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# Cars.com, Inc. (CARS)

Q1 2026 Earnings Call

## CORPORATE PARTICIPANTS

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**Sonia Jain**  
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**Tobias Hartmann**  
*President, Chief Executive Officer & Director, Cars.com, Inc.*

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## OTHER PARTICIPANTS

**Tom White**  
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**Naved Khan**  
*Analyst, B. Riley Securities, Inc.*

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*Analyst, JPMorgan Securities LLC*

**Joseph Spak**  
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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning, ladies and gentlemen, and welcome to the Cars First Quarter 2026 Earnings Conference Call. At this time, all lines are in a listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Thursday, May 7, 2026.

I would now like to turn the conference over to Katherine Chen, Vice President of Investor Relations. Please go ahead.

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**Katherine Chen**  
*Vice President-Investor Relations, Cars.com, Inc.*

Good morning, everyone, and thank you for joining us for the Cars.com Inc. first quarter 2026 conference call. With me this morning are Tobi Hartmann, CEO; and Sonia Jain, CFO. So, we will start by discussing business highlights from our first quarter. Then Sonia will discuss our financial results in greater detail along with our outlook. We'll finish the call with Q&A.

Before I turn the call over to Tobi, I'd like to draw your attention to our forward-looking statements and the description and definition of non-GAAP financial measures, which can be found in our presentation. We will be discussing certain non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, adjusted operating expenses, adjusted net income and free cash flow. Reconciliations of these non-GAAP measures to the most directly comparable GAAP measures can be found in the financial tables included with our earnings press release and in the appendix of our presentation.

Any forward-looking statements are subject to risks and uncertainties. For more information, please refer to the Risk Factors included in our SEC filings, including those in our most recently filed 10-K, which is available on the IR section of our website. We assume no obligation to update any forward-looking statements.

And now, I'll turn the call over to Tobi.

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## Tobias Hartmann

*President, Chief Executive Officer & Director, Cars.com, Inc.*

Thank you, Katherine, and thank you to everyone joining us to review first quarter 2026 results. On our call in February, we set forth near term goal to better realize the potential of our business and put Cars.com on a stronger growth and value creation trajectory.

We have made solid progress against those objectives in Q1 and early Q2 as we build a leading automotive Marketplace experience. First, we delivered on our financial commitments. Q1 revenue of \$180.2 million was toward the high end of guidance and the third consecutive quarter of year-over-year growth. Adjusted EBITDA margin of 28.3% exceeded guidance by over a full percentage point. And free cash flow remained strong, up 42% year-over-year and reflecting higher conversion from EBITDA.

Second, we have taken immediate cost actions. We closely examined operations to identify efficiencies and opportunities to reshape our organization into more nimble, Marketplace focused teams. During this process, we identified \$25 million to \$30 million of recurring annualized operating cost savings to create a healthier foundation to support future growth.

Third, we are leveraging existing assets and data to rapidly launch new features that improve our Marketplace value. Cars.com MCP Integrations for agentic AI platforms and conversational capabilities for our Carson shopping assistant are examples where we have adapted to match new shopping behavior. Consumers were more than four times as likely to submit a lead after having a conversation with Carson, demonstrating our efficacy at stimulating purchase intent. These are positive and necessary steps to start the year and reinforce our confidence in our 2026 growth guidance. We also increased our 2026 share repurchase target to \$90 million to further enhance shareholder value creation. Overall, the start of the year has been productive and the teams have moved with speed to secure wins.

In terms of our three 2026 initiative, we have pushed hard on controllables such as cost containment, other changes like the green shoots in product and Marketplace are compelling, though it will take some time to mature. But we are clear on the strategy that we need to execute for the rest of the year. Historically, we have grown our products as distinct and loosely affiliated pillars. But moving forward to truly maximize our value, we must integrate into one interconnected Marketplace-centric ecosystem.

For car seekers, we will offer relevant and desirable listings across Marketplace and dealer websites, trusted data insights and an AI-first user experience. For car sellers, our combined Marketplace and appraisal capabilities will evolve into an essential resource for used car insights. And dealers and OEMs will continue to benefit from our scaled in-market audience, but with even better ROI based on our unique first-party retail signals across Marketplace, websites and media.

Our Marketplace model will drive vehicle transactions at scale by focusing on these differentiators. Investing in product is key to powering our Marketplace flywheel and long-term growth. Let me give you some examples of our accelerated product output in the first four months. Starting with AI, modern context protocol integrations are helping our discoverability on leading agentic AI platforms, such as ChatGPT. Consumers can now browse our

Marketplace inventory directly with a native LLM environment before submitting leads on Cars.com. And this is added value for existing Marketplace dealers who are eager to tap into agentic commerce. LLMs are still sub-1% of our traffic and we are well-positioned to benefit as these platforms grow.

Turning to our own platform, conversational Carson is a positive step towards continued personalization of the Marketplace shopping experience. Finally, the Cars.com dealer app just launched in April, putting a mobile command center in the hands of Marketplace dealers. Early features include AI-generated summaries of performance metrics, lead follow-up alerts and pricing intelligence. We believe our app has the broadest analytics set among our competitors, translating to the best ROI on every sales appointment and wholesale transaction.

We expect greater product development velocity will continue to deliver a steady and diverse cadence of future releases. Cross-pollination such as bringing AccuTrade data into Marketplace listings, will be an increasing focus in the second half of the year. Turning to the remaining initiatives, Sonia will offer more cost detail in her remarks.

The actions we took in April support our stated intention to grow adjusted EBITDA at a faster rate than revenue. We have also been clear that we must operate with better processes and organizational structure to successfully execute our Marketplace strategy and grow LTV. From a go-to-market perspective, new product bundles will help clearly articulate platform value. Our products will be packaged according to integrated value delivery, which we expect to drive faster adoption than selling individual point solutions.

For example, our data shows that customers with both AccuTrade and the Cars.com Marketplace see inventory turn speed up by an average of six days. A combined Marketplace and appraisal offering would not only drive dealership trust profits but also eliminate the paradox of choice for a customer facing too many a la carte options.

We have reorganized the sales team accordingly to break down product-based titles, eliminate duplication and make the sales process simpler for dealers. Combined with our ongoing localization efforts, we feel confident in our ability to increase overall sales productivity. For our current customer, we are fully focused on enhanced value delivery. Our leads and connections already influence more than 30% of our customers' vehicle sales. We will keep pressing this advantage with a balanced approach to top and lower funnel activities that maximizes ROI on our platform.

We are committed to operating a scaled platform, though metrics like traffic and UVs may move depending on quarterly marketing mix. Most recently, Q1 traffic and UV were pressured by a tough year-over-year comp from pull forward tariff demand and the broader industry in 2025. Setting aside this onetime impact, our underlying direct traffic remains strong. Organic traffic was close to 60% of total mix in Q1, which is similar to our historical average even with the advent of LLM. Direct traffic conversion was also up meaningfully year-over-year and reflected in robust lead volume growth. Longer term, we have confidence that our strong brand, improving user experience and listings inventory will fuel continued Marketplace strength.

To recap, we delivered against revenue expectations and outperformed on adjusted EBITDA. We are changing the way we operate to drive stronger financial results and operating metrics. We are executing to transform into the leading trusted automotive Marketplace, connecting consumers, dealers and OEMs. And in the process, we will create meaningful and sustainable shareholder value.

Now, Sonia will discuss our financial results and outlook. Sonia?

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## Sonia Jain

*Chief Financial Officer, Cars.com, Inc.*

Thank you, Tobi. The first quarter was another positive step in improving our growth trajectory and profitability. Revenue was in line with expectations, while adjusted EBITDA beat our guidance range by over a full point.

As Tobi stated, we are focused on our Marketplace-centric strategy and are pleased with the performance of this core piece of our business. And as you read in our April announcement, we are focused on more product integration and innovation while working diligently to enable operational efficiencies. These cost benefits are beginning to manifest in our results. While revenue driving measures will compound and support accelerated growth as we move through the year.

Now, to discuss the quarter. First quarter revenue of \$180.2 million was up 1% year-over-year above the midpoint of our guidance range. Dealer revenue growth was driven by enhanced value delivery across websites and Marketplace, as well as dealer count growth, which was up 140 customers year-over-year based on core Marketplace strength. We're encouraged by steady Marketplace improvement, given its criticality to our strategy and importance to our revenue profitability and cash flow profile. ARPD of \$2,473 was consistent on both a year-over-year and sequential basis.

Over the medium to long-term, we expect this metric to continue growing based on underlying value delivery and increased product adoption. More immediately, we've made good progress in aligning Marketplace and website packaging to our value proposition. For example, in Marketplace, Premium Plus, our top tier offering has grown to nearly 7% of subscribers, and we anticipate reaching 15% adoption across Marketplace customers before year-end.

For new and renewing website customers, subscription demand for our top website packages remained steady. Our work on core web title has improved site speed for many of our customers by nearly 30%. We have also released timely features like improved EV data, which is particularly important as dealers are now selling a growing supply of use EVs without the benefit of government incentives.

Though dealer media performance continues to temper our otherwise favorable ARPD drivers, the planned refresh of our media suite, including AI VIN videos, should set us up for better traction in the second half of the year. In addition to these product-specific refinements, our new Marketplace-first approach requires our distinct product pillars to evolve into more integrated subscription offerings. With these integrated offerings, we are entering a new phase of our cross-selling strategy, which we expect will deliver a distinct lever for ARPD growth. We'll share more updates on our work here in the coming months.

Turning to dealer count. While our customer base was up year-over-year from Marketplace net adds, on a quarter-over-quarter basis, we experienced some pressure in solutions that resulted in overall dealer count decline. Recall, the website business has grown significantly over the last few years as we became a preferred OEM vendor and gain share. We're now in a different phase of growth that is more oriented around innovation and package value versus pure market share gains. And recent investments that we've made to improve technical performance on site speed, security and other metrics are garnering favorable customer feedback.

Rounding out the solutions discussion, AccuTrade subscribers were down sequentially. As you heard Tobi mention, we expect AccuTrade sales to improve as it becomes more fully integrated with our Marketplace. The strength of dealer revenue and more specifically, Marketplace is encouraging and we expect this momentum to drive total revenue growth in 2026 and balance softness in OEM advertising.

In the first quarter, OEM and National revenue was down \$2 million year-over-year. There have been ongoing signals that OEM budgets are in flux. As an example, some manufacturers are opting to invest in vehicle incentives to offset the impact of tariffs, rather than advertising in Q1.

Based on proactive and positive conversations with our partners, we are cautiously optimistic that Q2 represents a trough for OEM media and that we will begin to grow on a sequential basis in the latter half of the year. Moving on cost. First quarter operating expenses were \$163.6 million, down 5% year-over-year. The decrease was primarily due to lower depreciation and amortization expense, specifically the amortization of customer lists associated with our 2017 spinoff as well as more efficient marketing spend.

Q1 adjusted operating expenses were \$145.9 million, down 6% year-over-year from lower depreciation and amortization and strong cost controls across the organization. For the following line item detail, all comparisons are on a year-over-year basis unless otherwise noted. Product and technology expense increased \$900,000 on a reported basis and decreased \$300,000 on an adjusted basis. Higher severance costs and licensing and hardware expenses were the primary drivers of the reported increase. For adjusted expenses, lower compensation more than offset the aforementioned technology spend.

Marketing and sales decreased roughly \$700,000 on both the reported and adjusted basis, benefiting from a more efficient marketing mix. General and administrative expense was up nearly \$1 million on a reported basis and up \$2 million on an adjusted basis. The reported increase was primarily due to severance, compensation and third-party costs, which were partially offset by the elimination of the D2C earnout expense accrual.

On an adjusted basis, compensation and third-party costs combined to push total adjusted G&A higher for the quarter. Several of these were discrete items that while individually insignificant, aggregated into slightly elevated total expense. Over the medium to long-term, we still expect to realize operating leverage in this line.

First quarter net income was \$5 million or \$0.08 per diluted share compared to a net loss of \$2 million or \$0.03 per diluted share a year ago. Net income was primarily driven by lower depreciation and amortization. Adjusted net income for the first quarter was \$26.7 million or \$0.45 per diluted share compared to \$24 million or \$0.37 per diluted share a year ago.

Adjusted EBITDA of \$51 million in the first quarter was up slightly year-over-year, while adjusted EBITDA margin of 28.3% was consistent year-over-year and more than 1 percentage point above our guidance range. Onto the cash flow statement and balance sheet. Net cash provided by operating activities totaled \$39.8 million for the quarter, compared to \$29.5 million last year. Free cash flow was \$33.5 million for the quarter, up from \$23.7 million a year ago, primarily due to favorable working capital changes from compensation accruals and the 2024 federal tax refund.

In the first quarter, we bought back 2.5 million shares for \$20 million, returning approximately 60% of in-period free cash flow to shareholders. Through April 30, 2026, we have bought back 3.8 million shares of common stock for \$32.9 million, an efficient use of capital at current valuation levels that reduced shares outstanding by \$0.05 since the beginning of the year.

Driving shareholder value remains a priority and was reflected in our recent decision to increase our 2026 share repurchase target by 50% from \$60 million to \$90 million. Based on year-to-date activity, we are pacing solidly towards this target and will continue to opportunistically leverage strong free cash flow conversion for capital returns and debt paydown.

Lastly, debt outstanding was \$455 million as of March 31, 2026, for a total net leverage ratio of 1.8 times. Total liquidity was \$359.6 million as of March 31, 2026, providing the capacity and flexibility to meet our capital allocation priorities.

And now, we'll conclude with outlook. Second quarter revenue growth is expected to be flat to up 2% year-over-year. Dealer revenue should continue to be a growth driver based on better value delivery and product upgrades and adoption. Based on year-to-date performance, we expect second quarter OEM and national revenue to face similar year-over-year pressures as Q1. The episodic nature of advertising and media investments is also driving our slightly wider than usual quarterly guidance range to account for possible timing variances in customer spending.

Second quarter adjusted EBITDA margin is expected to be between 28% and 29%. And our priority is to grow adjusted EBITDA dollars year-over-year at a faster rate than revenue. Embedded within our guidance range is also a partial quarter of savings from the cost reduction program that was initiated in April. We are also reaffirming full year 2026 guidance of flat to 2% revenue growth and adjusted EBITDA margin of 29% to 30%.

And with that, I'd like to open the line for Q&A.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Thank you. Our first question comes from the line of Tom White from D.A. Davidson. Your line is open.

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**Tom White**

*Analyst, D. A. Davidson & Co.*

Q

Great. Good morning. Thanks for taking my questions. One on AI and then, I have a follow up. But, Tobi, I was hoping maybe you could share your latest thoughts on how you feel about the prospect of consumers increasingly relying on the horizontal LLMs and increasingly, maybe sort of personal agents to help them shop for cars. And what does that mean for Cars.com's ability to kind of interface directly with consumers? And are there ways that you guys can maybe make your business more resilient or sort of better positioned for that sort of future, maybe by making some of your data sort of more proprietary or protected or anything else? Thanks.

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**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

Hey, good morning. Thanks for your question. Yes, we do think that we are in a highly relevant space because car purchasing is very complex and we have data accumulated over the past 20 plus years. As we talked over during this call, we make that data more discoverable, which we're in the midst of that, we've made some great progress there. And then, we have a great brand, which is also something that we see increasingly become more important, that people start initially at a high level searching, but then, once they're getting down into deeper funnel metrics, they do rely on the branded context and the branded information that comes from Cars.com.

So, big picture, automotive is obviously a complex industry and it requires deep vertical expertise. A car is the second largest purchase for consumers and obviously, the vast majority of consumers spend time researching in-depth, actually, on average, eight to nine hours. And we have a great brand and we are in the process of making

it more discoverable and bringing it upfront to the site and the site experience. So, that will be a major focus for our future product development.

Then, let me just add, it's also in the spirit of I talked about the interconnectivity. So that's why it's so important to interconnect everything as opposed to driving in siloed subsidiaries. So that's actually what we're doing underneath the platform and across different data silos. Thank you.

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**Tom White**

*Analyst, D. A. Davidson & Co.*

Q

Great. Thanks. Maybe just a quick follow up on AccuTrade and I was hoping maybe just get a bit more color on kind of what's happening there. I think you mentioned subscribers down sequentially. Is there maybe any seasonality happening there? Is what's happening with subscribers sort of a function of just the automotive backdrop more generally? Or is this sort of more of a product market fit thing that you guys, sort of plan to work through maybe via bundling it with kind of core Marketplace? Just a little bit more color on what's happening at AccuTrade. And then, I'll get back in the queue. Thanks.

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**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

Sure thing. Yeah. I want to be very transparent. We're in the midst of rearranging and refocusing towards a more interconnected experience and more interconnected product, and that means that we are de-emphasizing the standalone solution as opposed to really bundling it up and making this part of an integrated Marketplace experience. So, we have a pretty exciting product roadmap. You'll hear more over the next couple of months and quarters. There's a lot in the making. And that's why you'd see temporarily maybe the numbers going down a little bit because we're de-emphasizing again on just selling standalone solutions as opposed to make this an integrated part. So, I wouldn't call this like a trend in the industry or anything. It's more the result of what we're doing internally. And I would say, it's according to plan. Thanks.

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**Tom White**

*Analyst, D. A. Davidson & Co.*

Q

Thank you.

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**Operator:** Our next question is from Rajat Gupta from JPMorgan. Your line is open. Again, Rajat Gupta from JPMorgan. Your line is open.

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**Rajat Gupta**

*Analyst, JPMorgan Securities LLC*

Q

Sorry, I was on mute. Thanks for taking the questions. Could you quantify the MCP integration opportunity? How many agentic AI platforms have connected and what does that usage funnel look like in terms of lead quality for dealers? And I have a quick follow up. Thanks.

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**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

Right now, it's just one, and we're working towards other opportunities and channel integrations, but not just with the ChatGPT. But again, we also mentioned the traffic is well below 1%.

**Rajat Gupta**

*Analyst, JPMorgan Securities LLC*



Got it. And, it looks like OEM and National is coming in weaker than expected, both in 1Q, including the 2Q guidance that Sonia had mentioned. But it seems like you feel comfortable reiterating, the margin guidance. Is it just the cost outs that are offsetting some of the drop-through from the OEM national weakness? I'm curious, any other color you could give? And also, an update on the OEM and National for your guidance. I think the previous outlook was for flat year-over-year.

**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*



So, I think, in terms of the margin guidance, certainly some of the actions that we took in April were helpful. And in addition to that, we continue to be focused on driving efficiencies in the business. I think you heard Tobi talk a little bit about shifts that we're making in terms of marketing and focusing on lead generation versus solely kind of these top of funnel metrics. At the end of the day, that's what dealers really value from us.

And so, those are some of the levers we have at our disposal to deliver on margins in addition to over time, the interconnected nature of the platform will naturally lend itself to more efficiencies. And Marketplace in and of itself is also a fairly high margin business.

**Rajat Gupta**

*Analyst, JPMorgan Securities LLC*



Understood. Great. I'll jump back in queue. Thanks for all the color and good luck.

**Operator:** Our next question is from Marvin Fong from BTIG. Your line is open.

**Marvin Fong**

*Analyst, BTIG LLC*



Hi. Great. Good morning. Thanks for taking my questions. I guess, I'd like to start just to dive a little deeper into the solutions business. I think, you did describe entering a new phase of growth there. And then, just any commentary there on should we expect the count of solutions customers to continue to decline for a few more quarters here? I think, last call, we talked about how some dealers are just striking out on their own, developing their own kind of solutions. Is that dynamic still at play here? Just some additional commentary would be great.

**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*



Yeah. So, I do think we are entering a slightly different phase of growth. We've talked about it a little bit over the last several quarters, which is initially on websites in particular. As we got onto OEM programs, we had the opportunity for rapid market share gains and the business is really switching to a mode where it's not just about unit count growth. It is, in fact, even more important to think about the packages that we're putting forward to dealers and how we integrate some of what we're doing from an innovation perspective and improvements and enhancements perspective into these packages. So, it becomes a little bit more basically of an ARPD game.

I think, we certainly would like to see that unit count number stay stable over a longer period of time with maybe some modest upward improvement. But we feel pretty good about some of what we are – some of the steps we've taken over the last several quarters, improvements we're making in site speed, enhancements that we think

we're somewhat uniquely bringing to market on the security side of things to improve the technical performance of websites, not to mention being able to integrate some of what we've done for Marketplace with solution.

So, a good example of that are how we can leverage, Carson the Marketplace AI assistant, to enable experiences on DI websites in a more intuitive way. How we can take AI videos which we launched as part of our [ph] IMB (00:42:11) product and bring that also over to the dealer website experience. So I think, you know, things don't always move as linearly as you would like them to, but we believe that we're making the right steps or taking the right steps to continue to grow websites.

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**Marvin Fong**

*Analyst, BTIG LLC*

Q

Got it. Thank you, Sonia. And then, my follow up question. Just on the repackaging, I just wanted to more fully understand, like, how that's going to roll out? The last time there's a repackaging – a major repackaging, there was some dealer churn. Now, granted, I believe that was also of an embedded price increase. But just how you're thinking about – or how would you – how we should think about your dealer count as you roll out these set of packages? Do you expect that there's going to be a period of some choppiness? Or do you think you can just start growing the dealer base right out of the gate as a result of these packages? Thanks.

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**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*

A

Yeah. I think in terms of what we saw on dealer count this quarter, the decline that we saw was largely related to solutions. And as I sort of alluded to, we do believe we have a pretty robust plan on how to tackle that. The goal is to grow dealer count. It is critical to how we think about continuing to grow our Marketplace business. Growing dealer count is one of those things that brings more inventory to us. It's one of the things that then brings more consumers to us. And so, it's naturally just important to how we think about Marketplace flywheel dynamics.

I think critical to our ability to grow dealer count is how we go-to-market with more interconnected solutions. There's a lot on the product roadmap that we're excited about. Tobi alluded to it earlier, which is, the integration of AccuTrade and Marketplace is something that puts really powerful data tools in the hands of dealers and allows them to manage one of their biggest assets more effectively, which is inventory.

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**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

And maybe let me just add to what Sonia mentioned. Historically, this has been not the center of gravity for the company. So by just looking at the market and in terms of what the different segments are and the customer penetration that we have and dealership penetrations in those segments, we just feel there's a lot of room for us to grow, but we need to tweak the product. We need to have the right product fit to really cater towards the needs of the dealers. And it's not just a two or three different product type. It's more like a – there's six to eight different product types going forward. So, that's what we're working behind the scenes.

So to sum it all up, we do believe there is significant headroom for us to grow. At the same time, we do not want to create the impression that all of a sudden overnight, the number of dealers will jump through the roof. This is a concentrated effort that will take a couple of quarters, but it's going to be product-led and products-first and data-first and AI-first, and that's what we're working on.

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**Marvin Fong**

*Analyst, BTIG LLC*

Q

Sounds good. Good luck to you both. Thank you.

**Operator:** The next question is from Gary Prestopino from Barrington Research. Your line is open.

**Gary Frank Prestopino**

*Analyst, Barrington Research Associates, Inc.*

Q

Hi. Good morning, everyone. Two questions. One, dealing with the cost savings, Sonia. You're saying you annualized the \$25 million to \$30 million for 2027? Is that an absolute number that we should expect to capture as we model? And where are those costs coming out of? Is it SG&A, cost of goods sold? Can you help us out there?

**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*

A

So I think, that is a – the \$25 million to \$30 million is kind of the discrete value on an annualized basis of the changes that we announced April. It doesn't necessarily mean a \$25-million to \$30-million year-over-year step down.

**Gary Frank Prestopino**

*Analyst, Barrington Research Associates, Inc.*

Q

Right.

**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*

A

If that's kind of your question. But what it does enable us to do is be more thoughtful about reallocation in the business as we work to build out more of the interconnected nature of the market, the interconnections to Marketplace.

**Gary Frank Prestopino**

*Analyst, Barrington Research Associates, Inc.*

Q

Okay.

**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*

A

In terms of where the costs are coming out of. They're distributed across the lines of our P&L. We took a hard look across the business, whether it's operation, product and technology, marketing and sales, G&A, those were all important areas for us to look at. How can we simplify our go-to-market process? How can we foster, from a product and tech perspective, more of the interconnectivity tools have obviously improved also really materially over the last couple of years that allows us to work more efficiently. And then, reducing layers in the organization is also really important as a way to speed decision making. So, those are some of the changes that we made.

**Gary Frank Prestopino**

*Analyst, Barrington Research Associates, Inc.*

Q

Okay, that's helpful. And then, just a question, Tobi, on as you're going out to market with the integrated sales product offering. You're going to bundle it, right? I would assume that that will drive an increase in average revenue per dealer just from bundling. But at the same time, does that preclude a salesperson from going into a dealership and also selling a single point solution? I guess, are they still going to have the autonomy to sell a single point solution or you have to bundle in order to get the football wax from Cars.com?

**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

It's a great question. It's the trade-off. But by and large, we would say point solutions will be de-emphasized and not because they're not important, but just because you need to understand, the holistic nature of a dealership infrastructure. And there's many systems that are in process and replacing one by one is a much harder sell and it's much less convenient for dealers than coming in with the core, which is we are a Marketplace partner. It's very easy to interact with us. It's very simple to get activities going, i.e., listings. It's very easy then to just activate or deactivate certain features that come as an embedded function with that Marketplace integration. So, that's the way how we're thinking about it.

We want to make it as easy as possible for the dealers to use different features dependent on what their needs are, as opposed to you've got to use this one solution only. And we are competing with two or three other legacy systems that are in place. So, that's our high level strategy. So in a nutshell, is it allowing us to still sell point solutions? Will we still sell point solutions? Yes, if it makes sense and if there's a very specific need by a dealer. But the broad strokes strategy will be we are leading with Marketplace and we'll provide an interconnected experience.

**Gary Frank Prestopino**

*Analyst, Barrington Research Associates, Inc.*

Q

Okay. Thank you.

**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

You're welcome.

**Operator:** Our next question is from Naved Khan from B. Riley Securities. Your line is open.

**Naved Khan**

*Analyst, B. Riley Securities, Inc.*

Q

Hey. Thanks a lot. Just a couple of questions from me. One, maybe just on the website business. It saw a decline in dealer customers and I think last time around Q4, I think, you said, maybe some – maybe passing trend or just more noise than anything else. But what – is there a change in the competitive dynamics? Or are there something else going on that's causing this sequential decline again in the website customer count? And what are the things you can do to kind of correct that?

And then, the second question I had is just around the organic traffic, around 60% that it has been historically. But as more and more traffic goes to AI overviews, AI mall and things like that, what are the things that you can do on your end to stay in that organic result mix that the technology, the top of the funnel providers are kind of unleashing on everyone? Thank you.

**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*

A

Thanks, Naved. I'll start with the website question. So I do still think some of this is a little bit of noise. We are entering and we've talked about it for the last couple quarters, a slightly different phase of growth for the websites. We initially grew through pretty significant market share gains as we got onto OEM programs and have the ability to bring in a significant number of dealers at a time. That dynamic has shifted a little bit since we're basically on

program with everybody. The dealer acquisition side is coming in smaller pieces. It's still there in terms of a very active launch pipeline.

But what we're focused on more is not necessarily unit growth. It is how do we think about the packages that we're putting forward to market. How do we think about more interconnectivity between Marketplace and websites, specifically leveraging innovation happening in the Marketplace side of our business and putting it on to dealer websites to make those tools available. Carson is a good example, correcting conversational search for dealer websites, bringing AI videos to dealer websites, not having it solely be a Marketplace product.

So, those are some of the things that we are – we're excited about and there is a real opportunity for us to continue to push website customers into higher tier packages since 50% of them are still in the base package. So we feel good about this business. We have a solid foundation. Sometimes there are going to be flips when it comes to the trade-off of volume and ARPD. But there's a – but I think it's largely noise at this point.

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**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

And regarding your second question about the traffic, let's just put things in context. We love the discoverability with LLMs, but the traffic is well below 1%. And we do know what people are searching for, and we do know that it's a really great tool and a really great entry point for very high-level searches. But again, we got the advantage. We are in a highly complex industry where it really matters on the purchasing intent and decision journey to go deep into the specificities of a particular vehicle. And that's where our strength comes into play. So you will see us being focused more on leads and the right leads and investments and reallocation towards generating those leads in the future than pure traffic.

So, I guess, the punchline is, whereas in the past, we were chasing traffic and visitors only as a key metric, we will now focus more on the right leads because we think this through as of an interconnected Marketplace experience, it means that we need to get the leads allocation and lead generation right because smaller dealers have completely different need for specific leads than larger dealerships, which are driven by the value they propose and the vehicles they have. So that's to summarize our opportunity also in context of AI.

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**Naved Khan**

*Analyst, B. Riley Securities, Inc.*

Q

Thank you.

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**Operator:** Our next question is from Joe Spak from UBS. Your line is open.

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**Joseph Spak**

*Analyst, UBS Securities LLC*

Q

Thanks. Good morning, everyone. Sonia, just want to go back to some of the OpEx comments and maybe get a better understanding for the trends. Because I know you mentioned OpEx was down a lot year-over-year, but really it was D&A, right? Which I think was sort of a result of some of the actions in the fourth quarter. So that's just sort of the lower trend. And you still had, like G&A up year-over-year. So maybe back to the earlier questions like how should we expect maybe some of the individual line items between, product, marketing G&A to sort of really trend here over the balance of the year?

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**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

So you're right to point out that a lot of what we saw on a year-over-year basis in operating costs was really tied to D&A. I think there are two pieces there. One is just some customer lists that were part of the spend. We fully amortized those. So, that's kind of like a permanent step down. And then, there's some of the reduction is also due to the accounting for our office leases. You won't see the benefit of the April actions in our Q1 numbers. So that's going to start trickling through and flowing through our numbers in Q2. The majority of the actions took place in April, some of them are in May. So even in Q2, you don't see necessarily the full benefit of what we're doing, but it is reflected in the guidance numbers that we've put out, both for Q2 and on a full year basis.

With regards to G&A, I do recognize, it looks a little bit maybe wonky, the G&A trend for Q1. But at the end of the day, we're talking about like pretty, pretty small, pretty small delta on a year-over-year basis. Most of this was tied to some like – again, a couple of different discrete items, third-party costs, things like that, that had a blip. We would ultimately, on a longer term basis expect to get leverage out of the G&A line. And transparently, we would expect to get leverage across our P&L. So that's the goal in terms of driving expanded margins in the business.

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**Joseph Spak**

*Analyst, UBS Securities LLC*

Q

Okay. Thank you for that. Second question is, I was going through the NADA annual book that they put out every year over the weekend. And, it mentioned that dealer advertising in 2025 was up like high-single digits and they sort of breakdown where that's spent. And, third-party listings is 20%. So one of the larger buckets, but it was actually down a point versus 2024. So overall growth third-party listing share down a little bit and I'm not exactly sure, to be honest, how they're bucketing it and whether how I should sort of compare that to your business, whether it's sort of that display advertising and other line that is sort of most relevant. But like you – if it is, like you grew pretty nicely within that sub revenue line in I guess, what was , implying there sort of I guess, decent share gain. So, I don't know if you could sort of just help me put into context like how you think you're performing within some of those high-level dealership spending metrics and which line really, should we be looking at?

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**Tobias Hartmann**

*President, Chief Executive Officer & Director, Cars.com, Inc.*

A

This is Tobi. Thanks for your question. Maybe just a more generic response to your question. We think we should do better and we think that the market is attractive. We don't see any major headwinds from a dealership perspective or massive changes in behavior. But we do see the opportunity for Cars to grow by having a better product fit and tailoring it towards the needs of the dealers.

Again, going back to selling five different point solutions as opposed to, hey, here's what we can do. And by the way, here's how we are combining those assets. Imagine, the dealer websites and the inventory that's listed on that and the subscription that we have on Marketplace. And imagine, just that there was some sort of a connection which, by the way, in the past we didn't have. Those were siloed solutions.

So from a dealer's perspective, you look at it from a budget and you're like, okay, I got a dealer website that cost me. I got listings there, I got my own listings, I got listings on third-parties, but I look at this entire bucket of expenses and you're like, oh, okay, great. Now I have a partner who can actually drive efficiency and bring synergies to the table. So that's why we think we have headroom. So, we actually don't think that there's a major change. It's more in our hands to make this work and grow.

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**Joseph Spak**

*Analyst, UBS Securities LLC*

Q

Okay. Thank you.

**Operator:** Our next question is from Doug Arthur from Huber Research. Your line is open.

**Douglas Middleton Arthur**

*Analyst, Huber Research Partners LLC*

Q

Yeah, thanks. Sonia, you might have covered this, I was sort of throwing out a lot of numbers. Did website management grow in the quarter? And I realize in the integrated strategy you've got, it might not be as relevant a number. But did that – was that up quarter-over-quarter, number of desktops?

**Sonia Jain**

*Chief Financial Officer, Cars.com, Inc.*

A

I think, when you – if you're asking about website units, we did see some volatility in that number. So, they were down a little bit on a year-over-year and quarter-over-quarter basis.

**Douglas Middleton Arthur**

*Analyst, Huber Research Partners LLC*

Q

Okay. Okay. Thank you.

**Operator:** There are no questions at this time. This concludes today's conference call. Thank you for your participation. You may now disconnect.

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