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Cost Structure Details

November 2, 2023

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Safe Harbor

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, its 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 our Annual Report on Form 10-K for 2022 and Quarterly Report on Form 10-Q for the second and third quarters of 2023. 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 any forward-looking statement, whether as a result of new information, future developments, or otherwise.

Non-GAAP Financial Measures

To supplement the consolidated financial measures, which are prepared and presented in accordance with GAAP, we also refer to the following non-GAAP measures in this presentation: SG&A, Non-GAAP.

SG&A, non-GAAP is defined as GAAP SG&A minus depreciation and amortization in SG&A, share-based compensation including the CEO Milestone Gift in SG&A, and restructuring costs.

We believe that this metric is useful measures to us and to our investors because it excludes certain financial, capital structure, and non-cash 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.

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Cost Structure Breakdown

Carvana's cost structure, excluding vehicle acquisition costs, can be broken down into non-vehicle cost of sales, operations expenses, advertising expenses, and overhead expenses. The purpose of these slides is to provide a historical breakdown of these expenses, as well as to highlight several key trends in these expenses as we move through the steps of our three-step plan.

Non-vehicle cost of sales tend to be more *variable* in nature, although they also have some semi-fixed components, resulting from, for example, management payroll and under-utilization of facilities. Non-vehicle cost of sales primarily include reconditioning costs (including parts, labor, and overhead) and inbound transport costs, as well as inspection and reconditioning center and auction facilities expenses.

Operations expenses tend to be more *variable* in nature, although they also have some semi-fixed components, resulting from, for example, operations management payroll and under-utilization of logistics capacity. Operations expenses include[1]:

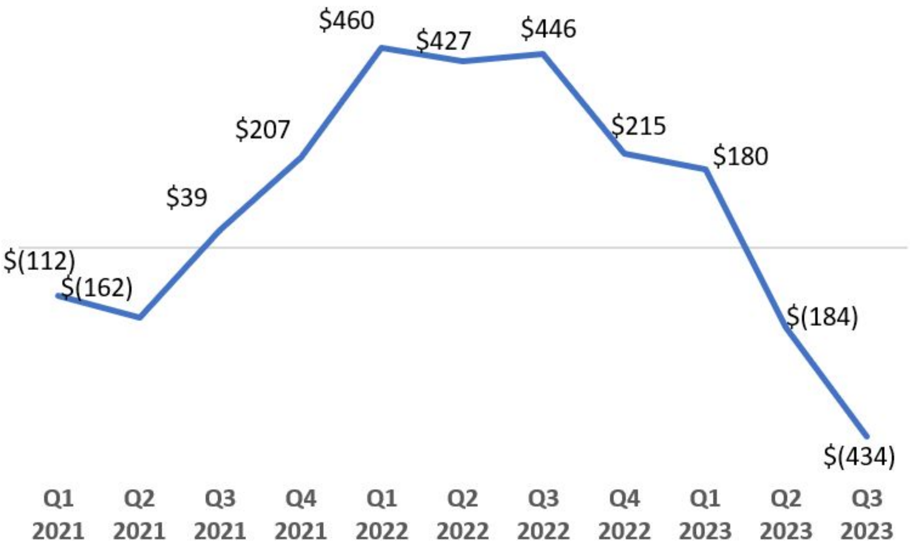
1. Operations payroll, including customer care, multi-car logistics, last-mile delivery, and other operations payroll (excluding reconditioning payroll, which is included in cost of sales),
2. Non-payroll logistics expenses, including fuel, repairs and maintenance, and third-party transport services (excluding inbound logistics expenses, which are included in cost of sales), and
3. Transaction and other expenses, including limited warranty, title and registration, and finance platform expenses.

Overhead expenses tend to be more *fixed* in nature, although they also have some semi-variable components, including certain corporate payroll and technology expenses. Overhead expenses include[1]:

1. Facilities expenses, including corporate and customer service center office space, logistics and last-mile delivery hubs, and other parking and storage facilities,
2. Corporate expenses, including professional services, accounting, legal, human resources, and other corporate teams, and
3. Technology expenses, including engineering, product, data science, and technology services.

[1] Both operations expenses and overhead expenses ***exclude*** depreciation and amortization, share-based compensation, and restructuring expenses.

Retail Non-Vehicle Cost of Sales per Unit vs. FY 2021

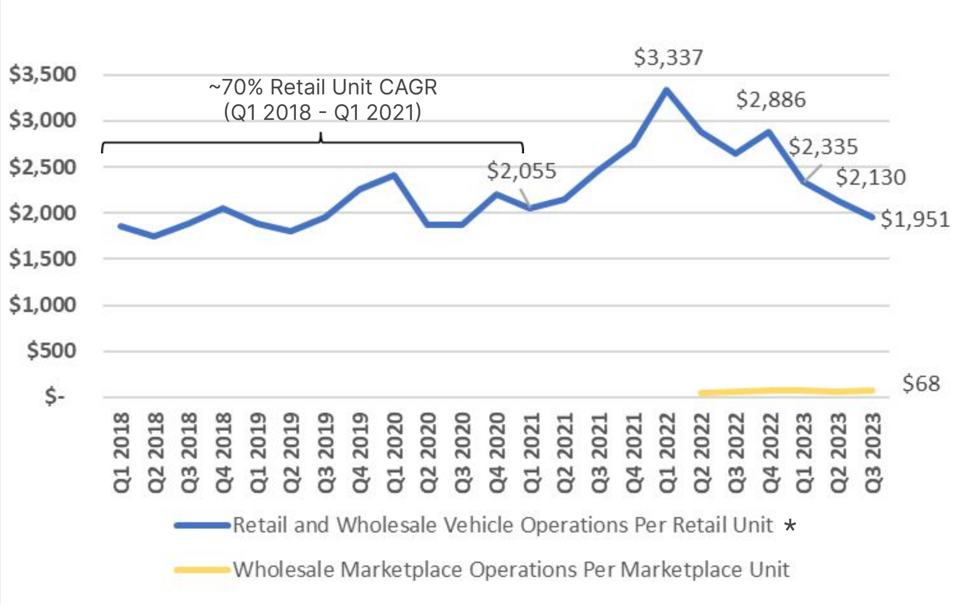


Retail non-vehicle cost of sales exclude D&A, SBC, and restructuring expenses.

Highlights

- We have reduced retail reconditioning and inbound transport costs per unit by **~$900** over the past 12 months through a combination of insourcing, staffing normalization, process standardization, proprietary software development, and logistics efficiencies.
- We have also made **~$600** of per unit improvements in just the last two quarters as we continue to focus on operating efficiency in Step 2.
- Our progress has driven a total cost reduction of **~$400** per unit since FY 2021, which was our previous high water mark on Retail GPU.
- Notably, quality metrics have remained consistent during this period of significant cost reduction.
- We continue to see opportunities to further reduce these expenses on a per unit basis in the future.

Operations Expenses per Unit

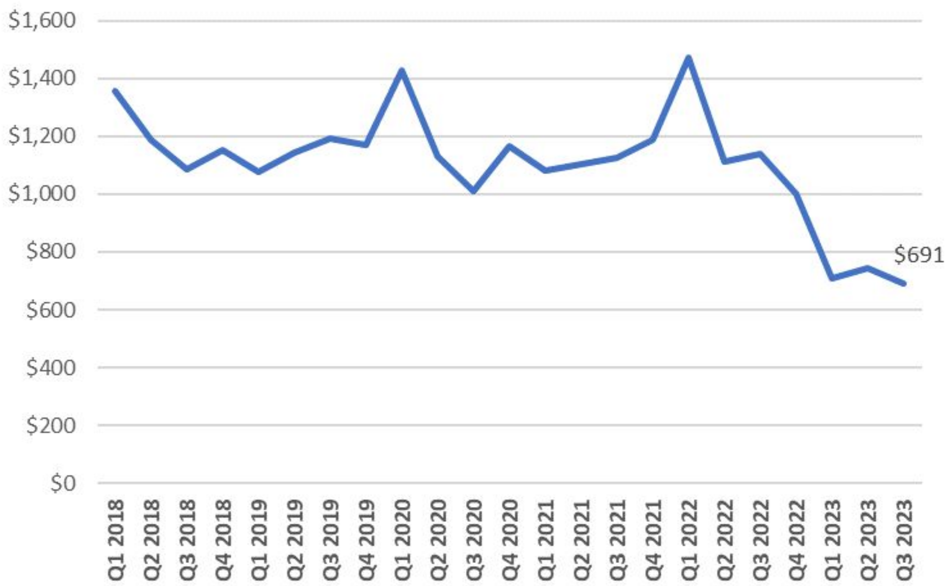


* Wholesale Vehicle Operations excludes Wholesale Marketplace Operations

Highlights

- Since shifting our focus to profitability, we have reduced retail and wholesale vehicle operations expenses per unit by **~$1,400** since our peak in Q1 2022, including ~$900 since Q4 2022.
- We have also made **~$400** of per unit improvements in the last two quarters as we focus on operating efficiency in Step 2 of our three-step plan.
- These gains have reduced operations expenses per unit to **~$100** below Q1 2021 levels, despite significant inflation in the auto retail industry and the economy as a whole.
- We believe we can drive further improvements through the continuation of our efforts in Steps 2 and 3 of our three-step plan.

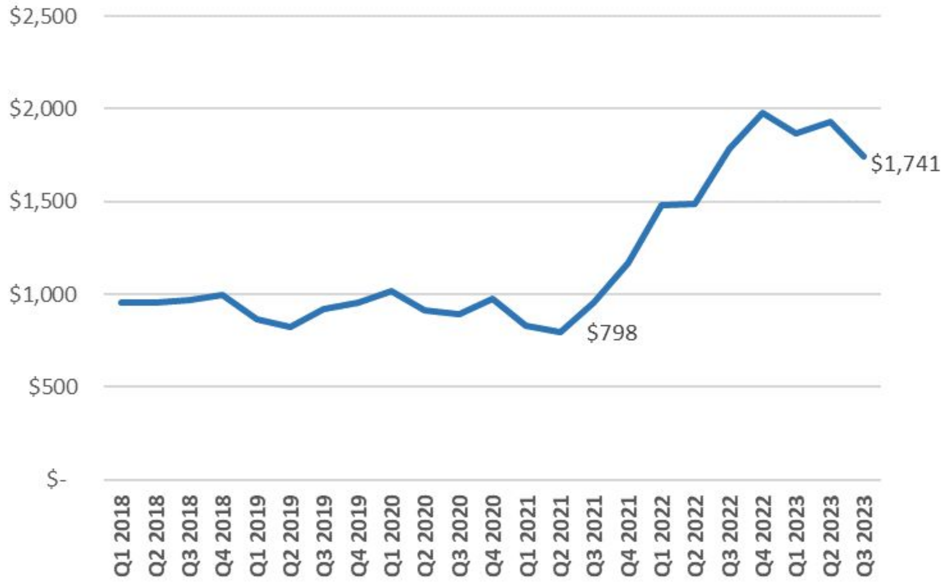
Advertising Expenses per Retail Unit



Highlights

- After shifting our focus to profitability, we significantly reduced our advertising spend through testing and reducing spend in lower performing channels in the current environment, as well as through initiatives focused on improving conversion.
- Our focus on efficiency has led to a **~$400** reduction in advertising expense per unit since 2021 and 2022, including a record low advertising expense per unit in Q3 2023.
- We expect that advertising expense dollars reached a near term low point in Q1 2023. Over time, we expect to begin to grow advertising spend when we return to growth in Step 3 of our three-step plan.

Overhead Expenses in SG&A per Retail Unit



<u>Highlights</u>

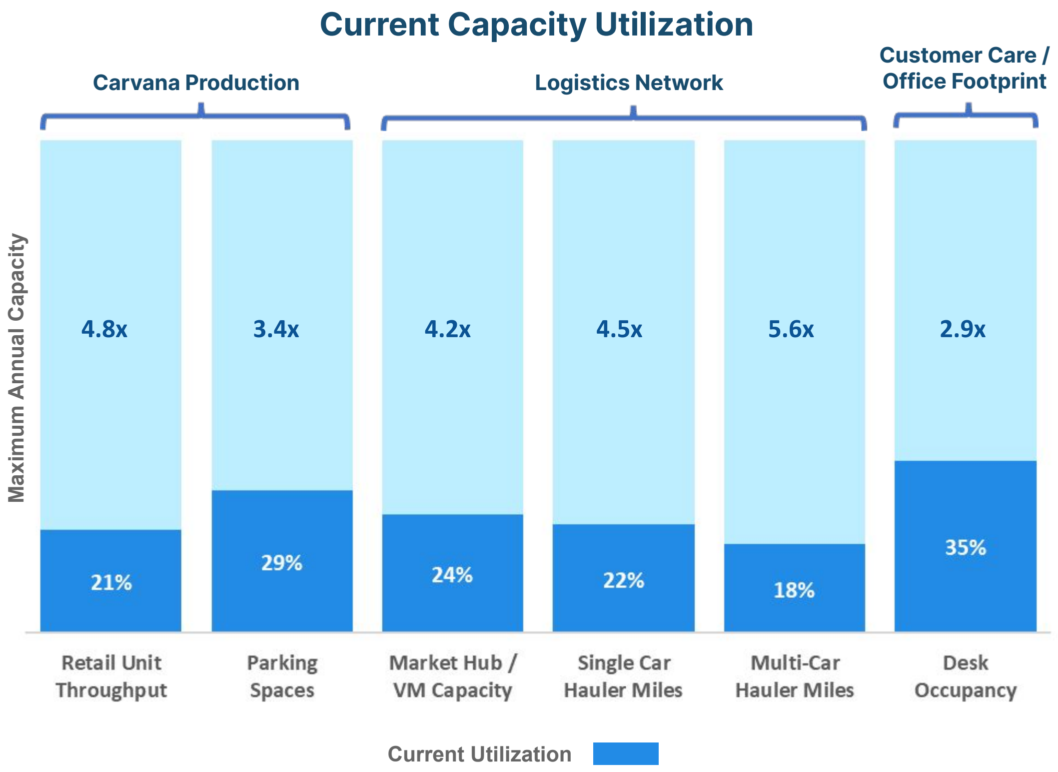
- In 2021 and early 2022, we invested significantly across the business for future growth, leading to a substantial increase in overhead expenses on both a dollar and per retail unit sold basis.

- Since then, we have reduced overhead expense dollars, but per unit expenses have remained elevated. In Q3 2023, overhead expenses per retail unit sold were **<u>~$900 higher</u>** than H1 2021, including ~$300 related to ADESA (wholesale marketplace).

- Based on our current infrastructure utilization (see next slide), we believe we can achieve **<u>3x+</u>** retail units sold growth through our existing infrastructure.

- We view this as a **<u>$1,000+</u>** SG&A overhead expense per unit opportunity over time (see Appendix for additional details on SG&A expense per unit savings scenarios).

Infrastructure Utilization and Capacity



Highlights

- We are currently operating with significant excess capacity across all components of our business.
- We believe our existing production and fulfillment physical infrastructure can handle a **tripling or more (3x+)** of current retail unit sold volume.
- As utilization increases, we believe that our current overhead expense base will experience meaningful leverage.
- In addition, our wholesale marketplace auction lanes are operating at 62% capacity, allowing significant growth over time in the wholesale marketplace business.

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Operations & Overhead SG&A Expenses ($m)

Dollars in millions	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Retail and wholesale vehicle operations	$ 190	$ 232	$ 276	$ 310	$ 351	$ 338	$ 271	$ 251	$ 185	$ 163	$ 158
Wholesale marketplace operations	-	-	-	-	-	5	12	13	15	15	15
Advertising	100	119	126	134	155	131	117	87	56	57	56
Overhead	77	86	107	132	156	175	183	172	148	148	141
Total SG&A expense, non-GAAP	$ 367	$ 437	$ 509	$ 576	$ 662	$ 649	$ 583	$ 523	$ 404	$ 383	$ 370
Depreciation and amortization	22	24	26	33	37	49	57	57	49	46	45
Share-based compensation	8	9	11	11	28	13	16	12	15	20	18
Restructuring	-	-	-	-	-	10	-	40	4	3	-
Total SG&A expense, GAAP	$ 397	$ 470	$ 546	$ 620	$ 727	$ 721	$ 656	$ 632	$ 472	$ 452	$ 433

Operations expenses

Overhead expenses

Notes

1. Q3 2023 overhead expenses included ~$4 million of non-recurring benefits, placing our run-rate closer to ~$145 million per quarter, of which ~$25 million is related to ongoing ADESA overhead SG&A expenses.
2. Overhead expenses in this table only includes overhead in SG&A expense. In addition, ADESA also incurs an additional ~$25 million per quarter of overhead expense that is recognized within Cost of Sales.

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Operations & Overhead SG&A Expenses per Unit

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Per retail unit											
Retail and wholesale vehicle operations	$ 2,055	$ 2,152	$ 2,465	$ 2,743	$ 3,337	$ 2,875	$ 2,642	$ 2,886	$ 2,335	$ 2,130	$ 1,951
Wholesale marketplace operations	-	-	-	-	-	43	117	149	189	196	185
Advertising	1,082	1,104	1,126	1,186	1,474	1,114	1,141	1,000	707	745	691
Overhead	833	798	956	1,168	1,483	1,489	1,784	1,978	1,868	1,934	1,741
Total SG&A expense, non-GAAP	$ 3,969	$ 4,053	$ 4,547	$ 5,097	$ 6,294	$ 5,520	$ 5,684	$ 6,013	$ 5,098	$ 5,005	$ 4,569
Depreciation and amortization	238	223	232	292	352	417	556	655	618	601	556
Share-based compensation	87	83	98	97	266	111	156	138	189	261	222
Restructuring	-	-	-	-	-	85	-	460	50	39	-
Total SG&A expense, GAAP	$ 4,294	$ 4,359	$ 4,877	$ 5,486	$ 6,912	$ 6,133	$ 6,396	$ 7,266	$ 5,957	$ 5,906	$ 5,347
Per wholesale market place unit											
Wholesale marketplace operations						$ 45	$ 62	$ 72	$ 70	$ 66	$ 68

Operations expenses

Overhead expenses

Appendix

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Overhead per Unit Savings Scenario Matrix

We view our current excess capacity, which we estimate allows for **3x+ growth** across the key components of the business (see infrastructure utilization slide), as a significant opportunity to reduce SG&A expenses per unit and increase Adjusted EBITDA per unit over time. The table below shows scenarios for the level of **SG&A overhead expense per unit savings** that could be achieved at various levels of retail unit growth (columns) and overhead expense growth (rows), using Q3 2023 as a baseline. In addition, we also see opportunities for gains in operations expenses per unit over time.

Overhead Expense per Unit Savings by Growth Multiple and Expense Growth

	Retail Unit Growth Multiple						
Expense Growth	2.00x	2.25x	2.50x	2.75x	3.00x	3.25x	3.50x
0.0%	$871	$967	$1,045	$1,108	$1,161	$1,205	$1,244
5.0%	$827	$929	$1,010	$1,076	$1,132	$1,179	$1,219
10.0%	$783	$890	$975	$1,045	$1,103	$1,152	$1,194
15.0%	$740	$851	$940	$1,013	$1,074	$1,125	$1,169
20.0%	$696	$812	$905	$981	$1,045	$1,098	$1,144
25.0%	$653	$774	$871	$950	$1,016	$1,071	$1,119
30.0%	$609	$735	$836	$918	$987	$1,045	$1,094
35.0%	$566	$696	$801	$886	$958	$1,018	$1,069
40.0%	$522	$658	$766	$855	$929	$991	$1,045
45.0%	$479	$619	$731	$823	$900	$964	$1,020
50.0%	$435	$580	$696	$791	$871	$937	$995

Q3 2023 Units: 80,987 Q3 2023 Overhead Expense per Unit: $1,741