

# ADESA U.S. Acquisition Deck

APRIL 2022



carvana.com

CARVANA



# SAFE HARBOR

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## FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect Carvana's current expectations and projections with respect to, among other things, our ability to complete and obtain the benefits of the acquisition of the U.S. assets and operations of ADESA U.S. physical auction business, our financial condition, results of operations, plans, objectives, future performance, and business. These statements may be preceded by, followed by or include the words “aim,” “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “likely,” “outlook,” “plan,” “potential,” “project,” “projection,” “seek,” “can,” “could,” “may,” “should,” “would,” “will,” the negatives thereof and other words and terms of similar meaning.

Forward-looking statements include all statements that are not historical facts. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements. Among these factors are risks related to the “Risk Factors” identified in Carvana's Annual Report on Form 10-K for 2021.

There is no assurance that any forward-looking statements will materialize. You are cautioned not to place undue reliance on forward-looking statements, which reflect expectations only as of this date. Carvana does not undertake any obligation to publicly update or review and forward-looking statement, whether as a results of new information, future developments, or otherwise.

## MARKET AND INDUSTRY DATA

This presentation includes information concerning economic conditions, the Company's industry, the Company's markets and the Company's competitive position that is based on a variety of sources, including information from independent industry analysts and publications, as well as Carvana's own estimates and research. Carvana's estimates are derived from publicly available information released by third party sources, as well as data from its internal research, and are based on such data and the Company's knowledge of its industry, which the Company believes to be reasonable. The independent industry publications used in this presentation were not prepared on the Company's behalf. While the Company is not aware of any misstatements regarding any information in this presentation, forecasts, assumptions, expectations, beliefs, estimates and projects involved risk and uncertainties and are subject to change based on various factors.

# ADESA U.S. TRANSACTION SUMMARY

## CARVANA TO ACCELERATE GROWTH THROUGH ACQUIRING ADESA U.S. PHYSICAL AUCTION BUSINESS (“ADESA U.S.”) FROM KAR AUCTION SERVICES, INC. (“KAR”)

- On February 24<sup>th</sup>, 2022, Carvana announced a definitive agreement to acquire ADESA U.S., a wholly owned subsidiary of KAR, subject to customary closing conditions for \$2.2BN in cash.
- Proposed transaction to provide significant infrastructure and team to expand and enhance Carvana’s customer offering with a broader selection of vehicles and even faster delivery times.
- Addition of ADESA U.S.’s 56 U.S. sites to put 78% of U.S. population within 100 miles of a Carvana inspection and reconditioning center once acquired sites reach full production capacity.
- Carvana currently expects to have production capacity of 1.2M+ units by the end of 2022. The acquisition of ADESA U.S. is expected to add approximately 2M of incremental unit production capacity once fully built out, bringing the total to over 3M units at full utilization.
- Carvana will continue to operate and expand ADESA U.S. wholesale auction business under existing ADESA U.S. leadership.
- The acquisition is expected to close in May 2022 and will be financed with a combination of committed long-term financing and proceeds from preferred perpetual stock to fund the \$2.2 billion purchase price and an additional \$1 billion in future real estate improvements across the 56 sites.

# OVERVIEW OF ADESA U.S. PHYSICAL AUCTION BUSINESS

## BUSINESS OVERVIEW

2nd largest provider of wholesale used vehicle auction solutions to a broad set of commercial and dealer customers

Entered used vehicle marketplace in 1989 and has continued to grow offerings and footprint since





Strong and established customer relationships with dealers, OEMs, financial institutions, rental car companies and fleet owners

Comprehensive service offerings including inspection, reconditioning, mechanical, storage and logistics

## FULL SUITE OF AUCTION SERVICES





PRE-SALE



-  Dealer Registration
-  Vehicle Inspections
-  Vehicle Storage & Security
-  Merchandising & Advertising

SALE-DAY



-  Auction Services by Licensed Auctioneers
  - Multiple sale lanes; In-lane bidding
-  Remote Seller Option
-  Arbitration Assistance
-  Post-sales Inspections

POST-SALE



-  Title Processing
-  Clearing of Funds
-  Sales Reports
-  Reconditioning Shops

# TRANSACTION SUMMARY

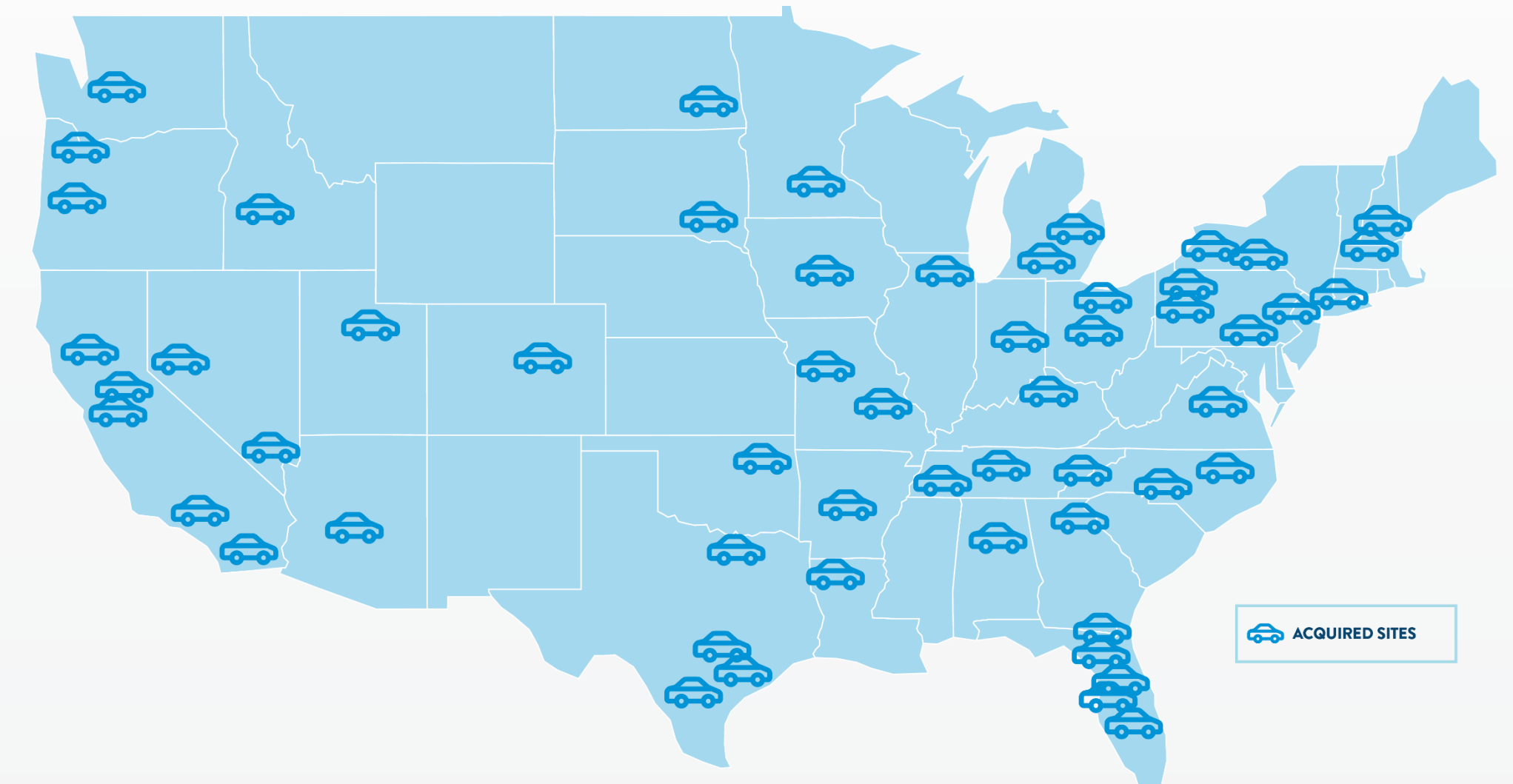
## CARVANA TO ACQUIRE ADESA U.S.'S PHYSICAL AUCTION BUSINESS

Total Purchase Price of \$2.2BN

\$1BN estimated future CAPEX investment to achieve targeted production capacity

Funded via a combination of committed financing provided by JPMorgan Chase Bank N.A. and Citi and proceeds from preferred perpetual stock offering

### ACQUIRED SITE LOCATIONS



ADESA U.S. achieved ~1M transactions in 2021

Synergistic locations, adding approximately 2M of reconditioning capacity, bringing total to over 3M when fully built out

Acquired auction business generated over \$800M of revenue and over \$100M EBITDA in 2021

# STRATEGIC RATIONALE

1

FURTHER SOLIDIFIES OUR PATH TO BECOME THE LARGEST AND MOST PROFITABLE AUTOMOTIVE RETAILER

2

INCREASES ANNUAL IRC PRODUCTION CAPACITY BY APPROXIMATELY 2M UNITS ONCE FULLY BUILT OUT

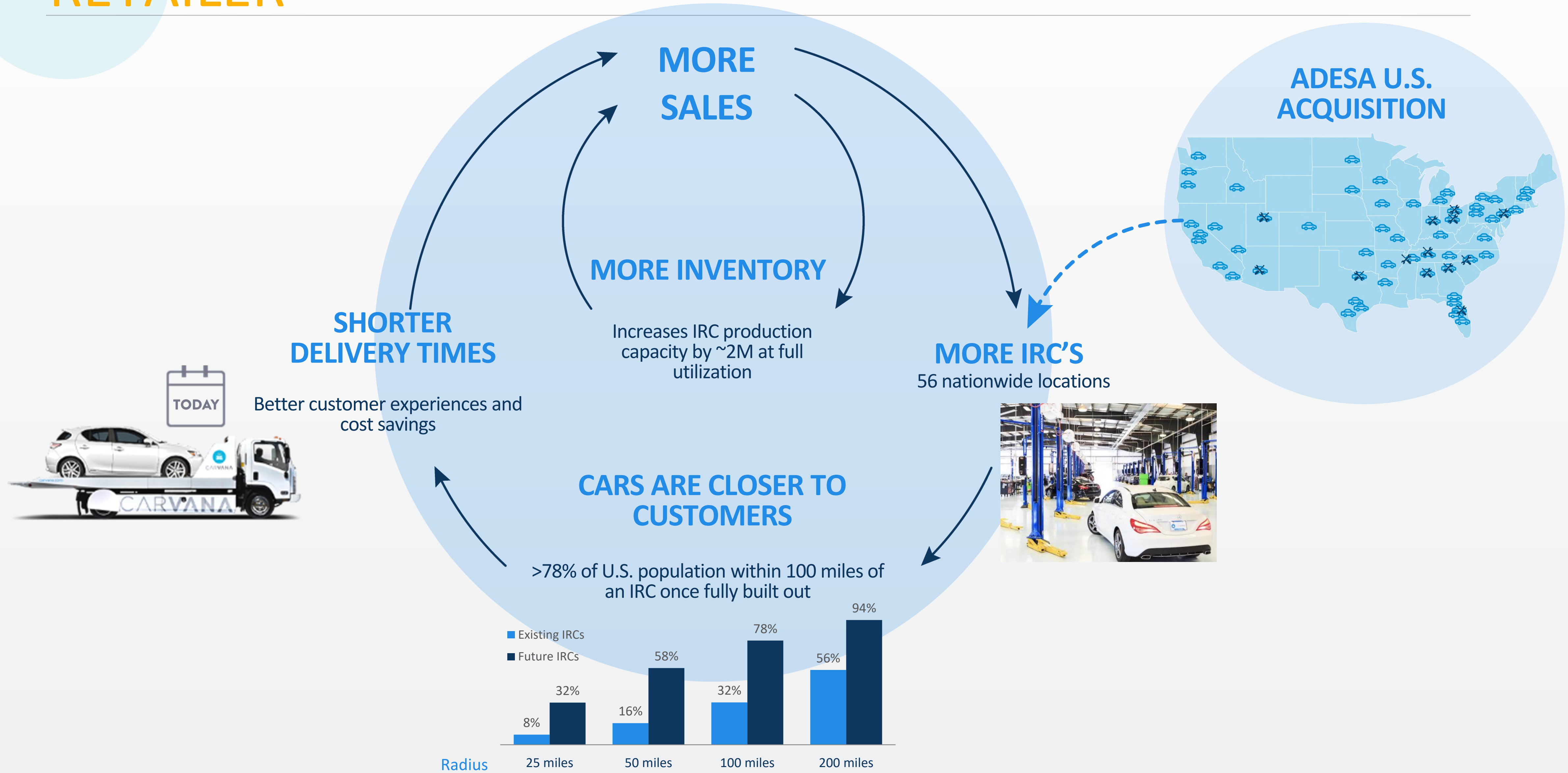
3

DRAMATIC LOGISTICS IMPROVEMENTS OVER TIME DRIVEN BY BROADENED GEOGRAPHIC COVERAGE, SHORTENING INBOUND & OUTBOUND TRANSIT DISTANCES

4

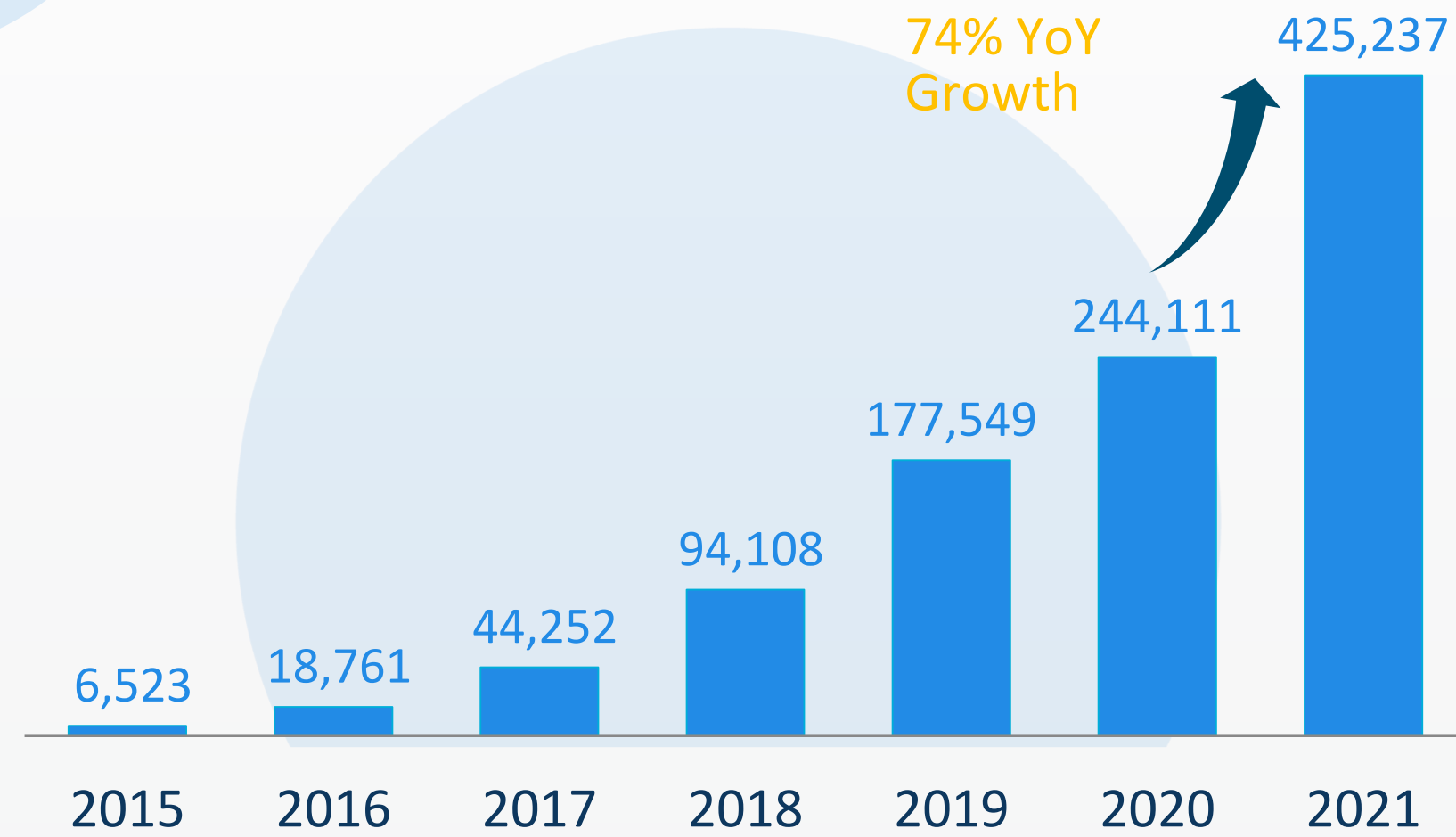
DEEPER VERTICAL INTEGRATION WITH INCREMENTAL REVENUE STREAMS AND POSITIVE EBITDA CONTRIBUTION

# BECOMING THE LARGEST, MOST PROFITABLE AUTO RETAILER

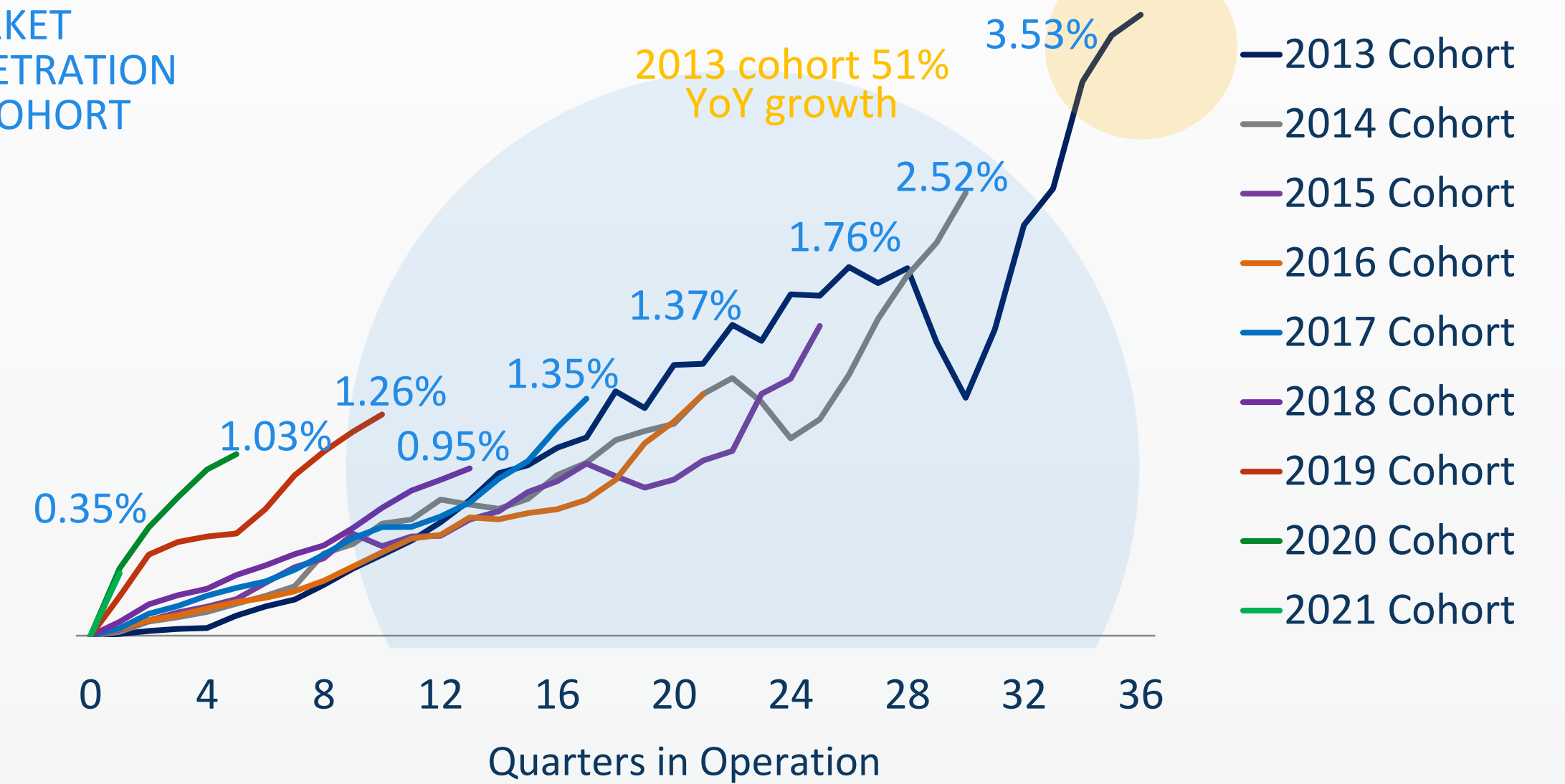


# ACCELERATES PATH TO BECOMING LARGEST, MOST PROFITABLE AUTO RETAILER

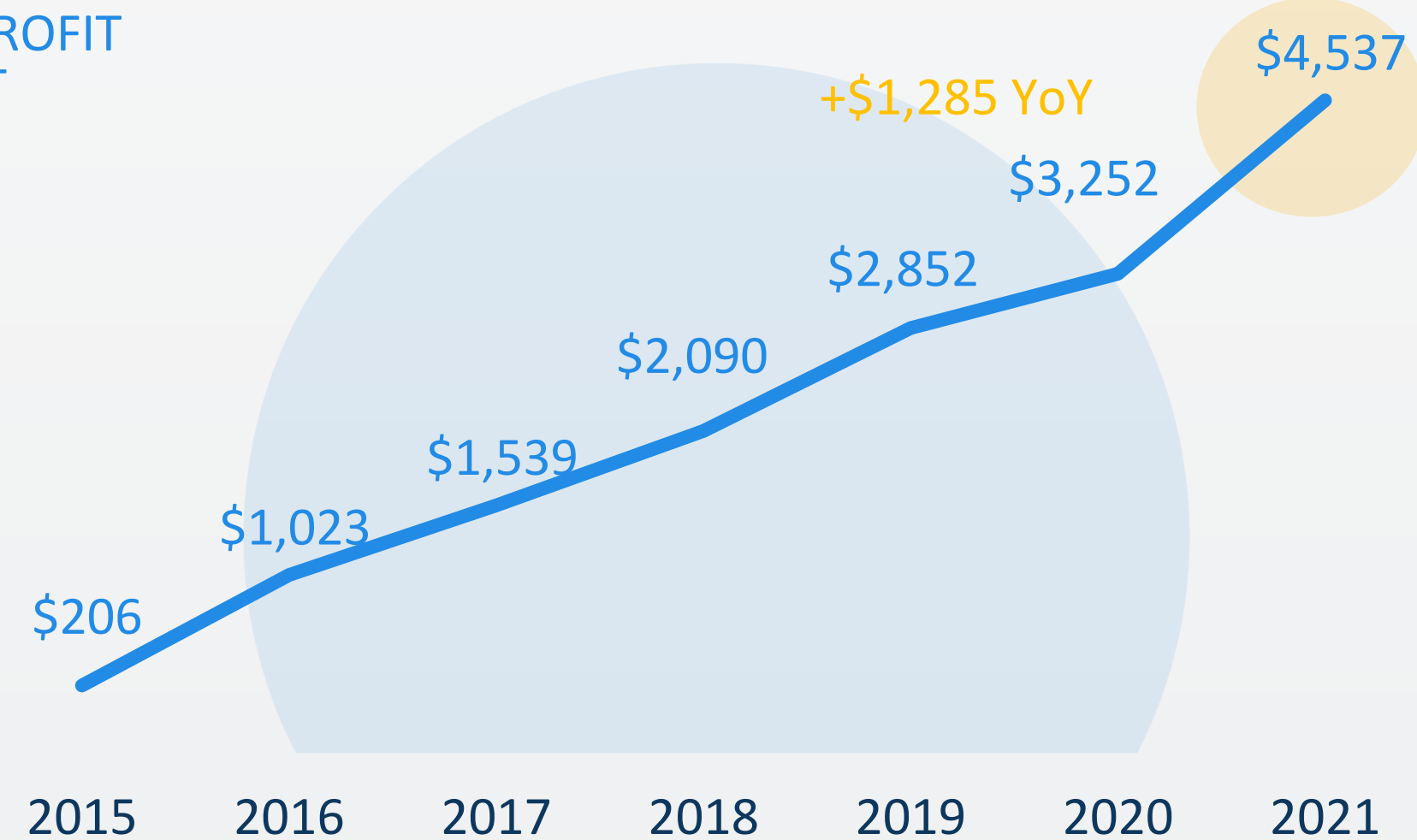
RETAIL UNITS SOLD



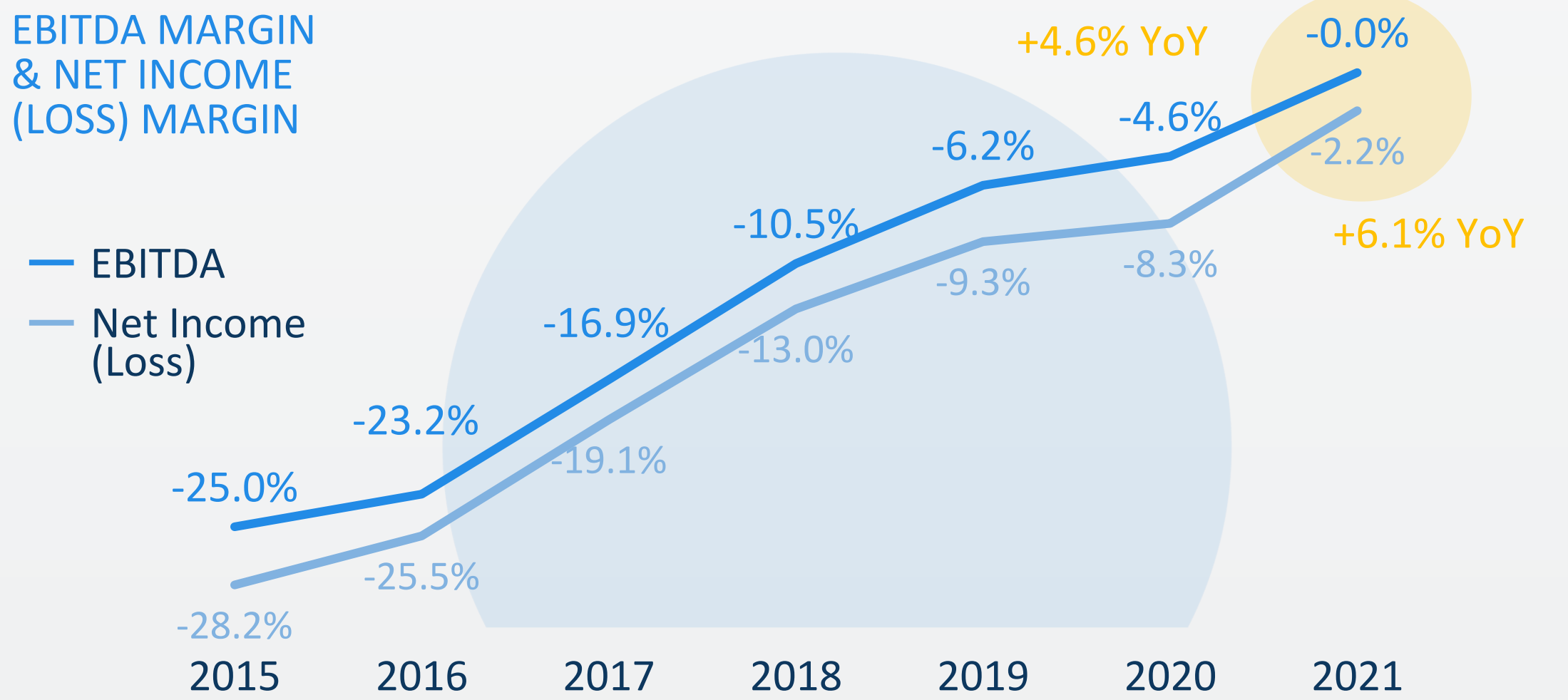
MARKET PENETRATION BY COHORT



GROSS PROFIT PER UNIT

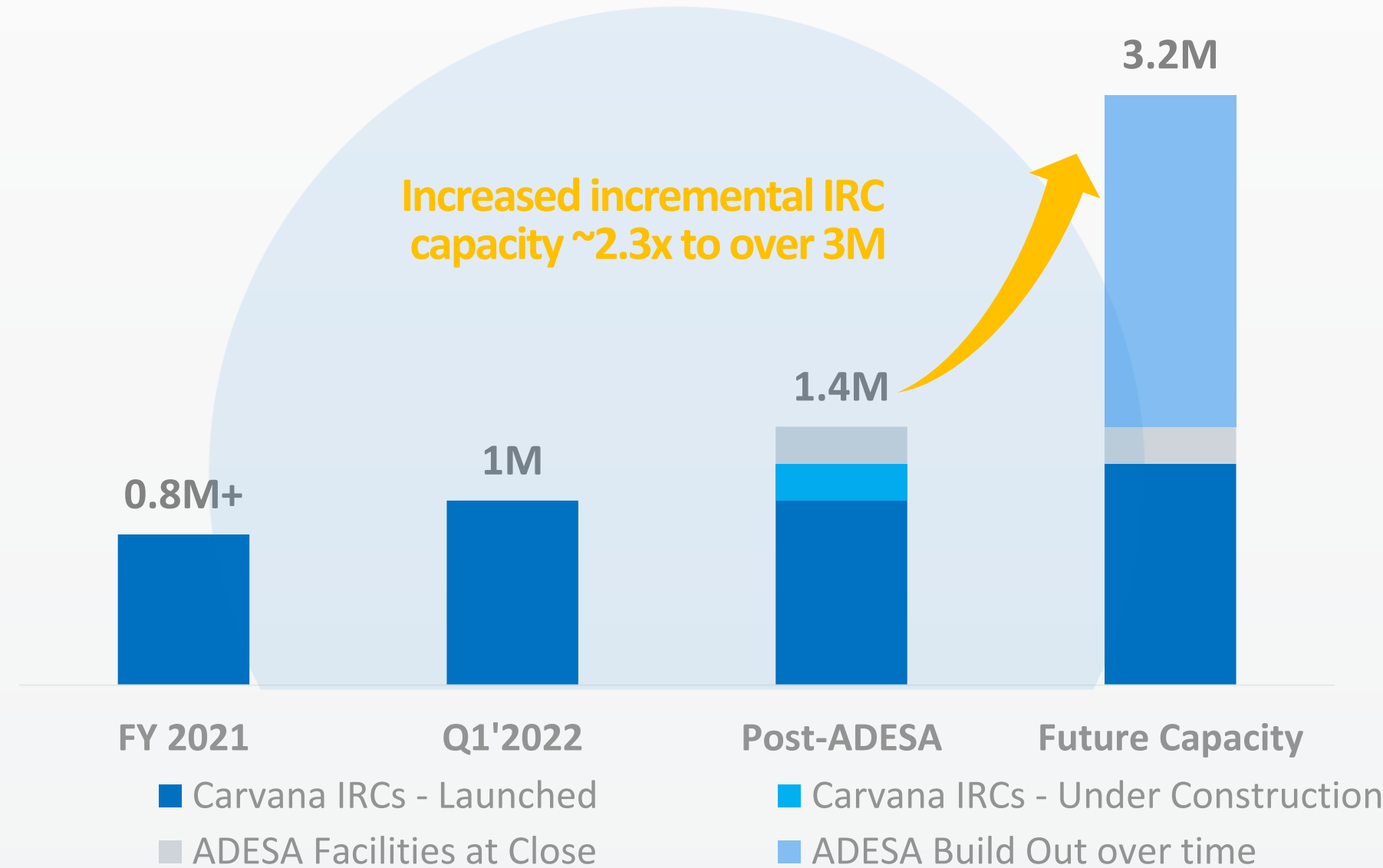


EBITDA MARGIN & NET INCOME (LOSS) MARGIN

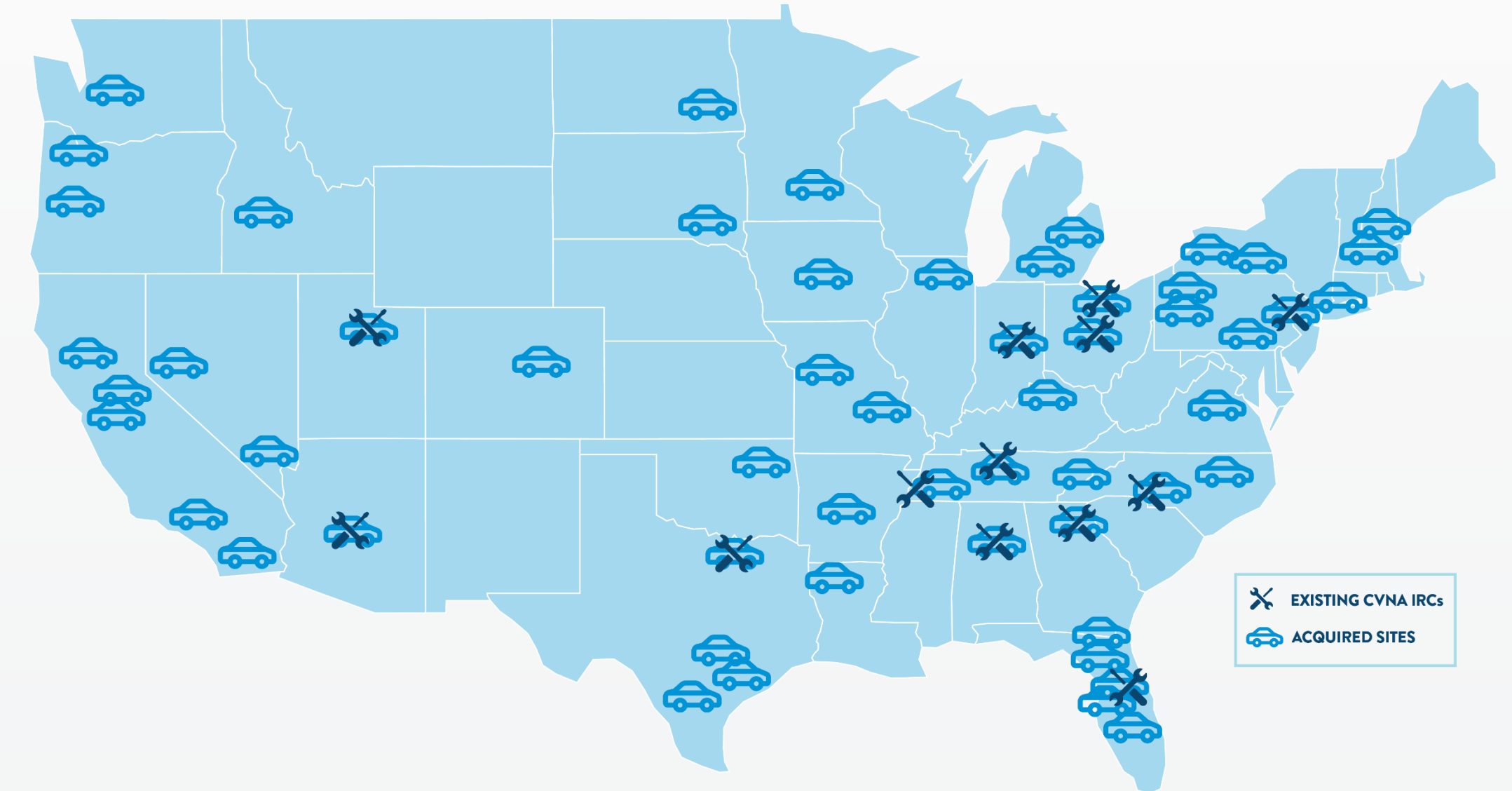


# INCREASED IRC PRODUCTION CAPACITY

## EXPECTED IRC CAPACITY AT FULL UTILIZATION (EOY)\*



## CARVANA EXISTING IRC FOOTPRINT + ACQUIRED SITES



Estimated \$1BN investment over multiple years to achieve targeted production capacity

CAPEX pre-funded via committed debt financing from JPMorgan Chase Bank N.A. & Citi

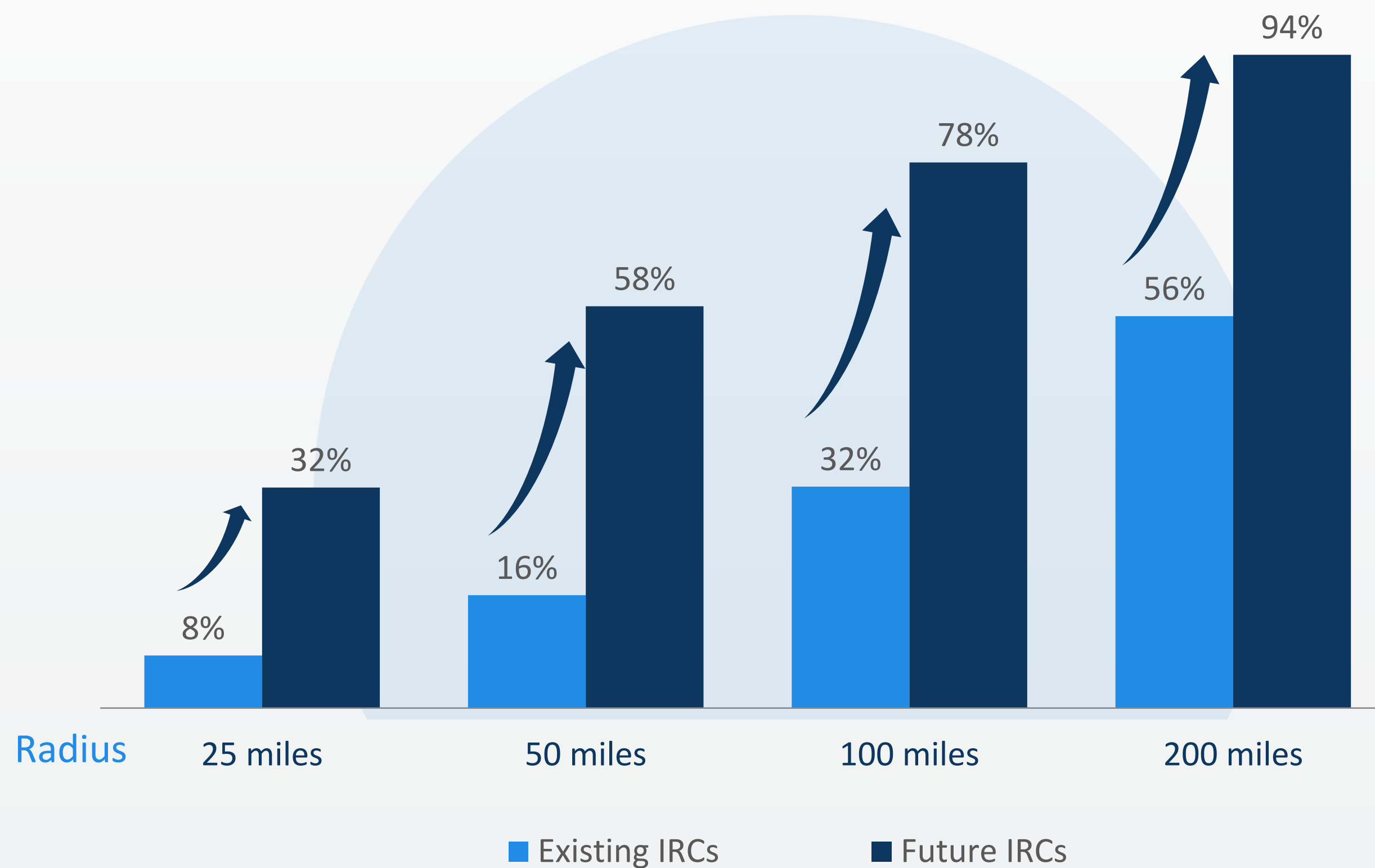
Increases annual IRC production capacity by approximately 2M units when fully built out to over 3M units at full utilization

\*Projected IRC capacity at full utilization reflects target annual production capacity when each IRC is fully staffed.

Note: 'Existing CVNA IRCS' reflects IRC network as of 2/24/2022

# LOGISTICS EFFICIENCIES BROADEN COVERAGE

POPULATION COVERAGE  
(% OF US POPULATION)



## SHORTER DELIVERY DISTANCES LEAD TO EVEN BETTER CUSTOMER EXPERIENCES

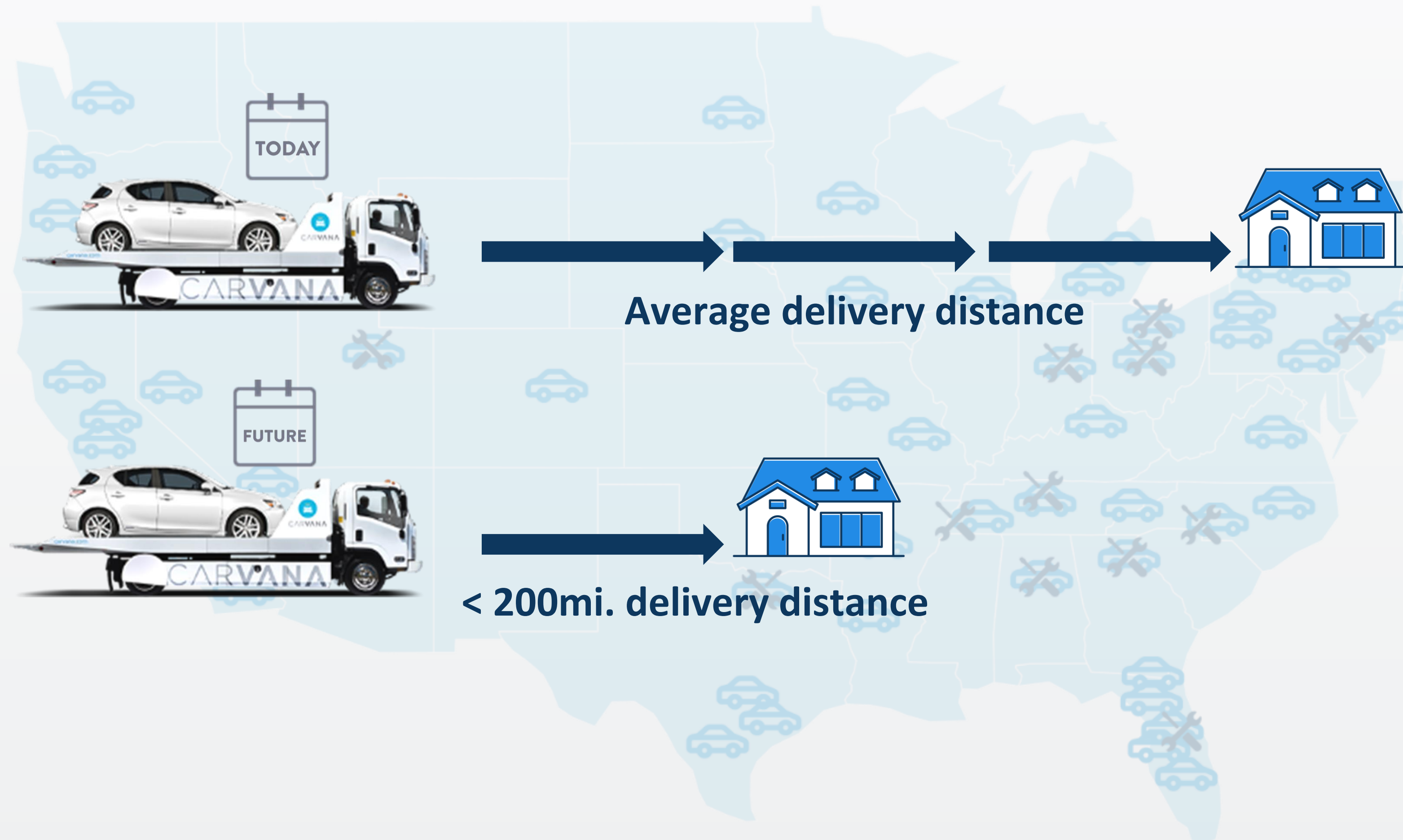
- Unlocks opportunity for same day and next day delivery to more customers than ever before
- Lower risk of delivery delays
- Higher net promoter score

# ...AND IMPROVE UNIT ECONOMICS

## LOGISTICS ENABLED COST SAVINGS

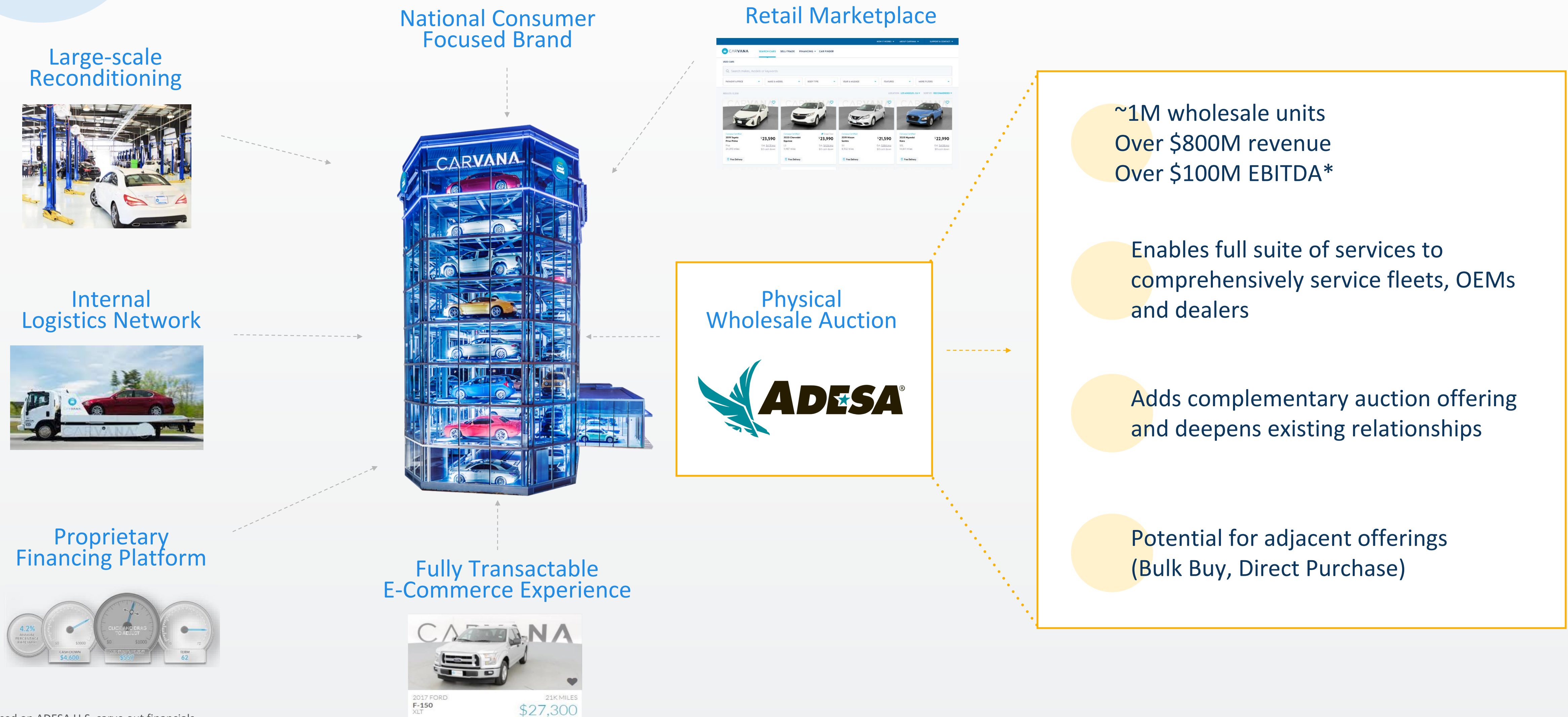
### SHORTER DISTANCE = SAVINGS

- Increased customer conversion
- Faster inventory turn times
- Lower inbound transport & logistics costs
- Lower shipping costs to customers



TOTAL EXPECTED SAVINGS OF ~\$750 PER UNIT

# DEEPER VERTICAL INTEGRATION WITH INCREMENTAL REVENUE STREAMS & POSITIVE EBITDA CONTRIBUTION



\*Annual figures based on ADESA U.S. carve out financials.

# APPENDIX

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# NON-GAAP MEASURES

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To supplement the financial measures prepared and presented in accordance with U.S. Generally accepted accounting principles (“gaap”), we also include non-gaap measures in this presentation, including EBITDA and EBITDA Margin. EBITDA and EBITDA Margin are supplemental measures of operating performance that do not represent and should not be considered an alternative to net loss or cash flow from operations, as determined by GAAP. EBITDA is defined as net loss before interest expense, income tax expense, and depreciation and amortization expense. EBITDA Margin is EBITDA as a percentage of total revenues. We use EBITDA to measure the operating performance of our business and EBITDA Margin to measure our operating performance relative to our total revenues. We believe that EBITDA and EBITDA Margin are useful measures to us and to our investors because they exclude certain financial and capital structure items that we do not believe directly reflect our core operations and may not be indicative of our recurring operations, in part because they may vary widely across time and within our industry independent of the performance of our core operations. We believe that excluding these items enables us to more effectively evaluate our performance period-over-period and relative to our competitors. None of these should be considered as a substitute for other measures of financial performance reported in accordance with gaap. In addition, the company’s definitions of these non-gaap financial measures may not be comparable to similarly titled measures of other companies. A reconciliation of each of these non-gaap measures to the most directly comparable gaap financial measure can be found at the end of this presentation.

# CARVANA NON-GAAP FINANCIAL RECONCILIATION

	Three Months Ended							
	Mar 31, 2020	Jun 30, 2020	Sep 30, 2020	Dec 31, 2020	Mar 31, 2021	Jun 30, 2021	Sep 30, 2021	Dec 31, 2021
	(dollars in millions)							
Net loss	\$ (184)	\$ (106)	\$ (18)	\$ (154)	\$ (82)	\$ 45	\$ (68)	\$ (182)
Depreciation and amortization expense	16	17	19	22	22	24	26	33
Interest expense	29	20	20	62	30	43	48	55
Income tax provision	—	—	—	—	—	—	—	1
<b>EBITDA</b>	<b>\$ (139)</b>	<b>\$ (69)</b>	<b>\$ 21</b>	<b>\$ (70)</b>	<b>\$ (30)</b>	<b>\$ 112</b>	<b>\$ 6</b>	<b>\$ (93)</b>
Total revenues	\$ 1,098	\$ 1,118	\$ 1,544	\$ 1,827	\$ 2,245	\$ 3,336	\$ 3,480	\$ 3,753
Net Loss Margin	(16.7)%	(9.5)%	(1.1)%	(8.5)%	(3.7)%	1.3 %	(2.0)%	(4.8)%
EBITDA Margin	(12.6)%	(6.2)%	1.4 %	(3.9)%	(1.3)%	3.4 %	0.2 %	(2.5)%

# CARVANA NON-GAAP FINANCIAL RECONCILIATION

	For the Years Ended December 31,						
	2015	2016	2017	2018	2019	2020	2021
	(dollars in millions)						
Net loss	\$ (37)	\$ (93)	\$ (164)	\$ (255)	\$ (365)	\$ (462)	\$ (287)
Depreciation and amortization expense	3	5	12	24	41	74	105
Interest expense	1	3	7	25	81	131	176
Income tax provision	—	—	—	—	—	—	1
<b>EBITDA</b>	<b>\$ (33)</b>	<b>\$ (85)</b>	<b>\$ (145)</b>	<b>\$ (206)</b>	<b>\$ (243)</b>	<b>\$ (257)</b>	<b>\$ (5)</b>
Total revenues	\$ 130	\$ 365	\$ 859	\$ 1,955	\$ 3,940	\$ 5,587	\$12,814
Net Loss Margin	(28.2)%	(25.5)%	(19.1)%	(13.0)%	(9.3)%	(8.3)%	(2.2)%
EBITDA Margin	(25.0)%	(23.2)%	(16.9)%	(10.5)%	(6.2)%	(4.6)%	(0.0)%

# ADESA U.S. NON-GAAP FINANCIAL RECONCILIATION

	<b>Year Ended December 31, 2021 (dollars in millions)</b>	
Net Income	\$	30
Interest expense, net of interest income		1
Depreciation and amortization expense		74
Income tax provision		9
EBITDA	\$	113