



ACV Announces Third Quarter 2022 Results

November 9, 2022

Gains Market Share, Delivers Solid Revenue Growth and Margin Improvement Updates 2022 Guidance

- *Third quarter revenue of \$105 million, up 15% YoY*
- *Third quarter GAAP net loss of \$24 million*
- *Third quarter Adjusted EBITDA loss of \$12 million; Adjusted EBITDA margin expansion of ~200 basis points from third quarter 2021*
- *Expects 2022 revenue of \$421 million to \$424 million, growth of 17% to 18% YoY; expects 2022 Adjusted EBITDA loss of \$59 million to \$61 million*

BUFFALO, N.Y., Nov. 09, 2022 (GLOBE NEWSWIRE) -- ACV (Nasdaq: ACVA), the leading online automotive marketplace and data services partner for dealers, today reported results for its third quarter ended September 30, 2022.

"We are very pleased with our third quarter results, with revenue in line with our expectations, despite continued headwinds impacting the automotive industry, while also delivering strong year-over-year margin expansion. Our growth is driven by market share gains, strong adoption of ACV's value-added services, and traction in our growing suite of data and SaaS solutions," said George Chamoun, CEO of ACV.

"While we continue to experience strong adoption across our growing marketplace, we are updating our 2022 guidance to reflect weakening consumer demand in the automotive industry and below normal auction conversion rates," continued Chamoun.

"These macroeconomic factors are expected to continue to constrain wholesale volumes in the near-term, but we believe ACV is in a strong position to deliver sustainable growth as end-markets recover, while also continuing to scale our asset-light business model," concluded Chamoun.

Third Quarter 2022 Highlights

- Revenue of \$105 million, an increase of 15% year over year.
- Marketplace and Service revenue of \$91 million, an increase of 15% year over year.
- Marketplace GMV of \$2.1 billion, an increase of approximately 6% year over year.
- Marketplace Units of 133,165, a decrease of 5% year over year.
- Adjusted EBITDA loss of \$12 million, compared to Adjusted EBITDA loss of \$12 million in the third quarter 2021. Adjusted EBITDA margin increased approximately 200 basis points compared to third quarter 2021.

Fourth Quarter and Full-Year 2022 Guidance

Based on information as of today, ACV is providing the following guidance:

- Fourth quarter of 2022:
 - Total revenue of \$97 to \$100 million
 - Adjusted EBITDA loss of \$15 to \$17 million
 - GAAP net loss of \$31 to \$33 million
 - Non-GAAP net loss of \$17 to \$19 million
- Full-Year 2022:
 - Total revenue of \$421 to \$424 million, an increase of 17% to 18% year over year
 - Adjusted EBITDA loss of \$59 to \$61 million; an approximate 14% loss at the midpoint of revenue guidance
 - GAAP net loss of \$109 to \$111 million
 - Non-GAAP net loss of \$64 to \$67 million

Our financial guidance includes the following assumptions:

- Wholesale volumes are expected to remain constrained due to the ongoing automotive OEM production challenges and softening retail vehicle demand.
- Marketplace conversion rates are expected to remain at or below the lower-end of our historical range until seller and buyer price expectations converge to more normalized levels.
- Total non-GAAP operating expenses, excluding cost of revenue, are expected to grow approximately 24% year over year in 2022, and exclude approximately \$40 million of stock-based compensation and \$5 million of intangible amortization.
- Fourth quarter non-GAAP net loss excludes approximately \$13 million of stock-based compensation and approximately \$1 million of intangible amortization.

ACV's Third Quarter Results Conference Call

ACV will host a conference call and live webcast today, November 9, 2022, at 5:00 p.m. ET to discuss financial results. To access the live conference call, please pre-register using this [link](#). Registrants will receive confirmation with dial-in details. A live webcast of the call can be accessed [here](#). Participants are encouraged to join the webcast unless asking a question. An archived webcast of the conference call will be available on the investor relations page of the Company's website at <https://investors.acvauto.com>.

About ACV Auctions

ACV provides a vibrant digital marketplace for wholesale vehicle transactions and data services that offers transparent and accurate vehicle information to customers. On a mission to build and enable the most trusted and efficient digital marketplaces for buying and selling used vehicles, ACV's platform leverages data insights and technology to power its digital marketplace and data services, enabling dealers and commercial partners to buy, sell and value vehicles with confidence and efficiency. ACV's network of brands includes ACV Auctions, ACV Transportation and ACV Capital within its Marketplace Products, as well as True360, ACV Data Services and MAX Digital.

Information About Non-GAAP Financial Measures

ACV provides supplemental non-GAAP financial measures to its financial results. We use these non-GAAP financial measures, and we believe that they assist our investors to make period-to-period comparisons of our operating performance because they provide a view of our operating results without items that are not, in our view, indicative of our operating results. These non-GAAP financial measures should not be construed as an alternative to GAAP results as the items excluded from the non-GAAP financial measures often have a material impact on our operating results, certain of those items are recurring, and others often recur. Management uses, and investors should consider, our non-GAAP financial measures only in conjunction with our GAAP results.

Non-GAAP Financial Measures

Adjusted EBITDA is a financial measure that is not presented in accordance with GAAP. We believe that Adjusted EBITDA, when taken together with our financial results presented in accordance with GAAP, provides meaningful supplemental information regarding our operating performance and facilitates internal comparisons of our historical operating performance on a more consistent basis by excluding certain items that may not be indicative of our business, results of operations or outlook. In particular, we believe that the use of Adjusted EBITDA is helpful to our investors as it is a measure used by management in assessing the health of our business, determining incentive compensation and evaluating our operating performance, as well as for internal planning and forecasting purposes.

We define Adjusted EBITDA as net loss, adjusted to exclude: depreciation and amortization; stock-based compensation expense; interest (income) expense; provision for income taxes; other (income) expense, net; and other one-time non-recurring items of a material nature, when applicable, such as acquisition-related and restructuring expenses.

Adjusted EBITDA is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Some of the limitations include that (1) it does not properly reflect capital commitments to be paid in the future; (2) although depreciation and amortization are non-cash charges, the underlying assets may need to be replaced and Adjusted EBITDA does not reflect these capital expenditures; (3) it does not consider the impact of stock-based compensation expense, (4) it does not reflect other non-operating expenses, including interest expense, (5) it does not consider the impact of any contingent consideration liability valuation adjustments, (6) it does not reflect tax payments that may represent a reduction in cash available to us, and (7) it does not reflect other one-time, non-recurring items of a material nature, when applicable, such as acquisition-related and restructuring expenses. In addition, our use of Adjusted EBITDA may not be comparable to similarly titled measures of other companies because they may not calculate Adjusted EBITDA in the same manner, limiting its usefulness as a comparative measure.

Non-GAAP Net income (loss), a financial measure that is not presented in accordance with GAAP, provides investors with additional useful information to measure operating performance and current and future liquidity when taken together with our financial results presented in accordance with GAAP. By providing this information, we believe management and the users of the financial statements are better able to understand the financial results of what we consider to be our organic, continuing operations.

We define Non-GAAP Net income (loss) as net income (loss), adjusted to exclude: stock-based compensation expense, amortization of acquired intangible assets, and other one-time, non-recurring items of a material nature, when applicable, such as acquisition-related and restructuring expenses.

In the calculation of Non-GAAP Net income (loss), we exclude stock-based compensation expense because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact our non-cash expense. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allows for more meaningful comparisons between our operating results from period to period.

We exclude amortization of acquired intangible assets from the calculation of Non-GAAP Net income (loss). We believe that excluding the impact of

amortization of acquired intangible assets allows for more meaningful comparisons between operating results from period to period as the underlying intangible assets are valued at the time of acquisition and are amortized over several years after the acquisition.

We exclude contingent consideration liability valuation adjustments associated with the purchase consideration of transactions accounted for as business combinations. We also exclude certain other one-time, non-recurring items of a material nature, when applicable, such as acquisition-related and restructuring expenses, because we do not consider such amounts to be part of our ongoing operations nor are they comparable to prior period nor predictive of future results.

Non-GAAP net income (loss) is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Some of these limitations include that: (1) it does not consider the impact of stock-based compensation expense; (2) although amortization is a non-cash charge, the underlying assets may need to be replaced and Non-GAAP Net income (loss) does not reflect these capital expenditures; (3) it does not consider the impact of any contingent consideration liability valuation adjustments; and (4) it does not consider the impact of other one-time charges, such as acquisition-related and restructuring expenses, which could be material to the results of our operations. In addition, our use of Non-GAAP Net income (loss) may not be comparable to similarly titled measures of other companies because they may not calculate Non-GAAP Net income (loss) in the same manner, limiting its usefulness as a comparative measure.

Information About Operating and Financial Metrics

We regularly monitor the following operating and financial metrics in order to measure our current performance and estimate our future performance. Our key operating and financial metrics may be calculated in a manner different than similar business metrics used by other companies.

Operating and Financial Metrics

Marketplace GMV - Marketplace GMV is primarily driven by the volume and dollar value of Marketplace Units transacted on our digital marketplace. We believe that Marketplace GMV acts as an indicator of the success of our marketplace, signaling satisfaction of dealers and buyers on our marketplace, and the health, scale, and growth of our business. We define Marketplace GMV as the total dollar value of vehicles transacted through our digital marketplace within the applicable period, excluding any auction and ancillary fees.

Marketplace Units - Marketplace Units is a key indicator of our potential for growth in Marketplace GMV and revenue. It demonstrates the overall engagement of our customers on the ACV platform, the vibrancy of our digital marketplace and our market share of wholesale transactions in the United States. We define Marketplace Units as the number of vehicles transacted on our digital marketplace within the applicable period. Marketplace Units transacted includes any vehicle that successfully reaches sold status, even if the auction is subsequently unwound, meaning the buyer or seller does not complete the transaction. These instances have been immaterial to date. Marketplace Units excludes vehicles that were inspected by ACV, but not sold on our digital marketplace. Marketplace Units have increased over time as we have expanded our territory coverage, added new dealer partners and increased our share of wholesale transactions from existing customers.

Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements concerning ACV's ability to deliver long-term growth and total addressable market expansion, our financial guidance for the second quarter of 2022 and the full year of 2022. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will" or "would" or the negative of these words or other similar terms or expressions. You should not rely on forward-looking statements as predictions of future events.

The forward-looking statements contained in this presentation are based on ACV's current assumptions, expectations and beliefs and are subject to substantial risks, uncertainties and changes in circumstances that may cause ACV's actual results, performance or achievements to differ materially from those expressed or implied in any forward-looking statement. These risks and uncertainties include, but are not limited to: (1) our history of operating losses; (2) our limited operating history; (3) our ability to effectively manage our growth; (4) our ability to grow the number of participants on our platform; (5) general market, political, economic, and business conditions; (6) our ability to acquire new customers and successfully retain existing customers; (7) our ability to effectively develop and expand our sales and marketing capabilities; (8) breaches in our security measures, unauthorized access to our platform, our data, or our customers' or other users' personal data; (9) risk of interruptions or performance problems associated with our products and platform capabilities; (10) our ability to adapt and respond to rapidly changing technology or customer needs; (11) our ability to compete effectively with existing competitors and new market entrants; (12) our ability to comply or remain in compliance with laws and regulations that currently apply or become applicable to our business in the United States and other jurisdictions where we elect to do business; and (13) the impact that economic conditions and the ongoing COVID-19 pandemic could have on our or our customers' businesses, financial condition and results of operations. These and other risks and uncertainties are more fully described in our filings with the Securities and Exchange Commission ("SEC"), including in the section entitled "Risk Factors" in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, filed with the SEC on November 9, 2022. Additional information will be made available in other filings and reports that we may file from time to time with the SEC. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements, or events and circumstances reflected in the forward-looking statements will occur. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

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ACV AUCTIONS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue:				
Marketplace and service revenue	\$ 90,852	\$ 79,306	\$ 276,951	\$ 221,632
Customer assurance revenue	14,567	12,492	46,605	36,626
Total revenue	<u>105,419</u>	<u>91,798</u>	<u>323,556</u>	<u>258,258</u>
Operating expenses:				
Marketplace and service cost of revenue (excluding depreciation & amortization)	46,255	41,547	143,400	113,844
Customer assurance cost of revenue (excluding depreciation & amortization)	12,221	12,371	40,432	32,886
Operations and technology	34,328	26,395	103,877	71,489
Selling, general, and administrative	34,701	33,787	106,897	85,275
Depreciation and amortization	3,004	2,348	7,868	5,877
Total operating expenses	<u>130,509</u>	<u>116,448</u>	<u>402,474</u>	<u>309,371</u>
Loss from operations	<u>(25,090)</u>	<u>(24,650)</u>	<u>(78,918)</u>	<u>(51,113)</u>
Other income (expense):				
Interest income	1,936	29	2,618	100
Interest expense	(235)	(121)	(683)	(582)
Total other income (expense)	<u>1,701</u>	<u>(92)</u>	<u>1,935</u>	<u>(482)</u>
Loss before income taxes	(23,389)	(24,742)	(76,983)	(51,595)
Provision for income taxes	<u>279</u>	<u>61</u>	<u>695</u>	<u>275</u>
Net loss	<u>\$ (23,668)</u>	<u>\$ (24,803)</u>	<u>\$ (77,678)</u>	<u>\$ (51,870)</u>
Weighted-average shares - basic and diluted	<u>157,264,153</u>	<u>155,037,911</u>	<u>156,747,507</u>	<u>115,075,030</u>
Net loss per share - basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.16)</u>	<u>\$ (0.50)</u>	<u>\$ (0.45)</u>

ACV AUCTIONS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	<u>September 30,</u>	<u>December 31,</u>
	<u>2022</u>	<u>2021</u>
Assets		
Current Assets :		
Cash and cash equivalents	\$ 294,775	\$ 565,994
Marketable securities	207,561	13,765
Trade receivables (net of allowance of \$4,396 and \$3,724)	153,405	222,753
Finance receivables (net of allowance of \$1,349 and \$636)	74,257	44,278
Other current assets	15,534	10,623
Total current assets	<u>745,532</u>	<u>857,413</u>
Property and equipment (net of accumulated depreciation of \$6,389 and \$4,636)	5,784	4,916
Goodwill	89,893	78,839
Acquired intangible assets (net of amortization of \$10,742 and \$7,070)	19,981	18,130
Capitalized software (net of amortization of \$5,671 and \$3,857)	31,788	17,844
Operating lease right-of-use assets	4,775	3,264
Other assets	2,121	2,554
Total assets	<u>899,874</u>	<u>982,960</u>
Liabilities and Stockholders' Equity		
Current Liabilities :		
Accounts payable	298,686	395,972
Accrued payroll	11,973	11,961
Accrued other liabilities	10,091	9,806
Deferred revenue	3,314	4,317
Operating lease liabilities	1,411	1,306
Total current liabilities	<u>325,475</u>	<u>423,362</u>

Long-term operating lease liabilities	3,565	2,049
Long-term debt	70,500	500
Other long-term liabilities	1,596	952
Total liabilities	\$ 401,136	\$ 426,863

Stockholders' Equity :

Preferred Stock; \$0.001 par value; 20,000,000 shares authorized; 0 and 0 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	-	-
Common Stock - Class A; \$0.001 par value; 2,000,000,000 shares authorized; 117,400,800 and 106,420,843 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	117	106
Common Stock - Class B; \$0.001 par value; 160,000,000 shares authorized; 40,494,190 and 49,661,126 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	40	50
Additional paid-in capital	826,893	801,142
Accumulated deficit	(322,839)	(245,161)
Accumulated other comprehensive loss	(5,473)	(40)
Total stockholders' equity	498,738	556,097
Total liabilities and stockholders' equity	\$ 899,874	\$ 982,960

ACV AUCTIONS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine months ended September 30,	
	2022	2021
Cash Flows from Operating Activities		
Net income (loss)	\$ (77,678)	\$ (51,870)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,210	6,221
Stock-based compensation expense, net of amounts capitalized	25,887	16,417
Provision for bad debt	7,101	2,518
Other non-cash, net	325	496
Changes in operating assets and liabilities, net of effects from purchases of businesses:		
Trade receivables	64,326	(111,953)
Other current assets	(4,196)	(3,887)
Accounts payable	(98,385)	223,510
Accrued payroll	(292)	4,260
Accrued other liabilities	252	1,518
Deferred revenue	(1,015)	1,690
Other long-term liabilities	345	(75)
Other assets	(189)	(428)
Net cash provided by (used in) operating activities	(75,309)	88,417
Cash Flows from Investing Activities		
Net increase in finance receivables	(32,131)	(26,972)
Purchases of property and equipment	(2,652)	(2,197)
Capitalization of software costs	(14,145)	(8,546)
Purchases of marketable securities	(217,706)	-
Maturities and redemptions of marketable securities	21,216	-
Acquisition of businesses (net of cash acquired)	(18,913)	(59,931)
Net cash provided by (used in) investing activities	(264,331)	(97,646)
Cash Flows from Financing Activities		
Proceeds from issuance of common stock in connection with initial public offering, net of underwriting discounts and commissions and other offering costs	-	385,738
Proceeds from long term debt	200,000	5,250
Payments towards long term debt	(130,000)	(9,582)
Payments towards promissory note	-	(2,637)
Proceeds from exercise of stock options	999	1,100
Payments for debt issuance and other financing costs	-	(1,385)
Payment of RSU tax withholdings in exchange for common shares surrendered by RSU holders	(3,475)	(1,329)

Proceeds from employee stock purchase plan	930	-
Net cash provided by (used in) financing activities	<u>68,454</u>	<u>377,155</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(33)	-
Net increase (decrease) in cash, cash equivalents, and restricted cash	(271,219)	367,926
Cash, cash equivalents, and restricted cash, beginning of period	<u>565,994</u>	<u>233,725</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 294,775</u>	<u>\$ 601,651</u>

Supplemental disclosure of cash flow information

Cash paid (received) during the period for:

Interest (income) expense	\$ (1,630)	\$ 522
Income taxes	\$ 334	\$ 210
Cash paid included in the measurement of operating lease liabilities	\$ 1,024	\$ -

Non-cash investing and financing activities:

Stock-based compensation included in capitalized software development costs	\$ 1,398	\$ -
Purchase of property and equipment and internal use software in accounts payable	\$ 1,401	\$ 410

The following table presents a reconciliation of Non-GAAP Net loss to net loss, the most directly comparable financial measure stated in accordance with GAAP, for the periods presented:

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Non-GAAP Net loss Reconciliation				
Net loss	\$ (23,668)	\$ (24,803)	\$ (77,678)	\$ (51,870)
Stock-based compensation	9,594	9,787	25,887	16,417
Amortization of acquired intangible assets	1,189	1,223	3,718	2,815
Amortization of capitalized stock based compensation	147	-	310	-
Contingent losses (gains)	-	-	200	-
Other adjustments	469	-	469	-
Non-GAAP Net loss	<u>\$ (12,269)</u>	<u>\$ (13,793)</u>	<u>\$ (47,094)</u>	<u>\$ (32,638)</u>

The following table presents a reconciliation of Adjusted EBITDA to net loss, the most directly comparable financial measure stated in accordance with GAAP, for the periods presented.

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Adjusted EBITDA Reconciliation				
Net loss	\$ (23,668)	\$ (24,803)	\$ (77,678)	\$ (51,870)
Depreciation and amortization	3,110	2,493	8,211	6,221
Stock-based compensation	9,594	9,787	25,887	16,417
Interest (income) expense	(1,701)	92	(1,935)	482
Provision for income taxes	279	61	695	275
Other (income) expense, net	542	(10)	941	48
Adjusted EBITDA	<u>\$ (11,844)</u>	<u>\$ (12,380)</u>	<u>\$ (43,879)</u>	<u>\$ (28,427)</u>