



# William Blair 44<sup>th</sup> Annual Growth Stock Conference

June 6, 2024

# 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, 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, including expectations regarding forecasted results and financial and operational goals. 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 larger automotive ecosystem, including consumer demand, global supply chain challenges, and other macroeconomic issues; our substantial indebtedness; our history of losses and ability to maintain profitability in the future; the seasonal and other fluctuations in our quarterly operating results; the highly competitive industry in which we participate; the changes in prices of new and used vehicles; and the other risks identified under the "Risk Factors" section in our Annual Report on Form 10-K for the fiscal year ended December 31, 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.

## 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 involve risk and uncertainties and are subject to change based on various factors.

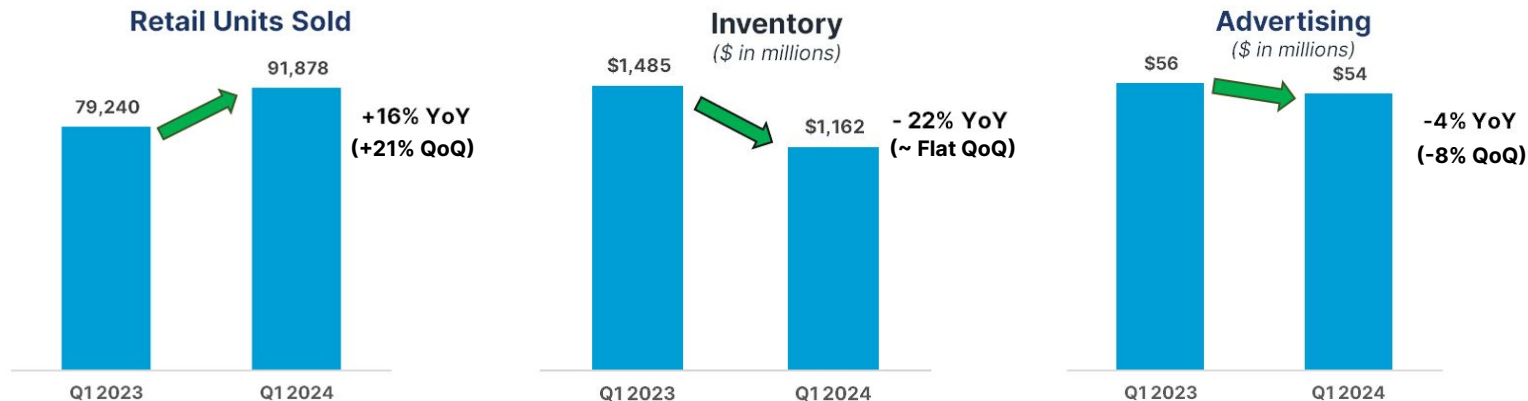
# Return to Profitable Growth

- In Q1 we delivered our **best financial results in company history**.
- Despite a profitability focus, decreased marketing dollars and constrained inventory, **we grew retail units sold 21% sequentially**.
- We completed our third quarter of positive net income and **generated \$235 million in Adjusted EBITDA at an Adjusted EBITDA margin of 7.7%**.
- As outlined with our Q1 results, we expect these trends to continue in Q2 with **a sequential increase in our year-over-year growth rate in retail units and a sequential increase in Adjusted EBITDA**.

## NET INCOME (LOSS) AND ADJ. EBITDA MARGIN

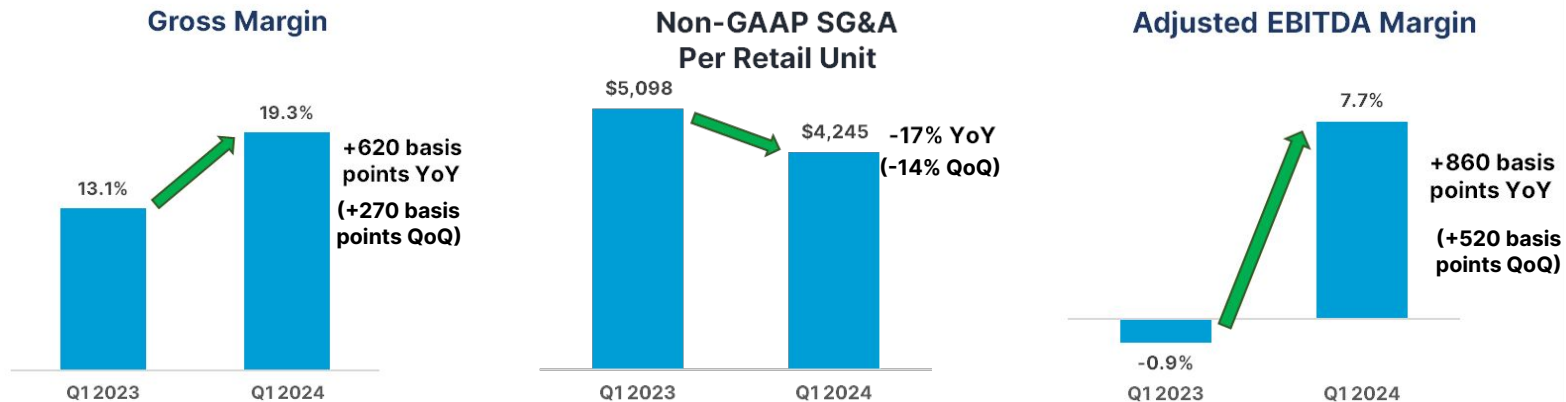


# Efficiency-Driven Growth



- We entered Q1 with our focus on unit economics and profitability initiatives but experienced strong demand throughout the quarter in part due to improvements in conversion and customer experience.

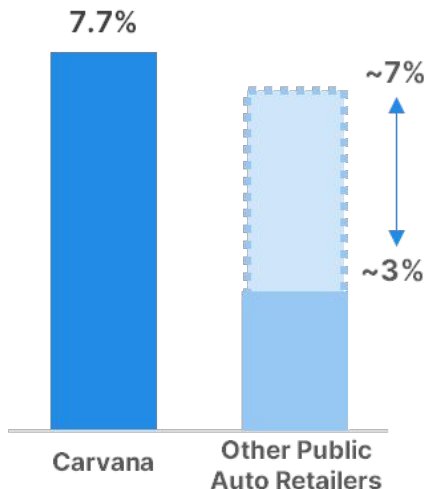
# Driving Margin Expansion & Leverage



- Strong profitability in Q1 was driven by **meaningful fundamental gains in GPU and SG&A expenses**.
- Gross margin strength continues to be driven by improvements across the business - **including four consecutive company records for quarterly Retail GPU**.
- The Overhead portion of SG&A expense was approx. flat QoQ in absolute dollars and down over \$300 per unit, **proving our ability to lever into our fixed expense base with growth**.

# Industry-Leading Adjusted EBITDA Margin

## Q1 2024 Adjusted EBITDA Margin



- Our **Adjusted EBITDA margin of 7.7% was an industry best** in Q1, leading all U.S. publicly traded automotive retailers, which ranged from ~3% to ~7%.
- *By this measure, in Q1, we achieved for the first time our goal of becoming the most profitable auto retailer.*

# Successful Progress Reducing Leverage

**Strong Adjusted EBITDA generation has been the biggest driver of our improving leverage profile.**

- Adjusted EBITDA in Q1 was \$235MM, while capex and non-PIK interest was only \$48MM.
- We expect Adjusted EBITDA to be even higher in Q2.

**In Q2, we have also taken several steps to reduce our debt and interest expense.**

- Announced our intention to pay cash interest (in lieu of electing PIK) on our 2028 and 2030 Senior Secured Notes in 2025.
- Repurchased \$250MM (or ~24%) of our 2028 Senior Secured Notes.
- Raised \$350MM of equity capital through our ATM program.

We expect these combined actions to lead to ~\$55MM of interest expense savings in 2026 (at which point in time all interest is cash) and ~\$620MM less debt outstanding at year-end 2026.

We plan to continue to reduce leverage over time.

# What's Next: Keeping the Pedal Down

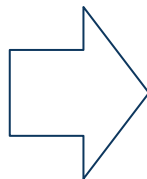
Our focus on profitability and efficiency initiatives has driven significant fundamental gains over the last 12 months. We've identified opportunities for further gains over the next 12 months and beyond as we scale.

## Last 12 Months

One year ago, we launched 'Operation 100' which identified opportunities to improve unit economics.

Every team delivered, resulting in:

- Non-GAAP GPU increased 42% YoY in Q1.
- Non-GAAP SG&A per unit decreased 17% YoY in Q1.
- Adjusted EBITDA Margin up 860 bps YoY in Q1.



## Next 12 Months and Beyond

We are currently in the process of rolling out our next 12 month targets.

- The **same teams, operational processes, and ambitious target-setting** that drove our success over the last 12 months **are now focused on additional gains across every component of the business.**

# Further Opportunities for Significant Fundamental Gains in Unit Economics

Gross Margin Opportunities



**Recon Cost Efficiency**



**Inbound Transport**



**Wholesale Growth**



**Finance Platform Optimization**



**Ancillary Product Attach**

Operations Expense Opportunities



**More Inventory Pools**



**Operations Scale Benefits**

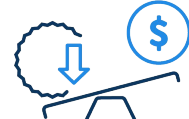


**AI in Customer Care**



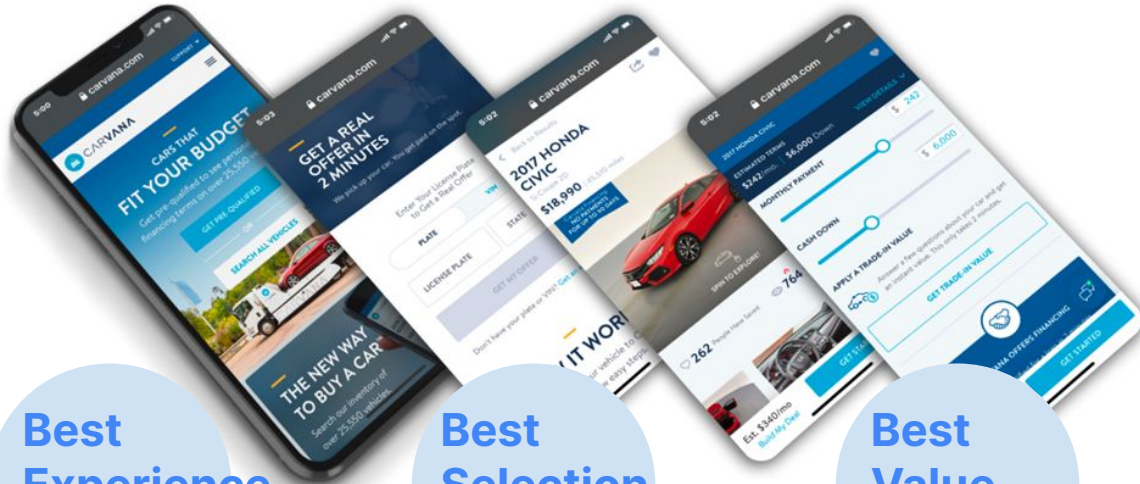
**Other Operations Efficiencies**

Overhead Leverage



**Leverage Overhead Costs with Scale**

# Best Customer Experience



## Best Experience

10 minutes - time in which purchase can be completed after vehicle selection

## Best Selection

35,000+ cars on the website<sup>1</sup>

## Best Value

Lower prices than other brick-and-Mortar dealers and never any doc or dealer fees

## Efficiency Initiatives Benefiting Customer Experience

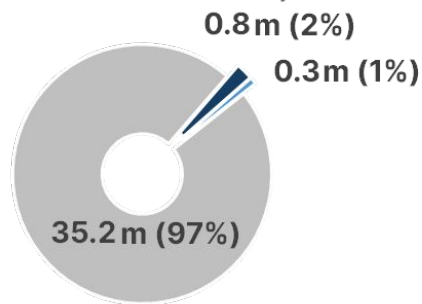
- Faster delivery times, including same day delivery in 15 markets.
- Calls per sale in Q1 2024 down 45% year-over-year.

<sup>1</sup> As of May 2024

# Large, Fragmented Market

## Used Retail Auto TAM

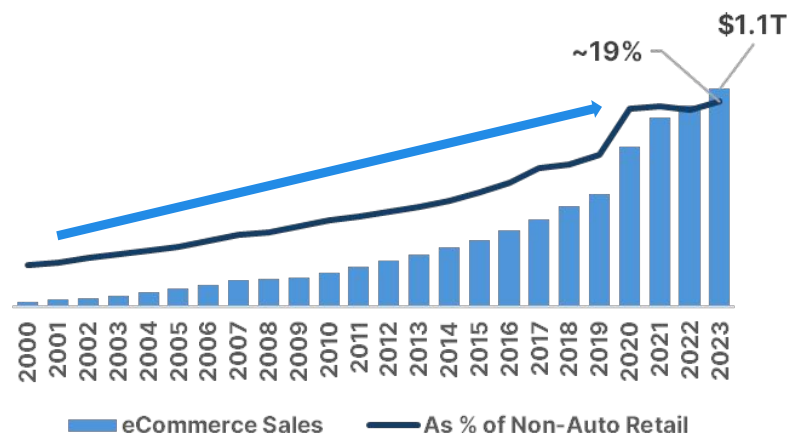
(in millions of retail units)



■ Largest Participant ■ Carvana

- 36M used retail units sold in 2023<sup>1</sup>.
- Market is highly fragmented - largest participant accounts for 2% market share, top 100 retailers account for ~11% market share<sup>2</sup>.

## eCommerce Trends



- Non-automotive retail has ~19% e-commerce penetration and is on an upward trajectory<sup>3</sup>.
- Retail eCommerce has grown at a 16% 10-year CAGR<sup>3</sup>.

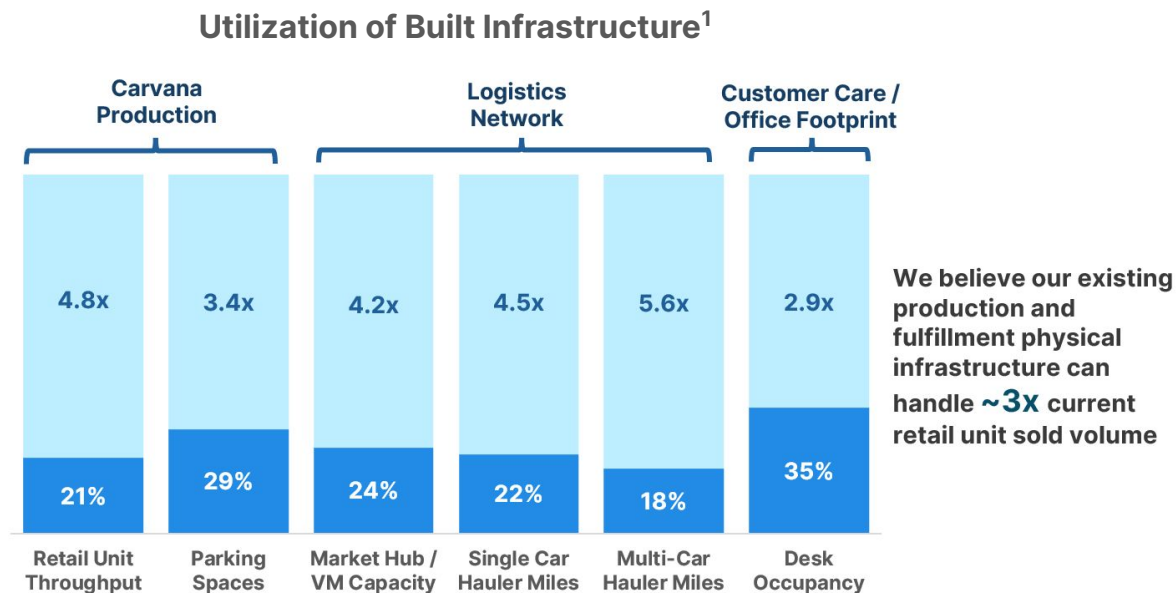
<sup>1</sup> According to Cox Automotive

<sup>2</sup> According to Automotive News

<sup>3</sup> According to Federal Reserve Economic Data and NADA

# Unmatched Infrastructure

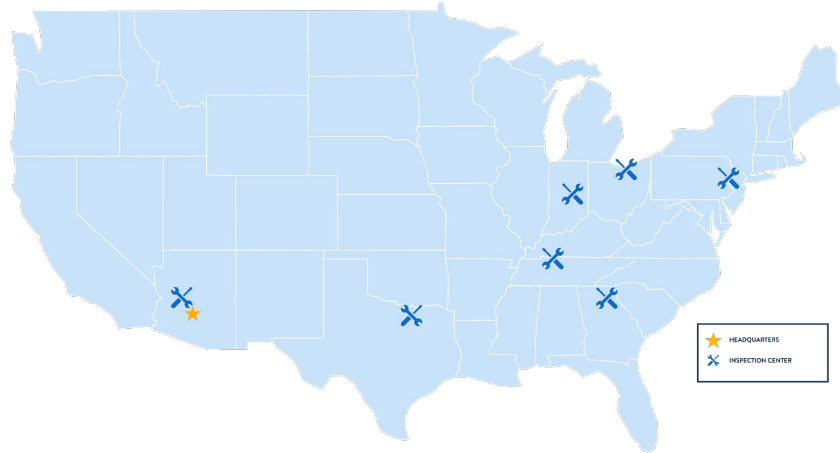
- Carvana represents ~1% of a market in which we are the only online model operating at scale.
- We have already built the physical infrastructure for multiples of growth.
- We have reconditioning facilities capable of producing **1.3 million cars per year with limited incremental capex.**
- 56 ADESA locations lead to **real estate capacity for an aggregate ~3MM annual units** of production with full buildout.
- As utilization increases, we expect to meaningfully lever overhead expenses.



<sup>1</sup> This table represents our infrastructure capacity utilization as previously disclosed in our Q3 2023 shareholder letter.

# Built for Efficient Scaling

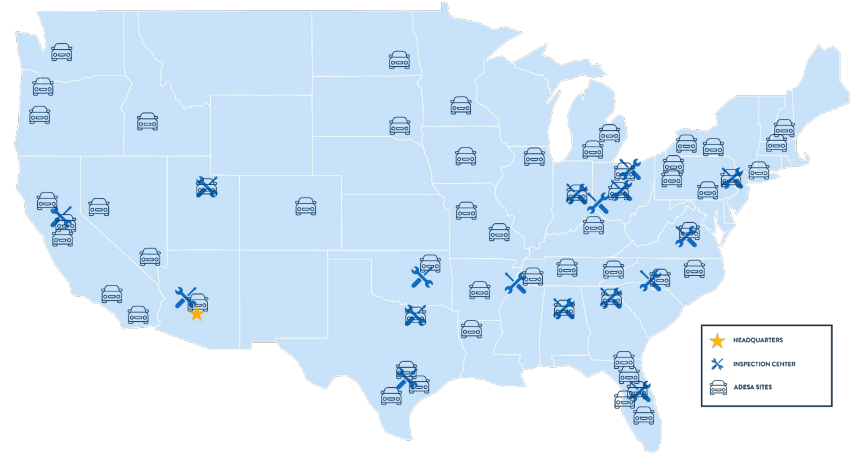
## Footprint at YE 2019



### Requirements for Prior Growth

- Source and Develop Real Estate (Acquisition, Zoning, Entitlement, Construction)
- Staff IRCs
- Add Markets in New States
- Stand Up State-by-State Registration and Title Processes
- Acquire Haulers (multi and single car trucks)
- Staff Fulfillment / Logistics Teams
- Staff Customer Care and Other Support Functions

## Footprint at YE 2023



### Requirements for Current Growth

- Staff IRCs
- Staff Fulfillment / Logistics Teams
- Staff Customer Care and Other Support Functions

# Better positioned than ever for the opportunity in front of us



Best customer experience



Large and fragmented market



Industry-leading Q1 retail unit growth<sup>1</sup>



Opportunities for further gains in unit economics



Industry-leading Q1 Adjusted EBITDA margin<sup>1</sup>



Up to 3MM units of production capacity with full buildout (~8x current volume)



Commitment to reducing leverage



Nationwide fulfillment and customer service network built for efficient scaling

<sup>1</sup> Based on all U.S. publicly traded automotive retailers.

# Non-GAAP Financial Measures

As appropriate, we supplement our results of operations determined in accordance with U.S. generally accepted accounting principles (“GAAP”) with and discuss forward looking guidance with certain non-GAAP financial measurements that are used by management, and which we believe are useful to investors, as supplemental operational measurements to evaluate our financial performance. These measurements should not be considered in isolation or as a substitute for reported GAAP results because they may include or exclude certain items as compared to similar GAAP-based measurements, and such measurements may not be comparable to similarly-titled measurements reported by other companies. Rather, these measurements should be considered as an additional way of viewing aspects of our operations that provide a more complete understanding of our business. We strongly encourage investors to review our consolidated financial statements included in publicly filed reports in their entirety and not rely solely on any one, single financial measurement or communication.

We refer to the following non-GAAP measures in this presentation: Adjusted EBITDA, Adjusted EBITDA Margin, Gross Profit, non-GAAP, Total gross profit per retail unit, non-GAAP, SG&A Expenses, non-GAAP, and Total SG&A expenses per retail unit, non-GAAP.

Adjusted EBITDA is defined as net income (loss) plus income tax provision (benefit), interest expense, other operating expense (income), net, other expense (income), net, depreciation and amortization expense in cost of sales and SG&A expenses, goodwill impairment, share-based compensation expense in cost of sales and SG&A expenses, and restructuring expense in cost of sales and SG&A expenses, minus revenue related to our Root Warrants and gain on debt extinguishment. Adjusted EBITDA margin is Adjusted EBITDA as a percentage of total revenues.

Gross profit, non-GAAP is defined as GAAP gross profit plus depreciation and amortization expense in cost of sales, share-based compensation expense in cost of sales, and restructuring expense in cost of sales, minus revenue related to our Root Warrants. Total gross profit per retail unit, non-GAAP is Gross profit, non-GAAP divided by retail vehicle unit sales.

SG&A expenses, non-GAAP is defined as GAAP SG&A expenses minus depreciation and amortization expense in SG&A expenses, share-based compensation expense in SG&A expenses, and restructuring expense in SG&A expenses. Total SG&A expenses per retail unit, non-GAAP is SG&A expenses, non-GAAP divided by retail vehicle unit sales.

We believe that these metrics are useful measures to us and to our investors because they exclude 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.

# Non-GAAP Financial Measures

(dollars in millions, except per unit amounts)	For the Three Months Ended				
	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024
Net income (loss)	\$ (286)	\$ (105)	\$ 741	\$ (200)	\$ 49
Income tax (benefit) provision	(2)	—	29	(2)	(1)
Other (income) expense, net	(3)	(8)	3	(1)	(87)
Gain on debt extinguishment	—	—	(878)	—	—
Interest expense	159	155	153	165	173
Operating income (loss)	(132)	42	48	(38)	134
Other operating expense, net	1	5	1	1	1
Depreciation and amortization expense in cost of sales	44	44	42	39	39
Depreciation and amortization expense in SG&A expenses	49	46	45	43	43
Share-based compensation expense in SG&A expenses	15	20	18	20	23
Root warrant revenue	(5)	(5)	(6)	(5)	(5)
Restructuring expense	4	3	—	—	—
Adjusted EBITDA	\$ (24)	\$ 155	\$ 148	\$ 60	\$ 235
Total revenues	\$ 2,606	\$ 2,968	\$ 2,773	\$ 2,424	\$ 3,061
Net income (loss) margin	(11.0)%	(3.5)%	26.7 %	(8.3)%	1.6 %
Adjusted EBITDA margin	(0.9)%	5.2 %	5.3 %	2.5 %	7.7 %

Note: In Q1 2024, Net income (loss) margin increased 1,260 bps YoY and 990 bps QoQ

# Non-GAAP Financial Measures

(dollars in millions, except per unit amounts)	For the Three Months Ended				
	Mar 31, 2023	Jun 30, 2023	Sep 30, 2023	Dec 31, 2023	Mar 31, 2024
Gross profit	\$ 341	\$ 499	\$ 482	\$ 402	\$ 591
Depreciation and amortization expense in cost of sales	44	44	42	39	39
Root warrant revenue	(5)	(5)	(6)	(5)	(5)
Gross profit, non-GAAP	<u>\$ 380</u>	<u>\$ 538</u>	<u>\$ 518</u>	<u>\$ 436</u>	<u>\$ 625</u>
Retail vehicle unit sales	79,240	76,530	80,987	76,090	91,878
Total gross profit per retail unit	<u>\$ 4,303</u>	<u>\$ 6,520</u>	<u>\$ 5,952</u>	<u>\$ 5,283</u>	<u>\$ 6,432</u>
Total gross profit per retail unit, non-GAAP	<u>\$ 4,796</u>	<u>\$ 7,030</u>	<u>\$ 6,396</u>	<u>\$ 5,730</u>	<u>\$ 6,802</u>
SG&A expenses	\$ 472	\$ 452	\$ 433	\$ 439	\$ 456
Depreciation and amortization expense in SG&A expenses	49	46	45	43	43
Share-based compensation expense in SG&A expenses	15	20	18	20	23
Restructuring expense in SG&A expenses	4	3	—	—	—
SG&A expenses, non-GAAP	<u>\$ 404</u>	<u>\$ 383</u>	<u>\$ 370</u>	<u>\$ 376</u>	<u>\$ 390</u>
Retail vehicle unit sales	79,240	76,530	80,987	76,090	91,878
Total SG&A expenses per retail unit	<u>\$ 5,957</u>	<u>\$ 5,906</u>	<u>\$ 5,347</u>	<u>\$ 5,769</u>	<u>\$ 4,963</u>
Total SG&A expenses per retail unit, non-GAAP	<u>\$ 5,098</u>	<u>\$ 5,005</u>	<u>\$ 4,569</u>	<u>\$ 4,942</u>	<u>\$ 4,245</u>

Note: In Q1 2024, GPU increased 49% YoY and SG&A per unit decreased 17% YoY and 14% QoQ.