

Additional Information on the ADESA U.S. Acquisition Transactions

We are on track to close our acquisition of ADESA U.S. in May and are excited about the role that ADESA U.S. will play in our path toward our long-term goals.

We expect the ADESA U.S. purchase price and future real estate improvements on the ADESA U.S. sites to be financed with \$2.275 billion in unsecured notes and an additional \$1 billion in preferred equity. In addition, we expect to raise approximately \$1 billion in common equity for general corporate purposes.

New Issuance	ADESA Purchase Price, Transactions, and Other Uses
\$2.275 billion Senior Unsecured Notes	\$2.2 billion Purchase Price
\$1 billion PIK Preferred Equity	\$1 billion for potential future ADESA U.S. real estate improvements over time, before related transaction fees and expenses
\$1 billion Common Equity	\$142 million of Other Transaction Fees and Expenses
	\$1 billion for general corporate purposes, before related transaction fees and expenses
\$4.275 billion Total	\$4.275 billion Total

The ADESA U.S. transaction will place us in our strongest total liquidity resources and production capacity position ever, giving us a strong foundation for profitable growth and significant flexibility to execute our plan through a wide range of macroeconomic scenarios. On March 31, 2022 we had approximately \$1.7 billion in total liquidity resources, including cash, floor plan availability, and financeable real estate and securities. In total, we expect the ADESA U.S. acquisition transactions to generate \$1.933 billion of net cash proceeds and more than \$900 million of financeable real estate, bringing our total liquidity resources to more than \$4.5 billion on March 31, 2022 pro forma for the transaction.

	March 31, 2022 (\$m)	ADESA U.S. Acquisition & Financing Transactions (\$m)	March 31, 2022 + ADESA U.S. Acquisition & Financing Transactions (\$m)
Cash and revolving availability	\$730	+\$1,933	\$2,663
Unpledged real estate	\$824	+\$939	\$1,763
Unpledged other assets	\$153	-	\$153
Total liquidity resources	\$1,707	+\$2,872	\$4,579

In addition, we estimate that ADESA U.S. currently has approximately 200k units of facility capacity that is available for use with limited incremental site improvements. Over time, we expect to add facility capacity and staffing at ADESA U.S. locations throughout the country on our way toward unlocking approximately 2 million units of annual capacity at full utilization at ADESA U.S. locations, bringing our total combined capacity to over 3 million.

Annual Production Capacity at Full Utilization (Fully Staffed)	
Carvana IRCs launched as of Q1 2022	1,000k
Carvana IRCs expected to launch in FY 2022	200k
ADESA U.S. locations at closing	200k
Expected end of year 2022 total	1,400k

Financial Reporting

We expect ADESA U.S. physical auction operating revenues, cost of services, and selling, general and administrative expenses to be consolidated into Carvana's Consolidated Statement of Operations beginning in the second quarter of 2022. Our expected treatment of key line items is shown in Table 1.

Table 1: Expected Treatment of ADESA U.S. Physical Auction Line Items in Carvana's Consolidated Financial Statements

ADESA U.S. Line Item	Consolidated Carvana Statement of Operations Line Item
Operating revenues	Wholesale sales and revenues
Cost of services	Cost of sales
Selling, general, and administrative expenses	Selling, general, and administrative expenses*
Depreciation and amortization	Allocated to cost of sales or SG&A expense based on the nature of the expense

*We expect ADESA U.S.'s components of SG&A to be consolidated with Carvana's components of SG&A, with most expenses expected to be included in the compensation and benefits and other SG&A components.

In addition, we plan to provide several key metrics in Management's Discussion and Analysis to provide visibility into our physical auction results over time. A list of these key metrics is provided in Table 2. The ADESA U.S. physical auction business is a wholesale marketplace in which buyers and sellers transact

through a shared platform. We plan to report three key metrics on this marketplace: (i) wholesale marketplace units sold, (ii) wholesale marketplace revenue, and (iii) wholesale marketplace gross profit.

Table 2: Expected Wholesale Marketplace Key Operating Metrics

Key Operating Metric	Definition
Wholesale marketplace units sold	Number of units sold by non-Carvana sellers through our wholesale marketplace platform.
Wholesale marketplace revenue	Total revenue earned by Carvana from the sale of wholesale marketplace units by non-Carvana sellers through our wholesale marketplace platform, including auction fees and related services revenue.
Wholesale marketplace gross profit	Total gross profit earned by Carvana from the sale of wholesale marketplace units by non-Carvana sellers through our wholesale marketplace platform, including auction and related services gross profit.

Finally, we expect to continue to report the same key metrics on sales of used vehicles that Carvana acquires and sells to a wholesale buyer, including wholesale units sold, wholesale average selling price, and wholesale gross profit per wholesale unit sold. Consistent with our historical reporting, these metrics will include wholesale units sold through any wholesale channel if Carvana owned the vehicle at the time of sale.

Also consistent with our historical reporting, Wholesale GPU will continue to be defined as company wholesale gross profit divided by retail units sold, and Total GPU will continue to be defined as company total gross profit divided by retail units sold.

ADESA U.S. Financial Results¹

The income statement for ADESA U.S. physical auctions for the year ending December 31, 2021 is provided below. Total vehicles sold through the auctions totaled 984k, operating revenues totaled \$881.3 million, net income totaled \$29.6 million, and EBITDA totaled \$113.2 million. A reconciliation of EBITDA to net income is also provided below.

- **Operating revenues** include buy and sell fees from wholesale marketplace participants buying or selling through an ADESA U.S. auction, as well as revenues from the sale of transportation services, wholesale and retail reconditioning services, buyer assurance services, and other auction services.

¹ The financial information included in this section was sourced from the non-statutory carve-out audited historical financial statements of ADESA US AUCTION, which were not prepared by Carvana.

- **Cost of services**, exclusive of depreciation and amortization, includes direct costs of providing auction services.
- **Selling, general, and administrative** expenses include management, technology, corporate overhead, and other SG&A expenses. Selling, general, and administrative for the year ending December 31, 2021, includes approximately \$40 million of corporate expenses allocated from KAR Global based on GAAP accounting guidelines that will not be transferred to Carvana in the acquisition.

We currently expect ADESA U.S.'s financial results in 2022 to differ from 2021 for two primary reasons. First, as noted above, the ADESA U.S. 2021 financial statements include approximately \$40 million of allocated corporate SG&A expenses that will not be transferred to Carvana in the acquisition. Second, after excluding the impact of these expenses, we expect ADESA U.S. physical auction revenue, gross profit, net income, and EBITDA to be lower in 2022 than in 2021 due to the continued cyclical impact of tight new and used vehicle supply on wholesale auction supply, which we expect to reduce unit volume in 2022 compared to 2021, and due to technology licensing fees paid to KAR Global through our commercial agreement.

ADESA US Auction
Combined Statement of Income
Year Ended December 31, 2021

	\$m
Operating revenues	\$ 881.3
Operating expenses	
Cost of services (exclusive of depreciation and amortization)	587.7
Selling, general and administrative	191.3
Depreciation and amortization	73.8
Other income, net	(10.9)
Total operating expenses	<u>841.9</u>
Operating profit	39.4
Interest expense	<u>1.0</u>
Income before taxes	38.4
Income taxes	<u>8.8</u>
Net income	<u><u>\$ 29.6</u></u>

ADESA US Auction
EBITDA Reconciliation
Year Ended December 31, 2021

	\$m
Net income	\$ 29.6
Interest expense	1.0
Income taxes	8.8
Depreciation and amortization	73.8
EBITDA	<u><u>\$ 113.2</u></u>

ADESA US Auction
Combined Balance Sheet
As of December 31, 2021

	\$m
Assets	
<i>Current assets</i>	
Cash	\$ 12.4
Trade receivables, net of allowances of \$4.7	179.3
Inventory	15.7
Other current assets	5.8
Total current assets	<u>213.2</u>
<i>Other assets</i>	
Goodwill	774.5
Customer relationships, net of accumulated amortization of \$307.2	84.2
Other intangibles assets, net of accumulated amortization of \$99.7	32.6
Operating lease right-of-use assets	231.0
Property and equipment, net of accumulated depreciation of \$402.6	446.0
Other assets	2.6
Total other assets	<u>1,570.9</u>
Total assets	<u>\$ 1,784.1</u>
 Liabilities and Net Parent Investment	
<i>Current liabilities</i>	
Accounts payable	\$ 286.3
Accrued employee benefits and compensation expenses	27.2
Other accrued expenses	35.3
Current portion of operating lease liabilities	27.5
Total current liabilities	<u>376.3</u>
<i>Non-current liabilities</i>	
Deferred income tax liabilities	85.2
Operating lease liabilities	229.0
Other liabilities	2.3
Total non-current liabilities	<u>316.5</u>
Net parent investment	<u>1,091.3</u>
Total liabilities and parent net investment	<u>\$ 1,784.1</u>