progress is made improving wholesale GPU.

CarGurus

Price Target Methodology: We base our price target on discounted cash flow

Risks: Upside risks: (1) Pivots business model so consumers can buy cars directly from CARG, (2) Increases dealer monetization through increased multi product attachment rates and greater lead generation, (3) Traffic growth starts to inflect higher, expanding CARG's leading position, (4) Search algorithm improvements, (5) Faster than expected margin expansion, and (7) M&A. **Downside risks:** (1) Dealer churn, (2) Continued narrowing of traffic lead due enhanced competitive offerings, (3) Deterioration in dealer economics that results in reductions to ad budgets, and (4) Changes to the corporate tax code.

Vroom

Price Target Methodology: We base our price target on discounted cash flow

Risks: Upside risks: (1) Revenue growth accelerates back to prior levels earlier than expected, (2) GPU expands in-line with peers within the next few years, (3) Increased revenue drives OPEX leverage and EBITDA margins higher, (4) Traffic gap narrows as Vroom expands inventory of less expensive vehicles, (5) M&A. **Downside risks:** (1) Revenue growth decelerates or remains muted, (2) Wholesale market gets more competitive, negatively impacting vehicle GPU, (3) Proliferation of used car e-commerce sites negatively impacts traffic to Vroom, (4) Limited progress is made improving product or wholesale GPU.

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I, John Colantuoni, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

I, Brent Thill, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Investment Recommendation Record

(Article 3(1)e and Article 7 of MAR)

Recommendation Published May 18, 2021 , 20:45 ET.

Recommendation Distributed May 19, 2021 , 00:00 ET.

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Jefferies Group LLC makes a market in the securities or ADRs of CarGurus.
Jefferies Group LLC makes a market in the securities or ADRs of Vroom.

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The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

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Jefferies Franchise Picks

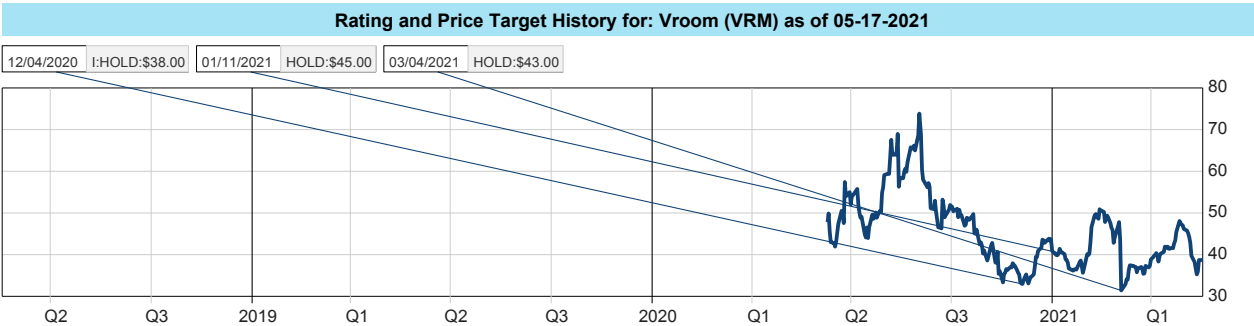
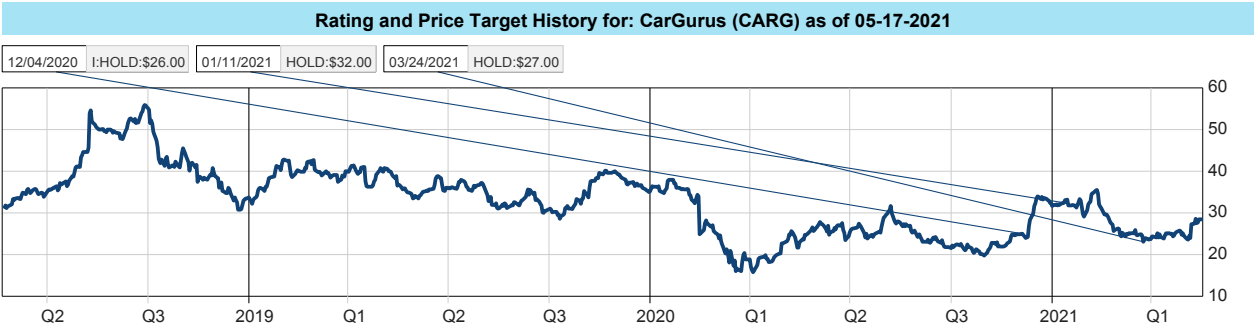
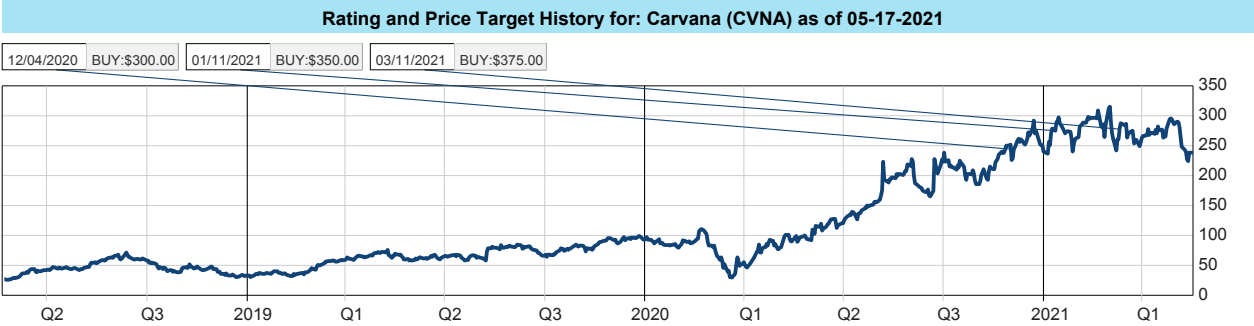
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Other Companies Mentioned in This Report

- CarGurus (CARG: \$28.38, HOLD)
- Vroom (VRM: \$41.65, HOLD)



Notes: Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy



H: Hold

UP: Underperform

Distribution of Ratings

Distribution of Ratings						
			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1732	62.53%	178	10.28%	27	1.56%
HOLD	904	32.64%	21	2.32%	5	0.55%
UNDERPERFORM	134	4.84%	1	0.75%	0	0.00%

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