

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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended **September 30, 2023**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **001-40256**

**ACV Auctions Inc.**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**640 Ellicott Street, #321**

**Buffalo, New York**

(Address of principal executive offices)

**47-2415221**

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

**14203**

(Zip Code)

**Registrant's telephone number, including area code: (800) 553-4070**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.001 per share	ACVA	The Nasdaq Stock Market LLC

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 30, 2023, there were 136,166,962 shares of the registrant's Class A common stock, and 25,272,052 shares of Class B common stock, each with a par value of \$0.001, outstanding.

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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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, or the Exchange Act, about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q including statements regarding our future results of operations or financial condition, business strategy and plans and objectives of management for future operations, are forward-looking statements. 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. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our revenue, operating expenses and other operating results, including our key metrics and our ability to meet previously announced earnings guidance;
- our ability to effectively manage our growth and expand our business;
- our ability to grow the number of marketplace participants on our platform;
- our ability to acquire new customers and successfully retain existing customers and capture a greater share of wholesale transactions from our existing customers;
- our ability to increase usage of our platform and generate revenue from our value-added services;
- anticipated trends, growth rates, and challenges in our business and in the markets in which we operate;
- our ability to achieve or sustain our profitability;
- future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements;
- the costs and success of our marketing efforts, and our ability to promote our brand;
- the effects of macroeconomic conditions on our business;
- our reliance on key personnel and our ability to identify, recruit and retain skilled personnel, especially as we establish new offerings;
- our ability to compete effectively with existing competitors and new market entrants;
- our ability to obtain, maintain, protect and enforce our intellectual property rights and any costs associated therewith;
- our ability to predict, prepare and respond to new kinds of technology innovations, market developments and changing customer needs;
- our ability to expand internationally;
- our ability to identify and complete acquisitions that complement and expand our reach and platform;
- our decision to not declare or pay dividends for the foreseeable future;
- 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
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described under the header “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained herein. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe that information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made, and we undertake no obligation to update them to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

Unless the context otherwise indicates, references in this report to the terms “ACV Auctions,” “ACV,” “the Company,” “we,” “our” and “us” refer to ACV Auctions Inc. and its subsidiaries.

We may announce material business and financial information to our investors using our investor relations website ([www.investors.acvauto.com](http://www.investors.acvauto.com)). We therefore encourage investors and others interested in ACV to review the information that we make available on our website, in addition to following our filings with the Securities and Exchange Commission (the “SEC”), webcasts, press releases and conference calls.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Revenue:</b>				
Marketplace and service revenue	\$ 104,537	\$ 90,852	\$ 318,760	\$ 276,951
Customer assurance revenue	14,477	14,567	44,097	46,605
<b>Total revenue</b>	<b>119,014</b>	<b>105,419</b>	<b>362,857</b>	<b>323,556</b>
<b>Operating expenses:</b>				
Marketplace and service cost of revenue (excluding depreciation & amortization)	47,928	46,255	145,732	143,400
Customer assurance cost of revenue (excluding depreciation & amortization)	12,464	12,221	38,081	40,432
Operations and technology	35,132	34,328	106,180	103,877
Selling, general, and administrative	40,797	34,701	123,689	106,897
Depreciation and amortization	4,980	3,004	12,086	7,868
<b>Total operating expenses</b>	<b>141,301</b>	<b>130,509</b>	<b>425,768</b>	<b>402,474</b>
<b>Loss from operations</b>	<b>(22,287)</b>	<b>(25,090)</b>	<b>(62,911)</b>	<b>(78,918)</b>
<b>Other income (expense):</b>				
Interest income	4,489	1,936	12,505	2,618
Interest expense	(439)	(235)	(1,205)	(683)
<b>Total other income (expense)</b>	<b>4,050</b>	<b>1,701</b>	<b>11,300</b>	<b>1,935</b>
Loss before income taxes	(18,237)	(23,389)	(51,611)	(76,983)
<b>Provision for income taxes</b>	<b>1</b>	<b>279</b>	<b>409</b>	<b>695</b>
<b>Net loss</b>	<b>\$ (18,238)</b>	<b>\$ (23,668)</b>	<b>\$ (52,020)</b>	<b>\$ (77,678)</b>
<b>Weighted-average shares - basic and diluted</b>	<b>160,427,987</b>	<b>157,264,153</b>	<b>159,541,286</b>	<b>156,747,507</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.11)</b>	<b>\$ (0.15)</b>	<b>\$ (0.33)</b>	<b>\$ (0.50)</b>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**ACV AUCTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(Unaudited)**  
**(in thousands)**

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Net loss</b>	\$ (18,238)	\$ (23,668)	\$ (52,020)	\$ (77,678)
<b>Other comprehensive income (loss):</b>				
Net unrealized gains (losses) on available-for-sale securities	210	(1,810)	237	(2,920)
Foreign currency translation (loss) gain	(377)	(1,004)	(113)	(2,513)
<b>Comprehensive loss</b>	<u>\$ (18,405)</u>	<u>\$ (26,482)</u>	<u>\$ (51,896)</u>	<u>\$ (83,111)</u>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

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

	September 30, 2023	December 31, 2022
<b>Assets</b>		
<b>Current Assets :</b>		
Cash and cash equivalents	\$ 226,236	\$ 280,752
Marketable securities	224,010	215,926
Trade receivables (net of allowance of \$3,356 and \$4,860)	168,796	168,732
Finance receivables (net of allowance of \$2,673 and \$2,275)	105,832	78,047
Other current assets	16,859	11,317
<b>Total current assets</b>	<b>741,733</b>	<b>754,774</b>
Property and equipment (net of accumulated depreciation of \$4,519 and \$6,986)	5,167	5,710
Goodwill	117,830	91,755
Acquired intangible assets (net of amortization of \$15,686 and \$11,990)	21,457	19,291
Capitalized software (net of amortization of \$12,797 and \$6,930)	52,745	36,992
Other assets	20,152	6,400
<b>Total assets</b>	<b>959,084</b>	<b>914,922</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities :</b>		
Accounts payable	338,137	323,661
Accrued payroll	12,369	10,052
Accrued other liabilities	16,861	14,504
<b>Total current liabilities</b>	<b>367,367</b>	<b>348,217</b>
Long-term debt	105,000	75,500
Other long-term liabilities	19,619	5,481
<b>Total liabilities</b>	<b>491,986</b>	<b>429,198</b>
Commitments and Contingencies (Note 5)		
<b>Stockholders' Equity :</b>		
Preferred Stock; \$0.001 par value; 20,000,000 shares authorized; 0 and 0 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	-	-
Common Stock - Class A; \$0.001 par value; 2,000,000,000 shares authorized; 135,757,008 and 121,214,275 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	136	121
Common Stock - Class B; \$0.001 par value; 160,000,000 shares authorized; 25,210,995 and 37,241,952 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	25	37
Additional paid-in capital	869,962	836,695
Accumulated deficit	(399,374)	(347,354)
Accumulated other comprehensive loss	(3,651)	(3,775)
<b>Total stockholders' equity</b>	<b>467,098</b>	<b>485,724</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 959,084</b>	<b>\$ 914,922</b>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**ACV AUCTIONS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(Unaudited)**  
**(in thousands, except share data)**

	Three Months September 30, 2023							
	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
<b>Balance, June 30, 2023</b>	134,717,291	\$ 135	25,610,643	\$ 26	\$ 860,628	\$ (381,136)	\$ (3,484)	\$ 476,169
Conversion of Class B common stock to Class A common stock	474,343	1	(474,343)	(1)				-
Net loss						(18,238)		(18,238)
Other comprehensive loss							(167)	(167)
Stock-based compensation					13,176			13,176
Exercise of common stock options	243,358	-			802			802
Vested restricted stock units	322,016	-	74,695	-	(4,644)			(4,644)
<b>Balance as of September 30, 2023</b>	135,757,008	\$ 136	25,210,995	\$ 25	\$ 869,962	\$ (399,374)	\$ (3,651)	\$ 467,098

	Nine Months Ended September 30, 2023							
	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
<b>Balance, December 31, 2022</b>	121,214,275	\$ 121	37,241,952	37	\$ 836,695	\$ (347,354)	\$ (3,775)	\$ 485,724
Conversion of Class B common stock to Class A common stock	12,269,282	12	(12,269,282)	(12)				-
Net loss						(52,020)		(52,020)
Other comprehensive loss							124	124
Stock-based compensation					39,641			39,641
Exercise of common stock options	1,080,034	1			3,576			3,577
Vested restricted stock units	1,017,490	1	238,325	-	(11,280)			(11,279)
Issuance of shares for employee stock purchase plan	175,927	1			1,330			1,331
<b>Balance as of September 30, 2023</b>	135,757,008	\$ 136	25,210,995	\$ 25	\$ 869,962	\$ (399,374)	\$ (3,651)	\$ 467,098

*The accompanying notes are an integral part of these condensed consolidated financial statements.*



Three Months Ended September 30, 2022								
	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
<b>Balance, June 30, 2022</b>	114,933,675	\$ 115	42,613,583	\$ 42	\$ 817,338	\$ (299,171)	\$ (2,659)	\$ 515,665
Conversion of Class B common stock to Class A common stock	2,198,667	2	(2,198,667)	(2)				-
Net loss						(23,668)		(23,668)
Other comprehensive loss							(2,814)	(2,814)
Stock-based compensation					10,242			10,242
Exercise of common stock options	138,033	-			239			239
Vested restricted stock units	130,057	-	79,274	-	(926)			(926)
Issuance of shares for employee stock purchase plan	368	-			-			-
<b>Balance as of September 30, 2022</b>	<u>117,400,800</u>	<u>\$ 117</u>	<u>40,494,190</u>	<u>\$ 40</u>	<u>\$ 826,893</u>	<u>\$ (322,839)</u>	<u>\$ (5,473)</u>	<u>\$ 498,738</u>

Nine Months Ended September 30, 2022								
	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value	Shares	Par Value				
<b>Balance, December 31, 2021</b>	106,420,843	\$ 106	49,661,126	50	\$ 801,142	\$ (245,161)	\$ (40)	\$ 556,097
Conversion of Class B common stock to Class A common stock	9,246,210	10	(9,246,210)	(10)				-
Net loss						(77,678)		(77,678)
Other comprehensive loss							(5,433)	(5,433)
Stock-based compensation					27,285			27,285
Exercise of common stock options	579,455	-			998			998
Vested restricted stock units	404,871	-	79,274	-	(3,461)			(3,461)
Escrowed shares	620,877	1			(1)			-
Issuance of shares for employee stock purchase plan	128,544	-			930			930
<b>Balance as of September 30, 2022</b>	<u>117,400,800</u>	<u>\$ 117</u>	<u>40,494,190</u>	<u>\$ 40</u>	<u>\$ 826,893</u>	<u>\$ (322,839)</u>	<u>\$ (5,473)</u>	<u>\$ 498,738</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

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

	<b>Nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Net income (loss)	\$ (52,020)	\$ (77,678)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,407	8,210
Stock-based compensation expense, net of amounts capitalized	36,262	25,887
Provision for bad debt	8,530	7,101
Other non-cash, net	(772)	325
Changes in operating assets and liabilities, net of effects from purchases of businesses:		
Trade receivables	10,990	64,326
Other operating assets	(5,266)	(4,385)
Accounts payable	(2,543)	(98,385)
Other operating liabilities	1,023	(710)
<b>Net cash provided by (used in) operating activities</b>	<b>8,611</b>	<b>(75,309)</b>
<b>Cash Flows from Investing Activities</b>		
Net increase in finance receivables	(30,991)	(32,131)
Purchases of property and equipment	(1,518)	(2,652)
Capitalization of software costs	(19,319)	(14,145)
Purchases of marketable securities	(116,036)	(217,706)
Maturities and redemptions of marketable securities	107,690	21,216
Sales of marketable securities	2,649	-
Acquisition of businesses (net of cash acquired)	(28,649)	(18,913)
<b>Net cash provided by (used in) investing activities</b>	<b>(86,174)</b>	<b>(264,331)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from long term debt	305,000	200,000
Payments towards long term debt	(275,500)	(130,000)
Proceeds from exercise of stock options	3,576	999
Payment of RSU tax withholdings in exchange for common shares surrendered by RSU holders	(11,280)	(3,475)
Proceeds from employee stock purchase plan	1,330	930
Other financing activities	(74)	-
<b>Net cash provided by (used in) financing activities</b>	<b>23,052</b>	<b>68,454</b>
<b>Effect of exchange rate changes on cash, cash equivalents, and restricted cash</b>	<b>(5)</b>	<b>(33)</b>
<b>Net increase (decrease) in cash, cash equivalents, and restricted cash</b>	<b>(54,516)</b>	<b>(271,219)</b>
<b>Cash, cash equivalents, and restricted cash, beginning of period</b>	<b>280,752</b>	<b>565,994</b>
<b>Cash, cash equivalents, and restricted cash, end of period</b>	<b>\$ 226,236</b>	<b>\$ 294,775</b>
<b>Supplemental disclosure of cash flow information</b>		
Non-cash investing and financing activities:		
Stock-based compensation included in capitalized software development costs	\$ 2,394	\$ 1,398
Purchase of property and equipment and internal use software in accounts payable	\$ 1,277	\$ 1,401

*The accompanying notes are an integral part of these condensed consolidated financial statements*

**ACV AUCTIONS INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Nature of Business and Summary of Significant Accounting Policies**

**Nature of Business** – The Company operates in one industry segment, providing a digital wholesale auction marketplace (the “Marketplace”) to facilitate business-to-business used vehicle sales between a selling dealership (“Seller”) and a buying dealership (“Buyer”). Customers using the Marketplace are licensed automotive dealerships or other commercial automotive enterprises. At the election of the customer purchasing a vehicle, the Company can arrange third-party transportation services for the delivery of the purchased vehicle through its wholly owned subsidiary, ACV Transportation LLC. The Company can also provide the customer financing for the purchased vehicle through its wholly owned subsidiary, ACV Capital LLC. ACV also provides data services that offer insights into the condition and value of used vehicles for transactions both on and off the Company’s Marketplace, which help dealerships, their end customers, and commercial partners make more informed decisions to transact with confidence and efficiency. Customers using data services are licensed automotive dealerships or other commercial automotive enterprises. All services are provided in the United States and certain data services are also provided internationally. Services are supported by the Company’s operations which are in the United States, Canada, and France.

**Basis of Consolidation** – The condensed consolidated financial statements include the accounts of ACV Auctions Inc. and all of its controlled subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Basis of Preparation** – The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and pursuant to the applicable rules and regulations of the Securities and Exchange Commission (“SEC”). The Company has condensed or omitted certain information and notes normally included in complete annual financial statements prepared in accordance with GAAP. These financial statements have been prepared on the same basis as the Company’s annual financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal recurring adjustments, which are necessary for the fair statement of the Company’s financial information. The unaudited interim condensed consolidated financial statements should therefore be read in conjunction with the audited consolidated financial statements and accompanying notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022, as filed with the SEC on March 1, 2023 (the “Annual Report”). Any reference in these notes to applicable guidance is meant to refer to the authoritative GAAP as found in the Accounting Standards Codification (“ASC”) and Accounting Standards Update (“ASU”) of the Financial Accounting Standards Board (“FASB”).

**Seasonality** – The volume of vehicles sold through the Marketplace generally fluctuates from quarter to quarter. This seasonality is caused by several factors, including holidays, weather, the seasonality of the retail market for used vehicles and the timing of federal tax returns, which affects the demand side of the automotive industry. As a result, revenue and operating expenses related to volume fluctuate accordingly on a quarterly basis. In the fourth quarter, we typically experience lower used vehicle volume on our Marketplace as well as additional costs associated with the holidays. Seasonally depressed used vehicle volume on our Marketplace typically continues during the winter months through the first quarter. Typical seasonality trends may not be observed in periods where other external factors more significantly impact the industry.

**2. Financial Instruments**

The following is a summary of available-for-sale financial instruments, as of September 30, 2023 and December 31, 2022, respectively (in thousands):

	September 30, 2023			
	Amortized Cost	Unrealized Gain	Unrealized Losses	Fair Value
Marketable securities:				
Corporate securities (1)	\$ 186,410	\$ 4	\$ (2,034)	\$ 184,380
U.S. treasury and agency securities	39,829	-	(199)	39,630
<b>Total Marketable securities</b>	<b>\$ 226,239</b>	<b>\$ 4</b>	<b>\$ (2,233)</b>	<b>\$ 224,010</b>

(1) Comprised primarily of corporate bonds and commercial paper

	December 31, 2022			
	Amortized Cost	Unrealized Gain	Unrealized Losses	Fair Value
<b>Marketable securities:</b>				
Corporate securities (1)	\$ 184,321	\$ 75	\$ (2,344)	\$ 182,052
U.S. treasury and agency securities	34,071	3	(200)	33,874
<b>Total Marketable securities</b>	<b>\$ 218,392</b>	<b>\$ 78</b>	<b>\$ (2,544)</b>	<b>\$ 215,926</b>

(1) Comprised primarily of corporate bonds and commercial paper

As of September 30, 2023, the fair values of available-for-sale financial instruments, by remaining contractual maturity, were as follows (in thousands):

Due within one year	\$ 156,419
Due in one to five years	67,591
<b>Total</b>	<b>\$ 224,010</b>

The Company typically invests in highly rated securities, with the primary objective of minimizing the potential risk of principal loss. The Company's investment policy generally requires securities to be investment grade and limits the amount of credit exposure to any one issuer. Fair values were determined for each individual security in the investment portfolio.

The Company does not believe that any unrealized losses are attributable to credit-related factors based on its evaluation of available evidence. To determine whether a decline in value is related to credit loss, the Company evaluates, among other factors: the extent to which the fair value is less than the amortized cost basis, changes to the rating of the security by a rating agency and any adverse conditions specifically related to an issuer of a security or its industry. The Company does not intend to sell the instruments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity. Unrealized gain and losses on marketable securities are presented net of tax.

### 3. Fair Value Measurement

Fair value accounting is applied for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the condensed consolidated financial statements on a recurring basis (at least annually). Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Assets and liabilities recorded at fair value in the condensed consolidated financial statements are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Hierarchical levels, which are directly related to the amount of subjectivity, associated with the inputs to the valuation of these assets or liabilities are as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3: Unobservable inputs in which there is little or no market data which require the Company to develop its own assumptions.

The Company's financial instruments that are not measured at fair value on a recurring basis include trade and finance accounts receivable and accounts payable whose carrying values approximate fair value due to the short-term nature of those instruments.

The following tables present information about the Company's financial assets measured at fair value on a recurring basis as of September 30, 2023 and December 31, 2022, and indicate the fair value hierarchy of the valuation inputs utilized to determine such fair value (in thousands):

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
<b>Cash equivalents:</b>				
Money market funds	\$ 65,110	\$ -	\$ -	\$ 65,110
<b>Marketable Securities:</b>				
Corporate securities	-	184,380	-	184,380
U.S. treasury and agency securities	27,620	12,010	-	39,630
Total financial assets	<u>\$ 92,730</u>	<u>\$ 196,390</u>	<u>\$ -</u>	<u>\$ 289,120</u>

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Cash equivalents:</b>				
Money market funds	\$ 36,679	\$ -	\$ -	\$ 36,679
<b>Marketable Securities:</b>				
Corporate securities	-	182,052	-	182,052
U.S. treasury and agency securities	26,006	7,868	-	33,874
Total financial assets	<u>\$ 62,685</u>	<u>\$ 189,920</u>	<u>\$ -</u>	<u>\$ 252,605</u>

The Company classifies its highly liquid money market funds and U.S. treasury securities within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company classifies its corporate securities, and U.S. agency securities within Level 2 because they are valued using inputs other than quoted prices that are directly or indirectly observable in the market, including readily available pricing sources for the identical underlying security which may not be actively traded.

#### 4. Accounts Receivable & Allowance for Doubtful Receivables

The Company maintains an allowance for doubtful receivables that in management's judgment reflects losses inherent in the portfolio. A provision for doubtful receivables is recorded to adjust the level of the allowance in accordance with GAAP.

Changes in the allowance for doubtful trade receivables for the three and nine months ended September 30, 2023 and 2022 were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Beginning balance	\$ 3,629	\$ 4,266	\$ 4,860	\$ 3,724
Provision for bad debt	2,046	1,731	5,325	4,950
<b>Net write-offs</b>				
Write-offs	(3,254)	(2,977)	(11,442)	(8,635)
Recoveries	935	1,376	4,613	4,357
Net write-offs	(2,319)	(1,601)	(6,829)	(4,278)
Ending balance	<u>\$ 3,356</u>	<u>\$ 4,396</u>	<u>\$ 3,356</u>	<u>\$ 4,396</u>

Changes in the allowance for doubtful finance receivables for the three and nine months ended September 30, 2023 and 2022 were as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Beginning balance	\$ 3,048	\$ 971	\$ 2,275	\$ 636
Provision for bad debt	677	1,269	3,205	2,151
<b>Net write-offs</b>				
Write-offs	(1,148)	(1,021)	(3,300)	(1,598)
Recoveries	96	130	493	160
Net write-offs	(1,052)	(891)	(2,807)	(1,438)
Ending balance	<u>\$ 2,673</u>	<u>\$ 1,349</u>	<u>\$ 2,673</u>	<u>\$ 1,349</u>

## 5. Guarantees, Commitments and Contingencies

The Company provides certain guarantees to Sellers in the Marketplace in the ordinary course of business, which are accounted for under ASC 460 as a general guarantee.

*Vehicle Condition Guarantees* – Sellers must attach a vehicle condition report in the Marketplace for every auction; this vehicle condition report is used by Buyers to inform bid decisions. The Company offers guarantees to Sellers in qualifying situations where the Company performed a vehicle inspection and prepared the vehicle condition report. Sellers must pay an additional fee in exchange for this guarantee. The guarantee provides Sellers protection from paying remedies to Buyers related to a Buyer’s claim that the vehicle condition report did not accurately portray the condition of the vehicle purchased on the Marketplace. The guarantee provides the Company with the right to retain proceeds from the subsequent liquidation of the vehicle covered under the guarantee. The guarantee is typically provided for 10 days after the successful sale of the vehicle on the Marketplace. The fair value of vehicle condition guarantees issued is estimated based on historical results and other qualitative factors. The vehicle condition guarantee revenue is recognized on the earlier of the guarantee expiration date or the guarantee settlement date. The maximum potential payment is the sale price of the vehicle. The total sale price of vehicles for which there was an outstanding guarantee was \$209.2 million and \$160.3 million at September 30, 2023 and December 31, 2022, respectively. The carrying amount of the liability presented in Accrued other liabilities was \$1.5 million and \$1.2 million at September 30, 2023 and December 31, 2022, respectively.

The recognized probable loss contingency, in excess of vehicle condition guarantees recognized, presented in Accrued other liabilities was \$1.5 million and \$1.4 million at September 30, 2023 and December 31, 2022, respectively.

*Other Price Guarantees* – The Company provides Sellers with a price guarantee for vehicles to be sold on the Marketplace from time to time. If a vehicle sells below the guaranteed price, the Company is responsible for paying the Seller the difference between the guaranteed price and the final sale price. The term of the guarantee is typically less than one week. No material unsettled price guarantees existed at September 30, 2023 and December 31, 2022.

*Litigation* – The Company and its subsidiaries are subject in the normal course of business to various pending and threatened legal proceedings and matters in which claims for monetary damages are asserted. On an on-going basis management, after consultation with legal counsel, assesses the Company’s liabilities and contingencies in connection with such proceedings. For those matters where it is probable that the Company will incur losses and the amounts of the losses can be reasonably estimated, the Company records an expense and corresponding liability in its condensed consolidated financial statements. To the extent pending or threatened litigation could result in exposure in excess of the recorded liability, the amount of such excess is not currently estimable.

## 6. Borrowings

### 2019 Revolver

On December 20, 2019, the Company entered into a revolving credit facility (the “2019 Revolver”). On June 26, 2023, the Company entered into an agreement to extinguish the 2019 Revolver. As of December 31, 2022, \$0.5 million was outstanding under the 2019 Revolver.

### 2021 Revolver

On August 24, 2021, the Company entered into a revolving credit facility (the “2021 Revolver”). The 2021 Revolver was established to provide general financing to the Company. The 2021 Revolver is secured by substantially all of the Company’s assets except for ACV Capital receivables. The maximum borrowing principal amount of the 2021 Revolver is \$160.0 million and includes a sub facility that provides for the issuance of letters of credit up to \$20.0 million outstanding at any time. On June 1, 2023, the Company entered into Amendment No. 1 (“The First Amendment”), which modified the rate to which interest payments are indexed to the Secured Overnight Financing Rate, or SOFR. The interest rate applicable to the 2021 Revolver is, at our option, either (a) SOFR (or a replacement rate established in accordance with the terms of the credit agreement for the 2021 Revolver) (subject to a 0.00% SOFR floor), plus a margin of 2.75% per annum plus an additional credit spread adjustment of 0.11% for daily and one-month terms, 0.26% for three-month terms and 0.43% for six-month terms or (b) the Alternate Base Rate plus a margin of 1.75% per annum. The Alternate Base Rate is the highest of (a) the Wall Street Journal prime rate, (b) the NYFRB rate plus 0.5% and (c)(i) 1.00% plus (ii) the adjusted SOFR rate for a one-month interest period. The First Amendment maintains a maximum borrowing principal amount of \$160.0 million.

Refer to [Note 9 contained in our Annual Report on Form 10-K for the year ended December 31, 2022](#) for further details regarding our revolving credit facilities and their key terms.

As of September 30, 2023 and December 31, 2022, outstanding borrowings under the 2021 Revolver were \$105.0 million and \$75.0 million, respectively, and there was an outstanding letter of credit issued under the 2021 Revolver in the amount of \$1.6 million, decreasing the availability under the 2021 Revolver by a corresponding amount. As of September 30, 2023, the interest rate on the outstanding borrowing was 10.25%.

As of September 30, 2023, the Company was in compliance with all of its financial covenants and non-financial covenants.

## 7. Revenue

The following table summarizes the primary components of revenue; this level of disaggregation takes into consideration how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Auction marketplace revenue	\$ 51,390	\$ 41,748	\$ 159,911	\$ 133,790
Other marketplace revenue	45,012	40,484	134,251	118,276
Data services revenue	8,135	8,620	24,598	24,885
Marketplace and service revenue	<u>\$ 104,537</u>	<u>\$ 90,852</u>	<u>\$ 318,760</u>	<u>\$ 276,951</u>

Contract liabilities represent consideration collected prior to satisfying performance obligations. The Company had \$4.1 million and \$3.8 million of contract liabilities included in Accrued other liabilities on the Condensed Consolidated Balance Sheets as of September 30, 2023 and December 31, 2022, respectively. Revenue recognized for the three months ended September 30, 2023 from amounts included in deferred revenue as of June 30, 2023 was \$4.0 million. Revenue recognized for the nine months ended September 30, 2023 from amounts included in deferred revenue as of December 31, 2022 was \$3.8 million. All the remaining performance obligations for contracts are expected to be recognized within one year.

## 8. Stock-Based Compensation

Refer to [Note 13 contained in our Annual Report on Form 10-K for the year ended December 31, 2022](#) for further details regarding our equity plans.

The following table summarizes the stock option activity for the nine months ended September 30, 2023 (in thousands, except for share and per share amounts):

	Number of Options	Weighted-Average Exercise Price Per Share	Intrinsic Value	Weighted-Average Remaining Contractual Term (in years)
Outstanding, December 31, 2022	<u>7,801,650</u>	<u>\$ 2.67</u>	<u>\$ 43,185</u>	<u>6.0</u>
Exercised	(1,080,034)	3.31		
Forfeited	(113,185)	7.25		
Expired	(16,946)	4.73		
Outstanding, September 30, 2023	<u>6,591,485</u>	<u>\$ 2.49</u>	<u>\$ 83,674</u>	<u>5.1</u>
Exercisable, September 30, 2023	<u>6,027,138</u>	<u>\$ 2.17</u>	<u>\$ 78,435</u>	<u>4.9</u>

The following table summarizes the restricted stock unit activity for the nine months ended September 30, 2023 (in thousands, except for share and per share amounts):

	Number of RSUs	Weighted-Average Grant-Date Fair Value
Outstanding, December 31, 2022	5,978,564	\$ 14.57
Granted	4,545,164	\$ 14.00
Vested	(2,132,397)	\$ 14.33
Forfeited	(382,506)	\$ 13.54
Outstanding, September 30, 2023	8,008,825	\$ 14.36

As of September 30, 2023 there was approximately \$105.8 million of compensation expense related to the unvested portion of common stock options and restricted stock units that will be recorded as compensation expense over a weighted-average period of 2.6 years.

During the first quarter of 2022, the Company entered into an escrow agreement (the "Escrow Agreement") for certain compensatory share-based service awards. The Escrow Agreement authorized 620,877 shares of common stock to be issued and held in escrow. Shares will be released and distributed equally on a six-month schedule to the employee award recipients with the final vesting date on February 22, 2025. At September 30, 2023, there was approximately \$3.7 million of compensation expense related to the unvested portion of escrow shares that will be recorded over 1.4 years.

## 9. Income Taxes

The Company had an effective tax rate of approximately 0% and (1)% for the three months ended September 30, 2023 and 2022, and (1)% for the nine months ended September 30, 2023 and 2022. The principal differences between the federal statutory rate and the effective tax rate is related to foreign taxes and credits, and the non-recognition of tax benefits for certain entities in a loss position for which a full valuation allowance has been recorded.

## 10. Net Income (Loss) Per Share

The numerators and denominators of the basic and diluted net income (loss) per share computations for the Company's common stock are calculated as follows for the three and nine months ended September 30, 2023 and 2022 (in thousands, except share data):

	Three months ended September 30,				Nine months ended September 30,			
	2023		2022		2023		2022	
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B
<b>Numerator:</b>								
Net loss attributable to common stockholders	\$ (15,327)	\$ (2,911)	\$ (17,337)	\$ (6,331)	\$ (42,540)	\$ (9,480)	\$ (55,592)	\$ (22,086)
<b>Denominator:</b>								
Weighted-average number of shares of common stock - Basic and diluted	134,822,3	25,605,64	115,196,66	42,067,492	130,464,8	29,076,477	112,179,4	44,568,062
<b>Net loss per share attributable to common stockholders:</b>								
Basic and diluted	\$ (0.11)	\$ (0.11)	\$ (0.15)	\$ (0.15)	\$ (0.33)	\$ (0.33)	\$ (0.50)	\$ (0.50)



The following table presents the total weighted-average number of potentially dilutive shares that were excluded from the computation of diluted net loss per share attributable to common shareholders because their effect would have been anti-dilutive for the period presented:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Unvested RSUs and other awards	2,368,186	583,344	2,099,410	636,468
Stock options	5,428,444	4,596,218	5,477,646	5,289,298
Shares subject to the employee stock purchase plan	145,342	244,195	100,444	169,178

## 11. Acquisitions

### *August 2023*

On August 22, 2023, the Company completed its acquisition of all of the ownership interests of a business (“the August 2023 acquisition”) for estimated cash consideration of \$17.3 million. The aggregate purchase price was preliminarily allocated to \$20.8 million of goodwill, and \$3.5 million of net liabilities assumed. The purchase price allocations are subject to adjustments as they are finalized over the 12 month measurement period. Goodwill acquired in connection with this acquisition will be deductible for tax purposes in the United States and will be amortized on a straight-line basis over 15 years.

The business acquired in the August 2023 acquisition offers wholesale car auction services, and enabled the Company to expand its range of offerings to dealers and commercial partners. The August 2023 acquisition was accounted for using the acquisition method and, accordingly, the results of the acquired business have been included in the Company’s results of operations from the acquisition date.

### *April 2023*

On April 24, 2023, the Company completed its acquisition of all of the ownership interests of a business (“the April 2023 acquisition”) for total cash consideration of \$12.5 million. The aggregate purchase price was preliminarily allocated to \$5.4 million of goodwill, \$5.9 million of intangible assets and \$1.1 million of net assets assumed. The purchase price allocations are subject to adjustments as they are finalized over the 12 month measurement period. Goodwill acquired in connection with this acquisition will be deductible for tax purposes in the United States and will be amortized on a straight-line basis over 15 years.

The business acquired in the April 2023 acquisition offers wholesale and commercial car auction services and enabled the Company to expand its range of offerings to dealers and commercial partners. The April 2023 acquisition was accounted for using the acquisition method and, accordingly, the results of the acquired business have been included in the Company’s results of operations from the acquisition date.

### *Monk*

On February 22, 2022, the Company completed its acquisition of Monk SAS for total consideration of \$18.6 million, net of cash acquired and working capital adjustments. The total purchase price was paid in cash. In aggregate, \$13.5 million was attributed to goodwill, \$6.4 million to intangible assets and \$1.1 million to net liabilities assumed. Goodwill acquired in connection with this acquisition will be deductible for tax purposes in the United States and amortized on a straight-line basis over 15 years.

Monk SAS is an AI company delivering state of the art visual processing capabilities for the automotive, insurance and mobility markets. The acquisition of Monk enables the Company to enhance its service offerings and inspection capabilities for dealers and commercial partners. The transaction was accounted for using the acquisition method and, accordingly, the results of the acquired business have been included in the Company’s results of operations from the acquisition date.

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

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" relating to our financial condition and results of operations for the year ended December 31, 2022 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission, or SEC, on March 1, 2023, or the Annual Report. Some of the information contained in this discussion and analysis, including information with respect to our financial condition or results of operations, business strategy and plans and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Statements" in this Form 10-Q. You should review the "Risk Factors" section of our Annual Report for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

#### Overview

Our mission is to build and enable the most trusted and efficient digital marketplace for buying and selling used vehicles with transparency and comprehensive data that was previously unimaginable.

We provide a highly efficient and vibrant digital marketplace for wholesale vehicle transactions and data services that offer transparent and accurate vehicle information to our customers. Our platform leverages data insights and technology to power our digital marketplace and data services, enabling our dealers and commercial partners to buy, sell, and value vehicles with confidence and efficiency. We strive to solve the challenges that the used automotive industry has faced for generations and provide powerful technology-enabled capabilities to our dealers and commercial partners who fulfill a critical role in the automotive ecosystem. We help dealers source and manage inventory and accurately price their vehicles as well as process payments, transfer titles, manage arbitrations, and finance and transport vehicles. Our platform encompasses:

- **Digital Marketplace.** Connects buyers and sellers of wholesale vehicles in an intuitive and efficient manner. Our core marketplace offerings are auctions in varying formats, which facilitate real time transactions of wholesale vehicles, and are available across multiple platforms including mobile apps, desktop, and directly through API integration. We also offer transportation and financing services to facilitate the entire transaction journey.
- **Data Services.** Offer insights into the condition and value of used vehicles for transactions both on and off our marketplace and help dealers, their end consumers, and commercial partners make more informed decisions and transact with confidence and efficiency. We enable dealers to manage their inventory and set pricing more effectively while turning vehicles faster and maximizing profit by leveraging predictive analytics informed by machine learning and market data.
- **Data and Technology.** Underpins everything we do, and powers our vehicle inspections, comprehensive vehicle intelligence reports, digital marketplace, inventory management software, and operations automation.

We have historically generated the majority of our revenue from our digital marketplace where we earn auction and ancillary fees from both buyers and sellers in each case only upon a successful auction. Buyer auction fees are variable based on the price of the vehicle, while seller auction fees include a fixed auction fee and an optional fee for the elective condition report associated with the vehicle. We also earn ancillary fees through additional value-added services to buyers and sellers in connection with the auction.

Our customers include participants on our marketplace and purchasers of our data services. Certain dealers and commercial partners purchase data services in connection with vehicle assessments, software subscriptions, and transactions that do not occur on our marketplace. Our dealer customers include a majority of the top 100 used vehicle dealers in the United States.

For the three and nine months ended September 30, 2023 we had 150,057 and 454,768 Marketplace Units sold on our marketplace representing a total Marketplace Gross Merchandise Value, or Marketplace GMV, of \$2.1 billion and \$7.0 billion, an increase in units of 13% and 8%, respectively, from the same periods in 2022. In the three and nine months ended September 30, 2023, we generated revenue of \$119.0 million and \$362.9 million, an increase of 13% and 12%, respectively from the same periods in 2022, a net loss of \$18.2 million and \$52.0 million, and adjusted EBITDA of \$(3.7) million and \$(12.8) million compared to a net loss of \$23.7 million and \$77.7 million and adjusted EBITDA of \$(11.8) million and \$(43.9) million for the same periods in 2022. We continue to invest in growth to scale our company responsibly and drive towards sustained profitability. See the section titled “—Key Operating and Financial Metrics” for additional information on Marketplace Units, Marketplace GMV and Adjusted EBITDA.

### Key Operating and Financial Metrics

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Marketplace Units	150,057	133,165	454,768	421,337
Marketplace GMV	\$ 2.1 billion	\$ 2.1 billion	\$ 7.0 billion	\$ 7.2 billion
Adjusted EBITDA	\$ (3.7) million	\$ (11.8) million	\$ (12.8) million	\$ (43.9) million

#### 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 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 exclude vehicles that were inspected by ACV, but not sold on our digital marketplace. Since the launch of our platform, Marketplace Units have generally increased as we have expanded our territory coverage, added new Marketplace Buyers and Marketplace Sellers to our platform and increased our share of wholesale transactions from existing customers. Because we only earn auction and ancillary fees in the case of a successful auction, Marketplace Units will remain a critical driver of our revenue growth.

#### 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. Because our definition of Marketplace Units does not include vehicles inspected but not sold on our digital marketplace, and because the value of the vehicle sold is not recognized as revenue, GMV does not represent revenue earned by us. We expect that Marketplace GMV will continue to grow as Marketplace Units grow, though at a varying rate within a given applicable period, as Marketplace GMV is also impacted by the value of each vehicle transacted. Due to the historically high values of used automobiles in the current environment, it is possible that as values normalize in the future, Marketplace GMV could decline even as Marketplace Units grow.

#### Marketplace Buyers

We define Marketplace Buyers as dealers or commercial partners with a unique customer ID that have transacted at least once in the last 12 months as a buyer on our digital marketplace. Marketplace Buyers include independent and franchise dealers buying on our marketplace.

## **Marketplace Sellers**

We define Marketplace Sellers as dealers or commercial partners with a unique customer ID that have transacted at least once in the last 12 months as a seller on our digital marketplace. Marketplace Sellers include independent and franchise dealers selling on our marketplace, as well as commercial partners, consisting of commercial leasing companies, rental car companies, bank or other finance companies, who use our marketplace to sell their inventory.

We monitor the growth in both Marketplace Buyers and Marketplace Sellers as they each promote a more vibrant and healthy marketplace. We believe that our growth in Marketplace Sellers and Marketplace Buyers over time has been driven by the value proposition of our offerings, and our sales and marketing success, including our ability to attract new dealers and commercial partners to our digital marketplace. Based on our current position in the market, we believe that we have significant opportunity to continue to increase the number of Marketplace Buyers and Marketplace Sellers.

## **Adjusted EBITDA**

Adjusted EBITDA is a performance measure that we use to assess our operating performance and the operating leverage in our business. We define Adjusted EBITDA as net income (loss), adjusted to exclude: depreciation and amortization, stock-based compensation expense, interest (income) expense, other (income) expense, net, provision for income taxes, and other one-time, non-recurring items of a material nature, when applicable, such as acquisition-related and restructuring expenses. We monitor Adjusted EBITDA as a non-GAAP financial measure to supplement the financial information we present in accordance with generally accepted accounting principles, or GAAP, to provide investors with additional information regarding our financial results. For further explanation of the uses and limitations of this measure and a reconciliation of our Adjusted EBITDA to the most directly comparable GAAP measure, net income (loss), please see “—Non-GAAP Financial Measures.”

We expect Adjusted EBITDA to fluctuate in the near term as we continue to invest in our business and improve over the long term as we achieve greater scale in our business and efficiencies in our operating expenses.

## **Factors Affecting Our Performance**

We believe that the growth and future success of our business depend on many factors. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address in order to sustain our growth, improve our results of operations, and increase profitability.

### ***Increasing Marketplace Units***

Increasing Marketplace Units is a key driver of our revenue growth. The transparency, efficiency and vibrancy of our marketplace is critical to our ability to grow our share of wholesale transactions from existing customers and attract new buyers and sellers to our digital marketplace. Failure to increase the number of Marketplace Units would adversely affect our revenue growth, operating results, and the overall health of our marketplace.

#### ***Grow Our Share of Wholesale Transactions from Existing Customers***

Our success depends in part on our ability to grow our share of wholesale transactions from existing customers, increasing their engagement and spend on our platform. We remain in the early stages of penetrating our Marketplace Buyers and Sellers' total number of wholesale transactions. As we continue to invest in eliminating key risks of uncertainty related to the auction process through our trusted and efficient digital marketplace, we expect that we will capture an increasing share of transactions from our existing buyers and sellers. Our ability to increase share from existing customers will depend on a number of factors, including our customers' satisfaction with our platform, competition, pricing and overall changes in our customers' engagement levels.

#### ***Add New Marketplace Buyers and Marketplace Sellers***

We believe we have a significant opportunity to add new marketplace participants. As we expand our presence within our existing territories, we are able to drive increased liquidity and greater vehicle selection, which in turn improves our ability to attract new Marketplace Buyers and Marketplace Sellers. Additionally, we intend to add more commercial consignors to our digital marketplace and capture a greater share of vehicles in the wholesale market that are sold to dealers by commercial consignors through auctions and private sales.

Our ability to attract new Marketplace Buyers and Marketplace Sellers will depend on a number of factors including: the ability of our sales team to onboard dealers and commercial consignors onto our platform and ensure their satisfaction, the ability of our territory managers to build awareness of our brand, the ability of our vehicle condition inspectors, or VCIs, to cultivate relationships with our customers in their respective territories, and the effectiveness of our marketing efforts.

### ***Grow Awareness for Our Offerings and Brand***

Wholesale vehicle online penetration is in the early stages, lagging the consumer automotive market, and we expect more dealers and commercial partners to source and manage their inventory online. As the digitization of the wholesale automotive market accelerates, we believe that our digital marketplace is well positioned to capture a disproportionate share of that growth. We plan to use targeted sales and marketing efforts to educate potential Marketplace Buyers and Marketplace Sellers as to the benefits of our offerings and drive adoption of our platform. Our ability to grow awareness of our offerings and brand depend on a number of factors, including:

- ***Secure Trusted Supply.*** The more trusted supply on our marketplace, the more buyers we can attract to our platform.
- ***Deepen Relationships with Dealers and Commercial Partners.*** We have a team of VCIs who work on our customers' lots to not only provide inspection services, but also to develop strong client relationships and ensure the highest quality service.
- ***Drive Customer Loyalty.*** Our loyal customers and referrals serve as a highly effective customer acquisition tool, and help drive our growth in a given territory.
- ***Grow Brand Awareness.*** We plan to invest in promoting our brand by targeted marketing spend and increase customer awareness in the territories in which we operate.

Our future success is dependent on our ability to successfully grow our market presence and market and sell existing and new products to both new and existing customers.

### ***Grow Value-Added and Data Services***

We plan to continue to drive customer adoption of our existing value-added and data services and introduce new and complementary products. Our ability to drive higher attachment rates of existing value-added services, such as ACV Transportation and ACV Capital, will help grow our revenue. In 2021, we added MAX Digital's flagship inventory management system to our portfolio of data services offerings. We plan to drive customer adoption of our data services such as our True360 Reports that bring transparency and offer insights into the condition and value of used vehicles as well as our inventory management system which enables dealers to accurately price wholesale and retail inventory while maximizing profit by leveraging predictive analytics informed by machine learning. These data services enable our customers to make more informed inventory management decisions both on and off our digital marketplace. In addition, we will continue to focus on developing new products and services that enhance our platform in areas including new data-powered products. Our ability to drive customer adoption of these products and services is dependent on the pricing of our products, the offerings of our competitors and the effectiveness of our marketing efforts.

### ***Investment in Growth***

We are actively investing in our business. In order to support our future growth and expanded product offerings, we expect this investment to continue. We anticipate that our operating expenses will increase as we continue to build our sales and marketing efforts, expand our employee base and invest in our technology development. The investments we make in our platform are designed to grow our revenue opportunity and to improve our operating results in the long term, but these investments could also delay our ability to achieve profitability or reduce our profitability in the near term. Our success is dependent on making value-generative investments that support our future growth.

## ***Used Car Demand***

Our success depends in part on sufficient demand for used vehicles. Our growth in 2020 and 2021 coincided with rising consumer demand for used vehicles. During 2022 two factors negatively impacted our growth. First, global automotive production challenges resulted in a significant decline in new-vehicle retail sales, which in turn impacted the supply of wholesale vehicles available within our marketplace. Secondly, demand for used vehicles weakened in the second-half of 2022 due to elevated retail prices and a sharp rise in interest rates, which impacted consumer demand. More recently, new vehicle supply has begun to recover, which over time will increase wholesale supply. However, used-vehicle retail prices and interest rates remain elevated, which is resulting in soft consumer demand. Used car demand will be in part dependent on the economic health of the retail consumer and their ability to afford a vehicle purchase.

Used vehicle sales are also seasonal. Sales typically peak late in the first quarter and early in the second quarter, with the lowest relative level of industry vehicle sales occurring in the fourth quarter. Due to our growth since launch, our sales patterns to date have not been entirely reflective of the general seasonality of the used vehicle market, but we expect this to normalize as our business matures. Seasonality also impacts used vehicle pricing, with used vehicles depreciating at a faster rate in the last two quarters of each year and a slower rate in the first two quarters of each year. We may experience seasonal and other fluctuations in our quarterly results of operations, which may not fully reflect the underlying performance of our business. See the section titled “Seasonality” for additional information on the impacts of seasonality on our business.

## ***COVID-19 and Supply Shortages***

In March 2020, our business and operations began to experience the effects of the worldwide COVID-19 pandemic. Starting in May 2020, our marketplace activity rebounded strongly to reach levels higher than the months of January and February 2020 prior to the impact of COVID-19. As supply constraints began to ease and the demand and supply for used vehicles reached a better equilibrium in the fourth quarter of 2020, the growth in our transaction volume and revenue normalized. In 2021 and 2022, the supply and demand in our marketplace continued to be impacted by the semiconductor supply shortage and COVID-19-related production disruptions.

The factors described above continue to limit the supply of new vehicles and contribute to short-term volatility in used vehicle sales, including those on our marketplace. New car supply has had a significant impact on the supply of wholesale vehicles available within our marketplace over the period. We are continuing to monitor the effects of these factors on our business and industry. In particular, the extent to which COVID-19 will continue to impact our business, and the broader implications of the pandemic on our sustained results of operations, remain uncertain. We cannot predict how the pandemic will continue to develop, whether and to what extent government regulations or other restrictions may impact our operations or those of our customers, or whether and to what extent the pandemic or the effects thereof may have longer term unanticipated impacts on our business.

## **Components of Results of Operations**

### ***Revenue***

#### ***Marketplace and Service Revenue***

We have historically generated the majority of our revenue from our digital marketplace where we earn auction and ancillary fees from both buyers and sellers, in each case only upon a successful auction. Our marketplace and service revenue consists principally of revenue earned from facilitating auctions and arranging for the transportation of vehicles purchased in such auctions.

We act as an agent when facilitating a vehicle auction through the marketplace. Auction and related fees charged to the buyer and seller are reported as revenue on a net basis, excluding the price of the auctioned vehicle in the transaction.

We act as a principal when arranging for the transportation of vehicles purchased on the marketplace and leverage our network of third-party transportation carriers to secure the arrangement. Transportation fees charged to the buyer are reported on a gross basis.

We also generate data services revenue through our True360 reports and MAX Digital inventory management software subscriptions and offer short-term inventory financing to eligible customers purchasing vehicles through the marketplace.

### *Customer Assurance Revenue*

We also generate revenue by providing our Go Green assurance to sellers on the condition of certain vehicles sold on the marketplace, which is considered a guarantee under GAAP. This assurance option is only available for sellers who have enrolled in the service on qualifying vehicles for which we have prepared the vehicle condition report. Customer assurance revenue also includes revenue from other price guarantee products offered to sellers. Customer assurance revenue is measured based upon the fair value of the Go Green assurance that we provide. We expect the fair value per vehicle assured to decrease over time as we continue to improve the quality of our inspection product, which in turn reduces the costs of satisfying such assurance.

### ***Operating Expenses***

#### *Marketplace and Service Cost of Revenue*

Marketplace and service cost of revenue consists of third-party transportation carrier costs, titles shipping costs, customer support, website hosting costs, inspection costs related to data services and various other costs. These costs include salaries, benefits, bonuses and related stock-based compensation expenses, which we refer to as personnel expenses. We expect our marketplace and service cost of revenue to continue to increase in absolute dollars as we continue to scale our business and introduce new product and service offerings.

#### *Customer Assurance Cost of Revenue*

Customer assurance cost of revenue consists of the costs related to satisfying claims against the vehicle condition guarantees, and other price guarantees. We expect that our customer assurance cost of revenue will increase in absolute dollars as our business grows, particularly as we provide guarantees on an increasing number of vehicles.

#### *Operations and Technology*

Operations and technology expense consists of costs for wholesale auction inspections, personnel costs related to payments and titles processing, transportation processing, product and engineering and other general operations and technology expenses. These costs include personnel-related expenses and other allocated facility and office costs. We expect that our operations and technology expense will increase in absolute dollars as our business grows, particularly as we incur additional costs related to continued investments in our marketplace, transportation capabilities and other technologies.

#### *Selling, General and Administrative*

Selling, general and administrative expense consists of costs resulting from sales, accounting, finance, legal, marketing, human resources, executive, and other administrative activities. These costs include personnel-related expenses, legal and other professional services expenses and other allocated facility and office costs. Also included in selling, general and administrative expense is advertising and marketing costs to promote our services. We expect that our selling, general and administrative expense will increase in absolute dollars as our business grows. However, we expect that our selling, general and administrative expense will decrease as a percentage of our revenue as our revenue grows over the longer term.

#### *Depreciation and Amortization*

Depreciation and amortization expense consists of depreciation of fixed assets, and amortization of acquired intangible assets and internal-use software.

#### ***Other Income (Expense)***

Other income (expense) consists primarily of interest income earned on our marketable securities and cash and cash equivalents. Other income (expense) also includes interest expense on our borrowings.

#### ***Provision for Income Taxes***

Provision for income taxes consists of U.S. federal, state and foreign income taxes.

## Results of Operations

The following table sets forth our Condensed Consolidated Statements of Operations data expressed as a percentage of total revenue for the periods presented:

	Three months ended September 30,			
	2023		2022	
	Amount	% of Revenue	Amount	% of Revenue
	(in thousands)			
<b>Revenue:</b>				
Marketplace and service revenue	\$ 104,537	88 %	\$ 90,852	86 %
Customer assurance revenue	14,477	12 %	14,567	14 %
Total revenue	119,014	100 %	105,419	100 %
<b>Operating expenses:</b>				
Marketplace and service cost of revenue (excluding depreciation & amortization) <sup>(1)</sup>	47,928	40 %	46,255	44 %
Customer assurance cost of revenue (excluding depreciation & amortization)	12,464	10 %	12,221	12 %
Operations and technology <sup>(1)</sup>	35,132	30 %	34,328	33 %
Selling, general, and administrative <sup>(1) (3) (5)</sup>	40,797	34 %	34,701	33 %
Depreciation and amortization <sup>(2) (4)</sup>	4,980	4 %	3,004	3 %
Total operating expenses	141,301		130,509	
Income (loss) from operations	(22,287)		(25,090)	
<b>Other Income (expense):</b>				
Interest income	4,489		1,936	
Interest expense	(439)		(235)	
Total other income (expense)	4,050		1,701	
Income (loss) before income taxes	(18,237)		(23,389)	
Provision for income taxes	1		279	
Net income (loss)	\$ (18,238)		\$ (23,668)	
	Nine months ended September 30,			
	2023		2022	
	Amount	% of Revenue	Amount	% of Revenue
	(in thousands)			
<b>Revenue:</b>				
Marketplace and service revenue	\$ 318,760	88 %	\$ 276,951	86 %
Customer assurance revenue	44,097	12 %	46,605	14 %
Total revenue	362,857	100 %	323,556	100 %
<b>Operating expenses:</b>				
Marketplace and service cost of revenue (excluding depreciation & amortization) <sup>(1)</sup>	145,732	40 %	143,400	44 %
Customer assurance cost of revenue (excluding depreciation & amortization)	38,081	10 %	40,432	12 %
Operations and technology <sup>(1) (6)</sup>	106,180	29 %	103,877	32 %
Selling, general, and administrative <sup>(1) (3) (5) (6)</sup>	123,689	34 %	106,897	33 %
Depreciation and amortization <sup>(2) (4)</sup>	12,086	3 %	7,868	2 %
Total operating expenses	425,768		402,474	
Income (loss) from operations	(62,911)		(78,918)	
<b>Other Income (expense):</b>				
Interest income	12,505		2,618	
Interest expense	(1,205)		(683)	
Total other income (expense)	11,300		1,935	
Income (loss) before income taxes	(51,611)		(76,983)	
Provision for income taxes	409		695	
Net income (loss)	\$ (52,020)		\$ (77,678)	



	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
(1) Includes stock-based compensation expense as follows:				
Marketplace and service cost of revenue (excluding depreciation & amortization)	\$ 282	\$ 193	\$ 684	\$ 471
Operations and technology	3,052	2,483	7,777	6,355
Selling, general, and administrative	9,521	6,918	27,801	19,061
Stock-based compensation expense	<u>\$ 12,855</u>	<u>\$ 9,594</u>	<u>\$ 36,262</u>	<u>\$ 25,887</u>
(2) Includes acquired intangible asset amortization as follows:				
Depreciation and amortization	\$ 1,301	\$ 1,189	\$ 3,742	\$ 3,718
Acquired intangible asset amortization	<u>\$ 1,301</u>	<u>\$ 1,189</u>	<u>\$ 3,742</u>	<u>\$ 3,718</u>
(3) Includes contingent losses (gains) as follows:				
Selling, general, and administrative	\$ -	\$ -	\$ -	\$ 200
Contingent losses (gains)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200</u>
(4) Includes amortization of capitalized stock based compensation as follows:				
Depreciation and amortization	\$ 509	\$ 147	\$ 1,034	\$ 310
Amortization of capitalized stock based compensation	<u>\$ 509</u>	<u>\$ 147</u>	<u>\$ 1,034</u>	<u>\$ 310</u>
(5) Includes acquisition costs as follows:				
Selling, general, and administrative	\$ 88	\$ -	\$ 611	\$ -
Acquisition costs	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 611</u>	<u>\$ -</u>
(6) Includes other adjustments as follows:				
Operations and technology	\$ -	\$ 220	\$ (8)	\$ 220
Selling, general, and administrative	378	249	385	249
Other adjustments	<u>\$ 378</u>	<u>\$ 469</u>	<u>\$ 377</u>	<u>\$ 469</u>

## Comparison of the three months ended September 30, 2023 and 2022

### Revenue

#### Marketplace and Service Revenue

	Three months ended September 30,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Marketplace and service revenue	\$ 104,537	\$ 90,852	\$ 13,685	15%

The increase was primarily driven by an increase in auction marketplace revenue from our buyers and sellers, as well as increases in revenue earned from arranging for the transportation of vehicles to buyers and other service revenue. Revenue increases in the current quarter were primarily volume-driven. Additionally, we raised the buyer fees charged on our marketplace effective in October 2022 and September 2023 that further contributed to the increase in revenue year-over-year. For the three months ended September 30, 2023 compared to the three months ended September 30, 2022, auction marketplace revenue increased to \$51.5 million from \$41.8 million, other marketplace revenue increased to \$45.0 million from \$40.5 million, and data services revenue decreased to \$8.1 million from \$8.6 million.

#### Customer Assurance Revenue

	Three months ended September 30,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Customer assurance revenue	\$ 14,477	\$ 14,567	\$ (90)	(1)%

Customer assurance revenue remained flat year over year. For the three months ended September 30, 2023, Go Green assurance revenue decreased to \$12.8 million from \$12.9 million in the three months ended September 30, 2022 as a result of a lower fair value per guaranteed unit. Other assurance revenue was consistent during the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

### Operating Expenses

#### Marketplace and Service Cost of Revenue

	Three months ended September 30,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Marketplace and service cost of revenue (excluding depreciation & amortization)	\$ 47,928	\$ 46,255	\$ 1,673	4%
Percentage of revenue	40%	44%		

The increase primarily consisted of higher costs related to generating auction marketplace and other marketplace revenue partially offset by lower costs attributed to data services cost of revenue. For the three months ended September 30, 2023 compared to the three months ended September 30, 2022, total cost attributed to generating auction marketplace revenue increased to \$9.6 million from \$7.4 million. The increase in auction marketplace cost of revenue is primarily due to increased units sold through our marketplace and physical auction platforms. Other marketplace cost of revenues increased to \$33.3 million for the three months ended September 30, 2023, compared to \$32.8 million for the three months ended September 30, 2022 as a result of increased auctions unit volume benefiting our other marketplace services. For the three months ended September 30, 2023 compared to three months ended September 30, 2022, total cost attributed to generating data services revenue decreased to \$5.1 million from \$6.1 million as we continued our efforts to effectively manage costs. Marketplace and service costs of revenues as a percentage of revenue decreased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 as we continued to grow revenue and scale our business.

### Customer Assurance Cost of Revenue

	<u>Three months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Customer assurance cost of revenue (excluding depreciation & amortization)	\$ 12,464	\$ 12,221	\$ 243	2 %
Percentage of revenue	10 %	12 %		

The increase primarily consisted of costs attributable to our Go Green assurance offerings and was primarily driven by an increase in units. For the three months ended September 30, 2023, Go Green assurance cost of revenue increased to \$11.3 million from \$10.8 million in three months ended September 30, 2022. Other assurance cost of revenue decreased to \$1.2 million from \$1.5 million in the three months ended September 30, 2023 compared to the three months ended September 30, 2022.

### Operations and Technology Expenses

	<u>Three months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Operations and technology	\$ 35,132	\$ 34,328	\$ 804	2 %
Percentage of revenue	30 %	33 %		

The increase is primarily due to higher personnel-related costs. For the three months ended September 30, 2023 compared to the three months ended September 30, 2022, personnel-related costs increased to \$29.7 million from \$29.2 million as a result of headcount increases and increased stock-based compensation in 2023. Software and technology costs decreased to \$3.7 million from \$3.9 million in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Other expenses increased to \$1.8 million from \$1.4 million in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Operations and technology expense as a percentage of revenue decreased during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 as we continued our efforts to effectively manage costs while we continue to invest in future growth.

### Selling, General, and Administrative Expenses

	<u>Three months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Selling, general, and administrative	\$ 40,797	\$ 34,701	\$ 6,096	18 %
Percentage of revenue	34 %	33 %		

The increase is primarily due to higher personnel-related costs. For the three months ended September 30, 2023 compared to three months ended September 30, 2022, personnel-related costs increased to \$33.7 million from \$28.9 million, primarily as a result of headcount increases and increased stock-based compensation in 2023. Other expenses increased to \$7.0 million from \$5.8 million in the three months ended September 30, 2023 compared to the three months ended September 30, 2022. Selling, general, and administrative expenses increased as a percentage of revenue during the three months ended September 30, 2023 compared to the three months ended September 30, 2022 as we continue to invest in future growth.

### Depreciation and Amortization

	Three months ended September 30,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Depreciation and amortization	\$ 4,980	\$ 3,004	\$ 1,976	66%
Percentage of revenue	4%	3%		

The increase is primarily due to an increase of \$1.7 million in amortization of internal-use software costs. The increase in depreciation and amortization as a percentage of revenue is due to the placing of internal-use software projects into service and the subsequent recognition of amortization expense.

### Interest Income

	Three months ended September 30,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Interest income	\$ 4,489	\$ 1,936	\$ 2,553	132%

The increase was primarily driven by higher interest rates and bond yields on our marketable securities portfolio during the three months ended September 30, 2023 compared to three months ended September 30, 2022.

### Interest Expense

	Three months ended September 30,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Interest expense	\$ (439)	\$ (235)	\$ (204)	87%

The increase was primarily driven by an increase in borrowings and interest rates during the three months ended September 30, 2023 as compared to the three months ended September 30, 2022.

### Provision for Income Taxes

	Three months ended September 30,		\$ Change	% Change
	2023	2022		
	(in thousands)			
Provision for income taxes	\$ 1	\$ 279	\$ (278)	(100)%

Our effective tax rate was approximately (0)% and (1)% for the three months ended September 30, 2023 and 2022, respectively. The principal differences between the federal statutory rate and the effective tax rate is related to foreign taxes and credits and the non-recognition of tax benefits for certain entities in a loss position for which a full valuation allowance has been recorded.

## Comparison of the nine months ended September 30, 2023 and 2022

### Revenue

#### Marketplace and Service Revenue

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Marketplace and service revenue	\$ 318,760	\$ 276,951	\$ 41,809	15%

The increase was primarily driven by an increase in auction marketplace revenue from our buyers and sellers, as well as increases in revenue earned from arranging for the transportation of vehicles to buyers and other service revenue. Revenue increases in the current quarter were primarily volume-driven. Additionally, we raised the buyer fees charged on our marketplace effective in October 2022 and September 2023 that further contributed to the increase in revenue year-over-year. For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, auction marketplace revenue increased to \$159.9 million from \$133.8 million, other marketplace revenue increased to \$134.3 million from \$118.3 million, and data services revenue decreased to \$24.6 million from \$24.9 million.

#### Customer Assurance Revenue

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Customer assurance revenue	\$ 44,097	\$ 46,605	\$ (2,508)	(5)%

Customer assurance revenue decrease was primarily driven by a decrease in Go Green assurance revenue. For the nine months ended September 30, 2023, Go Green assurance revenue decreased to \$39.3 million from \$42.2 million in the nine months ended September 30, 2022 as a result of a lower fair value per guaranteed unit. Other assurance revenue increased to \$4.8 million for the nine months ended September 30, 2023 from \$4.4 million for the nine months ended September 30, 2022 as a result of increased unit volume of other price guarantees.

### Operating Expenses

#### Marketplace and Service Cost of Revenue

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Marketplace and service cost of revenue (excluding depreciation & amortization)	\$ 145,732	\$ 143,400	\$ 2,332	2%
Percentage of revenue	40%	44%		

The increase consisted of higher costs related to generating auction marketplace revenue partially offset by lower costs attributed to other marketplace cost of revenue. Other marketplace cost of revenues decreased to \$102.2 million for the nine months ended September 30, 2023, compared to \$104.8 million for the nine months ended September 30, 2022 as we continued our efforts to effectively manage costs. For the nine months ended September 30, 2023 compared to nine months ended September 30, 2022, total cost attributed to generating auction marketplace revenue increased to \$26.9 million from \$21.7 million. The increase in auction marketplace cost of revenue is primarily due to increased units sold through our marketplace platform. Data services cost of revenue decreased to \$16.5 million from \$16.9 million for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Marketplace and services costs of revenues as a percentage of revenue decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 as we continued to grow revenue and scale our business.

### Customer Assurance Cost of Revenue

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Customer assurance cost of revenue (excluding depreciation & amortization)	\$ 38,081	\$ 40,432	\$ (2,351)	(6)%
Percentage of revenue	10%	12%		

The decrease primarily consisted of costs attributable to our Go Green assurance offerings and was primarily driven by lower costs to settle guarantees. For the nine months ended September 30, 2023, Go Green assurance cost of revenue decreased to \$34.3 million from \$36.3 million in the nine months ended September 30, 2022. Other assurance cost of revenue decreased to \$3.7 million during the nine months ended September 30, 2023 from \$4.1 million during the nine months ended September 30, 2022 as we continued our efforts to effectively manage costs.

### Operations and Technology Expenses

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Operations and technology	\$ 106,180	\$ 103,877	\$ 2,303	2%
Percentage of revenue	29%	32%		

The increase primarily consisted of higher software and technology expenses offset by lower personnel-related costs. For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, personnel-related costs decreased to \$89.7 million from \$90.1 million as we continue our efforts to effectively manage costs. Software and technology expenses increased to \$11.6 million from \$10.2 million as a result of continued investment in our technology and infrastructure. Other expenses increased to \$4.9 million from \$3.6 million in the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. Operations and technology expense as a percentage of revenue decreased during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 as we continued our efforts to effectively manage costs while we continue to invest in future growth.

### Selling, General, and Administrative Expenses

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Selling, general, and administrative	\$ 123,689	\$ 106,897	\$ 16,792	16%
Percentage of revenue	34%	33%		

The increase primarily consisted of higher personnel-related costs. For the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, personnel-related costs increased to \$103.2 million from \$87.5 million, primarily as a result of headcount increases and increased stock-based compensation in 2023. Non-personnel expenses increased to \$20.5 million in the nine months ended September 30, 2023 from \$19.4 million in the nine months ended September 30, 2022. Selling, general, and administrative expenses as a percentage of revenue remained consistent during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 as we continue to invest in our business to support future growth.

### Depreciation and Amortization

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Depreciation and amortization	\$ 12,086	\$ 7,868	\$ 4,218	54%
Percentage of revenue	3%	2%		

The increase is primarily due to an increase of \$3.4 million in amortization of internal-use software costs. The increase in depreciation and amortization as a percentage of revenue is due to the placing of internal-use software projects into service and the subsequent recognition of amortization expense.

### **Interest Income**

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Interest income	\$ 12,505	\$ 2,618	\$ 9,887	378 %

The increase was primarily driven by higher interest rates and bond yields on our marketable securities portfolio during the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

### **Interest Expense**

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Interest expense	\$ (1,205)	\$ (683)	\$ (522)	76 %

The increase was primarily driven by an increase in borrowings and interest rates on the borrowings during the nine months ended September 30, 2023 as compared to nine months ended September 30, 2022.

### **Provision for Income Taxes**

	<u>Nine months ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2023</u>	<u>2022</u>		
	(in thousands)			
Provision for income taxes	\$ 409	\$ 695	\$ (286)	(41) %

Our effective tax rate was approximately (1)% and (1)% for the nine months ended September 30, 2023 and 2022, respectively. The principal differences between the federal statutory rate and the effective tax rate is related to foreign taxes and credits and the non-recognition of tax benefits for certain entities in a loss position for which a full valuation allowance has been recorded.

## **Non-GAAP Financial Measures**

### **Adjusted EBITDA**

We report our financial results in accordance with GAAP. However, management believes that Adjusted EBITDA, a non-GAAP financial measure, provides investors with additional useful information in evaluating our performance.

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 and evaluating our operating performance, as well as for internal planning and forecasting purposes.

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 these limitations include that: (i) it does not properly reflect capital commitments to be paid in the future; (ii) 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; (iii) it does not consider the impact of stock-based compensation expense; (iv) it does not reflect other non-operating income and expenses, including interest income and expense; (v) it does not consider the impact of any contingent consideration liability valuation adjustments; and (vi) it does not reflect tax payments that may represent a reduction in cash available to us; and (vii) 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. Because of these limitations, when evaluating our performance, you should consider Adjusted EBITDA alongside other financial measures, including our net loss and other results stated in accordance with GAAP.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
<b>Adjusted EBITDA Reconciliation</b>				
Net income (loss)	\$ (18,238)	\$ (23,668)	\$ (52,020)	\$ (77,678)
Depreciation and amortization	5,087	3,110	12,407	8,211
Stock-based compensation	12,855	9,594	36,262	25,887
Interest (income) expense	(4,050)	(1,701)	(11,300)	(1,935)
Provision for income taxes	1	279	409	695
Acquisition-related costs	88	-	611	-
Other (income) expense, net	564	542	782	941
Adjusted EBITDA	\$ (3,693)	\$ (11,844)	\$ (12,849)	\$ (43,879)

#### **Non-GAAP Net income (loss)**

We report our financial results in accordance with GAAP. However, management believes that 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.

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 periods 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: (i) it does not consider the impact of stock-based compensation



expense; (ii) 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; (iii) it does not consider the impact of any contingent consideration liability valuation adjustments; and (iv) 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. Because of these limitations, when evaluating our performance, you should consider Non-GAAP Net income (loss) alongside other financial measures, including our net loss and other results stated in accordance with GAAP.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (18,238)	\$ (23,668)	\$ (52,020)	\$ (77,678)
Stock-based compensation	12,855	9,594	36,262	25,887
Amortization of acquired intangible assets	1,301	1,189	3,742	3,718
Amortization of capitalized stock based compensation	509	147	1,034	310
Acquisition-related costs	88	-	611	-
Contingent losses (gains)	-	-	-	200
Other	378	469	378	469
Non-GAAP Net income (loss)	\$ (3,107)	\$ (12,269)	\$ (9,993)	\$ (47,094)

### Liquidity and Capital Resources

We have financed operations since our inception primarily through our marketplace revenue and proceeds from sales of equity securities.

As of September 30, 2023, our principal sources of liquidity were cash and cash equivalents totaling \$226.2 million, and investments in marketable securities totaling \$224.0 million. We believe that our existing cash and cash equivalents and cash flow from operations will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months and for the long-term. Our future capital requirements over the long-term will depend on many factors, including volume of sales with existing customers, expansion of sales and marketing activities to acquire new customers, timing and extent of spending to support development efforts and introduction of new and enhanced services. We may, in the future, enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may be required to seek additional equity or debt financing. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, results of operations and financial condition.

As of September 30, 2023, our principal commitments primarily consist of long-term debt and leases for facilities. We have \$1.7 million of lease obligations due within a year, and an additional \$17.2 million of lease obligations due at various dates through 2038. Refer to Note 10 of our consolidated financial statements included in the Annual Report for more information.

In order to compete successfully and sustain operations at current levels over the next 12 months, we will be required to devote a significant amount of operating cash flow to our human capital in the form of salaries and wages. Additionally, we enter into purchase commitments for goods and services made in the ordinary course of business. These purchase commitments include goods and services received and recorded as liabilities as of September 30, 2023 as well as goods and services which have not yet been delivered or performed and have, therefore, not been reflected in our unaudited Condensed Consolidated Balance Sheets and unaudited Condensed Consolidated Statements of Operations. These commitments typically become due after the delivery and completion of such goods or services.

We settle transactions among buyers and sellers using the marketplace, and as a result the value of the vehicles passes through our balance sheet. Because our receivables typically have been, on average, settled faster than our payables, our cash position at each balance sheet date has been bolstered by marketplace float. Changes in working capital vary from quarter-to-quarter as a result of GMV and the timing of collections and disbursements of funds related to auctions held near period end.

### **Our Debt Arrangements**

We entered into a revolving credit facility with Credit Suisse AG, New York Branch, or the 2019 Revolver, in December 2019. On June 26, 2023 we entered into an agreement to extinguish the 2019 Revolver.

We also entered into a revolving credit facility with JP Morgan Chase Bank, N.A., or the 2021 Revolver, on August 24, 2021. On June 1, 2023, we entered into an Amendment on the 2021 Revolver which modified the rate at which interest payments are indexed to from LIBOR to SOFR.

The 2021 Revolver, provides for a revolving line of credit in the aggregate principal amount of up to \$160.0 million. The 2021 Revolver also includes a sub facility that provides for the issuance of letters of credit up to \$20.0 million outstanding at any time. The 2021 Revolver is guaranteed by substantially all of our material domestic subsidiaries and is secured by substantially all of our and such subsidiaries' assets except for ACV Capital Receivables. The interest rate applicable to the 2021 Revolver is, at our option, either (a) SOFR (or a replacement rate established in accordance with the terms of the credit agreement for the 2021 Revolver) (subject to a 0.00% SOFR floor), plus a margin of 2.75% per annum plus an additional credit spread adjustment of 0.11% for daily and one-month terms, 0.26% for three-month terms and 0.43% for six-month terms or (b) the Alternate Base Rate plus a margin of 1.75% per annum. The Alternate Base Rate is the highest of (a) the Wall Street Journal prime rate, (b) the NYFRB rate plus 0.5% and (c)(i) 1.00% plus (ii) the adjusted SOFR rate for a one-month interest period. The 2021 Revolver has a maturity date of August 24, 2026. The 2021 Revolver contains customary covenants that limit our ability to enter into indebtedness, make distributions and make investments, among other restrictions. The 2021 Revolver also contains financial covenants that require us to maintain a minimum liquidity level and achieve specified trailing four quarter revenue targets.

We were in compliance with all such applicable covenants as of September 30, 2023, and believe we are in compliance as of the date of this Quarterly Report on Form 10-Q. As of September 30, 2023, \$105.0 million was drawn under the 2021 Revolver, and there was an outstanding letter of credit issued under the 2021 Revolver in the amount of \$1.6 million.

### **Cash Flows from Operating, Investing, and Financing Activities**

The following table shows a summary of our cash flows for the periods presented:

	<b>Nine months ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(in thousands)</b>	
Net cash provided by (used in) operating activities	\$ 8,611	\$ (75,309)
Net cash provided by (used in) investing activities	(86,174)	(264,331)
Net cash provided by (used in) financing activities	23,052	68,454
Effect of exchange rate changes	(5)	(33)
Net increase (decrease) in cash and equivalents	<u>\$ (54,516)</u>	<u>\$ (271,219)</u>

### ***Operating Activities***

Our largest source of operating cash is cash collection from fees earned on our marketplace. Our primary uses of cash from operating activities are for personnel expenses, marketing expenses and overhead expenses.

In the nine months ended September 30, 2023, net cash provided by operating activities of \$8.6 million was primarily related to our net cash inflow of \$4.2 million due to changes in our operating assets and liabilities and by non-cash charges of \$56.4 million, offset by our net loss of \$52.0 million. Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization of property and equipment and intangible assets, and bad debt expense. The change in operating assets and liabilities were the result of a \$11.0 million decrease in accounts receivable, a \$1.0 million increase in other current and non-current liabilities, offset by a \$5.3 million increase in other current and non-current assets, and a \$2.5 million decrease in accounts payable.

In the nine months ended September 30, 2022, net cash used in operating activities of \$75.3 million was primarily related to our net loss of \$77.7 million, adjusted for net cash outflow of \$39.2 million due to changes in our operating assets and liabilities, and for non-cash charges of \$41.5 million. Non-cash charges primarily consisted of stock-based compensation, depreciation and amortization of property and equipment and intangible assets, and bad debt expense. The change in operating assets and liabilities were the result of a \$64.3 million decrease in accounts receivable and a \$4.4 million increase in other operating assets, a \$98.4 million decrease in accounts payable, and a \$0.7 million decrease in other current and non-current liabilities.

### ***Investing Activities***

In the nine months ended September 30, 2023, net cash used in investing activities was \$86.2 million and primarily related to \$116.0 million in purchases of marketable securities, increase of \$31.0 million in financing receivables, \$19.3 million in capitalized software development costs to support continued technology innovation, \$28.6 million for business acquisitions, partially offset by \$110.3 million in sales, maturities, and redemptions of marketable securities.

In the nine months ended September 30, 2022, net cash used in investing activities was \$264.3 million and primarily related to increases in purchases of marketable securities, increases in financing receivables, our acquisition of Monk SAS, capital expenditures to purchase property and equipment to support field and site operations, and capitalized software development costs to support continued technology innovation.

### ***Financing Activities***

In the nine months ended September 30, 2023, net cash provided by financing activities was \$23.1 million and was primarily the result of \$29.5 million in net proceeds from borrowings on the 2021 Revolver, partially offset by \$6.4 million in stock transactions related to our stock incentive plans.

In the nine months ended September 30, 2022, net cash provided by financing activities was \$68.5 million and was primarily the result of \$70.0 million in net proceeds from borrowings on the 2021 Revolver, partially offset by \$1.5 million in stock transactions related to our stock incentive plans.

### **Acquisitions**

On April 24, 2023, the Company completed its acquisition of all of the ownership interests of a business for total cash consideration of \$12.5 million. The aggregate purchase price was preliminarily allocated to \$5.4 million of goodwill, \$5.9 million of intangible assets and \$1.1 million of net assets assumed. The purchase price allocations are subject to adjustments as they are finalized over the 12 month measurement period. Goodwill acquired in connection with this acquisition will be deductible for tax purposes in the United States and will be amortized on a straight-line basis over 15 years.

On August 22, 2023, the Company completed its acquisition of all of the ownership interests of a business for estimated cash consideration of \$17.3 million. The aggregate purchase price was preliminarily allocated to \$20.8 million of goodwill, and \$3.5 million of net liabilities assumed. The purchase price allocations are subject to adjustments as they are finalized over the 12 month measurement period. Goodwill acquired in connection with this acquisition will be deductible for tax purposes in the United States and will be amortized on a straight-line basis over 15 years.

### **Seasonality**

The volume of vehicles sold through our auctions generally fluctuates from quarter to quarter. This seasonality is caused by several factors, including holidays, weather, the seasonality of the retail market for used vehicles and the timing of federal tax returns, which affects the demand side of the auction industry. As a result, revenue and operating expenses related to volume will fluctuate accordingly on a quarterly basis. In the fourth quarter, we typically experience lower used vehicle auction volume as well as additional costs associated with the holidays. Seasonally depressed used vehicle auction volume typically continues during the winter months through the first quarter. Typical seasonality trends may not be observed in periods where other external factors more significantly impact the industry.

### **Critical Accounting Estimates**

Our financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe are reasonable under the circumstances, however, our actual results could differ from these estimates.

There have been no material changes to our critical accounting estimates as compared to those disclosed in the Annual Report.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to market risk in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates.

#### ***Interest Rate Risk***

We had cash and cash equivalents of \$226.2 million as of September 30, 2023, which consisted of interest-bearing investments with maturities of three months or less. Interest-earning instruments carry a degree of interest rate risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. We had borrowings from banks of \$105.0 million as of September 30, 2023. The interest rate paid on these borrowings is variable, indexed to LIBOR which transitioned on June 30, 2023. A hypothetical 10% change in interest rates would not result in a material impact on our condensed consolidated financial statements.

### **Item 4. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

We maintain “disclosure controls and procedures,” as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings.

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. The material set forth in [Note 5](#) (pertaining to information regarding legal contingencies) of the Notes of the Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

### Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in the Annual Report. Refer to the Annual Report for a complete discussion of our potential risks and uncertainties related to our business and on investment in our Class A common stock. The risks and uncertainties described in our Annual Report are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any risks not specified in our Annual Report materialize, our business, financial condition and results of operations could be materially and adversely affected. See also “Special Note Regarding Forward-Looking Statements” in this Quarterly Report on Form 10-Q for additional information.

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

#### (a) Recent Sales of Unregistered Equity Securities

On February 22, 2022, we issued 620,877 shares of Class A common stock in connection with an acquisition. The issuance was made pursuant to the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering.

#### (b) Use of Proceeds

Not applicable.

#### (c) Issuer Purchases of Equity Securities

Not applicable.

### Item 3. Defaults Upon Senior Securities.

Not applicable.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

On September 15, 2023, George Chamoun, our Chief Executive Officer and a member of our Board of Directors, adopted a “Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K) (the “Chamoun Plan”). The Chamoun Plan contemplates the sale of up to 700,000 shares between March 19, 2024 and June 21, 2024, subject to certain volume limitations and excluding specified “No Sale” periods. The Chamoun Plan is scheduled to terminate on June 21, 2024.

On August 30, 2023, William Zerella, our Chief Financial Officer, adopted a Rule 10b5-1 trading arrangement (the “Zerella Plan”). The Zerella Plan contemplates the sale of up to 490,000 shares between January 9, 2024 and December 31, 2024, subject to certain volume limitations and excluding specified “No Sale” periods. The Zerella Plan is scheduled to terminate on December 31, 2024.

On September 15, 2023, Craig Anderson, our Chief Corporate Development and Strategy Officer, adopted a Rule 10b5-1 trading arrangement (the “Anderson Plan”). The Anderson Plan contemplates the sale of up to 490,000 shares between December 19, 2023 and December 31, 2024, subject to certain volume limitations and excluding specified “No Sale” periods. The Anderson Plan is scheduled to terminate on December 31, 2024.

On September 15, 2023, Vikas Mehta, our Chief Operating Officer, adopted a Rule 10b5-1 trading arrangement (the “Mehta Plan”). The Mehta Plan contemplates the sale of up to 742,500 shares between December 15, 2023 and December 31, 2024, subject to certain volume limitations and excluding specified “No Sale” periods. The Mehta Plan is scheduled to terminate on December 31, 2024. Other than disclosed above, no other officer or director adopted, modified or terminated a Rule 10b5-1 trading arrangement or “non-Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K) during the three months ended September 30, 2023.

**Item 6. Exhibits.**

<b>Exhibit Number</b>	<b>Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	<b>Filed Herewith</b>
3.1	<a href="#"><u>Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect.</u></a>	8-K	001-40256	3.1	March 26, 2021	
3.2	<a href="#"><u>Amended and Restated Bylaws of the Registrant, as currently in effect.</u></a>	8-K	001-40256	3.2	March 26, 2021	
31.1	<a href="#"><u>Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>					X
31.2	<a href="#"><u>Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>					X
32.1*	<a href="#"><u>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.</u></a>					X
32.2*	<a href="#"><u>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.</u></a>					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.					
101.SCH	Inline XBRL Taxonomy Extension Schema Document					
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					



- \* This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACV Auctions Inc.

Date: Nov 6, 2023

By: \_\_\_\_\_  
**George Chamoun**  
**Chief Executive Officer and Director**

Date: Nov 6, 2023

By: \_\_\_\_\_  
**William Zerella**  
**Chief Financial Officer**





**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**

In connection with the Quarterly Report of ACV Auctions Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 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:

- (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 result of operations of the Company.

Date: Nov 6, 2023

By: \_\_\_\_\_ /s/ George Chamoun

**George Chamoun**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

This certification accompanies the Quarterly Report, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of ACV Auctions Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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**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**

In connection with the Quarterly Report of ACV Auctions Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 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:

- (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 result of operations of the Company.

Date: Nov 6, 2023

By: \_\_\_\_\_ /s/ William Zerella

**William Zerella**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

This certification accompanies the Quarterly Report, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of ACV Auctions Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

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