

MATCH 

INSPIRE 

CONNECT 

CARS

Third Quarter 2019 Earnings

November 6, 2019

Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the federal securities laws. All statements other than statements of historical facts are forward-looking statements. Forward-looking statements include information concerning our business strategies, strategic alternatives review process, plans and objectives, market potential, outlook, trends, future financial performance, planned operational and product improvements, potential strategic transactions, liquidity and other matters and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements, strategic actions or prospects may differ materially from those expressed or implied by these forward-looking statements. These statements often include words such as “believe,” “expect,” “project,” “anticipate,” “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, based on our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we think are appropriate. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are expressed in good faith and we believe these judgments are reasonable. However, you should understand that these statements are not guarantees of strategic action, performance or results. Our actual results and strategic actions could differ materially from those expressed in the forward-looking statements. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. Comparisons of results between current and prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data. Whether or not any such forward-looking statement is in fact achieved will depend on future events, some of which are beyond our control.

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 presentation. There can be no assurance that the strategic alternatives review process will result in a sale of the Company or other strategic change or outcome. For a detailed discussion of many of these and other risks and uncertainties, see our Annual Report on Form 10-K for the year ended December 31, 2018, our subsequent Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our other filings with the Securities and Exchange Commission, available on our website at investor.cars.com or via EDGAR at www.sec.gov.

All forward-looking statements contained in this presentation are qualified by these cautionary statements. You should evaluate all forward-looking statements made in this presentation in the context of these risks and uncertainties. The forward-looking statements contained in this presentation are based only on information currently available to us and speak only as of the date of this presentation. We undertake no obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise.

The forward-looking statements in this report are intended to be subject to the safe harbor protection provided by the federal securities laws.

Executing on our Strategy in Q3

Sales Transformation

All Affiliates
Converted

Consumer Audience

Record Traffic &
#1 SEO

Growing Solutions

Unlocking OEM
Programs

OPERATIONAL EFFICIENCIES

Initiatives to Grow Dealer Customers

1

TRAFFIC &
LEAD GROWTH

2

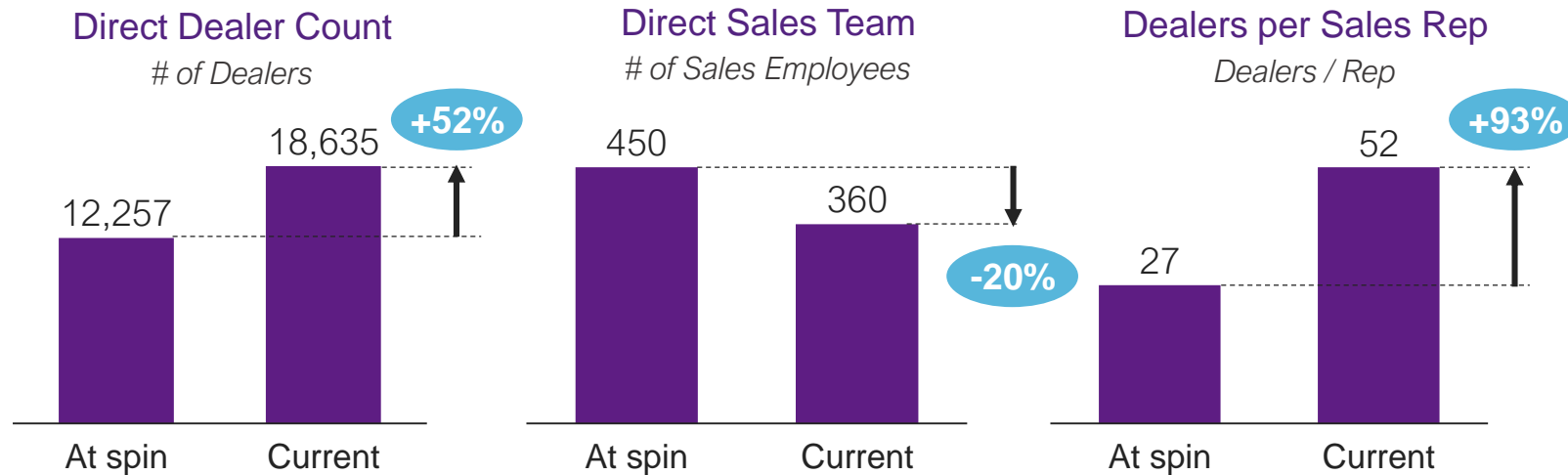
SALES
TRANSFORMATION

3

PRODUCT
INNOVATION

Completion of affiliate conversions

For the first time in company history, 100% direct control achieved as of October 1, 2019



More dealer accounts managed by fewer salespeople at far greater efficiency.¹

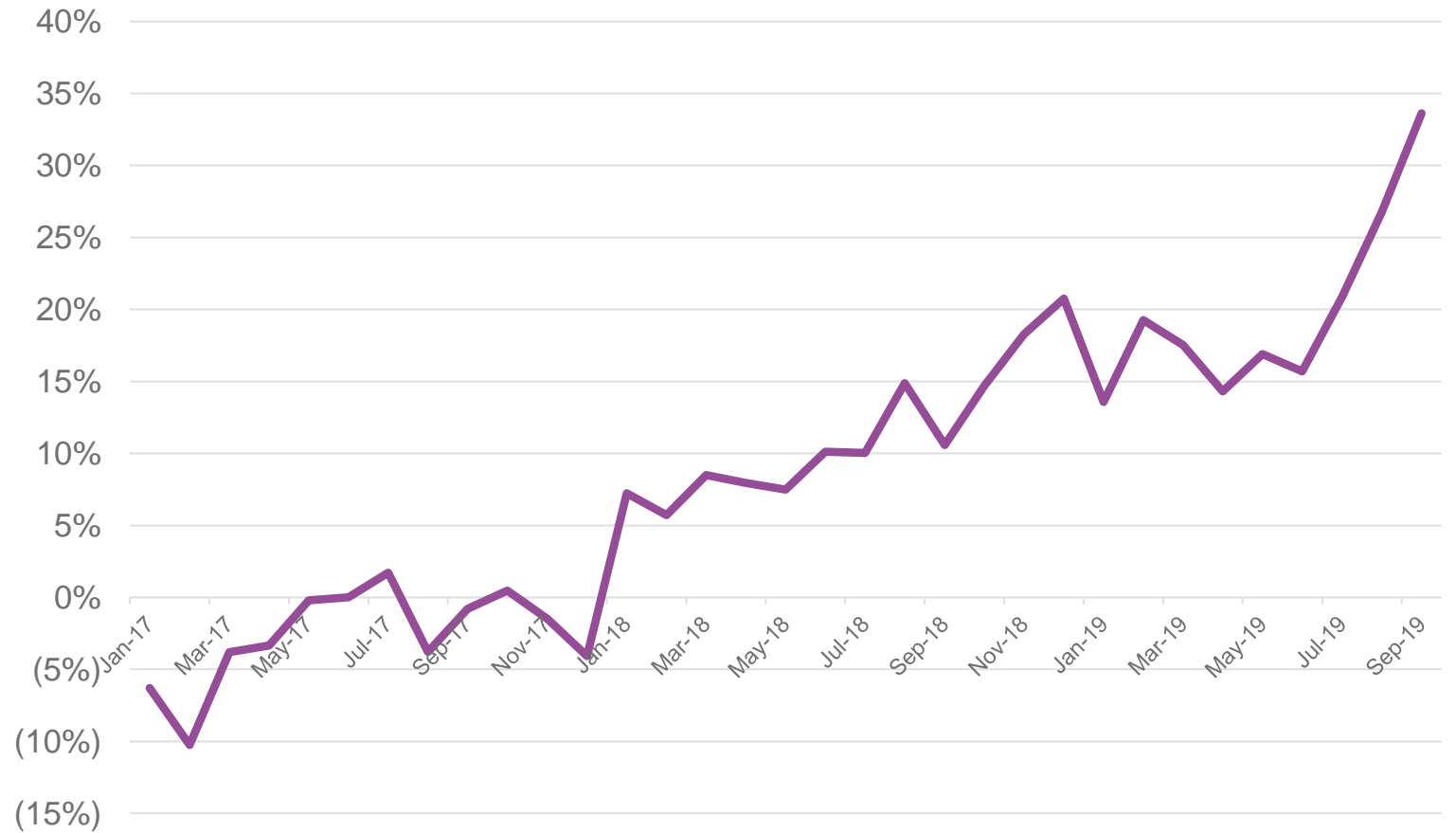
FINANCIAL IMPACT

➤ \$50M+ positive cashflow impact beginning in 2020

Executing on our strategy:

Consistent Audience Growth

Monthly Year-over-Year Traffic Growth

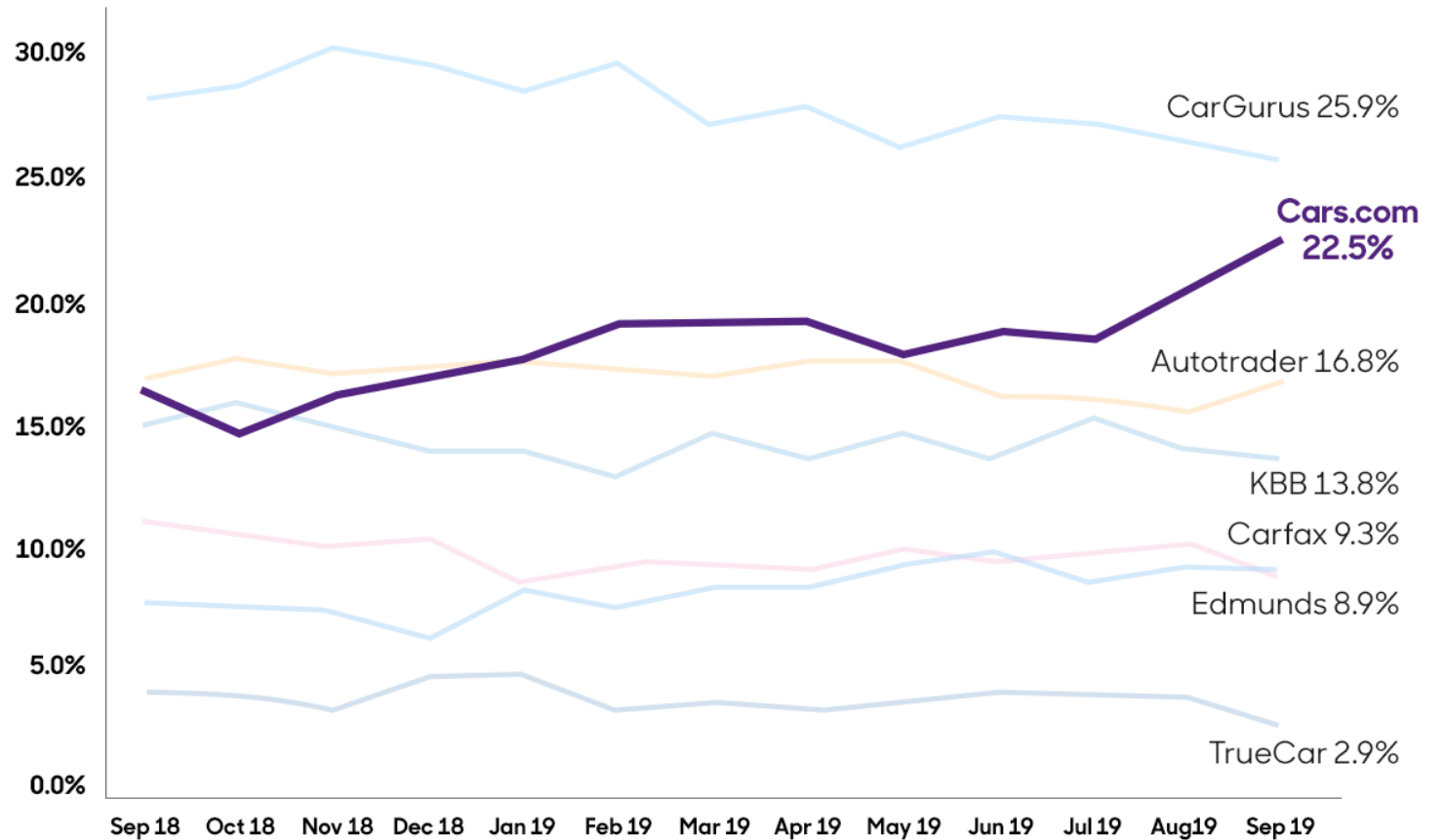


Executing on our strategy:

Gaining Market Share of Unique Visitors

Taking Market Share Throughout 2019

Unique Visitor Share			
	Sep 19	% MoM	% YoY
CARS.COM	23%	▲ 11%	▲ 36%
CARGURUS	26%	▼ -2%	▼ -8%
AUTOTRADER	17%	▲ 7%	▶ -2%
CARFAX	9%	▶ 0%	▲ 20%
KBB	14%	▼ -2%	▼ -8%
EDMUNDS	9%	▼ -13%	▼ -20%
TRUECAR	3%	▼ -28%	▼ -32%



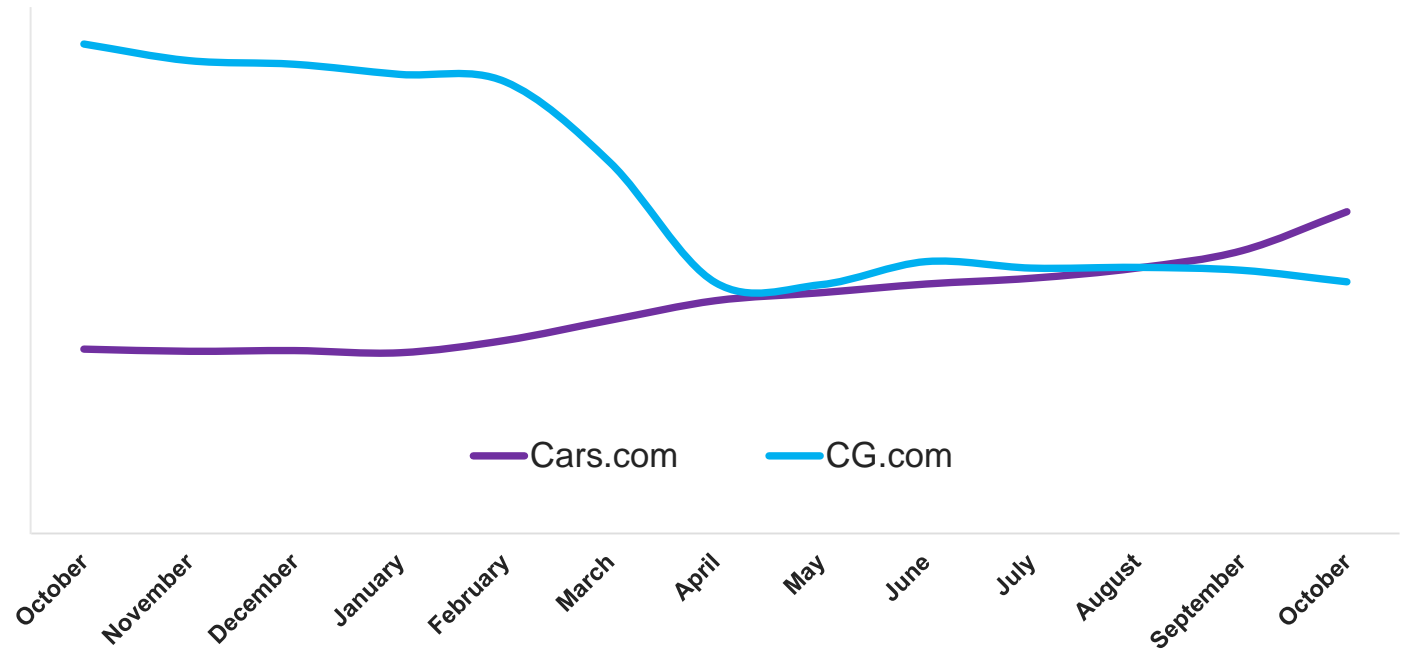
Executing on our Strategy: SEO Strength Continues

For the first time in over 4 years, we ranked #1 among our competitive set for SEO traffic received from Google & other search engines

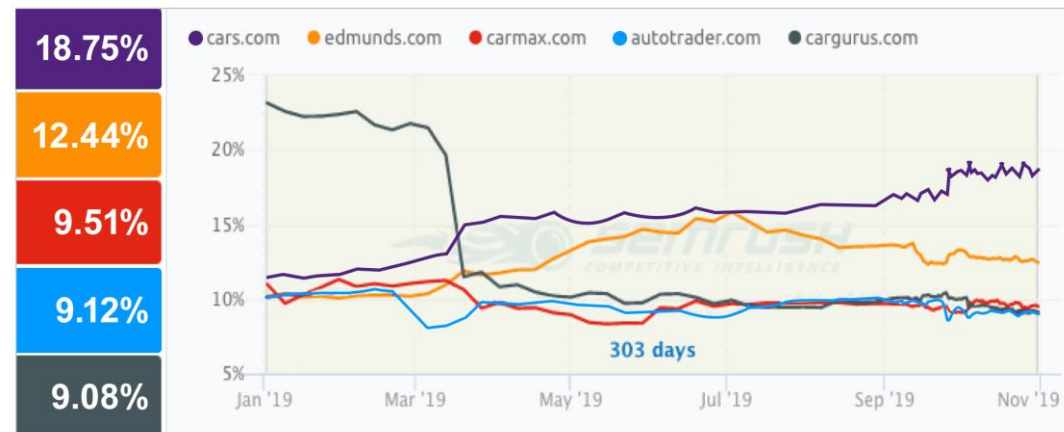
¹ Rank within Google's top 100 results for 4,000 of the top volume keywords for our competitive set.

Note: All leading SEO tools report same trends for even larger keyword sets (Ahrefs, Moz, SEMRush, STAT, Similarweb).

Estimated Monthly SEO Visits | Source: SEMRush



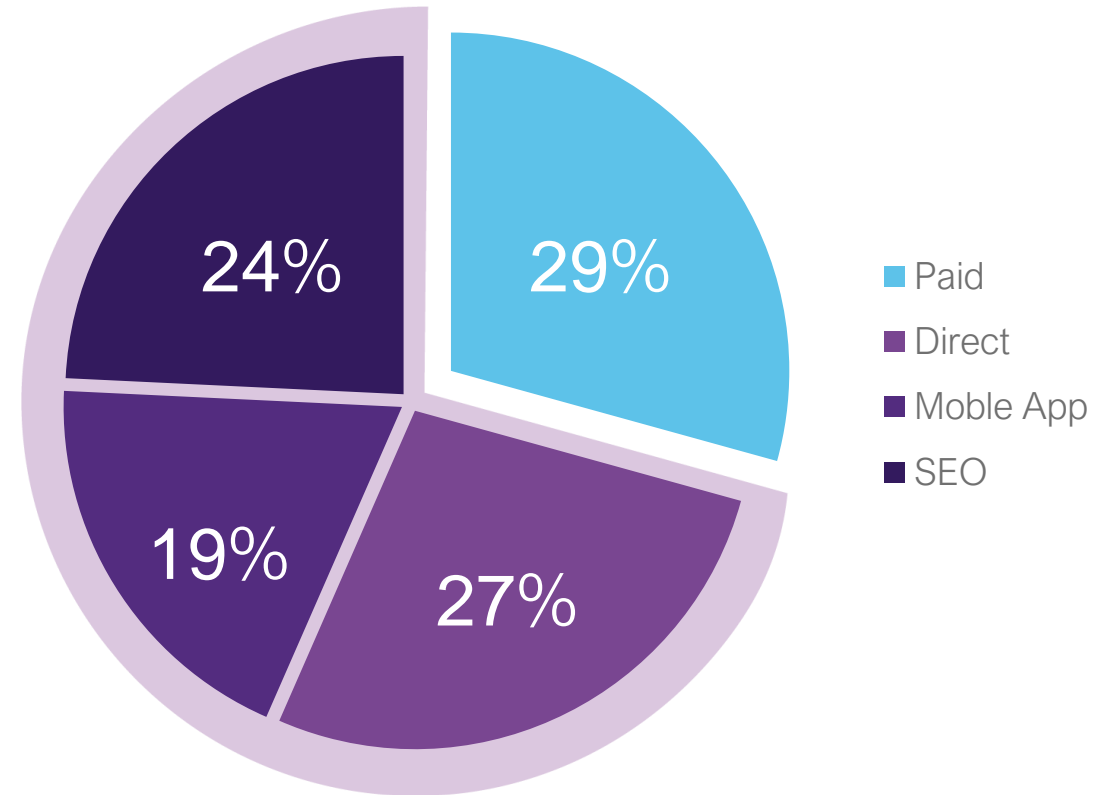
Share of Voice¹ | Source: SEMRush



Traffic Health and Diversity

CARS gets more organic traffic than anyone else, improving customer ROI

The Vast Majority of CARS Traffic is Organic



✓ Lower Cost

✓ Higher Quality

✓ Better ROI

New OEM partnerships: Significant Opportunities

Revenue generation to begin in 2020

Adds 5,000+ new dealer targets



4,100 U.S. dealers
1 of 4 approved vendors



800 U.S. dealers
1 of 6 approved vendors



440 dealers in
North America
1 of 5 approved vendors

Q3 2019 Financial Highlights

(\$ in millions, except per share data)

	2019	2018
Revenues	\$152.1	\$169.3
Total Operating Expenses	\$599.8 *	\$141.0
Net (Loss)/Income	(\$426.2) *	\$15.8
(Loss)/Earnings per Diluted Share	(\$6.38)	\$0.23
Adjusted Net Income	\$21.3	\$38.4
Adjusted Net Income per Diluted Share	\$0.32	\$0.55
Adjusted EBITDA	\$45.9	\$62.2
Adjusted EBITDA as a % of Revenues	30%	37%

* Includes Goodwill and intangible asset impairment charge of \$461.5 million, or \$431.3 million net of tax.

Reconciliations of Non-GAAP financials measures to the relevant GAAP measure can be found in the appendix of this presentation.

Q3 2019 Key Operating Metrics

Average Monthly Unique Visitors	+ 22% YOY
Traffic (Visits)	+ 27% YOY
Mobile Traffic ¹	73%
Direct Monthly ARPD ²	\$2,174
Dealer Customers	18,635

¹ Mobile traffic includes mobile browser, mobile app and tablet.

² ARPD includes revenue from dealer websites and related digital solutions from Dealer Inspire.

Sept. 30, 2019 Balance Sheet, Cash Flow & Capitalization

Cash Flows from Operating Activities	\$80.6 million
Free Cash Flow	\$65.1 million
Cash	\$19.8 million
Debt	\$666.6 million
Net Leverage Ratio ¹	3.4x
Shares Outstanding ²	66.8 million
Enterprise Value ³	\$1.5 billion

¹ Net Leverage Ratio calculated in accordance with the Company's Credit Agreement.

² Shares outstanding as of October 31, 2019.

³ Using the closing share price of \$12.05 on November 4, 2019.

Reconciliations of Non-GAAP financials measures to the relevant GAAP measure can be found in the appendix of this presentation.

Outlook

2019

Revenue growth

~ (6%) to (9%)

Adjusted EBITDA margin

~ 27% to 29%

Note: This outlook is forward looking and actual results may differ materially from those presented here.

Building Blocks for Our Future

1

**Best-in-Class Brand
and Consumer
Experience**

2

**Product Solutions to
Help Customers Sell
More Cars**

3

**Efficient Technology
Systems to Speed
Innovation**

4

**Industry-Leading
Sales and Customer
Support**

SUSTAINABLE MARKET LEADERSHIP

Questions

Appendix

Affiliate Conversions: Illustrative

\$25 million Increase in Revenue, \$30+ million Increase in Adjusted EBITDA, \$50+ million Increase in FCF

(in millions)	2018 (as reported)	Unaudited Adjustments			Future State	Increase/ (Decrease)
		Conversion of Affiliate Markets To Direct	15% Reducton	Changes in Operating Costs		
Revenues:						
Retail	\$ 579	\$ 127	(a) \$ (19)	(b) \$ -	\$ 688	\$ 108
Wholesale						
Invoiced to affiliates	76	(76)	-	-	-	(76)
Amortization of unfavorable contract liability	6	(6)	-	-	-	(6)
Total wholesale revenue	83	(83)	-	-	-	(83)
Total Revenues	662	45	(19)	-	688	25
Operating expenses:						
Affiliate revenue share - cash	34	(34)	-	-	-	(34)
Affiliate revenue share - amortization of unfav. contracts	(19)	19	-	-	-	19
All other operating expenses	563	-	-	10 (c)	573	10
Total operating expenses	578	(15)	-	10	573	(5)
Operating income	\$ 84	\$ 60	\$ (19)	\$ (10)	\$ 115	\$ 31
Adjusted EBITDA (d)	\$ 228	\$ 60	\$ (19)	\$ (10)	\$ 259	\$ 31
% of total revenues	34%				38%	
Adjusted EBITDA, excluding non-cash amortization (e)	\$ 202	\$ 85	\$ (19)	\$ (10)	\$ 259	\$ 56
% of total revenues, excluding amortization	31%				38%	

- (a) Affiliates were billed at 60% of retail rates. Upon conversion, Cars.com bills the dealers in affiliate markets directly at retail rates (\$76/60%).
- (b) Affiliates control pricing in their territories. Certain recent conversions have revealed affiliate discounting. This 15% assumption includes degradation in affiliate performance prior to conversion. We expect to grow revenue in these markets through increased penetration in dealer count and product sales, which has not been incorporated into this example.
- (c) Upon conversion, Cars.com will hire salespeople to serve the converted markets and incur incremental costs in other areas such as marketing, credit and collections and billing.
- (d) For reconciliation of Adjusted EBITDA, please refer to prior filings.
- (e) Adjusted EBITDA less amortization of the unfavorable contracts liability which totaled \$25 million in 2018.

Non-GAAP Reconciliations

(unaudited and in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Reconciliation of Net (loss) income to Adjusted EBITDA				
Net (loss) income	\$ (426,157)	\$ 15,797	\$ (441,214)	\$ 29,452
Interest expense, net	7,712	7,005	22,989	20,305
Income tax (benefit) expense	(27,869)	5,594	(31,011)	10,373
Depreciation and amortization	28,970	26,504	86,761	77,154
Goodwill and intangible asset impairment	461,463	—	461,463	—
Stock-based compensation	(1,160)	3,019	5,404	7,495
Severance, transformation and other exit costs	2,114	175	9,625	1,272
Costs associated with the stockholder activist campaign	905	2,869	8,825	7,766
Transaction-related costs	—	897	4,623	12,030
Write-off of long-lived assets and other	(111)	330	529	691
Adjusted EBITDA*	<u>\$ 45,867</u>	<u>\$ 62,190</u>	<u>\$ 127,994</u>	<u>\$ 166,538</u>

Reconciliation of Net (loss) income to Adjusted net income

Net (loss) income	\$ (426,157)	\$ 15,797	\$ (441,214)	\$ 29,452
Amortization of intangible assets	24,621	23,212	73,334	67,959
Goodwill and intangible asset impairment	461,463	—	461,463	—
Stock-based compensation	(1,160)	3,019	5,404	7,495
Severance, transformation and other exit costs	2,114	175	9,625	1,272
Costs associated with the stockholder activist campaign	905	2,869	8,825	7,766
Transaction-related costs	—	897	4,623	12,030
Write-off of long-lived assets and other	(111)	330	529	691
Tax impact of adjustments	(40,347)	(7,879)	(60,565)	(25,504)
Adjusted net income*	<u>\$ 21,328</u>	<u>\$ 38,420</u>	<u>\$ 62,024</u>	<u>\$ 101,161</u>
Adjusted net income per share, diluted	<u>\$ 0.32</u>	<u>\$ 0.55</u>	<u>\$ 0.92</u>	<u>\$ 1.42</u>
Weighted-average common shares outstanding, diluted**	66,935	70,029	67,395	71,153

Reconciliation of Net cash provided by operating activities to Free cash flow

Net cash provided by operating activities	\$ 29,795	\$ 50,457	\$ 80,550	\$ 121,081
Purchase of property and equipment	(6,055)	(3,549)	(15,409)	(9,966)
Free cash flow	<u>\$ 23,740</u>	<u>\$ 46,908</u>	<u>\$ 65,141</u>	<u>\$ 111,115</u>

* Amortization of unfavorable contracts liability is not adjusted out of Adjusted EBITDA or Adjusted net income.

** Includes shares excluded from GAAP loss per share due to net loss position for the three and nine months ended September 30, 2019.

Non-GAAP Financial Measures

This presentation discusses Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Net Income, Adjusted Net Income per Diluted Share and Free Cash Flow. These are not financial measures as defined by GAAP. These financial measures are presented as supplemental measures of operating performance because we believe they provide meaningful information regarding our performance and provide a basis to compare operating results between periods. In addition, we use Adjusted EBITDA as a measure for determining incentive compensation targets. Adjusted EBITDA also is used as a performance measure under our credit agreement and includes adjustments such as the items defined below and other further adjustments, which are defined in the credit agreement. These non-GAAP financial measures are frequently used by our lenders, securities analysts, investors and other interested parties to evaluate companies in our industry.

Other companies may define or calculate these measures differently, limiting their usefulness as comparative measures. Because of these limitations, these non-GAAP financial measures should not be considered in isolation or as substitutes for performance measures calculated in accordance with GAAP. Definitions of these non-GAAP financial measures and reconciliations to the most directly comparable GAAP financial measures are presented in the tables below.

We define Adjusted EBITDA as net income (loss) before (1) interest expense (income), net, (2) income tax expense (benefit), (3) depreciation, (4) amortization of intangible assets, (5) stock-based compensation expense, plus (6) certain other items, such as transaction-related costs, costs associated with the stockholder activist campaign, severance, transformation and other exit costs and write-off and impairments of goodwill, intangible assets and other long-lived assets. Amortization of unfavorable contracts liability is not adjusted out of Adjusted EBITDA.

We define Adjusted Net Income as net income (loss) excluding the after-tax impact of (1) amortization of intangible assets, (2) stock-based compensation expense, and (3) certain other items, such as transaction-related costs, costs associated with the stockholder activist campaign, severance, transformation and other exit costs and write-off and impairments of goodwill, intangible assets and other long-lived assets. Amortization of unfavorable contracts liability is not adjusted out of Adjusted Net Income.

Transaction-related costs are certain expense items resulting from actual or potential transactions such as business combinations, mergers, acquisitions, dispositions, spin-offs, financing transactions, and other strategic transactions, including, without limitation, (1) transaction-related bonuses and (2) expenses for advisors and representatives such as investment bankers, consultants, attorneys and accounting firms. Transaction-related costs may also include, without limitation, transition and integration costs such as retention bonuses and acquisition-related milestone payments to acquired employees, in addition to consulting, compensation and other incremental costs associated with integration projects.

We define Free Cash Flow as net cash provided by operating activities less capital expenditures, including purchases of property and equipment and capitalization of internal-use software and website development costs.

Definitions

Traffic (Visits). Traffic is critical to our business. Traffic to the Cars.com network of websites and mobile apps provides value to our advertisers in terms of audience, awareness, consideration and conversion. In addition to tracking traffic volume and sources, we monitor activity on our properties, allowing us to innovate and refine our consumer-facing offerings. Traffic is defined as the number of visits to Cars.com desktop and mobile properties (responsive sites and mobile apps), using Adobe Analytics. Visits refers to the number of times visitors accessed Cars.com properties during the period, no matter how many visitors make up those visits. Traffic provides an indication of our consumer reach. Although our consumer reach does not directly result in revenue, we believe our ability to reach in-market car shoppers is attractive to our dealers and national advertisers.

Average Monthly Unique Visitors (“UVs”). Growth in unique visitors and consumer traffic to our network of websites and mobile apps increases the number of impressions, clicks, leads and other events we can monetize to generate revenue. 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 an individual 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 towards the number of UVs. We measure UVs using Adobe Analytics.

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.

Average Revenue Per Dealer (“ARPD”). We believe that our ability to grow ARPD is an indicator of the value proposition of our products. We define ARPD as Direct retail revenue during the period divided by the average number of direct Dealer Customers during the same period. Beginning the first quarter of 2019, this key operating metric includes revenue from dealer websites and related digital solutions. ARPD prior to the first quarter of 2019 has not been recast to include Dealer Inspire as it would be impracticable to do so.