

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2022

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: 001-39315

VROOM, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

90-1112566
(I.R.S. Employer
Identification Number)

3600 W Sam Houston Pkwy S, Floor 4
Houston, Texas 77042
(Address of principal executive offices) (Zip code)

(518) 535-9125
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	VRM	Nasdaq Global Select

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, a 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 Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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 November 3, 2022, 138,173,418 shares of the registrants' common stock were outstanding.

TABLE OF CONTENTS

	<u>Page</u>
Part I - Financial Information	6
Item 1. Financial Statements	6
Condensed Consolidated Balance Sheets as of September 30, 2022 and December 31, 2021 (unaudited)	6
Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2022 and 2021 (unaudited)	7
Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2022 and 2021 (unaudited)	8
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2022 and 2021 (unaudited)	9
Notes to Condensed Consolidated Financial Statements (unaudited)	11
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	44
Item 3. Quantitative and Qualitative Disclosures About Market Risk	78
Item 4. Controls and Procedures	78
Part II - Other Information	79
Item 1. Legal Proceedings	79
Item 1A. Risk Factors	81
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	118
Item 3. Defaults Upon Senior Securities	118
Item 4. Mine Safety Disclosures	119
Item 5. Other Information	119
Item 6. Exhibits	120
Signatures	122

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, (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, (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 general economic and market conditions, our future results of operations and financial condition, business strategy, and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as "anticipate," "believe," "contemplate," "continue," "could," "design," "estimate," "expect," "intend," "may," "plan," "potentially," "predict," "project," "should," "target," "will," "would," or the negative of these terms or other similar terms or expressions, although not all forward-looking statements contain these identifying words.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. Forward-looking statements are based on our management's beliefs and assumptions and on information currently available. These forward-looking statements are subject to a number of known and unknown risks, uncertainties, assumptions, and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including risks described in the section titled "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.

Other sections of this Quarterly Report on Form 10-Q include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report or to conform these statements to actual results or to changes in our expectations. You should read this Quarterly Report on Form 10-Q and the documents that we reference or incorporate by reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

SUMMARY RISK FACTORS

Our business is subject to numerous risks and uncertainties, including those described in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q. You should carefully consider these risks and uncertainties when investing in our common stock. The principal risks and uncertainties affecting our business include, but are not limited to, the following:

- we may not successfully complete the execution of or achieve the expected benefits of our previously announced Realignment Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations;
- despite the cost saving measures, reduced growth rates and increased focus on liquidity and profitability contemplated by the Realignment Plan, we may need to raise additional capital through debt or equity financings to achieve our business objectives and there can be no assurance that such financings will be available in amounts or on terms acceptable to us, if at all;
- the impact of the COVID-19 pandemic;
- general business and economic conditions and risks related to the larger automotive ecosystem, including consumer demand;
- we have a history of losses and we may not achieve or maintain profitability in the future;
- we may not be able to generate sufficient revenue to generate positive cash flow on a sustained basis;
- our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our debt obligations;
- we have a limited operating history and are still building out our foundational systems;
- our recent, rapid growth is not indicative of our near term growth under our Realignment Plan and, when we return to rapid growth, we may not be able to manage our growth effectively;
- we may be unable to successfully integrate the United Auto Credit Corporation ("UACC") business into our business and develop UACC into a captive lending operation for Vroom, or realize the anticipated benefits of the UACC Acquisition or those benefits could take longer than anticipated;
- UACC's ability to sell automotive finance receivables and generate gains on sales of these finance receivables may decline in the future; any material reduction could harm our business, results of operations, and financial condition;
- we rely on third-party vendors for key components of our business, which exposes us to increased risks;
- we have entered into outsourcing arrangements with third parties related to our customer experience team, and difficulties experienced in these arrangements have and could continue to result in an interruption of our ability to sell our vehicles and value-added products;
- our business, sales and results of operations are materially affected by our customer experience, our reputation and our brand;

- we face a variety of risks associated with the operation of our vehicle reconditioning centers by us and our third-party service providers, any of which could materially and adversely affect our business, financial condition and results of operations;
- we currently rely heavily on third-party carriers to transport our vehicle inventory throughout the United States. Thus, we are subject to business risks and costs associated with such carriers and with the transportation industry, many of which are out of our control;
- we are optimizing our proprietary logistics operations, including vehicle pick-ups and delivery from our last mile hubs and line haul transportation of vehicles between our last mile hubs, which will further expose us to increased risks related to ownership of infrastructure and the transportation of vehicles;
- the current geographic concentration where we provide reconditioning services and store inventory and where UACC has a high concentration of borrowers creates an exposure to local and regional downturns or severe weather or catastrophic occurrences that may materially and adversely affect our business, financial condition and results of operations;
- if we or our third-party providers sustain cyber-attacks or other privacy or data security incidents that result in security breaches, we could suffer a loss of sales and increased costs, exposure to significant liability, reputational harm and other negative consequences;
- we operate in a highly regulated industry and are subject to a wide range of federal, state and local laws and regulations and failure to comply with these laws and regulations could have a material adverse effect on our business, financial condition and results of operations;
- we are, and may in the future be, subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, financial condition and results of operations; and
- our actual operating results may differ significantly from our guidance.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

VROOM, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(unaudited)

	As of September 30, 2022	As of December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 509,660	\$ 1,132,325
Restricted cash (including restricted cash of consolidated VIEs of \$19.5 million and \$0 million, respectively)	94,305	82,450
Accounts receivable, net of allowance of \$26.7 million and \$8.9 million, respectively	23,733	105,433
Finance receivables at fair value (including finance receivables of consolidated VIEs of \$10.9 million and \$0 million, respectively)	13,644	—
Finance receivables held for sale, net (including finance receivables of consolidated VIEs of \$137.1 million and \$0 million, respectively)	210,729	—
Inventory	437,828	726,384
Beneficial interests in securitizations	23,984	—
Prepaid expenses and other current assets	58,576	55,700
Total current assets	1,372,459	2,102,292
Finance receivables at fair value (including finance receivables of consolidated VIEs of \$135.8 million and \$0 million, respectively)	166,382	—
Property and equipment, net	50,520	37,042
Intangible assets, net	165,668	28,207
Goodwill	—	158,817
Operating lease right-of-use assets	24,392	15,359
Other assets	29,539	25,033
Total assets	\$ 1,808,960	\$ 2,366,750
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 36,800	\$ 52,651
Accrued expenses	103,903	121,508
Vehicle floorplan	345,272	512,801
Warehouse credit facilities of consolidated VIEs	135,453	—
Current portion of securitization debt of consolidated VIEs at fair value	54,652	—
Deferred revenue	16,313	75,803
Operating lease liabilities, current	8,268	6,889
Other current liabilities	19,061	57,604
Total current liabilities	719,722	827,256
Long term debt, net of current portion (including securitization debt of consolidated VIEs of \$40.8 million and \$0 million at fair value, respectively)	607,790	610,618
Operating lease liabilities, excluding current portion	20,620	9,592
Other long-term liabilities	15,696	4,090
Total liabilities	1,363,828	1,451,556
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, \$0.001 par value; 500,000,000 shares authorized as of September 30, 2022 and December 31, 2021; 138,154,063 and 137,092,891 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	135	135
Additional paid-in-capital	2,070,454	2,063,841
Accumulated deficit	(1,625,457)	(1,148,782)
Total stockholders' equity	445,132	915,194
Total liabilities and stockholders' equity	\$ 1,808,960	\$ 2,366,750

See accompanying notes to these unaudited condensed consolidated financial statements.

VROOM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Retail vehicle, net	\$ 234,353	\$ 735,716	\$ 1,283,263	\$ 1,798,155
Wholesale vehicle	47,604	131,306	270,489	377,438
Product, net	13,181	26,544	51,954	64,422
Finance	40,654	—	120,005	—
Other	5,005	3,190	13,841	9,749
Total revenue	340,797	896,756	1,739,552	2,249,764
Cost of sales:				
Retail vehicle	218,726	708,071	1,234,138	1,720,974
Wholesale vehicle	49,178	129,203	276,749	367,101
Finance	4,699	—	10,368	—
Other	863	1,393	2,969	4,296
Total cost of sales	273,466	838,667	1,524,224	2,092,371
Total gross profit	67,331	58,089	215,328	157,393
Selling, general and administrative expenses	134,643	148,718	475,627	381,482
Depreciation and amortization	9,833	3,376	27,728	9,276
Impairment charges	1,017	—	206,127	—
Loss from operations	(78,162)	(94,005)	(494,154)	(233,365)
Gain on debt extinguishment	(37,917)	—	(37,917)	—
Interest expense	9,704	7,028	28,617	14,720
Interest income	(5,104)	(2,930)	(12,991)	(7,288)
Other loss (income), net	5,383	(10)	26,897	(58)
Loss before provision for income taxes	(50,228)	(98,093)	(498,760)	(240,739)
Provision (benefit) for income taxes	899	29	(22,085)	379
Net loss	\$ (51,127)	\$ (98,122)	\$ (476,675)	\$ (241,118)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.37)	\$ (0.72)	\$ (3.46)	\$ (1.77)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	138,118,679	136,766,015	137,817,839	136,256,901

See accompanying notes to these unaudited condensed consolidated financial statements.

VROOM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share amounts)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2020	134,043,969	\$ 132	\$ 2,004,841	\$ (777,871)	\$ 1,227,102
Issuance of common stock for acquisition of business	1,072,117	\$ 1	\$ 39,029	\$ —	\$ 39,030
Fair value of unvested stock options assumed in acquisition of business	—	—	1,017	—	1,017
Stock-based compensation	—	—	2,820	—	2,820
Exercise of stock options	687,336	1	2,820	—	2,821
Vesting of restricted stock units	499,879	—	—	—	—
Net loss	—	—	—	(77,189)	(77,189)
Balance at March 31, 2021	136,303,301	\$ 134	\$ 2,050,527	\$ (855,060)	\$ 1,195,601
Stock-based compensation	—	\$ —	\$ 5,392	\$ —	\$ 5,392
Exercise of stock options	395,491	—	1,560	—	1,560
Vesting of restricted stock units	18,555	—	—	—	—
Net loss	—	—	—	(65,807)	(65,807)
Balance at June 30, 2021	136,717,347	\$ 134	\$ 2,057,479	\$ (920,867)	\$ 1,136,746
Stock-based compensation	—	\$ —	\$ 1,542	\$ —	\$ 1,542
Exercise of stock options	164,631	1	703	—	704
Vesting of restricted stock units	21,649	—	—	—	—
Common stock shares cancelled to satisfy working capital adjustment related to the CarStory acquisition	(5,673)	—	(219)	—	(219)
Net loss	—	—	—	(98,122)	(98,122)
Balance at September 30, 2021	136,897,954	\$ 135	\$ 2,059,505	\$ (1,018,989)	\$ 1,040,651

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2021	137,092,891	\$ 135	\$ 2,063,841	\$ (1,148,782)	\$ 915,194
Stock-based compensation	—	\$ —	\$ 3,629	\$ —	\$ 3,629
Vesting of restricted stock units	602,630	—	—	—	—
Net loss	—	—	—	(310,459)	(310,459)
Balance at March 31, 2022	137,695,521	\$ 135	\$ 2,067,470	\$ (1,459,241)	\$ 608,364
Stock-based compensation	—	\$ —	\$ 1,776	\$ —	\$ 1,776
Vesting of restricted stock units	50,516	—	—	—	—
Issuance of restricted stock purchase agreement	356,718	—	—	—	—
Net loss	—	—	—	(115,089)	(115,089)
Balance at June 30, 2022	138,102,755	\$ 135	\$ 2,069,246	\$ (1,574,330)	\$ 495,051
Stock-based compensation	—	\$ —	\$ 1,208	\$ —	\$ 1,208
Vesting of restricted stock units	51,308	—	—	—	—
Net loss	—	—	—	(51,127)	(51,127)
Balance at September 30, 2022	138,154,063	\$ 135	\$ 2,070,454	\$ (1,625,457)	\$ 445,132

See accompanying notes to these unaudited condensed consolidated financial statements.

VROOM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2022	2021
Operating activities		
Net loss	\$ (476,675)	\$ (241,118)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment charges	206,127	—
Gain on debt extinguishment	(37,917)	—
Depreciation and amortization	28,005	9,497
Amortization of debt issuance costs	3,777	1,784
Realized gains on securitization transactions	(45,589)	—
Deferred taxes	(23,855)	—
Losses on finance receivables and securitization debt, net	39,464	—
Stock-based compensation expense	6,613	9,754
Provision to record inventory at lower of cost or net realizable value	(5,033)	5,625
Other, net	4,717	4,874
Changes in operating assets and liabilities:		
<i>Finance receivables, held for sale</i>		
Originations of finance receivables held for sale	(483,167)	—
Principal payments received on finance receivables held for sale	38,297	—
Proceeds from sale of finance receivables held for sale, net	509,612	—
Other	(5,924)	—
Accounts receivable	63,252	(32,936)
Inventory	293,589	(183,731)
Prepaid expenses and other current assets	12,420	(39,356)
Other assets	(2,678)	(7,390)
Accounts payable	(22,183)	26,144
Accrued expenses	(27,020)	43,512
Deferred revenue	(59,490)	39,227
Other liabilities	(39,444)	38,655
Net cash used in operating activities	(23,102)	(325,459)
Investing activities		
<i>Finance receivables at fair value</i>		
Originations of finance receivables at fair value	(49,475)	—
Principal payments received on finance receivables at fair value	106,829	—
Proceeds from sale of finance receivables at fair value, net	43,262	—
Principal payments received on beneficial interests	5,571	—
Purchase of property and equipment	(19,968)	(18,786)
Acquisition of business, net of cash acquired of \$47.9 million	(267,488)	(75,875)
Net cash used in investing activities	(181,269)	(94,661)
Financing activities		
Principal repayment under secured financing agreements	(176,909)	—
Proceeds from vehicle floorplan	1,286,000	1,901,457
Repayments of vehicle floorplan	(1,453,529)	(1,789,215)
Proceeds from warehouse credit facilities	419,000	—
Repayments of warehouse credit facilities	(460,566)	—
Other financing activities	(1,977)	—
Repayments of convertible senior notes	(18,458)	—
Proceeds from issuance of convertible senior notes	—	625,000
Issuance costs paid for convertible senior notes	—	(16,129)
Proceeds from exercise of stock options	—	5,085
Net cash (used in) provided by financing activities	(406,439)	726,198
Net (decrease) increase in cash, cash equivalents and restricted cash	(610,810)	306,078
Cash, cash equivalents and restricted cash at the beginning of period	1,214,775	1,090,039
Cash, cash equivalents and restricted cash at the end of period	\$ 603,965	\$ 1,396,117

(Continued on following page)

VROOM, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(in thousands)
(unaudited)

Supplemental disclosure of cash flow information:

Cash paid for interest	\$ 24,619	\$ 11,116
Cash paid for income taxes	\$ 2,062	\$ 329

Supplemental disclosure of non-cash investing and financing activities:

Fair value of beneficial interests received in securitization transactions	\$ 30,082	\$ —
Accrued property and equipment expenditures	\$ 538	\$ 1,652
Issuance of common stock for CarStory acquisition	\$ —	\$ 38,811
Fair value of unvested stock options assumed for acquisition of business	\$ —	\$ 1,017

See accompanying notes to these unaudited condensed consolidated financial statements.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Description of Business and Basis of Presentation

Description of Business and Organization

Vroom, Inc., and its wholly owned subsidiaries (collectively, "the Company") is an innovative, end-to-end ecommerce platform that is transforming the used vehicle industry by offering a better way to buy and a better way to sell used vehicles.

In December 2015, the Company acquired Houston-based Left Gate Property Holding, LLC (d/b/a Texas Direct Auto and Vroom). The acquisition included the Company's proprietary vehicle reconditioning center, the Texas Direct Auto ("TDA") dealership, and Sell Us Your Car® centers. Left Gate Property Holding, LLC was renamed Vroom Automotive, LLC in March 2021, and is the primary operating entity for the Company's purchases and sales of used vehicles. In January 2021, the Company acquired Vast Holdings, Inc. (d/b/a CarStory). On February 1, 2022, the ("Acquisition Date"), the Company completed the acquisition of Unitas Holdings Corp. (now known as Vroom Finance Corporation).

As part of the Company's previously announced Business Realignment Plan ("Realignment Plan"), initiated in the second quarter of 2022, the Company streamlined TDA's operations and closed its service center. The Company also reevaluated its reporting segments based on relative revenue and gross profit and significance in the Company's long term strategy. As a result of the quantitative analysis, the Company determined to no longer report TDA as a separate segment. Starting in the three months ended June 30, 2022, the Company is organized into three reportable segments: Ecommerce, Wholesale, and Retail Financing. The Company reclassified TDA revenue and TDA gross profit for the comparative period from the TDA reportable segment to the "All Other" category to conform to current year presentation. The Ecommerce reportable segment represents retail sales of used vehicles through the Company's ecommerce platform, fees earned on sales of value-added products associated with those vehicles sales, as well as financing those sales through UACC. The Wholesale reportable segment represents sales of used vehicles through wholesale channels. The Retail Financing reportable segment represents UACC's operations with its network of third-party dealership customers, which primarily consists of the purchases and servicing of vehicle installment contracts, but excluding financing of vehicle sales to Vroom customers.

The Company was incorporated in Delaware on January 31, 2012 under the name BCM Partners III, Corp. On June 25, 2013, the Company changed its name to Auto America, Inc. and on July 9, 2015, the Company changed its name to Vroom, Inc.

Basis of Presentation

The condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. The condensed consolidated balance sheet as of December 31, 2021, included herein, was derived from the audited consolidated financial statements as of that date. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2021.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and in management's opinion, include all adjustments, which consist of only normal recurring adjustments necessary for the fair statement of the Company's condensed consolidated balance sheet as of September 30, 2022 and its results of operations for the three and nine months ended September 30, 2022 and 2021. The results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results expected for the current fiscal year or any other future periods. Certain prior year amounts have been reclassified to conform to the current year presentation.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies**Use of Estimates**

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses and related disclosures. On an ongoing basis, the Company evaluates its estimates, including, among others, those related to income taxes, the realizability of inventory, stock-based compensation, contingencies, revenue-related reserves, fair value measurements, goodwill, and useful lives of property and equipment and intangible assets. The Company bases its estimates on historical experience, market conditions, and on various other assumptions that are believed to be reasonable. Actual results may differ from these estimates.

Comprehensive Loss

The Company did not have any other comprehensive income or loss for the three and nine months ended September 30, 2022 and 2021. Accordingly, net loss and comprehensive loss are the same for the periods presented.

Restricted Cash

Restricted cash includes cash deposits required under the Company's 2020 Vehicle Floorplan Facility as explained in Note 10 – Vehicle Floorplan Facility, and cash deposits of \$39.0 million required under cash collateral agreements with certain of the Company's lenders. Additionally, starting in the first quarter of 2022, restricted cash also includes restricted cash for UACC. UACC collects and services all receivables under the securitizations and warehouse credit facilities. These collections are restricted for use until properly remitted each month under the terms of the servicing agreement. Refer to Note 11 — Warehouse Credit Facilities of Consolidated VIEs and Note 12 — Long Term Debt for further detail.

Finance Receivables

Finance receivables consist of installment contracts the Company originates through UACC to finance the vehicles it sells, as well as installment contracts acquired by UACC from its existing network of third-party dealership customers.

The Company's finance receivables are generally secured by the vehicles being financed.

Finance receivables over 90 days delinquent are considered nonaccrual finance receivables. Interest income is subsequently recognized only to the extent cash payments are received. Finance receivables may be restored to accrual status when a customer settles all delinquency balances and future interest and principal payments are reasonably assured.

Finance Receivables Held for Sale, Net

Finance receivables which the Company intends to sell and not hold to maturity are classified as held-for-sale. The Company intends to sell finance receivables either through securitization transactions or whole loan sales under forward flow arrangements. Finance receivables classified as held for sale are recorded at the lower of cost or fair value. Deferred acquisition costs and any discounts or premiums are deferred until the finance receivables are sold and are then recognized as part of the total gain or loss on sale and recorded in "Finance Revenue" in the condensed consolidated statements of operations.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The Company records a valuation allowance to report finance receivables at the lower of amortized cost basis or fair value. For purposes of determining the valuation allowance, finance receivables are evaluated collectively to determine the valuation allowance as they represent a large group of smaller-balance homogeneous loans. To the extent that actual experience differs from estimates, there could be significant adjustments to our valuation allowance. Fair value adjustments are recorded in "Other loss (income), net" in the condensed consolidated statements of operations. Principal balances of finance receivables are charged-off when the Company is unable to sell the finance receivable and the related vehicle has been repossessed and liquidated or the receivable has otherwise been deemed uncollectible. As of September 30, 2022, the valuation allowance for finance receivables classified as held for sale was \$6.5 million. Refer to Note 16 – Financial Instruments and Fair Value Measurements.

Finance Receivables at Fair Value

Finance receivables at fair value represent finance receivables for which the Company elected the fair value option on February 1, 2022 and primarily consists of the finance receivables held in consolidated variable interest entities ("VIEs") related to securitization transactions consummated prior to the Acquisition Date. Fair value adjustments are recorded in "Other loss (income), net" in the condensed consolidated statements of operations. Refer to Note 16 – Financial Instruments and Fair Value Measurements.

Consolidated CFEs

The Company elected the fair value option for the initial recognition of the assets and liabilities of its consolidated VIEs related to the 2020 and 2021 historical securitizations acquired from UACC. These VIEs are consolidated collateralized financing entities (CFEs) and are accounted for using the measurement alternative included in ASU 2014-13, *Measuring the Financial Assets and Liabilities of a Consolidated Collateralized Financing Entity* ("ASU 2014-13"). Interest income, interest expense and other loss or income associated with these CFEs are presented separately on the condensed consolidated statements of operations, within the "Finance revenue", "Finance cost of sales" and "Other loss (income), net" line items, respectively. The assets and liabilities of the CFEs are presented as part of the current and noncurrent "Finance receivables at fair value" and "Securitization debt of consolidated VIEs at fair value," respectively, on the condensed consolidated balance sheets.

During the three and nine months ended September 30, 2022, the Company recognized interest income of \$10.0 million and \$35.0 million, respectively, interest expense of \$0.9 million and \$2.9 million, respectively, and other net gains and losses due to changes in fair value of \$3.5 million and \$15.8 million net losses, respectively. Refer to Note 16 – Financial Instruments and Fair Value Measurements for further details.

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Goodwill is tested for impairment annually as of October 1 or whenever events or changes in circumstances indicate that an impairment may exist.

The Company has four reporting units: Ecommerce, Wholesale, TDA and Retail Financing. In performing its goodwill impairment test, the Company first reviews qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing qualitative factors, the Company determines that it is more likely than not that the fair value of a reporting unit is more than its carrying amount, then performing the quantitative test is unnecessary and the Company's goodwill is not considered to be impaired. However, if based on the qualitative assessment the Company concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, or if the Company elects to bypass the optional qualitative assessment as provided for under U.S. GAAP, the Company proceeds with performing the quantitative impairment test.

Business Combinations

The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The Company's estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. The Company will continue to collect information and reevaluate these estimates and assumptions quarterly and record any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments will be recorded to the Company's consolidated statement of operations.

Advertising

Advertising costs are expensed as incurred and are included within "Selling, general and administrative expenses" in the consolidated statements of operations. Advertising expenses were \$14.9 million and \$35.2 million for the three months ended September 30, 2022 and 2021, respectively, and \$69.8 million and \$88.3 million for the nine months ended September 30, 2022 and 2021, respectively.

Shipping and Handling

Logistics costs related to inbound transportation from the point of acquisition to the relevant reconditioning facility are included in cost of sales when the related used vehicle is sold. Logistics costs not included in cost of sales are accounted for as costs to fulfill contracts with customers and are included in "Selling, general and administrative expenses" in the condensed consolidated statements of operations and were \$4.9 million and \$22.7 million for the three months ended September 30, 2022 and 2021, respectively, and \$39.9 million and \$58.0 million for the nine months ended September 30, 2022 and 2021, respectively.

Concentration of Credit Risk and Significant Customers

The Company's principal financial instruments subject to potential concentration of credit risk are cash and cash equivalents and accounts receivable, which are unsecured. The Company's cash balances are maintained at various large, reputable financial institutions. Deposits held with financial institutions may at times exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and, therefore, management believes they bear minimal risk. The Company's cash equivalents primarily consist of money market funds that hold investments in highly liquid U.S. treasury securities and commercial paper investments. Concentration of credit risk with respect to accounts receivable is generally mitigated by a large customer base.

For the three and nine months ended September 30, 2022 and 2021, no customer represented 10% or more of the Company's revenues and no customer represented more than 10% of the Company's accounts receivable as of September 30, 2022 and December 31, 2021.

Liquidity

The Company has had negative cash flows and losses from operations since inception and expects to incur additional losses in the future.

In June 2021, the Company issued \$625.0 million aggregate principal amount of 0.75% unsecured Convertible Senior Notes due 2026. In September 2022, the Company repurchased \$56.4 million in aggregate principal amount of the Notes (as defined in Note 12), net of deferred issuance costs of \$1.1 million, for \$18.5 million in open-market transactions. The Company recognized a gain on extinguishment of debt of \$37.9 million for the three and nine months ended September 30, 2022. Refer to Note 12 – Long Term Debt for further discussion.

The Company has a 2020 Vehicle Floorplan Facility (as defined in Note 10) with a borrowing capacity of \$350.6 million as of September 30, 2022. In November 2022, the Company amended and restated the 2020 Vehicle Floorplan with Ally (the "2022 Vehicle Floorplan Facility"). The 2022 Vehicle Floorplan Facility provides a committed credit line of up to \$500.0 million which is scheduled to mature on March 31, 2024. Refer to Note 10 – Vehicle Floorplan Facility for further discussion.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

In February 2022, UACC sold \$281.4 million of rated asset-backed securities and \$32.3 million of residual certificates in an auto loan securitization offering from a securitization trust, established and sponsored by UACC, for proceeds of \$317.3 million. The trust is collateralized by finance receivables with an aggregate principal balance of \$318.5 million and had a carrying value of \$287.7 million at the time of sale. In July 2022, UACC sold \$242.3 million of rated asset-backed securities and \$17.3 million of residual certificates in an auto loan securitization offering from a securitization trust, established and sponsored by UACC, for proceeds of \$265.6 million. The trust is collateralized by finance receivables with an aggregate principal balance of \$285.0 million and had a carrying value of \$246.9 million at the time of sale. These finance receivables are serviced by UACC. UACC retained 5% of the notes and residual certificates sold. Refer to Note 4 – Variable Interest Entities and Securitizations for further discussion.

UACC has three warehouse credit facilities from a diverse bank group with a borrowing capacity of \$550.0 million as of September 30, 2022. Refer to Note 11 – Warehouse Credit Facilities of Consolidated VIEs for further discussion.

Nonemployee Share-Based Payments

On May 15, 2020, the Company entered into an agreement with Rocket Auto LLC and certain of its affiliates (collectively, “Rocket”) providing for the launch of an ecommerce platform under the “Rocket Auto” brand for the marketing and sale of vehicles directly to consumers (the “RA Agreement”). The Company issued Rocket 183,870 shares of the Company’s common stock upon execution of the RA Agreement. The Company agreed to pay Rocket a combination of cash and stock for vehicle sales made through the platform resulting in the issuance of 2,684 performance shares. The grant date fair value of the upfront shares issued was initially recognized as an asset within “Other assets” in the consolidated balance sheet. On April 26, 2022 the RA Agreement was suspended indefinitely and the asset related to the upfront shares of \$2.1 million was written off to “Selling, general and administrative expenses”.

Accounting Standards Issued But Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires contract assets and contract liabilities acquired in a business combination to be recognized in accordance with Topic 606 as if the acquirer had originated the contracts. The guidance will be effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements and related disclosures.

3. Revenue Recognition

The Company recognizes revenue upon transfer of control of goods or services to customers, in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company may collect sales taxes and other taxes and government fees from customers on behalf of governmental authorities at the time of sale as required. These taxes are accounted for on a net basis and are not included in revenues or cost of sales.

The Company’s revenue is disaggregated within the consolidated statements of operations and is generated from customers throughout the United States.

Retail Vehicle Revenue

The Company sells used vehicles to its retail customers through its ecommerce platform and TDA retail location. The transaction price for used vehicles is a fixed amount as set forth within the customer contract at the time of sale. Customers frequently trade-in their existing vehicle to apply toward the transaction price of a used vehicle. Trade-in vehicles represent non-cash consideration which the Company measures at fair value based on external and internal market data for each specific vehicle. The Company satisfies its performance obligation and recognizes revenue for used vehicle sales generally at a point in time when the vehicles are delivered to the customer for ecommerce sales or picked up by the customer for TDA sales. The revenue recognized by the Company includes the agreed upon transaction price, including any delivery charges and document fees stated within the customer contract. Revenue excludes any sales taxes, title and registration fees, and other government fees that are collected from customers.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The Company receives payment for used vehicle sales directly from the customer at the time of sale or from third-party financial institutions within a short period of time following the sale if the customer obtains financing. Payments received prior to delivery or pick-up at the TDA retail location of used vehicles are recorded as “Deferred revenue” within the consolidated balance sheets.

The Company offers a return program for used vehicle sales and establishes a provision for estimated returns based on historical information and current trends. The reserve for estimated returns is presented gross on the consolidated balance sheets, with an asset recorded in “Prepaid expenses and other current assets” and a refund liability recorded in “Other current liabilities.”

Wholesale Vehicle Revenue

The Company sells vehicles that do not meet its retail sales criteria through wholesale channels. Vehicles sold through wholesale channels are acquired from customers who trade-in their vehicles when making a purchase from the Company, from customers who sell their vehicles to the Company in straight-buy transactions, and from liquidation of vehicles previously listed for retail sale. The transaction price for wholesale vehicles is a fixed amount. The Company satisfies its performance obligation and recognizes revenue for wholesale vehicle sales at a point in time when the vehicle is sold. The transaction price is typically due and collected within a short period of time following the vehicle sales.

Product Revenue

The Company’s product revenue consists of fees earned on selling third-party financing, financing vehicle sales through UACC, and sales of value-added products, such as vehicle service contracts, guaranteed asset protection (“GAP”) and tire and wheel coverage.

The Company sells third-party financing and value-added products pursuant to arrangements with the third parties that provide these products and are responsible for their fulfillment. The Company concluded that it is an agent for these transactions because it does not control the products before they are transferred to the customer. The Company recognizes product revenues on a net basis when the customer enters into an arrangement for the products, which is typically at the time of a used vehicle sale.

Customers may enter into a retail installment sales contract to finance the purchase of used vehicles. The Company sells these contracts on a non-recourse basis to various financial institutions. The Company receives a fee from the financial institution based on the difference between the interest rate charged to the customer that purchased the used vehicle and the interest rate set by the financial institution. These fees are recognized upon sale and assignment of the installment sales contract to the financial institution, which occurs concurrently at the time of a used vehicle sale.

A portion of the fees earned on third-party financing and value-added products is subject to chargebacks in the event of early termination, default, or prepayment of the contracts by end-customers. The Company’s exposure for these events is limited to the fees that it receives. An estimated refund liability for chargebacks against the revenue recognized from sales of these products is recorded in the period in which the related revenue is recognized and is based primarily on the Company’s historical chargeback experience. The Company updates its estimates at each reporting date. As of September 30, 2022 and December 31, 2021, the Company’s reserve for chargebacks was \$8.9 million and \$9.6 million, respectively, of which \$4.7 million and \$5.5 million, respectively, are included within “Accrued expenses” and \$4.2 million and \$4.1 million, respectively, are included in “Other long-term liabilities.”

The Company also is contractually entitled to receive profit-sharing revenues based on the performance of the vehicle service policies once a required claims period has passed. The Company recognizes profit-sharing revenues to the extent it is probable that it will not result in a significant revenue reversal. The Company estimates the revenue based on historical claims and cancellation data from its customers, as well as other qualitative assumptions. The Company reassesses the estimate at each reporting period with any changes reflected as an adjustment to revenues in the period identified. As of September 30, 2022 and December 31, 2021, the Company recognized \$22.0 million and \$17.9 million, respectively, related to cumulative profit-sharing payments to which it expects to be entitled, of which \$1.3 million and \$0.9

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

million, respectively, are included within "Prepaid expenses and other current assets" and \$20.7 million and \$17.0 million, respectively, are included within "Other assets."

As a result of the UACC Acquisition (as defined below), the Company also generates ecommerce product revenue by providing Vroom customers with automotive financing solutions through its captive financing operation. The Company earns interest income on finance receivables before they are sold and proceeds from the sale of finance receivables originated by UACC for Vroom customers in securitization transactions. Refer to Note 4 – Variable Interest Entities and Securitizations.

Finance Revenue

The Company's finance revenue consists of gain on the sales of finance receivables acquired by UACC from its network of third-party dealership customers, interest income earned on finance receivables held for sale, as well as interest income earned on finance receivables held in consolidated VIEs related to UACC securitization transactions consummated prior to the Acquisition Date. Refer to Note 4 – Variable Interest Entities and Securitizations.

Interest income deemed uncollectible is reversed at the time the finance receivable is charged off. An account is considered delinquent if a scheduled payment has not been received by the date such payment was contractually due. Finance receivables over 90 days delinquent are considered nonaccrual finance receivables. Income is subsequently recognized only to the extent cash payments are received until the borrower is able to make periodic interest and principal payments in accordance with the finance receivable terms. Late charges and other fees are calculated at predetermined amounts or percentages of overdue finance receivable balances and are recorded on a cash basis.

Servicing income represents the annual fees earned on the outstanding principal balance of the finance receivables serviced. Fees are earned monthly at an annual rate of approximately 4% for the United Auto Credit 2022-1 securitization transaction and 3.5% for the 2022-2 securitization transaction of the outstanding principal balance of the finance receivables serviced.

Other Revenue

Other revenue consists of revenue from CarStory's third-party customers and UACC licensing fee income.

Contract Costs

The Company has elected, as a practical expedient, to expense sales commissions when incurred because the amortization period would have been less than one year. These costs are recorded within "Selling, general and administrative expenses" in the consolidated statements of operations.

4. Variable Interest Entities and Securitizations

A VIE is an entity that either (i) has insufficient equity to finance its activities without additional subordinated financial support, or (ii) has equity investors who lack the characteristics of a controlling financial interest. The Company consolidates VIEs for which it is the primary beneficiary. The Company is the primary beneficiary of a VIE when it has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. Assets recognized as a result of consolidating VIEs do not represent additional assets that could be used to satisfy claims against the Company's general assets. Liabilities recognized as a result of consolidating VIEs do not represent additional claims on the Company's general assets, rather they represent claims against the specific assets of the consolidated VIEs.

The Company has the power to direct significant activities of its VIEs when it has the ability to exercise discretion in the servicing of financial assets or control investment decisions. UACC generally retains a portion of the economic interests in UACC-sponsored asset-backed securitization transactions, which could be retained in the form of a portion of the senior interests, the subordinated interests, residual interests, or servicing rights.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

UACC has developed a securitization program that involves selling finance receivables to securitization trusts through the private issuance of asset-backed securities which are collateralized by the finance receivables. UACC establishes and sponsors these transactions which create and pass along risks to the variable interest holders, specifically, consumer credit risk and pre-payment risk.

The securitization trusts established in connection with asset-backed securitization transactions are VIEs. For each VIE that UACC establishes in its role as sponsor of securitization transactions, it performs an analysis to determine if it is the primary beneficiary of the VIE.

For all securitization transactions consummated prior to the Acquisition Date, UACC consolidated VIEs and accounted for the transactions as secured borrowings. In September 2022, UACC exercised its option to repurchase the 2020-1 securitization debt. As a result, the securitization trust was dissolved and the VIE is no longer being consolidated by the Company. UACC is the primary beneficiary of the United Auto Credit 2021-1 securitization trust, as it has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. These VIEs will continue to be consolidated on the Company's condensed consolidated financial statements. UACC has the power to direct significant activities of the securitization trusts as it has the ability to exercise discretion in the servicing of the related finance receivables. UACC also retained a portion of the economic interests in the 2021-1 asset-backed securitization transaction, in the form of residual interests in accordance with Regulation RR of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Risk Retention Rules"). The Risk Retention Rules require the Company to retain at least 5% of the beneficial interests issued by the securitization trusts. Refer to Note 12 - Long Term Debt for further details.

The VIE model allows for a measurement alternative when a reporting entity elects the fair value option and consolidates a collateralized financing entity ("CFE"). This measurement alternative eliminates the accounting mismatch that may arise from measurement differences between the CFE's financial assets and third-party financial liabilities in earnings and attributes those earnings to the controlling equity interest in the consolidated income statement. The 2020-1 and 2021-1 securitizations trusts consolidated by UACC meet the definition of a CFE, therefore, the Company has elected to apply the measurement alternative when consolidating these VIEs. Refer to Note 16 - Financial Instruments and Fair Value Measurements for further detail.

UACC has three senior secured warehouse credit facilities. Through trusts, UACC entered into warehouse facility agreements with certain banking institutions, primarily to finance the purchase and origination of finance receivables as well as to provide funding for general operating activities. These trusts are secured by eligible finance receivables which are pledged as collateral for the warehouse facilities. These trusts are consolidated VIEs. Refer to Note 11 - Warehouse Credit Facilities of Consolidated VIEs for further details on the warehouse facilities.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Creditors or beneficial interest holders of VIEs for which the Company is the primary beneficiary generally have recourse only to the assets and cash flows of the VIEs and do not have recourse to the Company. The following table presents the total assets and total liabilities associated with our variable interests in consolidated VIEs, as classified in the condensed consolidated balance sheets (in thousands):

	As of September 30, 2022		
	Securitization Vehicles	Warehouse Facilities ¹	Total
Current Assets:			
Restricted Cash	\$ 10,133	\$ 9,356	\$ 19,489
Finance Receivables at fair value	5,344	5,597	10,941
Finance Receivables held for sale	—	137,077	137,077
Other assets	1,141	264	1,405
Total Current Assets	16,618	152,294	168,912
Finance Receivables at fair value	89,117	46,647	135,764
Total Assets	\$ 105,735	\$ 198,941	\$ 304,676
Current Liabilities:			
Current portion of securitization debt	\$ 54,652	\$ —	\$ 54,652
Warehouse credit facilities	—	135,453	135,453
Total Current Liabilities	54,652	135,453	190,105
Securitization debt, net of current portion	40,842	—	40,842
Other liabilities	97	407	504
Total Liabilities	\$ 95,591	\$ 135,860	\$ 231,451

¹ Refer to Note 11 – Warehouse Credit Facilities of Consolidated VIEs for further details of the warehouse facilities.

The Company did not have any consolidated VIEs for the period ended December 31, 2021.

UACC establishes securitization trusts to purchase finance receivables. The securitization trusts issue asset-backed securities, which are collateralized by the finance receivables that UACC sells to the securitization trusts. Upon sale of the finance receivables to the securitization trusts, the Company recognizes a gain or loss on sales of finance receivables. On February 16, 2022 and July 14, 2022, UACC sold pools of finance receivables in the United Auto Credit 2022-1 and 2022-2 securitization transactions, respectively. The net proceeds from the sales are the fair value of the assets obtained as part of the transactions and typically include cash and at least 5% of the beneficial interests issued by the securitization trusts to comply with risk retention rules. During the three and nine months ended September 30, 2022, the Company sold \$242.3 million and \$523.7 million of rated asset-backed securities, respectively, and \$17.3 million and \$49.6 million of residual certificates, respectively, through securitization transactions. The total gain related to finance receivables sold pursuant to securitization transactions was \$16.0 million and \$45.6 million for the three and nine months ended September 30, 2022, respectively.

UACC retained the servicing rights to these finance receivables and received beneficial interests in the form of asset-backed securities. UACC owns an insignificant portion of these securities and receives an at market servicing fee. The securitization trusts used to affect these transactions are VIEs that the Company does not consolidate. As the servicer, UACC retained the power to direct the activities that are most significant to the entity, however, UACC concluded that it is not the primary beneficiary of the United Auto Credit 2022-1 and 2022-2 securitization trusts because its retained interests in the VIEs are insignificant. The beneficial interest retained by UACC included rated notes and unrated residual certificates issued by the 2022-1 and 2022-2 securitization trusts.

UACC has no obligation to repurchase or replace any securitized asset that subsequently becomes delinquent in payment or otherwise is in default, except when representations and warranties about the eligibility of the securitized assets are breached, or when certain changes are made to the underlying asset contracts. Securitization investors have no recourse to UACC or its other assets and have no right to require UACC to repurchase the investments. UACC has no obligation to provide liquidity or contribute cash or additional assets to the VIEs and does not guarantee any asset-backed securities.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As of September 30, 2022, the assets UACC retains in the unconsolidated VIEs were approximately \$24.0 million and are included in "Beneficial interests in securitizations" in the Company's condensed consolidated balance sheet. The beneficial interests in securitizations are subject to restrictions on transfer pursuant to UACC's obligations as a sponsor under Risk Retention Rules. These securities are interests in securitization trusts, thus there are no contractual maturities.

The following table summarizes the amortized cost, the carrying amount, which is the fair value, and the maximum exposure to losses of UACC's assets related to unconsolidated VIEs (in thousands):

	As of September 30, 2022		
	Aggregate Principal Balance	Carrying Value	Total Exposure
Rated notes	\$ 22,004	\$ 21,580	\$ 21,580
Certificates	—	2,404	2,404
Other assets	310	310	310
Total unconsolidated VIEs	<u>\$ 22,314</u>	<u>\$ 24,294</u>	<u>\$ 24,294</u>

Total exposure represents the estimated loss UACC would incur under severe, hypothetical circumstances, such as if the value of the interests in the securitization trusts and any associated collateral declined to zero. The Company believes the possibility of this is remote. As such, the total exposure presented above is not an indication of the Company's expected losses.

5. Acquisitions

UACC Acquisition

On February 1, 2022, the Company completed the acquisition (the "UACC Acquisition") of 100% of Unitas Holdings Corp., a Delaware corporation, including its wholly owned subsidiaries United PanAm Financial Corp. and UACC. Unitas Holdings Corp. (now known as Vroom Finance Corporation), United PanAm Financial Corp. (now known as Vroom Automotive Financial Corporation) and United Auto Credit Corporation, as well as their other subsidiaries, are now wholly owned subsidiaries of the Company. This acquisition accelerates the Company's strategy of establishing a captive financing arm and underwriting vehicle financing for its customers, the results of which will be included within the Ecommerce reporting segment. UACC will also continue its current operations with its network of third-party dealership customers, including the purchases and servicing of vehicle installment contracts, which will constitute the separate Retail Financing reporting segment. The cash consideration transferred was approximately \$315.4 million at the Acquisition Date, inclusive of immaterial measurement period adjustments.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table summarizes the fair value of the identified assets acquired and liabilities assumed as of the Acquisition Date, inclusive of immaterial measurement period adjustments (in thousands):

	Fair Value
Cash and cash equivalents	\$ 5,294
Restricted cash	42,631
Finance receivables at fair value	296,927
Finance receivables, held for sale	263,393
Intangible assets	156,000
Goodwill	42,886
Other assets	25,934
Total assets acquired	\$ 833,065
Warehouse credit facilities	(178,067)
Long term debt	(285,704)
Deferred tax liability	(23,855)
Other liabilities	(30,026)
Total liabilities assumed	\$ (517,652)
Net assets acquired	\$ 315,413

The estimated fair value of the finance receivables that were designated as held for sale were determined using the discounted cash flow method under the income approach. The Company determined the fair value of these finance receivables utilizing sales prices based on an estimated securitization transaction, adjusted for transaction costs, risk and a normal profit margin associated with securitization transactions. The significant assumptions used in the valuation were discount rate, prepayment rate, cumulative net losses, weighted average interest rate and recovery rate. Such fair value measurement of finance receivables held for sale is considered Level 3 of the fair value hierarchy.

The Company acquired two types of finance receivables that are accounted for under the fair value option: (i) those that were sold in one of the securitization transactions that UACC completed in 2019, 2020 or 2021, and (ii) those that were not eligible to be sold in future securitization transactions. The estimated fair value of the finance receivables that were previously sold were valued using the measurement alternative by reference to the fair value of the securitization debt. See Note 16 - Financial Instruments and Fair Value Measurements for more information regarding the measurement alternative and the fair value of these finance receivables. The fair value of the ineligible finance receivables was determined using a discounted cash flow method under the income approach. The significant assumptions used in the valuation were discount rate and recovery rate. Such fair value measurement of finance receivables accounted for under the fair value option is considered Level 3 of the fair value hierarchy.

The estimated fair value of the securitization debt of consolidated VIEs was determined using the discounted cash flow method under the income approach. The significant assumption used in the valuation was the yield. Such fair value measurement of securitization debt is considered Level 3 of the fair value hierarchy.

The estimated fair value of the warehouse credit facilities of consolidated VIEs approximated its carrying value due to the proximity of the Acquisition Date to the payoff date. These notes were acquired on February 1, 2022, as part of the UACC Acquisition and were paid off with the proceeds from the 2022-1 securitization that UACC completed on February 16, 2022.

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill which is not deductible for tax purposes. Goodwill is primarily attributable to the workforce of the acquired business as well as benefits related to integrating UACC's financing operations to establish a captive financing arm and underwrite vehicle financing for the Company's customers. All of the goodwill was assigned to the Ecommerce reporting unit.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table summarizes the identifiable intangible assets acquired and their estimated weighted average useful life at the date of acquisition (in thousands):

	Fair Value	Weighted Average Useful Life
Purchased technology	\$ 83,000	7
Customer relationships	66,000	8
Trade name	7,000	10
	<u>\$ 156,000</u>	

Purchased technology represents the fair value of UACC's proprietary technology used to support all aspects of their business including underwriting, servicing, and risk management. The estimated fair value of the purchased technology was determined using a relief-from-royalty method under the income approach. The significant assumptions used in the relief-from-royalty method include estimates about future expected cash flows from the developed technology, the royalty rate, the obsolescence factor and the discount rate.

Customer relationships represents UACC's relationship with its network of dealer customers. UACC has expertise in the non-prime credit dealer market serving as the key link between independent dealerships and consumers. UACC has developed expertise and robust relationships in the independent dealer market as demonstrated by its active dealership network. The estimated fair value of the customer relationships was determined using a multi-period excess earnings method under the income approach. Under this approach, the Company estimates future cash flows attributable to the existing dealer relationships and discounts these cash flows at a rate of return that reflects the inherent risk in the dealer relationships.

Trade name represents the value of the UACC trade name. The UACC brand is an important factor in the marketing of UACC's services to prospective dealership customers. The fair value of the trade name acquired was determined using a relief-from-royalty method under the income approach. The significant assumptions used in the relief-from-royalty method include future expected cash flows from the trade name, the royalty rate, and the discount rate.

The fair values assigned to assets acquired and liabilities assumed are based on management's estimates and assumptions and may be subject to change as additional information is received. The allocation of the total consideration transferred to the assets acquired, including intangible assets and goodwill, as well as the liabilities assumed is preliminary, pending the finalization of the third-party valuation.

The transaction costs associated with the UACC Acquisition were not material for the three months ended September 30, 2022, \$5.7 million for the nine months ended September 30, 2022 and \$3.4 million for the three and nine months ended September 30, 2021, and are included within "Selling, general and administrative expenses" in the condensed consolidated statement of operations.

The aggregate revenue and net income of UACC consolidated into the Company's financial statements from the date of the acquisition was \$47.7 million and \$17.7 million, respectively, for the three months ended September 30, 2022, and \$133.7 million and \$37.9 million for the nine months ended September 30, 2022, respectively.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Unaudited Pro Forma Information

The unaudited pro forma financial information in the table below summarizes the combined results of the Company and UACC, as though the companies had been combined on January 1, 2021. The pro forma adjustments include incremental amortization of intangible assets, adjustments to reflect non-recurring acquisition-related costs of \$5.7 million as of the beginning comparable prior annual reporting period, a non-recurring tax adjustment of \$24.1 million for the nine months ended September 30, 2022 and a non-recurring tax benefit of \$32.5 million for the nine months ended September 30, 2021. The pro forma information is presented for informational purposes only and may not be indicative of the results of operations that would have been achieved if the acquisition had taken place on January 1, 2021 or that may occur in the future, and does not reflect future synergies, integration costs, or other such costs or savings. The pro forma information for the three months ended September 30, 2021 and the nine months ended September 30, 2022 and 2021 is as follows:

	Three months ended September 30,	Nine months ended September 30,	
	2021	2022	2021
Total revenue	\$ 940,765	\$ 1,755,023	\$ 2,377,491
Net loss	\$ (78,832)	\$ (488,866)	\$ (169,075)

CarStory Acquisition

On January 7, 2021, the Company completed the acquisition of 100% of Vast Holdings, Inc. (d/b/a CarStory), a leader in AI-powered analytics and digital services for automotive retail. Leveraging its machine learning, CarStory brings predictive market data to the Company's national ecommerce and vehicle operations platform. CarStory continues to offer its digital retailing services to dealers, automotive financial services companies and others in the automotive industry. The financial results of CarStory were included in the consolidated financial statements from the date of acquisition. The transaction costs associated with its acquisition were not material for the year ended December 31, 2021. Pro forma results of operations have not been presented as the effect of this acquisition was not material to the consolidated financial statements.

The fair value of the consideration transferred was approximately \$116.6 million, inclusive of immaterial measurement period adjustments, and consisted of the following (in thousands):

	Fair Value
Cash	\$ 76,740
Common stock issued ⁽¹⁾	38,811
Fair value of unvested stock options assumed ⁽²⁾	1,017
Total	<u>\$ 116,568</u>

- (1) The Company issued 1,066,444 shares of common stock, net of 5,673 shares cancelled to satisfy working capital adjustment. The fair value of common stock was determined based on the closing market price on the date of acquisition discounted for a lack of marketability of 10.0% to account for the 180 day lock up period.
- (2) The fair value of the unvested stock options assumed by the Company was determined using the Black-Scholes option pricing model. The share conversion ratio of 0.0392 was applied to convert CarStory's outstanding equity awards for CarStory's common stock into equity awards for shares of the Company's common stock.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The following table summarizes the fair value of the identified assets acquired and liabilities assumed as of the acquisition date, inclusive of immaterial measurement period adjustments which were finalized in the year ended December 31, 2021 (in thousands):

	Fair Value
Cash and cash equivalents	\$ 865
Accounts receivable, prepaid expenses and other current assets	1,330
Property and equipment and other assets	371
Intangible Assets	34,300
Goodwill	80,645
Current liabilities	(943)
Net assets acquired	<u>\$ 116,568</u>

The excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired was recorded as goodwill which is not deductible for tax purposes. Goodwill is primarily attributable to the workforce of the acquired business and benefits related to expanded market opportunities from integrating CarStory's technology with the Company's ecommerce offerings. All of the goodwill was assigned to the ecommerce reporting unit.

The following table summarizes the final identifiable intangible assets acquired and their estimated weighted average useful life at the date of acquisition (in thousands):

	Fair Value	Weighted Average Useful Life
Developed technology	\$ 25,700	5
Trademarks	5,200	8
Customer relationships	3,400	8
Total intangible assets subject to amortization	<u>\$ 34,300</u>	

Developed technology, most of which is protected by a patent portfolio, represents the fair value of CarStory's industry-specific AI powered analytics software. Trademarks represent the CarStory trademarks, trade names and domain names.

The fair values assigned to tangible and intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair value of the intangible assets acquired was determined using a discounted cash flow method under the income approach. Under this approach, the Company estimates future cash flows and discounts these cash flows at a rate of return that reflects the Company's relative risk.

6. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Vehicles	\$ 434,952	\$ 724,542
Parts and accessories	2,876	1,842
Total inventory	<u>\$ 437,828</u>	<u>\$ 726,384</u>

As of September 30, 2022 and December 31, 2021, "Inventory" includes an adjustment of \$17.3 million and \$22.4 million, respectively, to record the balances at the lower of cost or net realizable value.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

7. Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Equipment	\$ 3,124	\$ 1,011
Furniture and fixtures	1,847	2,244
Logistics fleet	32,342	22,810
Leasehold improvements	6,558	7,161
Internal-use software	28,162	18,423
Other	7,443	5,811
	<u>79,476</u>	<u>57,460</u>
Accumulated depreciation and amortization	(28,956)	(20,418)
Property and equipment, net	<u>\$ 50,520</u>	<u>\$ 37,042</u>

Depreciation and amortization expense was \$3.2 million and \$1.9 million for the three months ended September 30, 2022 and 2021, respectively, and \$9.5 million and \$4.9 million for the nine months ended September 30, 2022 and 2021, respectively. Depreciation and amortization expense included within "Cost of sales" in the condensed consolidated statements of operations was \$0.2 million and \$0.1 million for the three months ended September 30, 2022 and 2021, respectively, and \$0.3 million and \$0.2 million for the nine months ended September 30, 2022 and 2021, respectively.

Implementation costs capitalized and accumulated amortization related to the Company's cloud computing arrangements were \$10.7 million and \$4.1 million as of September 30, 2022, respectively, and \$8.1 million and \$2.4 million as of December 31, 2021, respectively, and were included within "Other assets" in the condensed consolidated balance sheets. Amortization expense of \$0.6 million and \$0.4 million was included within "Selling, general and administrative expenses" in the condensed consolidated statements of operations for the three months ended September 30, 2022 and 2021, respectively, and \$1.7 million and \$0.9 million for the nine months ended September 30, 2022 and 2021, respectively.

8. Goodwill and Intangible Assets

Goodwill

The following table summarizes the activity in the carrying value of goodwill by reporting unit for the nine months ended September 30, 2022 and 2021 (in thousands):

	Ecommerce	Wholesale	TDA	Total
Balance as of December 31, 2020	\$ 72,231	\$ 1,720	\$ 4,221	\$ 78,172
Acquisition	80,645	—	—	80,645
Balance as of September 30, 2021	\$ 152,876	\$ 1,720	\$ 4,221	\$ 158,817
Balance as of December 31, 2021	\$ 152,876	\$ 1,720	\$ 4,221	\$ 158,817
Acquisition	42,886	—	—	42,886
Goodwill impairment charge	(195,762)	(1,720)	(4,221)	(201,703)
Balance as of September 30, 2022	\$ —	\$ —	\$ —	\$ —

As of March 31, 2022, a quantitative interim goodwill impairment assessment was performed over the Company's reporting units due to further sustained declines in the Company's and comparable companies' stock prices during the three months ended March 31, 2022.

The Company estimated the fair value of the Ecommerce, Wholesale, and TDA reporting units using the discounted cash flow method under the income approach. The significant assumptions used in the valuation include revenue growth rates, future gross profit margins and operating expenses used to calculate projected future cash flows,

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

determination of the weighted average cost of capital, and future economic and market conditions. The terminal value is based on an exit revenue multiple which requires significant assumptions regarding the selection of appropriate multiples that consider relevant market trading data. The Company bases its estimates and assumptions on its knowledge of the automotive and ecommerce industries, recent performance, expectations of future performance and other assumptions the Company believe to be reasonable.

The Company determined that the estimated fair value of the Ecommerce, Wholesale, and TDA reporting units was less than their carrying amounts. The Company recorded a goodwill impairment charge of \$201.7 million in the condensed consolidated statements of operations for the nine months ended September 30, 2022. No goodwill impairment charges were recorded for the three and nine months ended September 30, 2021.

Refer to Note 5 – Acquisitions for more information related to the acquisitions that occurred in the nine months ended September 30, 2022 and 2021.

Intangible Assets

Intangible assets, net consisted of the following (in thousands):

	September 30, 2022			December 31, 2021		
	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Developed and Purchased Technology	108,70					
	\$ 0	\$ (16,804)	\$ 91,896	\$25,700	\$ (5,043)	\$ 20,657
Customer Relationships	69,400	(6,492)	62,908	5,240	(673)	4,567
Trademarks and Trade names	12,240	(1,376)	10,864	3,400	(417)	2,983
Other	252	(252)	—	252	(252)	—
Total intangible assets	190,59					
	\$ 2	\$ (24,924)	\$ 165,668	\$34,592	\$ (6,385)	\$ 28,207

Refer to Note 5 – Acquisitions for more information related to the acquisitions that occurred in the nine months ended September 30, 2022 and 2021.

Amortization expense for intangible assets was \$6.8 million and \$1.6 million for the three months ended September 30, 2022 and 2021, respectively, and \$18.5 million and \$4.6 million for the nine months ended September 30, 2022 and 2021, respectively.

The estimated amortization expense for intangible assets subsequent to September 30, 2022, consists of the following (in thousands):

Year Ending December 31:	
For remainder of 2022	\$ 6,755
2023	27,022
2024	27,022
2025	27,022
2026	21,979
Thereafter	55,868
	\$ 165,668

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

9. Accrued Expenses and Other Current Liabilities

The Company's accrued expenses consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued marketing expenses	\$ 7,902	\$ 17,546
Vehicle related expenses	25,035	36,459
Sales taxes	10,268	39,163
Accrued compensation and benefits	28,064	16,150
Accrued professional services	5,443	4,225
Other	27,191	7,965
Total accrued expenses	\$ 103,903	\$ 121,508

The Company's other current liabilities consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Vehicle payable	\$ 6,238	\$ 30,647
Reserve for estimated returns	9,601	26,522
Other	3,222	435
Total other current liabilities	\$ 19,061	\$ 57,604

10. Vehicle Floorplan Facility

In March 2020, the Company entered into a new vehicle floorplan facility with Ally Bank and Ally Financial (as amended to date, the "2020 Vehicle Floorplan Facility"). The 2020 Vehicle Floorplan provides a committed credit line of up to \$700.0 million which is scheduled to mature on March 31, 2023. The amount of credit available is determined on a monthly basis based on a calculation that considers average outstanding borrowings and vehicle units paid off by the Company within the immediately preceding three-month period. As of September 30, 2022, the borrowing capacity of the 2020 Vehicle Floorplan Facility was \$350.6 million, of which \$5.3 million was unutilized. The 2022 Vehicle Floorplan Facility, as described below, will allow for more flexibility in the Company's borrowing capacity.

Outstanding borrowings related to the 2020 Vehicle Floorplan Facility are due as the vehicles financed are sold, or in any event, on the maturity date. The 2020 Vehicle Floorplan Facility bears interest at a rate equal the Prime Rate, announced per annum by Ally Bank, plus 105 basis points. The 2020 Vehicle Floorplan Facility is collateralized by the Company's vehicle inventory and certain other assets and the Company is subject to covenants that require it to maintain a certain level of equity in the vehicles that are financed, to maintain at least 7.5% of the credit line in cash and cash equivalents, and to maintain 10% of the daily floorplan principal balance outstanding on deposit with Ally Bank. The Company is required to pay an availability fee each quarter on the average unused capacity from the prior quarter if it was greater than 50% of the calculated floorplan allowance, as defined. Cash deposits required under the Company's 2020 Vehicle Floorplan of \$34.5 million and \$50.6 million are classified as "Restricted cash" within the consolidated balance sheets as of September 30, 2022 and December 31, 2021, respectively.

As of September 30, 2022 and December 31, 2021, outstanding borrowings on the 2020 Vehicle Floorplan Facility were \$345.3 million and \$512.8 million, respectively.

Interest expense incurred by the Company for the 2020 Vehicle Floorplan Facility was \$6.5 million and \$5.0 million for the three months ended September 30, 2022 and 2021, respectively, and \$19.8 million and \$12.4 million for the nine months ended September 30, 2022 and 2021, respectively, which are recorded within "Interest expense" in the consolidated statements of operations. The weighted average interest rate on the vehicle floorplan borrowings was 6.55% and 4.30% as of September 30, 2022 and December 31, 2021, respectively.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As of September 30, 2022 and December 31, 2021, the Company was in compliance with all covenants related to the 2020 Vehicle Floorplan Facility.

In connection with the 2020 Vehicle Floorplan Facility, the Company entered into credit balance agreements with Ally Bank and Ally Financial that permit the Company to deposit cash with the bank for the purpose of reducing the amount of interest payable for borrowings. Interest credits earned by the Company were \$3.9 million and \$2.9 million for the three months ended September 30, 2022 and 2021, respectively, and \$11.4 and \$7.1 million for the nine months ended September 30, 2022 and 2021, respectively, which are recorded within "Interest income" in the consolidated statements of operations.

In November 2022, the Company amended and restated the 2020 Vehicle Floorplan Facility to, among other things, decrease the line of credit from \$700.0 million to \$500.0 million and extend the maturity date to March 31, 2024 (as amended, the "2022 Vehicle Floorplan Facility").

In addition, the amendment modifies the amount of credit available to the Company on a monthly basis to the product of (1) the greater of five times the aggregate number of retail units sold during the most recent month for which information is available or the aggregate number of retail units sold during the five most recent months for which information is available and (2) the greater of the average outstanding floorplan balance of all vehicles on the floorplan as of the immediately preceding month-end or the average monthly outstanding floorplan balance of all vehicles on the floorplan as of month-end for the immediately preceding five months. The amendment also provides that the Company may elect to increase its monthly credit line availability by an additional \$25.0 million during any four months in the period from November 1, 2022 through March 31, 2024, subject to the maximum \$500.0 million credit limit. Consistent with the terms of the 2020 Vehicle Floorplan Facility, the Company and Vroom Automotive, LLC have provided Ally with a guaranty of payment of all amounts owed under the 2022 Vehicle Floorplan Facility as well as a security interest in all or substantially all tangible, intangible, and other personal property of Vroom, Inc., to secure obligations under the 2022 Vehicle Floorplan Facility.

The 2022 Vehicle Floorplan Facility bears interest at a rate equal to the Prime Rate, announced per annum by Ally Bank, plus 175 basis points. Additionally, the Company is subject to amended covenants and events of default. The Company is required to maintain a certain level of equity in the vehicles that are financed, to maintain at least 20.0% of the credit line in cash and cash equivalents, and to maintain a minimum required balance with Ally of at least 12.5% of the daily floorplan principal balance outstanding through December 31, 2022 and 15.0% effective January 1, 2023. The Company was required to pay a commitment fee upon execution of the 2022 Vehicle Floorplan Facility.

11. Warehouse Credit Facilities of Consolidated VIEs

UACC has three senior secured warehouse facility agreements (the "Warehouse Credit Facilities") with banking institutions as of September 30, 2022. The Warehouse Credit Facilities are collateralized by eligible finance receivables and available borrowings are computed based on a percentage of eligible finance receivables. The terms of the Warehouse Credit Facilities include the following:

	Facility One	Facility Two	Facility Three
Execution Date	May 30, 2012	November 19, 2013	July 11, 2019
Maturity Date	October 20, 2023	September 27, 2024	May 24, 2024
Aggregate Borrowings Limit (in thousands)	\$ 150,000	\$ 200,000	\$ 200,000
Aggregate Principal Balance of Finance Receivables Pledged as Collateral as of September 30, 2022 (in thousands)	\$ 100,035	\$ 18,880	\$ 91,799
Outstanding Balance as of September 30, 2022 (in thousands)	\$ 48,690	\$ 14,546	\$ 72,217
Restricted Cash as of September 30, 2022 (in thousands)	\$ 3,926	\$ 50	\$ 5,380

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As of September 30, 2022, the Company was in compliance with all covenants related to the Warehouse Credit Facilities.

12. Long Term Debt

Debt instruments, excluding the 2020 Vehicle Floorplan Facility, which is discussed in Note 10 — Vehicle Floorplan Facility, and warehouse credit facilities of consolidated VIEs, which are discussed in Note 11 — Warehouse Credit Facilities of Consolidated VIEs, consisted of the following (in thousands):

	September 30, 2022	December 31, 2021
Current portion of securitization debt of consolidated VIEs	\$ 54,652	\$ —
Convertible senior notes	556,638	610,618
Securitization debt of consolidated VIEs, net of current portion	40,842	—
Junior subordinated debentures	10,310	—
Long term debt, net of current portion	\$ 607,790	\$ 610,618
Total debt	\$ 662,442	\$ 610,618

Convertible Senior Notes

On June 18, 2021, the Company issued \$625.0 million aggregate principal amount of 0.75% unsecured Convertible Senior Notes due 2026 (the “Notes”), including \$75.0 million aggregate principal amount of such notes pursuant to the exercise in full of the overallocation option granted to the initial purchasers. The Notes were issued pursuant to an indenture (the “Indenture”), between the Company and U.S. Bank National Association, as trustee.

The Notes bear interest at a rate of 0.75% per annum, payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2022. The Notes will mature on July 1, 2026, subject to earlier repurchase, redemption or conversion. The total net proceeds from the offering, after deducting commissions paid to the initial purchasers and debt issuance costs paid to third-parties, were approximately \$608.9 million.

Each \$1,000 principal amount of the Notes will initially be convertible into 17.8527 shares of the Company’s common stock, which is equivalent to an initial conversion price of approximately \$56.01 per share, subject to adjustment upon the occurrence of specified events. The Notes are convertible, at the option of the noteholders, on or after April 1, 2026. Prior to April 1, 2026, the Notes are convertible only under the following circumstances:

- During any fiscal quarter commencing after the fiscal quarter ending on September 30, 2021 (and only during such fiscal quarter), if the last reported sale price of the Company’s common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price of the Notes on each applicable trading day;
- During the five consecutive business day period after any ten consecutive trading day period in which the trading price per \$1,000 principal amount of the Notes for each day of that ten consecutive trading day period was less than 98% of the product of the last reported sale price of the Company’s common stock and the conversion rate of the Notes on such trading day;
- If the Company calls any or all of the Notes for redemption; or
- Upon the occurrence of specific corporate events such as a change in control or certain beneficial distributions to common stockholders (as set forth in the Indenture).

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The Company may settle conversions by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election.

The Company may not redeem the Notes prior to July 6, 2024. On or after July 6, 2024, the Company may redeem all or any portion of the Notes for cash equal to 100% of the principal amount of the Notes being redeemed plus any accrued and unpaid interest if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period.

If the Company undergoes a fundamental change (as defined in the Indenture), subject to certain conditions, holders of the Notes may require the Company to repurchase for cash all or any portion of their Notes at a repurchase price equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest. In addition, if specific corporate events occur prior to the maturity date or if the Company issues a notice of redemption, the Company will increase the conversion rate by pre-defined amounts for a holder who elects to convert their Notes in connection with such a corporate event. During the year ended September 30, 2022, the conditions allowing holders of the Notes to convert were not met.

In September 2022, the Company repurchased \$56.4 million in aggregate principal amount of the Notes, net of deferred issuance costs of \$1.1 million, for \$18.5 million in open-market transactions. The Company recognized a gain on extinguishment of debt of \$37.9 million for the three and nine months ended September 30, 2022.

The Company accounts for the Notes as a single liability-classified instrument measured at amortized cost. As of September 30, 2022, the unamortized debt discount and debt issuance costs was \$10.9 million and the net carrying value was \$556.6 million.

The Notes were issued at par value and fees associated with the issuance of these Notes are amortized to interest expense using the effective interest method over the contractual term of the Notes. The interest expense for the three and nine months ended September 30, 2022 was \$1.9 million and \$5.9 million, respectively. The interest expense for the three and nine months ended September 30, 2021 was \$2.0 million and \$2.3 million, respectively. The effective interest rate of the Notes is 1.3%.

Securitization Debt of Consolidated VIEs

The securitization debt was issued under UACC's pre-acquisition securitization program. The Company elected to account for the securitization debt under the fair value option on February 1, 2022 using the measurement alternative. Fair value adjustments are recorded in "Other loss (income), net" in the condensed consolidated statements of operations. Refer to Note 16 – Financial Instruments and Fair Value Measurements. For all securitization transactions consummated prior to the Acquisition Date, UACC consolidated VIEs and accounted for these transactions as secured borrowings. Refer to Note 4 - Variable Interest Entities and Securitizations for further discussion.

UACC retained the servicing rights for the finance receivables that were securitized; therefore, is responsible for the administration and collection of the amounts owed under the contracts. The securitization agreements also require certain funds to be held in restricted cash accounts to provide additional collateral for the borrowings or to be applied to make payments on the securitization debt. Restricted cash under the various agreements totaled approximately \$10.1 million as of September 30, 2022.

Upon the issuance of the securitization debt, UACC retained the right to receive excess cash flows over time from the underlying pool of securitized transactions. The wholly owned bankruptcy remote subsidiaries of UACC were formed to facilitate the above asset-backed financing transactions. Bankruptcy remote refers to a legal structure in which it is expected that the applicable entity would not be included in any bankruptcy filing by its parent or affiliates. All of the assets of these subsidiaries have been pledged as collateral for the related debt. None of the assets of these subsidiaries are available to pay other creditors of the Company or its affiliates.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The debt issued is included in "Long Term Debt" on the consolidated balance sheet. The securitization debt of consolidated VIEs consisted of the following (in thousands):

As of September 30, 2022

Series	Final Scheduled Payment Date	Initial Principal	Contractual Interest Rate	Outstanding Principal	Fair Value
United Auto Credit 2021-1-B	March 11, 2024	33,540	0.68 %	4,754	4,752
United Auto Credit 2021-1-C	June 10, 2026	29,640	0.84 %	29,640	29,352
United Auto Credit 2021-1-D	June 10, 2026	29,380	1.14 %	29,380	28,487
United Auto Credit 2021-1-E	June 10, 2026	20,800	2.58 %	20,800	19,517
United Auto Credit 2021-1-F	September 10, 2027	13,910	4.30 %	13,910	13,386
		<u>\$ 127,270</u>		<u>\$ 98,484</u>	<u>\$ 95,494</u>

In September 2022, UACC exercised its option to repurchase the 2020-1 securitization debt for a total redemption price of \$46.9 million. The final scheduled payment date represents final legal maturity of the remaining balance sheet securitization debt. Securitization debt is expected to become due and to be paid prior to those dates, based on amortization of the finance receivables pledged to the Trusts. Expected payments, which will depend on the performance of such receivables, as to which there can be no assurance, are \$15.1 million in 2022, \$45.7 million in 2023, \$25.7 million in 2024 and \$11.5 million in 2025.

The aggregate principal balance and the fair value of finance receivables pledged to the securitization debt consists of the following (in thousands):

	As of September 30, 2022	
	Aggregate Principal Balance	Fair Value
United Auto Credit 2021-1	100,802	94,461
Total finance receivables of CFEs	<u>\$ 100,802</u>	<u>\$ 94,461</u>

Junior Subordinated Debentures

On July 31, 2003, UACC issued junior subordinated debentures (trust preferred securities) of \$10.0 million through a subsidiary, UPFC Trust I. The trust issuer is a 100 percent owned finance subsidiary and the securities are fully and unconditionally guaranteed by UACC. The interest is paid quarterly at a variable rate, equal to the three-month LIBOR plus 3.05 percent. The final maturity of these securities is on October 7, 2033; however, they can be called at par any time at the Company's discretion.

13. Commitments and Contingencies

Litigation

From time to time, the Company is involved in various claims and legal actions that arise in the ordinary course of business and an unfavorable resolution of any of these matters could materially affect the Company's future results of operations, cash flows or financial position. The Company is also party to various disputes that the Company considers routine and incidental to its business. The Company does not expect the results of any of these routine actions to have a material effect on the Company's business, results of operations, financial condition, or cash flows. The Company accrues a liability when a loss is considered probable and the amount can be reasonably estimated. When a material loss contingency is reasonably possible but not probable, the Company does not record a liability, but instead discloses the nature and the amount of the claim, and an estimate of the loss or range of loss, if such an estimate can be made. Legal fees are expensed as incurred.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Beginning in March 2021, multiple putative class actions were filed in the U.S. District Court for the Southern District of New York by certain of the Company's stockholders against the Company and certain of the Company's officers alleging violations of federal securities laws. The lawsuits were captioned Zawatsky et al. v. Vroom, Inc. et al., Case No. 21-cv-2477; Holbrook v. Vroom, Inc. et al., Case No. 21-cv-2551; and Hudda v. Vroom, Inc. et al., Case No. 21-cv-3296. All three of the lawsuits asserted similar claims under Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5. In each case, the named plaintiff(s) sought to represent a proposed class of all persons who purchased or otherwise acquired the Company's securities during a period from June 9, 2020 to March 3, 2021 (in the case of Holbrook and Hudda), or November 11, 2020 to March 3, 2021 (in the case of Zawatsky). In August 2021, the Court consolidated the cases under the new name In re: Vroom, Inc. Securities Litigation, Case No. 21-cv-2477, appointed a lead plaintiff and lead counsel and ordered a consolidated amended complaint to be filed. The court-appointed lead plaintiff subsequently filed a consolidated amended complaint that reasserts claims under Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 against the Company and certain of the Company's officers, and added new claims under Sections 11, 12 and 15 of the Securities Act against the Company, certain of its officers, certain of its directors, and the underwriters of the Company's September 2020 secondary offering. The Company filed a motion to dismiss all claims, and briefing of this motion is complete. The Company believes this lawsuit is without merit and intends to vigorously contest these claims. While the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, based upon information presently known to management, the Company believes that the potential liability, if any, will not have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

In August 2021, November 2021, January 2022, and February 2022, various Company stockholders filed purported shareholder derivative lawsuits on behalf of the Company in the U.S. District Court for the Southern District of New York against certain of the Company's officers and directors, and nominally against the Company, alleging violations of the federal securities laws and breaches of fiduciary duty to the Company and/or related violations of Delaware law based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. All four lawsuits have been consolidated under the case caption In re Vroom, Inc. Shareholder Derivative Litigation, Case No. 21-cv-6933, and the court has approved the parties' stipulation that the cases would remain stayed pending final resolution of In re: Vroom, Inc. Securities Litigation. All four derivative suits remain in preliminary stages and there have been no substantive developments in any matter.

In April 2022, one of the Company's stockholders filed a purported shareholder derivative lawsuit on behalf of the Company in the U.S. District Court for the District of Delaware against certain of the Company's officers and directors, and nominally against the Company, alleging violations of the federal securities law and breaches of fiduciary duty to the Company and/or related violations of Delaware law based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. The case is captioned Godlu v. Hennessy et al., Case No. 22-cv-569, and the court has approved the parties' stipulation that the case would remain stayed pending final resolution of In re: Vroom, Inc. Securities Litigation. This lawsuit remains in preliminary stages and there have been no substantive developments.

In April 2022, the Attorney General of Texas filed a petition on behalf of the State of Texas in the District Court of Travis County, Texas against the Company, alleging violation of the Texas Deceptive Trade Practices – Consumer Protection Act, Texas Business and Commerce Code § 17.41 et seq., based on alleged deficiencies and other issues in the Company's marketing of used vehicles and fulfillment of customer orders, including the titling and registration of sold vehicles. According to the petition, 80% of the customer complaints referenced in the petition were received in the 12 months prior to April 2022. The petition is captioned State of Texas v. Vroom Automotive LLC, and Vroom Inc., Case No. D-1-GN-001809. Vroom Automotive, LLC and the Attorney General of the State of Texas have agreed to a temporary injunction in which Vroom Automotive, LLC agrees to adhere to its existing practice of possessing title for all vehicles it sells or advertises as available for sale on its ecommerce platform. Vroom continues to work cooperatively with the office of the Attorney General of the State of Texas towards a resolution. Because the case is at an early stage and the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, the Company cannot determine at present whether any potential liability would have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

In July 2022 and August 2022, respectively, certain plaintiffs filed two putative class action lawsuits in the District Court of Cleveland County, Oklahoma and the New York State Supreme Court, respectively, against Vroom, Inc., and Vroom Automotive LLC as defendants, alleging, among other things, deficiencies in Vroom's titling and registration of sold vehicles: Blake Sonne, individually and on behalf of all others similar situated, v. Vroom Automotive, LLC and Vroom,

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Inc., No. CJ-2022-822 and Emely Reyes Martinez, on behalf of all others similarly situated, v. Vroom Automotive, LLC and Vroom Inc., No. 652684/2022. The Company removed the cases to the U.S. District Court for the Western District of Oklahoma (Case No. 22-cv-761) and the U.S. District Court for the Southern District of New York (Case No. 22-cv-7631), respectively, and has filed or anticipates filing motions to compel arbitration of all claims in both cases, and briefing of these motions is ongoing. Because these cases are at early stages and the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, the Company cannot determine at present whether any potential liability would have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

As previously disclosed, the Company has been subject to audits, requests for information, investigations and other inquiries from its regulators relating to increased customer complaints concerning the same or similar matters alleged in the State of Texas petition. These regulatory matters could continue to progress into legal proceedings as well as enforcement actions. We have incurred fines in certain states and could continue to incur fines, penalties, restitution, or alterations in our business practices, which in turn, could lead to increased business expenses, additional limitations on the Company's business activities and further reputational damage, although to date such expenses have not had a material adverse effect on the Company's financial condition, cash flows, or results of operations.

Other Matters

The Company enters into agreements with third parties in the ordinary course of business that may contain indemnification provisions. In the event that an indemnification claim is asserted, the Company's liability, if any, would be limited by the terms of the applicable agreement. Historically, the Company has not incurred material costs to defend lawsuits or settle claims related to indemnification provisions.

14. Stockholders' Equity

Preferred Stock

On June 11, 2020, the Company amended its certificate of incorporation to authorize the issuance of up to 10,000,000 shares of Preferred Stock. As of September 30, 2022, there was no preferred stock issued or outstanding.

Common Stock

On June 11, 2020, the Company amended its certificate of incorporation to effect a 2-for-1 forward stock split of shares of the Company's outstanding common stock, such that each share of common stock, \$0.001 par value became two shares of common stock, \$0.001 par value per share. The shares of common stock authorized for issuance was increased to 500,000,000. Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders.

15. Stock-based Compensation

On May 28, 2020, the Company adopted the 2020 Incentive Award Plan ("the 2020 Plan"), which authorized the issuance of (i) up to 3,019,108 shares of the Company's common stock, (ii) up to 4% of an annual increase on the first day of each year beginning on January 1, 2022 and ending on January 1, 2030, and (iii) any shares of the Company's common stock subject to awards under the 2014 Plan which are forfeited or lapse unexercised and which following the effective date are not issued under the 2014 Plan. Awards may be issued in the form of restricted stock units, restricted stock, stock appreciation rights, and stock options. On February 28, 2022, the Company registered an additional 5,483,716 shares of the Company's common stock to be issued pursuant to the 2020 Plan. As of September 30, 2022, there were 2,125,133 shares available for future issuance under the 2020 Plan.

On May 20, 2022, the Company adopted the 2022 Inducement Award Plan (the "Inducement Award Plan"). Awards under the Inducement Award Plan may only be granted to a newly hired employee who has not previously been an employee or a member of the Board or an employee who is being rehired following a bona fide period of non-employment by the Company, in each case as a material inducement to the employee's entering into employment. An aggregate of 3,000,000 shares of the Company's common stock are reserved for issuance under the Inducement Award

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Plan. As of September 30, 2022, there were 2,619,046 shares available for future issuance under the Inducement Award Plan.

Stock Options

The Company recognized \$0.3 million and \$0.5 million of stock-based compensation expense related to stock options for the three months ended September 30, 2022 and 2021, respectively, and \$1.1 million and \$1.7 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022 and December 31, 2021, the Company had \$2.0 million and \$2.5 million, respectively, of unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average period of 2.0 years and 1.7 years, respectively.

On May 9, 2022 and May 20, 2022, 600,000 stock options having a fair value of \$0.83 per share were granted to the CEO and an aggregate of 650,000 stock options having a grant date fair value of \$1.14 per share were granted to certain members of key management. The exercise price of the stock options is \$7.50 per share. The stock options vest ratably over a three-year period subject to continued employment through each applicable vesting date. During the three months ended September 30, 2022, 50,000 of these stock options were forfeited as a result of employee separations.

The grant date fair value of stock options granted during the nine months ended September 30, 2022 was estimated at the time of grant using the Black-Scholes option-pricing model and utilized the following assumptions:

	May 20, 2022	May 9, 2022
Fair value of common stock (per share)	\$ 1.14	\$ 0.83
Expected term (in years)	10	10
Risk-free interest rate	2.78%	3.05%
Expected volatility	100.00%	100.00%
Dividend yield	—%	—%

RSUs

The Company recognized \$0.9 million and \$1.0 million of stock-based compensation expense related to restricted stock units ("RSUs") for the three months ended September 30, 2022 and 2021, respectively, and \$5.5 million and \$8.0 million for the nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022 and December 31, 2021, the Company had \$23.2 million and \$21.7 million, respectively, of unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average period of 2.0 and 2.1 years, respectively.

On May 9, 2022 and May 20, 2022, 1,200,000 RSUs having a grant date fair value of \$1.08 per share were granted to the CEO and an aggregate of 3,190,000 RSUs having a grant date fair value of \$1.45 per share were granted to certain members of the management team. On July 25, 2022, 140,000 RSUs having a grant date fair value of \$1.64 per share were granted to a member of the management team. The RSUs were issued under the 2020 Plan and will vest on the third anniversary of the grant date, subject to continued employment through that date. The vesting of RSUs will accelerate in one-third increments if the Company's common stock achieves a closing price at or above \$7.50 per share for twenty consecutive trading days during the three-year vesting period; a closing price at or above \$15.00 per share for twenty consecutive trading days in the second or third years of the vesting period; and a closing price at or above \$21.00 per share for twenty consecutive trading days during the third year of the vesting period. During the three months ended September 30, 2022, 175,000 of these RSUs were forfeited as a result of employee separations and became eligible for future issuance under the 2020 Plan. As of September 30, 2022, the accelerated vesting conditions were not met.

16. Financial Instruments and Fair Value Measurements

U.S. GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. These estimates are subjective in nature and involve uncertainties and matters of judgment, and therefore cannot be determined with precision. U.S. GAAP establishes a fair value hierarchy which requires an entity

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and establishes the following three levels of inputs that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities

Level 2—Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Items Measured at Fair Value on a Recurring Basis

The Company holds certain financial assets that are required to be measured at fair value on a recurring basis. Additionally, the Company elected the fair value option for the financial assets and liabilities of UACC's consolidated CFEs, beneficial interests in the 2022-1 securitization completed in February and certain of UACC's finance receivables that are ineligible to be sold as of the acquisition date. Under the fair value option allowable under ASC 825, "Financial Instruments" ("ASC 825"), the Company may elect to measure at fair value financial assets and liabilities that are not otherwise required to be carried at fair value. Subsequent changes in fair value for designated items are reported in earnings.

The following tables presents the Company's financial assets and liabilities measured at fair value on a recurring basis (in thousands):

	As of September 30, 2022			Total
	Level 1	Level 2	Level 3	
Financial Assets				
Cash and cash equivalents:				
Money market funds	\$ 250,557	\$ —	\$ —	\$ 250,557
CFE assets:				
Finance receivables	—	—	94,461	94,461
Finance receivables at fair value	—	—	85,565	85,565
Beneficial interests in securitizations	—	23,984	—	23,984
Total financial assets	\$ 250,557	\$ 23,984	\$ 180,026	\$ 454,567
Financial Liabilities				
CFE liabilities:				
Securitization debt of consolidated VIEs	—	95,494	—	95,494
Total financial liabilities	\$ —	\$ 95,494	\$ —	\$ 95,494
	As of December 31, 2021			Total
	Level 1	Level 2	Level 3	
Financial Assets				
Cash and cash equivalents:				
Money market funds	\$ 601,807	\$ —	\$ —	\$ 601,807
Commercial paper	—	149,974	—	149,974
Total financial assets	\$ 601,807	\$ 149,974	\$ —	\$ 751,781

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Valuation Methodologies of Financial Instruments Measured at Fair Value on a Recurring Basis

The following is a description of the valuation methodologies used for financial instruments carried at fair value. These methodologies are applied to financial assets and liabilities across the fair value levels discussed above, and it is the observability of the inputs used that determines the appropriate level in the fair value hierarchy for the respective asset or liability.

Money Market Funds: Money market funds primarily consist of investments in highly liquid U.S. treasury securities, with original maturities of three months or less and are classified as Level 1. The Company determines the fair value of cash equivalents based on quoted prices in active markets.

Commercial Paper: Commercial paper consists of unsecured promissory notes issued by companies, with original maturities of three months or less and is classified as Level 2. Commercial paper is issued at a discount to face value and is priced to reflect prevailing market interest rates.

Financial assets and liabilities of CFEs: In connection with the UACC Acquisition, as described in Note 5– Acquisitions, the Company acquired certain financial assets and liabilities of consolidated VIE subsidiaries related to securitization transactions that were deemed to be CFEs. The Company elected the fair value option for the assets and liabilities of its consolidated VIEs related to the 2020 and 2021 historical securitizations acquired from UACC.

As of the Acquisition Date, in accordance with ASC 825, the Company has elected the fair value option, for the eligible financial assets and liabilities of these consolidated CFEs in order to mitigate potential accounting mismatches between the carrying value of the financial assets and liabilities. To eliminate potential measurement differences, the Company elected the measurement alternative included in ASU 2014-13, allowing the Company to measure both the financial assets and liabilities of a qualifying CFE using the fair value of either the CFE's financial assets or liabilities, whichever is more observable. Under the measurement alternative prescribed by ASU 2014-13, the Company recognizes changes in the CFE's net assets, including changes in fair value adjustments and net interest earned, in its condensed consolidated statements of operations.

The Company is required to determine whether the fair value of the financial assets or the fair value of the financial liabilities of the eligible CFEs are more observable, but in either case, the methodology results in the fair value of the financial assets of the securitization trust being equal to the fair value of their liabilities. The Company determined that the fair value of the liabilities of the securitization CFEs are more observable, since market prices of their liabilities are based on non-binding quoted prices provided by broker dealers who make markets in similar financial instruments. The assets of the securitization CFEs are not readily marketable, and their fair value measurement requires information that may be limited in availability.

In determining the fair value of the securitization debt of consolidated CFEs, the broker dealers consider contractual cash payments and yields expected by market participants. Broker dealers also incorporate common market pricing methods, including a spread measurement to the treasury curve or interest rate swap curve as well as underlying characteristics of the particular security including ratings, coupon, collateral type and seasoning or age of the security. When the Company obtains prices from multiple broker dealers for the same security and has a consensus among them, it deems these fair values to be based on observable valuation inputs and classified as Level 2 of the fair value hierarchy. Where a third-party broker dealer quote is not available, an internal model is utilized using unobservable inputs or if the Company has multiple quotes that are not within determined range, it classified the securitization debt as Level 3 of the fair value hierarchy.

The financial assets of the consolidated CFEs are an aggregate value derived from the fair value of the CFEs liabilities. The Company determined that CFEs finance receivables in their entirety should be classified as Level 3 of the fair value hierarchy.

Finance receivables at fair value: In connection with the UACC Acquisition as described in Note 5 – Acquisitions, the Company acquired certain finance receivables for which it elected the fair value option in accordance with ASC 825. These receivables primarily relate to finance receivables that are not eligible to be sold in the immediate future due to

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

various factors such as: delinquencies, bankruptcy, etc. The Company estimates the fair value of these receivables using a discounted cash flow model and incorporates key inputs that include performance rate, default rate, recovery rate, and weighted average coupon rates, as well as certain macroeconomics events the Company believes market participants would consider relevant.

Beneficial interests in securitization: Beneficial interests in securitization relate to the United Auto Credit 2022-1 securitization completed in February 2022 and the 2022-2 securitization completed in July 2022 and include rated notes as well as certificates. Refer to Note 4 – Variable Interest Entities and Securitizations. The Company elected the fair value option on its beneficial interests in securitization.

Beneficial interests may initially be classified as Level 2 if the transactions occur within close proximity to the end of each respective reporting period. Subsequently, similar to the securitization debt described above, fair value is determined by requesting a non-binding quote from broker dealers, or by utilizing market acceptable valuation models, such as discounted cash flows. Broker dealer quotes may be based on an income approach, which converts expected future cash flows to a single present value amount, with specific consideration of inputs relevant to particular security types. Such inputs may include ratings, collateral types, geographic concentrations, underlying loan vintages, delinquencies and defaults, loss severity assumptions, prepayments, and weighted average coupons and maturities. When the volume or level of market activity for a security is limited, certain inputs used to determine fair value may not be observable in the market. Broker dealer quotes may also be based on a market approach that considers recent transactions involving identical or similar securities. When the Company obtains prices from multiple broker dealers for the same security and has a consensus among them, it deems these fair values to be based on observable valuation inputs and classified as Level 2 of the fair value hierarchy. Where a third-party broker dealer quote is not available, the Company utilizes an internally developed model using unobservable inputs. If internally developed models are utilized or if the Company has multiple quotes that are not within a consensus range of each other, the Company deems these securities to be classified as Level 3 of the fair value hierarchy.

Changes in Level 3 Recurring Fair Value Measurements

The following table presents a reconciliation of the financial assets, which were measured at fair value on a recurring basis using Level 3 inputs (in thousands):

	Finance Receivables of Consolidated CFEs	Finance Receivables at Fair Value	Securitization Debt of Consolidated CFEs
Fair value as of January 1, 2022	\$ —	\$ —	\$ —
Acquired in business combination	262,644	34,283	275,394
Transfer out of Level 3	—	—	(275,394)
Transfer within Level 3 categories	(50,938)	50,938	—
Losses included in other income	(24,293)	(9,078)	—
Issuances, net of discount	—	49,475	—
Sales	(24,312)	(14,114)	—
Paydowns	(78,379)	(28,450)	—
Other	9,739	2,511	—
Fair value as of September 30, 2022	<u>\$ 94,461</u>	<u>\$ 85,565</u>	<u>\$ —</u>

Transfers out of Level 3

The Company's transfers between levels of the fair value hierarchy are assumed to have occurred at the beginning of the reporting period on a quarterly basis, except for assets and liabilities acquired during the period as described below. There were no transfers into Level 3 during the three and nine months ended September 30, 2022.

During the nine months ended September 30, 2022, transfers out of Level 3 liabilities related to securitization debt of consolidated CFEs. The transfer out of Level 3 was the result of achieving consensus pricing from third-party broker dealers who utilize market observable inputs to price the liabilities. Upon acquisition, the Company utilized unobservable pricing information and an internal discounted cash flows model to value the CFEs liabilities. The Company obtained

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

consensus broker dealers quotes as of September 30, 2022. For the CFEs liabilities acquired during the period, the transfer was presumed to occur immediately after the Acquisition Date.

As of December 31, 2021, there were no financial assets or liabilities measured using Level 3 inputs on a recurring basis.

Other Relevant Data for Financial Assets and Liabilities for which FVO Was Elected

The following table presents the gains or losses recorded in "Other loss (income), net" in the condensed consolidated statements of operations related to the eligible financial instruments for which the fair value option was elected (in thousands):

	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Financial Assets		
Finance receivables of CFEs	\$ (3,930)	\$ (19,225)
Finance receivables at fair value	1,004	(7,248)
Beneficial interests in securitizations	(206)	(527)
Financial Liabilities		
Debt of securitized VIEs	275	2,990
Total net loss included in other income	\$ (2,857)	\$ (24,010)

The following table presents other relevant data related to the finance receivables carried at fair value (in thousands):

As of September 30, 2022	Finance Receivables of CFEs at Fair Value	Finance Receivable at Fair Value
Aggregate unpaid principal balance included within finance receivables that are reported at fair value	\$ 100,802	\$ 99,887
Aggregate fair value of finance receivables that are reported at fair value	\$ 94,461	\$ 85,565
Unpaid principal balance of receivables within finance receivables that are reported at fair value and are on nonaccrual status (90 days or more past due)	\$ 1,420	\$ 2,929
Aggregate fair value of receivables carried at fair value that are on nonaccrual status (90 days or more past due)	\$ 1,331	\$ 2,235

All finance receivables of CFEs are pledged to the CFEs trusts.

The following table presents other relevant data related to securitization debt of consolidated VIEs carried at fair value (in thousands):

As of September 30, 2022	Securitization debt of consolidated VIEs at Fair Value
Aggregate unpaid principal balance of debt of securitized VIEs	\$ 98,484
Aggregate fair value of debt of securitized VIEs	\$ 95,494

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

As of December 31, 2021, there were no financial assets or liabilities for which the fair value option was elected.

Fair Value of Financial Instruments Not Carried at Fair Value

The carrying amounts of restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature. The carrying value of the 2020 Vehicle Floorplan Facility and the Warehouse Credit Facilities was determined to approximate fair value due to its short-term duration and variable interest rate that approximates prevailing interest rates as of each reporting period.

Finance receivables held for sale, net: For finance receivables eligible to be sold, the Company determines the fair value of finance receivables utilizing sales prices based on estimated securitization transactions, adjusted for transformation costs, risk and a normal profit margin associated with securitization transactions. The Company uses a discounted cash flow model to estimate the present value of future recoveries for finance receivables that become delinquent and no longer meet the expected sales criteria. Such fair value measurement of finance receivables held for sale, net is considered Level 3 of the fair value hierarchy. The carrying value and fair value of the finance receivables held for sale, net were as follows (in thousands):

	September 30, 2022	
Carrying value	\$	210,729
Fair value	\$	214,572

As of December 31, 2021, the Company did not have any finance receivables held for sale.

Convertible Senior Notes: The fair value of the Notes, which are not carried at fair value on the accompanying consolidated balance sheets, was determined utilizing actual bids and offer prices of the Notes in markets that are not active and are classified within Level 2 of the fair value hierarchy.

	September 30, 2022		December 31, 2021	
Carrying value	\$	556,638	\$	610,618
Fair value	\$	175,925	\$	386,100

Junior Subordinated Debentures: The fair value of the junior subordinated debentures, which are not carried at fair value on the accompanying consolidated balance sheets, approximated their carrying value as of September 30, 2022 and are classified within Level 3 of the fair value hierarchy.

Fair Value of Financial Instruments on a Nonrecurring Basis

Assets and liabilities acquired as part of a business combination and goodwill attributable to each of the Company's reporting units are recorded at fair value on a nonrecurring basis. Refer to Note 5 – Acquisitions and Note 8 - Goodwill and Intangible Assets for additional information.

From time to time the Company may mark certain receivables classified as held for sale to fair value and classified as financial instruments recorded at fair value on a non-recurring basis. As of September 30, 2022 there were no material finance receivables that were marked to fair value on a non-recurring basis.

Note 17 — Restructuring Activities

On May 5, 2022, the Company approved the Realignment Plan, which was designed to position the Company for long-term profitable growth by prioritizing unit economics, reducing operating expenses and maximizing liquidity.

During the second quarter of 2022, in connection with the Realignment Plan, the Company reduced headcount across the organization and closed its New York City, Detroit and several Sell Us Your Car® center facilities. Additionally,

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

the Company streamlined TDA's operations and closed its service center. The service center is being repurposed to replace the reconditioning facility in Stafford, Texas.

During the third quarter of 2022, in connection with the Realignment Plan, the Company restructured its network of logistics hubs in order to align with reduced unit volume and its regional operating model. The Company also reduced headcount in its proprietary logistics operations and customer support team and closed one of its office locations in Houston, Texas.

The restructuring activities associated with the Realignment Plan were substantially completed during the second and third quarters of 2022.

The following table summarizes the components of the restructuring charges:

	<u>Three months ended September 30,</u> <u>2022</u>	<u>Nine months ended September 30,</u> <u>2022</u>
Charges by Activity:		
Severance and termination benefits ⁽¹⁾	\$ 2,226	\$ 7,172
Impairment of operating lease right-of-use assets ⁽²⁾	1,017	4,424
Other costs ⁽³⁾	—	1,176
Total Restructuring and Related Charges	\$ 3,243	\$ 12,772

(1) Severance and termination costs consist of severance costs provided to employees who have been terminated as well outplacement costs and COBRA benefits.

(2) Impairment of operating lease right-of-use assets consist of costs associated with planned facility closures of \$1.0 million for the three months ended September 30, 2022 and \$6.5 million, net of applicable sublease income of \$2.1 million, for the nine months ended September 30, 2022, that will continue to be incurred under the contract for its remaining term without economic benefit to the Company.

(3) Other costs consist of legal expenses of \$0.6 million incurred in connection with the Realignment Plan and acceleration of depreciation of property and equipment of \$0.6 million related to the planned facility closures.

Severance and termination benefits and other costs are included in "Selling, general, and administrative expenses" and impairment of operating lease right-of-use assets are included in "Impairment charges" in the condensed consolidated statements of operations for the three and nine months ended September 30, 2022.

The following table is a reconciliation of the beginning and ending restructuring liability for the nine months ended September 30, 2022:

Balance as of December 31, 2021	\$ —
Accrual and accrual adjustments	7,755
Cash payments	(5,702)
Balance as of September 30, 2022	<u>\$ 2,053</u>

The restructuring liability for severance and termination benefits is reflected in "Accrued Expenses" in the condensed consolidated balance sheet as of September 30, 2022.

18. Segment Information

As part of the Realignment Plan, initiated in the second quarter of 2022, the Company streamlined TDA's operations and closed its service center. The Company also reevaluated its reporting segments based on relative revenue and gross profit and significance in the Company's long term strategy. As a result of the quantitative analysis, the Company determined to no longer report TDA as a separate segment. The Company now presents three reportable segments: Ecommerce, Wholesale, and Retail Financing. The Company reclassified TDA revenue and TDA gross profit for the comparative period from the TDA reportable segment to the "All Other" category to conform to current year presentation. No operating segments have been aggregated to form the reportable segments.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The Company determined its operating segments based on how the chief operating decision maker (“CODM”) reviews the Company’s operating results in assessing performance and allocating resources. The CODM reviews revenue and gross profit for each of the reportable segments. Gross profit is defined as revenue less cost of sales incurred by the segment. The CODM does not evaluate operating segments using asset information as these are managed on an enterprise-wide group basis. Accordingly, the Company does not report segment asset information. As of September 30, 2022 and December 31, 2021, long-lived assets were predominantly located in the United States.

The Ecommerce reportable segment represents retail sales of used vehicles through the Company’s ecommerce platform, fees earned on vehicle financing originated by UACC or our third-party financing sources and sales of value-added products associated with those vehicles sales. The Wholesale reportable segment represents sales of used vehicles through wholesale channels. The Retail Financing reportable segment represents UACC’s operations with its network of third-party dealership customers, including the purchases and servicing of vehicle installment contracts. Revenues within the “All Other” category consist of retail sales of used vehicles from TDA and fees earned on sales of value-added products associated with those vehicles sales and the CarStory business.

Information about the Company’s reportable segments are as follows (in thousands):

	Three Months Ended September 30, 2022				
	Ecommerce	Wholesale	Retail Financing	All Other	Total
Revenues from external customers	\$ 225,441	\$ 47,604	\$ 40,654	\$ 27,098	\$ 340,797
Gross profit	\$ 27,034	\$ (1,574)	\$ 35,954	\$ 5,917	\$ 67,331

	Three Months Ended September 30, 2021				
	Ecommerce	Wholesale	Retail Financing	All Other⁽¹⁾	Total
Revenues from external customers	\$ 701,678	\$ 131,306	\$ —	\$ 63,772	\$ 896,756
Gross profit	\$ 50,383	\$ 2,103	\$ —	\$ 5,603	\$ 58,089

	Nine Months Ended September 30, 2022				
	Ecommerce	Wholesale	Retail Financing	All Other	Total
Revenues from external customers	\$ 1,222,436	\$ 270,489	\$ 120,005	\$ 126,622	\$ 1,739,552
Gross profit	\$ 94,862	\$ (6,260)	\$ 109,637	\$ 17,089	\$ 215,328

	Nine Months Ended September 30, 2021				
	Ecommerce	Wholesale	Retail Financing	All Other⁽¹⁾	Total
Revenues from external customers	\$ 1,703,649	\$ 377,438	\$ —	\$ 168,677	\$ 2,249,764
Gross profit	\$ 131,859	\$ 10,337	\$ —	\$ 15,197	\$ 157,393

(1) The Company reclassified TDA revenue and TDA gross profit from the TDA reportable segment to the “All Other” category to conform to current year presentation.

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

The reconciliation between reportable segment gross profit to consolidated loss before provision for income taxes is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Reconciliation to consolidated total revenue				
Total reportable segment revenue	\$ 313,699	\$ 832,984	\$ 1,612,930	\$ 2,081,087
All Other revenues	27,098	63,772	126,622	168,677
Consolidated total revenue	<u>\$ 340,797</u>	<u>\$ 896,756</u>	<u>\$ 1,739,552</u>	<u>\$ 2,249,764</u>
Reconciliation to consolidated loss before provision for income taxes				
Total reportable segment gross profit	\$ 61,414	\$ 52,486	\$ 198,239	\$ 142,196
All Other gross profit	5,917	5,603	17,089	15,197
Selling, general and administrative expenses	134,643	148,718	475,627	381,482
Depreciation and amortization	9,833	3,376	27,728	9,276
Impairment charges	1,017	—	206,127	—
Gain on debt extinguishment	(37,917)	—	(37,917)	—
Interest expense	9,704	7,028	28,617	14,720
Interest Income	(5,104)	(2,930)	(12,991)	(7,288)
Other loss (income), net	5,383	(10)	26,897	(58)
Consolidated loss before provision for income taxes	<u>\$ (50,228)</u>	<u>\$ (98,093)</u>	<u>\$ (498,760)</u>	<u>\$ (240,739)</u>

19. Income Taxes

The Company computes income taxes using the liability method. This method requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between the financial statements and the income tax basis of assets and liabilities. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that certain deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those specific jurisdictions prior to the dates on which such net operating losses expire. The Company maintained a full valuation allowance against its net deferred tax assets because the Company has determined that it is more likely than not that these assets will not be fully realized based on a current evaluation of expected future taxable income and the Company is in a cumulative loss position.

The Company's effective tax rate for the three months ended September 30, 2022 and 2021 was (1.79)% and (0.03)%, respectively. The Company's effective tax rate for the nine months ended September 30, 2022 and 2021 was 4.43% and (0.16)%, respectively. The increase in effective tax rate for the nine months ended September 30, 2022 was primarily driven by a deferred tax benefit recorded for the decrease of Valuation Allowance resulting from the acquisition of Unitas Holdings Corp. (now known as Vroom Finance Corporation) that occurred during the period, of \$23.9 million.

The Company is subject to tax in the United States and many state and local jurisdictions. The Company, with certain exceptions, is no longer subject to income tax examinations by U.S. federal, state and local for tax years 2015 and prior.

The Internal Revenue Code (IRC) Section 382 provides for a limitation of the annual use of net operating loss and tax credit carryforwards following certain ownership changes (as defined by the IRC Section 382) that limits the Company's ability to utilize these carryforwards. The Company completed a Section 382 study to determine the applicable limitation, if any. It was determined that the Company has undergone four ownership changes, the most recent of which was April 2021. These changes will substantially limit the use of the net operating losses generated before the change in control.

The Company acquired Unitas Holdings Corp (now known as Vroom Finance Corporation) on February 1, 2022 in a stock acquisition, refer to Note 5 – Acquisitions for additional information. The NOLs and other tax attributes acquired

VROOM, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

will be subject to Section 382 limitations. The Company is in the process of determining the amount of attributes that will be available for use.

The Company has not identified any uncertain tax positions as of September 30, 2022 and December 31, 2021.

On August 16, 2022, the Inflation Reduction Act (IRA) was signed into law. The IRA implements a new 15% corporate alternative minimum tax based on adjusted GAAP net income, an excise tax on repurchases of corporate stock and various clean energy credits. Based on the language of the IRA as enacted we do not expect there to have a material effect on the Company.

20. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

(in thousands, except share and per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	\$ (51,127)	\$ (98,122)	\$ (476,675)	\$ (241,118)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	138,118,679	136,766,015	137,817,839	136,256,901
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.37)	\$ (0.72)	\$ (3.46)	\$ (1.77)

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding for the periods presented as the effect would have been anti-dilutive:

	As of September 30,	
	2022	2021
Convertible senior notes	10,132,119	11,158,722
Stock options	3,273,021	4,380,838
Restricted stock units	8,879,252	1,924,161
Total	22,284,392	17,463,721

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and in the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021 (the "Annual Report"), as updated by the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

Vroom is an innovative, end-to-end ecommerce platform that is transforming the used vehicle industry by offering a better way to buy and a better way to sell used vehicles. We are deeply committed to creating an exceptional experience for our customers.

We are driving enduring change in the industry on a national scale. Leveraging the benefits of national scale and local efficiency, we take a vertically integrated, hybrid asset-light approach that is reinventing all phases of the vehicle buying and selling process, from discovery to delivery and everything in between. Our platform encompasses:

- **Ecommerce:** We offer an exceptional ecommerce experience for our customers. In contrast to legacy dealerships and the peer-to-peer market, we provide consumers with a personalized and intuitive ecommerce interface to research and select from thousands of fully reconditioned vehicles. Our platform is accessible at any time on any device and provides transparent pricing, real-time financing and nationwide contact-free delivery right to a buyer's driveway. For consumers looking to sell or trade in their vehicles, we provide attractive market-based pricing, real-time price quotes and convenient, contact-free at-home vehicle pick-up.
- **Vehicle Operations:** Our scalable and vertically integrated operations underpin our business model. We strategically source inventory from consumers, auctions, rental car companies, OEMs, and dealers. We improve our ability to acquire high-demand vehicles through enhanced supply science across all our sourcing channels and we have expanded our national marketing efforts to drive consumer sourcing. In our reconditioning and logistics operations, we deploy a hybrid asset-light strategy that optimizes a combination of ownership and operation of assets by us with strategic third-party partnerships. As we scale nationally, we continue to leverage our last mile hub logistics operations and geographically dispersed network of reconditioning centers to further develop our regional operating model designed to improve our operating leverage, drive stronger unit economics and enhance our customer experience.
- **Data Science and Experimentation:** Data science and experimentation are at the core of everything we do. We rely on data science, machine learning and A/B and multivariate testing to continually drive optimization and operating leverage across our ecommerce and vehicle operations. We leverage data to increase the effectiveness of our national brand and performance marketing, enhance our customer experience, analyze market dynamics at scale, calibrate our vehicle pricing and optimize our overall inventory sales velocity. On the operations side, data science and experimentation enables us to fine tune our supply, sourcing and logistics models and to streamline our reconditioning processes.

Based on data from Cox Automotive, there were an estimated 40.5 million used vehicle transactions in 2021. The U.S. used automotive market is highly fragmented and ripe for disruption as an industry that is notorious for consumer dissatisfaction and has one of the lowest levels of ecommerce penetration. Industry reports estimate that ecommerce penetration will grow to as much as half of all used vehicle sales by 2030. Our platform, coupled with our national presence and brand, provides a significant competitive advantage versus local dealerships and regional players that lack nationwide reach and scalable technology, operations and logistics. The traditional auto dealers and peer-to-peer market do not offer consumers what we offer.

Recent Events

Convertible Note Repurchases

In September 2022, we repurchased \$56.4 million in aggregate principal amount of our outstanding 0.75% unsecured Convertible Senior Notes due 2026 (the "Notes"), net of deferred issuance costs of \$1.1 million, in open market transactions for \$18.5 million. Subject to market conditions and availability, we may continue to opportunistically repurchase Notes from time to time to reduce our outstanding indebtedness at a discount.

Third-party Sales Support

As previously disclosed, in order to reduce costs and more closely manage our sales operations, we are insourcing a substantial portion of our telephone sales support that has been provided by third parties. During the third quarter, we engaged in discussions with our primary telephone sales support provider regarding an approach to winding down the existing relationship. In August 2022, our third-party provider significantly reduced its staff dedicated to our sales operations.

The reduced staffing in our outsourced sales operations had an impact on our unit sales volume in the third quarter and is expected to have an impact on our unit sales volume in the fourth quarter as we transition away from the third-party provider. Nevertheless, we do not expect this transition to have a long-term impact on our sales volume, financial condition and results of operations as we reduce costs by expanding our internal sales force and leveraging our existing relationships with other sales partners, consistent with our long-term strategy to optimize our cost structure.

Business Realignment Plan

In light of operational challenges in our business, the need to reduce our cash spend and changes in financial market sentiment, on May 5, 2022, our board of directors (the "Board") approved a business realignment plan designed to position the Company for long-term profitable growth by prioritizing unit economics, reducing our operating expenses and maximizing liquidity (the "Realignment Plan"). The Realignment Plan included a number of elements, such as reducing the rate of unit sales to focus on lowering SG&A and expanding GPPU; reducing marketing expense by focusing on highest-ROI channels while aligning with volume trajectory; reducing the number of physical office locations and right sizing our organization to align with unit volume; and further developing our regional operating model.

In addition, as we executed on our Realignment Plan, we continued to accelerate the development of UACC as a captive financing operation, giving us the ability to better serve our customers across the credit spectrum, drive enhanced unit economics and improve our overall customer experience.

In connection with the Realignment Plan, we incurred expenses of approximately \$2.2 million and \$7.2 million for the three and nine months ended September 30, 2022, respectively, consisting primarily of severance and other related personnel reduction costs across our organization, including our logistics, reconditioning, and customer support team. Additionally, we recognized approximately \$1.1 million and \$4.4 million of lease impairment charges for the three and nine months ended September 30, 2022, respectively, related to closing physical office locations in New York, Detroit, and Houston as well as Sell Us Your Car® centers.

During the second quarter of 2022, we continued our strategic analysis of the operations at the TDA store location and decided to further streamline those operations and close the TDA service center. We are repurposing the service center to replace our reconditioning facility in Stafford, Texas, which we believe better aligns our proprietary reconditioning operations in the Houston market with our reduced unit sales volume, reduces our lease and operating expenses and provides an improved work environment for our employees.

The restructuring activities associated with the Realignment Plan were substantially completed during the second and third quarters of 2022. We will continue to reevaluate the optimization of our operations in the future in order to prioritize unit economics, reduce operating expenses, and maximize liquidity.

We expect to achieve approximately \$135.0 to \$165.0 million of cost reductions and operating improvements across our operations for 2022, when compared to the first quarter annualized, as a result of the Realignment Plan.

The foregoing estimates are based upon current assumptions and expectations but are subject to known and unknown risks and uncertainties. Accordingly, we may not be able to fully realize the cost savings and benefits initially anticipated from the Realignment Plan, and the actual costs may be greater than expected. See Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading "Risk Factors— Risks Related to Our Financial Condition and Results of Operations—We may not successfully execute or achieve the expected benefits of our Realignment Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations" for more information.

Long-Term Roadmap

Building on our Realignment Plan, we are following a long-term road map that is designed to achieve three key objectives: prioritizing unit economics over growth, significantly reducing operating expenses, and maximizing liquidity.

In order to achieve these objectives, we are focused on four strategic initiatives:

- **Building a well-oiled transaction machine:** Optimize our sales channels using internal and outsourced resources and digitization; streamline and digitize the title and registration process; optimize our marketing strategies by building brand awareness, growing organic search traffic and fine-tuning paid media campaigns to improve direct traffic and drive conversion.
- **Building a well-oiled metal machine:** Optimize pricing and assortment of vehicles through predictive data and analytics and regionalization, as well as synchronize end-to-end supply chain to increase velocity and improve flow.
- **Building a regional operating model:** Build a regional operating model to improve the customer experience, improve the speed of the supply chain, and reduce logistics costs and markdowns.
- **Building a captive finance offering:** Accelerate the development of UACC as a captive financing operation, giving us the ability to better serve our customers across the credit spectrum, drive enhanced unit economics and improve our overall customer experience.

These initiatives are designed to further our progress in building a profitable business model, enable us to build a well-oiled machine across our operations and position us to resume growth.

UACC Acquisition

On February 1, 2022 (the "Acquisition Date"), we completed the acquisition (the "UACC Acquisition") of 100% of Unitas Holdings Corp., including its wholly owned subsidiaries United PanAm Financial Corp. and United Auto Credit Corporation ("UACC"). Unitas Holdings Corp. (now known as Vroom Finance Corporation), United PanAm Financial Corp. (now known as Vroom Automotive Financial Corporation) and UACC, as well as their other subsidiaries, are now our wholly owned subsidiaries. This acquisition accelerates our strategy of establishing a captive financing arm and underwriting vehicle financing for our customers, the results of which are included within the Ecommerce reporting segment. UACC will also continue its current operations with its network of third-party dealership customers, which we intend to continue growing, including the purchases and servicing of vehicle installment contracts, which constitutes a separate reporting segment — Retail Financing. The cash consideration paid was approximately \$315.4 million.

We believe that, over time, the UACC platform will unlock the benefits of our captive finance strategy and enable us to expand our penetration of sales to customers across the credit spectrum, enhance aggregate gross profit and GPPU, and leverage our fixed cost base. In addition, we expect loans originated by UACC to be funded through warehouse credit facilities and, subject to market conditions, sold via securitization transactions, such as those completed in February and July 2022, and whole loan sales under forward flow arrangements. This originate-to-sell strategy is designed to achieve the benefits of a captive financing operation while maintaining an asset-light funding strategy.

Our Model

We generate revenue through the sale of used vehicles, vehicle financing and value-added products. We sell vehicles directly to consumers primarily through our Ecommerce segment as a licensed dealer.

As a result of the UACC Acquisition on February 1, 2022, we are developing a captive financing operation for Vroom customers, which will enable us to provide our customers with expanded financing solutions across the credit spectrum and an enhanced customer experience, while generating improved unit economics. We also expect to generate ecommerce product revenue through interest income on UACC's finance receivables held for sale generated by loans provided to Vroom customers and UACC's sale of such finance receivables in securitization transactions or forward flow arrangements. Additionally, we expect UACC to continue to purchase and service finance receivables originated by its network of third-party dealership customers and generate finance revenue, including interest income as well as gain on sale related to these finance receivables. Over time, we intend to grow the third-party dealership network and business.

We also sell vehicles through wholesale channels, which provide a revenue source for vehicles that do not meet our Vroom retail sales criteria. Additionally, we generate revenue through the retail sale of used vehicles and value-added products at TDA.

For the three months ended September 30, 2022, our Ecommerce, Wholesale, and Retail Financing segments represented 66.2%, 14.0%, and 11.9% of our total revenue, respectively. For the nine months ended September 30, 2022, our Ecommerce, Wholesale, and Retail Financing segments represented 70.3%, 15.5%, and 6.9% of our total revenue, respectively.

Our retail gross profit consists of two components: Vehicle Gross Profit and Product Gross Profit. Vehicle Gross Profit is calculated as the aggregate retail sales price for all vehicles sold to customers along with delivery fee revenue and document fees received from customers, less the aggregate cost to acquire such vehicles, the aggregate cost of inbound transportation for such vehicles to our vehicle reconditioning centers, which we refer to as VRCs, and the aggregate cost of reconditioning such vehicles for sale. Product Gross Profit consists of fees earned on vehicle financing originated by our third-party financing sources and any third-party value-added products sold as part of a vehicle sale. Because we are paid fees on the third-party financing and other value-added products we sell, our gross profit on such products is equal to the revenue we generate. Starting in the second quarter of 2022, Product Gross Profit also includes interest income earned on finance receivables held for sale from Vroom customers that we originate through UACC to finance the vehicles we sell. It also includes gain on sales of those finance receivables once sold in a securitization transaction or forward flow arrangement. See "—Key Operating and Financial Metrics."

Below is an explanation of how we calculate vehicle gross profit per unit and product gross profit per unit:

Sales Price	Vehicle Selling Price
– Acquisition Price	Vehicle Acquisition Cost
+ Delivery Fees and Doc Fees	Delivery and Document Fees Received from Customer
– Inbound Shipping Cost	Cost of Shipment to Reconditioning Center
– Reconditioning Cost	Spend on Mechanical & Cosmetic Reconditioning to Bring Vehicle Ready for Sale
= Vehicle Gross Profit per Unit	
+ Financing GPPU	Gain on Sales, Interest Income and Third-party Bank Fees Earned from Customer Financing
+ Value-Added Product GPPU	Fees Earned from Sale of Protection Products (Gap, Warranty, Tire & Wheel Coverage)
= Product Gross Profit per Unit	

 Reported KPI

Our profitability depends primarily on improving unit economics and achieving operating leverage. We deploy a hybrid asset-light strategy that optimizes a combination of ownership and operation of assets by us with strategic third-party partnerships. Our hybrid approach also applies to the third-party value-added products we sell to customers.

Historically, we generated additional revenue streams without directly underwriting vehicle financing or protection products; however, the UACC Acquisition enables us to underwrite vehicle financing for our customers. As we scale, we expect to benefit from efficiencies and operating leverage across our business, including our marketing and technology investments, and our inventory procurement, logistics, reconditioning and sales processes.

Inventory Sourcing

We source our vehicle inventory from a variety of channels, including consumers, auctions, rental car companies, OEMs and dealers. Because the quality of vehicles and associated gross margin profile vary across each channel, the mix of inventory sources has an impact on our profitability. We continually evaluate the optimal mix of sourcing channels to generate the highest sales margins and shortest inventory turns, both of which contribute to increased gross profit per unit. We generate a vast set of predictive data derived from market demand, pricing dynamics, vehicle acquisitions and subsequent sales, and we leverage that data to optimize future vehicle acquisitions. See “—Other Key Factors and Trends Affecting our Operating Results—Ability to utilize data science to drive revenue growth by cost effectively increasing the volume and selection of vehicles in our inventory.”

Vehicle Reconditioning

Before a vehicle is listed for retail sale on our platform, it undergoes a thorough reconditioning process in order to meet our Vroom retail sales criteria. The efficiency of this reconditioning process is a key element in our ability to grow profitably. To recondition vehicles, we rely on a combination of our Vroom-owned vehicle reconditioning centers (“VRCs”) along with a network of VRCs owned and operated by third parties. In February 2022, Adesa U.S. (“Adesa”), one of our third-party VRC providers and host of a number of our last-mile hubs, communicated its intent to discontinue its third-party reconditioning services with us as it was being acquired by a competitor. We replaced Adesa's capacity with capacity at our other existing providers. In the second quarter of 2022, we took further action to right-size the staffing of our proprietary reconditioning operations as well as to optimize the number of third-party reconditioning partner locations to align with a focus on reduced unit sales volume, resulting in a further reduction in headcount. We are also in the process of relocating the reconditioning facility in Stafford, Texas to the former service center at the TDA store location.

We are exploring the possibility of opening an additional proprietary VRC in the Atlanta area, utilizing a capital efficient strategy. We believe that opening a second proprietary VRC in the Atlanta area would enable us to optimize our reconditioning capacity, obtain greater control over our reconditioning operations, and support our regional operating model. Going forward, we will continue to seek to optimize the combination of strategic and geographically dispersed proprietary and third-party VRCs. See “—Other Key Factors and Trends Affecting our Operating Results—Ability to optimize our reconditioning capacity to satisfy increasing demand.”

Logistics Network

As we scaled our business, we not only added proprietary line-haul capability, but also built our third-party logistics network nationally through the development of strategic carrier arrangements with national haulers and consolidated our carrier base into dedicated operating regions. This combination of proprietary and focused third-party service allowed us to focus on improving the quality and reliability of our logistics operations and enhancing of our customer experience. We have prioritized investment in our last mile hub delivery operations, where we can have the greatest impact on the customer experience, and invested in short-haul vehicles to make regional deliveries from our last mile hubs and line-haul vehicles for hub-to-hub shipments on high-volume routes. We are also continuing to invest in our processes and technology to remove inefficiencies, automate processes and improve our customer experience. We also took further action to optimize our proprietary logistics operations in order to align with reduced unit sales volume, which resulted in a further reduction in headcount, as well as the restructuring of our network of logistics operations. Consistent with the continued development of our regional operating model, we intend to strategically combine the operation of our proprietary fleet with the use of third-party carriers, as well as synchronize our end-to-end supply chain to increase sales velocity and optimize flow of our inventory. We believe these initiatives will enable us to reduce logistics costs per mile, improve our inventory turnover and provide the highest level of customer service. See “—Other Key Factors and Trends Affecting our Operating Results—Ability to optimize our logistics network.”

Vehicle Financing

We generate revenue by earning fees on vehicle financing through our continued partnerships with third-party lenders. The recent UACC Acquisition enables us to accelerate the development of our captive financing capabilities. As a

first step in our integration plan, UACC has joined the existing lineup of third-party lenders available on our ecommerce platform as we work to integrate UACC's services and develop our captive financing operation, which will enable us to provide our customers with automotive financing solutions across the credit spectrum and an enhanced customer experience. See "—Other Key Factors and Trends Affecting our Operating Results—Ability to expand and develop our financing capabilities."

Other Value-Added Products

We generate revenue by earning fees for selling value-added products to customers in connection with vehicle sales. Currently, our other third-party value-added product offerings consist of protection products, such as vehicle service contracts, GAP protection and tire and wheel coverage. We intend to introduce additional value-added products over time that will be attractive to our customers and drive revenue and profitable growth. We expect that both expanded product offerings and increased attachment rates in value-added product sales will have a positive impact on our profitability. See "—Other Key Factors and Trends Affecting our Operating Results—Ability to increase and better monetize other value-added products."

Our Segments

We manage and report operating results through three reportable segments:

- **Ecommerce** (66.2% and 70.3% of total revenue for the three and nine months ended September 30, 2022): The Ecommerce segment represents retail sales of used vehicles through our ecommerce platform and fees earned on sales of value-added products associated with those vehicle sales.
- **Wholesale** (14.0% and 15.5% of total revenue for the three and nine months ended September 30, 2022): The Wholesale segment represents sales of used vehicles through wholesale channels.
- **Retail Financing** (11.9% and 6.9% of total revenue for the three and nine months ended September 30, 2022): The Retail Financing segment represents UACC's operations with its network of third-party dealership customers.

As part of the Realignment Plan, initiated in the second quarter of 2022, we streamlined TDA's operations and closed our service center. We also reevaluated our reporting segments based on relative revenue and gross profit and significance in our long term strategy. As a result of the quantitative analysis, we determined TDA should no longer be reported as a separate segment.

Gross profit is defined as revenue less cost of sales for each segment. Reflected below is a summary of segment revenue and segment gross profit for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021 ⁽¹⁾	2022	2021 ⁽¹⁾
	(in thousands)		(in thousands)	
Revenue:				
Ecommerce	\$ 225,441	\$ 701,678	\$ 1,222,436	\$ 1,703,649
Wholesale	47,604	131,306	270,489	377,438
Retail Financing	40,654	—	120,005	—
All Other	27,098	63,772	126,622	168,677
Total revenue	<u>\$ 340,797</u>	<u>\$ 896,756</u>	<u>\$ 1,739,552</u>	<u>\$ 2,249,764</u>
Gross profit (loss):				
Ecommerce	\$ 27,034	\$ 50,383	\$ 94,862	\$ 131,859
Wholesale	(1,574)	2,103	(6,260)	10,337
Retail Financing	35,954	—	109,637	—
All Other	5,917	5,603	17,089	15,197
Total gross profit	<u>\$ 67,331</u>	<u>\$ 58,089</u>	<u>\$ 215,328</u>	<u>\$ 157,393</u>

(1) We reclassified TDA revenue and TDA gross profit from the TDA reportable segment to the "All Other" category to conform to current year presentation.

Key Operating and Financial Metrics

We regularly review a number of metrics, including the following key operating and financial metrics, to evaluate our business, measure our performance, identify trends in our business, prepare financial forecasts and make strategic decisions. We believe these operational measures are useful in evaluating our performance, in addition to our financial results prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP. You should read the key operating and financial metrics in conjunction with the following discussion of our results of operations and together with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. We focus heavily on metrics related to unit economics as improved gross profit per unit is a key element of our growth and profitability strategies.

The calculation of our key operating and financial metrics is straightforward and does not rely on significant projections, estimates or assumptions. Nevertheless, each of our key operating and financial metrics has limitations because each focuses specifically on only one standard by which to evaluate our business, without taking into account other applicable standards, performance measures or operating trends by which our business could be evaluated. Accordingly, no single metric should be viewed as the bellwether by which our business should be measured. Rather, each key operating and financial metric should be considered in conjunction with other metrics and components of our results of operations, such as each of the other key operating and financial metrics and our revenues, inventory, loss from operations and segment results.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Ecommerce units sold	6,428	19,683	35,134	53,455
Vehicle Gross Profit per ecommerce unit	\$ 2,267	\$ 1,315	\$ 1,314	\$ 1,360
Product Gross Profit per ecommerce unit	1,939	1,245	1,386	1,107
Total Gross Profit per ecommerce unit	<u>\$ 4,206</u>	<u>\$ 2,560</u>	<u>\$ 2,700</u>	<u>\$ 2,467</u>
Average monthly unique visitors	1,647,920	2,236,168	1,989,962	1,845,302
Ecommerce average days to sale	186	68	118	73

Ecommerce Units Sold

Ecommerce units sold is defined as the number of vehicles sold and shipped to customers through our ecommerce platform, net of returns under our Vroom 7-Day Return Program. Ecommerce units sold excludes sales of vehicles at TDA and through the Wholesale segment. Each vehicle sale through our ecommerce platform also creates the opportunity to leverage such sale to provide vehicle financing, sell value-added products and acquire trade-in vehicles from our customers, which we can either recondition and add to our inventory or sell through wholesale channels.

Vehicle Gross Profit per Ecommerce Unit

Vehicle Gross Profit per ecommerce unit, which we refer to as Vehicle GPPU, for a given period is defined as the aggregate retail sales price and delivery charges for all vehicles sold through our Ecommerce segment less the aggregate costs to acquire those vehicles, the aggregate costs of inbound transportation to the VRCs and the aggregate costs of reconditioning those vehicles in that period, divided by the number of ecommerce units sold in that period. We believe Vehicle GPPU is a key driver of our long-term profitability.

Product Gross Profit per Ecommerce Unit

Product Gross Profit per ecommerce unit, which we refer to as Product GPPU, for a given period is defined as the aggregate fees earned on sales of value-added products in that period, net of the reserves for chargebacks on such products in that period, divided by the number of ecommerce units sold in that period. Because we are paid fees on the vehicle financing and value-added products we sell, our gross profit is equal to the revenue we generate from the sale of such products. We plan to continue to introduce initiatives to increase the attachment rates of value-added products and expand our offerings of value-added products which will grow our Product GPPU. The UACC Acquisition accelerates our strategy to develop a captive financing arm and creates the opportunity to expand our automotive financing solutions across the credit spectrum, improve unit economics and create long-term value for our shareholders. With the captive financing offered by UACC, we will begin to generate additional product gross profit on receivables generated by financing provided to Vroom customers from interest income on such finance receivables held for sale and proceeds from the sale of such finance receivables in securitization transactions or through forward flow arrangements.

Total Gross Profit per Ecommerce Unit

Total Gross Profit per ecommerce unit, which we refer to as Total GPPU, for a given period is calculated as the sum of Vehicle GPPU and Product GPPU. We view Total GPPU as a key metric of the profitability of our Ecommerce segment.

Average Monthly Unique Visitors

Average monthly unique visitors is defined as the average number of individuals who access our ecommerce platform within a calendar month. We calculate the average monthly unique visitors over any period by dividing the aggregate monthly unique visitors during such period by the number of months in that period. We use average monthly unique visitors to measure the quality of our customer experience, the effectiveness of our marketing campaigns and customer acquisition as well as the strength of our brand and market penetration.

Average monthly unique visitors is calculated using data provided by Google Analytics. The computation of average monthly unique visitors excludes individuals who access our platform multiple times within a calendar month, counting such individuals only one time for purposes of the calculation. If an individual accesses our ecommerce platform using different devices or different browsers on the same device within a given month, the first access through each such device or browser is counted as a separate monthly unique visitor.

Ecommerce Average Days to Sale

We define ecommerce average days to sale as the average number of days between our acquisition of vehicles and the final delivery of such vehicles to customers through our ecommerce platform. We calculate average days to sale for a given period by dividing the aggregate number of days between the acquisition of all vehicles sold through our ecommerce platform during such period and final delivery of such vehicles to customers by the number of ecommerce units sold in that period. Ecommerce average days to sale excludes vehicles sold at TDA and through the Wholesale

segment. Ecommerce average days to sale is an important metric because a reduction in the number of days between the acquisition of a vehicle and the delivery of such vehicle typically results in a higher gross profit per unit.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, we believe the following non-GAAP financial measures are useful in evaluating our operating performance: EBITDA, Adjusted EBITDA, Adjusted EBITDA excluding securitization gain, Non-GAAP net loss, Non-GAAP net loss excluding securitization gain, Non-GAAP net loss per share, and Non-GAAP net loss per share excluding securitization gain. These non-GAAP financial measures have limitations as analytical tools in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with U.S. GAAP. Because of these limitations, these non-GAAP financial measures should be considered along with other operating and financial performance measures presented in accordance with U.S. GAAP. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with U.S. GAAP. We have reconciled all non-GAAP financial measures with the most directly comparable U.S. GAAP financial measures.

EBITDA, Adjusted EBITDA, Adjusted EBITDA excluding securitization gain, Non-GAAP net loss, Non-GAAP net loss excluding securitization gain, Non-GAAP net loss per share, and Non-GAAP net loss per share excluding securitization gain, are supplemental performance measures that our management uses to assess our operating performance and the operating leverage in our business. Because EBITDA, Adjusted EBITDA, Adjusted EBITDA excluding securitization gain, Non-GAAP net loss, Non-GAAP net loss excluding securitization gain, Non-GAAP net loss per share, and Non-GAAP net loss per share excluding securitization gain facilitate internal comparisons of our historical operating performance on a more consistent basis, we use these measures for business planning purposes.

EBITDA, Adjusted EBITDA, and Adjusted EBITDA excluding securitization gain

We calculate EBITDA as net loss before interest expense, interest income, income tax expense and depreciation and amortization expense and we calculate Adjusted EBITDA as EBITDA adjusted to exclude realignment costs, acquisition related costs, change in fair value of finance receivables, goodwill impairment charge, gain on debt extinguishment and other costs, which relate to the write off of the upfront shares issued as part of the Rocket agreement and previously recognized within "Other assets". Changes in fair value of finance receivables can fluctuate significantly from period to period and relate primarily to historical loans and debt which have been securitized, and acquired on February 1, 2022 from UACC. Our ongoing business model is to originate or purchase finance receivables with the intent to sell which we recognize at the lower of cost or fair value. Therefore, these historical finance receivables acquired, which are accounted for under the fair value option, will experience fluctuations in value from period to period. We believe it is appropriate to remove this temporary volatility from our Adjusted EBITDA results to better reflect our ongoing business model. Additionally, these historical finance receivables acquired from UACC are expected to run-off within approximately 12 months. We calculate Adjusted EBITDA excluding securitization gain as Adjusted EBITDA adjusted to exclude the securitization gain from the sale of UACC's finance receivables as it provides a useful perspective on the underlying operating results and trends as well as a means to compare our period-over-period results. The following table presents a reconciliation of EBITDA, Adjusted EBITDA, and Adjusted EBITDA excluding securitization gain to net loss, which is the most directly comparable U.S. GAAP measure:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands)		(in thousands)	
Net loss	\$ (51,127)	\$ (98,122)	\$ (476,675)	\$ (241,118)
Adjusted to exclude the following:				
Interest expense	9,704	7,028	28,617	14,720
Interest income	(5,104)	(2,930)	(12,991)	(7,288)
Provision (benefit) for income taxes	899	29	(22,085)	379
Depreciation and amortization	9,995	3,469	28,005	9,497
EBITDA	\$ (35,633)	\$ (90,526)	\$ (455,129)	\$ (223,810)
Realignment costs	\$ 3,243	\$ —	\$ 12,772	\$ —
Acquisition related costs	—	3,412	5,653	3,412
Change in fair value of finance receivables	(3,012)	—	4,455	—
Goodwill impairment charge	—	—	201,703	—
Gain on debt extinguishment	(37,917)	—	(37,917)	—
Other	—	—	2,127	—
Adjusted EBITDA	\$ (73,319)	\$ (87,114)	\$ (266,336)	\$ (220,398)
Securitization gain	(15,972)	—	(45,589)	—
Adjusted EBITDA excluding securitization gain	\$ (89,291)	\$ (87,114)	\$ (311,925)	\$ (220,398)

Non-GAAP net loss, Non-GAAP net loss excluding securitization gain, Non-GAAP net loss per share, and Non-GAAP net loss per share excluding securitization gain

We calculate Non-GAAP net loss as net loss adjusted to exclude realignment costs, acquisition related costs, change in fair value of finance receivables, goodwill impairment charge, gain on debt extinguishment and other costs, which relate to the write off of the upfront shares issued as part of the Rocket agreement and previously recognized within "Other assets". We calculate Non-GAAP net loss per share as Non-GAAP net loss divided by weighted average number of shares outstanding. We calculate Non-GAAP net loss excluding securitization gain as Non-GAAP net loss adjusted to exclude the securitization gain from the sale of UACC's finance receivables. We calculate Non-GAAP net loss per share excluding securitization gain as Non-GAAP net loss excluding securitization gain divided by weighted average number of shares outstanding. The following table presents a reconciliation of Non-GAAP net loss, Non-GAAP net loss excluding securitization gain, Non-GAAP net loss per share, and Non-GAAP net loss per share excluding securitization gain to net loss and net loss per share, which are the most directly comparable U.S. GAAP measures:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(in thousands, except share and per share amounts)			
Net loss	\$ (51,127)	\$ (98,122)	\$ (476,675)	\$ (241,118)
Net loss attributable to common stockholders	\$ (51,127)	\$ (98,122)	\$ (476,675)	\$ (241,118)
Add: Realignment costs	3,243	—	12,772	—
Add: Acquisition related costs	—	3,412	5,653	3,412
Add: Change in fair value of finance receivables	(3,012)	—	4,455	—
Add: Goodwill impairment charge	—	—	201,703	—
Subtract: Gain on debt extinguishment	(37,917)	—	(37,917)	—
Add: Other	—	—	2,127	—
Non-GAAP net loss	\$ (88,813)	\$ (94,710)	\$ (287,882)	\$ (237,706)
Subtract: Securitization gain	(15,972)	—	(45,589)	—
Non-GAAP net loss excluding securitization gain	\$ (104,785)	\$ (94,710)	\$ (333,471)	\$ (237,706)
Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted	138,118,679	136,766,015	137,817,839	136,256,901
Net loss per share, basic and diluted	\$ (0.37)	\$ (0.72)	\$ (3.46)	\$ (1.77)
Impact of realignment costs	0.02	—	0.09	—
Impact of acquisition related costs	—	0.02	0.04	0.03
Impact of change in fair value of finance receivables	(0.02)	—	0.03	—
Impact of goodwill impairment charge	—	—	1.46	—
Impact of gain on debt extinguishment	(0.27)	—	(0.28)	—
Impact of other	—	—	0.02	—
Non-GAAP net loss per share, basic and diluted	\$ (0.64)	\$ (0.70)	\$ (2.10)	\$ (1.74)
Impact of securitization gain	(0.12)	—	(0.33)	—
Non-GAAP net loss per share excluding securitization gain, basic and diluted	\$ (0.76)	\$ (0.70)	\$ (2.43)	\$ (1.74)

Other Key Factors and Trends Affecting our Operating Results

Our financial condition and results of operations have been, and will continue to be, affected by a number of factors and trends, including the following:

Ability to convert visitors to our platform into customers and source vehicles from consumers

The quality of the customer experience on our ecommerce platform is critical to our ability to attract new visitors to our platform, convert such visitors into customers and increase repeat customers, as well as our ability to acquire vehicles directly from consumers. Our ability to drive higher customer conversion and increased consumer sourcing depends on our ability to make our platform a compelling choice for consumers based on our functionalities and consumer offerings.

Data analytics and experimentation drive decision making across all of our conversion and sourcing efforts. By analyzing the data generated by the millions of visitors and tens of thousands of transactions on our platform, and continually testing strategies to maximize conversion rates, we form a better understanding of consumer preferences and try to create a more tailored ecommerce experience for consumers looking to purchase vehicles. Similarly, for consumers looking to sell vehicles to us, we use a vast set of data and data analytics, to provide an automated pricing platform that delivers real time, market-driven appraisals, and continually experiment and test in order to further refine our approach to enhance the customer experience and drive increased vehicle purchases.

Increased conversion and consumer sourcing also depends on our ability to provide the necessary customer support and sales support. Our ongoing investment in our customer experience operations includes investments in processes and technology. We are continuing to invest in our processes, including optimizing our sales channels using internal and outsourced resources, in order to remove friction and increase transaction flow, and in technology to automate and improve our customer experience, reduce costs per transaction and to drive conversion and consumer sourcing.

As previously disclosed, in order to reduce costs and more closely manage our sales operations, we are insourcing a substantial portion of our telephone sales support that has been provided by third parties. During the third quarter, we engaged in discussions with our primary telephone sales support provider regarding an approach to winding down the existing relationship. In August 2022, our third-party provider significantly reduced its staff dedicated to our sales operations.

The reduced staffing in our outsourced sales operations had an impact on our unit sales volume in the third quarter and is expected to have an impact on our unit sales volume in the fourth quarter as we transition away from the third-party provider. Nevertheless, we do not expect this transition to have a long-term impact on our sales volume, financial condition and results of operations as we reduce costs by expanding our internal sales force and leveraging our existing relationships with other sales partners, consistent with our long-term roadmap to optimize our cost structure.

In order to address the operational challenges created by our rapid growth over the past two years, including delays in titling and registering vehicles purchased by our customers, we have undertaken various initiatives. These initiatives include increased digitization and electronic transmission of transaction documents and implementation of our digital title vault to ensure that titles are quality checked and vaulted prior to listing. While these initiatives are designed to improve our transaction processing, enhance our customer experience, and reduce our regulatory risk, they have resulted in, among other things, an increase in the number of days between our acquisition of vehicles and the final delivery of such vehicles to customers. As we improve the customer experience and drive efficiency in transaction processing, we expect that we will attract more visitors, improve conversion, drive greater sales and increase the percentage of vehicles sourced from consumers. If we cannot manage our growth effectively to maintain the quality and efficiency of our customers' experience, our business, financial condition and results of operations could be materially and adversely affected. See *"Risks Related to Our Growth and Strategy—Our recent, rapid growth is not indicative of our short-term strategy under our Realignment Plan and, when we return to rapid growth, we may not be able to manage our growth effectively."*

During the third quarter of 2022, we reduced headcount of our customer support team, as we continue to make progress on our initiatives to address the operational challenges created by our rapid growth, optimize our operations and align with reduced unit sales volume.

Ability to optimize the mix of inventory sources to drive increased gross profit and improvements to our unit economics

Improving unit economics and driving increased gross profit requires a number of important capabilities, including the ability to finance the acquisition of inventory at competitive rates, source high quality vehicles across various acquisition channels nationwide, secure adequate reconditioning capacity and execute effective marketing strategies to increase consumer sourcing. In addition, our ability to accurately forecast pricing and consumer demand for specific types of vehicles is critical to sourcing high quality, high-demand vehicles, as well as lower-price-point vehicles to take advantage of the expanded sales opportunities to customers across the credit spectrum enabled by the UACC Acquisition. This ability is enabled by our data science capabilities that leverage the growing amount of data at our disposal and generate predictive data analytics that fine-tune our supply and sourcing models. As we continue to invest in

our operational efficiency and data analytics, we expect that we will improve our unit economics and in turn drive increased gross profit.

We strategically source inventory from consumers, auctions, rental car companies, OEMs and dealers. For the three and nine months ended September 30, 2022, vehicles sourced from consumers represent approximately 86% and 78% of our retail inventory sold, respectively. Because the quality of vehicles and associated gross margin profile vary across each channel, the mix of inventory sources has an impact on our profitability. We continually evaluate the optimal mix of sourcing channels and strive to source vehicles in a way that maximizes our average gross profit per unit and improves our unit economics. For example, purchasing vehicles at third-party auctions is competitive and, consequently, vehicle prices at third-party auctions tend to be higher than vehicle prices for vehicles sourced directly from consumers. Accordingly, as part of our sourcing strategy, we have strategically increased the percentage of vehicle sales that we source from consumers.

In the future, we expect to have the ability to begin inspecting consumer sourced vehicles and making real time adjustments to acquisition pricing as a result of our scaling proprietary logistics operation, which we expect will provide improvements to our overall gross profit per unit over time.

Ability to optimize our reconditioning capacity

Our ability to recondition purchased vehicles to our quality standards is a critical component of our business. Historically, we have successfully increased our reconditioning capacity as our business has grown, and our future success will depend on our ability to continue to optimize our reconditioning capacity to satisfy customer demand, maximize profitability, and enhance the customer experience. We employ a hybrid approach that combines the use of our proprietary VRC and third-party VRCs to best meet our reconditioning needs.

We intend to optimize reconditioning capacity and operational efficiency through third-party VRC locations and additional proprietary VRCs. Our use of third-party VRCs to recondition vehicles allows us to avoid additional capital expenditures, quickly adjust capacity, maintain greater operational flexibility and broaden our geographic footprint to drive lower logistics costs. Proprietary VRCs will enable us to have increased control over our reconditioning operations, increase capacity as we scale, and support our regional operating model. In February 2022, Adesa, one of our third-party VRC providers and host of a number of our last-mile hubs, communicated its intent to discontinue its third-party reconditioning services with us as it was being acquired by a competitor. We replaced Adesa's capacity with capacity at our other existing providers. In the second quarter of 2022, we took further action to right-size the staffing of our proprietary reconditioning operations as well as optimize the number of third-party reconditioning partner locations to align with our reduced unit sales volume, resulting in a further reduction in headcount. We are also in the process of relocating our reconditioning facility from Stafford, Texas to the former service center at the TDA store location which we believe better aligns our proprietary reconditioning operations in the Houston market with our reduced unit sales volume, reduces our lease and operating expenses and provides an improved work environment for our employees.

We are exploring the possibility of opening an additional proprietary VRC in the Atlanta area, utilizing a capital efficient strategy. Going forward, we will continue to seek to optimize the combination of strategic and geographically dispersed proprietary and third-party VRCs.

We leverage our data analytics and deep industry experience to strategically select VRC locations where we believe there is the highest supply and demand for our vehicles and enable us to leverage a regional operating model.

Ability to optimize our logistics network

As we scaled our business, we not only added proprietary line-haul capability, but also built our third-party logistics network nationwide through the development of strategic carrier arrangements with national haulers and the consolidation of our carrier base into a smaller number of carriers in dedicated operating regions. We expect that these enhanced logistics operations, combined with the expansion of strategically located VRCs, will drive efficiency in our logistics operations. We have been accelerating our strategy to optimize our hybrid approach by focusing on improving the quality and reliability of our logistics operations and enhancing our customer experience. We have prioritized investment in our last mile hub delivery operations, where we can have the greatest impact on the customer experience, and invested in short-haul vehicles to make regional deliveries from our last mile hubs, and line-haul vehicles for hub-to-hub shipments on high-volume routes. We are also continuing to invest in our processes and technology to remove

inefficiencies, automate processes and improve our customer experience. We took further action to optimize our proprietary logistics operations in order to align with reduced unit sales volume, which resulted in a further reduction in headcount, as well as the restructuring of our network of logistics operations. Consistent with the continued development of our regional operating model, we intend to strategically combine the operation of our proprietary fleet with the use of third-party carriers, as well as synchronize our end-to-end supply chain to increase sales velocity and optimize flow of our inventory. We believe these initiatives will enable us to reduce logistics costs per mile, improve our inventory turnover and provide the highest level of customer service. We expect that optimizing our logistics network through this hybrid approach will result in improved unit economics, increased profitability and an enhanced customer experience.

Ability to leverage a regional operating model

As we have scaled our business, we have achieved a national presence and brand that provides a significant competitive advantage versus local and regional dealers, and has enabled us to take advantage of efficiencies and lower costs of national brand advertising. Our national vehicle operations enable us to leverage a regional operating model, which is designed to reduce our operating expenses, increase our operating leverage and improve our unit economics, while also enhancing our customer experience. The regional operating model will increasingly enhance our approach to each component of our vehicle operations. We believe the efficiencies and cost savings expected to be achieved through the regional operating model will be important components of our path to profitability.

Ability to expand and develop our financing capabilities

Fees earned on vehicle financing, both through our continued partnerships with third-party lenders and the development of our captive financing capabilities, present an opportunity to grow our business and drive profitability. Strategic partnerships with lenders such as Chase, Ally Financial and Santander provide enhanced revenue streams for us, as well as offering convenience, assurance and efficiency for our customers and have contributed to improvements in Product GPPU. In addition, our recent UACC Acquisition enables us to accelerate the establishment of our captive financing capabilities. We expect that with further investment and our continued integration efforts, the UACC Acquisition will allow us to improve unit economics, which will accelerate our path to profitability.

Ability to increase and better monetize value-added products

Our offering of value-added products in addition to vehicle financing is an integral part of providing a seamless vehicle-buying experience to our customers. We sell our protection products through our strategic relationships with third parties who bear the incremental risks associated with the underwriting of such protection products. Additionally, through our on-going data analytics, experimentation and further development of our ecommerce technology, we expect to increase attachment rates of our existing protection products while finding new opportunities to include additional protection products, as well as other value-added products. Because we are paid fees on value-added products we sell, our gross profit is equal to the revenue we generate on such sales. As a result, such sales help drive total gross profit per unit. We intend to increase the breadth and variety of value-added products offered to customers over time and improve attachment rates to our vehicle sales.

Seasonality

Used vehicle sales have historically been seasonal. The used vehicle industry typically experiences an increase in sales early in the calendar year and reaches its highest point late in the first quarter and early in the second quarter. Vehicle sales then level off through the rest of the year, with the lowest level of sales in the fourth quarter. This seasonality has historically corresponded with the timing of income tax refunds, which are an important source of funding for vehicle purchases. Additionally, used vehicles depreciate at a faster rate in the last two quarters of each year and a slower rate in the first two quarters of each year. While 2021 did not follow typical market depreciation trends, in the third quarter of 2022, there was a return to seasonal depreciation in both the wholesale and retail markets. In particular, the wholesale market experienced above average depreciation as compared to pre-pandemic levels. See "Risk Factors—Risks Related to Our Financial Condition and Results of Operations—We may experience seasonal and other fluctuations in our quarterly results of operations, which may not fully reflect the underlying performance of our business."

Macroeconomic Factors

Both the United States and global economies are experiencing a sustained inflationary environment and the Federal Reserve's efforts to tame inflation have led to, and may continue to lead to, increased interest rates, which affects

automotive finance rates, reducing discretionary spending and making vehicle financing more costly and less accessible to many consumers, as well as a potential economic recession. Moreover, Russia's invasion of Ukraine has increased global economic and political uncertainty, which has caused dramatic fluctuations in global financial markets and uncertainty about world-wide oil supply and demand, which in turn has increased the volatility of oil and natural gas prices. A significant escalation or expansion of economic disruption could continue to disrupt our supply chain, broaden inflationary costs, and could have a material adverse effect on our results of operations. We will continue to actively monitor and develop responses to these disruptions, but depending on duration and severity, these trends could continue to negatively impact our business throughout the remainder of 2022 and into 2023.

Components of Results of Operations

Revenue

Retail vehicle revenue

We sell retail vehicles through both our ecommerce platform and TDA. Revenue from vehicle sales, including any delivery charges, is recognized when vehicles are delivered to the customers or picked up at our TDA retail location, net of a reserve for estimated returns. The number of units sold and the average selling price ("ASP") per unit are the primary factors impacting our retail revenue stream.

The number of units sold depends on the volume of inventory and the selection of vehicles listed on our ecommerce platform, our ability to attract new customers, our brand awareness, our ability to expand our reconditioning operations and logistics network, and our ability to provide adequate sales and sales support to service our demand.

ASP depends primarily on our acquisition and pricing strategies, retail used vehicle market prices, our average days to sale and our reconditioning and logistics costs.

As a data-driven company, we acquire inventory based upon demand predicted by our data analytics. While we expect ASP to fluctuate in the short-term as a result of market conditions, our long-term strategy continues to move us towards lower-priced inventory, which we expect will result in a lower ASP. The UACC Acquisition will enable us to expand our automotive financing solutions across the credit spectrum and we expect to increase our offering of lower-price-point vehicles to take advantage of those capabilities.

Wholesale vehicle revenue

We sell vehicles that do not meet our Vroom retail sales criteria through wholesale channels. Vehicles sold through wholesale channels are acquired from customers who trade-in their vehicles when making a purchase from us, from customers who sell their vehicle to us in straight-buy transactions, and from liquidation of vehicles previously listed for retail sale. The number of wholesale vehicles sold and the ASP per unit are the primary drivers of wholesale revenue. The ASP per unit is affected by the mix of the vehicles we acquire and general supply and demand conditions in the wholesale market.

Product revenue

We generate revenue by earning fees on sales of third-party financing, financing vehicle sales through UACC, and sales of value-added products to our customers in connection with vehicle sales, such as vehicle service contracts, GAP protection and tire and wheel coverage.

We earn fees on third-party financing and value-added products pursuant to arrangements with the third parties that sell and administer these products. For accounting purposes, we are an agent for these transactions and, as a result, we recognize fees on a net basis when the customer enters into an arrangement to purchase these products or obtain third-party financing, which is typically at the time of a vehicle sale. Our gross profit on product revenue is equal to the revenue we generate. Product revenue is affected by the number of vehicles sold, the attachment rate of value-added products and the amount of fees we receive on each product. Product revenue also consists of estimated profit-sharing amounts to which we are entitled based on the performance of third-party protection products once a required claims period has passed. A portion of the fees we receive is subject to chargeback in the event of early termination, default, or prepayment of the contracts by our customers. We recognize product revenue net of reserves for estimated chargebacks.

As a result of the UACC Acquisition, we also generate ecommerce product revenue from receivables generated by financing provided to Vroom customers through our captive financing operation. We earn interest income on such finance receivables held for sale and receive proceeds from the sale of such finance receivables in securitization transactions or forward flow arrangements. We will account for sales of these finance receivables in accordance with ASC Topic 860, *Transfers and Servicing of Financial Assets* ("ASC 860"). In order for transfers of the finance receivables to qualify as sales, the finance receivables being transferred must be legally isolated, may not be constrained by restrictions from further transfer, and must be deemed to be beyond our control. Depending on market conditions, we intend to structure future securitization transactions to qualify for sale accounting, similar to the 2022-1 securitization transaction completed in February 2022 and the 2022-2 securitization transaction completed in July 2022, for which the gain on sale was recorded in "Finance revenue", as discussed below. The gain on sales recorded in "Product revenue" for the three and nine months ended September 30, 2022 were immaterial. The revenue we are able to generate from these sales will be dependent on the number of finance receivables UACC originates with our customers, the average principal balance of the finance receivables, the credit quality of the portfolio, and the price at which they are sold in securitization transactions or through forward flow arrangements.

Finance revenue

Our finance revenue consists of gain on the sales of finance receivables acquired by UACC from its network of third-party dealership customers, interest income earned on finance receivables held for sale, as well as interest income earned on finance receivables held in consolidated VIEs related to UACC securitization transactions consummated prior to the Acquisition Date.

UACC acquires and services finance receivables from its network of third-party dealership customers and generates revenue through the sales of these financing receivables. We account for sales of finance receivables in accordance with ASC 860.

All securitization transactions consummated prior to the Acquisition Date were accounted for as secured borrowings and we recognize interest income, which includes finance charges and service charges in accordance with the terms of the related customer agreements.

In February and July 2022, UACC completed the 2022-1 and 2022-2 securitization transactions, which qualified as sales, therefore we recorded a gain on the sale of the finance receivables. The amount of the gain is equal to the fair value of the net proceeds received less the carrying amount of the finance receivables. Subject to market conditions, we intend to structure future securitization transactions similar to the 2022-1 and 2022-2 securitizations and account for them as sales.

Servicing income represents the annual fees earned on the outstanding principal balance of the finance receivables serviced. Fees are earned monthly at an annual rate of approximately 4% for the 2022-1 securitization and 3.5% for the 2022-2 securitization of the outstanding principal balance of the finance receivables serviced.

Other revenue

Other revenue consists of revenue from CarStory's third-party customers and UACC licensing fee income.

See "Note 3—Revenue Recognition" to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Cost of sales

Retail cost of sales

Retail cost of sales primarily includes the costs to acquire vehicles, inbound transportation costs and direct and indirect reconditioning costs associated with preparing vehicles for sale. Costs to acquire vehicles are primarily driven by the inventory source, vehicle mix and general supply and demand conditions of the used vehicle market. Inbound transportation costs include costs to transport the vehicle to our VRCs. Reconditioning costs include parts, labor and third-party reconditioning costs directly attributable to the vehicle and allocated overhead costs. Cost of sales also includes any accounting adjustments to reflect vehicle inventory at the lower of cost or net realizable value.

Wholesale cost of sales

Wholesale cost of sales primarily includes costs to acquire vehicles sold through wholesale channels as well as any accounting adjustments to reflect vehicle inventory at the lower of cost or net realizable value.

Finance cost of sales

Finance cost of sales consists of interest expense incurred on securitization debt and collection expenses related to servicing finance receivables originated by UACC.

Other cost of sales

Other cost of sales consists of cost of sales from CarStory's third-party customers.

Total gross profit

Total gross profit is defined as total revenue less costs associated with such revenue.

Selling, general and administrative expenses

Our selling, general, and administrative expenses, which we refer to as SG&A expenses, consist primarily of advertising and marketing expenses, outbound transportation costs, employee compensation, occupancy costs of our facilities, professional fees for accounting, auditing, tax, legal and consulting services and software and IT costs.

Depreciation and amortization

Our depreciation and amortization expense primarily includes: depreciation related to our leasehold improvements and logistics fleet; amortization related to intangible assets in acquired businesses; and capitalized internal use software costs incurred in the development of our platform and website applications. Depreciation expense related to our Vroom VRC and the portion of depreciation expense for our proprietary logistics fleet related to inbound transportation is included in cost of sales in the consolidated statements of operations.

Impairment Charges

Impairment charges represent an impairment charge in the first quarter of 2022 to write down the carrying amount of goodwill to fair value and lease impairment charges in the second and third quarters of 2022, related to closing physical office locations and Sell Us Your Car® centers.

Gain on debt extinguishment

Gain on debt extinguishment represents the gain recognized from the repurchase of a portion of our outstanding Convertible Senior Notes due 2026 (the "Notes") in open-market transactions during the third quarter of 2022.

Interest expense

Our interest expense primarily includes (i) interest expense related to our vehicle floorplan facility with Ally Bank and Ally Financial (the "2020 Vehicle Floorplan Facility"), as discussed below, which is used to finance our inventory, (ii)

interest expense on our Notes, and (iii) interest expense on UACC's Warehouse Credit Facilities, which is used to fund our finance receivables.

Interest Income

Interest income primarily represents interest credits earned on cash deposits maintained in relation to our 2020 Vehicle Floorplan Facility as well as interest earned on cash and cash equivalents.

Other Loss (Income)

Other loss (income) primarily represents unrealized losses (gains) on finance receivables at fair value and beneficial interests in securitizations.

Results of Operations

The following table presents our consolidated results of operations for the periods indicated:

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2022	2021		2022	2021	
	(in thousands)			(in thousands)		
Revenue:						
Retail vehicle, net	\$ 234,353	\$ 735,716	(68.1)%	\$ 1,283,263	\$ 1,798,155	(28.6)%
Wholesale vehicle	47,604	131,306	(63.7)%	270,489	377,438	(28.3)%
Product, net	13,181	26,544	(50.3)%	51,954	64,422	(19.4)%
Finance	40,654	—	100.0%	120,005	—	100.0%
Other	5,005	3,190	56.9%	13,841	9,749	42.0%
Total revenue	340,797	896,756	(62.0)%	1,739,552	2,249,764	(22.7)%
Cost of sales:						
Retail vehicle	218,726	708,071	(69.1)%	1,234,138	1,720,974	(28.3)%
Wholesale vehicle	49,178	129,203	(61.9)%	276,749	367,101	(24.6)%
Finance	4,699	—	100.0%	10,368	—	100.0%
Other	863	1,393	(38.0)%	2,969	4,296	(30.9)%
Total cost of sales	273,466	838,667	(67.4)%	1,524,224	2,092,371	(27.2)%
Total gross profit	67,331	58,089	15.9%	215,328	157,393	36.8%
Selling, general and administrative expenses	134,643	148,718	(9.5)%	475,627	381,482	24.7%
Depreciation and amortization	9,833	3,376	191.3%	27,728	9,276	198.9%
Impairment charges	1,017	—	100.0%	206,127	—	100.0%
Loss from operations	(78,162)	(94,005)	16.9%	(494,154)	(233,365)	111.8%
Gain on debt extinguishment	(37,917)	—	100.0%	(37,917)	—	100.0%
Interest expense	9,704	7,028	38.1%	28,617	14,720	94.4%
Interest income	(5,104)	(2,930)	74.2%	(12,991)	(7,288)	78.3%
Other loss (income), net	5,383	(10)	(53,930.0)%	26,897	(58)	(46,474.1)%
Loss before provision for income taxes	(50,228)	(98,093)	48.8%	(498,760)	(240,739)	107.2%
Provision (benefit) for income taxes	899	29	3,000.0%	(22,085)	379	(5,927.2)%
Net loss	\$ (51,127)	\$ (98,122)	47.9%	\$ (476,675)	\$ (241,118)	97.7%

Segments

We manage and report operating results through three reportable segments:

- **Ecommerce** (66.2% and 70.3% of total revenue for the three and nine months ended September 30, 2022): The Ecommerce segment represents retail sales of used vehicles through our ecommerce platform and fees earned on sales of value-added products associated with those vehicle sales.

- **Wholesale** (14.0% and 15.5% of total revenue for the three and nine months ended September 30, 2022): The Wholesale segment represents sales of used vehicles through wholesale channels.
- **Retail Financing** (11.9% and 6.9% of total revenue for the three and nine months ended September 30, 2022): The Retail Financing segment represents UACC's operations with its network of third-party dealership customers.

Three Months Ended September 30, 2022 and 2021

Ecommerce

The following table presents our Ecommerce segment results of operations for the periods indicated:

	Three Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands, except unit data and average days to sale)			
Ecommerce units sold	6,428	19,683	(13,255)	(67.3)%
Ecommerce revenue:				
Vehicle revenue	\$ 212,980	\$ 677,170	\$ (464,190)	(68.5)%
Product revenue	12,461	24,508	(12,047)	(49.2)%
Total ecommerce revenue	<u>\$ 225,441</u>	<u>\$ 701,678</u>	<u>\$ (476,237)</u>	<u>(67.9)%</u>
Ecommerce gross profit:				
Vehicle gross profit	\$ 14,573	\$ 25,875	\$ (11,302)	(43.7)%
Product gross profit	12,461	24,508	(12,047)	(49.2)%
Total ecommerce gross profit	<u>\$ 27,034</u>	<u>\$ 50,383</u>	<u>\$ (23,349)</u>	<u>(46.3)%</u>
Average vehicle selling price per ecommerce unit	\$ 33,133	\$ 34,404	\$ (1,271)	(3.7)%
Gross profit per ecommerce unit:				
Vehicle gross profit per ecommerce unit	\$ 2,267	\$ 1,315	\$ 952	72.4%
Product gross profit per ecommerce unit	1,939	1,245	694	55.7%
Total gross profit per ecommerce unit	<u>\$ 4,206</u>	<u>\$ 2,560</u>	<u>\$ 1,646</u>	<u>64.3%</u>
Ecommerce average days to sale	186	68	118	173.5%

Ecommerce units

Ecommerce units sold decreased 13,255, or 67.3%, from 19,683 for the three months ended September 30, 2021 to 6,428 for the three months ended September 30, 2022. This decrease was driven by our strategic decision to prioritize unit economics over unit sales volume, a reduction in third-party sales support staff, which put pressure on servicing our demand, as well as macroeconomic factors.

Ecommerce average days to sale increased from 68 days for the three months ended September 30, 2021 to 186 days for the three months ended September 30, 2022. We have undertaken various initiatives to address the operational challenges created by our rapid growth over the past two years. While these initiatives are designed to improve our transaction processing, enhance our customer experience, and reduce our regulatory risk, they resulted in an increase in, among other things, the number of days between our acquisition of vehicles and the final delivery of such vehicles to customers. We expect Ecommerce average days to sale to improve over time.

Vehicle Revenue

Ecommerce vehicle revenue decreased \$464.2 million, or 68.5%, from \$677.2 million for the three months ended September 30, 2021 to \$213.0 million for the three months ended September 30, 2022. The decrease in ecommerce vehicle revenue was primarily attributable to the 13,255 decrease in ecommerce units sold, which decreased vehicle revenue by \$456.0 million, and a decrease in ASP per unit, which decreased from \$34,404 for the three months ended September 30, 2021 to \$33,133 for the three months ended September 30, 2022 and decreased vehicle revenue by \$8.2 million.

The decrease in ASP per unit was primarily due to the return of seasonal depreciation trends in the third quarter of 2022, while 2021 did not follow typical market depreciation trends. Although we expect ASP to fluctuate in the short-term as a result of market conditions, our long-term strategy is expected to move us toward lower-priced inventory, which would result in a lower ASP. Furthermore, as the UACC Acquisition begins to enable us to expand our automotive financing solutions across the credit spectrum, and we expect to increase our offering of lower-price-point vehicles to take advantage of those capabilities.

Product Revenue

Ecommerce product revenue decreased \$12.0 million, or 49.2%, from \$24.5 million for the three months ended September 30, 2021 to \$12.5 million for the three months ended September 30, 2022. The decrease in ecommerce product revenue was primarily attributable to the 13,255 decrease in ecommerce units sold, which decreased product revenue by \$16.5 million, partially offset by a \$694 increase in product revenue per unit, which increased product revenue by \$4.5 million. Product revenue per unit increased from \$1,245 for the three months ended September 30, 2021 to \$1,939 for the three months ended September 30, 2022, primarily due to interest income earned on finance receivables from Vroom customers originated or serviced by UACC. While in the long term we expect ecommerce product revenue will grow driven by the captive financing offered by UACC, the introduction of new value-added products and increased attachment rates, in the short term the growth will be offset by our strategic decision to reduce ecommerce units sales as discussed above.

Vehicle Gross Profit

Ecommerce vehicle gross profit decreased \$11.3 million, or 43.7%, from \$25.9 million for the three months ended September 30, 2021 to \$14.6 million for the three months ended September 30, 2022. The decrease in vehicle gross profit was primarily attributable to the 13,255 decrease in ecommerce units sold, which decreased vehicle gross profit by \$17.4 million, partially offset by a \$952 increase in vehicle gross profit per unit, which increased vehicle gross profit by \$6.1 million. Vehicle gross profit per unit increased from \$1,315 for the three months ended September 30, 2021 to \$2,267 for the three months ended September 30, 2022, primarily driven by higher sales margin (sales price less purchase price of vehicles sold), a lower inventory reserve as a result of a decrease in inventory levels, and higher shipping fees as a result of new variable shipping fee arrangements, partially offset by higher reconditioning costs per unit related to an increased mix of higher mileage vehicles along with significant parts inflation.

As we continue to make progress on our initiatives to address the operational challenges created by our rapid growth over the past two years, we expect a higher portion of our unit sales over the balance of the year to be from aged inventory as we obtain titles for vehicles not previously listed for sale. Coupled with declining used vehicle prices across the market, we expect this to negatively impact our sales margin.

Product Gross Profit

Ecommerce product gross profit decreased \$12.0 million, or 49.2%, from \$24.5 million for the three months ended September 30, 2021 to \$12.5 million for the three months ended September 30, 2022. The decrease in ecommerce product gross profit was primarily attributable to the 13,255 decrease in ecommerce units sold, which decreased product gross profit by \$16.5 million, partially offset by a \$694 increase in product revenue per unit, which increased product revenue by \$4.5 million. Product gross profit per unit increased from \$1,245 for the three months ended September 30, 2021 to \$1,939 for the three months ended September 30, 2022, primarily due to interest income earned on finance receivables from Vroom customers originated or serviced by UACC. While in the long term we expect ecommerce product gross profit will grow driven by the captive financing offered by UACC, the introduction of new value-added products and increased attachment rates, in the short term the growth will be offset by our strategic decision to reduce ecommerce units sales as discussed above.

Wholesale

The following table presents our Wholesale segment results of operations for the periods indicated:

	Three Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands, except unit data)			
Wholesale units sold	3,128	9,760	(6,632)	(68.0)%
Wholesale revenue	\$ 47,604	\$ 131,306	\$ (83,702)	(63.7)%
Wholesale gross (loss) profit	\$ (1,574)	\$ 2,103	\$ (3,677)	(174.8)%
Average selling price per unit	\$ 15,219	\$ 13,453	\$ 1,766	13.1%
Wholesale gross (loss) profit per unit	\$ (503)	\$ 215	\$ (718)	(334.0)%

Wholesale Units

Wholesale units sold decreased 6,632, or 68.0%, from 9,760 for the three months ended September 30, 2021 to 3,128 for the three months ended September 30, 2022, primarily driven by a decrease in wholesale units purchased from consumers and a lower number of trade-in vehicles associated with the decrease in the number of ecommerce units sold.

Wholesale Revenue

Wholesale revenue decreased \$83.7 million, or 63.7%, from \$131.3 million for the three months ended September 30, 2021 to \$47.6 million for the three months ended September 30, 2022. The decrease was primarily attributable to the 6,632 decrease in wholesale units sold, which decreased wholesale revenue by \$89.2 million, partially offset by a higher ASP per wholesale unit, which increased wholesale revenue by \$5.5 million.

Wholesale Gross (Loss) Profit

Wholesale gross profit of \$2.1 million for the three months ended September 30, 2021 decreased by \$3.7 million to gross loss of \$1.6 million for the three months ended September 30, 2022. The decrease was primarily attributable to a \$718 decrease in wholesale gross loss per unit, which decreased wholesale gross loss by \$2.2 million, primarily driven by lower sales margins, as well as the 6,632 decrease in wholesale units sold, which decreased wholesale gross loss by \$1.5 million. In the third quarter of 2021 there was significant appreciation in the wholesale market, which positively impacted sales margins.

Retail Financing

The following table presents our Retail Financing segment results of operations for the periods indicated:

	Three Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands)			
Retail Financing revenue	\$ 40,654	\$ —	\$ 40,654	100.0%
Retail Financing gross profit	\$ 35,954	\$ —	\$ 35,954	100.0%

Retail Financing Revenue

Retail Financing revenue was \$40.7 million for the three months ended September 30, 2022 and included a gain on sale of \$16.0 million on the 2022-2 securitization transaction, interest income of \$16.0 million earned on finance receivables with third-party dealership customers, servicing income of \$4.8 million, and vehicle protection product income net of cancellations.

Retail Financing Gross Profit

Retail Financing gross profit was \$36.0 million for the three months ended September 30, 2022 and included a gain on sale of \$16.0 million on the 2022-2 securitization transaction, interest income of \$16.0 million earned on finance receivables with third-party dealership customers, servicing income of \$4.8 million, and vehicle protection product income

net of cancellations, partially offset by collection expenses related to servicing finance receivables originated by UACC and interest expense incurred on securitization debt.

Selling, general and administrative expenses

	Three Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands)			
Compensation & benefits	\$ 55,694	\$ 53,900	\$ 1,794	3.3%
Marketing expense	14,945	35,214	(20,269)	(57.6)%
Outbound logistics ⁽¹⁾	4,945	22,717	(17,772)	(78.2)%
Occupancy and related costs	6,041	4,635	1,406	30.3%
Professional fees	6,459	7,694	(1,235)	(16.1)%
Software and IT costs	11,277	7,232	4,045	55.9%
Other	35,282	17,326	17,956	103.6%
Total selling, general & administrative expenses	<u>\$ 134,643</u>	<u>\$ 148,718</u>	<u>\$ (14,075)</u>	<u>(9.5)%</u>

(1) Outbound logistics primarily includes third-party transportation fees as well as cost related to operating our proprietary logistics network, including fuel, tolls, and maintenance expenses. Inbound transportation costs, from the point of acquisition to the relevant reconditioning facility, are included in cost of sales.

SG&A expenses decreased \$14.1 million, or 9.5%, from \$148.7 million for the three months ended September 30, 2021 to \$134.6 million for the three months ended September 30, 2022. The decrease was primarily due to:

- a \$20.3 million decrease in marketing expense as a result of our Realignment Plan and long-term roadmap;
- a \$17.8 million decrease in outbound logistics costs attributable to the decrease in ecommerce units sold; and
- a \$1.2 million decrease in professional fees primarily related to decreased consulting expenses in the marketing, finance, and engineering departments.

The above decreases were partially offset by:

- a \$4.0 million increase in software and IT costs primarily related to volume-based fees as a result of increased headcount. Despite the workforce reduction as part of our Realignment Plan, overall headcount increased compared to the same period of the prior year;
- a \$1.8 million increase in compensation and benefits primarily as a result of an increase in salaries and severance costs. Despite the workforce reduction as part of our Realignment Plan, overall headcount increased compared to the same period of the prior year;
- a \$1.4 million increase in occupancy and related costs primarily a result of rent expense related to additional logistics and reconditioning hubs and rent expense for UACC offices; and
- a \$18.0 million increase in other SG&A expenses primarily due to operational challenges created by our rapid growth over the past two years which resulted in approximately \$15.8 million of additional costs incurred, including legal settlements and rental car expenses for rental vehicles that we provided to customers. We regard these situational costs as non-recurring and expect them to decline significantly as we resolve the challenges that arose prior to the implementation of our digital title vault, continue to streamline and automate our titling and registration process, and implement other improvements to our transaction processing.

SG&A expenses sequentially decreased \$18.4 million from \$153.0 million in the second quarter of 2022 to \$134.6 million in the third quarter of 2022, primarily related to a \$13.2 million decrease in compensation and benefits, a \$6.2 million decrease in marketing expenses, and an \$3.3 million decrease in outbound logistics costs due to the decrease in ecommerce units sold. These decreases were partially offset by an increase in other SG&A expenses primarily due to operational challenges created by our rapid growth over the past two years which resulted in approximately \$7.5 million of additional costs incurred, including legal settlements and rental car expenses for rental vehicles that we provided to customers. We regard these situational costs as non-recurring and expect them to decline significantly as we resolve the

challenges that arose prior to the implementation of our digital title vault, continue to streamline and automate our titling and registration process, and implement other improvements to our transaction processing.

We expect SG&A expenses to decrease in the future driven by reductions in both fixed and variable cost components as we continue to reevaluate the optimization of our operations. These cost reductions are expected to be partially offset by increases in SG&A expenses as we continue to integrate and invest in UACC, invest in and improve our customer experience, and continue expanding our proprietary logistics and reconditioning hybrid networks. We may not be able to fully realize the cost savings and benefits initially anticipated from the Realignment Plan and long-term roadmap, and the expected costs may be greater than expected. See Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading "Risk Factors—Risks Related to Our Financial Condition and Results of Operations—We may not successfully execute or achieve the expected benefits of our Realignment Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations" for more information.

Depreciation and amortization

Depreciation and amortization expenses increased \$6.4 million, or 191.3%, from \$3.4 million for the three months ended September 30, 2021 to \$9.8 million for the three months ended September 30, 2022. The increase was primarily due to amortization expense of intangible assets acquired as part of the UACC Acquisition.

Impairment Charges

Impairment charges represent lease impairment charges of \$1.0 million in the third quarter of 2022, related to closing a physical office location in Houston, Texas.

Gain on debt extinguishment

Gain on debt extinguishment represents a gain of \$37.9 million recognized in the third quarter of 2022, related to the repurchase of \$56.4 million in aggregate principal balance of the 0.75% unsecured Convertible Senior Notes due 2026 (the "Notes"), net of deferred issuance costs of \$1.1 million, for \$18.5 million.

Interest expense

Interest expense increased \$2.7 million, or 38.1%, from \$7.0 million for the three months ended September 30, 2021 to \$9.7 million for the three months ended September 30, 2022. The increase was primarily attributable to higher interest rates on the 2020 Vehicle Floorplan Facility, which increased interest expense \$1.3 million and interest expense incurred on the Warehouse Credit Facilities, which increased interest expense \$1.2 million.

Interest income

Interest income increased \$2.2 million, or 74.2%, from \$2.9 million for the three months ended September 30, 2021 to \$5.1 million for the three months ended September 30, 2022. The increase in interest income was primarily driven by higher interest credits earned by the Company related to the 2020 Vehicle Floorplan and higher interest rates earned on cash and cash equivalents.

Other loss (income)

Other loss (income) increased to \$5.4 million for the three months ended September 30, 2022. The increase in other loss (income) was primarily driven by realized and unrealized gains and losses on the fair value of finance receivables.

Nine Months Ended September 30, 2022 and 2021
Ecommerce

The following table presents our Ecommerce segment results of operations for the periods indicated:

	Nine Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands, except unit data and average days to sale)			
Ecommerce units sold	35,134	53,455	(18,321)	(34.3)%
Ecommerce revenue:				
Vehicle revenue	\$ 1,173,727	\$ 1,644,494	\$ (470,767)	(28.6)%
Product revenue	48,709	59,155	(10,446)	(17.7)%
Total ecommerce revenue	<u>\$ 1,222,436</u>	<u>\$ 1,703,649</u>	<u>\$ (481,213)</u>	<u>(28.2)%</u>
Ecommerce gross profit:				
Vehicle gross profit	\$ 46,153	\$ 72,704	\$ (26,551)	(36.5)%
Product gross profit	48,709	59,155	(10,446)	(17.7)%
Total ecommerce gross profit	<u>\$ 94,862</u>	<u>\$ 131,859</u>	<u>\$ (36,997)</u>	<u>(28.1)%</u>
Average vehicle selling price per ecommerce unit	\$ 33,407	\$ 30,764	\$ 2,643	8.6%
Gross profit per ecommerce unit:				
Vehicle gross profit per ecommerce unit	\$ 1,314	\$ 1,360	\$ (46)	(3.4)%
Product gross profit per ecommerce unit	1,386	1,107	279	25.2%
Total gross profit per ecommerce unit	<u>\$ 2,700</u>	<u>\$ 2,467</u>	<u>\$ 233</u>	<u>9.4%</u>
Ecommerce average days to sale	118	73	45	61.6%

Ecommerce units

Ecommerce units sold decreased 18,321, or 34.3%, from 53,455 for the nine months ended September 30, 2021 to 35,134 for the nine months ended September 30, 2022. This decrease was driven by our strategic decision to prioritize unit economics over unit sales volume, a reduction in third-party sales support staff, which put pressure on servicing our demand, as well as macroeconomic factors.

Ecommerce average days to sale increased from 73 days for the nine months ended September 30, 2021 to 118 days for the nine months ended September 30, 2022. We have undertaken various initiatives to address the operational challenges created by our rapid growth over the past two years. While these initiatives are designed to improve our transaction processing, enhance our customer experience, and reduce our regulatory risk, they resulted in an increase in, among other things, the number of days between our acquisition of vehicles and the final delivery of such vehicles to customers. We expect Ecommerce average days to sale to improve over time.

Vehicle Revenue

Ecommerce vehicle revenue decreased \$470.8 million, or 28.6%, from \$1,644.5 million for the nine months ended September 30, 2021 to \$1,173.7 million for the nine months ended September 30, 2022. The decrease in ecommerce vehicle revenue was primarily attributable to the 18,321 decrease in ecommerce units sold, which decreased vehicle revenue by \$563.6 million, partially offset by an increase in ASP per unit, which increased from \$30,764 for the nine months ended September 30, 2021 to \$33,407 for the nine months ended September 30, 2022 and increased vehicle revenue by \$92.8 million.

The increase in ASP per unit was primarily due to significant market appreciation in the second half of 2021 and the first half of 2022. In the third quarter of 2022, there was a return to seasonal depreciation trends. Although we expect ASP to fluctuate in the short-term as a result of market conditions, our long-term strategy is expected to move us toward lower-priced inventory, which would result in a lower ASP. Furthermore, as the UACC Acquisition begins to enable us to expand our automotive financing solutions across the credit spectrum, and we expect to increase our offering of lower-price-point vehicles to take advantage of those capabilities.

Product Revenue

Ecommerce product revenue decreased \$10.5 million, or 17.7%, from \$59.2 million for nine months ended September 30, 2021 to \$48.7 million for the nine months ended September 30, 2022. The decrease in ecommerce product revenue was primarily attributable to the 18,321 decrease in ecommerce units sold, which decreased product revenue by \$20.3 million, partially offset by a \$279 increase in product revenue per unit, which increased product revenue by \$9.8 million. Product revenue per unit increased from \$1,107 for the nine months ended September 30, 2021 to \$1,386 for the nine months ended September 30, 2022, primarily due to interest income earned on finance receivables from Vroom customers originated or serviced by UACC. While in the long term we expect ecommerce product revenue will grow driven by the captive financing offered by UACC, the introduction of new value-added products and increased attachment rates, in the short term the growth will be offset by our strategic decision to reduce ecommerce units sales as discussed above.

Vehicle Gross Profit

Ecommerce vehicle gross profit decreased \$26.5 million, or 36.5%, from \$72.7 million for the nine months ended September 30, 2021 to \$46.2 million for the nine months ended September 30, 2022. The decrease in vehicle gross profit was primarily attributable to the 18,321 decrease in ecommerce units sold, which decreased vehicle gross profit by \$24.9 million and a \$46 decrease in vehicle gross profit per unit, which decreased vehicle gross profit by \$1.6 million. Vehicle gross profit per unit decreased from \$1,360 for the nine months ended September 30, 2021 to \$1,314 for the nine months ended September 30, 2022, primarily driven to higher reconditioning costs per unit related to an increased mix of higher mileage vehicles along with significant parts inflation, partially offset by a lower inventory reserve as a result of a decrease in inventory levels.

As we continue to make progress on our initiatives to address the operational challenges created by our rapid growth over the past two years, we expect a higher portion of our unit sales over the balance of the year to be from aged inventory as we obtain titles for vehicles not previously listed for sale. Coupled with declining used vehicle prices across the market, we expect this to negatively impact our sales margin.

Product Gross Profit

Ecommerce product gross increased \$10.5 million, or 17.7%, from \$59.2 million for nine months ended September 30, 2021 to \$48.7 million for the nine months ended September 30, 2022. The decrease in ecommerce product gross was primarily attributable to the 18,321 decrease in ecommerce units sold, which decreased product gross profit by \$20.3 million, partially offset by a \$279 increase in product gross profit per unit, which increased product gross profit by \$9.8 million. Product gross profit per unit increased from \$1,107 for the nine months ended September 30, 2021 to \$1,386 for the nine months ended September 30, 2022, primarily due to interest income earned on finance receivables from Vroom customers originated or serviced by UACC. While in the long term we expect ecommerce product gross profit will grow driven by the captive financing offered by UACC, the introduction of new value-added products and increased attachment rates, in the short term the growth will be offset by our strategic decision to reduce ecommerce units sales as discussed above.

Wholesale

The following table presents our Wholesale segment results of operations for the periods indicated:

	Nine Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands, except unit data)			
Wholesale units sold	19,108	28,421	(9,313)	(32.8)%
Wholesale revenue	\$ 270,489	\$ 377,438	\$ (106,949)	(28.3)%
Wholesale gross (loss) profit	\$ (6,260)	\$ 10,337	\$ (16,597)	(160.6)%
Average selling price per unit	\$ 14,156	\$ 13,280	\$ 876	6.6%
Wholesale gross (loss) profit per unit	\$ (328)	\$ 364	\$ (692)	(190.1)%

Wholesale Units

Wholesale units sold decreased 9,313, or 32.8%, from 28,421 for the nine months ended September 30, 2021 to 19,108 for the nine months ended September 30, 2022, primarily driven by a decrease in wholesale units purchased from consumers and a lower number of trade-in vehicles associated with the decrease in the number of ecommerce units sold.

Wholesale Revenue

Wholesale revenue decreased \$106.9 million, or 28.3%, from \$377.4 million for the nine months ended September 30, 2021 to \$270.5 million for the nine months ended September 30, 2022. The decrease was primarily attributable to the 9,313 decrease in wholesale units sold, which decreased wholesale revenue by \$123.7 million, partially offset by a higher ASP per wholesale unit, which increased wholesale revenue by \$16.8 million.

Wholesale Gross (Loss) Profit

Wholesale gross profit of \$10.3 million for the nine months ended September 30, 2021 decreased by \$16.6 million to a gross loss of \$6.3 million for the nine months ended September 30, 2022. The decrease was primarily attributable to a \$692 decrease in wholesale gross loss per unit, which decreased wholesale gross loss by \$13.2 million, primarily driven by lower sales margins, as well as the 9,313 decrease in wholesale units sold, which decreased wholesale gross loss by \$3.4 million. In 2021 there was significant appreciation in the wholesale market, which positively impacted sales margins.

Retail Financing

The following table presents our Retail Financing segment results of operations for the periods indicated:

	Nine Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands)			
Retail Financing revenue	\$ 120,005	\$ —	\$ 120,005	100.0%
Retail Financing gross profit	\$ 109,637	\$ —	\$ 109,637	100.0%

Retail Financing Revenue

Retail Financing revenue was \$120.0 million for the nine months ended September 30, 2022 and included interest income of \$58.2 million earned on finance receivables with third-party dealership customers, a gain on sale of \$45.6 million on the United Auto Credit 2022-1 and 2022-2 securitization transactions, servicing income of \$9.7 million, and vehicle protection product income net of cancellations.

Retail Financing Gross Profit

Retail Financing gross profit was \$109.6 million for the nine months ended September 30, 2022 and included interest income of \$58.2 million earned on finance receivables with third-party dealership customers, a gain on sale of \$45.6 million on the United Auto Credit 2022-1 and 2022-2 securitization transactions, servicing income of \$9.7 million,

and vehicle protection product income net of cancellations, partially offset by collection expenses related to servicing finance receivables originated by UACC and interest expense incurred on securitization debt.

Selling, general and administrative expenses

	Nine Months Ended September 30,		Change	% Change
	2022	2021		
	(in thousands)			
Compensation & benefits	\$ 199,111	\$ 145,580	\$ 53,531	36.8%
Marketing expense	69,818	88,267	(18,449)	(20.9)%
Outbound logistics ⁽¹⁾	39,925	57,987	(18,062)	(31.1)%
Occupancy and related costs	17,408	12,599	4,809	38.2%
Professional fees	26,585	15,951	10,634	66.7%
Software and IT costs	33,406	19,367	14,039	72.5%
Other	89,374	41,731	47,643	114.2%
Total selling, general & administrative expenses	<u>\$ 475,627</u>	<u>\$ 381,482</u>	<u>\$ 94,145</u>	<u>24.7%</u>

(1) Outbound logistics primarily includes third-party transportation fees as well as cost related to operating our proprietary logistics network, including fuel, tolls, and maintenance expenses. Inbound transportation costs, from the point of acquisition to the relevant reconditioning facility, are included in cost of sales.

SG&A expenses increased \$94.1 million, or 24.7%, from \$381.5 million for the nine months ended September 30, 2021 to \$475.6 million for the nine months ended September 30, 2022. The increase was primarily due to:

- a \$53.5 million increase in compensation and benefits primarily as a result of an increase in salaries and severance costs. Despite the workforce reduction as part of our Realignment Plan, overall headcount increased compared to the same period of the prior year;
- a \$14.0 million increase in software and IT costs primarily related to volume-based fees as a result of increased headcount and software and IT costs for UACC, which was acquired on February 1, 2022;
- a \$10.6 million increase in professional fees primarily related to costs incurred in connection with the UACC Acquisition as well as increased legal fees related to ongoing legal and regulatory matters;
- a \$4.8 million increase in occupancy and related costs primarily a result of rent expense related to additional logistics and reconditioning hubs and rent expense for UACC offices; and
- a \$47.6 million increase in other SG&A expenses primarily due to operational challenges created by our rapid growth over the past two years which resulted in approximately \$25.1 million of additional costs incurred, including legal settlements and rental car expenses for rental vehicles that we provided to customers. We regard these situational costs as non-recurring and expect them to decline significantly as we resolve the challenges that arose prior to the implementation of our digital title vault, continue to streamline and automate our titling and registration process, and implement other improvements to our transaction processing.

The above increases were partially offset by:

- a \$18.4 million decrease in marketing expense as a result of our Realignment Plan and long-term roadmap; and
- a \$18.1 million decrease in outbound logistics costs attributable to the decrease in ecommerce units sold.

We expect SG&A expenses to decrease in the future driven by reductions in both fixed and variable cost components as we continue to reevaluate the optimization of our operations. These cost reductions are expected to be partially offset by increases in SG&A expenses as we continue to integrate and invest in UACC, invest in and improve our customer experience, and continue expanding our proprietary logistics and reconditioning hybrid networks. We may not be able to fully realize the cost savings and benefits initially anticipated from the Realignment Plan and long-term roadmap, and the expected costs may be greater than expected. See Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading "Risk Factors— Risks Related to Our Financial Condition and Results of Operations—We may not

successfully execute or achieve the expected benefits of our Realignment Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations” for more information.

Depreciation and amortization

Depreciation and amortization expenses increased \$18.4 million, or 198.9%, from \$9.3 million for the nine months ended September 30, 2021 to \$27.7 million for the nine months ended September 30, 2022. The increase was primarily due to amortization expense of intangible assets acquired as part of the UACC Acquisition, amortization related to our capitalized internal use software costs incurred in the development of our platform and website applications, and depreciation of short-haul and line-haul vehicles acquired for our proprietary logistics network.

Impairment Charges

Impairment charges represent an impairment charge in the first quarter of 2022 of \$201.7 million to write down the carrying amount of the goodwill to fair value and lease impairment charges of \$4.4 million incurred in 2022, related to closing physical office locations and Sell Us Your Car® centers.

Gain on debt extinguishment

Gain on debt extinguishment represents a gain of \$37.9 million recognized in the third quarter of 2022, related to the repurchase of \$56.4 million in aggregate principal balance of the Notes, net of deferred issuance costs of \$1.1 million, for \$18.5 million.

Interest expense

Interest expense increased \$13.9 million, or 94.4%, from \$14.7 million for the nine months ended September 30, 2021 to \$28.6 million for the nine months ended September 30, 2022. The increase was primarily attributable to higher interest rates in the third quarter of 2022 and a higher average outstanding balance of the 2020 Vehicle Floorplan Facility for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021, which increased interest expense \$7.4 million, interest expense incurred on the Notes, which increased interest expense \$3.6 million, and interest expense incurred on the Warehouse Credit Facilities, which increased interest expense \$2.7 million.

Interest income

Interest income increased \$5.7 million, or 78.3%, from \$7.3 million for the nine months ended September 30, 2021 to \$13.0 million for the nine months ended September 30, 2022. The increase in interest income was primarily driven by higher interest credits earned by the Company related to the 2020 Vehicle Floorplan and higher interest rates earned on cash and cash equivalents.

Other loss (income)

Other loss (income) increased to \$26.9 million for the nine months ended September 30, 2022. The increase in other loss (income) was primarily driven by realized and unrealized gains and losses on the fair value of finance receivables.

Quarterly Results of Operations Supplemental data

The following tables set forth our quarterly financial information for the third and second quarter of 2022:

	Three Months Ended September 30, 2022	Three Months Ended June 30, 2022	Change	% Change
	(in thousands, except unit data)			
Total revenues	\$ 340,797	\$ 475,437	\$ (134,640)	(28.3)%
Total gross profit	\$ 67,331	\$ 66,357	\$ 974	1.5%
Ecommerce units sold	6,428	9,233	(2,805)	(30.4)%
Ecommerce revenue	\$ 225,441	\$ 321,632	\$ (96,191)	(29.9)%
Ecommerce gross profit	\$ 27,034	\$ 33,509	\$ (6,475)	(19.3)%
Vehicle gross profit per ecommerce unit	\$ 2,267	\$ 2,166	\$ 101	4.7%
Product gross profit per ecommerce unit	1,939	1,463	476	32.5%
Total gross profit per ecommerce unit	\$ 4,206	\$ 3,629	\$ 577	15.9%
Wholesale units sold	3,128	5,867	(2,739)	(46.7)%
Wholesale revenue	\$ 47,604	\$ 82,901	\$ (35,297)	(42.6)%
Wholesale gross loss	\$ (1,574)	\$ (1,934)	\$ 360	18.6%
Wholesale gross loss per unit	\$ (503)	\$ (330)	\$ (173)	(52.4)%
Retail Financing revenue	\$ 40,654	\$ 32,121	\$ 8,533	26.6%
Retail Financing gross profit	\$ 35,954	\$ 28,720	\$ 7,234	25.2%
Total selling, general, and administrative expenses	\$ 134,643	\$ 152,990	\$ (18,347)	(12.0)%

	Three Months Ended September 30, 2022	Three Months Ended June 30, 2022	Change	% Change
	(in thousands)			
Net loss	\$ (51,127)	\$ (115,089)	\$ 63,962	55.6%
Adjusted to exclude the following:				
Interest expense	9,704	9,533	171	1.8%
Interest income	(5,104)	(3,935)	(1,169)	29.7%
Provision for income taxes	899	256	643	251.2%
Depreciation and amortization	9,995	10,115	(120)	(1.2)%
EBITDA	\$ (35,633)	\$ (99,120)	\$ 63,487	64.1%
Realignment costs	\$ 3,243	\$ 9,529	\$ (6,286)	(66.0)%
Change in fair value of finance receivables	(3,012)	1,846	(4,858)	(263.2)%
Gain on debt extinguishment	(37,917)	—	(37,917)	100.0%
Other	—	2,127	(2,127)	(100.0)%
Adjusted EBITDA	\$ (73,319)	\$ (85,618)	\$ 12,299	14.4%
Securitization gain	(15,972)	—	(15,972)	100.0%
Adjusted EBITDA excluding securitization gain	\$ (89,291)	\$ (85,618)	\$ (3,673)	(4.3)%

Liquidity and Capital Resources

As of September 30, 2022, we had cash and cash equivalents of \$509.7 million and restricted cash of \$94.3 million. Restricted cash primarily includes cash deposits required under our 2020 Vehicle Floorplan Facility of \$34.5 million, cash deposits of \$39.0 million required under cash collateral agreements with certain of our lenders and restricted cash for UACC under the securitizations and warehouse credit facilities of \$19.5 million. Additionally, we had excess borrowing capacity of \$95.7 million on UACC's Warehouse Credit Facilities as of September 30, 2023. Our primary source of liquidity is cash generated through financing activities.

We anticipate that our existing cash and cash equivalents and the 2022 Vehicle Floorplan Facility (as defined in "Note 10—Vehicle Floorplan Facility" to our consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q) will be sufficient to support our working capital and capital expenditure requirements for at least the next twelve months from the date of this Quarterly Report on Form 10-Q.

Since inception, we experienced a continued increase in our cash usage as we scaled our business. Our Realignment Plan is designed to reduce our use of cash and position us for long-term profitable growth by prioritizing unit economics, reducing operating expenses and maximizing liquidity. We expect to achieve approximately \$135.0 to \$165.0 million of cost reductions and operating improvements across our operations for 2022, when compared to the first quarter annualized, as a result of the Realignment Plan. We may not be able to fully realize the cost savings and benefits initially anticipated from the Realignment Plan, and the expected costs may be greater than expected. See Part II, Item 1A of this Quarterly Report on Form 10-Q under the heading "Risk Factors—Risks Related to Our Financial Condition and Results of Operations—We may not successfully execute or achieve the expected benefits of our Realignment Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations" for more information.

Our future capital requirements will depend on many factors, including our rate of revenue growth, our efforts to reduce fixed and variable expenses, integration and investment costs for the UACC Acquisition, investment in our inventory, sales and marketing activities, and investment in our reconditioning, logistics and customer experience operations. In the near term, as we explore the possibility of opening a secondary proprietary VRC, we may incur additional capital expenditures. To finance our long term growth and capital expenditures, we expect to use our cash and cash equivalents, borrowings under our 2022 Vehicle Floorplan Facility and debt and equity financing. Currently, we finance approximately 18% of our retail inventory with our cash and cash equivalents. We have no significant debt maturities due until 2026 and the payments on our securitization debt is funded by cashflows on the finance receivables within the securitization trusts. We may be required to seek additional equity or debt financing in the future to fund our operations or to fund our needs for capital expenditures, however, there can be no assurance that such financing will be available in amounts or on terms acceptable to us, if at all. Failure to generate sufficient revenues, raise additional capital through debt or equity financings, and/or reduce operating costs could have a material adverse effect on our ability to meet our short and long-term liquidity needs and achieve our intended long-term business objectives.

Convertible Senior Notes

On June 18, 2021, we issued \$625.0 million aggregate principal amount of the Notes pursuant to an indenture between us and U.S. Bank National Association, as trustee (the "Indenture").

The Notes bear interest at a rate of 0.75% per annum, payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2022. The Notes will mature on July 1, 2026, subject to earlier repurchase, redemption or conversion. The total net proceeds from the offering, after deducting commissions paid to the initial purchasers and debt issuance costs, were approximately \$608.9 million. During the three and nine months ended September 30, 2022, the conditions allowing holders of the Notes to convert were not met.

In September 2022, the Company repurchased \$56.4 million in aggregate principal amount of the Notes, net of deferred issuance costs of \$1.1 million, for \$18.5 million in open-market transactions. The Company recognized a gain on extinguishment of debt of \$37.9 million for the three and nine months ended September 30, 2022. Subject to market conditions and availability, we may continue to opportunistically repurchase Notes from time to time to reduce our outstanding indebtedness at a discount. Refer to Note 12 — Long Term Debt to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, for further discussion.

Vehicle Financing

In November 2022, we amended and restated the 2020 Vehicle Floorplan Facility to, among other things, decrease the line of credit from \$700.0 million to \$500.0 million and extend the maturity date to March 31, 2024 (as amended, the "2022 Vehicle Floorplan Facility").

In addition, the amendment modifies the amount of credit available to us on a monthly basis to the product of (1) the greater of five times the aggregate number of retail units sold during the most recent month for which information is available or the aggregate number of retail units sold during the five most recent months for which information is available and (2) the greater of the average outstanding floorplan balance of all vehicles on the floorplan as of the immediately preceding month-end or the average monthly outstanding floorplan balance of all vehicles on the floorplan as of month-end for the immediately preceding five months. The amendment also provides that we may elect to increase our monthly credit line availability by an additional \$25.0 million during any four months in the period from November 1, 2022 through March 31, 2024, subject to the maximum \$500.0 million credit limit. Consistent with the terms of the 2020 Vehicle Floorplan Facility, we have provided Ally with a guaranty of payment of all amounts owed under the 2022 Vehicle Floorplan Facility as well as a security interest in all or substantially all tangible, intangible, and other personal property of Vroom, Inc., to secure obligations under the 2022 Vehicle Floorplan Facility.

The 2022 Vehicle Floorplan Facility bears interest at a rate equal the Prime Rate, announced per annum by Ally Bank, plus 175 basis points. Additionally, we are subject to amended covenants and events of default. We are required to maintain a certain level of equity in the vehicles that are financed, to maintain at least 20.0% of the credit line in cash and cash equivalents, and to maintain a minimum required balance with Ally of at least 12.5% of the daily floorplan principal balance outstanding through December 31, 2022 and 15.0% effective January 1, 2023. We were required to pay a commitment fee upon execution of the 2022 Vehicle Floorplan Facility. See Part II, Item 5. "Other Information" in this Quarterly Report on Form 10-Q.

Finance Receivables

Subject to market conditions, we plan to sell finance receivables originated by UACC through asset-backed securitization transactions and forward flow arrangements. In February and July 2022, UACC sold \$523.7 million of rated asset-backed securities and \$49.6 million of residual certificates in auto loan securitization offerings from securitization trusts, established and sponsored by UACC, for proceeds of \$582.9 million. The trusts are collateralized by finance receivables with an aggregate principal balance of \$603.5 million and has a carrying value of \$534.6 million at the time of sale. These finance receivables are serviced by UACC. UACC retained 5% of the notes and residual certificates sold. Depending on market conditions, we intend to structure future securitization transactions similar to the 2022-1 and 2022-2 securitization transactions and account for them as sales.

Refer to Note 4 — Variable Interest Entities and Securitizations to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, for further discussion regarding our transactions with unconsolidated variable interest entities.

Warehouse Credit Facilities

UACC has three senior secured warehouse facility agreements the ("Warehouse Credit Facilities") with banking institutions. The Warehouse Credit Facilities are collateralized by eligible finance receivables and available borrowings are computed based on a percentage of eligible finance receivables. The aggregate borrowing limit is \$550.0 million with maturities between May 2023 and September 2024. As of September 30, 2022, outstanding borrowings related to the Warehouse Credit Facilities were \$135.5 million and we were in compliance with all covenants related to the warehouse credit facilities. Refer to Note 11 — Warehouse Credit Facilities of Consolidated VIEs to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, for further discussion.

Cash Flows from Operating, Investing, and Financing Activities

The following table summarizes our cash flows for the nine months ended September 30, 2022 and 2021:

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Net cash used in operating activities	\$ (23,102)	\$ (325,459)
Net cash used in investing activities	(181,269)	(94,661)
Net cash (used in) provided by financing activities	(406,439)	726,198
Net (decrease) increase in cash, cash equivalents and restricted cash	(610,810)	306,078
Cash and cash equivalents and restricted cash at beginning of period	1,214,775	1,090,039
Cash and cash equivalents and restricted cash at end of period	\$ 603,965	\$ 1,396,117

Operating Activities

Net cash flows used in operating activities decreased by \$302.4 million, from \$325.5 million for the nine months ended September 30, 2021 to \$23.1 million for the nine months ended September 30, 2022. The decrease is primarily attributable to proceeds from the sale of finance receivables held for sale for the 2022-1 securitization transaction of \$509.6 million, a decrease in working capital of \$334.3 million, primarily related to lower inventory levels, and principal payments received on finance receivables held for sale of \$38.3 million, partially offset by originations of finance receivables held for sale of \$483.2 million and \$90.8 million in incremental net loss after reconciling adjustments for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

We finance a majority of our inventory with the 2020 Vehicle Floorplan Facility. In accordance with U.S. GAAP, we report all cash flows arising in connection with the 2020 Vehicle Floorplan Facility, as a financing activity in our consolidated statement of cash flows.

Investing Activities

Net cash flows used in investing activities increased \$86.6 million, from \$94.7 million for the nine months ended September 30, 2021 to \$181.3 million for the nine months ended September 30, 2022, primarily as a result of the UACC Acquisition in February 2022 which resulted in cash outflow of \$267.5 million and originations of finance receivables recorded at fair value of \$49.5 million, partially offset by principal payments received on finance receivables held in consolidated VIEs of \$106.8 million, proceeds from the sale of finance receivables of \$43.3 million and the \$75.9 million cash outflow for the nine months ended September 30, 2021 for the acquisition of the CarStory business.

Financing Activities

Net cash flows from financing activities changed \$1,132.6 million from net cash provided by financing activities of \$726.2 million for the nine months ended September 30, 2021 to net cash used in financing activities of \$406.4 million for the nine months ended September 30, 2022. The decrease was primarily related to net proceeds of \$608.8 million received upon issuance of the Notes in 2021, net repayments of \$279.8 million related to our Vehicle Floorplan Facility, net repayments of \$176.9 million related to our secured financing agreements, net repayments of \$41.6 million related to our Warehouse Credit Facilities, and repayments of the Notes of \$18.5 million.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, and expenses and related disclosures. On an ongoing basis, we evaluate our estimates, including, among others, those related to income taxes, the realizability of inventory, stock-based compensation, revenue-related reserves, as well as impairment of goodwill and long-lived assets. We base our estimates on historical experience, market conditions and on various other assumptions that are believed to be reasonable. Actual results may differ from these estimates.

The critical accounting policies that reflect our more significant judgments and estimates used in the preparation of our condensed consolidated financial statements include those described in Note 2—Summary of Significant Accounting Policies and Note 3—Revenue Recognition to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q and Note 2—Summary of Significant Accounting Policies to our consolidated financial statements included in our Annual Report on Form 10-K.

Except as described below, there have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Business Combination

We account for business combinations using the acquisition method of accounting, which requires all assets acquired and liabilities assumed to be recorded at their respective fair values at the date of acquisition. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill. The determination of the acquisition date fair value of the assets acquired and liabilities assumed requires significant estimates and assumptions, such as, if applicable, forecasted revenue growth rates and operating cash flows, royalty rates, customer attrition rates, obsolescence rates of developed technology, and discount rates. These estimates are inherently uncertain and subject to refinement. We use a discounted cash flow ("DCF") method under the income approach to measure the fair value of these intangible assets. Under this approach, the Company estimates future cash flows and discounts these cash flows at a rate of return that reflects the Company's relative risk. When estimating the significant assumptions to be used in the valuation we include consideration of current industry information, market and economic trends, historical results of the acquired business and other relevant factors. These significant assumptions are forward-looking and could be affected by future economic and market conditions. We engage the assistance of valuation specialists in connection with determining fair values of assets acquired and liabilities assumed in a business combination.

Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed in business combinations. Goodwill is tested for impairment annually as of October 1, or whenever events or changes in circumstances indicate that an impairment may exist.

We have four reporting units: Ecommerce, Wholesale, TDA and Retail Financing. In performing our annual goodwill impairment test, we first review qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing qualitative factors, we determine that it is more likely than not that the fair value of a reporting unit is more than its carrying amount, then performing the quantitative test is unnecessary and our goodwill is not considered to be impaired. However, if based on the qualitative assessment we conclude that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, or if we elect to bypass the optional qualitative assessment as provided for under GAAP, we proceed with performing the quantitative impairment test.

When assessing goodwill for impairment, our decision to perform a qualitative impairment assessment for an individual reporting unit is influenced by a number of factors, inclusive of the carrying value of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, and the amount of time in between quantitative fair value assessments and the date of acquisition. If we perform a quantitative assessment of an individual reporting unit's goodwill, our impairment calculations contain uncertainties because they require management to make assumptions and to apply judgment when estimating future cash flows and asset fair values. The quantitative goodwill impairment test requires a determination of whether the estimated fair value of a reporting unit is less than its carrying value. We estimate the fair value of our reporting units using an income approach. The income approach is applied using the discounted cash flow method which requires (1) estimating future cash flows for a discrete projection period (2) estimating the terminal value, which reflects the remaining value that the reporting unit is expected to generate beyond the projection period and (3) discounting those amounts to present value at a discount rate which is based on a weighted average cost of capital that considers the relative risk of the cash flows. The income approach requires the use of significant estimates and assumptions, which include revenue growth rates, future gross profit margins and operating expenses used to calculate projected future cash flows, determination of the weighted average cost of capital, and future economic and market conditions. The terminal value is based on an exit revenue multiple which requires significant assumptions regarding the selection of appropriate multiples that consider relevant market trading data. We base our estimates and assumptions on our knowledge of the automotive and

ecommerce industries, our recent performance, our expectations of future performance and other assumptions we believe to be reasonable. Actual future results may differ from those estimates. A material change in the underlying assumptions could result in an impairment of goodwill. We also make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

As of March 31, 2022 a quantitative interim goodwill impairment assessment was performed over the Company's reporting units due to further sustained declines in the Company's and comparable companies' stock prices during the three months ended March 31, 2022. The Company determined that the estimated fair value of the Ecommerce, Wholesale, and TDA reporting units was less than their carrying amounts. The Company recorded a goodwill impairment charge of \$201.7 million in the condensed consolidated statements of operations for the nine months ended September 30, 2022. No goodwill impairment charges were recorded for the three and nine months ended September 30, 2021.

Recently Issued and Adopted Accounting Pronouncements

Refer to "Note 2—Summary of Significant Accounting Policies" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a discussion about new accounting pronouncements adopted and not yet adopted as of the date of this report.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Market risk is the risk of economic losses due to adverse changes in financial market prices and rates. Our primary market risk has been interest rate risk. We do not have material exposure to commodity risk.

Interest Rate Risk

As of September 30, 2022, we had an outstanding balance under the 2020 Vehicle Floorplan Facility of \$345.3 million and an outstanding balance under our Warehouse Credit Facilities of \$135.5 million. The 2020 Vehicle Floorplan Facility bears interest at a rate equal to the Prime Rate, announced per annum by Ally Bank, plus 105 basis points. The Warehouse Credit Facilities bear interest at a rate equal to LIBOR or SOFR plus a fixed percentage based on the agreement with the banking institution. A hypothetical 10% change in interest rates during the three and nine months ended September 30, 2022 would result in a change to interest expense of \$0.6 million and \$1.9 million, respectively.

As of September 30, 2022, we had \$662.4 million of long-term debt including the current portion of securitization debt of consolidated VIEs of \$54.7 million. As the interest rate on the long term debt is fixed, we do not have exposure to interest rate risk.

Item 4. Controls and Procedures

Limitations on effectiveness of controls and procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2022.

Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of September 30, 2022, 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 (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended September 30, 2022, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to legal proceedings in the normal course of operating our business. The outcome of litigation, regardless of the merits, is inherently uncertain. Beginning in March 2021, multiple putative class actions were filed in the U.S. District Court for the Southern District of New York by certain of the Company's stockholders against the Company and certain of the Company's officers alleging violations of federal securities laws. The lawsuits were captioned Zawatsky et al. v. Vroom, Inc. et al., Case No. 21-cv-2477; Holbrook v. Vroom, Inc. et al., Case No. 21-cv-2551; and Hudda v. Vroom, Inc. et al., Case No. 21-cv-3296. All three of the lawsuits asserted similar claims under Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5. In each case, the named plaintiff(s) sought to represent a proposed class of all persons who purchased or otherwise acquired the Company's securities during a period from June 9, 2020 to March 3, 2021 (in the case of Holbrook and Hudda), or November 11, 2020 to March 3, 2021 (in the case of Zawatsky). In August 2021, the Court consolidated the cases under the new name In re: Vroom, Inc. Securities Litigation, Case No. 21-cv-2477, appointed a lead plaintiff and lead counsel and ordered a consolidated amended complaint to be filed. The court-appointed lead plaintiff subsequently filed a consolidated amended complaint that reasserts claims under Sections 10(b) and 20(a) of the Exchange Act, and SEC Rule 10b-5 against the Company and certain of the Company's officers, and added new claims under Sections 11, 12 and 15 of the Securities Act against the Company, certain of its officers, certain of its directors, and the underwriters of the Company's September 2020 secondary offering. The Company filed a motion to dismiss all claims, and briefing of this motion is complete. The Company believes this lawsuit is without merit and intends to vigorously contest these claims. While the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, based upon information presently known to management, the Company believes that the potential liability, if any, will not have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

In August 2021, November 2021, January 2022, and February 2022, various Company stockholders filed purported shareholder derivative lawsuits on behalf of the Company in the U.S. District Court for the Southern District of New York against certain of the Company's officers and directors, and nominally against the Company, alleging violations of the federal securities laws and breaches of fiduciary duty to the Company and/or related violations of Delaware law based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. All four lawsuits have been consolidated under the case caption In re Vroom, Inc. Shareholder Derivative Litigation, Case No. 21-cv-6933, and the court has approved the parties' stipulation that the cases would remain stayed pending final resolution of In re: Vroom, Inc. Securities Litigation. All four derivative suits remain in preliminary stages and there have been no substantive developments in any matter.

In April 2022, one of the Company's stockholders filed a purported shareholder derivative lawsuit on behalf of the Company in the U.S. District Court for the District of Delaware against certain of the Company's officers and directors, and nominally against the Company, alleging violations of the federal securities law and breaches of fiduciary duty to the Company and/or related violations of Delaware law based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. The case is captioned Godlu v. Hennessy et al., Case No. 22-cv-569, and the court has approved the parties' stipulation that the case would remain stayed pending final resolution of In re: Vroom, Inc. Securities Litigation. This lawsuit remains in preliminary stages and there have been no substantive developments.

In April 2022, the Attorney General of Texas filed a petition on behalf of the State of Texas in the District Court of Travis County, Texas against the Company, alleging violation of the Texas Deceptive Trade Practices – Consumer Protection Act, Texas Business and Commerce Code § 17.41 et seq., based on alleged deficiencies and other issues in the Company's marketing of used vehicles and fulfillment of customer orders, including the titling and registration of sold vehicles. According to the petition, 80% of the customer complaints referenced in the petition were received in the 12 months prior to April 2022. The petition is captioned State of Texas v. Vroom Automotive LLC, and Vroom Inc., Case No. D-1-GN-001809. Vroom Automotive, LLC and the Attorney General of the State of Texas have agreed to a temporary injunction in which Vroom Automotive, LLC agrees to adhere to its existing practice of possessing title for all vehicles it sells or advertises as available for sale on its ecommerce platform. Vroom continues to work cooperatively with the office of the Attorney General of the State of Texas towards a resolution. Because the case is at an early stage and the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, the Company cannot determine at present whether any potential liability would have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

In July 2022 and August 2022, respectively, certain plaintiffs filed two putative class action lawsuits in the District Court of Cleveland County, Oklahoma and the New York State Supreme Court, respectively, against Vroom, Inc., and Vroom Automotive LLC as defendants, alleging, among other things, deficiencies in Vroom's titling and registration of sold vehicles: Blake Sonne, individually and on behalf of all others similar situated, v. Vroom Automotive, LLC and Vroom, Inc., No. CJ-2022-822 and Emely Reyes Martinez, on behalf of all others similarly situated, v. Vroom Automotive, LLC and Vroom Inc., No. 652684/2022. The Company removed the cases to the U.S. District Court for the Western District of Oklahoma (Case No. 22-cv-761) and the U.S. District Court for the Southern District of New York (Case No. 22-cv-7631), respectively, and has filed or anticipates filing motions to compel arbitration of all claims in both cases, and briefing of these motions is ongoing. Because these cases are at early stages and the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, the Company cannot determine at present whether any potential liability would have a material adverse effect on the Company's financial condition, cash flows, or results of operations

As previously disclosed, we have been subject to audits, requests for information, investigations and other inquiries from our regulators relating to increased customer complaints concerning the same or similar matters alleged in the State of Texas petition. These regulatory matters could continue to progress into legal proceedings as well as enforcement actions. We have incurred fines in certain states and could continue to incur fines, penalties, restitution, or alterations in our business practices, which in turn, could lead to increased business expenses, additional limitations on our business activities and further reputational damage, although to date such expenses have not had a material adverse effect on the Company's financial condition, cash flows, or results of operations.

Item 1A. Risk Factors

An investment in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with the financial and other information contained in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations", our unaudited condensed consolidated financial statements and the accompanying notes included elsewhere in this Quarterly Report on Form 10-Q, in our Annual Report on Form 10-K for the year ended December 31, 2021, in our Quarterly Report on Form 10-Q for the three months ended March 31, 2022, in our Quarterly Report for the three months ended June 30, 2022 and our other public filings, before you decide to purchase shares of our common stock. The risks and uncertainties described below 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 of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock.

Risks Related to Our Realignment Plan

We may not successfully complete the execution of or achieve the expected benefits of our previously announced Business Realignment Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations.

On May 5, 2022, our board of directors approved a Business Realignment Plan (the "Realignment Plan") designed to position the Company for long-term profitable growth by prioritizing unit economics, reducing operating expenses and maximizing liquidity. The plan includes reducing our rate of unit sales; reducing marketing expense by focusing on highest-ROI channels while aligning with volume trajectory; reducing our headcount by approximately 270 positions, or 14% of our workforce; further developing our regional operating model to reduce costs and increase gross profit per unit; eliminating physical office locations in New York City and Detroit and closing several Sell Us Your Car® centers in Texas; further improving and automating key aspects of our sales operations; and streamlining our operations at TDA. Since announcement of our Realignment Plan, we continued our strategic analysis of the operations at the TDA store location and ceased operations in our TDA service center. The service center has been repurposed to replace our Stafford reconditioning facility, enabling us to align our proprietary reconditioning operations in the Houston market with our reduced unit sales volume, reduce our lease expenses and provide an improved work environment for our employees. Relatedly, we took further action to right-size the staffing of those operations, resulting in a further reduction in headcount. Consistent with the goals of our Realignment Plan, as we have improved and automated our sales operations and optimized our logistics operations, we have made further reductions in headcount across our organization, including our logistics, reconditioning, and customer experience operations, and reduced operating costs.

The Realignment Plan was based on our then-current estimates, assumptions and forecasts, which are subject to known and unknown risks and uncertainties, including assumptions regarding cost savings, cash burn rate, access to restricted cash, gross profit improvements, and effectiveness of our reduced marketing spend. Accordingly, we may not be able to fully realize the cost savings, enhanced liquidity and other benefits anticipated from the Realignment Plan. Additionally, implementation of the Realignment Plan and any other cost-saving initiatives may be costly and disruptive to our business, the expected costs and charges may be greater than we have forecasted, and the estimated cost savings may be lower than we have forecasted. In addition, our initiatives could result in personnel attrition beyond our planned reduction in headcount or reduce employee morale, which could in turn adversely impact productivity, including through a loss of continuity, loss of accumulated knowledge and/or inefficiency during transitional periods, or our ability to attract highly skilled employees. Unfavorable publicity about us or our Realignment Plan could result in reputational harm and could diminish confidence in our brand and business model. The Realignment Plan has required, and may continue to require, a significant amount of management's and other employees' time and focus, which may divert attention from effectively operating our business.

Despite the cost saving measures, reduced growth rates and increased focus on liquidity and profitability contemplated by the Realignment Plan, we may need to raise additional capital through debt or equity financings to achieve our business objectives and there can be no assurance that such financings will be available in amounts or on terms acceptable to us, if at all.

As of September 30, 2022, we had cash and cash equivalents of \$509.6 million. Our Realignment Plan was designed to reduce our use of cash and position us for long-term profitable growth by prioritizing unit economics, reducing operating expenses and maximizing liquidity. Nevertheless, our future capital requirements will depend on many factors, including our revenues, our efforts to reduce operating expenses, costs associated with the integration of UACC and its development into a captive financing operation, investments in our reconditioning, logistics and customer experience operations, UACC's ability to complete additional securitization transactions, and our ability to free up restricted cash. We may be required to seek additional equity or debt financing in the future to fund our operations or to fund our needs for capital expenditures, however, there can be no assurance that such financing will be available in amounts or on terms acceptable to us, if at all. Failure to reduce our cash burn rate, free up restricted cash, generate sufficient revenues, reduce operating costs and/or raise additional capital through debt or equity financings, could have a material adverse effect on our ability to meet our short and long-term liquidity needs and achieve our intended long-term business objectives. See *"We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If such capital is not available to us, our business, financial condition and results of operations may be materially and adversely affected."*

Risks Related to the COVID-19 Pandemic

The full extent of the future impact of the COVID-19 pandemic is uncertain and may have an adverse effect on our business, financial condition and results of operations.

The COVID-19 pandemic and measures implemented by governmental authorities around the world to reduce the spread of COVID-19 disrupted our operations and adversely affected our financial performance beginning late in the first quarter of 2020. After the initial disruption, the used vehicle market began to recover and consumer demand for used vehicles increased. This recovery has been bolstered by the introduction of COVID-19 vaccines nationwide.

We implemented a number of measures designed to protect the health and safety of our workforce in response to the COVID-19 disruptions, including restrictions on non-essential business travel, the institution of work-from-home policies wherever feasible and the implementation of strategies for workplace safety at our facilities that remain open. The nature of work has been greatly altered by COVID-19 and related protocols which have, in turn, broadly shifted employee sentiment regarding in-person work, compensation, and flexibility. While all of our offices remained open and available through most of 2021, we generally discouraged in-person work for any roles where an in-person presence was not critical in an effort to maximize space and prioritize safety for those who did require a physical presence and, as part of our Realignment Plan, we eliminated certain physical office locations in New York and Detroit, where in-person work was not required. All future actions related to COVID-19 will be taken in accordance with updated state and local health and safety guidance and requirements for in-office work. The various workforce health and safety measures we have taken have led to increased operating expenses and future health and safety measures may lead to further increases.

In addition, since early March 2020, UACC has worked, and continues to work, with borrowers impacted by COVID-19 on an individual basis to provide deferments, due date changes and other assistance programs. UACC's assistance programs, if expanded or continued, could materially and adversely impact our business, financial condition and results of operations.

The extent to which COVID-19 ultimately impacts our business, financial condition and results of operations will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity and duration of the COVID-19 pandemic and the effectiveness of actions taken to contain the spread of COVID-19 or treat its impact, such as the efficacy of vaccines and other treatments for COVID-19, the success of vaccination efforts, the severity and transmissibility of new variants of the virus and the resistance of new variants of the virus to vaccines, among others. The ultimate consequences of the COVID-19 pandemic cannot be predicted with certainty, but it could have a material effect on our business, operating results, financial condition and prospects.

In addition to the COVID-19 disruptions described above, the pandemic may also have the effect of heightening many of the other risks described herein, including risks relating to changes in consumer demand; our limited operating

history; our ability to generate sufficient revenue to generate positive cash flow; our relationships with third party customer experience teams; the availability of third-party providers to deliver our vehicles to customers nationwide; the operation of our VRCs by us and our third party service providers; the current geographic concentration of reconditioning services and store inventory; our level of indebtedness; our agreement with a single lender to finance our vehicle inventory purchases and the expiration of such agreement; our access to desirable vehicle inventory; regulatory restrictions; and the shift by traditional dealers to online sales and deliveries.

Risks Related to Our Financial Condition and Results of Operations

We have a history of losses and we may not achieve or maintain profitability in the future.

We have not been profitable since our inception in 2012 and had an accumulated deficit of approximately \$1,625.4 million as of September 30, 2022. We incurred net losses of \$51.1 million and \$98.1 million for three months ended September 30, 2022 and 2021, respectively and \$476.6 million and \$241.1 million for the nine months ended September 30, 2022 and 2021, respectively. We may incur significant losses in the future for a number of reasons, including our inability to reduce costs and increase per unit profitability as contemplated under our Realignment Plan, acquire and appropriately price vehicle inventory, provide the exceptional customer experience needed to attract customers, or identify and respond to emerging trends in the used car industry; a slowdown in demand for used vehicles and our related value-added products; weakness in the automotive retail industry generally; general economic conditions, including rising interest rates and inflation; global pandemics; and increasing competition, as well as other risks described in this Quarterly Report on Form 10-Q, and we may encounter unforeseen expenses, difficulties, complications and delays in achieving profitability.

While we reduced fixed and variable operating expenses through the implementation of our Realignment Plan, we expect to continue incurring significant operating expenses as we invest in the UACC business and develop it into a captive finance operation, invest in our proprietary logistics operations, expand our reconditioning capacity, expand our internal sales force, continue certain advertising and marketing efforts to attract customers to our platform and build our brand, continue to invest in technology development and automating key portions of our sales operations and further regionalize our operating infrastructure. In addition, we anticipate an increase in legal and regulatory costs associated with our operational challenges, as well as continued legal, accounting, compliance and other expenses as a public company. As a result of these expenditures, we will have to generate and sustain revenue sufficient to offset our operating expenses and achieve and maintain profitability. In addition, if we reduce variable costs to respond to losses, this may limit our ability to grow our sales volume and revenues. Our ecommerce gross profit per unit increased by \$1,646, or 64.3%, from the three months ended September 30, 2021 to September 30, 2022 and increased by \$233, or 9.4%, from the nine months ended September 30, 2021 to September 30, 2022. To reduce our losses, we will need to increase our gross profit per unit by lowering our costs per unit by, among other things, focusing on our regional operating model and increasing efficiencies in reconditioning and logistics, which we may be unable to do. Accordingly, we may not achieve or maintain profitability and we may continue to incur significant losses in the future.

We may not be able to generate sufficient revenue to generate positive cash flow on a sustained basis.

We cannot assure you that we will generate sufficient revenue to offset the cost of maintaining our platform and operations and executing our Realignment Plan. In line with the reduced unit sales contemplated by our Realignment Plan, our revenue has declined from \$896.8 million for the three months ended September 30, 2021 to \$340.8 million for the three months ended September 30, 2022 and decreased from \$2,249.8 million for the nine months ended September 30, 2021 to \$1,739.6 million for the nine months ended September 30, 2022. Our revenue growth also may be adversely affected by our inability to acquire and appropriately price vehicle inventory, provide the exceptional customer experience needed to attract customers, or execute effective marketing campaigns to increase traffic to our platform; a slowdown in demand for used vehicles and our related value-added products; weakness in the automotive retail industry generally; general economic conditions, including rising interest rates and inflation; global pandemics and other public health emergencies; and increasing competition. We expect our revenue to decline in 2022 compared to 2021. You should not consider our historical revenue growth as indicative of our future performance. If our revenue declines beyond what is contemplated, including as a result of the impact of our Realignment Plan, our business, financial condition and results of operations will be materially and adversely affected.

Further, going forward we expect to continue making significant investments to further develop our business, and these investments may not result in increased revenue or growth on a timely basis or at all. For example, we expect to continue to expend substantial financial and other resources on developing our captive finance operation, expanding our

internal sales force, continuing certain marketing and other efforts to acquire and retain customers and build our brand, improving our customer experience operations, developing our technology and data analytics capabilities, adding new features and functionality to our website and mobile applications and expanding of our proprietary reconditioning and logistics operations. These investments may not result in increased revenue or growth in our business. If we cannot successfully earn revenue at a rate that exceeds the costs associated with our business, we will not be able to generate positive cash flow on a sustained basis and our revenue may decline beyond what is contemplated by the Realignment Plan. Additionally, we base our expenses and investment plans on our estimates of revenue and gross profit. If our assumptions prove to be wrong, we may spend more than we anticipate or may generate less revenue than anticipated. If we fail to realize the anticipated benefits of our investments, our business, financial condition and results of operations could be materially and adversely affected.

We recognized an impairment charge related to goodwill.

We are required to test goodwill and any other intangible asset with an indefinite life for possible impairment on the same date each year and on an interim basis if there are indicators of a possible impairment. There is significant judgment required in the analysis of a potential impairment of goodwill, identified intangible assets and other long-lived assets. As of March 31, 2022, a quantitative interim goodwill impairment assessment was performed over the Company's reporting units, due to the decline in the Company's and comparable companies' stock prices. The Company determined that the estimated fair value of the Ecommerce, Wholesale, and TDA reporting units was less than their carrying amounts. The Company recorded a goodwill impairment charge of \$201.7 million in the condensed consolidated statements of operations for the three months ended March 31, 2022. See Note 8 to the Company's Consolidated Financial Statements.

Our level of indebtedness could have a material adverse effect on our ability to generate sufficient cash to fulfill our obligations under such indebtedness, to react to changes in our business and to incur additional indebtedness to fund future needs.

As of September 30, 2022, we had outstanding \$345.3 million aggregate principal amount of borrowings under our 2020 Vehicle Floorplan Facility and \$567.5 million aggregate principal amount of our 0.75% Convertible Senior Notes due 2026 (the "Notes"). Our interest expense was \$6.5 million and \$19.8 million for the three and nine months ended September 30, 2022, respectively, related to the 2020 Vehicle Floorplan Facility. In addition, UACC has \$95.4 million of securitization indebtedness as well as three senior secured warehouse facility agreements (the "Warehouse Credit Facilities") with banking institutions, with an aggregate borrowing limit of \$550.0 million. As of September 30, 2022, there was \$135.5 million in outstanding borrowings related to the Warehouse Credit Facilities.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our current or future debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. Any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis or failure to comply with certain restrictions in our debt instruments would result in a default under our debt instruments. In the event of a default under any of our current or future debt instruments, the lenders could elect to declare all amounts outstanding under such debt instruments to be due and payable. Furthermore, our 2022 Vehicle Floorplan Facility restricts our ability to dispose of assets and/or use the proceeds from the disposition. We may not be able to consummate any such dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

In addition, our indebtedness under our 2022 Vehicle Floorplan Facility bears interest at variable rates. Because we have variable rate debt, fluctuations in interest rates may affect our cash flows or business, financial condition and results of operations. In light of the Federal Reserve's recent increases to the federal funds rate and expectations of future rate increases, we expect to pay higher interest under our 2022 Vehicle Floorplan Facility and incur higher interest expense in 2022 compared to 2021. The 2022 Vehicle Floorplan Facility has higher interest rates than our prior facility, and any future funding arrangements may be at higher interest rates or subject to other less favorable terms. We may attempt to minimize interest rate risk and lower our overall borrowing costs through the utilization of derivative financial instruments, primarily interest rate swaps.

Our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our debt obligations.

As of September 30, 2022, we, including our subsidiaries, had approximately \$1,143.1 million principal amount of consolidated indebtedness. We may incur additional indebtedness to meet future financing needs. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes, including the successful execution of our Realignment Plan;
- limiting our flexibility to plan for, or react to, changes in our business;
- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of our Notes due 2026; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, or to pay amounts due under our indebtedness, and our cash needs may increase in the future. In addition, our existing indebtedness contains, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that may limit our ability to operate our business, raise capital or make payments under our other indebtedness. For example, the delisting of our common stock from the Nasdaq Global Select Market would constitute a fundamental change under the terms of our Indenture and make our Notes redeemable at par upon delisting. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If such capital is not available to us, our business, financial condition and results of operations may be materially and adversely affected.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to successfully execute our Realignment Plan, make certain marketing expenditures to improve our brand awareness, build and maintain our inventory of used vehicles, develop our captive finance operation, expand our internal sales force, improve our customer experience operations, develop new products or services or further improve existing products and services, expand and enhance our operating and proprietary logistics and reconditioning infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in additional equity or debt financings at the Vroom or UACC level to secure additional funds to satisfy our short or long term liquidity needs. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. Moreover, any debt financing that we secure in the future could involve restrictive covenants which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, we may be forced to obtain financing on undesirable terms or our ability to continue to pursue our business objectives, including to successfully execute our Realignment Plan, and to respond to business opportunities, challenges or unforeseen circumstances, could be significantly limited, and our business, financial condition and results of operations could be materially and adversely affected.

We currently rely on an agreement with a single lender to finance our vehicle inventory purchases under our 2022 Vehicle Floorplan Facility. If our relationship with this lender were to terminate, and we fail to acquire alternative sources of funding to finance our vehicle inventory purchases, we may be unable to maintain sufficient inventory, which would adversely affect our business, financial condition and results of operations.

We rely on a revolving credit agreement with a single lender to finance our vehicle inventory purchases under our 2022 Vehicle Floorplan Facility. Outstanding borrowings are due as financed vehicles are sold, and the 2022 Vehicle Floorplan Facility is secured by our vehicle inventory and certain other assets. If we are unable to maintain our 2022 Vehicle Floorplan Facility, which expires in March 2024, absent renewal, on favorable terms or at all, or if the agreement is terminated or expires and is not renewed with our existing third-party lender or we are unable to find a satisfactory replacement, our inventory supply may decline, resulting in fewer vehicles available for sale on our website. Moreover, the 2022 Vehicle Floorplan Facility has higher interest rates than our prior facility, and any future new funding arrangements may be at higher interest rates or subject to other less favorable terms. These financing risks, in addition to potential rising interest rates, inflation, and changes in market conditions, if realized, could negatively impact our business, financial condition and results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Vehicle Financing”

We may experience seasonal and other fluctuations in our quarterly results of operations, which may not fully reflect the underlying performance of our business.

We expect our quarterly results of operations, including our revenue, gross profit and cash flow to vary significantly in the future based in part on, among other things, vehicle-buying patterns. Vehicle sales historically have exhibited seasonality, with an increase in sales early in the year that reaches its highest point late in the first quarter and early in the second quarter, which then levels off through the rest of the year with the lowest level of sales in the fourth quarter. This seasonality historically corresponds with the timing of income tax refunds, which can provide a primary source of funds for customers’ payments on used vehicle purchases. Used vehicle prices also exhibit seasonality, 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. Given the recent strong market demand for used vehicles and our rapid growth, our results of operations have not reflected these historical macro trends in the most recent historical periods.

Other factors that may cause our quarterly results to fluctuate include, without limitation:

- the success of operational changes and initiatives that we have and are undertaking under in accordance with our Realignment Plan;
- our ability to attract new customers;
- our ability to continue to develop our captive finance operation;
- our ability to maintain sufficient inventory of desirable vehicles;
- our ability to generate sales of value-added products;
- changes in the competitive dynamics of our industry;
- the regulatory environment;
- expenses associated with unforeseen quality issues;
- macroeconomic conditions, including the impact of the COVID-19 pandemic and inflation;
- increases in interest rates;
- seasonality of the automotive industry and third-party aggregation websites on which we rely;
- changes that impact disposable income, including changes that impact the timing or amount of income tax refunds; and
- litigation or other claims against us and increased legal and regulatory expenses.

In addition, a significant portion of our expenses are fixed and do not vary proportionately with fluctuations in revenues. As a result of these seasonal fluctuations, our results in any quarter may not be indicative of the results we may

achieve in any subsequent quarter or for the full year, and period-to-period comparisons of our results of operations may not be meaningful.

Risks Related to Our Growth and Strategy

Our recent, rapid growth is not indicative of our short-term strategy under our Realignment Plan and, when we return to rapid growth, we may not be able to manage our growth effectively.

Our revenue declined from \$896.7 million for the three months ended September 30, 2021 to \$340.8 million for the three months ended September 30, 2022 and increased from \$2,249.8 million for the nine months ended September 30, 2021 to \$1,739.6 million for the nine months ended September 30, 2022. Under our Realignment Plan, we are reducing the rate of unit sales to focus on profitability, by among other things, lowering our operating expenses and increasing our gross profit per unit. In addition, we are investing in further improving and automating key aspects of our sales operations and addressing operational challenges that have arisen from our rapid growth over the past two years. There can be no assurance that our strategy under the Realignment Plan of reducing the rate of unit sales and focusing on profitability will be successful.

We expect that, in the future, we will pursue profitable growth, but we will not be successful in pursuing profitable growth if we do not:

- increase our gross profit per unit and reduce our operating expenses;
- increase the number of unique visitors to our website, the number of qualified visitors to our website (i.e. those who have the intent and ability to transact), and the number of customers transacting on or through our platform;
- further enhance the quality of our vehicle offerings and value-added products, and introduce high quality new offerings and features on our platform;
- continue to invest in and develop our captive financing capabilities;
- acquire sufficient high-quality inventory at an attractive cost to meet the increasing demand for our vehicles;
- further invest in and enhance the quality of our customer experience and logistics operations, including by transitioning to increasingly automated sales and customer experience operations and improving our customer delivery experience through our proprietary last mile hub and long haul operations;
- expand our vehicle reconditioning capacity to satisfy increasing unit sales, including by opening additional proprietary VRCs; and
- further develop the functionality of our website and mobile applications to facilitate fully digital transactions.

Our business has grown rapidly as new customers have purchased vehicles and value-added products from us. During periods of rapid growth we have encountered, and in the future may continue to encounter, risks and difficulties frequently experienced by growing companies in rapidly changing industries, including difficulties in our ability to achieve market acceptance of our platform and attract customers, as well as increasing competition, operational challenges and significant expenses as we grow our business. As we continue to develop our business, and particularly in light of the workforce and operating expense reductions that we announced as part of our Realignment Plan, we may find it difficult to adapt to meet these challenges. We also expect that our business will evolve in ways that may be difficult to predict. For example, over time our investments that are intended to drive new customer traffic to our website may be less productive than expected, our investments in developing proprietary logistics and reconditioning operations and automating our sales operations may not successfully address our existing operational challenges and we may not successfully develop our captive financing capabilities. In the event of these or any other adverse developments, our continued success will depend on our ability to successfully adjust our strategy to meet changing market dynamics. If we are unable to do so, our business, financial condition and results of operations could be materially and adversely affected.

Our recent, rapid growth placed, and in the future may continue to place, significant demands on our management and our operational and financial resources. In addition to our significant growth in sales and revenues, we experienced significant growth in the number of customers on our platform as well as the amount of data that we analyze. Although we hired additional personnel, our operations did not keep pace with our top-line growth, which has resulted in backlogs in our operations that have adversely affected our customer experience. In addition, our organizational structure

is becoming more complex as we refine our business focus, including as we complete our execution of our Realignment Plan, and we will need to continue to improve our operational, financial and management controls as well as our reporting systems and procedures. This will require significant capital expenditures and the allocation of valuable management resources to grow and adapt in these areas without undermining our corporate culture of teamwork or failing to meet the financial goals of our Realignment Plan. In order to address the operational challenges created by our rapid growth over the past two years, including delays in titling and registering vehicles purchased by our customers, we have undertaken various initiatives. These initiatives include increased digitization and electronic transmission of transaction documents and implementation of our digital title vault to ensure that titles are quality checked and vaulted prior to listing. While these initiatives are designed to improve our transaction processing, enhance our customer experience, and reduce our regulatory risk, they have resulted in, among other things, an increase in the number of days between our acquisition of vehicles and the final delivery of such vehicles to customers. If we cannot manage our growth effectively to maintain the quality and efficiency of our customers' experience and/or the quality of the vehicles we sell, our business, financial condition and results of operations could be materially and adversely affected.

We have a limited operating history and are still building out our foundational systems.

We commenced operations in 2012 and acquired TDA in 2015 and, as a result, have a limited operating history. Moreover, over the past several years, we brought in a new senior leadership team that has refocused our strategy, accelerated our growth and committed us to pursue a path to profitability. To execute this strategy, during periods of rapid growth we have had to manage costs while making investments in enhancing our foundational systems as we scaled our business, including design and expansion of website functionality and features, mobile application development, advancement and deployment of sophisticated data analytics, lean manufacturing technology, logistics network management, and automation of our transaction processes, and work on all such foundational systems is ongoing. Fundamental to our path to long-term profitability and future growth is the further development of the functionality of our website and mobile applications to facilitate fully digital transactions and reduce the need for continued investments in staffing for the sales and sales support functions and our customer experience operations.

These types of activities and investments subject us to various costs and risks, including significant capital expenditures, additional administration and operating expenses, potential disruption of our internal control structure, acquisition and retention of sufficiently skilled personnel, demands on management time, the introduction of errors or vulnerabilities and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our foundational systems. There can be no assurance that we will succeed in successfully developing our capabilities in each of these areas, or that a desirable return on investment will be achieved on the investments made in these areas. A failure to successfully execute on the development of our foundational systems would adversely affect our business, financial condition and results of operations.

We are optimizing our proprietary logistics operations, including vehicle pick-ups and delivery from our last mile hubs and line haul transportation of vehicles between our last mile hubs, which will further expose us to increased risks related to ownership of infrastructure and the transportation of vehicles.

We experienced disruptions across our logistics network at the outset of the COVID-19 pandemic, with a reduced number of third-party providers available to deliver our vehicles, which resulted in a slowdown of inventory being picked up and delivered to our VRCs and in sold units being delivered to customers. In addition, our transportation costs increased as the remaining carriers increased prices.

In response to these disruptions, and to further enhance the quality of our logistics operations and our customer experience, we have been developing our proprietary logistics operations, including expanding our owned vehicle fleet. Additionally, we are utilizing last mile hubs around the country, through which we coordinate directly with our customers to schedule deliveries in an effort to further strengthen our customer experience. Initially, we prioritized investment in our last mile hub delivery operations and subsequently invested in short-haul trucks to make regional deliveries from our last mile hubs, and line-haul vehicles for hub-to-hub shipments on high-volume routes. As part of our Realignment Plan, we intend to increase our proprietary last mile hub and line-haul fleet over time as we build out our regional operating model. These investments will require significant capital expenditures and operating expenses, increase our current risks and expose us to new risks. These risks include local and federal regulations, vehicular crashes, injury, insufficient internal capacity, taxes, license and registration fees, insurance premiums, self-insurance levels, difficulty in recruiting and retaining qualified drivers, maintaining the truck fleet, disruption of our technology systems, equipment supply, equipment quality, and increasing equipment and operational and overhead costs. Our failure to successfully manage the expansion of our

logistics operations could cause delays and increase costs in our inbound and outbound shipping, which may adversely affect our operating results and financial condition.

Our ability to expand value-added product offerings and introduce additional products and services may be limited, which could have a material adverse effect on our business, financial condition and results of operations.

Currently, our third-party value-added products consist of finance and protection products, which includes third-party financing of customers' vehicle purchases, as well as other value-added products, such as vehicle service contracts, GAP protection and tire and wheel coverage. If we introduce new value-added products or expand existing offerings on our platform, such as music services and vehicle diagnostic and tracking services, we may incur losses or otherwise fail to enter these markets successfully. Our expansion into these markets may place us in competitive and regulatory environments with which we are unfamiliar and involve various risks, including the need to invest significant resources to familiarize ourselves with such frameworks and the possibility that returns on such investments may not be achieved for several years, if at all. In attempting to establish new offerings, we expect to incur significant expenses and face various other challenges, such as expanding our customer experience team, internal sales force and management personnel to cover these markets and complying with complicated regulations that apply to these markets. In addition, we may not successfully demonstrate the value of these value-added products to customers, and failure to do so would compromise our ability to successfully expand into these additional revenue streams. Any of these risks, if realized, could materially and adversely affect our business, financial condition and results of operations.

We rely on third-party vendors for key components of our business, which exposes us to increased risks.

In line with our hybrid asset-light business strategy, many components of our business, including our reconditioning facilities, our logistics operations, our customer financing and our customer experience teams primarily have been provided by third parties. We carefully select our third-party vendors, but we cannot control their actions. If our vendors terminate their relationships with us or fail to perform as we expect, our operations and reputation could suffer if the failure harms the vendors' ability to serve us and our customers. One or more of these third-party vendors could choose not to do business with us, or could experience financial distress, staffing shortages or liquidity challenges, file for bankruptcy protection, go out of business, undergo a change of control, or suffer disruptions in their business due to the COVID-19 pandemic. For example, in the third quarter one of our third-party sales support teams notified us of their intention not to renew their contract with us and significantly reduced its staff dedicated to the Company's sales operations, which had an impact on our unit sales volume in the third quarter and is expected to have an impact on our unit sales volume in the fourth quarter as we transition away from the third-party provider. The use of third-party vendors represents an inherent risk to our Company that could have a material adverse effect on our business, financial condition and results of operations.

Our future profitability and growth relies heavily on the effectiveness and efficiency of our marketing and branding efforts, and these efforts may not be successful.

Because we are a consumer brand, we rely heavily on marketing and advertising to increase brand visibility and attract potential customers. While we are reducing marketing expenses as part of our Realignment Plan, advertising expenditures are and will continue to be a significant component of our operating expenses, and there can be no assurance that we will achieve a meaningful return on investment on such expenditures. We continue to evolve our marketing strategies, adjusting our messages, the amount we spend on advertising and where we spend it, and no assurance can be given that we will be successful in developing effective messages and in achieving efficiency in our marketing and advertising expenditures. As a result, our future profitability and growth will depend in part on:

- our ability to design our near-term marketing strategy to support the goals of the Realignment Plan on a substantially reduced marketing budget;
- our ability to effectively design our marketing programs to support our regional operating model;
- the effectiveness of our television advertising campaigns;
- the effectiveness of our performance-based digital marketing efforts;
- the effectiveness and efficiency of our online advertising and search marketing programs in generating consumer awareness of, and sales on, our platform;

- our ability to prevent confusion among customers that can result from search engines that allow competitors to use or bid on our trademarks to direct customers to competitors' websites;
- our ability to prevent internet publication of false or misleading information regarding our platform or our competitors' offerings; and
- the effectiveness of our direct-to-consumer advertising to reduce our dependency on third-party aggregation websites.

We currently advertise through a blend of brand and direct advertising channels with the goal of increasing the strength, recognition and trust in the Vroom brand and driving more unique visitors to our platform. Our marketing strategy currently includes national television campaigns, and performance marketing through digital platforms, including both auto-centric lead generation platforms and broader consumer-facing platforms. As such, a significant component of our marketing spend involves the use of various marketing techniques, including programmatic ad-buying, interest targeting, retargeting and email nurturing. As part of our Realignment Plan, we are decreasing our marketing expense by focusing on highest-ROI channels while aligning with volume trajectory. Our future profitability and growth will depend in part on the successful reduction in marketing expense contemplated by our Realignment Plan and increased efficiency of our promotional advertising and marketing programs and related expenditures, including our ability to create greater awareness of our platform and brand name, to appropriately plan for future expenditures and to drive the promotion of our platform.

Additionally, our business model relies on our ability to decrease incremental customer acquisition costs as we grow. If we are unable to recover our marketing costs through increases in customer traffic and incremental sales, if our advertising partners refuse to work with us at competitive rates or at all, or if our broad marketing campaigns are not successful or are terminated, our business, financial condition and results of operations could be materially and adversely affected.

We may acquire other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our results of operations.

Our success will depend, in part, on our ability to develop and evolve our business in response to the demands of consumers and other constituents within the automotive industry, as well as competitive pressures. Although we have no plans to do so currently, in some circumstances, we may determine to grow our business through the acquisition of complementary businesses and technologies rather than through internal development, such as our recent UACC Acquisition, and our earlier acquisition of the CarStory business. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- coordination of technology, research and development and sales and marketing functions;
- transition of the acquired company's users to our platform;
- retention of employees from the acquired company;
- potential adverse reactions to the acquisition by an acquired company's customers;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, policies and procedures at a business that, prior to the acquisition, may have lacked effective controls, policies and procedures;
- potential write-offs of intangibles or other assets acquired in such transactions that may have an adverse effect our results of operations;
- liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities and other known and unknown liabilities; and

- litigation or other claims in connection with the acquired company, including claims from terminated employees, customers, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities and otherwise harm our business. Future acquisitions also could result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities or amortization expenses, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions may not materialize. Any of these risks, if realized, could materially and adversely affect our business, financial condition and results of operations.

Risks Related to Our Operations

We face a variety of risks associated with the operation of our VRCs by us and our third-party service providers, any of which could materially and adversely affect our business, financial condition and results of operations.

We and third-party service providers operate our VRCs. If we are unable to maintain our relationship with our third-party service providers, such service providers cease to provide the services we need, or such service providers are unable to effectively deliver our services to our standards on timelines and at the prices we have negotiated, and we are unable to contract with alternative providers, increase our supply from existing providers, or replace such service providers with a proprietary VRC (which may require significant time and investment), we could experience a decrease in the finished goods output sufficient to scale the business, a decline in quality of our reconditioning services, delays in listing our inventory, additional expenses, delivery delays and loss of potential and existing customers and related revenues, which may materially and adversely affect our business, financial condition and results of operations. These risks are exacerbated by the fact that our third-party VRCs are primarily operated by one third-party provider.

Moreover, our future profitability and growth depends in part on developing our proprietary reconditioning and last-mile delivery operations and regionalizing the geographic reach of those operations in accordance with our Realignment Plan in order to reduce shipping costs. We have expanded our reconditioning capacity primarily through third-party VRC locations and, as we continue to develop our business, we intend to add additional proprietary VRCs to our integrated hybrid network to ensure adequate capacity. We have right sized our proprietary reconditioning operations in the Houston market and currently intend to add additional proprietary VRCs into our integrated network over time. We are exploring the possibility of opening an additional proprietary VRC in the Atlanta area utilizing a capital efficient strategy. However, there can be no guarantee that we will be able to add additional proprietary VRCs quickly enough and in optimal locations to facilitate development of our regional operating model and to address our capacity needs.

Additionally, we and our third-party vendors are required to obtain approvals, permits and licenses from state regulators and local municipalities to operate our VRCs. There could be delays in obtaining the requisite approvals, permits, financing and licenses to operate our VRCs or we may not be able to obtain them at all. If we or our vendors encounter delays in obtaining or cannot obtain the requisite approvals, permits, financing and licenses to operate our VRCs in desirable locations, our business, financial condition and results of operations may be materially and adversely affected.

We currently rely heavily on third-party carriers to transport our vehicle inventory throughout the United States. Thus, we are subject to business risks and costs associated with such carriers and with the transportation industry, many of which are out of our control.

Although we are optimizing our proprietary logistics network, including as part of our increased focus on developing our regional operating model under our Realignment Plan, we still heavily rely on third-party carriers to transport vehicles from auctions or individual sellers to VRCs, and then from our VRCs to our customers. As a result, we are exposed to risks associated with the transportation industry such as weather, traffic patterns, local and federal regulations, vehicular crashes, gasoline prices and lack of reliability of many independent carriers. Our third-party carriers' failure to successfully manage our logistics and fulfillment process could cause a disruption in our inventory supply chain and decrease our inventory sales velocity, which may materially and adversely affect our business, financial condition and results of operations. In addition, third-party carriers who deliver vehicles to our customers could adversely affect the customer experience if they do not perform to our standards of professionalism and courtesy, which could adversely impact our business, financial condition and results of operations.

We rely on third-party service providers to provide financing, as well as value-added products to our customers, and we cannot control the availability, quality or fulfillment of these products.

We have historically relied on third-party lenders to finance all of our customers' vehicle purchases. We will continue to rely on third-party lenders as we continue to integrate and develop UACC into a full captive lending operation. We also offer value-added products to our customers through a third-party service provider, such as vehicle service contracts, GAP protection and tire and wheel coverage. Because we utilize third-party service providers, we cannot control all of the factors that might affect the quality and fulfillment of these services and products, including (i) lack of day-to-day control over the activities of third-party service providers, (ii) that such service providers may not fulfill their obligations to us or our customers or may otherwise fail to meet expectations and (iii) that such service providers may terminate their arrangements with us on limited or no notice or may change the terms of these arrangements in a manner unfavorable to us for reasons outside of our control. Such providers also are subject to state and federal regulations and any failure by such third-party service providers to comply with applicable legal requirements could cause us financial or reputational harm. Currently, the majority of customers who purchase vehicles finance their purchases through our third-party lenders. If we are unable to maintain our relationships with our third-party lenders, there is no guarantee that UACC would be able to service the additional transaction volume and expanded credit profiles, or that we would be able to find replacement lenders who will provide our customers with financing, in which case our ability to sell our vehicles would be adversely affected; accordingly, the loss of such relationships could have a material adverse effect on our business, financial condition, and results of operations.

Our revenues and results of operations are partially dependent on the actions of these third parties. If one or more of these third-party service providers cease to provide these services or products to our customers, tighten their credit standards or otherwise provide services to fewer customers or are no longer able to provide them on competitive terms, it could have a material adverse effect on our business, revenues and results of operations. If we were unable to replace the current third-party providers upon the occurrence of one or more of the foregoing events, it could also have a material adverse effect on our business, revenues and results of operations. In addition, disagreements with such third-party service providers could require or result in costly and time-consuming litigation or arbitration.

Moreover, we receive fees from these third-party service providers in connection with finance, service and protection products purchased by our customers. A portion of the fees we receive on such products is subject to chargebacks in the event of early termination, default or prepayment of the contracts by end-customers, which could adversely affect our business, revenues and results of operations.

The current geographic concentration where we provide reconditioning services and store inventory and where UACC has a high concentration of borrowers creates an exposure to local and regional downturns or severe weather or catastrophic occurrences that may materially and adversely affect our business, financial condition and results of operations.

We currently conduct our business through multiple VRCs, including our Vroom VRC located outside Houston, Texas, where we hold 10% of our inventory. In addition, our third-party reconditioning services are primarily conducted through a single provider, with facilities located in California, Florida, Arizona and other states. Any unforeseen events or circumstances that negatively affect these areas, particularly our facilities near Houston, which have experienced flooding and other damage in recent years as a result of severe weather conditions, including hurricanes, could materially and adversely affect our revenues and results of operations. Changes in demographics and population or severe weather conditions and other catastrophic occurrences in areas in which we operate or from which we obtain inventory may materially and adversely affect our results of operations. Such conditions may result in physical damage to our properties, loss of inventory and delays in the delivery of vehicles to our customers. In addition, any such unforeseen events or circumstances, changes in demographics and population or severe weather conditions or other catastrophic events in any of the states where UACC has a high concentration of borrowers could result in payment delays and increased risk of losses and could materially and adversely affect our revenues and results of operations.

We depend on key personnel to operate our business, and if we are unable to retain, integrate and attract qualified personnel, our ability to develop and successfully grow our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our continuing ability to retain, develop, motivate and attract highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to retain and attract them. In particular, we are highly dependent on the services of our leadership team to the development of our business,

future vision, and strategic direction. In May 2022, Thomas H. Shortt was appointed as our Chief Executive Officer, succeeding Paul J. Hennessy. Additionally, Robert J. Mylod, Jr. was appointed as the Independent Executive Chair of the Board in order to support the leadership change in the Chief Executive Officer position. Our future performance will depend, in part, on the successful transition of the Chief Executive Officer position. If we do not successfully manage the transition, it could be viewed negatively by our customers, employees, investors, suppliers and other third-party partners, and could have an adverse impact on our business and results of operations. We also heavily rely on the continued service and performance of our senior management team, which provides leadership, contributes to the core areas of our business and helps us to efficiently execute our business, including with respect to strategic initiatives such as our Realignment Plan. If members of our senior management team, including our executive leadership, become ill, or if we are otherwise unable to retain them, we may not be able to manage our business effectively and, as a result, our business and operating results could be harmed. If the senior management team, including any new hires that we make, fails to work together effectively and to execute our plans and strategies on a timely basis then our business and future growth prospects could be harmed.

In addition, we issue equity awards to certain of our employees as part our hiring and retention efforts, and job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Our employees' ability to sell their shares in the public market at times and/or at prices desired may lead to a larger than normal turnover rate. If the actual or perceived value of our common stock declines, it may adversely affect our ability to hire or retain employees. In addition, we may periodically change our equity compensation practices, which may include reducing the number of employees eligible for equity awards or reducing the size of equity awards granted per employee or undertaking other efforts that may prove an unsuccessful retention mechanism. If we are unable to attract, integrate, or retain the qualified and highly skilled personnel required to fulfill our current or future needs, our business and future growth prospects could be harmed.

Furthermore, in light of the reduction in headcount as part of our Realignment Plan, we may find it difficult to maintain valuable aspects of our culture, to prevent a negative effect on employee morale or attrition beyond our planned reduction in headcount, and to attract competent personnel who are willing to embrace our culture in the future. Our executive officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We may not be able to retain the services of any members of our senior management or other key employees. If we do not succeed in retaining and motivating existing employees or attracting well-qualified employees in the future, our business, financial condition and results of operations could be materially and adversely affected.

Risks Related to Our Customer Experience

We have entered into outsourcing arrangements with third parties related to our customer experience team, and difficulties experienced in these arrangements have and could continue to result in an interruption of our ability to sell our vehicles and value-added products.

We have entered into several outsourcing arrangements with third parties related to our customer experience teams, including with respect to our customer inquiries, sales, purchases, financing, document support, customer service and other customer experience operations.

While we have begun to automate and insource key portions of our sales operations as part of our Realignment Plan, currently a substantial portion of inquiries, sales, purchases and financings of our vehicles in our ecommerce business are conducted by phone through a third-party customer experience center located in Detroit, Michigan. This third party recently notified us of their intention not to renew their contract with us beyond the current term ending on December 31, 2022 and significantly reduced its staff dedicated to the Company's sales operations in the third quarter. While we have also engaged an internal sales team, consistent with our strategy to insource our sales operations as part of our Realignment Plan, as well as an additional third-party team, the third-party customer experience center remains important to the success of our business and its reduced staffing has had an impact on our unit sales volume in the third quarter and is expected to have an impact on our unit sales volume in the fourth quarter as we transition away from using their services through the end of 2022. As a result, the success of our business and our customer experience is partially dependent on a third party over which we have limited control. In addition, if the third party's systems and operations fail while they still provide us with services, if they are otherwise unwilling or unable to perform their sales function for the remainder of the transition period, or if we cannot successfully transition from them at the conclusion of the contract term to using our internal sales team and the additional third party resource to conduct our sales operations, we would be

limited in our ability to complete customer transactions, which would make it more difficult to sell vehicles and value-added products through our platform.

We also rely on other third parties to provide customer service, document support and other important customer experience operations and face challenges in maintaining the quality of our customer experience. If any of these third parties are unable to perform to our standards or to provide the level of service required or expected by our customers, or we are unable to renegotiate our agreements with them on attractive terms or at all, or if we are unable to contract with alternative third-party providers, our business, financial condition and results of operations may be harmed and we may be forced to pursue alternatives to provide these services, which could result in delays, interruptions, additional expenses and loss of potential and existing customers and related revenues.

Our business, sales and results of operations are materially affected by our customer experience, our reputation and our brand.

Our business model is primarily based on our ability to enable consumers to buy and sell used vehicles through our ecommerce platform in a seamless, transparent and hassle-free transaction. If consumers fail to perceive us as a trusted brand with a strong reputation and high standards, or if an event occurs that damages our reputation, it could adversely affect customer demand and have a material adverse effect on our business, revenues and results of operations. Even the perception of a decrease in the quality of our customer experience or brand could impact results. Our high rate of historical growth made maintaining the quality of our customer experience more difficult, and we have encountered operational challenges in keeping up with our rapid growth over the past two years. Backlogs in our business developed as there was more sales volume than we had the capacity to manage, resulting in delays in processing transactions, including delays in titling and registering vehicles purchased by our customers, which have adversely affected our customer experience and have led in recent months to increased calls to our customer service teams, who have had difficulty keeping up with the increased call volume. If we cannot adequately address these challenges and deliver a positive customer experience through completion of the transaction, including if we cannot successfully automate and insource key portions of our sales operations as contemplated by our Realignment Plan, our brand and our business will suffer.

Complaints or negative publicity about our business practices, marketing and advertising campaigns, vehicle quality, customer service, delivery experience, compliance with applicable laws and regulations, data privacy and security or other aspects of our business, including on consumer platforms such as the Better Business Bureau, consumer facing blogs and social media websites, could diminish consumer confidence in our platform and adversely affect our brand. The growing use of social media increases the speed with which information and opinions can be shared and thus the speed with which our reputation can be damaged. If we fail to deliver the desired customer experience, or fail to correct or mitigate misinformation or negative information about us, our platform, our vehicle inventory, our customer experience, our brand or any aspect of our business, including information spread through social media or traditional media channels, it could materially and adversely affect our business, financial condition and results of operations.

Risks Related to the UACC Business

We may be unable to successfully integrate the UACC business into Vroom's business and develop UACC into a captive lending operation for Vroom.

On February 1, 2022, we completed the UACC Acquisition. Vroom and UACC will need to successfully integrate their operations and ultimately develop UACC into a captive lending operation for Vroom. The integration will require significant efforts from each company, additional investments in technology and operations to scale the combined operations and the development of full credit spectrum lending capabilities at UACC. The integration of UACC may also divert management's time and resources from our core business, which could impair our relationships with our current employees, customers and strategic partners and disrupt our operations. The failure to successfully achieve such integration would undermine our ability to realize the benefits we expect to receive from the transaction and successfully execute our Realignment Plan, and our business and financial condition may be harmed as a result.

We may not realize the anticipated benefits of the UACC Acquisition or realization of those benefits could take longer than anticipated.

We acquired UACC with the expectation that the transaction would result in benefits to our business over time, including the benefits of a captive finance arm that would enable us to increase ecommerce unit sales, expand our

penetration into non-prime sales, accelerate total revenue growth, enhance aggregate gross profit and GPPU, and leverage our fixed cost base. We expect that the development of our captive financing capabilities through the UACC Acquisition will be a significant element of our path to profitability and help position us for long-term growth in accordance with our Realignment Plan. Achieving these benefits will require the successful integration, development and operation of the combined businesses and it is not certain that we will succeed in those efforts. See “—We may not successfully complete the execution of or achieve the expected benefits of our previously announced Realignment Plan and other cost saving measures we may take in the future, and our efforts may result in further actions and may adversely affect our business, financial condition and results of operations.” If we fail to successfully integrate, develop and operate the combined businesses, we may not realize the benefits we expect to receive from the transaction or realization of those benefits may take substantially longer than anticipated. In addition to these operational risks, ownership of a captive lender will subject us to increased legal and regulatory scrutiny of our lending operations, including credit bureau reporting, loan origination practices and debt collection practices.

In addition, with regard to UACC’s financing, we intend to maintain an asset-light funding approach through the use of off-balance sheet securitization transactions and forward flow arrangements. Achievement of off-balance sheet accounting treatment requires the Company to sell all of the rated notes and residual certificates in the securitization, subject to holding 5% risk retention. Execution of securitization transactions, including achievement of off-balance sheet accounting treatment for those transactions, is subject to market conditions. Even if UACC is able to complete its securitizations, those securitizations may not qualify for off-balance sheet accounting treatment, resulting in retention of the underlying loans on our consolidated balance sheet.

UACC’s ability to sell automotive finance receivables and generate gains on sales of these finance receivables may decline in the future; any material reduction could harm our business, results of operations, and financial condition.

UACC provides indirect financing to customers and typically sells the receivables related to the financing contract. For example, UACC has entered into various arrangements to sell automotive finance receivables that it originates, including through securitizations, and expects to enter into additional securitizations, loan sales to financing partners and other new arrangements in the future. If UACC is not able to sell receivables under these current or future arrangements for a variety of reasons, including because it has reached its capacity under the arrangements, its financing partners exercise constructive or other termination rights before it reaches capacity, general economic or credit market conditions, market disruption or it reaches the scheduled expiration date of the commitment, and it is not able to enter into new arrangements on similar terms, it may not have adequate liquidity and our business, financial condition and results of operations may be adversely affected. Furthermore, if its financing partners do not purchase these receivables, we could be subject to the risk that some of these receivables are not paid when due and be forced to incur unexpected asset write-offs and bad-debt expense.

UACC’s securitizations may expose it to financing and other risks, and there can be no assurance that it will be able to access the securitization market in the future, which may require it to seek more costly financing.

UACC has securitized, and we expect will in the future securitize, certain of its automotive finance receivables to generate cash. In such transactions, it conveys a pool of automotive finance receivables to a special purpose vehicle, typically a trust that, in turn, issues certain securities. The securities issued by the special purpose vehicle are collateralized by the pool of automotive finance receivables. In exchange for the transfer of finance receivables to the special purpose vehicle, UACC typically receives the cash proceeds from the sale of the securities.

Although UACC successfully completed a securitization in each of 2020, 2021, February 2022 and July 2022, there can be no assurance that UACC will be able to complete additional securitizations, particularly if the securitization markets become constrained. In addition, the value of any securities that UACC may retain in its securitizations, including securities retained to comply with applicable risk retention rules, might be reduced or, in some cases, eliminated as a result of an adverse change in economic conditions or the financial markets. Furthermore, although our intent is to sell loans originated by UACC using off-balance sheet securitization transactions, even if UACC is able to complete its securitizations, those securitizations may not qualify for sales accounting if market conditions do not allow for the sale of residual certificates. If it is not possible or economical for UACC to securitize its automotive finance receivables in the future, it would need to seek alternative financing to support its operations and to meet its existing debt obligations, which may be less efficient and more expensive than raising capital via securitizations and may have a material adverse effect on our results of operations, financial condition, and liquidity.

UACC may experience greater credit losses or prepayments in any interests it holds in automotive finance receivables than it anticipates and its credit scoring systems may not effectively forecast its automotive receivables loss rates. Higher than anticipated credit losses or prepayments or the inability to effectively forecast loss rates may negatively impact its operating results.

Until UACC sells automotive finance receivables, and to the extent it retains interests in automotive finance receivables after it sells them, whether pursuant to securitization transactions or otherwise, UACC is exposed to the risk that applicable customers will be unable or unwilling to repay their loans according to their terms and that the vehicle collateral securing the payment of their loans may not be sufficient to ensure full repayment. Additionally, higher energy prices (including the price of gasoline) and other consumer prices, unstable real estate values, reset of adjustable-rate mortgages to higher interest rates, geopolitical tensions (including outbreaks of military hostilities such as the ongoing military conflict between Ukraine and Russia), increases in the rate of inflation and other factors can affect consumer confidence and disposable income. While credit losses are inherent in the automotive finance receivables business, these conditions can increase loss frequency, decrease consumer demand for motor vehicles and weaken collateral values on certain types of motor vehicles in any period of extended economic slowdown or recession and could have a material adverse effect on our results of operations. Because UACC focuses predominately on sub-prime borrowers, the actual rates of delinquencies, defaults, repossessions and losses on its receivables are higher than those experienced in the general motor vehicle finance industry and may be affected to a greater extent during an economic downturn.

UACC makes various assumptions and judgments about the automotive finance receivables it originates and may establish a valuation allowance and value beneficial ownership interests based on a number of factors. Although management may establish a valuation allowance and value beneficial ownership interests based on analysis it believes is appropriate, this may not be adequate. For example, if economic conditions were to deteriorate unexpectedly, additional loan losses not incorporated in the existing valuation may occur. Several variables have affected UACC's recent loss and delinquency rates, including general economic conditions and market interest rates, and are likely to differ in the future. In particular, given the impact the COVID-19 pandemic has had on the economy and individuals, historical loss and delinquency expectations may not accurately predict the performance of UACC's receivables and impact its ability to effectively forecast loss rates. Losses in excess of expectations could have a material adverse effect on our business, results of operations, and financial condition.

UACC relies on its internally developed credit scoring systems to forecast loss rates of the automotive finance receivables it originates. If it relies on systems that fail to effectively forecast loss rates on receivables it originates, those receivables may suffer higher losses than expected. UACC's credit scoring systems were developed prior to the global outbreak of COVID-19 and, accordingly, were not designed to take into account the effect of the economic, financial and social disruptions resulting from the pandemic. UACC generally seeks to sell these receivables through securitization transactions and expects to enter into loan sales to financing partners and other new arrangements in the future. If the receivables it sells experience higher loss rates than forecasted, it may obtain less favorable pricing on the receivables it sells to those parties in the future and suffer reputational harm in the marketplace for the receivables it sells and its business, results of operations, and financial condition may be adversely affected. If UACC holds receivables that it originates on its balance sheet until it sells them in securitization transactions or, in the future, through loan sales to its financing partners or other arrangements, and to the extent those receivables fail to perform during its holding period, they may become ineligible for sale. As a result, our business, results of operations, and financial condition may be adversely affected.

Risks Related to Cybersecurity and Privacy

An actual or perceived failure to maintain the security of personal information and other customer data that we collect, store, process, and use could harm our business, financial condition and results of operations.

We collect, store, process, and use personal information and other customer data, and rely in part on third parties that are not directly under our control, including our third-party customer experience teams, to manage certain areas of these operations. For example, we rely on encryption, storage, and processing technology developed by third parties to securely transmit, operate on and store such information. Due to the volume and sensitivity of the personal information and data we and these third parties manage and expect to manage in the future, as well as the nature of our customer base, the security features of our information systems are critical. Any failure or perceived failure to maintain the security of personal and other data that is provided to us by customers, employees and vendors could harm our reputation and

brand and expose us to a risk of loss or litigation and possible liability, any of which could adversely affect our business, financial condition, and results of operations.

Additionally, concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy-related matters, even if unfounded, could harm our business, financial condition and results of operations. We are subject to numerous federal, state and local laws and regulations regarding privacy, cybersecurity and the collection, use and disclosure of personal information and other data. The scope and interpretation of these laws continue to evolve and may be inconsistent across jurisdictions. New laws also may be enacted. Further, we are subject to contractual requirements and others' privacy policies that govern how we use and protect personal information and other data. These obligations may be interpreted and applied inconsistently and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies or obligations may result in governmental enforcement actions, litigation or negative publicity that could have an adverse effect on our business. If our third-party service providers violate applicable laws, contractual obligations or our policies, then such violations also may put consumer, employee and vendor information at risk and could, in turn, harm our reputation, business and operating results. We carry out ongoing efforts to implement a number of security controls to mitigate these risks.

If we or our third-party providers sustain cyber-attacks or other privacy or data security incidents that result in security breaches, we could suffer a loss of sales and increased costs, exposure to significant liability, reputational harm and other negative consequences.

Threat actors are increasingly sophisticated and can operate large-scale complex automated attacks. Similar to most IT systems and companies, there is a consistent threat from cyber-attacks, viruses, malicious software, physical break-ins, theft, ransomware, phishing, social engineering, unintentional employee error or malfeasance, system availability, and other security breaches. Further, third-party hosts or service providers are also a source of security concerns as it relates to failures of their own security systems and infrastructure. Our technology infrastructure may be subject to increased risk of slowdown or interruption as a result of integration with third-party services, including cloud services, and/or failures by such third parties, which are beyond our control. The costs to eliminate or address evolving security threats and vulnerabilities before or after a cyber-incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service and loss of existing or potential suppliers or players.

Although we have insurance coverage for losses associated with cyber-attacks, as with all insurance policies, there are coverage exclusions and limitations, and our coverage may not be sufficient to cover all possible claims, and we may still suffer losses that could have a material adverse effect on our business, including reputational damage. We also could be negatively impacted by existing and proposed U.S. laws and regulations, and government policies and practices related to cybersecurity, data privacy, and data localization. In the event that we or our service providers are unable to prevent, detect, and remediate the foregoing security threats and risks, our operations could be disrupted or we could incur financial, legal or reputational losses arising from misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in our information systems and networks, including personal information of our employees and our customers.

Risks Related to Our Industry and General Economic Conditions

Our business is sensitive to changes in the prices of new and used vehicles.

Any significant changes in retail prices for new or used vehicles could have a material adverse effect on our business, financial condition and results of operations. For example, if retail prices for used vehicles rise relative to retail prices for new vehicles, it could make buying a new vehicle more attractive to our customers than buying a used vehicle, which could have a material adverse effect on our business, financial condition and results of operations and could result in reduced vehicle sales and lower revenue. Additionally, manufacturer incentives, including financing, could contribute to narrowing the price gap between new and used vehicles. During the COVID-19 pandemic, we experienced unprecedented market conditions, caused in part by supply chain dislocations, a shortage of microchips and associated delays in new car manufacturing, which increased demand for used vehicles, putting downward pressure on supply and upward pressure on used vehicle pricing. While there continues to be downward pressure on supply, demand for used vehicles has recently started to decline. This volatility creates risks around our ability to appropriately price our vehicles and maintain our sales margins. There can be no assurance for how long these market conditions will continue.

While lower used vehicle prices reduce our cost of acquiring new inventory, lower prices could also lead to reductions in the value of inventory we currently hold, which could have a negative impact on gross profit. Moreover, any significant changes in retail prices due to scarcity or competition for used vehicles could impact our ability to source desirable inventory for our customers, which could have a material adverse effect on our results of operations and could result in fewer used-car sales and lower revenue. Furthermore, any significant changes in wholesale prices for used vehicles could have a negative impact on our results of operations by reducing wholesale margins.

Our business is dependent upon access to desirable vehicle inventory. Obstacles to acquiring attractive inventory, whether because of supply, competition or other factors, may have a material adverse effect on our business, financial condition and results of operations.

We acquire vehicles for sale from consumers, auctions, rental car companies, OEMs and dealers. There can be no assurance that the supply of desirable used vehicles will be sufficient to meet our needs. We purchased approximately 86% and 78% of our retail inventory sold from consumers in the three and nine months ended September 30, 2022, respectively. If our brand is damaged, or consumers otherwise are unwilling to transact with us, we may not be able to source sufficient inventory, or may have to source inventory from lower margin channels. In addition, we purchase a significant amount of our inventory from certain third-party auction sources. If these third parties are unable to fulfill our inventory needs or if we are unable to source desirable used vehicles from alternative third-party providers, we may lack sufficient inventory and, as a result, may lose potential and existing customers and related revenues. Moreover, we sell consumer-sourced vehicles that do not meet our retail standards to auctions, which may result in lower revenues and also could lead to reductions in our available inventory.

Additionally, we appraise thousands of consumer vehicles daily and evaluate potential purchases based on mechanical soundness, consumer desirability and relative value in relation to retail inventory or wholesale disposition. If we fail to adjust appraisal offers to stay in line with broader market trade-in offer trends or fail to recognize those trends, it could adversely affect our ability to acquire inventory. Our ability to source vehicles through our appraisal process also could be affected by competition, both from new and used vehicle dealers directly and through third-party websites driving appraisal traffic to those dealers. In addition, we remain dependent on third parties to sell us used vehicles, and there can be no assurance of an adequate supply of desirable vehicles on terms that are attractive to us. A reduction in the availability of or access to sources of inventory for any reason could have a material adverse effect on our business, financial condition and results of operations.

Our business is dependent upon our ability to expeditiously list and sell inventory. Failure to expeditiously list and sell our inventory could have a material adverse effect on our business, financial condition and results of operations.

We have undertaken various initiatives to address the operational challenges created by our rapid growth over the past two years, including delays in titling and registering vehicles purchased by our customers. These initiatives include increased digitization and electronic transmission of transaction documents and implementation of our digital title vault to ensure that titles are quality checked and vaulted prior to listing. While these initiatives are designed to improve our transaction processing, enhance our customer experience, reduce our regulatory risk and increase efficiency in transaction processing, they can result in delays in listing our inventory for sale. Since vehicles depreciate rapidly, a failure to expeditiously list our inventory for sale could hurt our sales margins and gross profit per unit, and could materially and adversely affect our business, financial condition and results of operations.

Sourcing of our used vehicle inventory is based in large part on projected demand. If actual sales are materially less than our forecasts, we would experience an over-supply of used vehicle inventory. An over-supply of used vehicle inventory will generally cause downward pressure on our vehicle sales prices and margins and decrease inventory sales velocity. Vehicles depreciate rapidly, so a failure to expeditiously sell our inventory or to efficiently recondition and deliver vehicles to customers could hurt our sales margins and gross profit per unit and could materially and adversely affect our business, financial condition and results of operations. The rate at which customers return vehicles increased in recent periods and there can be no assurance that return rates will remain similar to our historical levels. Vehicles returned continue to depreciate in value and if return rates continue to increase, our revenue, business, financial condition and results of operations could be materially and adversely affected.

Used vehicle inventory has typically represented a significant portion of our total assets. Having such a large portion of our total assets in the form of used vehicle inventory for an extended period of time subjects us to write-downs and other risks that affect our results of operations. Accordingly, if we have excess inventory, if we are unable to ship and

deliver vehicles efficiently or if our inventory sales velocity decreases, we may be unable to liquidate such inventory at prices that would allow us to meet unit economics targets or to recover our costs, which could have a material adverse effect on our business, financial condition and results of operations.

We participate in a highly competitive industry, and pressure from existing and new companies may adversely affect our business and results of operations.

Our current and future competitors may include:

- traditional new and used car dealerships;
- large, national car dealers, such as CarMax and AutoNation, which are expanding into online sales, including “omni-channel” offerings;
- used car dealers or marketplaces that currently have existing ecommerce businesses or online platforms, such as Carvana;
- General Motors’ recently launched platform, CarBravo, a new online used-vehicle marketplace for GM-branded vehicles aimed at competing with online dealerships;
- automotive finance companies launching online ecommerce businesses, such as Chase Auto Preferred and CapitalOne Auto Navigator;
- the peer-to-peer market, utilizing sites such as Facebook, Craigslist.com, eBay Motors and Nextdoor.com and consignment websites such as CarLotz; and
- sales by rental car companies directly to consumers of used vehicles which were previously utilized in rental fleets, such as Enterprise Car Sales.

Internet and online automotive sites could change their models to directly compete with us, such as Google, Amazon, AutoTrader.com, Edmunds.com, KBB.com, Autobytel.com, TrueCar.com, CarGurus and Cars.com. In addition, automobile manufacturers such as Ford and Volkswagen could change their sales models in a fashion similar to General Motors or otherwise to better compete with our model through technology and infrastructure investments. While such enterprises may change their business models and endeavor to compete with us, the purchase and sale of used vehicles through ecommerce presents unique challenges.

Our competitors also compete in the online market through companies that provide listings, information, lead generation and car buying services designed to reach customers and enable dealers to reach these customers and providers of offline, membership-based car buying services such as the Costco Auto Program.

We also expect that new competitors will continue to enter the traditional and ecommerce automotive retail industry with competing brands, business models and products and services, which could have an adverse effect on our revenue, business and financial results. For example, traditional car dealers could transition their selling efforts to the internet, allowing them to sell vehicles across state lines and compete directly with our online offering and no-negotiating pricing model.

Our current and potential competitors may have significantly greater financial, technical, marketing and other resources than we have, and the ability to devote greater resources to the development, promotion and support of their businesses, platforms, and related products and services. Additionally, they may have more extensive automotive industry relationships, longer operating histories and greater name recognition than we have. As a result, these competitors may be able to respond more quickly to consumer needs with new technologies and to undertake more extensive marketing or promotional campaigns. If we are unable to compete with these companies, the demand for our used vehicles and value-added products could substantially decline.

In addition, if one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. We may not be able to compete successfully against current or future competitors, and competitive pressures may harm our business, financial condition and results of operations. Furthermore, if our competitors develop business models, products or services with similar or superior functionality to our platform, it may adversely affect our business. Additionally, our competitors could use their political influence and increase lobbying efforts to encourage new regulations or interpretations of existing regulations that would prevent us from operating in certain markets.

Changes in the auto industry may threaten our business model if we are unable to adapt.

The market for used vehicles may be impacted by the significant, and likely accelerating, changes to the broader automotive industry, which may render our existing or future business model or our ability to sell vehicles, products and services less competitive, unmarketable or obsolete. For example, technology is currently being developed to produce automated, driverless vehicles that could reduce the demand for, or replace, traditional vehicles, including the used vehicles that we acquire and sell. The increase in remote work and virtual workplaces, particularly since the start of the COVID-19 pandemic, reduces commuting by consumers and could lead to reductions in demand for vehicles. Additionally, ride-hailing and ride-sharing services are becoming increasingly popular as a means of transportation and may decrease consumer demand for the used vehicles we sell, particularly as urbanization increases. Furthermore, new technologies such as autonomous driving software have the potential to change the dynamics of car ownership in the future. If we are unable to or otherwise fail to successfully adapt to such industry changes, our business, financial condition and results of operations could be materially and adversely affected.

Prospective purchasers of vehicles may choose not to shop online, which would prevent us from growing our business.

Our success will depend, in part, on our ability to attract additional customers who have historically purchased vehicles through traditional dealers. The online market for vehicles is significantly less developed than the online market for other goods and services such as books, music, travel and other consumer products. If this market does not gain widespread acceptance, our business may suffer. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures or offer more incentives than we currently anticipate in order to attract additional consumers to our platform and convert them into purchasing customers. Specific factors that could prevent consumers from purchasing vehicles through our ecommerce platform include:

- concerns about buying vehicles without face-to-face interaction with sales personnel and the ability to physically test-drive and examine vehicles;
- preference for a more personal experience when purchasing vehicles;
- insufficient level of desirable inventory;
- pricing that does not meet consumer expectations;
- delayed deliveries;
- inconvenience with returning or exchanging vehicles purchased online;
- delays in obtaining temporary tags or title and registration;
- concerns about the security of online transactions and the privacy of personal information; and
- usability, functionality and features of our platform.

If the online market for vehicles does not continue to develop and grow, our business will not grow and our business, financial condition and results of operations could be materially and adversely affected.

General business and economic conditions, and risks related to the larger automotive ecosystem, including consumer demand, could reduce our sales and profitability, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is affected by general business and economic conditions. The global economy often experiences periods of instability, and this volatility may result in reduced demand for our vehicles and value-added products, reduced spending on vehicles, inability of customers to obtain credit to finance purchases of vehicles and decreased consumer confidence to make discretionary purchases. Consumer purchases of new and used vehicles generally decline during recessionary periods and other periods in which disposable income is adversely affected. In addition, such periods may lead to high unemployment and a lack of available credit, which may in turn lead to increased delinquencies, defaults, repossessions and losses on motor vehicle contracts financed through UACC and could materially and adversely affect our business, financial condition and results of operations.

Purchases of new and used vehicles are typically discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy and other factors, including inflation and rising interest rates, the cost of energy and gasoline, the availability and cost of consumer credit, reductions in consumer confidence and fears of recession, stock market volatility, increased regulation and increased unemployment. The current inflationary environment has led to both overall price increases and pronounced price increases in certain sectors, including gasoline prices. Moreover, the Federal Reserve's efforts to tame inflation have led to, and may continue to lead to, increased interest rates, which affects automotive finance rates, making vehicle financing more costly and less accessible to many consumers. Additionally, increased environmental regulation has made, and may in the future make, used vehicles more expensive and less desirable for consumers.

Changing trends in consumer tastes, negative business and economic conditions and market volatility may also make it difficult for us to accurately forecast vehicle demand trends, which could cause us to increase our inventory carrying costs and could materially and adversely affect our business, financial condition and results of operations.

Our business is sensitive to conditions affecting automotive manufacturers, including manufacturer recalls.

Adverse conditions affecting one or more automotive manufacturers could have a material adverse effect on our business, financial condition and results of operations and could impact our supply of used vehicles. In addition, manufacturer recalls are a common occurrence that have accelerated in frequency and scope in recent years. In the instance of an open recall, we may have to temporarily remove vehicles from inventory and may be unable to liquidate such inventory in a timely manner or at all. Because we do not have manufacturer authorization to complete recall-related repairs, some vehicles we sell may have unrepaired safety recalls. Such recalls, and our lack of authorization to make recall-related repairs or potential unavailability of parts needed to make such repairs, could (i) adversely affect used vehicle sales or valuations, (ii) cause us to temporarily remove vehicles from inventory, (iii) cause us to sell any affected vehicles at a loss, (iv) force us to incur increased costs and (v) expose us to litigation and adverse publicity related to the sale of recalled vehicles, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Laws and Regulations

We operate in a highly regulated industry and are subject to a wide range of federal, state and local laws and regulations. Failure to comply with these laws and regulations could have a material adverse effect on our business, financial condition and results of operations.

Our business is and will continue to be subject to extensive U.S. federal, state and local laws and regulations. The advertising, sale, purchase, financing and transportation of used vehicles are regulated by every state in which we operate and by the U.S. federal government. The titling and registration of vehicles and the sale of value-added products also are regulated by state laws, and such laws can vary significantly from state to state. Regulations governing the used vehicle industry generally do not contemplate our ecommerce business model. In addition, we are subject to regulations and laws specifically governing the internet and ecommerce and the collection, storage and use of personal information and other customer data. We are also subject to federal and state consumer protection laws, including prohibitions against unfair or deceptive acts or practices. The federal governmental agencies that regulate our business and have the authority to enforce such regulations and laws against us include agencies such as the U.S. Federal Trade Commission, the U.S. Department of Transportation ("DOT"), the U.S. Occupational Health and Safety Administration, the U.S. Department of Justice and the U.S. Federal Communications Commission ("FCC"). Additionally, we are subject to regulation by individual state dealer licensing authorities, state consumer protection agencies and state financial regulatory agencies.

From time to time, we have been subject to audits, requests for information, investigations and other inquiries from our regulators related to customer complaints. As we have encountered operational challenges in keeping up with our rapid growth, during the past several months there has been an increase in customer complaints, leading to an increase in such regulatory inquiries. We endeavor to promptly respond to any such inquiries and cooperate with our regulators. Failure to satisfy regulators in response to such inquiries could lead to revocation of licenses, financial penalties and restrictions on our operations. Such an outcome could have a material adverse effect on our business, financial condition and results of operations. We have incurred fines in certain states and on April 19, 2022, the State of Texas filed a lawsuit in the District Court of Travis County, Texas, against the Company and one of its subsidiaries, alleging violations of the Texas Deceptive Trade Practices Consumer Protection Act. See Part II, Item 1 – "Legal Proceedings."

State dealer licensing authorities regulate the purchase and sale of used vehicles by dealers within their respective states. The applicability of these regulatory and legal compliance obligations to our ecommerce business is dependent on evolving interpretations of these laws and regulations and how our operations are, or are not, subject to them. We are currently licensed as a dealer in the States of Texas, Florida, Arizona and California and currently all of our vehicle transactions are conducted under our Texas, Florida and Arizona licenses. We believe that our activities in other states are not subject to their vehicle dealer licensing laws; however, regulators in such states could seek to require us to maintain a used vehicle dealer license in order to engage in activities in that state.

Most states regulate retail installment sales, including setting a maximum interest rate and caps on certain fees or amounts financed. In addition, certain states require that retail installment sellers file a notice or registration document or have a sales finance license or an installment sellers license in order to solicit or originate installment sales in that state. We have obtained a motor vehicle sales finance license in Texas in connection with our Texas dealer license, a retail installment seller license in Florida in connection with our Florida dealer license, and filed the required notice in Arizona in connection with our Arizona dealer license. The financial regulatory agency in Pennsylvania determined that we need to obtain an installment seller license in order to enter into retail installment sales with residents of Pennsylvania. As a result, we are not currently offering third-party financing to our customers in Pennsylvania, who must obtain independent financing to the extent needed to fund any vehicle purchases on our platform. We have obtained a Pennsylvania installment seller license and expect to resume offering financing to Pennsylvania customers in the future.

Any failure to renew or maintain or any revocation of any of the foregoing licenses would materially and adversely affect our business, financial condition and results of operations. Many aspects of our business are subject to regulatory regimes at the state and local level, and we may not have all licenses required to conduct business in every jurisdiction in which we operate. Despite our belief that we are not subject to certain licensing requirements of those state and local jurisdictions, regulators may seek to impose punitive fines for operating without a license or demand we seek a license in those state and local jurisdictions, any of which may inhibit our ability to do business in those state and local jurisdictions, increase our operating expenses and adversely affect our business, financial condition and results of operations.

Our proprietary logistics operations are subject to regulation by the DOT and by the states through which our vehicles travel. Transport vehicle dimensions, transport vehicle conditions, driver motor vehicle record history, driver alcohol and drug testing, and driver hours of service are also subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, condition, trailer length and configuration, methods of measurement, driver qualifications, or driver hours of service would increase our operating expenses and may adversely affect our financial condition, operating results, and cash flows. If we fail to comply with the DOT regulations or if those regulations become more stringent, we could be subject to increased inspections, audits, or compliance burdens. Regulatory authorities could take remedial action including imposing fines, suspending, or shutting down our transportation operations. If any of these events occur, our business, financial condition and results of operations would be adversely affected.

UACC's financing operations are subject to U.S. federal, state, and local laws and regulations regarding loan origination, acquiring motor vehicle installment sales contracts from retail sellers, credit bureau reporting, servicing, debt collection practices, and securitization transactions. Certain states require UACC to have a sales finance license, consumer credit license, or similar applicable license. UACC has obtained licenses in all states as required. In addition, UACC is subject to enforcement by the CFPB and state consumer protection agencies, including state attorney general offices and state financial regulatory agencies. As a result of the acquisition of UACC, we may be considered a "related person" to UACC for the purposes of CFPB jurisdiction.

In addition to these laws and regulations that apply specifically to the sale and financing of used vehicles and logistics, our facilities and business operations are subject to laws and regulations relating to environmental protection, occupational health and safety, and other broadly applicable business regulations. We also are subject to laws and regulations involving taxes, tariffs, privacy and data security, anti-spam, pricing, content protection, electronic contracts and communications, mobile communications, consumer protection, information reporting requirements, unencumbered internet access to our platform, the design and operation of websites and internet neutrality.

We are also subject to laws and regulations affecting public companies, including securities laws and Nasdaq listing rules. The violation of any of these laws or regulations could result in administrative, civil or criminal penalties or in a cease-and-desist order against our business operations, any of which could damage our reputation and have a material adverse effect on our business, financial condition and results of operations. We have incurred and will continue to incur capital and operating expenses and other costs to comply with these laws and regulations.

Additionally, we are subject to federal, state and local laws and regulations and other government actions related to the COVID-19 pandemic.

The foregoing description of laws and regulations to which we are or may be subject is not exhaustive, and the regulatory framework governing our operations is subject to evolving interpretations and continuous change. The enactment of new laws and regulations or the interpretation of existing laws and regulations in an unfavorable way may affect the operation of our business, directly or indirectly, which could result in substantial regulatory compliance costs, civil or criminal penalties, including fines, adverse publicity, decreased revenues, and increased expenses.

Failure to comply with federal, state and local laws and regulations relating to privacy, data protection and consumer protection, or the expansion of current or the enactment of new laws or regulations relating to privacy, data protection and consumer protection, as well as our actual or perceived failure to protect such information could harm our reputation and could adversely affect our business, financial condition and results of operations.

There are numerous federal, state and local laws regarding privacy and the collection, processing, storing, sharing, disclosing, using and protecting of personal information and other data, the scope of which are changing, subject to differing interpretations, and which may be costly to comply with, inconsistent between jurisdictions or conflicting with other rules. We are also subject to specific contractual requirements contained in third-party agreements governing our use and protection of personal information and other data. We generally comply with industry standards and are subject to the terms of our privacy policies and the privacy- and security-related obligations to third parties. We strive to comply with applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. However, it is possible that these obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Additionally, new regulations could be enacted with which we are not familiar. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to customers or other third parties, or our privacy-related legal obligations or any compromise of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other customer data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause customers, vendors and third-party business partners to lose trust in us, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, if vendors, developers or other third parties that we work with violate applicable laws or our policies, such violations may also put customers', vendors' or receivables-purchasers' information at risk and could in turn harm our business, financial condition and results of operations.

We expect that industry standards, laws and regulations will continue to develop regarding privacy, data protection and information security in many jurisdictions. Complying with these evolving obligations is costly. For instance, expanding definitions and interpretations of what constitutes "personal data" (or the equivalent) within the United States may increase our compliance costs and legal liability. Additionally, California has created a new data protection agency, and other states may do the same, specifically tasked to enforce California privacy laws, which would likely result in increased regulatory scrutiny in the areas of data protection and security.

A significant data breach or any failure, or perceived failure, by us to comply with any federal, state or local privacy or consumer protection-related laws, regulations or other principles or orders to which we may be subject or other legal obligations relating to privacy or consumer protection could adversely affect our reputation, brand and business, and may result in claims, investigations, proceedings or actions against us by governmental entities or others or other penalties or liabilities or require us to change our operations and/or cease using certain data sets. Depending on the nature of the information compromised, we may also have obligations to notify users, law enforcement or payment companies about the incident and may need to provide some form of remedy, such as refunds, for the individuals affected by the incident.

If we fail to comply with the Telephone Consumer Protection Act, we may face significant damages, which could harm our business, financial condition and results of operations.

We utilize telephone calls as a means of responding to and communicating with customers interested in purchasing, trading in and/or selling vehicles and value-added products. Potential customers can submit their contact information, including phone number, via our website or third-party listing sites to express their interest in purchasing a vehicle, selling a vehicle, or obtaining financing terms. We currently engage third-party customer experience centers to respond to these inquiries and further communicate with potential customers concerning sales, purchases and financings

of our vehicles through our platform. We send text messages to customers concerning the status of their order, and we intend to expand our use of texting as a means of communicating with our customers.

The Telephone Consumer Protection Act (the "TCPA"), as interpreted and implemented by the FCC and U.S. courts, imposes significant restrictions on the use of autodialed telephone calls, pre-recorded messages, and text messages to residential and mobile telephone numbers as a means of communication when prior consent of the person being contacted has not been obtained. Violations of the TCPA may be enforced by the FCC or by individuals through litigation, including class actions. Statutory penalties for TCPA violations range from \$500 to \$1,500 per violation, which has been interpreted to mean per phone call or text message.

While we have implemented processes and procedures to comply with the TCPA, if we or the third parties on which we rely fail to adhere to or successfully implement appropriate processes and procedures in response to existing or future regulations, it could result in legal and monetary liability, fines, penalties or damage to our reputation in the marketplace, any of which could have a material adverse effect on our business, financial condition and results of operations. Additionally, any changes to the TCPA, its interpretation, or enforcement of it by the government or private parties that further restrict the way we contact and communicate with our potential customers or generate leads could adversely affect our ability to attract customers and could harm our business, financial condition and results of operations.

Government regulation of the internet and ecommerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business, financial condition and results of operations.

We are subject to general business regulations and laws, as well as regulations and laws specifically governing the internet and ecommerce. Existing and future regulations and laws could impede the growth of the internet, ecommerce or mobile commerce. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, pricing, content protection, electronic contracts and communications, mobile communications, consumer protection, information reporting requirements, unencumbered internet access to our platform, the design and operation of websites and internet neutrality. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or ecommerce. It is possible that general business regulations and laws, or those specifically governing the internet or ecommerce, may be interpreted and applied in a manner that is inconsistent from one market segment to another and may conflict with other rules or our practices. For example, federal, state and local regulation regarding privacy, data protection and information security has become more significant, and these evolving regulations may increase our costs of compliance. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. The enactment of new laws and regulations or the interpretation of existing laws and regulations in an unfavorable way may affect the operation of our business, directly or indirectly, which could result in substantial regulatory compliance costs, civil or criminal penalties, including fines, adverse publicity, decreased revenues and increased expenses.

We actively use anonymous online data for targeting ads online and if ad networks are compelled by regulatory bodies to limit use of this data, it could materially affect our ability to do effective performance marketing. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business, decrease the use of our sites by customers and suppliers and result in the imposition of monetary liability. We also may be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. Adverse legal or regulatory developments could substantially harm our business, our ability to attract new customers may be adversely affected, and we may not be able to maintain or grow our revenue and expand our business as anticipated.

Risks Related to Our Use of Data and Technology

Our business and inventory are dependent on our ability to correctly appraise and price vehicles we buy and sell.

When purchasing a vehicle from us, our customers sometimes trade in their current vehicle and apply the trade-in value towards their purchase. We also acquire vehicles from consumers independent of any purchase of a vehicle from us and purchase vehicles from auctions, rental car companies, OEMs and dealers. We appraise and price vehicles we buy and sell using data science and proprietary algorithms based on a number of factors, including mechanical soundness,

consumer desirability, vehicle history, market prices and relative value as prospective inventory. If we are unable to correctly appraise and price both the vehicles we buy and the vehicles we sell, we may be unable to acquire or sell inventory at attractive prices or to manage inventory effectively, and accordingly our revenue, gross margins and results of operations would be affected, which could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks related to online payment methods.

We accept payments for deposits on our vehicles through a variety of methods, including credit card and debit card. As we offer new payment options to customers, we may be subject to additional regulations, compliance requirements and fraud. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs. We are also subject to payment card association operating rules and certification requirements, including the Payment Card Industry Data Security Standard and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. As our business changes, we also may be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. If we fail to comply with the rules or requirements of any provider of a payment method we accept, if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, we may, among other things, be subject to fines or higher transaction fees and may lose, or face restrictions placed upon, our ability to accept credit card and debit card payments from customers or facilitate other types of online payments. If any of these events were to occur, our business, financial condition and results of operations could be materially adversely affected.

We occasionally receive orders placed with fraudulent credit card data, including stolen credit card numbers, or from clients who have closed bank accounts or have insufficient funds in open bank accounts to satisfy payment obligations. We may suffer losses as a result of orders placed with fraudulent credit card data even if the associated financial institution approved payment of the orders. Under current credit card practices, we may be liable for fraudulent credit card transactions. If we are unable to detect or control credit card or other fraud, our liability for these transactions could harm our business, financial condition and results of operations.

If we do not adequately address our customers' reliance on mobile device technology, our results of operations could be harmed and our growth could be negatively affected.

Vroom.com is a mobile website that consumers can access and utilize from their mobile devices. In addition, we have designed and launched mobile apps (iOS and android) to enhance customers' mobile experience. In light of consumers' shift to mobile technology, our future success depends in part on our ability to provide enhanced functionality for customers who use mobile devices, including automation of key portions of our sales operations in accordance with our Realignment Plan, to shop for used vehicles and increase the number of transactions with us that are completed by those users. The shift to mobile technology by our users may harm our business in the following ways:

- we may be unable to provide sufficient website functionality to mobile device users, which may cause customers using mobile devices to believe that our competitors offer superior products and features;
- problems may arise in developing applications for alternative devices and platforms and the need to devote significant resources to the creation, support and maintenance of such applications; or
- regulations related to consumer protection, such as the Federal Trade Commission Act and similar state regulations, and related to consumer finance disclosures, including the Truth in Lending Act and the Fair Credit Reporting Act, may be interpreted, in the context of mobile devices, in a manner which could expose us to legal liability in the event we are found to have violated applicable laws.

If we do not develop suitable functionality for users who visit our website using a mobile device or use our mobile apps, our business, financial condition and results of operations could be harmed.

We rely on internet search engines, vehicle listing sites and social networking sites to help drive traffic to our website, and if we fail to appear prominently in the search results or fail to drive traffic through paid advertising, our traffic would decline and our business, financial condition and results of operations could be materially and adversely affected.

We depend in part on internet search engines, such as Google and Bing, vehicle listing sites and social networking sites such as Facebook and Instagram to drive traffic to our platform. Our ability to maintain and increase the number of visitors directed to our platform is not entirely within our control. Our competitors may increase their search engine marketing efforts and outbid us for placement on various vehicle listing sites or for search terms on various search engines, resulting in their websites receiving a higher search result page ranking than ours. Additionally, internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. If internet search engines modify their search algorithms in ways that are detrimental to us, if vehicle listing sites refuse to display any or all of our inventory in certain geographic locations, or if our competitors' efforts are more successful than ours, overall growth in our customer base could slow or our customer base could decline. Internet search engine providers could provide automotive dealer and pricing information directly in search results, align with our competitors or choose to develop competing services. Our platform has experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. We could reach a point of inventory saturation at third-party aggregation websites whereby we will exceed the maximum allowable inventory that will require us to spend greater than market rates to list our inventory. Any reduction in the number of users directed to our platform through internet search engines, vehicle listings sites or social networking sites could harm our business, financial condition and results of operations.

Our business relies on email and other messaging services, and any restrictions on the sending of emails or messages or an inability to timely deliver such communications could materially and adversely affect our business, financial condition and results of operations.

Our business is dependent upon email and other messaging services for promoting our platform and vehicles available for purchase. Promotions offered through email and other messages sent by us are an important part of our marketing strategy. We provide emails to customers and other visitors informing them of the convenience and value of using our platform, as well as updates on new inventory and price updates on listed inventory, and we believe these emails, coupled with our general marketing efforts, are an important part of our customer experience and help generate revenue. If we are unable to successfully deliver emails or other messages to our customers, or if customers decline to open our emails or other messages, our revenues could be materially and adversely affected. Any changes in how webmail applications organize and prioritize email may reduce the number of customers opening our emails. For example, Google's Gmail service has a feature that organizes incoming emails into categories (such as primary, social and promotions). Such categorization or similar inbox organizational features may result in our emails being delivered in a less prominent location in a subscriber's inbox or viewed as "spam" by our customers and may reduce the likelihood of that customer opening our emails.

In addition, actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages could also adversely impact our business. From time to time, internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver email or other messages to third parties. Changes in the laws or regulations that limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications could also materially and adversely affect our business, financial condition and results of operations. Our use of email and other messaging services to send communications about our sites or other matters may also result in legal claims against us, which may cause us to incur increased expenses, and if successful might result in fines and orders with costly reporting and compliance obligations or might limit or prohibit our ability to send emails or other messages. We also rely on social networking messaging services to send communications and to encourage customers to send communications. Changes to the terms of these social networking services to limit promotional communications, any restrictions that would limit our ability or our customers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by customers and potential customers could materially and adversely affect our business, financial condition and results of operations.

We rely on third-party technology and information systems to complete critical business functions. If that technology fails to adequately serve our needs, and we cannot find alternatives, it may negatively impact our business, financial condition and results of operations.

We rely on third-party technology for certain of our critical business functions, including customer identity verification for financing, transportation fleet telemetry, network infrastructure for hosting our website and inventory data, software libraries, development environments and tools, services to calculate state taxes and fees associated with our vehicle sales and acquisitions, services to allow customers to digitally sign contracts and customer experience center management. Our business is dependent on the integrity, security and efficient operation of these systems and technologies. Our systems and operations or those of our third-party vendors and partners could be exposed to damage or interruption from, among other things, fire, natural disaster, power loss, telecommunications failure, unauthorized entry, computer viruses, ransomware, denial-of-service attacks, acts of terrorism, human error, vandalism or sabotage, financial insolvency, bankruptcy and similar events. The failure of these systems to perform as designed, the failure to maintain or update these systems as necessary, the vulnerability of these systems to ransomware, other security breaches or attacks or the inability to enhance our information technology capabilities, and our inability to find suitable alternatives could disrupt our operations and have a material adverse effect on our business, financial condition and results of operations.

Our platform utilizes open-source software, and any defects or security vulnerabilities in the open-source software could negatively affect our business.

Our platform employs open-source software, and we expect to use open-source software in the future. To the extent that our platform depends upon the successful operation of open-source software, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of our platform, delay the introduction of new solutions, result in a failure of our platform and injure our reputation. For example, undetected errors or defects in open-source software could render it vulnerable to breaches or security attacks, and, in conjunction, make our systems more vulnerable to data breaches.

In addition, the terms of various open-source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our platform. Some open-source licenses might require us to make our source code available at no cost or require us to make our source code publicly available for modifications or derivative works if our source code is based upon, incorporates, or was created using the open-source software to license such source code under the terms of the particular open-source license. While we try to insulate our proprietary code from the effects of such open-source license provisions, we cannot guarantee we will be successful. In addition to risks related to open-source license requirements, usage of open-source software can lead to greater risks than use of third-party commercial software, as open-source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open-source software cannot be eliminated and could materially and adversely affect our business, financial condition and results of operations.

A significant disruption in service on our platform could damage our reputation and result in a loss of customers, which could harm our brand or our business, financial condition and results of operations.

Our brand, reputation and ability to attract customers depend on the reliable performance of our platform and the supporting systems, technology and infrastructure. We may experience significant interruptions to our systems in the future. Interruptions in these systems, whether due to system failures, programming or configuration errors, computer viruses or physical or electronic break-ins, could affect the availability of our inventory on our platform and prevent or inhibit the ability of customers to access our platform. Problems with the reliability or security of our systems could harm our reputation, result in a loss of customers and result in additional costs.

Vroom operates a data center at a colocation facility in Houston, Texas, which connects all of Vroom's offices and our Vroom VRC. UACC operates separate data centers at a colocation facility in California and in Texas to support its operations. Our data centers are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failures, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, ransomware, earthquakes and similar events. The occurrence of any of these events could render communications between Vroom offices inoperable or results of operations could be harmed. Problems faced by our third-party web-hosting providers, including AWS and Google Cloud, could inhibit the functionality of our platform. For example, our third-party web-hosting providers could close their facilities without adequate notice or suffer interruptions in service caused by cyber-attacks, natural disasters or

other phenomena. Disruption of their services could cause our website to be inoperable and could have a material adverse effect on our business, financial condition and results of operations. Any financial difficulties, up to and including bankruptcy, faced by our third-party web-hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. In addition, if our third-party web-hosting providers are unable to keep up with our growing capacity needs, our business, financial condition and results of operations could be harmed.

Any errors, defects, disruptions, or other performance or reliability problems with our platform could interrupt our customers' access to our inventory and our access to data that drives our inventory purchase operations, which could harm our reputation or our business, financial condition and results of operations.

Risks Related to Intellectual Property

Failure to adequately protect our intellectual property, technology and confidential information could harm our business, financial condition and results of operations.

The protection of intellectual property, technology and confidential information is crucial to the success of our business. We rely on a combination of trademark, trade secret, patent and copyright law, as well as contractual restrictions, to protect our intellectual property (including our brand, technology and confidential information). While it is our policy to protect and defend our rights to our intellectual property, we cannot predict whether steps taken by us to protect our intellectual property will be adequate to prevent infringement, misappropriation, dilution or other violations of our intellectual property rights. We also cannot guarantee that others will not independently develop technology that has the same or similar functionality as our technology. Unauthorized parties may also attempt to copy or obtain and use our technology to develop competing solutions, and policing unauthorized use of our technology and intellectual property rights may be difficult and may not be effective. Furthermore, we may face claims of infringement of third-party intellectual property that could interfere with our ability to market, promote and sell our brands, products and services. Any litigation to enforce our intellectual property rights or defend ourselves against claims of infringement of third-party intellectual property rights could be costly, divert attention of management and may not ultimately be resolved in our favor. Moreover, if we are unable to successfully defend against claims that we have infringed the intellectual property rights of others, we may be prevented from using certain intellectual property and may be liable for damages, which in turn could materially adversely affect our business, financial condition or results of operations.

As part of our efforts to protect our intellectual property, technology and confidential information, we require certain of our employees and consultants to enter into confidentiality and assignment of inventions agreements, and we also require certain third parties to enter into nondisclosure agreements. These agreements may not effectively grant all necessary rights to any inventions that may have been developed by our employees and consultants. In addition, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property or technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider proprietary. Changes in the law or adverse court rulings may also negatively affect our ability to prevent others from using our technology.

We are currently the registrant of the vroom.com, texasdirectauto.com, carstory.com, vast.com and unitedautocredit.net internet domain names and various other related domain names. The regulation of domain names in the United States is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain domain names that are important for our business.

In addition, we have certain trademarks that are important to our business, such as the Vroom®, Sell Us Your Car®, CarStory®, Vroom Financial Services™, Vast® and United Auto Credit® trademarks. If we fail to adequately protect or enforce our rights under these trademarks, we may lose the ability to use those trademarks or to prevent others from using them, which could adversely harm our reputation and our business, financial condition and results of operations. While we are actively seeking, and have secured registration of several of our trademarks in the U.S. and other jurisdictions (including Canada and Europe), it is possible that others may assert senior rights to similar trademarks, in the U.S. and internationally, and seek to prevent our use and registration of our trademarks in certain jurisdictions. Our pending trademark or service mark applications may not result in such marks being registered.

While software can be protected under copyright law, we have chosen not to register any copyrights in these works, and instead, primarily rely on trade secret law to protect our proprietary software. In order to bring a copyright infringement lawsuit in the United States, the copyright must be registered. Accordingly, the remedies and damages available to us for unauthorized use of our software may be limited. Our trade secrets, know-how and other proprietary materials may be revealed to the public or our competitors or independently developed by our competitors and no longer provide protection for the related intellectual property. Furthermore, our trade secrets, know-how and other proprietary materials may be revealed to the public or our competitors or independently developed by our competitors and no longer provide protection for the related intellectual property.

Our CarStory business has a number of patents and Vroom has one pending patent and may obtain patents in the future. Effective protection of patents is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. For example, the U.S. Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural requirements to complete the patent application process and to maintain issued patents, and noncompliance or non-payment could result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in a relevant jurisdiction.

We may be subject to claims asserting that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.

Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these individuals have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such individual's current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

In addition, while it is our policy to require our employees and contractors who may be involved in the creation or development of intellectual property on our behalf to execute agreements assigning such intellectual property to us, we may be unsuccessful in having all such employees and contractors execute such an agreement. The assignment of intellectual property may not be self-executing or the assignment agreement may be breached, and we may be forced to bring claims against third parties or defend claims that they may bring against us to determine the ownership of what we regard as our intellectual property.

Risks Related to Ownership of Our Common Stock

Our common stock price may be volatile and the value of our common stock has declined since our initial public offering and may continue to decline regardless of our operating performance, and you may not be able to resell your shares at or above the price which you paid for them.

It is possible that an active trading market for shares of our common stock will not be sustained, which could make it difficult for you to sell your shares of common stock at an attractive price or at all.

Many factors, some of which are outside our control, may cause the market price of our common stock to fluctuate significantly, including those described in this "Risk Factors" section and elsewhere in this Quarterly Report on Form 10-Q, as well as the following:

- our operating and financial performance and prospects, including as a result of operational changes and initiatives we have and continue to undertake as part of our Realignment Plan;
- our quarterly or annual earnings or those of other companies in our industry compared to market expectations;
- our guidance regarding future quarterly or annual earnings, and our financial results in relation to previously issued guidance;
- our ability to complete the execution of and achieve the benefits of our Realignment Plan and other cost saving measures;

- conditions that impact demand for our offerings and platform, including demand in the automotive industry generally and the performance of the third parties through whom we conduct significant parts of our business;
- future announcements concerning our business or our competitors' businesses;
- the public's reaction to our press releases, other public announcements and filings with the SEC, including with respect to the announcement of our Realignment Plan and any subsequent updates regarding its success;
- coverage by or changes in financial estimates by securities analysts or failure to meet their expectations;
- market and industry perception of our success, or lack thereof, in pursuing our business strategy;
- changes in market sentiment regarding growth companies that are not yet profitable;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in laws or regulations which adversely affect our industry or us;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in senior management or key personnel and the impact of reductions in our workforce;
- issuances, exchanges or sales, or expected issuances, exchanges or sales of our capital stock;
- changes in our dividend policy;
- new, or adverse resolution of pending, litigation or other claims against us;
- political unrest and wars, such as the current war in Ukraine, which could delay and disrupt our business, and if such political unrest escalates or leads to disruptions in the financial markets or puts further pressure on global supply chains, it could heighten many of the other risk factors included in this Item 1A; and
- the current inflationary environment in the United States and in other global economies, the impact of rising interest rates and the impact of any recession or general economic downturn; and
- other changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, global pandemics, and responses to such events.

As a result, volatility in the market price of our common stock may prevent investors from being able to sell their common stock at or above the price which they paid for them. These broad market and industry factors may materially reduce the market price of our common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low. As a result, you may suffer a loss on your investment. Broad market and industry fluctuations, as well as general economic, political, regulatory, and market conditions, may negatively impact the market price of our common stock.

We have recently experienced significant declines in the market price of our common stock, and it could continue to decline in the future, including as a result of the announcement, execution, and implementation of our Realignment Plan. Based upon the decline in our stock price, we recorded a goodwill impairment charge in our condensed consolidated statement of operations for the quarter ended March 31, 2022. See Note 8 to our Consolidated Financial Statements. Further declines in our stock price could, among other things, make it more difficult to raise capital on terms acceptable to us, or at all, make it difficult for our investors to sell their shares of common stock, and put us at risk of our stock being delisted from the Nasdaq Global Select exchange if it falls below a minimum bid price of \$1 per share for at least 30 consecutive trading days, which would constitute a fundamental change under the terms of our Indenture and make our Notes redeemable at par upon delisting. In such circumstances, there are actions we could take to prevent such a delisting, such as a reverse stock split, but there can be no assurance that we could successfully execute such actions and prevent a delisting. In addition, companies that experience volatility in the market price of their securities often are the subject of securities class action litigation. For example, a consolidated class action is pending in the U.S. District Court for the Southern District of New York against us, certain of our officers, and certain of our directors, among others, alleging violations of the federal securities laws. See Part II, Item 1. "Legal Proceedings."

We do not intend to pay dividends on our common stock for the foreseeable future.

We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, we do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our board of directors and will depend on, among other things, our business prospects, results of operations, financial condition, cash requirements and availability, industry trends and other factors that our board of directors may deem relevant. Any such decision also will be subject to compliance with contractual restrictions and covenants in the agreements governing our current indebtedness. In addition, we may incur additional indebtedness, the terms of which may further restrict or prevent us from paying dividends on our common stock. As a result, you may have to sell some or all of your common stock after price appreciation in order to generate cash flow from your investment, which you may not be able to do. Our inability or decision not to pay dividends could also adversely affect the market price of our common stock.

We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our common stock, which could depress the price of our common stock.

Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our board of directors has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our common stock.

The issuance by us of additional shares of common stock or convertible securities may dilute your ownership of us and could adversely affect our stock price.

We may issue additional capital stock in the future that will result in dilution to all other stockholders. We also expect to continue to grant equity awards to employees, directors and consultants under our equity incentive plans. From time to time in the future, we may also issue additional shares of our common stock or securities convertible into common stock pursuant to a variety of transactions, including acquisitions. The issuance by us of additional shares of our common stock or securities convertible into our common stock would dilute your ownership of us and the sale of a significant amount of such shares in the public market could adversely affect prevailing market prices of our common stock.

The issuance or sale of shares of our common stock, or rights to acquire shares of our common stock, could depress the trading price of our common stock and our notes.

We may conduct future offerings of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations or fund acquisitions, or for other purposes. In addition, as of September 30, 2022, we had reserved 4,744,179 shares of our common stock for issuance under our equity incentive plans. The Indenture for our Notes does not restrict our ability to issue additional equity securities in the future. If we issue additional shares of our common stock or rights to acquire shares of our common stock, if any of our existing stockholders sells a substantial amount of our common stock, or if the market perceives that such issuances or sales may occur, then the trading price of our common stock, and, accordingly, our Notes may significantly decline. In addition, our issuance of additional shares of common stock will dilute the ownership interests of our existing common stockholders, including noteholders who have received shares of our common stock upon conversion of their Notes.

Future sales, or the perception of future sales, by us or our existing stockholders in the public market could cause the market price for our common stock to decline.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. Other than shares held by our affiliates, stockholders who held our capital stock prior to completion of our IPO now hold freely tradable shares of our common stock without restriction or further registration requirements under the Securities Act, and therefore they may take steps to sell their shares or otherwise secure the unrecognized gains on those shares. Additionally, any shares of common stock held by our affiliates are eligible for resale

pursuant to Rule 144 under the Securities Act, subject to the volume, manner of sale, holding period and other limitations of Rule 144.

We filed a registration statement on Form S-8 to register shares of our common stock issued or reserved for issuance under our 2020 Incentive Award Plan and Second Amended and Restated 2014 Equity Incentive Plan, as well as a registration statement on Form S-8 to register shares of our common stock issued or reserved for issuance under our 2022 Inducement Award Plan. Subject to the satisfaction of vesting conditions, shares registered under these registration statements on Form S-8 became available for resale immediately in the public market without restriction.

Further, certain holders of our common stock have rights, subject to some conditions, to require us to file registration statements covering the sale of their shares or to include their shares in registration statements that we may file on our behalf or for other stockholders.

We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our common stock.

The obligations associated with being a public company require significant resources and management attention.

As a public company, we face significant legal, accounting, administrative and other costs and expenses. We are subject to the Exchange Act, the rules and regulations implemented by the SEC, the Sarbanes-Oxley Act, the Wall Street Reform and Consumer Protection Act of 2020 (the "Dodd-Frank Act"), the Public Company Accounting Oversight Board ("PCAOB") and Nasdaq rules and standards, each of which imposes additional reporting and other obligations on public companies. As a public company, we are required to, among other things:

- prepare, file and distribute annual, quarterly and current reports with respect to our business and financial condition;
- prepare, file and distribute proxy statements and other stockholder communications;
- hire financial and accounting personnel and other experienced accounting and finance staff with the expertise to address complex accounting matters applicable to public companies;
- institute comprehensive financial reporting and disclosure compliance procedures;
- involve and retain outside counsel and accountants to assist us with the activities listed above;
- enhance our investor relations function;
- enforce new internal policies, including those relating to trading in our securities and disclosure controls and procedures;
- comply with Nasdaq's listing standards; and
- comply with the Sarbanes-Oxley Act.

These rules and regulations and changes in laws, regulations and standards relating to corporate governance and public disclosure, which have created uncertainty for public companies, have and will continue to increase our legal and financial compliance costs and make some activities more time consuming and costly. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. Our investment in compliance with existing and evolving regulatory requirements has and will continue to result in increased administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, the need to continue to develop the corporate infrastructure demanded of a public company may also divert management's attention from implementing our business strategy, including from successfully executing our Realignment Plan, which could prevent us from improving our business, financial condition and results of operations. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain

our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations. In addition, we cannot predict or estimate the amount of additional costs we may incur to comply with these requirements. We anticipate that these costs will materially increase our general and administrative expenses.

Being a public company and complying with applicable rules and regulations could also make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified people to serve on our board of directors, our board committees or as executive officers.

As a public reporting company, we are subject to rules and regulations established from time to time by the SEC and Nasdaq regarding our internal control over financial reporting. If we experience additional material weaknesses or otherwise fail to maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results or report them in a timely manner, which may adversely affect investor confidence in us and, as a result, the value of our common stock.

We are a public reporting company subject to the rules and regulations established from time to time by the SEC and Nasdaq. These rules and regulations require, among other things, that we establish and periodically evaluate procedures with respect to our disclosure controls and procedures and our internal control over financial reporting. Reporting obligations as a public company place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel.

In addition, as a public company, we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act so that our management can certify as to the effectiveness of our internal control over financial reporting. Section 404(a) of the Sarbanes-Oxley Act ("Section 404(a)") requires that management assess and report annually on the effectiveness of our internal control over financial reporting and identify any material weaknesses in our internal control over financial reporting. Additionally, Section 404(b) requires our independent registered public accounting firm to issue an annual report that addresses the effectiveness of our internal control over financial reporting. Our compliance with Section 404(a) will require that we incur substantial expenses and expend significant management efforts.

Upon the completion of the UACC Acquisition, UACC became a wholly-owned subsidiary included in our consolidated financial statements. We are required to include UACC in our management's report on internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act one year from the date of the acquisition, which we expect to be in our Annual Report on Form 10-K for the year ended December 31, 2023. We must ensure that UACC establishes and maintains effective internal controls and procedures for financial reporting. Such compliance efforts may be costly and time consuming and may divert the attention of management.

We previously identified and disclosed certain material weaknesses in our internal control over financial reporting in our Annual Report on Form 10-K for the year ended December 31, 2020. These material weaknesses have since been remediated, but additional material weaknesses or significant deficiencies may be discovered in the future. If we identify additional material weaknesses in our internal control over financial reporting, our management will be unable to assert that our disclosure controls and procedures and our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by Nasdaq, the SEC, or other regulatory authorities, which could require additional financial and management resources.

Provisions in the Indenture governing our outstanding convertible notes could delay or prevent an otherwise beneficial takeover of us.

On June 18, 2021, we issued \$625.0 million aggregate principal amount of Notes, of which \$567.5 million aggregate principal amount are still outstanding. Certain provisions in our Notes and our indenture governing our Notes could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require us to repurchase their Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion

rate. In either case, and in other cases, our obligations under our Notes and our indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that our security holders may view as favorable.

Anti-takeover provisions in our governing documents and under Delaware law could make an acquisition of our company more difficult, limit attempts by our stockholders to replace or remove our current management, and depress the market price of our common stock.

Our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law contain provisions that could have the effect of rendering more difficult, delaying or preventing an acquisition deemed undesirable by our board of directors. Among others, our amended and restated certificate of incorporation and amended and restated bylaws include the following provisions:

- limitations on convening special stockholder meetings, which could make it difficult for our stockholders to adopt desired governance changes;
- advance notice procedures, which apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders;
- a prohibition on stockholder action by written consent, which means that our stockholders will only be able to take action at a meeting of stockholders;
- a forum selection clause, which means certain litigation against us can only be brought in Delaware;
- no authorization of cumulative voting, which limits the ability of minority stockholders to elect director candidates;
- certain amendments to our certificate of incorporation require the approval of two-thirds of the then outstanding voting power of our capital stock;
- our bylaws provide that the affirmative vote of two-thirds of the then-outstanding voting power of our capital stock, voting as a single class, is required for stockholders to amend or adopt any provision of our bylaws; and
- the authorization of undesignated or “blank check” preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management. As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law (the “DGCL”), which prevents interested stockholders, such as certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations unless (i) prior to the time such stockholder became an interested stockholder, the board approved the transaction that resulted in such stockholder becoming an interested stockholder, (ii) upon consummation of the transaction that resulted in such stockholder becoming an interested stockholder, the interested stockholder owned 85% of the common stock or (iii) following board approval, the business combination receives the approval of the holders of at least two-thirds of our outstanding common stock not held by such interested stockholder.

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for substantially all disputes between us and our stockholders, and federal district courts will be the sole and exclusive forum for Securities Act claims, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for: (a) any derivative action or proceeding brought on our behalf; (b) any action asserting a claim of breach of fiduciary duty owed by any of our

directors, officers or other employees to us or to our stockholders; (c) any action asserting a claim arising pursuant to the DGCL, our amended and restated certificate of incorporation or amended bylaws, or as to which the DGCL confers exclusive jurisdiction on the Court of Chancery of the State of Delaware; or (d) any action asserting a claim governed by the internal affairs doctrine; provided that the exclusive forum provisions will not apply to suits brought to enforce any liability or duty created by Exchange Act or to any claim for which the federal courts have exclusive jurisdiction. Our amended and restated certificate of incorporation further provides that, unless we consent in writing to the selection of an alternative forum, the federal district courts are the sole and exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. The choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, financial condition and results of operations.

If securities analysts do not publish research or reports about our company, or if they issue unfavorable commentary about us or our industry or downgrade our common stock, the price of our common stock could decline.

Our stock price and trading volume are heavily influenced by the way analysts and investors interpret our financial information and other disclosures. If securities or industry analysts do not publish research or reports about our business, delay publishing reports about our business, or publish negative reports about our business, regardless of accuracy, our common stock price and trading volume could decline.

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. Currently, seven analysts cover our company, which is a decrease from the 13 analysts who covered us at the end of 2021. If the number of analysts that cover us declines further, demand for our common stock could decrease and our common stock price and trading volume may decline.

Even if our common stock is actively covered by analysts, we do not have any control over the analysts or the measures that analysts or investors may rely upon to forecast our future results. Over-reliance by analysts or investors on any particular metric to forecast our future results may result in forecasts that differ significantly from our own.

Regardless of accuracy, unfavorable interpretations of our financial information and other public disclosures, including with respect to our Realignment Plan, could have a negative impact on our stock price. If our financial performance fails to meet analyst estimates, for any of the reasons discussed above or otherwise, or one or more of the analysts who cover us downgrade our common stock or change their opinion of our common stock, our stock price would likely decline.

Risks Related to Tax Matters

We may be limited in our ability to utilize, or may not be able to utilize, net operating loss carryforwards to reduce our future tax liability.

As of September 30, 2022 we had substantial U.S. federal net operating loss ("NOL") carryforwards, the utilization of which may be limited annually due to certain change in ownership provisions of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). Some of our U.S. federal NOL carryforwards will begin to expire in 2028, with the remaining losses having no expiration. Please refer to Note 17 to our consolidated financial statements appearing in our Annual Report on Form 10-K for the year ended December 31, 2021 for a further discussion of the carryforward of our NOLs. As of September 30, 2022, we maintain a full valuation allowance for our net deferred tax assets.

An "ownership change" (generally defined as greater than 50-percentage-point cumulative changes in the equity ownership of certain stockholders over a rolling three-year period) under Section 382 of the Code may limit our ability to utilize fully our pre-change NOL carryforwards to reduce our taxable income in periods following the ownership change. In general, an ownership change would limit our ability to utilize U.S. federal NOL carryforwards to an amount equal to the aggregate value of our equity at the time of the ownership change multiplied by a specified tax-exempt interest rate, subject to increase by certain built-in gains. Similar provisions of state tax law may also apply to our state NOL carryforwards. We believe we have undergone an ownership change for purposes of Section 382 of the Code in each of

2013, 2014, 2015 and 2021, which substantially limits our ability to use U.S. federal NOL carryforwards generated prior to each such ownership change. In addition, future changes in our stock ownership, some of which may be beyond our control, could result in additional ownership changes under Section 382 of the Code.

Tax matters could impact our results of operations and financial condition.

We are subject to U.S. federal income tax, as well as income tax in certain states. Our provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors including, changes in tax laws, regulations, accounting principles or interpretations thereof, which could materially and adversely impact our cash flows and our business, financial condition and results of operations in future periods. Increases in our effective tax rate could also materially affect our net results. In addition, the U.S. government may enact significant changes to the taxation of business entities including, among others, an increase in the corporate income tax rate and the imposition of minimum taxes. The likelihood of these changes being enacted or implemented is unclear. We are currently unable to predict whether such changes will occur and, if so, the ultimate impact on our business. Further, we are subject to the examination of our income and other tax returns by the IRS and state and local tax authorities, which could have an impact on our business, financial condition and results of operations.

General Risk Factors

We are, and may in the future be, subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, financial condition and results of operations.

We are subject to various litigation matters from time to time, the outcome of which could have a material adverse effect on our business, financial condition and results of operations. Claims arising out of actual or alleged violations of law could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business. For example, a consolidated class action is pending in the U.S. District Court for the Southern District of New York asserting claims on behalf of a putative class of Company stockholders against us, certain of our officers, and certain of our directors, among others, alleging violations of the federal securities laws. We also are a party to certain stockholder derivative suits in which the Company is named as a nominal defendant in suits that various individual stockholders seek to bring on behalf of the Company against certain of our current and former directors and officers. These suits are pending in the U.S. District Court for the Southern District of New York and the U.S. District Court for the District of Delaware and are based on the same general course of conduct alleged in the consolidated securities class action. We believe these lawsuits are without merit and intend to vigorously contest these claims. In addition, in April 2022, the Attorney General of Texas filed a lawsuit on behalf of the State of Texas in the District Court of Travis County, Texas against the Company, alleging violation of the Texas Deceptive Trade Practices – Consumer Protection Act. See Part II, Item 1. “Legal Proceedings” for more information about these matters and the other legal proceedings to which we are subject.

Our business is subject to the risk of natural disasters, adverse weather events and other catastrophic events, and to interruption by manmade problems such as terrorism.

Our business is vulnerable to damage or interruption from earthquakes, fires, floods, hurricanes, power losses, telecommunications failures, terrorist attacks, acts of war, global pandemics, human errors and similar events. The third-party systems and operations on which we rely are subject to similar risks. For example, a significant natural disaster, such as an earthquake, fire, flood or hurricane could have an adverse effect on our business, financial condition and operating results, and our insurance coverage may be insufficient to compensate us for losses that may occur. Global climate change is resulting in certain types of natural disasters occurring more frequently or with more intense effects. Acts of terrorism could also cause disruptions in our businesses, consumer demand or the economy as a whole. We may not have sufficient protection or recovery plans in some circumstances, such as if a natural disaster affects locations that store a significant amount of our inventory vehicles. As we rely heavily on our computer and communications systems and the internet to conduct our business and provide high-quality customer service, any disruptions could negatively affect our ability to run our business, which could have an adverse effect on our business, financial condition, and operating results.

The ongoing military action between Russia and Ukraine could adversely affect our business, financial condition and results of operations.

On February 24, 2022, Russian military forces launched a military action in Ukraine, and sustained conflict and disruption in the region is likely. Although the length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable, this conflict has led to, and could continue to lead to, significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences as well as increase in cyberattacks and espionage.

Russia's recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military action against Ukraine have led to an unprecedented expansion of sanction programs imposed by the United States, the European Union, the UK, Canada, Switzerland, Japan and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic.

In retaliation against new international sanctions and as part of measures to stabilize and support the volatile Russian financial and currency markets, the Russian authorities also imposed significant currency control measures aimed at restricting the outflow of foreign currency and capital from Russia, imposed various restrictions on transacting with non-Russian parties, banned exports of various products and other economic and financial restrictions. The situation is rapidly evolving as a result of the conflict in Ukraine, and the United States, the European Union, the UK and other countries may implement additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations.

We are actively monitoring the situation in Ukraine and assessing its impact on our business, including our business partners and customers. To date, we have not experienced any material interruptions in our infrastructure, supplies, technology systems or networks needed to support our operations. We have no way to predict the progress or outcome of the conflict in Ukraine or its impacts in Ukraine, Russia or Belarus as the conflict, and any resulting government reactions, are rapidly developing and beyond our control. The extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Any of the above-mentioned factors could affect our business, financial condition and results of operations. Any such disruptions may also magnify the impact of other risks described in this Risk Factors section.

Our insurance may not provide adequate levels of coverage against claims.

We believe that we maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Moreover, any loss incurred could exceed policy limits and policy payments made to us may not be made on a timely basis. For example, insurance we maintain against liability claims may not continue to be available on terms acceptable to us and such coverage may not be adequate to cover the types of liabilities actually incurred. A successful claim brought against us, if not fully covered by available insurance coverage, could materially and adversely affect our business, financial condition and results of operations.

If our operating and financial performance in any given period does not meet the guidance that we provide to the public, the market price of our common stock may decline.

From time to time, we provide public guidance on our expected operating and financial results for future periods. Any such guidance will be comprised of forward-looking statements subject to the risks and uncertainties described in this Quarterly Report on Form 10-Q and in our other public filings and public statements. Any such guidance is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the relevant release and the factors described under "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q and our current and periodic reports filed with the SEC.

Guidance is based upon a number of assumptions and estimates that, although presented with numerical specificity, are inherently subject to business, economic and competitive uncertainties and contingencies, many of which

are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the estimated ranges. The principal reason that we release this guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any third parties. Moreover, even if we do issue public guidance, there can be no assurance that we will continue to do so in the future.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Our actual results may not always be in line with or exceed any guidance we have provided, especially in times of economic uncertainty. If, in the future, our operating or financial results for a particular period do not meet any guidance we provide or the expectations of investment analysts, or if we reduce our guidance for future periods, the market price of our common stock may decline.

Short sellers of our stock may be manipulative and may drive down the market price of our common stock.

Short selling is the practice of selling securities that the seller does not own, but rather has borrowed or intends to borrow from a third party with the intention of buying identical securities at a later date to return to the lender. A short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. It is therefore in the short seller's interest for the price of the stock to decline, and some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issuer, often involving misrepresentations of the issuer's business prospects and similar matters calculated to create negative market momentum, which may permit them to obtain profits for themselves as a result of selling the stock short.

As a public entity, we may be the subject of concerted efforts by short sellers to spread negative information in order to gain a market advantage. In addition, the publication of misinformation may also result in lawsuits, the uncertainty and expense of which could adversely impact our business, financial condition, and reputation. There are no assurances that we will not face short sellers' efforts or similar tactics in the future, and the market price of our common stock may decline as a result of their actions.

Stockholder activism could disrupt our business, cause us to incur significant expenses, hinder execution of our business strategy, and impact our stock price.

We may in the future be subject to stockholder activism, which can arise in a variety of predictable or unpredictable situations, and can result in substantial costs and divert management's and our board's attention and resources from our business. Additionally, stockholder activism could give rise to perceived uncertainties as to our long-term business, financial forecasts, future operations and strategic planning, harm our reputation, adversely affect our relationships with our business partners, and make it more difficult to attract and retain qualified personnel. We may also be required to incur significant fees and other expenses related to activist matters, including for third-party advisors that would be retained by us to assist in navigating activist situations. Our stock price could fluctuate due to trading activity associated with various announcements, developments, and share purchases over the course of an activist campaign or otherwise be adversely affected by the events, risks and uncertainties related to any such stockholder activism.

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

Use of Proceeds from Public Offering of Common Stock

On June 11, 2020, we completed our IPO. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-238482), as amended, which was declared effective by the SEC on June 8, 2020. There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on June 9, 2020 pursuant to Rule 424(b)(4).

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 4, 2022, the Company, its wholly-owned subsidiary Vroom Automotive, LLC and Ally Bank and Ally Financial Inc. (together, "Ally") amended and restated the 2020 Vehicle Floorplan Facility to, among other things, decrease the line of credit from \$700.0 million to \$500.0 million and extend the maturity date to March 31, 2024 (as amended, the "2022 Vehicle Floorplan Facility").

In addition, the amendment modifies the amount of credit available to the Company on a monthly basis to the product of (1) the greater of five times the aggregate number of retail units sold during the most recent month for which information is available or the aggregate number of retail units sold during the five most recent months for which information is available and (2) the greater of the average outstanding floorplan balance of all vehicles on the floorplan as of the immediately preceding month-end or the average monthly outstanding floorplan balance of all vehicles on the floorplan as of month-end for the immediately preceding five months. The amendment also provides that the Company may elect to increase its monthly credit line availability by an additional \$25.0 million during any four months in the period from November 1, 2022 through March 31, 2024, subject to the maximum \$500.0 million credit limit. Consistent with the terms of the 2020 Vehicle Floorplan Facility, the Company and Vroom Automotive, LLC have provided Ally with a guaranty of payment of all amounts owed under the 2022 Vehicle Floorplan Facility as well as a security interest in all or substantially all tangible, intangible, and other personal property of Vroom, Inc., to secure obligations under the 2022 Vehicle Floorplan Facility.

The 2022 Vehicle Floorplan Facility bears interest at a rate equal to the Prime Rate, announced per annum by Ally Bank, plus 175 basis points. Additionally, the Company is subject to amended covenants and events of default. The Company is required to maintain a certain level of equity in the vehicles that are financed, to maintain at least 20.0% of the credit line in cash and cash equivalents, and to maintain a minimum required balance with Ally of at least 12.5% of the daily floorplan principal balance outstanding through December 31, 2022 and 15.0% effective January 1, 2023. The Company was required to pay a commitment fee upon execution of the 2022 Vehicle Floorplan Facility.

The 2022 Vehicle Floorplan Facility is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q and is incorporated herein by reference. The above description of the 2022 Vehicle Floorplan Facility is qualified in its entirety by reference to such Exhibit.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith	Furnished Herewith
2.1	Agreement and Plan of Merger, dated as of October 11, 2021, by and among Vroom, Inc., Vroom Finance Corporation, Unitas Holdings Corp. and Fortis Advisors LLC, solely in its capacity as the equityholders' representative	8-K	001-39315	2.1	October 12, 2021		
3.1	Amended and Restated Certificate of Incorporation of Vroom, Inc.	10-Q	001-39315	3.1	August 13, 2020		
3.2	Amended and Restated Bylaws of Vroom, Inc.	10-Q	001-39315	3.2	August 13, 2020		
4.1	Specimen Stock Certificate evidencing the shares of common stock	S-1/A	333-238482	4.1	June 1, 2020		
4.2	Indenture, dated as of June 18, 2021, between Vroom, Inc. and U.S. Bank National Association, as trustee	8-K	001-39315	4.1	June 21, 2021		
4.3	Form of Global Note representing the 0.750% Convertible Senior Notes due 2026 (included in Exhibit 4.2)	8-K	001-39315	4.2	June 21, 2021		
4.4	Eighth Amended and Restated Investors' Rights Agreement, dated as of November 21, 2019, by and among Vroom, Inc. and certain holders of its capital stock	S-1/A	333-238482	4.2	May 18, 2020		
10.1	Amended & Restated Inventory Financing and Security Agreement, dated November 4, 2022 by and among Ally Bank, Ally Financial Inc., Vroom Automotive, LLC and Vroom, Inc.						X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002						X

[Table of Contents](#)

31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	X
101.INS	Inline XBRL Instance Document	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X

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.

Vroom, Inc.

Date: November 7, 2022

By: _____
/s/ Thomas H. Shortt
Thomas H. Shortt
Chief Executive Officer
(*principal executive officer*)

Date: November 7, 2022

By: _____
/s/ Robert R. Krakowiak
Robert R. Krakowiak
Chief Financial Officer
(*principal financial officer*)

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item 601(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

AMENDED AND RESTATED INVENTORY FINANCING AND SECURITY AGREEMENT

I. THE PARTIES TO THIS AGREEMENT

This Amended and Restated Inventory Financing and Security Agreement ("Agreement") is effective as of November 4, 2022 (the "Effective Date"), and is made by and among the following parties:

- A. **Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey)** (together with its successors and assigns, "Bank"), a Utah state-chartered bank with a local business office currently located at 5851 Legacy Circle, Suite 200, Plano, Texas 75024; and
- B. **Ally Financial Inc.**, a Delaware corporation (together with its successors and assigns, "Ally") with a local business office currently located at 5851 Legacy Circle, Suite 200, Plano, Texas 75024 (together with Bank, the "Ally Parties" and Bank and Ally each being, an "Ally Party");
- C. **Vroom Automotive, LLC**, a Texas limited liability company, formerly known as Left Gate Property Holding, LLC, doing business as Texas Direct Auto and Vroom, with its principal executive office currently located at 12053 Southwest Freeway, Stafford, Texas 77477 ("Dealership"); and
- D. **Vroom, Inc.**, a Delaware corporation, with its principal executive office currently located at 3600 W. Sam Houston Pkwy S, Floor 4, Houston, Texas 77042 ("Vroom").

II. THE RECITALS

The essential facts relied on by Bank, Ally and Dealership as true and complete, and giving rise to this Agreement, are as follows:

- A. From time to time, Dealership has and/or intends to acquire one or more used automobiles, trucks, cars, vans, motor vehicles, and/or other vehicles (together with all accessories, accessions, additions and attachments to such vehicles, the "Vehicle(s)") from one or more manufacturer, distributor, dealer, auctioneer, merchant, customer, broker, seller, or other supplier ("Vehicle Seller(s)"), for the principal purpose of selling or leasing them to retail customers in the ordinary course of business.
- B. To enable Dealership to acquire Vehicles and hold them in inventory, Dealership wants the Ally Parties to provide Dealership with wholesale inventory floorplan finance accommodations by (i) advancing the purchase price of the Vehicles directly to the Vehicle Sellers; (ii) advancing funds to other third parties who are not Vehicle Sellers; or (iii) by loaning money directly to Dealership for Vehicles that were previously purchased from Vehicle Sellers by Dealership (collectively, "Inventory Financing"). (Vehicles acquired with or held as a result of Inventory Financing may be referred to as "Inventory Financed Vehicles.")
- C. Bank is willing to provide Dealership with Inventory Financing in accordance with all of the provisions of this Agreement.
- D. Ally is willing to provide Dealership with Inventory Financing in accordance with all of the provisions of this Agreement.
- E. Dealership is a wholly owned subsidiary of Vroom. The Ally Parties would not enter into this Agreement but for Vroom's guaranty of Dealership's indebtedness and obligations to the Ally Parties. Additionally, certain material covenants and obligations of Dealership under this Agreement must be

performed by Vroom rather than Dealership. Accordingly, Vroom is a party to this Agreement with respect to certain limited provisions.

- F. The Inventory Financing will be governed by the terms of this Agreement. Accordingly, this Agreement sets forth the rights and duties between Bank and Dealership and between Ally and Dealership concerning Inventory Financing, including establishment of a credit line by which inventory financing advances may be made by either or both of the Ally Parties, payment of principal, interest, and other charges, the grant of security interests in collateral, and other terms and conditions. It is a composition of various alternatives available to Bank and Dealership and to Ally and Dealership, as independent commercial parties. Before execution, each party has carefully read this Agreement and each related document and has consulted with or had an opportunity to consult with an attorney.
- G. The Ally Parties, Dealership and Vroom are parties to an Inventory Financing and Security Agreement, effective as of March 6, 2020 (as amended, the "IFSA"), as amended by:
- i. the First Amendment to Inventory Financing and Security Agreement, effective as of June 19, 2020;
 - ii. the Second Amendment to Inventory Financing and Security Agreement, effective as of October 1, 2020;
 - iii. the Third Amendment to Inventory Financing and Security Agreement, effective as of December 16, 2021; and
 - iv. the Fourth Amendment to Inventory Financing and Security Agreement, effective as of February 24, 2022.

The parties to this Amendment desire to amend and restate the IFSA as provided herein.

III. THE AGREEMENT

In consideration of the premises and the mutual promises in this Agreement, which are acknowledged to be sufficient, Bank, Ally and Dealership agree to the following:

A. Inventory Finance Accommodations.

1. Establishment of a Committed Inventory Financing Credit Line. Subject to the terms and conditions of this Agreement,
 - i. Ally commits to provide Inventory Financing to Dealership until the Maturity Date (as defined below).
 - ii. Bank commits to provide Inventory Financing to Dealership until the Maturity Date.
 - iii. The sum of all Inventory Financing by each Ally Party, plus any obligation of each Ally Party to make specific advances to a Vehicle Seller or other party, constitutes a single obligation of Dealership to such Ally Party. The sum of all Inventory Financing plus the sum of all obligations of both of the Ally Parties to make specific advances to Vehicle Sellers or other parties, from the time of the advance, constitutes Dealership's "Wholesale Outstandings."
 - iv. The "Maturity Date" shall be 5:00 p.m. Eastern Time on March 31, 2024.
2. Amount of the Credit Line. As of the Effective Date of this Agreement, the aggregate amount of credit that may be extended by the Ally Parties pursuant to this Agreement (the "Credit Line") shall not exceed \$500,000,000. The Ally Parties commit to make the Credit Line available to Dealership during the Term of this Agreement, up to the amount of the Monthly Floorplan Allowance, as defined herein.

- i. The "Monthly Floorplan Allowance" shall be determined monthly by the Ally Parties and communicated to Dealership within the first two business days of each month. The Monthly Floorplan Allowance shall be equal to the product of:
 - i. the greater of (1) five (5) times the aggregate number of units sold retail by Dealership during the most recent month for which such information is available, or (2) the aggregate number of units sold retail by Dealership during the five (5) most recent months for which such information is available; and
 - ii. the greater of (1) the average outstanding floorplan balance of all Vehicles on floorplan as of the immediately preceding month-end, or (2) the average monthly outstanding floorplan balance of all Vehicles on floorplan as of the month-end for the immediately preceding five (5) months; in each case, the total floorplan outstanding divided by the total number of units on floorplan.
 - ii. The Ally Parties and Dealership intend that the Monthly Floorplan Allowance be based on ordinary retail consumer sales activity. Accordingly, in the event the calculation of the Monthly Floorplan Allowance is materially altered by sales that are outside of Dealership's customary sales activity (e.g., significant volume of wholesale or bulk sale transactions), the Ally Parties may (in their discretion, after consulting with Dealership) adjust the Monthly Floorplan Allowance to correct for the unusual activity.
 - iii. Notwithstanding the foregoing, upon written notice to the Ally Parties, Dealership may elect to increase the otherwise applicable Monthly Floorplan Allowance by up to \$25,000,000 during any four months of the period from November 1, 2022 through March 31, 2024.
3. Method of Providing Inventory Financing. The Credit Line must be used exclusively for Inventory Financing in any of the following ways:
- i. Advances Directly to Vehicle Sellers. From time to time, upon notice from Dealership or Vehicle Sellers, either or both of the Ally Parties may advance money directly to Vehicle Sellers for Vehicles acquired by Dealership as Inventory Financed Vehicles. The Ally Parties will advance the amount or purchase price for each Vehicle sold by such Vehicle Seller to Dealership (as provided in Section III.A.9 below). The Ally Parties will make payment in accordance with and in reliance on any invoice, draft, debit, contract, advice or other communication received by the Ally Parties from the Vehicle Seller. The Ally Parties are not required to verify the order or shipment of any Vehicle for which it pays a Vehicle Seller and are not responsible for any nonconformity of the Vehicle, delivery, or transaction between Dealership and a Vehicle Seller. If requested, Dealership will promptly provide invoices, bills of sale, title or other transaction documents pertaining to such Vehicles.
 - ii. Advances Directly to or on behalf of Dealership. From time to time, either or both of the Ally Parties may advance money directly to Dealership or to other third parties who are not Vehicle Sellers on behalf of Dealership to finance Vehicles then owned or proposed to be acquired by Dealership. In connection with such Inventory Financing, the Ally Parties will advance the amount indicated in Section III.A.9 below. Upon request by either or both of the Ally Parties, Dealership must provide the Ally Parties with satisfactory evidence of the value, ownership, and title status of the Vehicle(s), including the manufacturer's certificate of origin or title certificate, invoice or bill of sale, and the shipping receipt, bill of lading, and the like.
4. Evidence of Inventory Financing. The Ally Parties will maintain on their books and records in accordance with their usual practices, one or more accounts detailing the Inventory Financing, Wholesale Outstandings, and all Interest, Principal Reductions, Other Charges and any other

related fees, costs, expenses, and payments owed by Dealership. On a monthly basis, the Ally Parties will furnish Dealership with statements of its account information ("Wholesale Billing Statement"). If only one Wholesale Billing Statement is provided by the Ally Parties, the Wholesale Billing Statement will indicate (by account number or otherwise) the Inventory Financing provided by each of the Ally Parties. Unless Dealership advises the Ally Parties in writing of any discrepancy on the Wholesale Billing Statement within ten (10) calendar days of receipt, and absent manifest error, the Wholesale Billing Statement will be deemed acknowledged and agreed to by Dealership and conclusive proof of Dealership's actual obligation to each of the Ally Parties as of the date of the Wholesale Billing Statement last received by Dealership.

5. [Reserved.]
6. Other Financing Accommodations. Upon Dealership's request, either or both of the Ally Parties may provide other forms of finance and / or credit accommodations which arise out of or relate to the business operations of Dealership and / or any of its owners, officers, or affiliates, including, without limitation, the discount purchase of retail installment sale and lease agreements, working capital, revolving credit, equipment, and realty loans (such accommodations from either of the Ally Parties being, the "Other Financing Accommodations"). Except as otherwise expressly stated in this Agreement or in any other written agreements between such Ally Party and Dealership, the availability, amount, terms, conditions, provisions, continuation, documentation, and administration of Other Financing Accommodations are separate and distinct from the Inventory Financing under this Agreement and may be provided, if at all, only in the Ally Parties' discretion and only according to the terms and conditions of the written agreement between such Ally Party and Dealership.
7. Vehicles Eligible for Inventory Financing. Notwithstanding anything to the contrary in this Agreement or otherwise, Inventory Financing is available only for used Vehicles:
 - i. that can be registered for use on public highways in the United States;
 - ii. that are of the then-current model year, or ten previous model years; and
 - iii. that have fewer than 150,000 miles.
8. Advance Floorplan Accommodation. The Ally Parties will allow Dealership to obtain Inventory Financing on Vehicles for which Dealership does not then hold a lien-free title, provided that: (a) Dealership owns the Vehicle and it is not in process of being sold, (b) the Vehicle is subject to a lien noted on the certificate of title by the financial institution that provided retail credit accommodations for the prior owner, and no other lien is noted on the title or otherwise exists (to the knowledge of Dealership), (c) Dealership remits payment to that lienholder to discharge the retail lien upon or before requesting a floorplan advance for the Vehicle from the Ally Parties, (d) the floorplan proceeds are remitted directly to Dealership, (e) the Vehicle's title is lien-free within [***] calendar days of the original floorplan advance date, and (f) the aggregate amount advanced and outstanding under this provision from time to time shall not exceed 12.5% of the then-applicable Monthly Floorplan Allowance (collectively, the "Advance Floorplan Accommodation"). Advance Floorplan Accommodation is provided by the Ally Parties in their sole discretion, and is subject to Dealership's compliance with the terms of this program; provided, that the Ally Parties shall provide five (5) business days' notice of their election to rescind such Advance Floorplan Accommodation. Dealership's compliance is validated at the time of floorplan audits. The Ally Parties reserve the right to rescind Advance Floorplan Accommodation promptly based on evidence of Dealership's non-compliance.
9. Advance Rate. The maximum advance for each eligible Vehicle shall be:
 - (a) for each Vehicle purchased from an auction, [***]% of Dealership's acquisition cost, and
 - (b) for any other Vehicle, as follows:

- i. Conditioned upon Dealership consistently providing, either daily or as funding is requested, to the Ally Parties (pursuant to their instructions) a “funding file” satisfactory to the Ally Parties in their reasonable discretion, via secure file transfer protocol (FTP): [***]% of Dealership’s acquisition cost; and
- ii. Otherwise: (A) with respect to any Vehicle on which an advance is made on or after the Effective Date through December 31, 2022, [***]% of Black Book clean wholesale (no additions) value, and (B) with respect to any Vehicle on which an advance is made on and after January 1, 2023, [***]% of Black Book clean wholesale (no additions) value.

B. Interest, Principal Reductions, Late Charges, Costs, Expenses and Other Charges and Fees.

1. Interest Accrual, Rate, and Method of Calculation.

- (a) Wholesale Outstandings owed to the Ally Parties will bear interest on and from the day after each advance or loan through the date of repayment in full. Interest will be at a per annum rate and will be determined using a 365/360 simple interest method of calculation, unless expressly prohibited by law (“Interest”).
- (b) Effective as of November 1, 2022, the Interest rate is the Prime Rate plus 175 basis points (b.p.) (the “Interest Rate Increment”).
- (c) The “Prime Rate” is defined as the per annum rate of interest announced by Bank from time to time as its “prime rate” (it being acknowledged that such announced rate is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate and which may be predicated upon various borrower-specific factors, including the amount of borrower loans and borrower creditworthiness). The Prime Rate and its effective date will be announced on the Ally Dash website or a replacement source designated in a written communication by Bank to Borrower.
- (d) In no event will the Interest rate under this Agreement exceed the maximum lawful contract rate, which is:
 - i. To the extent that Texas law applies to the Agreement: the quarterly ceiling from time to time in effect under Chapter 303, Tex. Finance Code, and
 - ii. To the extent that state law is preempted by federal law: the maximum rate under federal law and the law of the state in which Ally Bank is located, i.e., Utah.
- (e) To the extent the Prime Rate is more than 10 b.p. different than the U.S. prime rate published by the Wall Street Journal, for a period of at least 7 calendar days, Dealership and the Ally Parties agree to negotiate in good faith regarding whether the Interest Rate Increment should be adjusted.

2. Maximum Interest. In no event will Interest owed to either or both of the Ally Parties under this Agreement exceed the maximum rate of interest allowed by law in effect at the time it is assessed. Each of the Ally Parties and Dealership intend to faithfully comply with applicable usury laws, and this Agreement is to be construed in accordance with this intent. If circumstances cause the actual or imputed interest contracted for, charged, or received by either or both of the Ally Parties to be in excess of the maximum rate of interest allowed by law, Dealership must promptly notify the affected Ally Party(ies) of the circumstance, and such Ally Party(ies) will either, at their discretion, refund to Dealership, or credit the Wholesale Outstandings owed by Dealership to such Ally Party(ies), with so much of the imputed interest

as will reduce the effective rate of interest to an amount one-tenth of one per cent (0.10%) per annum less than the maximum rate of interest allowed by law for the applicable period.

3. Principal Reductions. Dealership must make monthly principal reduction payments in an amount equal to 10% of the original principal amount (i.e., the aggregate advance) (each, a "Principal Reduction") as follows:
 - (a) Effective from the Effective Date through December 31, 2022, monthly Principal Reductions will be due for each Vehicle that is on Dealership's floorplan for more than 180 calendar days; and
 - (b) Effective on and after January 1, 2023, monthly Principal Reductions will be due for each Vehicle that is on Dealership's floorplan for more than 150 calendar days.

Principal Reductions will be billed to Dealership monthly and, when paid by Dealership, will reduce the amount of the Wholesale Outstandings. Principal Reductions will no longer be required with respect to any Vehicle for which the outstanding principal balance has been reduced to the lesser of 50% of the original principal balance or 50% of the Black Book clean wholesale (no additions) value.

4. Late Charge. Unless prohibited by law, each of the Ally Parties may assess a late charge of up to five percent (5%) of any amount owed to such Ally Party(ies) that is not paid when due and payable ("Late Charge"). The Late Charge is in addition to Interest.
5. Costs, Expenses, Fees. Unless prohibited by law, Dealership must pay all expenses and reimburse each of the Ally Parties for any cost, expense, or other expenditures, including reasonable attorney fees and legal expenses; amounts expended by the Ally Parties on behalf of Dealership; collection and bankruptcy costs, fees and expenses; and all other amounts incurred by each of the Ally Parties in each case in the enforcement of any right or remedy, collection of any Obligation (as defined below), or defense of any claim or action in respect of this Agreement.
6. Other Charges and Fees. Except as otherwise provided herein, the Ally Parties may assess and Dealership will pay charges in connection with Inventory Financing, including, by way of example, transaction, processing, audit, collateral monitoring, non-compliance, over-age, and returned item in connection with Inventory Financing ("Other Charges"). Provided no Default has occurred, the Ally Parties will provide advance notice of at least 30 calendar days of new charges or changes to existing charges.
7. Commitment Fees. On the Effective Date, Dealership shall pay the Ally Parties a Commitment Fee of \$[***].
8. Ally Dealer Rewards Program. Dealership will continue to be eligible for the Ally Dealer Rewards (ADR) program, with the potential to earn up to 100 basis points (b.p.) on a quarterly basis. Dealership's ADR penetration targets will be [***]%, [***]% and [***]% to achieve Tier II ([***] b.p. decrement), Tier III ([***] b.p. decrement), and Champions Club ([***] b.p. decrement), respectively. Because ADR targets are established in advance and expressed as a target number of contracts (rather than a percentage), ADR targets will be adjusted quarterly to account for fluctuations in Dealership's retail sales.
9. Availability Fee. For each calendar quarter beginning with the fourth quarter of 2022 (i.e., October through December), if the average outstanding floorplan balance for such quarter is less than 50% of the average Monthly Floorplan Allowance for such quarter, Dealership will pay an "Availability Fee" equal to [***]basis points ([***] basis points annualized) times the difference between the average outstanding floorplan balance and the average Monthly Floorplan Allowance for such quarter. The Availability Fee will be calculated by the Ally Parties

promptly after the end of each quarter and will be due and payable no later than the end of the month immediately following the end of such quarter.

C. Payments by Dealership.

1. Permissive Principal Payments. Except as otherwise expressly stated in this Agreement, Dealership may pay to the Ally Parties some or all of the Wholesale Outstandings and any other payment obligations at any time before they are due and payable without premium or penalty.
2. Required Payments. Dealership must fully pay to the Ally Parties the Wholesale Outstandings, Interest, Principal Reductions, Late Charges, Other Charges, costs, expenses, fees and any other payment obligations due under this Agreement, as follows:
 - i. the principal amount of the advance or loan by the Ally Parties for each Inventory Financed Vehicle within five (5) business days after (the "Release Period") such Vehicle is sold (which shall not be later than the sale contract date), leased, consigned, gifted, exchanged, transferred, otherwise disposed of, registered, placed into service, or no longer in the possession of Dealership, or if it is otherwise lost, stolen, confiscated, missing, or otherwise not received, or if it is damaged or destroyed;
 - ii. the total amount specified in the Wholesale Billing Statement or other billing statements for Interest, Principal Reductions, Late Charges, Other Charges, costs, expenses, fees and any other payment obligations, immediately upon receipt from the Ally Parties; and
 - iii. in any event, on the Maturity Date, unless this Agreement is renewed or extended by written agreement executed by all parties hereto.
3. Method of Payment. All payments must be made by Dealership to the Ally Parties by one or more of the following methods: (a) in good funds by draft, check, or other negotiable instrument, (b) in good funds by wire transfer, electronic fund transfer, automated clearing house transfer, or other electronic means, or (c) chattel paper assigned to one of the Ally Parties that is acceptable to such Ally Party in its sole discretion. Upon request by either or both of the Ally Parties, Dealership must make all payments to such Ally Party(ies) in immediately available funds, certified check, bank check, and the like. Dealership must remit all payments owed to Ally and Bank under this Agreement to Ally at the local business office set forth in Section I.A above, or any other place as each of the Ally Parties designates from time to time.
4. "Full" Payment Defined. The requirement for making payments "fully" as set forth in this Agreement means that the required payment amount must be actually remitted to and received by the Ally Parties in whole, without setoff, recoupment, or netting of any other amounts which are or may be due Dealership by either of the Ally Parties or any affiliate of either of the Ally Parties. This does not include funds actually received by the Ally Parties from or on behalf of Dealership for specific application to a required payment by way of:
 - i. subvention, discount, subsidy, support, or supplementation from a Vehicle Seller; or
 - ii. credit, rebate, bonus, debit, disbursement, or other payment from either of the Ally Parties or any other person for the purchase of chattel paper, distribution from finance reserve accounts, application of account balances, and the like.

Absent payment actually being remitted by Dealership to the Ally Parties, payment is not "fully" made because either or both of the Ally Parties have:

- (x) a right of setoff, recoupment, and the like;

- (y) a Security Interest in or an assignment of Collateral (each as defined in Section III.D below), or the proceeds thereof; or
- (z) a direct or indirect claim against a Vehicle Seller, surety, guarantor, or any other person.

Dealership's obligation to pay each of the Ally Parties as set forth in this Agreement is independent of any other rights that Dealership or either of the Ally Parties may have to effect payment from other sources and persons, and neither of the Ally Parties has any duty to undertake the enforcement of any other rights.

5. [Reserved.]
6. "Sold" Defined. "Sold" as set forth in this Agreement means the delivery or transfer of ownership, title or interest in the Vehicle(s) by Dealership to a third party.
7. Source and Application of Payment. The source of all payments due under this Agreement is presumptively deemed to be Collateral (as defined in Subsection III.D.1). Absent Default (as defined in Section III.H), the Ally Parties will apply payments pursuant to Dealership's instructions. Absent instruction from Dealership or in the event of Default, the Ally Parties may apply payments to any obligation due and owing by Dealership under this Agreement or under Other Financing Accommodations. A payment is not final to the extent of any defeasance of it by application of law. Payment made by check, draft, or other instrument will be deemed made by Dealership not later than one (1) business day after the instrument is accepted by the payor bank. Except as otherwise provided in any SmartCash Agreement between Dealership and either or both of the Ally Parties, payments made by wire transfer, electronic fund transfer, automated clearing house transfer, and other electronic means will be deemed made by Dealership upon posting of such payment by the Ally Parties.
8. Term, Maturity. The Term of this Agreement shall expire on the Maturity Date. On the Maturity Date: (a) all obligations of the Ally Parties to provide Inventory Financing, under this Agreement or otherwise, cease, and (b) all Obligations are immediately due and payable. Notwithstanding the expiration of the Term, Dealership and Vroom shall continue to comply with the terms and conditions of this Agreement until all Obligations are indefeasibly paid in full to the Ally Parties in good funds.

D. The Ally Parties' Security Interests.

1. Grant of Security Interest. Dealership hereby grants to each of Bank and Ally a continuing security interest in and a collateral assignment of ("Security Interest") all of the following described property in which Dealership has or may have any rights, wherever located, whether now existing or hereafter arising or acquired and any and all accessions, additions, attachments, replacements, substitutions, returns, profits, and proceeds in whatever form or type, of any of the property ("Collateral"):

all Vehicles, including but not limited to those for which either of the Ally Parties provides Inventory Financing; other inventory; equipment; fixtures; accounts, including factory open accounts of Dealership; deposit and other accounts with banks and other financial institutions; cash and cash equivalents; general intangibles; all documents; instruments; investment property; and chattel paper.

Notwithstanding the foregoing, provided that neither of the Ally Parties have provided Inventory Financing under this Agreement with respect thereto, the Collateral excludes (i) Vehicles that are included in Dealership's listed inventory but are owned by third parties, and (ii) car carriers, trucks, trailers, beds, other similar vehicles and related assets used for transportation or delivery of Vehicles or otherwise utilized in Vroom's logistics operations.

2. The Obligations Secured. The Collateral secures payment and performance of all debts, obligations, and duties of Dealership to Bank and Ally of every kind and description, now existing or hereafter arising under this Agreement, Other Financing Accommodations, or otherwise, whether primary or secondary, absolute or contingent, due or to become due, direct or indirect, presently contemplated or not contemplated by Bank, Ally or Dealership, or otherwise designated by the parties as secured or unsecured ("Obligations").
3. Status of Collateral. The Collateral is held by Dealership in trust for each of the Ally Parties. The Collateral must be and remain free from all taxes, confiscations, assessments, forfeitures, loss, destruction, impairment, liens, security interests, pledges, claims, and encumbrances except for:
 - i. the Security Interest arising under this Agreement or other agreement in favor of the Ally Parties or their affiliates;
 - ii. purchase money security interests in non-Vehicle Collateral; and
 - iii. other security interests to which each of the Ally Parties specifically consents in writing.

The grant of the Security Interest and the execution of any document, instrument, promissory note, or the like, in connection with it or the Obligations do not constitute payment or performance of any of the Obligations, except to the extent of actual, indefeasible payment of the Obligations from the realization by Dealership or the Ally Parties of the Collateral or otherwise. The Security Interest continues to the full extent provided in this Agreement until all Obligations are fully and indefeasibly paid and performed, even after this Agreement is terminated by Bank, Ally and/or Dealership, and regardless of whether the Credit Line is modified, suspended, terminated and / or reestablished.

4. Perfection of Security Interest. The Ally Parties may each file financing statements, mark chattel paper, notify account debtors, note liens on documents of title, and the like, in order to establish, confirm, and maintain a perfected Security Interest in the Collateral. Dealership will execute and deliver any documents necessary and appropriate for these purposes and otherwise irrevocably appoints each of the Ally Parties to do so. Each of the Ally Parties may require Dealership to pay any fee, cost, tax, or assessment required by any government entity to perfect and / or maintain each of the Ally Parties' Security Interest in the Collateral. All financing statements previously filed by either or both of the Ally Parties are hereby ratified and authorized by Dealership as of the date of filing.
5. Protection of Security Interest. Unless expressly prohibited by law, upon either of the Ally Parties' request, Dealership must immediately:
 - i. protect and defend the Collateral against the claims and demands of all other persons, including, but not limited to obtaining waivers from landlords, depository institutions and other parties which have access to or control over the Ally Parties' Collateral or proceeds of the Ally Parties' Collateral; and
 - ii. permit representative(s) of each of the Ally Parties to monitor Collateral by taking one or more of the following actions:
 - i. to enter any locations where Dealership conducts business or maintains Collateral, and to remain on the premises for such time as such Ally Party(ies) may deem desirable; and
 - ii. to take whatever additional actions as either or both of the Ally Parties may reasonably deem necessary or desirable to protect and preserve the Collateral,

and to carry out, and to protect and preserve each of the Ally Parties' security rights and remedies.

6. Offset. In addition to the Security Interest, Bank has an absolute and continuing right of offset, recoupment, netting-out, and any other legal or equitable right to credit those assets of Dealership in the possession or control of Bank against any Obligations of Dealership to Bank, whether then matured, liquidated, or due. Ally has an absolute and continuing right of offset, recoupment, netting-out, and any other legal or equitable right to credit those assets of Dealership in the possession or control of Ally against any Obligations of Dealership to Ally, whether then matured, liquidated, or due.
7. Assignment of Accounts Due or to Become Due. Dealership assigns to each of Bank and Ally accounts which are due or to become due to Dealership from Vehicle Sellers and any other account debtors and other payment obligors (including banks and other depositories) of Dealership (such parties being "Account Debtors"). Dealership hereby authorizes and empowers each of Bank and Ally to demand, collect and receive from Account Debtors, and give such parties binding receipts for, all sums due and/or to become due and, in Dealership's name or otherwise, to prosecute suits therefor. If a Default has occurred, each of the Ally Parties may, at any time with advance written notice to Dealership, notify Dealership's Account Debtors to make payment directly to the Ally Parties of amounts in which the Ally Parties have a security interest. Dealership unconditionally and irrevocably authorizes and instructs each of its Account Debtors to make payment directly to the Ally Parties as instructed, and authorizes Account Debtors to rely on a copy of this Agreement as evidence of the authorization and instruction. The Ally Parties will account to Dealership for all sums received pursuant to this assignment and applied in the manner described in Subsection III.C.7. This assignment is irrevocable without the prior written consent of each of the Ally Parties and is provided as additional security for and not as payment of obligations now or hereafter arising to the Ally Parties. Dealership hereby appoints each Bank and Ally as its agent and attorney-in-fact for the sole purpose of executing or endorsing, on Dealership's behalf, any document, check or other instrument necessary to cause payment of sums assigned hereunder, or to perfect Bank's and/or Ally's security interest in the aforesaid accounts and payment intangibles.

E. Dealership's Handling of Vehicles.

1. Ownership and Taxes. Dealership will have and maintain absolute title to and ownership of each Vehicle, subject to each Ally Party's respective Security Interest in the Vehicle. Dealership will pay all taxes and assessments at any time levied on any Vehicle as and when they become due and payable.
2. Location. Dealership will keep Vehicles at Dealership's customary locations, including retail business locations, reconditioning center locations (which shall include reported third party locations used for reconditioning), and reported offsite storage locations, and will not remove them from those locations, except:
 - i. for temporary relocation for repair, restoration, reconditioning, governmental inspection, and the like;
 - ii. [Reserved];
 - iii. upon advance or concurrent notice to the Ally Parties, for bailment to another person for upfitting, completion, upgrading, modification, and the like; or
 - iv. upon advance or concurrent notice to the Ally Parties, for storage and display at a temporary location.

3. Condition. Dealership will keep Vehicles in good operating condition and repair, in good and marketable condition and will not alter or substantially modify any of them, except for upfitting, completion, upgrading, modification, reconditioning and repair.
 4. Usage. Dealership will not use Vehicles illegally or improperly. Dealership will hold and consider them as inventory only for storage, exhibition, sale, or lease to retail customers in the ordinary course of business.
 5. Inspection. Without any advance notice to Dealership, each of the Ally Parties may at all times have access to, examine, audit, appraise, verify, protect, or otherwise inspect the Vehicles wherever located as frequently as each of the Ally Parties elects. The inspection may include examination and copying of all documents, titles, certificates of origin, invoices, instruments, chattel paper, computer records, bank statements, and all other books and records of Dealership of or pertaining to the Vehicles or to determine compliance with this Agreement. Bank and Ally each have Dealership's continuing consent to enter Dealership's premises to carry out inspections. In connection with the inspection, the Ally Parties may be assisted by, cooperate with, or discuss the financial and business affairs of Dealership with any of the officers, owners, employees, sureties, creditors, or agents of Dealership. Each of the Ally Parties may contact Dealership's customers to verify certain information material to the possession, acquisition, sale, or lease of any Vehicle.
 6. Disposition. Dealership will not sell, lease, transfer, or otherwise dispose of any Vehicle, except to retail, dealer and wholesale customers in the ordinary course of Dealership's business. Dealership will not sell, lease, transfer, or otherwise dispose of Vehicles in bulk (meaning more than [***] units or \$[****] in value in a single transaction or multiple closely related transactions) without the Ally Parties' advance approval, except in the ordinary course of its wholesale program.
 7. Report of Damage, Loss. Promptly following discovery, Dealership will notify each of the Ally Parties of any occurrence in which Vehicles with an aggregate value in excess of \$[****] are destroyed, lost, stolen, or missing. Dealership must use reasonable means to diligently repair and restore a damaged Vehicle to its original condition, replace, or locate any of these Vehicles, and keep the Ally Parties apprised of these efforts.
 8. Risks. Neither of the Ally Parties has any risk or responsibility concerning the ownership, location, condition, usage, inspection, or disposition of any Vehicle or other Collateral whether or not permitted by this Agreement, including fire, theft, vandalism, mischief, collision, acts of terrorism, acts of God, property damage, personal injury, public liability, and the like ("Risks"). Dealership bears and assumes the Risks, unless imposed by law on another person and except to the extent of any insurance proceeds actually received by the Ally Parties. Dealership will indemnify and hold harmless Bank and Ally against all Risks, including injury and damage to persons, property, or Collateral caused by any of these Risks.
 9. Insurance. Except to the extent that both of the Ally Parties obtain insurance for themselves on one or more of the Risks, Dealership must acquire and maintain one or more policies of insurance on losses which may arise as a consequence of the Risks on any of the Vehicles or, as requested by either or both of the Ally Parties, on other Collateral. The amounts, deductibles, provider, term, cancellation rights, and types of insurance are subject to approval by each of the Ally Parties, on which each of the Ally Parties must be named as a loss payee, as each of their interests may appear; provided, that each of the Ally Parties hereby agrees that the level of coverage provided on the date hereof is acceptable. Dealership must provide each of the Ally Parties with one or more certificates of insurance evidencing compliance with this Subsection III.E.9.
- F. Representations and Warranties of Dealership. Dealership and Vroom represent and warrant to each of the Ally Parties the accuracy and completeness of each of the following statements as of the

effective date of this Agreement. Dealership and Vroom will immediately notify each of the Ally Parties of any known or expected material change to any of these statements. Otherwise, they are deemed as continuing and reaffirmed each time either of the Ally Parties provides Inventory Financing to Dealership.

1. Dealership Existence. Dealership is duly formed, constituted, and is in good standing in the jurisdiction in which it is located, as "location" is determined under Article 9 of the Uniform Commercial Code, as amended from time to time. Dealership has all government and other permits, licenses, authorizations, and approvals necessary to do business lawfully in all material respects in the jurisdiction in which any of its business operations are located.
2. Dealership Leases and Contracts. Dealership operates and is in compliance in all material respects with all material leases and contracts, if any.
3. Dealership Authorization. Dealership is authorized and empowered to execute and deliver this Agreement and to do all things necessary and appropriate to fulfill and implement the terms and conditions of it.
4. Legal Compliance. Dealership is in compliance in all material respects with all federal, state, and local laws, regulations, and ordinances.
5. Financial Condition. The financial statements of Vroom and/or Dealership which have or may be submitted to either or both of the Ally Parties, either directly or indirectly (e.g., through a Vehicle Seller), by Dealership or an agent of Dealership (e.g., accountant), fairly presents the financial condition of Dealership in accordance with generally accepted accounting principles applied on a consistent basis. Other information on the financial condition of Dealership which has or may be submitted to either or both of the Ally Parties fairly presents the financial condition of Dealership in all material respects.

G. Additional Promises. Dealership and, only where expressly applicable, Vroom promise and covenant to comply with the following:

1. Dealership will provide each of the Ally Parties with accurate and complete information, data, books, records, documentation, and the like, concerning:
 - i. All material financial and business matters of Dealership, upon request by either or both of the Ally Parties; and
 - ii. All material changes concerning Dealership's name, address, tax status, entity, structure, capitalization, indebtedness, solvency, and ownership, promptly following any change.
2. Dealership and Vroom will provide each of the Ally Parties with:
 - i. Copies of Vroom's monthly financial statements as soon as reasonably practicable after their preparation, but, in any event, within forty (40) days of the end of each calendar month;
 - ii. Copies of Vroom's quarterly financial statements within fifteen (15) days of completion of such statements, but not later than forty-five (45) days of the quarter end;
 - iii. Copies of Vroom's annual audited financial statements within fifteen (15) days of completion of such statements, but not later than May 1 of each year;
 - iv. Copies of Dealership's bank account statements, with accompanying reconciliations, to be provided quarterly within the month immediately following the end of each calendar quarter;

- v. A monthly Officer's Certificate, substantially in the form attached hereto as Exhibit A, certifying compliance with the Financial Covenants described below, at the same time each monthly financial statement is to be provided to the Ally Parties; and
 - vi. Weekly reports about the location of all of the Ally Parties' Collateral, including location of Vehicles, Vehicle titles, and keys.
3. Dealership and Vroom will comply with the following financial covenants, tested monthly (as of month-end) based on Dealership's monthly financial statements:
- i. Minimum Liquidity: Dealership and Vroom will, on a consolidated basis, maintain unrestricted cash and cash equivalents of not less than 20.0% of the Credit Line amount.
 - i. Unrestricted cash and cash equivalents shall include cash maintained in Dealership's bank account(s), plus outstanding deposits, less outstanding checks, less bank fees, all as of the month-end for which the covenant applies.
 - ii. Unrestricted cash and cash equivalents shall not include any amounts used to establish the Minimum Required Balance under the Credit Balance Agreement entered into contemporaneously with this Agreement.
 - ii. Inventory Equity: Dealership will maintain used vehicle inventory equity of at least 5.0%.
 - i. Includes all vehicles owned by Dealership and covered by the Ally Parties' security interest, including Dealership's wholesale vehicles.
 - ii. Net of inbound transportation costs, unpaid lien payoffs, sales tax payables, and other third party payables.
 - iii. Unrestricted cash and cash equivalents in excess of the Minimum Liquidity requirement may be used to satisfy this covenant.
4. Dealership and Vroom will comply in all material respects with all of Dealership's obligations under the Second Amended and Restated Credit Balance Agreement entered into contemporaneously with this Agreement (and any amendments or modifications to such agreement) (as amended, the "CBA"), including, but not limited to, maintaining a Minimum Required Balance (as defined in the CBA) equal to: (a) from the Effective Date through December 31, 2022, not less than 12.5% of the daily floorplan principal balance outstanding, and (b) from and after January 1, 2023, not less than 15.0% of the daily floorplan principal balance outstanding, except as otherwise agreed by the Ally Parties.
5. Vroom shall enter into that certain Guaranty, dated as of the date hereof, in favor of each of the Ally Parties, pursuant to which it provides a continuing, absolute and unlimited guaranty of payment of all amounts owed under or in connection with this Agreement.
6. Vroom shall enter into that certain General Security Agreement, dated as of the date hereof, in favor of each of the Ally Parties, pursuant to which Vroom, Inc. grants a security interest in all or substantially all tangible, intangible, and other personal property of Vroom, to secure all Obligations.
7. Dealership and Vroom will at all times, remain in good standing under, and have not received or sent notice of termination of, any material leases or contracts, if any.

8. **Audit Performance:** Dealership will maintain satisfactory inventory and sold vehicle audit performance. Unless waived by the Ally Parties, payment delays in excess of [***]% (delays, meaning payment of principal on sold Vehicles outside of the Release Period, as a percentage of total releases) will result in an audit fee of \$[***] per audit. Without prejudice to any other remedies available to the Ally Parties, payment delays constitute a default under this Agreement.
 9. **Use of Tracking Devices.** If Dealership decides, in its sole discretion, to acquire internet accessible reporting with respect to any tracking device in or on any Vehicle used to locate such Vehicle, subject to applicable law, Dealership will provide the Ally Parties with access to such reporting.
- H. **Default.** An occurrence of any one or more of the following events constitutes a default by Dealership under this Agreement ("Default"):
1. Failure of Dealership to pay when due the full amount owing to either of the Ally Parties under Sections III.B and III.C above;
 2. The occurrence of a Material Adverse Change, meaning a material adverse change in the business, condition (financial or otherwise), operations or properties of Dealership and Vroom (on a consolidated basis), which is reasonably likely to impair the ability of Dealership to perform its obligations under this Agreement;
 3. The breach of, or the failure of Dealership or Vroom to fully comply with or duly perform, any term, condition, promise or covenant of this Agreement, any other Obligation or any Other Financing Accommodation, and such breach or failure continues for a period of five (5) business days after notice thereof to Dealership and Vroom by the Ally Parties, or, with respect to breach under any Other Financing Accommodation, such breach continues for a period of the greater of (x) five (5) business days after notice thereof and (y) the period for cure set forth in that Other Financing Accommodation;
 4. Any representation, statement, or warranty made by Dealership or Vroom to either of the Ally Parties in this Agreement or otherwise, is materially false or misleading when made;
 5. The inability of Dealership or Vroom to pay debts as they mature, or any proceeding in bankruptcy, insolvency, or receivership, instituted by or against Dealership, Dealership's property or Vroom; and/or
 6. This Agreement is unenforceable or the security interest in the Collateral created by this Agreement ceases to be in full force and effect.
- I. **Waiver and Modification of Certain Important Rights.** Unless and only to the extent not expressly prohibited by law, Dealership, Vroom, Bank and Ally expressly and affirmatively waive and modify certain very important rights, as follows:
1. **Claims.** Any and all claims, causes of action, suits, rights, remedies, disputes, complaints, defenses, and counterclaims between either or both of the Ally Parties on the one hand and either or both of Dealership and Vroom on the other hand, or any of their officers, agents, employees, subsidiaries, affiliates, members, owners, or shareholders directly or indirectly arising out of or relating to the terms or subject matter of this Agreement or Other Financing Accommodations, whether in contract, tort, equity, statute, or regulation, or pertaining to conversion, fraud, defamation, negligence, franchise, licensing, or distribution or the defect, non-conformity, price, or allocation of Vehicles by any Vehicle Seller, or otherwise, but not including actions for and enforcement of provisional remedies otherwise provided by law, equity, or agreement between the parties, suits for debt, enforcement of security interests, or claims pursuant to Section III.J. below, ("Claim") are subject to each of the following:

- i. **Claim Resolution.** Notwithstanding anything to the contrary in this Agreement, the resolution of any Claim ("Claim Resolution") will occur, if at all, only in accordance with the following provisions and sequence:
 - i. Informal discussion and negotiation between executive level managers of Dealership, Vroom and the Ally Party(ies) asserting a Claim or against which a Claim is asserted;
 - ii. Mediation in accordance with the rules of commercial mediation as published from time to time by the American Arbitration Association, JAMS, or any other nationally recognized alternative dispute resolution organization, selected by the party against whom the Claim is being asserted; and
 - iii. Litigation in a court of competent jurisdiction.
 - ii. **Jury Waiver.** Bank, Ally, Dealership and Vroom waive and renounce the right under federal and state law to a trial by jury for any Claim.
2. **Choice of Law.** This Agreement must be construed, interpreted, and enforced in accordance with the laws of the state of Texas without regard to its conflict of laws rules.
 3. **Limitation of type and nature of damage Claims.** With respect to any Claim:
 - i. **Liability and Damages for Handling Payments.** Neither of the Ally Parties nor Dealership will be liable for Claims arising from the handling of advances, principal repayments and interest payments via automated clearinghouse ("ACH") transactions or otherwise, except for acts and omissions that constitute gross negligence or willful misconduct. In no event will any party be liable for any delay in transmitting advances, principal repayments or interest repayments via ACH transaction due to equipment, communication or electronic failures or any other cause beyond that party's reasonable control. In any event, the liability of any party for activities relating to the handling or remitting of payments will not exceed an amount equal to the actual dollar amount of processing entries that are the subject of the Claim.
 - ii. **Liability and Damages for Other Activities.** In the case of Claims other than those outlined in Subsection III.I.3(a), Dealership's damages under this Agreement are expressly limited to the lesser of:
 - i. the actual dollar amount of Dealership's economic or financial loss; or
 - ii. reasonable dollar amount of lost future profits for not more than two (2) years from the accrual date of the Claim.
 - iii. **Other Damages.** Neither Dealership nor Vroom will assert, and neither of the Ally Parties will be liable for, any Claim for consequential, incidental, punitive or exemplary damages.
 4. **Notification of information to Others.** Bank and Ally each have the right, but not the obligation, to notify guarantors, sureties, Vehicle Sellers, Account Debtors and other third parties (e.g., owners, officers, etc.) of the terms, administration, or performance of this Agreement.
 5. **Information From and To Third Persons.** Dealership and Vroom irrevocably and continuously consents to the disclosure of all types and kinds of information in any format concerning Dealership by third persons to each of the Ally Parties and, subject to Section III.I.6 below, by each of the Ally Parties regulators of either Ally Party, and the obtaining of information by each of the Ally Parties from third persons, including, by way of example, credit, financial, and

business information, whether of direct actual experience or obtained from other sources. The exchange of information is limited to persons having an ownership, business, financial, audit, official, credit, trade, suretyship, lending, legal, regulatory, supervisory, or other suitable reason to have or know the information. Each of the Ally Parties may, but is not required to, report to others on its credit relationship with Dealership and Dealership and Vroom acknowledge that though each of the Ally Parties will endeavor to ensure the accuracy of such reports, neither of the Ally Parties has any liability and is exculpated from any liability for any inaccuracy in its reports, unless provided by such Ally Party in a grossly negligent manner.

6. Confidentiality.
- i. Unless prior written approval is obtained from Dealership, the Ally Parties will not disclose Dealership's Confidential Financial Information to any third person or entity, other than state or federal regulators that have authority over the Ally Parties, or third persons or entities who provide services to the Ally Parties and who are under an obligation of confidentiality to the Ally Parties. In this Section III.I.6, "Confidential Financial Information" means any financial information about Dealership or its subsidiaries, including, but not limited to, number of units sold, received by either or both Ally Parties from Dealership that: (i) is marked "Confidential"; and (ii) was not publicly available or previously known to the Ally Parties. The Ally Parties shall use Dealership's Confidential Financial Information only for legitimate business purposes in connection with existing or proposed transactions between Dealership and either or both Ally Parties.
 - ii. The Ally Parties acknowledge the Confidential Financial Information protected by the terms of this Section III.I.6 is of a special character, such that money damages would not be sufficient to compensate Dealership for any unauthorized use or disclosure. The Ally Parties agree that injunctive and other equitable relief may be pursued to prevent any actual or threatened unauthorized use or disclosure of Confidential Financial Information. The remedy stated above may be pursued in addition to any other remedies available at law or in equity.
 - iii. The Ally Parties acknowledge that United States securities laws prohibit any person who has material, non-public information from purchasing or selling Dealership's publicly-traded securities or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such securities.
7. Waiver of Claims. Dealership and Vroom hereby waive and release Ally, Bank, and their respective officers, employees and agents from and against any and all past and present claims, defenses, causes of action or damages arising from any act, undertaking, omission, agreement or event occurring prior to the Effective Date, other than typical and customary claims in the ordinary course of Dealership's business.
- J. Default or Insecurity. Notwithstanding and without regard to the provisions of Section III.I, in the event of Default by Dealership or Vroom, either or both of the Ally Parties may exercise any one or more of the following provisional rights and remedies in addition to those otherwise provided by law. These provisional rights and remedies are cumulative and not alternative, are non-exclusive, and may be enforced successively or concurrently. The single or partial exercise of any right or remedy does not waive or exhaust any other rights or remedies or waive any present or future Default of any kind. Other than as expressly provided herein, neither Dealership nor Vroom has a grace period or right to cure any default.
1. Demand. Either or both of the Ally Parties may demand at any time immediate payment in full of all Obligations owed by Dealership to such Ally Party(ies).

2. Custody and Control of Certain Collateral. Dealership must immediately comply with any request by either of the Ally Parties to:
- i. turn over to the Ally Parties or some other party designated by the Ally Parties custody or control of all keys, certificates of title, documents of title, bills of sale, invoices, and other records or instruments of ownership pertaining to the Vehicles or to the Collateral;
 - ii. turn over to the Ally Parties or some other party designated by the Ally Parties custody or control of all documents, books, records, papers, accounts, chattel paper, electronic chattel paper, instruments, promissory notes, general intangibles, payment intangibles, supporting obligations, contract rights, software, or any similar types of tangible or intangible property relating to or comprising the Collateral;
 - iii. establish and maintain an account, separate from other Dealership accounts, at a federally insured financial institution with which Dealership and/or its affiliates have had no business or lending relationship for a minimum of six (6) months before setting up the account, into which cash, instruments, and other proceeds of Collateral are to be deposited and segregated from other funds of Dealership.
3. Repossession of Collateral. Either or both of the Ally Parties may take immediate possession of the Collateral, without demand, further notice to or consent of Dealership, and with or without legal process. Upon request by either or both of the Ally Parties, Dealership must assemble the Collateral and make it available to such Ally Party(ies) at a reasonably convenient place designated by such Ally Party(ies), including Dealership premises. Dealership irrevocably authorizes and empowers each of the Ally Parties and their agents to enter upon the premises where the Collateral is located and remove it or render portions of it unusable ("Collateral Recovery"). Dealership irrevocably waives any bonds, surety, or security which may be required by any rule, law, or procedure in connection with Collateral Recovery.
4. Suit at Law or in Equity. Either or both of the Ally Parties may institute proceedings in a proper court of law or equity to enforce any and all provisional remedies such Ally Party(ies) have at law or equity, including injunctive relief and action for possession of Collateral, an order for accounting, appointment of a receiver or examiner, or the like. Either or both of the Ally Parties may apply for and have granted any equitable or other legal relief appropriate to enforce any right or remedy including specific performance and the issuance of any ex parte preliminary injunction to protect the Collateral.
5. Consolidation of Collateral. Upon request by either or both of the Ally Parties, Dealership must consolidate and assemble the Collateral to minimize the number of collateral locations in order to facilitate the Ally Parties' rights to inspect, monitor, and liquidate Collateral.
6. Refrain from Movement or Disposition. Upon request by either or both of the Ally Parties, Dealership will:
- i. cease the movement of all Vehicles and other Collateral; and
 - ii. refrain from selling, leasing, or otherwise disposing of any Vehicles or other Collateral without the prior written consent of each of the Ally Parties.
7. Turnover of All Proceeds. All amounts received by Dealership or Vroom upon the sale, lease, or other disposition of any Vehicle must be paid to the Ally Parties even if it exceeds the specific amount for which the Ally Parties provided Inventory Financing for that Vehicle. Payments may be applied by the Ally Parties to the Obligations, as determined by the Ally Parties, unless otherwise required by law.

8. Direct Collection of Collateral. Either or both of the Ally Parties may make direct collection of any Collateral in the possession or control of any third party, including, but not limited to, chattel paper, accounts, accounts with Vehicle Sellers, instruments, and proceeds.
9. Disposition of Collateral. Following total or partial Collateral Recovery, either or both of the Ally Parties may sell, lease, or otherwise dispose of all or any portion of the Collateral not less than ten (10) calendar days after giving Dealership written notice of the public or private sale or as permitted by law which it proposes for the account of Dealership. The sale of Vehicles at an auction at which only other dealers or Vehicle Sellers are generally invited to attend is deemed to be a "private sale."
10. "Commercially Reasonable" Defined. Any of the following, nonexclusive, methods of Collateral disposition is deemed "commercially reasonable" in accordance with Article 9 of the Uniform Commercial Code:
 - i. repurchase of any Vehicle, parts, or accessories manufactured by the original Vehicle Seller pursuant to the terms of a repurchase agreement between such Ally Party and Vehicle Seller, in accordance with a franchise granted to Dealership by the Vehicle Seller or pursuant to any applicable state law that requires a repurchase of Vehicles, parts, or accessories;
 - ii. sale of any parts or accessories to the highest bidder in an auction sale, in lieu of a sale to a Vehicle Seller pursuant to a repurchase agreement, where the proceeds to either or both of the Ally Parties are reasonably believed to be higher than they would be under the repurchase agreement;
 - iii. sale to the highest cash bid from dealers in the type of property repossessed, whether in bulk or parcels; and
 - iv. sale at any physical or virtual auction, including SmartAuction, at which only dealers of multiple or single Vehicle manufacturer are generally invited to attend.
11. Deficiency. Dealership must fully and immediately pay to each of the Ally Parties any deficiency remaining after disposition of the Collateral, except to the extent expressly modified by each of the Ally Parties in writing.
12. Limited Power of Attorney. Dealership hereby irrevocably appoints each of Bank and Ally, acting through any of their respective officers and employees, its true and lawful attorney for and in its name, stead, and behalf as if fully done by Dealership, upon the occurrence of an event of Default, to sign, endorse, execute, negotiate, compromise, settle, complete, and deliver:
 - i. any invoice, bill of sale, certificate of title, manufacturer's certificate of origin, application, and any other instrument or document pertaining to title or ownership or the transference thereof of any Collateral;
 - ii. any financing statement, notice, filing, or document pertaining to the enforcement of the Security Interest in Collateral; and
 - iii. any check, draft, certificate of deposit, credit voucher, or any other medium of payment, insurance claims, proof of loss, instrument, or document pertaining to or proceeds of any Collateral;

This limited power of attorney is coupled with an interest and may be relied upon by any third party without any duty to inquire as to its continued effectiveness. Neither Bank nor Ally will be

liable for any acts or omissions, nor for any error of judgment or mistake of law or fact in the exercise of any authorization under this limited power of attorney.

13. Default Rate of Interest. To the extent permitted by law, each of the Ally Parties may immediately assess a default rate of Interest up to the current rate of Interest plus [***] percent ([***]%).
14. Duty of Care. Neither of the Ally Parties has any duty as to the collection or protection of Collateral, nor as to the preservation of any rights pertaining to it, except for the use of reasonable care in the custody and preservation of the Collateral when in the possession of such Ally Party.
15. Suspend Credit Lines. Bank and/or Ally may suspend any and all Inventory Financing accommodations to Dealership. Suspension may occur without any advance notice to or demand upon Dealership. Any suspension is prospective only and will not affect the Inventory Financing previously provided to Dealership or for which either or both of the Ally Parties is obligated to provide to a Vehicle Seller.

K. Additional Provisions.

1. Authenticity and Authority. Each of the Ally Parties may rely and act upon any form of communication purportedly sent by Dealership as the authentic and duly authorized act of Dealership, in the implementation or furtherance of the purposes of this Agreement, whether by electronic, computer, telegraphic, facsimile, telephonic, personal or paper delivery, transmission, or otherwise; provided such Ally Party:
 - i. acts in good faith;
 - ii. has no actual knowledge of information to the contrary; and
 - iii. the practice is customary with dealers generally or Dealership specifically.

The Ally Parties have no obligation to scrutinize, inquire, or confirm any communication.

2. Written Waivers Only. A waiver, release, estoppel, or defense of any provision of this Agreement is effective only if it is in writing signed by the party sought to be bound by it.
 - i. No course of dealing nor the delay or failure of either or both of the Ally Parties to enforce any right or remedy, in whole or in part, to demand payment or to declare an event of Default under this Agreement will:
 - i. alter or affect any of Dealership's obligations or such Ally Party's(ies') rights and remedies; or
 - ii. operate as a waiver, release, estoppel, or defense thereof.
 - ii. Conversely, any notice to or demand on Dealership by either or both of the Ally Parties in any event not specifically required under this Agreement does not entitle Dealership to any other or further notice or demand in the same, similar, or other circumstances unless specifically required by this Agreement.
 - iii. There can be no waiver of this Subsection III.K.2, except in writing signed by the party against whom the alleged waiver is asserted. Reliance by any party on an oral representation will be deemed unreasonable.

3. Relationship of Ally Parties and Dealership. The relationship between each of the Ally Parties and Dealership is one of creditor and debtor, respectively, based upon this Agreement and/or Other Financing Accommodations. There is no fiduciary, trust, representative, confidential, partnership, or other special relationship between either of the Ally Parties and Dealership. Dealership is not a counselor, advisor, agent or legal or other representative of Bank or Ally. Neither Bank nor Ally is a counselor, advisor, agent, or legal or other representative of Dealership, except for the limited powers of attorney expressly described in this Agreement, and each of them recognizes the ability, importance, and freedom to consult with any accountants, attorneys, agents, advisors, and business consultants of their choice in connection with the review, execution, and administration of this Agreement. Neither of the Ally Parties controls, supervises, or manages Dealership. The Ally Parties do not have any investment in Dealership, whether equity or otherwise.
4. Relationship with Vehicle Sellers. The Ally Parties do not represent the interests of any Vehicle Seller. The relationships of each of the Ally Parties and Dealership to any Vehicle Seller are separate and distinct from one another. Neither of the Ally Parties is under the control of any Vehicle Seller, despite any business, consultative, investment, ownership, legal, or other relationship either of the Ally Parties may have with one or more Vehicle Seller. Nothing in this Agreement obligates Dealership to obtain Inventory Financing from the Ally Parties based on any relationship that either of the Ally Parties may have with one or more Vehicle Sellers.
5. Assignment. Dealership may not assign or cause the transfer of any duties or obligations under this Agreement without the express prior written consent of each of the Ally Parties. Each of the Ally Parties may freely assign its rights, duties and obligations under this Agreement so long as the assignee assumes all rights, duties and obligations under this Agreement.
6. Amendments. Neither this Agreement nor any related agreement nor any provision hereof or thereof may be modified or amended except pursuant to an agreement or agreements in writing signed by Ally, Bank, Vroom and Dealership.
7. Definitions and Word Meanings. The word “may” or any other term in this Agreement signifying a permissive, elective, or optional right of a party to act or decide, or to refuse to act or decide, will mean and be construed as providing the complete and absolute prerogative of that party to do so in its sole, unfettered discretion. The word “will” is a mandatory word denoting an obligation to pay or perform. Otherwise, unless the context otherwise clearly requires, the terms used in this Agreement must be given the meaning ascribed to them in accordance with the capitalized definitions established throughout this Agreement; the Uniform Commercial Code, as amended from time to time; and common and ordinary usage in law and commercial practice, respectively.
8. Section Captions. The captions inserted at the beginning of each article, section, and subsection are for convenience only and do not limit, enlarge, modify, explain, or define the text thereof nor affect the construction or interpretation of this Agreement.
9. Effective. This Agreement substitutes and supersedes any previously executed agreement between Dealership or Vroom and either or both of the Ally Parties concerning wholesale inventory floor plan finance accommodations and will govern Dealership’s inventory floor plan finance indebtedness to each of the Ally Parties now outstanding under any prior agreement (e.g., Wholesale Security Agreement, Bank or Ally Form 178 and all amendments to it) or incurred under this Agreement. This Agreement is not a novation or transformation of any prior obligation but merely restates and substitutes for any prior agreement related to inventory floor plan finance accommodations.
10. Termination. This Agreement is effective until terminated upon the earlier of (i) the Maturity Date, (ii) an event of Default, at the non-defaulting party’s option exercised by sending written notice of termination to the defaulting party, or (iii) after receipt of a written notice of termination

sent as outlined below. Termination will not relieve any party from any duty or obligation incurred, or right, waiver, modification, or benefit bestowed, prior to the effective date of the termination.

- i. Dealership may at any time and for any or no reason provide written notice of termination to the Ally Parties that Dealership will no longer request the Ally Parties to provide additional Inventory Financing under this Agreement, and within sixty (60) days of sending this notice, Dealership will pay to the Ally Parties in full the Wholesale Outstandings, accrued Interest, late charges, expenses, Other Charges and any other payment obligations under this Agreement then outstanding. Provided that Dealership has not received notice indicating that one of the Ally Parties has assigned the Wholesale Outstandings owed by Dealership to such Ally Party and its rights, duties and obligations under this Agreement to another party ("Assignee"), Dealership's termination pursuant to this Subsection III.K.10(a) will apply to both of the Ally Parties.
 - ii. In the event that Dealership has received notice indicating that one of the Ally Parties has assigned the Wholesale Outstandings owed to such Ally Party and its rights, duties and obligations under this Agreement to an Assignee, then Dealership may provide written notice of termination to one of the Ally Parties or its Assignee that Dealership will no longer request such party to provide additional Inventory Financing under this Agreement, and at the time of sending this notice, Dealership will immediately pay to such party in full the Wholesale Outstandings, accrued Interest, late charges, expenses, Other Charges and any other payment obligations under this Agreement then outstanding to such party.
11. **Binding.** This Agreement is binding on Bank, Ally, and Dealership and their respective successors, administrators, and assigns.
12. **No Third Party Beneficiary.** Except as outlined in Section III.D.7, no Vehicle Seller or any person (other than Bank, Ally, Dealership, and Vroom) may rely on this Agreement or any term or provision contained in this Agreement.
13. **Severability.** Any provision of this Agreement prohibited by law is ineffective only to the extent of the prohibition without invalidating the remaining provisions of this Agreement.
14. **Notice.** Any notice required to be given by this Agreement or by law is deemed reasonably and properly given if sent to the other party within the time frame set forth in this Agreement, but in any event no less than ten (10) calendar days, at the address set forth in Section I above by any one of the following nonexclusive methods:
 - (a) United States certified, registered, or first class mail, postage prepaid;
 - (b) Use of a commercially recognized express delivery service;
 - (c) Electronic mail or facsimile transmission; or
 - (d) Personal delivery.
15. **Separate Credit Accommodations.** Despite the fact that Ally may be acting as a servicer or agent on behalf of Bank, Dealership recognizes that Ally and Bank are providing separate credit accommodations to Dealership with the terms consolidated in a single document and credit line for the convenience of the parties. Bank is not responsible for the performance or conduct of Ally and Ally is not responsible for the performance or conduct of Bank. Dealership shall not assert against Bank any claim, defense or set-off relating to Ally and Dealership will not assert against Ally any claim, defense or set-off relating to Bank. This Agreement does not create any rights and obligations between Ally and Bank.

16. Time of the Essence. Time is of the essence as to this Agreement. There is no grace period, right to cure, or other indulgence provided in the terms and conditions of this Agreement unless expressly provided for in this Agreement or in a separate writing signed by the party against whom it is asserted.
17. Entire Agreement. This Agreement, together with the other Credit Documents, reflects the entire understanding of Bank, Ally, Vroom and Dealership concerning wholesale inventory floor plan finance accommodations and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof. There are no other oral or implied agreements, understandings or representations among them. Dealership has not relied on any statement, promise, or representation made by anyone connected with Bank or Ally, except as provided in this Agreement or any related document.
18. No Interpretive Presumptions. The language in this Agreement will be construed according to the fair and usual meaning of the language and will not be strictly construed for or against either party.
19. Continued Cooperation. Dealership will execute and deliver to each of the Ally Parties any and all documents, notices, instruments, and other writings and perform all acts reasonably necessary and appropriate to fully implement the terms and conditions of this Agreement.
20. Use of Pronouns. All personal pronouns, whether used in the masculine, feminine or neuter gender, will include all other genders; the singular will include plural, and the plural will include the singular.
21. Counterparts. This Agreement may be signed in counterparts, each of which is deemed an original and all of which taken together constitute one and the same agreement. Any electronically placed or delivered (e.g., via fax or email) signatures of the parties constitute and are deemed original signatures for all purposes.
22. Quarterly Executive Committee Meetings. The Ally Parties, Dealership and Vroom agree to conduct an "Executive Committee Meeting" each quarter, at such times and locations as may be agreed to by the parties
 - (a) Participants may include, without limitation, Vroom's CEO, CFO, Chief Revenue Officer, VP of Consumer Finance and Treasurer, and the Ally Parties' Regional VP, Regional Executive Director and Sr. Director with responsibility for Vroom's account
 - (b) The topics to be discussed may include, without limitation used vehicle market conditions, the monthly, quarterly and annual results reflected in the financial statements provided by Vroom, and Vroom's forecasted acquisition plans as they relate to floorplan capacity.
 - (c) Matters discussed at the Executive Committee Meeting and materials prepared by the parties in connection therewith shall be held in confidence.

Agreed to as of the Effective Date.

[Signature page to Inventory Financing and Security Agreement dated as of November 4, 2022.]

Ally Bank

By: /s/ Stephen B. Gambrel

Name: Stephen B. Gambrel

Title: Authorized Representative

Date: 11/4/2022

Vroom Automotive, LLC

By: /s/ Robert R. Krakowiak

Name: Robert R. Krakowiak

Title: Chief Financial Officer

Date: 11/4/2022

Ally Financial Inc.

By: /s/ Stephen B. Gambrel

Name: Stephen B. Gambrel

Title: Authorized Representative

Date: 11/4/2022

Vroom, Inc.

By: /s/ Robert R. Krakowiak

Name: Robert R. Krakowiak

Title: Chief Financial Officer

Date: 11/4/2022

CERTIFICATION

I, Thomas H. Shortt, certify that:

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

Date: November 7, 2022

By: _____
/s/ Thomas H. Shortt
Thomas H. Shortt
Chief Executive Officer
(principal executive officer)

CERTIFICATION

I, Robert R. Krakowiak, certify that:

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

Date: November 7, 2022

By:

/s/ Robert R. Krakowiak
Robert R. Krakowiak
Chief Financial Officer
(*principal financial officer*)

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

In connection with the Quarterly Report on Form 10-Q of Vroom, Inc. (the "Company") for the period ended September 30, 2022 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, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2022

By: _____ /s/ Thomas H. Shortt
Thomas H. Shortt
Chief Executive Officer
(principal executive officer)

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

In connection with the Quarterly Report on Form 10-Q of Vroom, Inc. (the "Company") for the period ended September 30, 2022 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, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2022

By: _____
/s/ Robert R. Krakowiak
Robert R. Krakowiak
Chief Financial Officer
(*principal financial officer*)
