

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-37869

Cars.com Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

81-3693660

(I.R.S. Employer Identification No.)

300 S. Riverside Plaza, Suite 1000

Chicago, Illinois 60606

(Address of principal executive offices)

(312) 601-5000

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---------------------|----------------|---|
| Common Stock | CARS | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | | |
|-------------------------|-------------------------------------|---------------------------|--------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2024, the registrant had 64,739,273 shares of common stock, \$0.01 par value per share, outstanding.

Table of Contents

| | <u>Page</u> | |
|-----------------|--|----|
| PART I. | <u>FINANCIAL INFORMATION</u> | 2 |
| Item 1. | <u>Financial Statements:</u> | 2 |
| | <u>Consolidated Balance Sheets</u> | 2 |
| | <u>Consolidated Statements of Income</u> | 3 |
| | <u>Consolidated Statements of Comprehensive Income</u> | 4 |
| | <u>Consolidated Statements of Stockholders' Equity</u> | 5 |
| | <u>Consolidated Statements of Cash Flows</u> | 6 |
| | <u>Notes to the Consolidated Financial Statements (Unaudited)</u> | 7 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 17 |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 26 |
| Item 4. | <u>Controls and Procedures</u> | 26 |
| PART II. | <u>OTHER INFORMATION</u> | 27 |
| Item 1. | <u>Legal Proceedings</u> | 27 |
| Item 1A. | <u>Risk Factors</u> | 27 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 27 |
| Item 3. | <u>Defaults Upon Senior Securities</u> | 27 |
| Item 4. | <u>Mine Safety Disclosures</u> | 27 |
| Item 5. | <u>Other Information</u> | 27 |
| Item 6. | <u>Exhibits</u> | 28 |
| | <u>Signatures</u> | 29 |

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Cars.com Inc.
Consolidated Balance Sheets
(In thousands, except per share data)

| | <u>September 30, 2024</u> | <u>December 31, 2023</u> |
|--|---------------------------|--------------------------|
| | (unaudited) | |
| Assets: | | |
| <i>Current assets:</i> | | |
| Cash and cash equivalents | \$ 49,573 | \$ 39,198 |
| Accounts receivable, net | 125,214 | 125,373 |
| Prepaid expenses | 15,536 | 12,553 |
| Other current assets | 9,574 | 1,314 |
| Total current assets | <u>199,897</u> | <u>178,438</u> |
| Property and equipment, net | 42,827 | 43,853 |
| Goodwill | 145,843 | 147,058 |
| Intangible assets, net | 605,130 | 669,167 |
| Deferred tax assets, net | 100,530 | 112,953 |
| Investments and other assets, net | 24,281 | 20,980 |
| Total assets | <u>\$ 1,118,508</u> | <u>\$ 1,172,449</u> |
| Liabilities and stockholders' equity: | | |
| <i>Current liabilities:</i> | | |
| Accounts payable | \$ 32,228 | \$ 22,259 |
| Accrued compensation | 29,561 | 31,669 |
| Current portion of long-term debt, net | — | 23,129 |
| Other accrued liabilities | 49,600 | 68,691 |
| Total current liabilities | <u>111,389</u> | <u>145,748</u> |
| <i>Noncurrent liabilities:</i> | | |
| Long-term debt, net | 464,979 | 460,119 |
| Deferred tax liabilities, net | 8,293 | 8,757 |
| Other noncurrent liabilities | 31,422 | 65,717 |
| Total noncurrent liabilities | <u>504,694</u> | <u>534,593</u> |
| Total liabilities | <u>616,083</u> | <u>680,341</u> |
| Commitments and contingencies | | |
| <i>Stockholders' equity:</i> | | |
| Preferred Stock at par, \$0.01 par value; 5,000 shares authorized; no shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively | — | — |
| Common Stock at par, \$0.01 par value; 300,000 shares authorized; 65,022 and 65,929 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively | 650 | 659 |
| Additional paid-in capital | 1,480,400 | 1,500,232 |
| Accumulated deficit | (978,850) | (1,009,734) |
| Accumulated other comprehensive income | 225 | 951 |
| Total stockholders' equity | <u>502,425</u> | <u>492,108</u> |
| Total liabilities and stockholders' equity | <u>\$ 1,118,508</u> | <u>\$ 1,172,449</u> |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Cars.com Inc.
Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|----------------------------------|-----------------|---------------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue: | | | | |
| Dealer | \$ 159,513 | \$ 157,116 | \$ 481,171 | \$ 460,268 |
| OEM and National | 17,014 | 14,549 | 48,149 | 40,494 |
| Other | 3,124 | 2,668 | 9,401 | 8,815 |
| Total revenue | <u>179,651</u> | <u>174,333</u> | <u>538,721</u> | <u>509,577</u> |
| Operating expenses: | | | | |
| Cost of revenue and operations | 31,610 | 31,077 | 92,602 | 91,287 |
| Product and technology | 29,223 | 25,297 | 84,891 | 74,354 |
| Marketing and sales | 58,288 | 60,186 | 177,664 | 176,636 |
| General and administrative | 21,511 | 17,785 | 67,348 | 53,738 |
| Depreciation and amortization | 27,563 | 25,670 | 82,499 | 74,381 |
| Total operating expenses | <u>168,195</u> | <u>160,015</u> | <u>505,004</u> | <u>470,396</u> |
| Operating income | <u>11,456</u> | <u>14,318</u> | <u>33,717</u> | <u>39,181</u> |
| Nonoperating expenses: | | | | |
| Interest expense, net | (8,028) | (7,777) | (24,458) | (24,171) |
| Other income (expense), net | 21,111 | (3,902) | 32,498 | 1,204 |
| Total nonoperating income (expense), net | <u>13,083</u> | <u>(11,679)</u> | <u>8,040</u> | <u>(22,967)</u> |
| Income before income taxes | 24,539 | 2,639 | 41,757 | 16,214 |
| Income tax expense (benefit) | 5,820 | (1,852) | 10,873 | (93,882) |
| Net income | <u>\$ 18,719</u> | <u>\$ 4,491</u> | <u>\$ 30,884</u> | <u>\$ 110,096</u> |
| Weighted-average common shares outstanding: | | | | |
| Basic | 66,107 | 66,773 | 66,319 | 66,820 |
| Diluted | 67,666 | 68,508 | 67,590 | 68,199 |
| Earnings per share: | | | | |
| Basic | \$ 0.28 | \$ 0.07 | \$ 0.47 | \$ 1.65 |
| Diluted | 0.28 | 0.07 | 0.46 | 1.61 |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Cars.com Inc.
Consolidated Statements of Comprehensive Income
(In thousands)
(Unaudited)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|-----------------|--|-------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Net income | \$ 18,719 | \$ 4,491 | \$ 30,884 | \$ 110,096 |
| Other comprehensive income (loss), net of tax | | | | |
| Foreign currency translation adjustments | 350 | — | (726) | — |
| Total other comprehensive income (loss), net of tax | 350 | — | (726) | — |
| Comprehensive income | <u>\$ 19,069</u> | <u>\$ 4,491</u> | <u>\$ 30,158</u> | <u>\$ 110,096</u> |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Cars.com Inc.
Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

| | Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Stockholders' Equity |
|--|-----------------|--------|--------------|--------|----------------------------|---------------------|---|----------------------|
| | Shares | Amount | Shares | Amount | | | | |
| Balance at December 31, 2023 | — | \$ — | 65,929 | \$ 659 | \$ 1,503,232 | \$ (1,009,734) | \$ 951 | \$ 492,108 |
| Net income | — | — | — | — | — | 784 | — | 784 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (738) | (738) |
| Repurchases of common stock | — | — | (533) | (5) | (9,490) | — | — | (9,495) |
| Shares issued in connection with stock-based compensation plans, net | — | — | 832 | 8 | (8,365) | — | — | (8,357) |
| Stock-based compensation | — | — | — | — | 7,148 | — | — | 7,148 |
| Balance at March 31, 2024 | — | — | 66,228 | 662 | 1,489,525 | (1,008,950) | 213 | 481,450 |
| Net income | — | — | — | — | — | 11,381 | — | 11,381 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | (338) | (338) |
| Repurchases of common stock | — | — | (273) | (2) | (4,938) | — | — | (4,940) |
| Shares issued in connection with stock-based compensation plans, net | — | — | 214 | 2 | 798 | — | — | 800 |
| Stock-based compensation | — | — | — | — | 8,538 | — | — | 8,538 |
| Balance at June 30, 2024 | — | — | 66,169 | 662 | 1,493,923 | (997,569) | (125) | 496,891 |
| Net income | — | — | — | — | — | 18,719 | — | 18,719 |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | 350 | 350 |
| Repurchases of common stock | — | — | (1,194) | (12) | (21,239) | — | — | (21,251) |
| Shares issued in connection with stock-based compensation plans, net | — | — | 47 | — | (508) | — | — | (508) |
| Stock-based compensation | — | — | — | — | 8,224 | — | — | 8,224 |
| Balance at September 30, 2024 | — | \$ — | 65,022 | \$ 650 | \$ 1,480,400 | \$ (978,850) | \$ 225 | \$ 502,425 |

| | Preferred Stock | | Common Stock | | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensive Income (Loss) | Stockholders' Equity |
|--|-----------------|--------|--------------|--------|----------------------------|---------------------|---|----------------------|
| | Shares | Amount | Shares | Amount | | | | |
| Balance at December 31, 2022 | — | \$ — | 66,287 | \$ 662 | \$ 1,511,944 | \$ (1,128,176) | \$ — | \$ 384,430 |
| Net income | — | — | — | — | — | 11,479 | — | 11,479 |
| Repurchases of common stock | — | — | (413) | (4) | (7,170) | — | — | (7,174) |
| Shares issued in connection with stock-based compensation plans, net | — | — | 976 | 10 | (9,807) | — | — | (9,797) |
| Stock-based compensation | — | — | — | — | 6,049 | — | — | 6,049 |
| Balance at March 31, 2023 | — | — | 66,850 | 668 | 1,501,016 | (1,116,697) | — | 384,987 |
| Net income | — | — | — | — | — | 94,126 | — | 94,126 |
| Repurchases of common stock | — | — | (532) | (5) | (9,987) | — | — | (9,992) |
| Shares issued in connection with stock-based compensation plans, net | — | — | 159 | 2 | 726 | — | — | 728 |
| Stock-based compensation | — | — | — | — | 7,608 | — | — | 7,608 |
| Balance at June 30, 2023 | — | — | 66,477 | 665 | 1,499,363 | (1,022,571) | — | 477,457 |
| Net income | — | — | — | — | — | 4,491 | — | 4,491 |
| Repurchases of common stock | — | — | (344) | (4) | (6,425) | — | — | (6,429) |
| Shares issued in connection with stock-based compensation plans, net | — | — | 56 | 1 | (1) | — | — | — |
| Stock-based compensation | — | — | — | — | 7,491 | — | — | 7,491 |
| Balance at September 30, 2023 | — | \$ — | 66,189 | \$ 662 | \$ 1,500,428 | \$ (1,018,080) | \$ — | \$ 483,010 |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Cars.com Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2024 | 2023 |
| Cash flows from operating activities: | | |
| Net income | \$ 30,884 | \$ 110,096 |
| Adjustments to reconcile Net income to Net cash provided by operating activities: | | |
| Depreciation | 19,306 | 16,367 |
| Amortization of intangible assets | 63,193 | 58,014 |
| Changes in fair value of contingent consideration | (33,473) | (1,280) |
| Stock-based compensation | 23,689 | 20,930 |
| Deferred income taxes | 12,469 | (98,821) |
| Provision for doubtful accounts | 2,634 | 2,117 |
| Amortization of debt issuance costs | 1,769 | 2,303 |
| Unrealized loss on foreign currency denominated transactions | 965 | — |
| Amortization of deferred revenue related to AccuTrade acquisition | — | (883) |
| Other, net | 766 | 640 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (2,574) | (12,472) |
| Prepaid expenses and other assets | (12,705) | (13,073) |
| Accounts payable | 9,947 | 473 |
| Accrued compensation | (2,067) | 1,741 |
| Other liabilities | 7,714 | 5,428 |
| Net cash provided by operating activities | <u>122,517</u> | <u>91,580</u> |
| Cash flows from investing activities: | | |
| Payments for acquisitions, net of cash acquired | (218) | — |
| Capitalization of internally developed technology | (16,770) | (14,838) |
| Purchase of property and equipment | (2,046) | (737) |
| Net cash used in investing activities | <u>(19,034)</u> | <u>(15,575)</u> |
| Cash flows from financing activities: | | |
| Payments of Revolving Loan borrowings and long-term debt | (20,000) | (26,250) |
| Payments for stock-based compensation plans, net | (8,065) | (9,069) |
| Repurchases of common stock | (35,686) | (23,316) |
| Payments of contingent consideration | (27,435) | — |
| Payments of debt issuance costs and other fees | (1,869) | — |
| Net cash used in financing activities | <u>(93,055)</u> | <u>(58,635)</u> |
| Effect of exchange rate changes on Cash and cash equivalents | (53) | — |
| Net increase in Cash and cash equivalents | <u>10,375</u> | <u>17,370</u> |
| Cash and cash equivalents at beginning of period | <u>39,198</u> | <u>31,715</u> |
| Cash and cash equivalents at end of period | <u>\$ 49,573</u> | <u>\$ 49,085</u> |
| Supplemental cash flow information: | | |
| Cash paid for income taxes | \$ 5,506 | \$ 17,107 |
| Cash paid for interest | 18,453 | 16,806 |

The accompanying notes are an integral part of the Consolidated Financial Statements.

Cars.com Inc.
Notes to the Consolidated Financial Statements
(Unaudited)

NOTE 1. Description of Business and Summary of Significant Accounting Policies

Description of Business. Cars.com Inc., d/b/a Cars Commerce Inc. (the "Company" or "Cars Commerce") is an audience-driven technology company empowering the automotive industry. The Company simplifies everything about car buying and selling with powerful products, solutions and machine learning model-driven artificial intelligence technologies that span pretail, retail and post-sale activities – enabling more efficient and profitable retail operations. The Cars Commerce platform is organized around four industry-leading brands: the flagship automotive marketplace and dealer reputation site Cars.com, award-winning digital retail technology and marketing services from Dealer Inspire, essential trade-in and appraisal technology from AccuTrade and exclusive in-market media solutions from the Cars Commerce Media Network.

Basis of Presentation. The accompanying unaudited interim consolidated financial statements ("Consolidated Financial Statements") have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the SEC rules and regulations. These Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and the notes thereto for the year ended December 31, 2023, which are included in the Company's Annual Report on Form 10-K as filed with the SEC on February 22, 2024 (the "December 31, 2023 Financial Statements").

The significant accounting policies used in preparing these Consolidated Financial Statements were applied on a basis consistent with those reflected in the December 31, 2023 Financial Statements. In the opinion of management, the Consolidated Financial Statements contain all adjustments (consisting of a normal, recurring nature) necessary to present fairly the Company's financial position, results of operations, cash flows and changes in stockholders' equity as of the dates and for the periods indicated. The unaudited results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of results that may be expected for the year ending December 31, 2024.

Use of Estimates. The preparation of the accompanying Consolidated Financial Statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

Reclassifications. Certain prior year balances have been reclassified to conform to the current year presentation.

Principles of Consolidation. The accompanying Consolidated Financial Statements include the accounts of Cars.com Inc. and its 100% owned subsidiaries. All intercompany transactions and accounts are eliminated in consolidation.

Recently Issued Accounting Standards Not Yet Adopted. In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, *Income Statement Reporting Comprehensive Income Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires companies to provide more detailed and organized disclosures of their expenses in their income statements. The standard requires breaking down expenses into specific categories, such as employee compensation and costs related to depreciation and amortization. This amendment is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, on a prospective basis and early adoption and retrospective application is permitted. The Company is currently evaluating this new guidance and its impact on its Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires presentation of specific categories of reconciling items, as well as reconciling items that meet a quantitative threshold, in the reconciliation between the income tax provision and the income tax provision using statutory tax rates. The standard also requires disclosure of income taxes paid disaggregated by jurisdiction with separate disclosure of income taxes paid to individual jurisdictions that meet a quantitative threshold. This amendment is effective for fiscal years beginning after December 15, 2024, on a prospective basis and early adoption and retrospective application are permitted. The Company is currently evaluating this new guidance and its impact on its Consolidated Financial Statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of significant segment expenses that are regularly reviewed by the chief operating decision maker and included within each reported measure of segment profit or loss. This amendment is effective for fiscal years beginning after December 15, 2023,

Cars.com Inc.
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

and interim periods within fiscal years beginning after December 15, 2024, and early adoption is permitted. The Company is currently evaluating this new guidance and its impact on its Consolidated Financial Statements and related disclosures.

NOTE 2. Revenue

Revenue Summary. The Company's Consolidated Statements of Income provide disaggregated revenue information that reflects the nature, timing, amount and uncertainty of cash flows related to the Company's revenue. Substantially all revenue was generated and located within the U.S. The Company's disaggregated revenue information is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|------------------|----------------------------------|-------------------|---------------------------------|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Dealer | \$ 159,513 | \$ 157,116 | \$ 481,171 | \$ 460,268 |
| OEM and National | 17,014 | 14,549 | 48,149 | 40,494 |
| Other | 3,124 | 2,668 | 9,401 | 8,815 |
| Total revenue | <u>\$ 179,651</u> | <u>\$ 174,333</u> | <u>\$ 538,721</u> | <u>\$ 509,577</u> |

NOTE 3. Business Combinations

D2C Media Acquisition. On November 1, 2023, the Company acquired all of the outstanding stock of D2C Media Inc. and EZResults Inc. (collectively, the "D2C Media Acquisition"), a leading provider of website and digital advertising solutions in Canada for \$80.1 million total purchase consideration.

As part of the D2C Media Acquisition, the Company may be required to pay a cash earnout of up to an additional CAD\$35.0 million (approximately USD\$25.9 million as of September 30, 2024). The payment is not included in the total purchase consideration and is deemed compensation expense, as the potential cash compensation is to former equity holders who became employees and will be forfeited if employment is terminated prior to the end of the earnout period. The amount to be paid will be determined by the acquired business' future achievement of certain revenue-related financial targets through December 31, 2025 and expensed over each performance period. The Company may expense up to CAD\$15.0 million (approximately USD\$11.1 million as of September 30, 2024) associated with the remaining portion of the earnout for each of the years ending December 31, 2024 and 2025.

Purchase Price Allocation. The fair values assigned to the tangible and intangible assets acquired and liabilities assumed were determined based on management's estimates and assumptions, as well as other information compiled by management, including third-party valuations that utilize customary valuation procedures and techniques, such as the multi-period excess earnings and the relief of royalty methods. The D2C Media Acquisition purchase price allocation is as follows (in thousands):

| | Acquisition-date Fair Value |
|--|--------------------------------|
| Total purchase consideration ⁽¹⁾ | <u>\$ 80,056</u> |
| Cash and cash equivalents | \$ 3,673 |
| Accounts receivable | 4,640 |
| Other assets acquired ⁽²⁾ | 1,378 |
| Identified intangible assets ⁽³⁾ | 38,967 |
| Total assets acquired | 48,658 |
| Accounts payable and accrued liabilities | (1,698) |
| Other liabilities assumed ^{(4) (1)} | (628) |
| Deferred tax liabilities, net ⁽¹⁾ | (8,230) |
| Total liabilities assumed | (10,556) |
| Net identifiable assets | 38,102 |
| Goodwill ⁽¹⁾ | 41,954 |
| Total purchase consideration | <u>\$ 80,056</u> |

(1) During the quarter ended June 30, 2024, the Company recorded a \$0.3 million purchase accounting adjustment, \$0.2 million of which is reflected in Payments for acquisitions, net of cash acquired in the Consolidated Statements of Cash Flows.

(2) Other assets acquired primarily consists of property and equipment, operating lease right of use assets and other prepaid expenses.

Cars.com Inc.
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

(3) Information regarding the identifiable intangible assets acquired is as follows:

| | Acquisition-Date Fair Value (in thousands) | Amortization Period (in years) |
|------------------------|--|-----------------------------------|
| Customer relationships | \$ 29,153 | 14 |
| Acquired software | 9,092 | 5 |
| Trade name | 722 | 5 |
| Total | <u>\$ 38,967</u> | |

(4) Other liabilities assumed primarily consists of operating lease right of use liabilities and income taxes payable.

A reconciliation of cash consideration to Payments for acquisitions, net of cash acquired related to the D2C Media Acquisition in the Consolidated Statements of Cash Flows as of December 31, 2023 is as follows (in thousands):

| | |
|----------------------------------|------------------|
| Cash consideration | \$ 79,841 |
| Less: Cash acquired | (3,673) |
| Total payment for D2C Media, net | <u>\$ 76,168</u> |

Goodwill. In connection with the D2C Media Acquisition, the Company recorded goodwill in the amount of \$42.0 million, which is primarily attributable to expected sales growth from existing and future customers, product offerings, technology and the value of the acquired assembled workforce. All of the goodwill is considered non-deductible for income tax purposes.

The D2C Media Acquisition would have had an immaterial impact on the Company's Consolidated Financial Statements for the three and nine months ended September 30, 2023.

NOTE 4. Fair Value Measurements

The Company's liabilities measured at fair value on a recurring basis consisted of the following (in thousands):

| | Total as of September 30, 2024 | Fair value measurement at reporting date | | |
|--------------------------|-----------------------------------|--|-------------|---------------|
| | | Level 1 | Level 2 | Level 3 |
| Contingent consideration | \$ 500 | \$ — | \$ — | \$ 500 |
| Total | <u>\$ 500</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 500</u> |

| | Total as of December 31, 2023 | Fair value measurement at reporting date | | |
|--------------------------|----------------------------------|--|-------------|------------------|
| | | Level 1 | Level 2 | Level 3 |
| Contingent consideration | \$ 61,408 | \$ — | \$ — | \$ 61,408 |
| Total | <u>\$ 61,408</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 61,408</u> |

The roll-forward of the Level 3 contingent consideration from December 31, 2023 is as follows (in thousands):

| | As of December 31, 2023 | Payment of Contingent Consideration | Fair Value Adjustment ⁽¹⁾ | As of September 30, 2024 |
|--------------------------|----------------------------|--|---|-----------------------------|
| Contingent consideration | \$ 61,408 | \$ (27,435) | \$ (33,473) | \$ 500 |

(1) Fair value adjustments on contingent considerations are reflected within Other income (expense), net in the Consolidated Statements of Income.

The Company reviews and reassesses the estimated fair value of contingent consideration liabilities at each reporting period and the updated fair value could differ materially from the initial estimates. The Company recorded a contingent consideration liability at its estimated fair value at the date of acquisition based on expected future payment. The Company measures contingent consideration recognized in connection with acquisitions at fair value on a recurring basis using significant unobservable inputs classified as Level 3 inputs. The fair value measurement has one significant input of projected financial information. Significant increases or decreases to this input in isolation could result in a significantly higher or lower liability. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate on the acquisition date and each reporting period and the amount paid will be

Cars.com Inc.
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

recognized in earnings. Payments of contingent consideration reduce the corresponding liability, which was recorded upon acquisition and measured on a recurring basis as discussed above.

The Company's contingent consideration obligations arise from acquisitions that involve a potential future payment of consideration that is contingent upon the achievement of certain financial or operational metrics. The contingent consideration is classified in the Consolidated Balance Sheets based on expected payment dates. As of September 30, 2024, \$0.5 million was included within Other accrued liabilities in the Consolidated Balance Sheets. As of December 31, 2023, \$25.8 million and \$35.6 million were included within Other accrued liabilities and Other noncurrent liabilities, respectively, in the Consolidated Balance Sheets. For information related to the contingent consideration agreements, see Note 3 (Business Combinations) in Part II, Item 8., "Financial Statements and Supplementary Data", of the Company's Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on February 22, 2024. The Company expects to make the remaining payments on the contingent consideration in 2024 and 2025.

NOTE 5. Debt

As of September 30, 2024 the Company was in compliance with the covenants under its debt agreements. The Company's borrowings are limited by its Senior Secured Net Leverage Ratio and Consolidated Interest Coverage Ratio, among other factors, which are calculated in accordance with the Company's Credit Agreement, and were 0.1x and 6.4x, respectively, as of September 30, 2024.

Fifth Amendment to the Credit Agreement. On May 6, 2024, the Company amended and extended its existing Credit Agreement (the "Fifth Amendment") which resulted in a new \$350.0 million Revolving Loan due in 2029. Upon closing, the Company borrowed \$80.0 million under the new Revolving Loan to pay off and extinguish the outstanding \$45.0 million in aggregate principal amount of existing Term Loan and \$35.0 million in aggregate principal amount of existing Revolving Loan balances. This was a non-cash transaction predominantly amongst existing lenders in the Credit Agreement and therefore is not reflected within the Consolidated Statements of Cash Flows. Additionally, the Fifth Amendment, among other things, removed the Secured Overnight Financing Rate (SOFR) floor and replaced the financial covenant leverage test to Senior Secured Net Leverage from Senior Secured Leverage. Except as modified by the Fifth Amendment, the existing terms of the Credit Agreement, as amended, remain in effect.

Revolving Loan. As of September 30, 2024, \$280.0 million was available to borrow under the Revolving Loan, and the Company had \$70.0 million of outstanding borrowings. The Company made \$10.0 million in cash payments on the Revolving Loan during the nine months ended September 30, 2024. There were no cash drawdowns during the period.

Term Loan. During the nine months ended September 30, 2024, the Company made \$10.0 million in Term Loan payments. In connection with the Fifth Amendment in May 2024, the Company borrowed amounts under the new Revolving Loan to fully repay the remaining outstanding principal amount under the Term Loan in a non-cash transaction.

Senior Unsecured Notes. In October 2020, the Company issued \$400.0 million aggregate principal amount of 6.375% Senior Unsecured Notes due in 2028. Interest on the notes is due semi-annually on May 1 and November 1.

Fair Value. The Company's debt is classified as Level 2 in the fair value hierarchy and the fair value is measured based on comparable trading prices, ratings, sectors, coupons and maturities of similar instruments. The approximate fair value and related carrying value of the Company's outstanding indebtedness as of September 30, 2024 and December 31, 2023 were as follows (in millions):

| | <u>September 30, 2024</u> | <u>December 31, 2023</u> |
|----------------|---------------------------|--------------------------|
| Fair value | \$ 468.0 | \$ 470.9 |
| Carrying value | 470.0 | 490.0 |

NOTE 6. Commitments and Contingencies

From time to time, the Company and its subsidiaries may become involved in actions, claims, suits or other legal or administrative proceedings arising in the ordinary course of business. The Company records a liability when it believes that it is both probable that a loss will be incurred and the amount of loss can be reasonably estimated. The Company evaluates, at least quarterly, developments in its commitments and contingencies that could affect the amount of liability that has been previously accrued and makes adjustments as appropriate. Significant judgment is required to determine both the probability and the estimated amount of liability, if any. It is not possible to predict the outcome of these proceedings or the range of reasonably possible loss. The Company does not expect, based on

Cars.com Inc.
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

circumstances currently known, that the ultimate resolution of any of these proceedings will have, either individually or in the aggregate, a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

NOTE 7. Stockholders' Equity

In February 2022, the Company's Board of Directors authorized a three-year share repurchase program to acquire up to \$200.0 million of the Company's common stock. The Company may repurchase shares from time to time in open market transactions or through privately negotiated transactions in accordance with applicable federal securities laws and other applicable legal requirements. The timing and amounts of any purchases under the share repurchase program will be based on market conditions and other factors, including price. The repurchase program may be suspended or discontinued at any time and does not obligate the Company to repurchase any specific amount or number of shares. The Company funds the share repurchase program principally with cash from operations. During the nine months ended September 30, 2024, the Company repurchased and subsequently retired 2.0 million shares for \$35.7 million at an average price paid per share of \$17.85. During the nine months ended September 30, 2023, the Company repurchased and subsequently retired 1.3 million shares for \$23.6 million at an average price paid per share of \$18.30.

NOTE 8. Stock-Based Compensation

Restricted Share Units ("RSUs"). RSUs represent the right to receive unrestricted shares of the Company's common stock at the time of vesting, subject to any restrictions as specified in the individual holder's award agreement. RSUs are subject to graded vesting, generally ranging between one year to three years and the fair value of the RSUs is equal to the Company's common stock price on the date of grant. RSU activity for the nine months ended September 30, 2024 is as follows (in thousands, except for weighted-average grant date fair value):

| | Number of RSUs | Weighted-Average Grant Date Fair Value |
|--|-------------------|--|
| Outstanding as of December 31, 2023 | 3,725 | \$ 15.67 |
| Granted | 1,899 | 17.14 |
| Vested and delivered | (1,494) | 15.53 |
| Forfeited | (369) | 16.31 |
| Outstanding as of September 30, 2024 ⁽¹⁾ | <u>3,761</u> | <u>\$ 16.41</u> |

(1) Includes 376 RSUs that were vested, but not yet delivered.

Performance Share Units ("PSUs"). PSUs represent the right to receive unrestricted shares of the Company's common stock at the time of vesting. The fair value of the PSUs is equal to the Company's common stock price on the date of grant. Expense related to PSUs is recognized when the performance conditions are probable of being achieved. The percentage of PSUs that shall vest will range from 0% to 200% of the number of PSUs granted based on the Company's future performance related to certain revenue and adjusted earnings before interest, income taxes, depreciation and amortization, or cumulative adjusted net income per share targets over a two-year or three-year performance period. These PSUs are subject to cliff vesting after the end of the respective performance period. PSU activity for the nine months ended September 30, 2024 is as follows (in thousands, except for weighted-average grant date fair value):

| | Number of PSUs | Weighted-Average Grant Date Fair Value |
|---|-------------------|--|
| Outstanding as of December 31, 2023 | 512 | \$ 15.66 |
| Granted | 419 | 17.23 |
| Vested and delivered | — | — |
| Forfeited | — | — |
| Outstanding as of September 30, 2024 | <u>931</u> | <u>\$ 16.37</u> |

Stock Options. Stock options represent the right to purchase shares of the Company's common stock at the time of vesting, subject to any restrictions as specified in the individual holder's award agreement. Stock options are subject to three-year cliff vesting and expire

Cars.com Inc.
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

10 years from the grant date. Stock option activity for the nine months ended September 30, 2024 is as follows (in thousands, except for weighted-average grant date fair value and weighted-average remaining contractual term):

| | Number of Options | Weighted-Average Grant Date Fair Value | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value |
|---|----------------------|--|--|------------------------------|
| Outstanding as of December 31, 2023 | 1,067 | \$ 6.28 | 6.98 | \$ 9,096 |
| Granted | — | — | — | — |
| Exercised | — | — | — | — |
| Forfeited | — | — | — | — |
| Outstanding as of September 30, 2024 | <u>1,067</u> | \$ 6.28 | 6.23 | \$ 6,738 |
| Exercisable as of September 30, 2024 | 804 | \$ 5.27 | 5.83 | \$ 6,293 |

NOTE 9. Earnings Per Share

Basic earnings per share is calculated by dividing Net income by the weighted-average number of shares of the Company's common stock outstanding. Diluted earnings per share is similarly calculated, except that the calculation includes the dilutive effect of the assumed issuance of shares under stock-based compensation plans, unless the inclusion of such shares would have an anti-dilutive impact. As part of the AccuTrade acquisition, the Company may pay up to \$15.0 million of the contingent consideration in shares of the Company's common stock at a future date. Those potential shares have been excluded from the computations below because they are contingently issuable shares, and the contingency to which the issuance relates was not met at the end of the reporting period. The computation of Earnings per share is as follows (in thousands, except per share data):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|---------------|---------------------------------|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| Net income ⁽¹⁾ | \$ 18,719 | \$ 4,491 | \$ 30,884 | \$ 110,096 |
| Basic weighted-average common shares outstanding | 66,107 | 66,773 | 66,319 | 66,820 |
| Effect of dilutive stock-based compensation awards ⁽²⁾ | 1,559 | 1,735 | 1,271 | 1,379 |
| Diluted weighted-average common shares outstanding | <u>67,666</u> | <u>68,508</u> | <u>67,590</u> | <u>68,199</u> |
| Earnings per share, basic ⁽¹⁾ | \$ 0.28 | \$ 0.07 | \$ 0.47 | \$ 1.65 |
| Earnings per share, diluted ⁽¹⁾ | 0.28 | 0.07 | 0.46 | 1.61 |

(1) During the nine months ended September 30, 2023 the Company released a significant portion of its valuation allowance for deferred tax assets that had been recorded as a result of the 2020 goodwill and indefinite-lived intangible asset impairments. For more information, see Note 10 (Income Taxes).

(2) There were 28 and 282 potential common shares excluded from diluted weighted-average common shares outstanding for the three months ended September 30, 2024 and 2023, respectively, and 34 and 282 potential common shares excluded from diluted weighted-average common shares outstanding for the nine months ended September 30, 2024 and 2023, respectively, as their inclusion would have had an anti-dilutive effect.

NOTE 10. Income Taxes

Deferred Tax Asset and Valuation Allowance. Prior to June 30, 2023, the Company concluded a valuation allowance was required against its deferred tax assets. In reaching this conclusion, in accordance with U.S. GAAP, the Company evaluated all available evidence, both positive and negative, and determined that the Company's history of recent losses, primarily due to the goodwill and indefinite-lived intangible asset impairments, was significant negative evidence to require a valuation allowance. Therefore, the Company recorded a valuation allowance to reduce its deferred tax assets to the amount that was more likely than not to be realized in future periods. At each reporting date, the Company evaluates the realizability of its deferred tax assets to determine whether a valuation allowance is warranted.

As of June 30, 2023, the Company evaluated all available evidence and determined that the Company's recent performance and future projections enabled the Company to release a significant portion of the Company's valuation allowance that had been previously recorded. During the three months ended September 30, 2023, the Company also released a portion of the remaining valuation allowance. There was no change to the Company's position or valuation allowance balance during the three or nine months ended September 30, 2024.

Cars.com Inc.
Notes to the Consolidated Financial Statements (continued)
(Unaudited)

Effective Tax Rate. The effective income tax rate for the nine months ended September 30, 2024, expressed by calculating the Income tax expense (benefit) as a percentage of Income before income taxes, differed from the statutory federal income tax rate of 21% primarily due to the impact of state income taxes, net of federal income tax expense, nondeductible executive compensation and nondeductible transaction expenses, partially offset by tax credits and the tax benefits realized on stock-based compensation.

Note About Forward-Looking Statements

This report contains "forward-looking statements" within the meaning of the federal securities laws. All statements other than statements of historical facts are forward-looking statements. These statements often use words such as "believe," "expect," "project," "anticipate," "outlook," "intend," "strategy," "plan," "estimate," "target," "seek," "will," "may," "would," "should," "could," "forecasts," "mission," "strive," "more," "goal" or similar expressions. Forward-looking statements are based on our current expectations, beliefs, strategies, estimates, projections and assumptions, experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments, condition of the global supply chain, fluctuating fuel prices, interest rate environment, inflationary pressures and other factors we think are appropriate. Such forward-looking statements, while considered reasonable by the Company and its management, are inherently uncertain. While the Company and its management make such statements in good faith and believe such judgments are reasonable, you should understand that these statements are not guarantees of future strategic action, performance or results. Our actual results, performance, achievements, strategic actions or prospects could differ materially from those expressed or implied by these forward-looking statements. Given these uncertainties, you should not rely on forward-looking statements in making investment decisions. When we make comparisons of results between current and prior periods, we do not intend to express any future trends, or indications of future performance, unless expressed as such, and you should only view such comparisons as historical data. Forward-looking statements are subject to a number of risks, uncertainties and other important factors, many of which are beyond our control, that could cause our actual results and strategic actions to differ materially from those expressed in the forward-looking statements contained in this report. Factors that might cause such differences include, but are not limited to:

- Our business is subject to risks related to the larger automotive ecosystem, including consumer demand, direct-to-consumer sales models and other macroeconomic issues.
- Market acceptance of and influence over certain of our products and services is concentrated with a limited number of automobile OEMs and dealership associations and we may not be able to maintain or grow these relationships.
- Dealer closures or consolidation among dealers or OEMs could reduce demand for, and negatively affect the pricing of, our marketing and solutions offerings, thereby leading to decreased earnings.
- Our business depends on our strong brand recognition, and any failure to maintain, protect and enhance our brands could hurt our ability to retain or expand our base of consumers, dealers and customers, and our ability to increase the frequency with which consumers, dealers and customers use our services.
- Our increased operations in Canada involve risks that may differ from, or are in addition to, our domestic operational risks.
- We rely in part on Internet search engines and mobile application stores to drive traffic to the Cars.com properties and increase downloads of our mobile applications. If the Cars.com properties and mobile applications fail to appear prominently in these search results, traffic to the Cars.com properties and mobile applications would decline and our business, results of operations or financial condition may be materially and adversely affected.
- We rely on in-house content creation and development to drive organic traffic to the Cars.com properties and mobile applications.
- Certain of our third-party service providers are highly regulated financial institutions, and the federal and state laws related to financial services could have a direct or indirect materially adverse effect on our business.
- Our business may be affected by climate change, including physical risks and regulatory changes that may increase our operating costs and impact our ability to deliver services to our customers.
- Expectations relating to environmental, social and governance considerations expose Cars Commerce to potential liabilities, increased costs, reputational harm and other adverse effects on the Company's business.
- We participate in a highly competitive market, and pressure from existing and new competitors may materially and adversely affect our business, results of operations or financial condition.
- We compete with other consumer automotive websites and mobile applications and other digital content providers for share of automotive-related digital display advertising spending and may be unable to maintain or grow our base of advertising customers or increase our revenue from existing customers.
- If we do not adapt to automated buying strategies, our display advertising revenue could be adversely affected.
- We may face difficulties in developing and launching new solution offerings or growing our complementary offerings that help automotive brands and dealers create enduring customer relationships.
- Strategic acquisitions, investments and partnerships could pose various risks, including integration risks, increase our leverage, dilute existing stockholders and significantly impact our ability to expand our overall profitability.

- The value of our assets or operations may be diminished if our information technology systems fail to perform adequately.
- Our business is dependent on keeping pace with advances in technology. If we are unable to keep pace with advances in technology, consumers and customers may stop using our services and our revenue may decrease.
- We rely on third-party service providers for many aspects of our business, including inventory information and sales of our product through social media, and interruptions in the services or data they provide or any failure to maintain these relationships could harm our business.
- We rely on technology systems' availability and ability to prevent unauthorized access. If our security and resiliency measures fail to prevent incidents, it could result in damage to our reputation, incur costs and create liabilities.
- We rely on third-party services to track and calculate certain of our key metrics, including unique visitors and traffic and any errors or interruptions in the services or data they provide or any failure to maintain these relationships could harm our business.
- If the use of third-party cookies or other tracking technologies is rejected by Internet browsers or service providers or users, restricted, blocked, or subject to unfavorable laws or regulations, the amount of Internet user information would decrease, which may harm our business and operating results.
- Our ability to attract and retain customers depends on our ability to collect and use data and develop tools to enable us to effectively deliver and accurately measure advertisements on our platform.
- Uncertainty exists in the application and interpretation of various laws and regulations related to our business, including privacy laws. New privacy concerns or laws or regulations applicable to our business, or the expansion or interpretation of existing laws and regulations that apply to our business, could reduce the effectiveness of our offerings or subject us to use restrictions, licensing requirements, claims, judgments and remedies including sales and use taxes, other monetary liabilities and limitations on our business practices, and could increase administrative costs.
- Misappropriation or infringement of our intellectual property and proprietary rights, enforcement actions to protect our intellectual property and claims from third parties relating to intellectual property could materially and adversely affect our business, results of operations or financial condition.
- We have a limited history of operating with a virtual first workforce and the long-term impact on our financial results and business operations is uncertain.
- Our ability to operate effectively could be impaired if we fail to attract and retain our key employees.
- Adverse results from litigation or governmental investigations could impact our business practices and operating results.
- The value of our existing goodwill and intangible assets may become impaired depending upon future operating results.
- We cannot assure our stockholders that our share repurchase program will enhance long-term stockholder value and stock repurchases, if any, could increase the volatility of the price of our common stock and will diminish our cash reserves.
- We do not expect to pay any cash dividends for the foreseeable future.
- Your percentage of ownership in the Company may be diluted in the future.
- Certain provisions of our Amended and Restated Certificate of Incorporation, By-laws and Delaware law may discourage takeovers and limit our ability to use, acquire, or develop certain competing businesses.
- Our Amended and Restated Certificate of Incorporation designates the state courts of the State of Delaware, or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us and our directors and officers.
- Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our common stock.
- Our debt agreements contain restrictions that may limit our flexibility in operating our business.
- Increases in interest rates could increase interest payable under our variable rate indebtedness.
- Our debt levels could adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, inhibit us from making beneficial acquisitions, adversely impact our ability to implement our capital allocation strategy and prevent us from making debt service payments. In addition, changing or increasing interest rates, including the rates under our debt agreements, could adversely affect our business or financial condition.

For a detailed discussion of these risks and uncertainties, see "Part I, Item 1A., Risk Factors" and "Part II, Item 7., Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 22, 2024 and our other filings filed with the SEC. Forward-looking statements speak only as of the date they are made, and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking statement. The forward-looking statements in this report are intended to be subject to the safe harbor protection provided by the federal securities laws.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our business, financial condition, results of operations and quantitative and qualitative disclosures should be read in conjunction with our Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This discussion and analysis also contains forward-looking statements and should be read in conjunction with the disclosures and information contained in "Note About Forward-Looking Statements" in this Quarterly Report on Form 10-Q. The financial information discussed below and included elsewhere in this Quarterly Report on Form 10-Q may not necessarily reflect what our financial condition, results of operations and cash flows may be in the future.

References in this discussion and analysis to "we," "us," "our," "Cars Commerce" and similar terms refer to Cars.com Inc. and its subsidiaries, collectively, unless the context indicates otherwise.

Business Overview

Cars Commerce is an audience-driven technology company empowering the automotive industry. We simplify everything about car buying and selling with powerful products, solutions and machine learning model-driven artificial intelligence technologies that span pretail, retail and post-sale activities – enabling more efficient and profitable retail operations. The Cars Commerce platform is organized around four industry-leading brands: our flagship automotive marketplace and dealer reputation site Cars.com, award-winning digital retail technology and marketing services from Dealer Inspire, essential trade-in and appraisal technology from AccuTrade and exclusive in-market media solutions from the Cars Commerce Media Network.

Overview of Results

| (in thousands) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------|----------------------------------|------------|---------------------------------|------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue | \$ 179,651 | \$ 174,333 | \$ 538,721 | \$ 509,577 |
| Net income ⁽¹⁾ | 18,719 | 4,491 | 30,884 | 110,096 |

- (1) The Net income for the nine months ended September 30, 2023 is primarily related to the release of a significant portion of our valuation allowance for deferred tax assets that had been recorded as a result of the 2020 goodwill and indefinite-lived intangible asset impairments. For more information, see Note 10 (Income Taxes) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Key Operating Metrics

We regularly review a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make operating and strategic decisions. Key Operating Metrics are as follows (Traffic and Average Monthly Unique Visitors in thousands):

| | Three Months Ended September 30, | | | Nine Months Ended September 30, | | |
|---------------------------------|----------------------------------|---------|----------|---------------------------------|---------|----------|
| | 2024 | 2023 | % Change | 2024 | 2023 | % Change |
| Traffic | 154,219 | 151,379 | 2% | 483,773 | 472,119 | 2% |
| Average Monthly Unique Visitors | 24,547 | 25,980 | (6)% | 26,329 | 27,136 | (3)% |

| | September 30, 2024 | September 30, 2023 | % Change | June 30, 2024 | % Change |
|------------------------------------|--------------------|--------------------|----------|---------------|----------|
| Dealer Customers | 19,255 | 18,715 | 3% | 19,390 | (1)% |
| Monthly Average Revenue Per Dealer | \$ 2,478 | \$ 2,548 | (3)% | \$ 2,474 | 0% |

Average Monthly Unique Visitors ("UVs") and Traffic. UVs and Traffic are fundamental to our business. They are indicative of our consumer reach and the level of engagement consumers have with our platform. Although our consumer engagement does not directly result in revenue, we believe our ability to reach in-market car shoppers is attractive to our dealers, OEMs and national customers and a primary reason they do business with us. We believe we have achieved audience scale as measured by UVs and Traffic, and we drive increased Traffic through a combination of continued growth in UVs and higher repeat visitation and engagement. Traffic increases can result in increased impressions, clicks and other connections that we can ultimately monetize through our products and services.

We define UVs in a given month as the number of distinct visitors that engage with our platform during that month. Visitors are identified when a user first visits an individual Cars.com property on an individual device/browser combination or installs one of our mobile apps on an individual device. If a visitor accesses more than one of our web properties or apps or uses more than one device or browser, each of those unique property/browser/app/device combinations counts toward the number of UVs. Traffic is defined as the number of visits

to Cars.com desktop and mobile properties (responsive sites and mobile apps). We measured UVs and Traffic via Adobe Analytics through the year ended December 31, 2023. As of January 1, 2024, we now measure UVs and Traffic via RudderStack, which we believe better aligns to our product and technology platform and provides improved visibility into our UVs and Traffic. Prior period UVs and Traffic information has not been recast, as it is impracticable to do so. These metrics do not include traffic to Dealer Inspire or D2C Media websites.

UVs declined 6% and 3% year-over-year for the three and nine months ended September 30, 2024, respectively, primarily due to normalizing demand from consumers given increased vehicle inventory levels, continued elevated prices and higher interest rates, as well as changes in marketing investment and mix across quarters and search engine algorithm updates earlier in the year. Additionally, UVs for the nine months ended September 30, 2023 benefited from Q1 2023 being our highest quarter ever for UVs.

During each of the three and nine months ended September 30, 2024, Traffic increased 2% compared to September 30, 2023, primarily driven by the shift to RudderStack, higher repeat visitation and optimization of our user acquisition strategy, partially offset by marketing investment and mix across quarters.

Dealer Customers. Dealer Customers represent dealerships using our products as of the end of each reporting period. Each physical or virtual dealership location is counted separately, whether it is a single-location proprietorship or part of a large, consolidated dealer group. Multi-franchise dealerships at a single location are counted as one dealer. Beginning December 31, 2023, this key operating metric includes D2C Media.

Dealer Customers increased 3% from September 30, 2023, primarily due to the inclusion of 950 D2C Media customers as of December 31, 2023, partially offset by the anticipated churn from our 2023 marketplace repackaging initiative.

Dealer Customers decreased slightly by 1% from June 30, 2024, primarily due to a decrease in marketplace Dealer Customers.

Monthly Average Revenue Per Dealer ("ARPD"). We believe that our ability to grow ARPD is an indicator of the value proposition of our platform. We define ARPD as Dealer revenue, excluding digital advertising services, during the period divided by the monthly average number of Dealer Customers during the same period. Beginning December 31, 2023, this key operating metric includes D2C Media.

For the three months ended September 30, 2024, ARPD decreased 3% compared to the three months ended September 30, 2023, primarily due to the inclusion of D2C Media customers, who have a lower ARPD. For the three months ended September 30, 2024, ARPD remained flat compared to the three months ended June 30, 2024.

Factors Affecting Our Performance. Our business is impacted by changes in the larger automotive ecosystem, including supply and demand for new and used vehicle inventory, global supply chain and information systems disruptions, semiconductor and raw material shortages, vehicle acquisition cost, vehicle retail prices, electric vehicle adoption, employee retention and changes related to automotive advertising, among other macroeconomic factors including inflationary pressures and prevailing interest rates. Changes in vehicle sales volumes in the United States and Canada also influence OEMs' and dealerships' willingness to increase investments in technology solutions and automotive marketplaces like Cars.com and could impact our pricing strategies and/or revenue mix.

Our long-term success will depend in part on our ability to continue to execute our platform strategy including continuing to create the most engaged in-market audience, growing our dealer customers, expanding our relationship with dealers through greater adoption of our platform, unlocking the cross-sell, transforming our OEM relationships and creating platform advantages. We believe our core strategic strengths, including our powerful family of brands, growing high-quality audience and suite of digital solutions for advertisers, including machine learning model artificial intelligence, will assist us as we navigate a rapidly changing automotive environment. Additionally, we are focused on equipping our customers with digital solutions to enable them to compete in an environment in which an increasing number of car-buying customers are shopping online. These solutions include online chat, vehicle financing, appraisal and valuation, instant guaranteed offer capabilities and logistics technology. The foundation of our continued success is the value we deliver to customers, and we believe that our large audience of in-market car shoppers and innovative solutions deliver significant value to our customers.

Results of Operations

Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023

(In thousands, except percentages)

| | Three Months Ended September 30, | | \$ Change | % Change |
|--|----------------------------------|------------|-----------|----------|
| | 2024 | 2023 | | |
| Revenue: | | | | |
| Dealer | \$ 159,513 | \$ 157,116 | \$ 2,397 | 2% |
| OEM and National | 17,014 | 14,549 | 2,465 | 17% |
| Other | 3,124 | 2,668 | 456 | 17% |
| Total revenue | 179,651 | 174,333 | 5,318 | 3% |
| Operating expenses: | | | | |
| Cost of revenue and operations | 31,610 | 31,077 | 533 | 2% |
| Product and technology | 29,223 | 25,297 | 3,926 | 16% |
| Marketing and sales | 58,288 | 60,186 | (1,898) | (3)% |
| General and administrative | 21,511 | 17,785 | 3,726 | 21% |
| Depreciation and amortization | 27,563 | 25,670 | 1,893 | 7% |
| Total operating expenses | 168,195 | 160,015 | 8,180 | 5% |
| Operating income | 11,456 | 14,318 | (2,862) | (20)% |
| Nonoperating expense: | | | | |
| Interest expense, net | (8,028) | (7,777) | (251) | 3% |
| Other income (expense), net | 21,111 | (3,902) | 25,013 | ***% |
| Total nonoperating income (expense), net | 13,083 | (11,679) | 24,762 | ***% |
| Income before income taxes | 24,539 | 2,639 | 21,900 | ***% |
| Income tax expense (benefit) | 5,820 | (1,852) | 7,672 | ***% |
| Net income | \$ 18,719 | \$ 4,491 | \$ 14,228 | ***% |

*** Not meaningful

Dealer revenue. Dealer revenue is typically subscription-oriented and consists of marketplace, digital experience, including website solutions and AccuTrade, and media products sold to dealer customers. Dealer revenue is our largest revenue stream, representing 89% and 90% of total revenue for the three months ended September 30, 2024 and 2023, respectively. Dealer revenue increased \$2.4 million or 2%, primarily driven by the incremental revenue related to the addition of the D2C Media business and growth in digital experience revenue, partially offset by a decrease in marketplace revenue, which we believe is driven by macroeconomic trends impacting dealer customer profitability.

OEM and National revenue. OEM and National revenue largely consists of Cars Commerce Media Network products, including display advertising and other solutions sold to OEMs, advertising agencies, automotive dealer associations and auto adjacent businesses, including insurance companies. OEM and National revenue represented 9% and 8% of total revenue for the three months ended September 30, 2024 and 2023, respectively. OEM and National revenue increased \$2.5 million or 17%, driven by OEM spending to raise consumer awareness, as on-the lot inventory continues to increase.

Other revenue. Other revenue primarily consists of revenue related to vehicle listing data sold to third parties and pay per lead products. Other revenue represented 2% of total revenue for each of the three months ended September 30, 2024 and 2023. Other revenue increased \$0.5 million or 17%, primarily driven by the incremental revenue related to the addition of the D2C Media business.

Cost of revenue and operations. Cost of revenue and operations expense primarily consists of costs related to processing dealer vehicle inventory, product fulfillment, pay per lead products and compensation costs for the product fulfillment and customer service teams. Cost of revenue and operations expense represented 18% of total revenue for each of the three months ended September 30, 2024 and 2023. Cost of revenue and operations increased \$0.5 million or 2%, primarily due to incremental costs related to the addition of the D2C Media business and higher third-party costs to support increases in revenue.

Product and technology. The product team creates and manages consumer and customer-facing innovation and consumer and customer experience. The technology team develops and supports our products, websites and mobile apps. Product and technology expense includes compensation costs, consulting and contractor costs, hardware and software maintenance, software licenses and other infrastructure costs. Product and technology expense represented 16% and 15% of total revenue for the three months ended September 30, 2024 and 2023, respectively. Product and technology expense increased \$3.9 million or 16%, primarily due to higher compensation, including stock-based compensation and third-party costs, including licenses.

Marketing and sales. Marketing and sales expense primarily consists of traffic and lead acquisition costs, performance and brand marketing, trade events, compensation costs and travel for the marketing, sales and sales support teams, as well as bad debt expense related to the allowance for doubtful accounts. Marketing and sales expense represented 32% and 35% of total revenue for the three months ended September 30, 2024 and 2023, respectively. Marketing and sales expense decreased \$1.9 million or 3%, primarily due to changes in our marketing investment and mix.

General and administrative. General and administrative expense primarily consists of compensation costs for certain of the executive, finance, legal, human resources, facilities and other administrative employees. In addition, general and administrative expense includes the cost of office space, legal, accounting and other professional services, transaction-related costs, severance, transformation and other exit costs and costs related to the write-off of assets. General and administrative expense represented 12% and 10% of total revenue for the three months ended September 30, 2024 and 2023, respectively. General and administrative expense increased \$3.7 million or 21%, the majority of which is due to incremental costs related to the addition of the D2C Media business, including the compensation expense related to the D2C Media earnout. Additionally, the change is also impacted by higher compensation, including stock-based compensation. For information related to the D2C Media earnout, see Note 3 (Business Combinations) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Depreciation and amortization. Depreciation and amortization expense increased \$1.9 million or 7%, primarily due to depreciation and amortization on additional assets acquired and the amortization of intangible assets related to the D2C Media Acquisition, partially offset by certain assets being fully depreciated and amortized as compared to the prior-year period.

Interest expense, net. Interest expense, net was essentially flat compared to the prior year period. For information related to our debt, see Note 5 (Debt) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Other income (expense), net. Other income (expense), net changed primarily due to the change in the fair value of contingent consideration associated with the AccuTrade and CreditIQ acquisitions. For more information related to contingent consideration, see the Liquidity and Capital Resources section below and Note 4 (Fair Value Measurements) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Income tax expense (benefit). The effective income tax rate differed from the statutory federal income tax rate of 21%, primarily due to the impact of state income taxes, net of federal income tax expense, partially offset by tax credits.

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

(In thousands, except percentages)

| | Nine Months Ended September 30, | | \$ Change | % Change |
|--|---------------------------------|------------|-------------|----------|
| | 2024 | 2023 | | |
| Revenue: | | | | |
| Dealer | \$ 481,171 | \$ 460,268 | \$ 20,903 | 5 % |
| OEM and National | 48,149 | 40,494 | 7,655 | 19 % |
| Other | 9,401 | 8,815 | 586 | 7 % |
| Total revenue | 538,721 | 509,577 | 29,144 | 6 % |
| Operating expenses: | | | | |
| Cost of revenue and operations | 92,602 | 91,287 | 1,315 | 1 % |
| Product and technology | 84,891 | 74,354 | 10,537 | 14 % |
| Marketing and sales | 177,664 | 176,636 | 1,028 | 1 % |
| General and administrative | 67,348 | 53,738 | 13,610 | 25 % |
| Depreciation and amortization | 82,499 | 74,381 | 8,118 | 11 % |
| Total operating expenses | 505,004 | 470,396 | 34,608 | 7 % |
| Operating income | 33,717 | 39,181 | (5,464) | (14)% |
| Nonoperating expense: | | | | |
| Interest expense, net | (24,458) | (24,171) | (287) | 1 % |
| Other income, net | 32,498 | 1,204 | 31,294 | ***% |
| Total nonoperating income (expense), net | 8,040 | (22,967) | 31,007 | ***% |
| Income before income taxes | 41,757 | 16,214 | 25,543 | ***% |
| Income tax expense (benefit) | 10,873 | (93,882) | 104,755 | ***% |
| Net income | \$ 30,884 | \$ 110,096 | \$ (79,212) | (72)% |

*** Not meaningful

Dealer revenue. Dealer revenue is our largest revenue stream, representing 89% and 90% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. Dealer revenue increased \$20.9 million or 5%, primarily driven by the incremental revenue related to the addition of the D2C Media business and growth in digital experience revenue, including our website creation and hosting.

OEM and National revenue. OEM and National revenue represented 9% and 8% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. OEM and National revenue increased \$7.7 million or 19%, primarily due to increased OEM spending to raise consumer awareness, as on-the lot inventory continues to increase.

Other revenue. Other revenue represented 2% of total revenue for each of the nine months ended September 30, 2024 and 2023. Other revenue increased \$0.6 million or 7%, primarily due to the incremental revenue related to the addition of the D2C Media business, partially offset by the first quarter 2023 expiration of a license agreement entered into as part of the AccuTrade acquisition.

Cost of revenue and operations. Cost of revenue and operations expense represented 17% and 18% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. Cost of revenue and operations increased \$1.3 million or 1%, but decreased as a percentage of revenue. The change is primarily due to the incremental costs related to the addition of the D2C Media business.

Product and technology. Product and technology expense represented 16% and 15% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. Product and technology expense increased \$10.5 million or 14%, primarily due to higher compensation, including stock-based compensation and third-party costs, including licenses.

Marketing and sales. Marketing and sales expense represented 33% and 35% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. Marketing and sales expense increased \$1.0 million or 1%, primarily due to incremental costs related to the addition of the D2C Media business, partially offset by changes in our marketing investment and mix.

General and administrative. General and administrative expense represented 13% and 11% of total revenue for the nine months ended September 30, 2024 and 2023, respectively. General and administrative expense increased \$13.6 million or 25%, the majority of which is due to incremental costs related to the addition of the D2C Media business, including the compensation expense related to the D2C Media earnout. Additionally, the change is impacted by higher compensation, including stock-based compensation. For information related to the D2C Media earnout, see Note 3 (Business Combinations) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Depreciation and amortization. Depreciation and amortization expense increased \$8.1 million or 11%, primarily due to depreciation and amortization on additional assets acquired and the amortization of intangible assets related to the D2C Media Acquisition, partially offset by certain assets being fully depreciated and amortized as compared to the prior-year period.

Interest expense, net. Interest expense, net was essentially flat compared to the prior year period. For information related to our debt, see Note 5 (Debt) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Other income, net. Other income, net changed primarily due to the change in the fair value of contingent consideration associated with the AccuTrade and CreditIQ acquisitions. For more information related to contingent consideration, see the Liquidity and Capital Resources section below and Note 4 (Fair Value Measurements) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Income tax expense (benefit). The effective income tax rate differed from the statutory federal income tax rate of 21%, primarily due to the impact of state income taxes, net of federal income tax expense, nondeductible executive compensation and nondeductible transaction expenses, partially offset by tax credits and the tax benefits realized on stock-based compensation. The prior period income tax benefit was primarily due to the release of a significant portion of our valuation allowance for deferred tax assets that had been recorded as a result of the 2020 goodwill and indefinite-lived intangible asset impairments. For more information, see Note 10 (Income Taxes) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Liquidity and Capital Resources

Overview. Our primary sources of liquidity are cash flows from operations, available cash reserves and borrowing capacity available under our credit facility. Our positive operating cash flow, along with our Revolving Loan, provide adequate liquidity to meet our business needs for the next 12 months and beyond, including those for investments, debt service, share repurchases, contingent consideration payments and strategic acquisitions. However, our ability to maintain adequate liquidity in the future is dependent upon a number of factors, including our revenue, our ability to contain costs, including capital expenditures, and to collect accounts receivable and various other macroeconomic factors, many of which are beyond our direct control.

We may also seek to raise funds through debt or equity financing in the future to fund operations, significant investments or acquisitions that are consistent with our strategy. If we need to access the capital markets, there can be no assurance that financing may be available on attractive terms, if at all. As of September 30, 2024, Cash and cash equivalents were \$49.6 million and including our undrawn Revolving Loan, our total liquidity was \$329.6 million.

Indebtedness. As of September 30, 2024, the outstanding aggregate principal amount of our indebtedness was \$470.0 million, at an average interest rate of 6.4%, including \$400.0 million of outstanding aggregate principal under the 6.375% Senior Unsecured Notes due in 2028 and \$70.0 million of outstanding principal under the Revolving Loan which had an interest rate of 6.8%.

During the nine months ended September 30, 2024, we made \$10.0 million in mandatory Term Loan payments and repaid \$10.0 million on our Revolving Loan. In connection with the Fifth Amendment, we borrowed \$80.0 million under the new Revolving Loan to repay the outstanding \$45.0 million in aggregate principal amount of existing Term Loan and \$35.0 million aggregate principal amount of existing Revolving Loan balances. As of September 30, 2024, \$280.0 million was available to borrow under the Revolving Loan. Our borrowings are limited by our Senior Secured Net Leverage Ratio and Consolidated Interest Coverage Ratio, in addition to other factors. Calculated in accordance with our Credit Agreement, these ratios were 0.1x and 6.4x, respectively, as of September 30, 2024. For further information, see Note 5 (Debt) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Share Repurchase Program. In February 2022, our Board of Directors authorized a three-year share repurchase program to acquire up to \$200.0 million of our common stock. The repurchase program may be suspended or discontinued at any time and does not obligate us to repurchase any specific amount or number of shares. We may repurchase shares from time to time in open market transactions or through privately negotiated transactions in accordance with applicable federal securities laws and other applicable legal requirements, and subject to our blackout periods. We intend to fund the share repurchase program principally with cash from operations. During the nine months ended September 30, 2024, we repurchased and subsequently retired 2.0 million shares for \$35.7 million at an average price paid per share of \$17.85.

Contingent Consideration and Earnout. The fair value as of September 30, 2024 for the contingent consideration related to the CreditIQ and AccuTrade acquisitions was \$0.5 million.

Within the next twelve months, we expect to pay \$11.6 million of potential contingent consideration and D2C Media earnout discussed below. During the nine months ended September 30, 2024, we paid \$30.4 million related to contingent consideration and earnout, which reduced the corresponding liability. The contingent consideration and earnout consists of the following:

- The contingent consideration associated with the CreditIQ acquisition is based on two achievement objectives, including an earnings-related metric and lender market share. The actual amount to be paid will be based on the future performance of the acquired business to be attained over a three-year performance period through December 2024.
- The contingent consideration associated with the AccuTrade acquisition is based on achievement of an earnings-related metric. For the AccuTrade contingent consideration, we have the option to pay consideration in cash or certain amounts in stock, which may result in a variable number of shares being issued in accordance with a calculation based on future share prices. The actual amount to be paid will be based on the future performance of the acquired business to be attained over a three-year performance period through February 2025.
- As part of the D2C Media Acquisition, we may be required to pay additional cash consideration to certain former owners who are now employees of Cars Commerce based on the achievement of a revenue performance metric. The amount to be paid will be determined by the acquired business' future achievement of certain revenue-related financial targets through December 31, 2025 and expensed over each performance period. We may expense up to CAD\$15.0 million (approximately USD\$11.1 million as of September 30, 2024) associated with the remaining portion of the earnout for each of the years ending December 31, 2024 and 2025.

For information related to the contingent consideration and earnout, see Note 3 (Business Combinations) and Note 4 (Fair Value Measurements) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q and Note 3 (Business Combinations) in Part II, Item 8., "Financial Statements and Supplementary Data", of our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on February 22, 2024.

Cash Flows. Details of our cash flows are as follows (in thousands):

| | Nine Months Ended September 30, | | Change |
|--|---------------------------------|------------------|-------------------|
| | 2024 | 2023 | |
| Net cash provided by (used in): | | | |
| Operating activities | \$ 122,517 | \$ 91,580 | \$ 30,937 |
| Investing activities | (19,034) | (15,575) | (3,459) |
| Financing activities | (93,055) | (58,635) | (34,420) |
| Effect of exchange rate changes on Cash and cash equivalents | (53) | — | (53) |
| Net change in Cash and cash equivalents | <u>\$ 10,375</u> | <u>\$ 17,370</u> | <u>\$ (6,995)</u> |

Operating Activities. Cash provided by operating activities for the nine months ended September 30, 2024 increased due to changes in working capital and Net income after non-cash adjustments compared to the nine months ended September 30, 2023.

Investing Activities. The increase in cash used in investing activities was primarily due to increases in capitalization of internally developed software and purchases of property and equipment.

Financing Activities. During the nine months ended September 30, 2024, cash used in financing activities was primarily related to repurchases of common stock, payments of contingent consideration, debt repayments and tax payments made in connection with the vesting of certain equity awards. During the nine months ended September 30, 2023, cash used in financing activities was primarily related to debt repayments, repurchases of common stock and tax payments made in connection with the vesting of certain equity awards. For information related to our debt, repurchases of common stock and contingent consideration, see Note 4 (Fair Value Measurements), Note 5 (Debt) and Note 7 (Stockholders' Equity) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Commitments and Contingencies. For information related to commitments and contingencies, see Note 6 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Off-Balance Sheet Arrangements. We do not have any material off-balance sheet arrangements.

Critical Accounting Policies. For information related to critical accounting policies, see "Critical Accounting Policies and Estimates" in Part II, Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations", of our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on February 22, 2024 and see Note 1 (Description of Business and Summary of Significant Accounting Policies) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q. During the nine months ended September 30, 2024, there have been no changes to our critical accounting policies.

Recently Issued Accounting Standards Not Yet Adopted. In November 2024, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2024-03, *Income Statement Reporting Comprehensive Income Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires companies to provide more detailed and organized disclosures of their expenses in their income statements. The standard requires breaking down expenses into specific categories, such as employee compensation and costs related to depreciation and amortization. This amendment is effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, on a prospective basis and early adoption and retrospective application is permitted. We are currently evaluating this new guidance and its impact on our Consolidated Financial Statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires presentation of specific categories of reconciling items, as well as reconciling items that meet a quantitative threshold, in the reconciliation between the income tax provision and the income tax provision using statutory tax rates. The standard also requires disclosure of income taxes paid disaggregated by jurisdiction with separate disclosure of income taxes paid to individual jurisdictions that meet a quantitative threshold. This amendment is effective for fiscal years beginning after December 15, 2024, on a prospective basis and early adoption and retrospective application are permitted. We are currently evaluating this new guidance and its impact on our Consolidated Financial Statements and related disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of significant segment expenses that are regularly reviewed by the chief operating decision maker and included within each reported measure of segment profit or loss. This amendment is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and early adoption is permitted. We are currently evaluating this new guidance and its impact on our Consolidated Financial Statements and related disclosures.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see "Quantitative and Qualitative Disclosures About Market Risk," in Part II, Item 7A. of our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC on February 22, 2024. Our exposures to market risk have not changed materially since December 31, 2023.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control Over Financial Reporting. During the period covered by this Quarterly Report on Form 10-Q, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

For information relating to legal proceedings, see Note 6 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements included in Part I, Item 1., "Financial Statements" of this Quarterly Report on Form 10-Q.

Item 1A. Risk Factors

Our business and the ownership of our common stock are subject to a number of risks and uncertainties which could materially affect our business, financial condition, results of operations and future results, including those described in Part I, Item 1A., "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the SEC on February 22, 2024. There have been no material changes from the risk factors described in our Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Sales of Unregistered Securities by Issuer

None.

Purchases of Equity Securities by Issuer

Our stock repurchase activity for the three months ended September 30, 2024 is as follows:

| Period | Total Number of Shares Purchased ⁽¹⁾ | Average Price Paid per Share ⁽¹⁾ | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾ | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) ⁽³⁾ |
|--|---|---|---|--|
| July 1 through July 31, 2024 | 155,183 | \$ 19.32 | 155,183 | \$ 102,290 |
| August 1 through August 31, 2024 | 552,387 | 17.69 | 552,387 | 92,520 |
| September 1 through September 30, 2024 | 485,860 | 17.46 | 485,860 | 84,038 |
| | <u>1,193,430</u> | | <u>1,193,430</u> | |

- (1) The total number of shares purchased and subsequently retired and the average price paid per share reflects shares purchased pursuant to the share repurchase program. Our stock repurchases may occur through open market purchases or pursuant to a Rule 10b5-1 trading plan.
- (2) In February 2022, the Company's Board of Directors authorized a three-year share repurchase program to acquire up to \$200 million of the Company's common stock. The Company may repurchase shares from time to time in open market transactions or through privately negotiated transactions in accordance with applicable federal securities laws and other applicable legal requirements, and subject to the Company's blackout periods. The timing and amounts of any purchases under the share repurchase program will be based on market conditions and other factors including price. The repurchase program may be suspended or discontinued at any time and does not obligate the Company to repurchase any dollar amount or particular amount of shares.
- (3) The amounts presented represent the remaining Board of Directors' authorized value to be spent after each month's repurchases.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Adoption or Termination of Trading Arrangements

None of the Company's directors or officers adopted, modified or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the Company's fiscal quarter ended September 30, 2024, as such terms are defined under Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Index

| Exhibit Number | Description |
|----------------|---|
| 3.1** | Amended and Restated Certificate of Incorporation of Cars.com Inc. (incorporated by reference to Exhibit 3.1 of Cars.com Inc.'s Form 8-K filed on June 5, 2017, File No. 001-37869). |
| 3.2** | Amended and Restated Bylaws of Cars.com Inc. (incorporated by reference to Exhibit 3.2 of Cars.com Inc.'s Form 8-K filed on October 23, 2018, File No. 001-37869). |
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2* | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents |
| 104 | Cover page formatted as Inline XBRL and contained in Exhibit 101 |

* Filed herewith.

** Previously filed.

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, T. Alex Vetter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cars.com Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: /s/ T. Alex Vetter

T. Alex Vetter
Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sonia Jain, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cars.com Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: /s/ Sonia Jain
Sonia Jain
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cars.com Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2024

By: /s/ T. Alex Vetter

T. Alex Vetter
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cars.com Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2024

By: /s/ Sonia Jain

Sonia Jain
Chief Financial Officer
