vroom®

# 2021 annual report


our mission:
HELP PEOPLE FIND THEIR DRIVE
vroom

# LETTER TO OUR VALUED STOCKHOLDERS

Dear Fellow Stockholders,

2021 was a year of tremendous growth for Vroom, not only in terms of unit sales, but in the operational breadth of our business. We reached new markets with our last-mile delivery and pick-up service, substantially increased consumer sourcing, and made highly-strategic acquisitions. I'm especially proud of how our team adjusted to challenging market conditions, including supply chain issues, never-before-seen pricing dynamics and labor shortages. Our hybrid approach to operations allowed us to adjust quickly and still deliver strong growth and expanded year-over-year gross profit per unit. While we still have work to do to improve our operations, we now have a strong foundation that allows Vroom to improve our customer experience, match consumer demand and accelerate our flywheel as we focus on driving profitability for the business. Here's a few highlights of our most significant accomplishments:

- Achieved triple-digit ecommerce unit growth (up 117% YoY) reflecting our increased processing capacity across the business, healthy used vehicle demand and growing brand awareness.
- Increased gross profit (by 183% YoY) and expanded gross profit per unit (GPPU) showcasing our ability to strongly execute in a dynamic, shifting environment across all areas of our business including vehicle, product, and wholesale.
- Exceeded supply chain targets including last-mile delivery penetration to 61% of all ecommerce deliveries at the end of the year and doubling the number of reconditioning centers allowing us to be within 100 miles of a significant portion of the U.S. population.
- Evolved our marketing, conversion, pricing algorithms, and delivery experiences leading to an increased number of sourced retail units from consumers (76% at the end of the year vs. 40% in the fourth quarter of 2020).
- Completed the acquisition of CarStory allowing us to continue to grow in a rapidly-shifting marketplace. CarStory's AI-powered analytics are the foundation of our pricing strategy and have been instrumental during a time of exceptional vehicle pricing dynamics.
- Announced the acquisition of United Auto Credit Corporation (UACC). UACC accelerates Vroom's development of a captive finance arm, giving us the ability to better serve customers across the credit spectrum, drive enhanced unit economics and improve our overall customer experience.

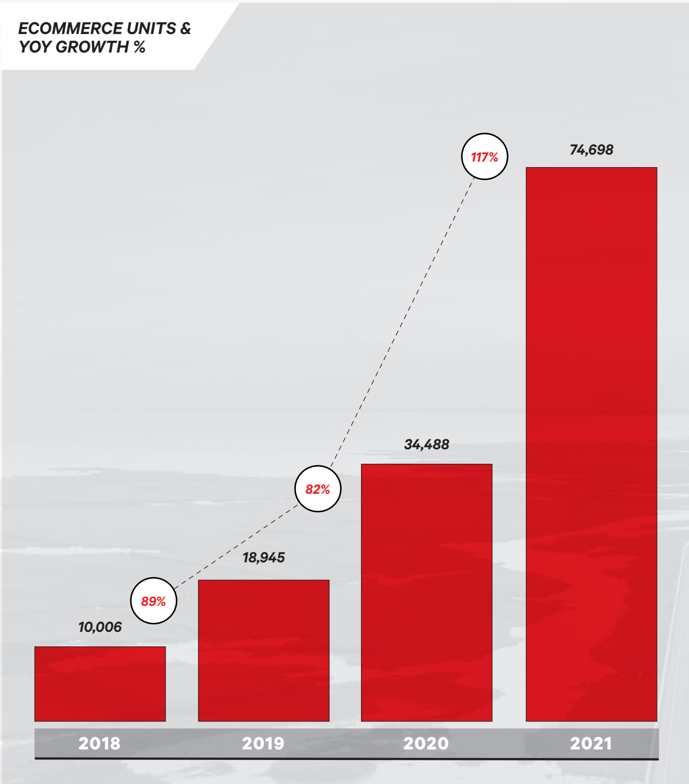
These remarkable achievements are a direct result of the hard work our employees have put into building our business and I want to thank them for their continued dedication. Their contributions allowed us to reach levels of scale that seemed unattainable only a few years ago. I'd also like to thank our board members and our investors for their ongoing support as we continue to grow and develop in a dynamic environment.

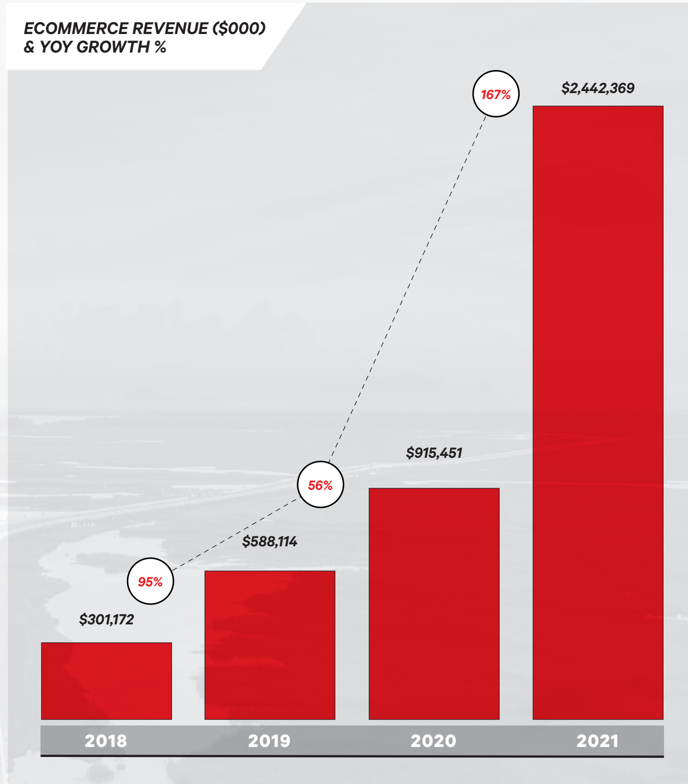
Our work and investments in 2021 have delivered a solid foundation for the coming year that sets us up to continue to drive toward profitable growth. I am excited for the year ahead and believe in the team and model we have built to achieve our vision of building the world's premier platform to research, discover, buy, and sell vehicles.

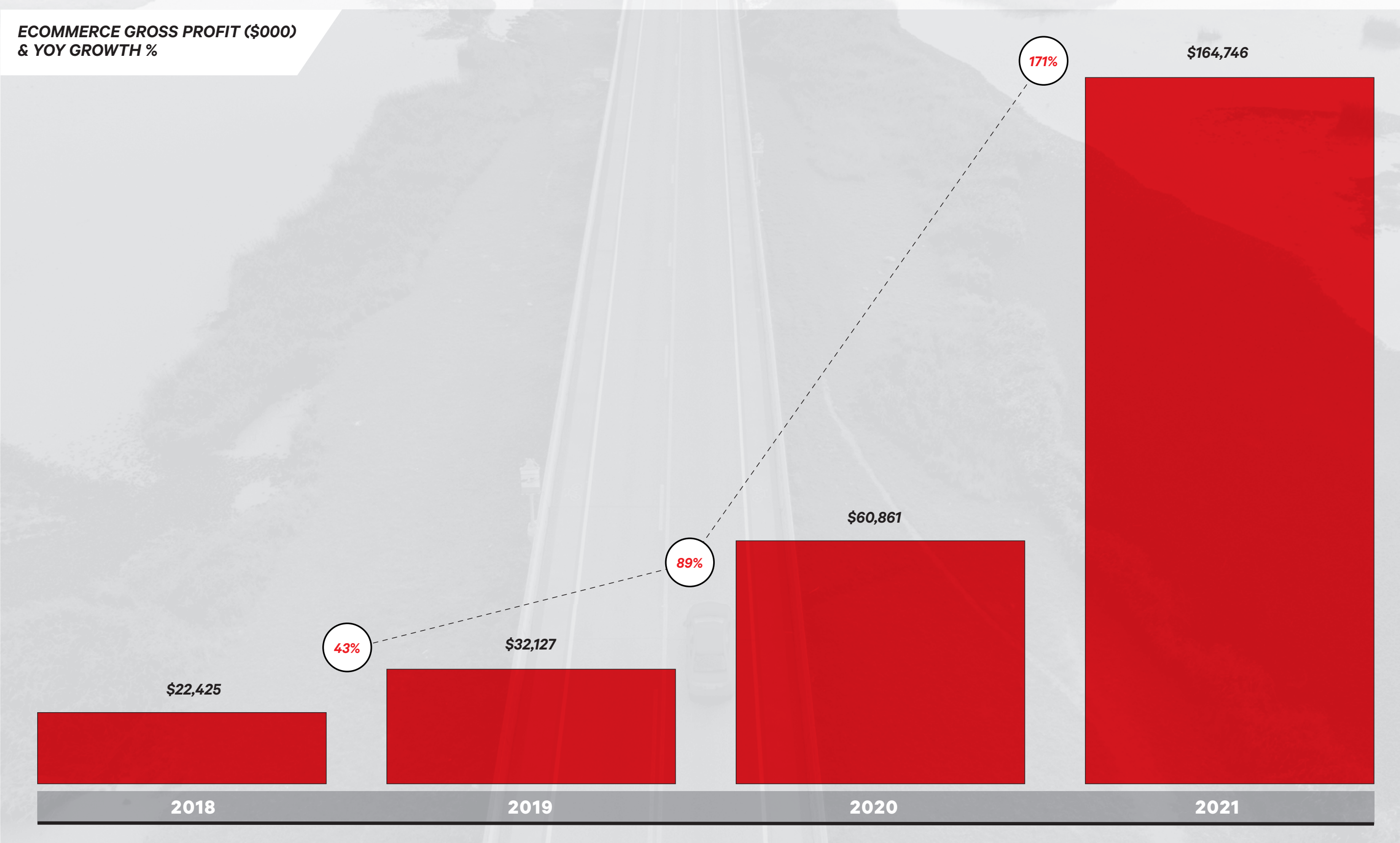
> ***"our work and investments in 2021 have delivered a solid foundation for the coming year."***

***paul j. hennessy***
*CHIEF EXECUTIVE OFFICER*

# 2021 BUSINESS RESULTS



# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**WASHINGTON, D.C. 20549**

# FORM 10-K

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

**For the fiscal year ended December 31, 2021**

**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** | **901112566** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification Number)** |

**1375 Broadway, Floor 11**
**New York, New York 10018**
**(Address of principal executive offices) (Zip code)**

**(855) 524-1300**
**(Registrant's telephone number, including area code)**

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 |

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES ☒ NO ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. YES ☐ NO ☒

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 June 30, 2021, the aggregate market value of the common stock of the registrant held by non-affiliates was $4.9 billion based on the closing price of the common stock on The Nasdaq Global Select Market of the Nasdaq Stock Market LLC on such date.

As of February 24, 2022, 137,121,893 shares of the registrants' common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the information required to be furnished pursuant to Part III of this Annual Report on Form 10-K will be set forth in, and incorporated by reference from, the registrant's definitive proxy statement for the annual meeting of stockholders which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year ended December 31, 2021.

## TABLE OF CONTENTS

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report on Form 10-K, including statements regarding 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 Annual Report on Form 10-K 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 sections titled "Risk Factors," “Summary Risk Factors” and elsewhere in this Annual Report on Form 10-K.

Other sections of this Annual Report on Form 10-K 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K and the documents that we reference or incorporate by reference in this Annual Report on Form 10-K 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 I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K. 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:

- the impact of the COVID-19 pandemic;
- 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, and our revenue growth rate may decline;
- 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 may not be indicative of our future growth;
- if we continue to grow rapidly, 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 acquisition of UACC 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 any difficulties experienced in these arrangements could 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 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 expanding 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 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

### Item 1. Business

### Overview

Vroom, Inc., which was incorporated under the laws of the State of Delaware in 2012, is a holding company that conducts its operations through its subsidiaries. Vroom, Inc. completed its initial public offering ("IPO") in June 2020 and its common stock trades on The Nasdaq Global Select Market ("Nasdaq") under the symbol VRM. Unless the context otherwise requires, references herein to "Vroom", "the Company", "we", "us" or "our" refer to Vroom and its consolidated subsidiaries. Vroom also operates the Texas Direct Auto ("TDA") and CarStory brands.

Vroom is a leading ecommerce used automotive retailer. The Company's scalable, data-driven technology brings all phases of the car buying and selling process to consumers wherever they are, and offers an extensive selection of used vehicles, transparent pricing, competitive financing, and at-home pick-up and delivery. On January 7, 2021, Vroom completed the acquisition of the CarStory business, a leader in AI-powered analytics and digital services for automotive retail, through the acquisition of 100% of Vast Holdings, Inc. On February 1, 2022, Vroom completed the acquisition of United Auto Credit Corporation ("UACC"), a leader in automotive finance, for a cash purchase price of $300 million, subject to customary purchase price adjustments. The acquisition accelerates Vroom's strategy to develop a captive financing arm and UACC's platform brings with it financing expertise and extensive application processing, underwriting, securitization, and servicing capabilities. UACC also remains committed to serving and expanding its network of dealership customers.

### Our Company

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. We take a vertically integrated, hybrid asset-light approach, leveraging the benefits of national scale and local efficiency, 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, 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, original equipment manufacturers ("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 an 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 expanding last mile 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 enable us to fine tune our supply, sourcing and logistics models and to streamline our reconditioning processes.

The U.S. used automotive market is the largest consumer product category and is highly fragmented with over 42,000 dealers as of 2020 and millions of peer-to-peer transactions. It also is ripe for disruption as an industry that is notorious for consumer dissatisfaction and has one of the lowest levels of ecommerce penetration. 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 and cannot offer consumers what we offer.

## Our Industry and Market Opportunity

The U.S. used automotive industry is a massive market that is ripe for disruption due to its fragmentation, high level of consumer dissatisfaction, changing consumer buying patterns and lack of ecommerce and technology penetration.

### *The U.S. Used Automotive Market is Massive and Highly Fragmented*

In 2019, the U.S. used automotive market was the largest consumer product category, generating approximately $841 billion from sales. Based on data from Cox Automotive, there were an estimated 40.5 million used vehicle transactions in 2021, compared to approximately 37.2 million transactions in 2020. The U.S. used automotive market is also highly fragmented with approximately 42,000 automotive dealers as of 2020 and millions of peer-to-peer transactions across the country. Across all used vehicle sales in 2018, the largest U.S. used vehicle dealer had a market-share of only 1.9%, with the top 100 used vehicle dealers collectively representing only 9.3%.

### *Our Competitors Rely on an Outdated Business Model*

The traditional dealership model involves limited selection, lack of transparency, high pressure sales tactics and inconvenient hours. These shortcomings have caused many consumers to transact on their own, creating a large peer-to-peer market for used vehicles with its own set of challenges for both buyers and sellers, which can entail home visits by strangers, lack of secure payment methods or identity checks, difficulty researching available vehicles and lack of verified vehicle condition. Presented with these alternatives, many consumers are dissatisfied with the traditional automotive buying and selling experience. However, according to the Cox Automotive Car Buyer Journey Study, consumer satisfaction with car buying has increased with digitization, reaching an all-time high of 72% in 2020, presenting an opportunity for our digital buying experience to appeal to these consumers.

### *Consumer Buying Patterns are Changing*

The U.S. retail used automotive market is experiencing shifting consumer buying patterns from in-store towards online purchases. In particular, mobile commerce is poised for even faster growth than broader ecommerce. Consumers are increasingly focused on customized products and personalized services, while also expecting delivery of those products and services on-demand. Our model enables consumers to select not only the make and model of a vehicle, but also the model year, color, trim and options in many combinations, offering a customized shopping experience that is not possible at a traditional dealership or in the peer-to-peer market.

In addition, used is the new “New” as consumers have become increasingly willing to buy used goods. In 2021, 60% of vehicle buyers considered buying a used vehicle before making a purchase decision. The purchase of a used vehicle enables a consumer to obtain a fully reconditioned vehicle at a higher standard of luxury or with highly sought-after features for the same dollar amount as a new, lesser-model vehicle. The COVID-19 pandemic led to 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.

### *The U.S. Used Automotive Market is Growing and Resilient and Ecommerce Penetration is Just Beginning*

American consumers continue to exhibit entrenched vehicle ownership trends with approximately 284 million registered vehicles on the road in 2019, as compared to 279 million in 2018. Further, approximately 91.5% of families in the United States had at least one vehicle in 2018. Additionally, the retail used vehicle market generally has shown resilience through recessionary markets and other challenging economic cycles.

At the same time, the used automotive market has one of the lowest ecommerce penetration levels among consumer product categories. Industry reports estimate that ecommerce penetration will grow to as much as half of all used vehicle sales by 2030. In the Cox Automotive Digitization of End to End Retail Study 2021, 80% of consumers said that they want to make at least part of their vehicle purchase online and 64% of car buyers said that they want to handle more of their purchase online compared to the last time they purchased a vehicle. Furthermore, while it is too soon to measure the long-term impact of the COVID-19 pandemic on consumer behavior, recent surveys indicate a growing willingness to buy a vehicle online and reduced use of public transportation and ride-sharing services, with respondents attributing recent vehicle purchases to the COVID-19 pandemic.

## What We Do: Offer a Better Way

We are driving a better way to buy and a better way to sell used vehicles and bringing about enduring change in the industry. Our platform brings together all phases of the vehicle buying and selling process in a seamless, intuitive and convenient way. We create a climate of trust and provide an exceptional experience with complete transparency by eliminating friction and sales pressure. The traditional auto dealers and peer-to-peer market do not and cannot offer consumers what we offer. We offer a better way.

### *A Better Way to Buy*

For consumers looking to buy a used vehicle, we offer a value proposition that differs markedly from traditional auto dealers and the peer-to-peer market. We are dedicated to helping customers evolve from wary shoppers to confident owners by streamlining the entire buying process, from discovery through financing to delivery, by offering the following:

- **Enormous Selection of Inventory.** We currently offer a growing inventory of thousands of low-mileage, high-demand vehicles. By making purchasing decisions based on data rather than intuition, we are able to offer a wide selection of vehicles that excite our customers. Consumers no longer have to settle for traditional dealerships with a limited number of vehicles on hand or scour local peer-to-peer listings and travel to a seller’s location to see a single vehicle.

- **Consistent High Quality.** All of our vehicles pass our detailed inspections and meet our proprietary Vroom Reconditioning Standards, which result in high-quality used vehicles backed by our free Vroom 90-Day Limited Warranty. We never lose sight of the fact that the used vehicles we sell are “new” to our customers.

- **Comprehensive and Transparent Vehicle Information.** We remove the asymmetry of information between dealers and consumers by providing comprehensive and transparent information on the vehicles we sell. We mitigate bait-and-switch risk through high-resolution photography and detailed product descriptions on our platform, which show our customers our vehicles from all angles, highlight imperfections and provide third-party vehicle history reports on all of our vehicles.

- **Customized Vehicle Search and Discovery.** In addition to the size and diversity of our inventory selection, we provide buyers with a personalized, intuitive interface with detailed sorting, searching and filtering functionality. This enables our customers to research and discover the right car for their unique needs.

- **Competitive, Market-based Pricing.** We price our vehicles using data science and proprietary algorithms, ensuring that buyers receive attractive, market-based, no-haggle pricing. Our pricing strategy takes into account hundreds of variables when determining the accurate market price of a vehicle, including items beyond make, model and color that are unavailable to traditional dealerships, such as proprietary historical purchase and sales data.

- **Exceptional Customer Support.** Our professional customer experience team accompanies the buyer through every step of the process to make sure all questions are answered and any concerns are addressed. In all of our customer interactions, our goal is to ensure that every customer is a delighted customer.

- **On-Demand Shopping and Contact-Free, Convenient Delivery Experience.** We offer customers the ability to shop for their desired vehicle at any time, on any device and from any location. We also deliver our vehicles nationwide to a location of our customer’s choosing. Our on-demand shopping and contact-free, convenient delivery not only saves our customers a trip to the dealership, it provides the ultimate driveway experience.

- **Seamless, Real-Time Financing Solutions.** We provide seamlessly integrated, real-time, individualized financing solutions through our strategic partnerships with trusted lenders in automotive finance and give our customers access to competitive market rates. We completed the acquisition of UACC on February 1, 2022, which will become the core platform for our captive financing operations. As a first step in our integration plan, UACC has joined the existing lineup of 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 expanded financing solutions across the credit spectrum and an enhanced customer experience.

- **Value-Added Products.** We offer third-party protection products, such as vehicle service contracts, GAP protection and tire and wheel coverage, all with transparent pricing. As we scale our business, we intend to introduce additional value-added products that will be attractive to our customers and drive revenue and profitable growth.

- **Assurance.** Our Vroom 7-Day Return Program offers customers seven days or 250 miles to test drive their purchase with their family, versus a seven-minute test drive around the block at a dealership. This fundamentally transforms the customers' test drive experience by providing the opportunity to see how their vehicle performs in day-to-day life.

***A Better Way to Sell***

We are revolutionizing the process for consumers to sell or trade-in their vehicles. Consumers typically encounter either low-ball prices from their local dealer or face the prospect of advertising and selling the vehicle themselves in a time-consuming process through the peer-to-peer market. In contrast, we offer consumers the following:

- **Ease of Use.** We offer the ease of online submission of basic vehicle information in order to receive an appraisal. There is no trip to the dealership and no cost to submit a vehicle for sale, but rather a simple, hassle-free process enabling customers to sell us their vehicles.

- **On-Demand Appraisals.** Our Sell Us Your Car® proposition gives customers on-demand appraisals. We utilize our extensive data insights and experience across thousands of transactions to generate a quote that reflects a competitive market-based price, providing customers a fast and easy customer experience.

- **A Real-Time Price on Every Vehicle.** For every vehicle that customers submit for appraisal, we provide a real-time price.

- **No High-Pressure Tactics.** Price quotes are good for seven days or 250 miles. This process allows customers to shop, compare and analyze the sale of their vehicle from the convenience of their home to ensure they are getting the best value, eliminating pressure to take a deal on the spot.

- **Convenient, Contact-Free Vehicle Pick-ups.** Our customers enjoy the convenience of national, at-home contact-free vehicle pick-up free of charge within days of accepting our price.

- **No Hassle Pay-offs.** As an added convenience, we offer hassle-free customer payment and/or pay-off of any loans on the vehicle being sold, saving the customer time and paperwork.

## Our Competitive Strengths

***A Leading Ecommerce Platform for Used Vehicles***

We offer an end-to-end, ecommerce platform for buying, selling, transporting, reconditioning, pricing, financing, registering and delivering vehicles nationwide. Our platform encompasses every element of the customer experience and ensures quality and consistency. Our customer-centric business model addresses the shortcomings of the traditional dealership model and peer-to-peer market. We combine high-quality and high-demand vehicles, asset-light, scalable reconditioning operations, a national logistics network and an exceptional ecommerce experience. In addition, our ability to control the entire customer value chain from demand generation to pick-up or delivery to the customer's driveway creates operating leverage as we scale, further driving the network effects inherent in our business and contributing to our path to profitability.

### *Asset-Light, Scalable Operations*

Through our hybrid asset-light strategy, we seek to optimize the combination of ownership and operation of assets by us with strategic third-party partnerships. Our strategy provides flexibility, agility and speed as we scale our business, without taking on the unnecessary risk and capital investment inherent in direct investment across all of our operations, while allowing for investments in proprietary operations when it advances our strategic objectives.

We employ this hybrid approach across our business and utilize strategic relationships with experienced and trusted providers to optimize reconditioning services, logistics, consumer financing and customer experience. As we scale nationally, we continue to leverage our expanding last mile 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.

- *Reconditioning Facilities.* We combine the use of our proprietary reconditioning center ("Vroom VRC") and third-party vehicle reconditioning centers ("third-party VRCs") to best meet our reconditioning needs as we continue to expand our business. We leverage our partnerships with third parties within the reconditioning industry to recondition approximately three-fourths of the vehicles in our inventory to our Vroom Reconditioning Standards, which creates capacity to scale quickly and efficiently, while simultaneously reducing our capital commitments as we expand our geographic footprint. Going forward, as we continue to scale our business, we intend to add additional proprietary VRCs to our integrated hybrid network to ensure adequate capacity and support our regional operating model.

- *Logistics*. We historically have used third-party carriers for our inbound and outbound logistics operations while also developing our proprietary logistics capabilities. This approach allowed us to efficiently deliver vehicles to customers throughout the United States while focusing on expanding other critical components of our business, such as the volume and selection of vehicles in our inventory. More recently, we have been optimizing this hybrid approach by expanding our proprietary logistics operations, including our owned vehicle fleet. Initially we have been prioritizing investment in our last mile delivery operations, which we expect to both improve our operating leverage and enhance our customer experience. We also have invested in short-haul vehicles to make regional deliveries from our last mile hubs, many of which are located at our third-party VRCs, and line-haul vehicles for hub-to-hub shipments on high-volume routes.

- *Customer Financing*. We currently arrange reliable vehicle financing for our customers by partnering with many of the largest and most trusted banks in the world. We completed the acquisition of UACC on February 1, 2022, which will become the core platform for our captive financing operations. As a first step in our integration plan, UACC has joined the existing lineup of lenders available on our ecommerce platform, which will enable us to expand our financing solutions across the credit spectrum. We are working to integrate and expand UACC's services and develop our captive financing operation, which will enable more customers across the credit spectrum to seamlessly transact on Vroom's platform, while also supporting our sales growth, improving our unit economics and enhancing our customer experience.

- *Customer Experience Team*. In addition to our in-house customer support personnel, we have partnered with a leading customer experience management provider to operate our primary call center providing sales support to our customers. This strategy enables us to centralize our contact center services, ensure consistency in customer interactions, increase conversion and maximize operating efficiencies. We also have engaged two additional customer service providers to expand our customer service operations as we scale our business.

### *Relentless Focus on Data Science*

Data science is at the core of everything we do, and all aspects of our business are enhanced by data analytics. In an industry that historically used intuition and basic industry-wide data to drive purchasing and pricing decisions, we have moved from intuition to algorithm. We are expanding and continuously improving our access to data, using data science and machine learning across our business to maximize efficiency. Our proprietary technology, machine learning and data analytics models continuously optimize our marketing investments and conversion funnel, fine-tune our supply, sourcing and logistics models, calibrate our vehicle pricing, streamline our reconditioning processes and optimize our overall inventory sales velocity. Our CarStory business reinforces and enhances our predictive market data capabilities, as CarStory continues to drive automotive retail innovation as a leader in artificial intelligence-powered analytics and digital services in the automotive space.

### *Continuous Experimentation and Innovation at Scale*

We strive to make key decisions based on data and testing. We continuously experiment using A/B and multivariate testing methodologies to drive conversion, innovation and improved unit economics. We test variables involved in sourcing, buying, reconditioning, and managing our inventory, and make decisions based on the data insights gained from such continuous experimentation. We integrate a full-stack statistics engine that is connected to our front-and back-end operations, enabling us to A/B test across all aspects of our business, including our marketing and conversion funnel, inventory procurement, management, refurbishment and sales processes.

### *National Market Penetration and Brand*

Our national presence provides a significant competitive advantage versus local dealerships and regional players that lack scalable technology, operations and logistics, and are unable to take advantage of the efficiencies and lower costs of national brand advertising. We are able to deliver a superior customer experience through the breadth and diversity of our national inventory of thousands of vehicles on our platform. Consumers no longer have to settle for whatever the local dealer has on the lot or scour local peer-to-peer listings and travel to a seller's location for an unknown, time-consuming experience. Additionally, our customers enjoy the convenience of national, at-home delivery and pick-up of vehicles. We also leverage our national marketing campaigns to efficiently increase brand awareness and attract and convert new customers at lower cost. Our brand's national reach provides a significant advantage over local dealers who typically rely on costly local or regional advertising campaigns.

### *Difficult to Replicate Business Model*

Our platform overcomes the unique operational and technological challenges associated with buying and selling used vehicles in an ecommerce channel. Each vehicle that we offer through our platform has a unique vehicle identification number ("VIN") and requires multiple touch points, including appraisal, inspection, reconditioning, photography, pricing and delivery. It requires significant funding sources to finance the acquisition of inventory, the ability to source and manage complex inventory, pricing and appraisal optimization skills, reconditioning expertise and sophisticated logistics capabilities, as well as the ability to provide financing to customers. Given the significance of the purchase to a consumer, it also requires professional customer service and a brand that consumers can trust. These elements make our platform difficult to replicate. Our operational experience and the improvements we have made over time serve as important competitive moats. To succeed, any new entrant to ecommerce used auto sales would require data-driven automotive expertise, ecommerce capabilities and scalable operations integrated in a single platform.

### *Seasoned Leadership Team and an Exceptional Culture*

Our success to date has been built on a culture that reflects our values: *s.p.e.e.d* – obsessive customer **service**, unwavering commitment to forward **progress**, appreciation for the diversity and skills of our **employees**, **engagement** and celebration of all we do, and passionate **development** of our people, products, brand, and communities. We maintain a deep commitment to prudent corporate governance, transparency, accountability and collaboration. Our leadership team is comprised of seasoned executives who possess cross-vertical experience in the ecommerce, technology, supply chain, logistics, retail and automotive sectors, and have a demonstrated track record of scaling businesses and achieving profitable growth. Building on lessons learned and experience leading digital disruption in other fields, we believe we can bring the same level of innovation to the automotive retail industry.

## Our Growth Strategies and Path to Profitability

The core elements of our platform—ecommerce, vehicle operations and data science and experimentation—serve as the foundation of our growth strategies and path to profitability.

## Drive Growth

Our business has grown significantly as we have scaled our operations. Our growth is not attributable to a single innovation or breakthrough, but to coalescence around multiple strategies that serve as points on our flywheel. The diversity and number of vehicles in our inventory drive demand and support expanded national marketing to enable us to acquire new customers more cost effectively, allowing us to invest back into our platform to continue to improve the customer experience, all of which drives increased conversion. This flywheel revolves, builds momentum and ultimately propels our business forward as we seek to drive disciplined growth and operating leverage.

***Grow and Optimize Vehicle Inventory***

As a data-driven business, we measure demand at the unique VIN level and use data analytics to inform our pricing and inventory selection. This enables us to curate an optimal inventory that matches market demand signals, driving higher conversion and sales. As we grow, we will continuously refine our inventory mix and expand our offerings across vehicle price points to serve a greater range of customers and increase our demand and conversion opportunities. The acquisition of UACC expands our non-prime capabilities and we expect to increase our offering of lower-price-point vehicles to take advantage of those capabilities.

***Expand Marketing and Maximize ROI***

The strength of our brand and effectiveness of our advertising programs is critical to our ability to attract new customers cost effectively. Leveraging our advanced data analytics, we will continue to invest in national marketing campaigns and targeted performance marketing to identify, attract and convert new customers at lower cost. This strategy provides a significant advantage over local dealers who typically rely on costly local or regional campaigns and enables us to maximize return on our marketing spend. We also run sophisticated digital marketing across various vehicle listing sites, constantly monitoring performance and maximizing ROI with limited reliance on any one platform.

***Deliver Exceptional Customer Experience***

We believe that customer experience is fundamental to our ability to convert consumers into customers, attract new customers and ensure repeat customers. We seek to provide customers with an intuitive, trustworthy and convenient buying and selling experience. We will continue to invest in our platform to further streamline the transaction process for our customers, including providing automated financing capabilities across the full credit spectrum through the acquisition of UACC, as well as invest in expanded customer service operations to support our customers and enhance the customer experience. We will also continue to invest in the development of our mobile experiences to strengthen customer engagement. We believe these investments will lead to greater consumer traffic to our platform, higher levels of customer satisfaction and increased conversion and sales.

***Increase Conversion***

Sales conversion drives revenue growth and is an output of the acceleration of every point on the growth flywheel. We will continue to invest in our technology framework to optimize all aspects of our conversion funnel by constantly A/B testing our web and mobile applications to ensure we are displaying the features and formats that are most likely to resonate with our customers and lead to increased sales. In addition, we expect the acquisition of UACC and the development of a captive financing arm to expand our reach in the non-prime market, improve our customer experience and lead to a further increase in conversion.

**Drive Profitability**

Our business model benefits from network effects and significant operating leverage as it scales. We believe that improvements in our unit economics are the foundation to driving profitability and will be achieved by scaling and optimizing the following elements of our platform:

***Optimize Vehicle Acquisition and Pricing***

We strategically source inventory from consumers, auctions, rental car companies, OEMs and dealers. We improve our ability to acquire the right vehicle at the right price through enhanced supply science across all our sourcing channels. We are expanding our national marketing efforts featuring our Sell Us Your Car® proposition to further drive consumer sourcing. As a result, we expect to continue to purchase the substantial majority of vehicles in our inventory from consumers, which typically generates higher gross profit per unit when sold compared to other inventory sources. In parallel, we continue to invest in data analytics and machine learning to optimize vehicle acquisition and pricing, increase sales velocity and drive profitability. We also are exploring and testing third-party inventory strategies, which offers the possibility of expanding our sourcing channels while offering attractive revenue models in an asset light, debt free structure.

### *Increase Reconditioning Capacity*

As we scale our business, we intend to continue to invest in increased reconditioning capacity. In addition to achieving cost savings and operational efficiencies, we will be focused on lowering our days to sale to improve working capital efficiency. We will continue to employ a hybrid approach that combines the use of proprietary VRCs with geographically dispersed third-party VRCs to best meet our reconditioning needs. To do so, we have expanded our third-party VRC locations to provide added scale with reduced lead-time and greater flexibility. We also intend to add more proprietary VRCs into our integrated hybrid network to ensure adequate capacity and support our regional operating model. One of our third-party VRC providers, which also hosts a number of our last mile hubs, recently announced a change of control that will require us to replace that provider with increased capacity at our other existing providers, new providers or additional proprietary VRCs. As we search for additional VRC locations, leveraging our data analytics and deep industry experience, we take into account a combination of factors, including proximity to customers, transportation costs, access to inbound inventory and the ability to expand capacity at our third-party partners' specific locations. All of these initiatives are designed to lower reconditioning costs and inbound shipping costs per unit, and thereby improve per unit economics while enhancing the customer experience.

### *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. In addition, our recent acquisition of UACC enables us to accelerate the establishment of our captive financing capabilities. We expect that with further investment and our continued integration efforts, the acquisition of UACC will allow us to increase ecommerce unit sales, expand our penetration into sales to customers across the credit spectrum, and accelerate total revenue growth. In addition, we expect captive financing for our customers to lead to improved unit economics, which will accelerate our path to profitability.

### *Expand our Offering of Value-Added Products*

Every vehicle sale has the potential for additional revenue streams, including fees from the sale of value-added products. As we expand our business, we believe there are substantial opportunities to increase attachment rates on our existing value-added products through training, merchandising and technology enhancements. Introducing new types of vehicle related protection products can provide additional revenues going forward. Because we are paid fees on the value-added products we sell, our gross profit on such products is equal to the revenue we generate on such sales. In addition to expanding our offering of value-added products, in the longer term, we see a significant opportunity to provide our customers with complementary services. The addition of new value-added products and services will not only increase our product offerings and profitability but will also strengthen and extend our interactions with customers.

### *Strategically Develop Logistics Network*

For our logistics operations, we historically used primarily national third-party carriers, which has allowed us to efficiently deliver vehicles to customers throughout the United States while focusing on expanding other critical components of our business, such as the volume and selection of vehicles in our inventory. We optimized 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 strategy enhanced the flexibility, agility and speed of our growth while reducing the need for additional capital commitments as we scaled our business. We have been accelerating our strategy to optimize our hybrid approach by expanding our proprietary logistics networks due to a confluence of factors, including increased shipping prices and delays during the COVID-19 pandemic from a reduced supply of carriers and increased demand for carriers from competitors, as well as our desire to improve the quality and reliability of our logistics operations and enhance our customer experience. We have been prioritizing investment in our last mile delivery operations, where we can have the greatest impact on the customer experience, and also are investing 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. Consistent with our hybrid approach and the continued development of our regional operating model as we continue to scale our business, we will strategically combine the operation of our expanded proprietary fleet with the use of third-party carriers, which will enable us to accommodate our rapid growth, improve our operating leverage and provide the highest level of customer service.

### *Leverage 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. As we pursue our path to profitability, our national vehicle operations enable us to leverage a regional operating model to reduce our operating expenses, increase our operating leverage and improve our unit economics, while also enhancing our customer experience. We believe that the regional operating model will increasingly enhance our approach to each component of our vehicle operations.

## Capitalize on New Product and Market Opportunities

### *Expand our Platform to Additional Products and Markets*

We have designed and built an innovative platform with countless potential applications. We have the potential to leverage our platform for expansion into adjacent areas of technology-enabled commerce and fully deploy our technology, data analytics and business experience to take advantage of the opportunities this creates. We will have the flexibility to strategically pursue opportunities across markets, potentially including additional transportation and vehicle markets, global geographic markets and B-to-B business models.

### *Continue to Innovate on New Capabilities*

Technological developments have had a significant impact on the automobile industry and are expected to continue to have an impact for the foreseeable future. Electrification and shared mobility in particular are expected to have a transformative impact on road transportation. We continuously monitor developments in autonomy, ride-hailing and ride-sharing as it relates to the overall automotive market, and we are well-positioned to expand our capabilities to participate actively as the industry evolves. As the automotive landscape develops, we will seek to capitalize on new opportunities.

## Vroom Financial Services

We offer our customers seamlessly integrated, real-time financing for their vehicle purchases, which we regard as a critical component of our value proposition. We currently arrange reliable vehicle financing at competitive rates for our customers by partnering with many of the largest and most trusted banks in the world, including Chase, Ally Financial and Santander. Strategic partnerships with such lenders offer convenience, assurance and efficiency for our customers, while providing enhanced revenue streams for us.

In February 2022, we completed our acquisition of UACC, a leading non-prime auto finance company with a nationwide network of over 8,000 independent auto dealers founded in 1996. As a first step in our integration plan, UACC has joined the existing lineup of lenders available on our ecommerce platform, which will enable us to expand our offerings across the credit spectrum. Strategically, the UACC acquisition represents the first step in developing a captive financing operation for Vroom.  As we make further investments in UACC and continue our integration efforts, we expect to develop UACC into a full captive financing arm with disciplined lending expertise, which would enable us to increase our ecommerce unit sales, expand our penetration into sales to customers across the credit spectrum, accelerate total revenue growth, and improve our unit economics.

In addition to its financing expertise, the UACC platform brings with it extensive application processing, underwriting, servicing, and securitization capabilities. We expect UACC to continue to service most of the auto loans it originates. Further, we intend that all loans made by UACC will be funded via existing warehouse lines and sold to third-party investors via forward flow arrangements and off-balance sheet securitization transactions. This originate-to-securitize/sell strategy is designed to enable us to realize the benefits of a captive financing arm while maintaining our asset-light funding strategy.

## Third Party Financial Services

UACC provides funding that allows manufacturer-franchised and independent motor vehicle dealers to finance their customers' purchases of new and used automobiles, light duty trucks and vans. Currently, UACC serves a nationwide network of over 8,000 dealers in 49 states. UACC's lending programs are primarily designed to serve consumers who have limited access to traditional motor vehicle financing. UACC services all of the retail installment sale contracts that it purchases or originates. As of December 31, 2021, UACC serviced a portfolio of approximately 67,000 motor vehicle contracts with an aggregate principal outstanding balance of $636 million. While serving as a captive lender for Vroom, UACC also will continue to provide lending and servicing services to its existing dealer network, and will seek to expand that network over time.

**Our Marketing**

We operate a multi-channel marketing strategy that includes both national brand and digital performance marketing. We leverage various digital performance channels to generate demand among consumers actively in-market to buy or sell a vehicle. This includes aggregator listing sites where we manage the distribution footprint of each VIN by continually optimizing its placement to maximize consumer demand and achieve planned conversion, sales velocity and profitability.

Our national brand campaign through TV and online media, which commenced in the first quarter of 2019, has shown strong momentum in its first three years. Because brand leads convert at a higher rate than all other marketing channels, we believe that continued growth of our national brand marketing campaign and an increasing mix of brand leads will improve our marketing efficiency. We also have expanded our national marketing efforts to feature our Sell Us Your Car® proposition to drive consumer sourcing of vehicles, which typically generate higher gross profit per unit when sold compared to other inventory sources.

We analyze visitor traffic and customer interaction with our platform to identify and correlate visitor behavior with sales conversion. Our analytics enable us to measure and monitor the ROI generated by our marketing placements, which we then use to optimize placement and spend across marketing channels to balance sales velocity and profitability.

**Our Technology**

Technology and data science are the foundation of all of our operations and strategic decision making.

Our team of data scientists and engineers continuously extract and analyze additional information, processing millions of data points daily to create models that inform purchasing, pricing and market decisions, allowing us to understand price elasticity, and also allowing us to price a significant majority of the vehicles we acquire from consumers in just a few seconds. We adjust price as a function of overall market value trend, taking into account competitor inventory, market price fluctuations, and relative inventory advantages.

Core to our underlying technology is the real-time collection of customer and inventory data. We analyze and act on the data in real time. As our systems collect new or updated incoming data signals, those signals are immediately available to downstream systems to trigger parallel event processes. Our technology supports multi-channel engagement with our customers, delivering consistent messaging via the web, in native apps and via email. In cases where customers need attention outside of our ecommerce experience, we provide customer assistance via phone.

In addition, CarStory drives automotive retail innovation by aggregating, optimizing, and distributing current market data from thousands of automotive sources. CarStory tracks over four million unique VINs listed for sale every day. This data is aggregated with demand insights from dealers and enterprise brands to generate accurate price and sales predictions. These predictions are further enhanced by CarStory's proprietary enhanced VIN database, ensuring a comprehensive and accurate view of a vehicle.

We have integrated UACC's underwriting platform into our ecommerce experience. The platform delivers instantaneous risk-adjusted pricing decisions by combining over 25 years of lending and servicing performance data.

**Competition**

The U.S. used vehicle market is highly fragmented, with over 42,000 traditional franchised and independent dealerships nationwide as of 2020 as well as the peer-to-peer market. The players in the used vehicle market can be classified into the following segments:

- 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, CapitalOne Auto Navigator and Rocket Auto;
- 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.

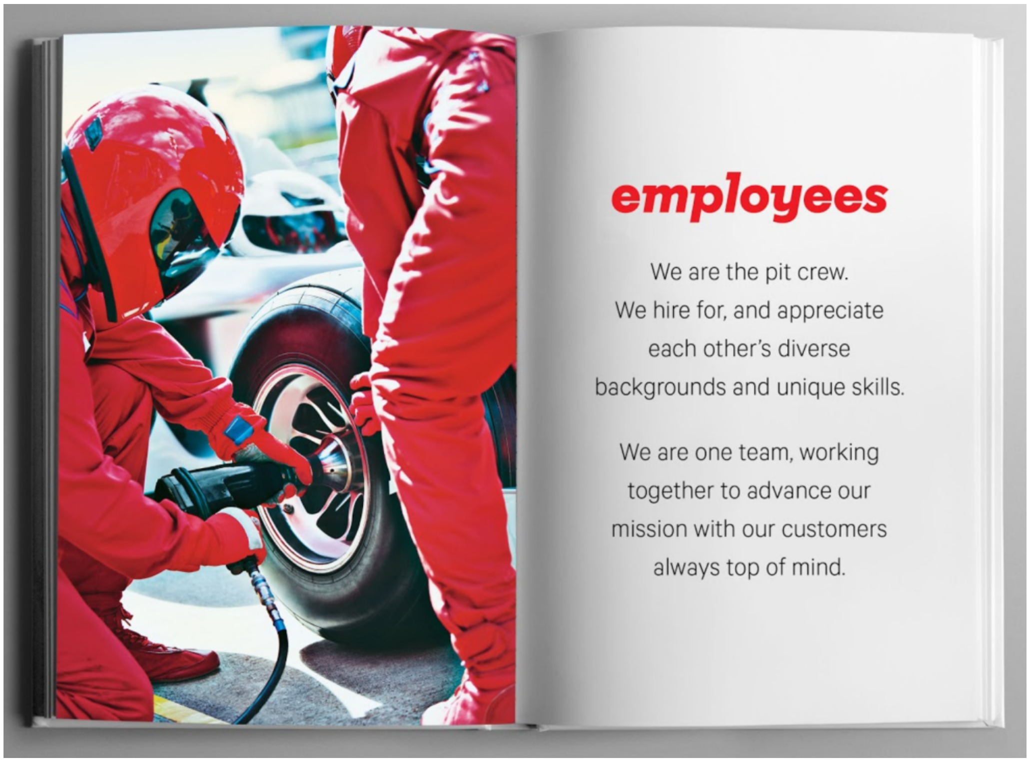
Internet and online automotive sites could change their models to sell used vehicles and compete with us, such as Google, Amazon, AutoTrader.com, Edmunds.com, KBB.com, Autobytel.com, TrueCar.com, CarGurus and Cars.com. In addition, automobile manufacturers such as Ford and Volkswagen could change their 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 sale of used vehicles through ecommerce presents unique operational and technical challenges. See “Business—Our Competitive Strengths—Difficult to Replicate Business Model.”

We view our main competitors to be the traditional auto dealers, who make up the significant portion of U.S. used vehicle sales and are still operating under an outdated business model that is ripe for disruption.

**Description of Human Capital Management**

Vroom believes in and adheres to a core set of values and Rules of the Road that guide our actions at work. Those values are summed up as *s.p.e.e.d*: obsessive customer **service**, unwavering commitment to forward **progress**, an appreciation for the diversity and skills of our **employees**, **engagement** and celebration of all we do, and passionate **development** of our people, products, brand, and communities. Our core values are embedded in our culture through our onboarding, training, operations and communication. All of our employees receive Driver’s Manuals that outline and define these values and all new hires are invited to listen to our Chief Executive Officer and Chief People and Culture Officer discuss the Company’s Mission, Vision, and Values, and those values inform everything we do.

At the center of Vroom’s values are its employees, without whom we could not achieve our vision of building the world’s premier platform to research, discover, buy and sell vehicles.




As of December 31, 2021, Vroom employed a total of 1,807 employees. The total consisted of 1,666 employees across 30 states in the United States and 141 employees based in Belgrade, Serbia. They are spread across reconditioning and logistics (29%), corporate functions (12%), transactional staff (34%), technical and engineering staff (18%), and retail staff (6%). Upon the closing of the UACC acquisition on February 1, 2022, we added an additional 540 employees to our workforce. None of our employees is represented by a labor union. We consider our relationships with our employees to be good and have not experienced any interruptions of operations due to labor disagreements.

***Engaging Talent***

Each year, we conduct an annual engagement survey of our employees, both to measure our employees' collective sentiment, and also to focus our efforts on maintaining a workplace where employees can bring their whole selves to work and do their best work every day. We used our 2020 annual engagement survey to identify key areas for improvement. With broad cross-industry trends showing downward pressure on engagement, we were pleased to make modest progress in our focus areas.

| **Focus Area** | **Empowerment**<br>I am included in decisions that affect my work & my opinions seem to count at work | **Career Development**<br>I see professional growth and career development opportunities for myself in this organization |
|---|---|---|
| **2020 Score** | 61.4% | 62.9% |
| **2021 Score** | 61.9% | 64.7% |
| **20 - 21 Change** | **+.5%** | **+1.8%** |

### *Measuring Talent*

We use a variety of human capital measures in managing our business, including diversity, attrition, hiring, promotions, and leadership. We also use certain talent management metrics, including retention rates of top talent and hiring metrics.

Diversity, Equity, and Inclusion

Diversity, equity and inclusion are cornerstones of the Vroom values, emphasized most strongly in the *s.p.e.e.d.* values of Employees and Engagement. During 2021, we continued our efforts to improve diversity, equity, and inclusion outcomes.

- In 2021, we continued and broadened our listening sessions, including a well-attended session focused on the experience of our Veteran employees.
- Two of the top five increases in engagement scores were on questions centered around diversity and inclusion topics.
- Favorable responses to "*I trust this organization to be fair to all employees"* increased by nearly 6 points.
- The score for "*If I raised a concern about discrimination, I am confident my employer would do what is right*" increased by just over 5 points.
- The percentage of women in our U.S. workforce increased from 40.6% as of December 31, 2020 to 42.1% as of December 31, 2021.
- Based on the self-reported race and ethnicity-related data, diversity in terms of non-white representation among our employees remained high, dropping slightly from 67.9% as of December 31, 2020 to 66.2% on December 31, 2021.

| | **Employee Race and Ethnicity** | | |
|---|---|---|---|
| | **2020** | **2021** | **Change** |
| American Indian / Alaska Native | 0.00% | 0.12% | 0.12% |
| Asian | 8.07% | 8.74% | 0.67% |
| Black / African American | 25.26% | 26.94% | 1.68 |
| Hispanic / Latinx | 29.53% | 24.88% | (4.65)% |
| Native Hawaiian / Pacific Islander | 0.35% | 0.18% | (0.17)% |
| Two or More Races or Ethnicities | 2.54% | 3.40% | 0.86% |
| White | 32.06% | 32.83% | 0.77% |
| I do not wish to answer | 2.19% | 2.91% | 0.72% |
| Total | 100.00% | 100.00% | |

### *Workplace Health & Safety*

Vroom takes a comprehensive approach to workplace health and safety. During 2021, we continued to focus significant efforts on preventing the spread of COVID-19, especially given the in-person nature of the work of many of Vroom's employees, including our reconditioning, titling, and document support staff.

In response to the COVID-19 disruptions, we implemented a number of measures to protect the health and safety of our workforce. These measures include 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. We are following and require all of our on-site vendors to follow the guidance from public health officials and government agencies, including implementation of enhanced cleaning measures, social distancing guidelines, wearing of masks, eliminating non-essential vendor / guest visitation, and requiring temperature checks and health attestations prior to entering buildings. Seating, signage, and cleaning materials have been added to ensure adherence to best practices for employee health and safety during this pandemic. In addition, we have leased additional office space to ensure sufficient in-office capacity while providing adequate spacing of our employees. Where feasible, we operate on a rotating team schedule to reduce exposure and also require any diagnosed or exposed employees to self-isolate for up to two weeks. In response to the COVID-19 pandemic, a cross functional working group was formed to focus on COVID-related matters of space and remote work and continues to meet bi-weekly to ensure up-to-date safety protocols and efficient responses to new information.

We aim to create a working environment where our workforce is empowered and encouraged to make safety a priority. We integrate safety and risk management into our daily operations by focusing on robust training for all employees. With respect to our logistics teams, in 2021, we experienced significant growth and that pressure tested our focus on creating a safe working environment. We initiated our linehaul group during the year, purchasing new tractor trailer car haulers and hiring drivers with commercial driver's licenses, or CDL drivers. With more than 900,000 miles driven in 2021, our CDL drivers finished the year without a single incident reportable to the Department of Transportation. Our last mile group transported over 25,000 vehicles also without such reportable incidents. Adding nearly 100 new drivers in the year, we’re proud of our record of training and safety. As an organization, Vroom finished 2021 with an OSHA recordable rate of 1.60, which we consider a strong safety result.

***Compensation & Rewards***

General Compensation

Our compensation philosophy is driven by the desire to attract and retain top talent, while ensuring that compensation aligns with our corporate and financial objectives and the long-term interests of our stockholders. We have developed a pay structure that offers a competitive total compensation package including base salary, bonus, equity, and other position-specific incentives. Annual bonus plans are tied to both company and individual performance factors.

Our comprehensive benefit plans offer medical, dental and vision insurance and long and short-term disability, as well as flexible spending accounts and other voluntary coverage to all of our employees. We routinely benchmark our salaries and benefits against market peers to ensure our total rewards package remains competitive.

***Communication & Talent Development***

A key part of Vroom’s operating philosophy is ensuring that employees are learning and developing as well as providing input into Vroom’s daily operations. In addition to a standard engagement survey and formal feedback tool, Vroom has implemented a number of systems designed to improve feedback to and from employees. They are described below:

| System / Tool | Description / Purpose |
|---|---|
| Pit Crew Meetings | Frequent small group meetings between employees and a senior leader in the organization to share business updates and surface ideas for improvements in the business and employee experience. |
| Town Hall Style Meetings with Chief Executive Officer | Quarterly town-hall style meetings where business results are shared and employees submit questions to the Chief Executive Officer and Senior Leadership Team regarding a wide range of topics. |
| Check Engine System | An anonymous forum for uncovering problems or challenges in the business that are then addressed by appropriate parties. |
| Pit Crew Feedback | An always-on, multi-rater feedback tool that allows managers to collect feedback from their employee’s key stakeholders at the times when it’s most pertinent. |
| PaceSetter Awards | Quarterly awards that highlight employees in the business who exemplify Vroom’s values. These awards show appreciation while also setting an example for employee interactions. |
| Mission, Vision, Values | The Chief Executive Officer and Chief People and Culture Officer meet with all new hires in interactive sessions to discuss Vroom’s Mission, Vision, and Values in detail. |

The Company offers a number of developmental programs in addition to standard training on compliance-oriented topics. Offerings include content on managing bias, providing effective feedback, utilizing compensation tools, and thoughtful self-evaluation. We look forward to providing even more growth opportunities for the team in 2022.

**Intellectual Property**

The protection of our technology and intellectual property is an important aspect of our business. We seek to protect our intellectual property rights, including our intellectual property rights in our technology, through trademark, trade secret and copyright law, as well as confidentiality agreements, procedures and other contractual commitments and other legal rights. We generally enter into confidentiality agreements and invention assignment agreements with our employees and consultants to control access to, and clarify ownership of, our proprietary information.

As of the date of this Annual Report on Form 10-K, we do not own any U.S. or foreign patents and do not have any U.S. or foreign patent applications pending, except for certain U.S. patents and pending U.S. patent applications we acquired as part of the CarStory acquisition. We own 13 registrations for our trademarks in the United States, including Vroom®, V & Design®, Vroom Get In®, TDA®, DealerLane®, Texas Direct®, Flag and Highway Logo and Sell Us Your Car®; and we hold registered trademarks in Colombia, Chile, the European Union, the United Kingdom, Singapore, Mexico, Canada and Peru for the Vroom® trademark and have a number of pending applications to register the Vroom® trademark in other foreign jurisdictions. We continually review our branding strategies and technology development efforts to assess the existence, registrability, and patentability of new intellectual property.

As part of the CarStory acquisition, we acquired 19 U.S. patents and ten pending U.S. patent applications. In addition, we acquired ten trademark registrations and two applications for trademark registration in the United States, Canada, and Europe, including for VAST® and CARSTORY®.

Intellectual property laws, procedures and restrictions provide only limited protection and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. Further, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States, and, therefore, in certain jurisdictions, we may be unable to protect our proprietary technology, brands, or other intellectual property.

## Government Regulation

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. 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, the U.S. Occupational Health and Safety Administration, the U.S. Department of Justice and the U.S. Federal Communications Commission. 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 six 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.

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 licensed as a dealer in the States of Texas, Florida and Arizona and 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 such states' 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. In addition, we intend to obtain a used vehicle dealer license in certain additional states to maximize operational flexibility and efficiency, enhance our customer experience and invest in relationships with state regulators.

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, and we have obtained a retail installment seller license in Florida in connection with our Florida 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 recently obtained a Pennsylvania installment seller license and expect to resume offering financing to Pennsylvania customers in the future. In addition, we may elect to obtain sales finance or installment seller licenses in certain other states in which our customers reside in order to maximize operational flexibility and efficiency, enhance our customer experience and invest in relationships with state regulators. For example, in January 2021, Vroom filed a consumer credit notice in Indiana to allow greater flexibility to market to Indiana consumers.

In addition, the ongoing expansion of our proprietary logistics operations exposes us to greater regulation from the U.S. Department of Transportation and state transportation regulators.

UACC's financing operations are subject to U.S. federal, state, and local laws and regulations regarding 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 Consumer Financial Protection Bureau ("CFPB") and state consumer protection agencies, including state attorney general offices and state financial regulatory agencies.

We are not operating in the Commonwealth of Massachusetts due to its prohibition on the use of temporary tags, which we typically provide to our customers upon delivery. Although for a portion of 2021, Vroom tested a solution to sell vehicles in Massachusetts and provide customers with vehicle registration and permanent tags upon delivery, we determined that it was not currently practical for us to continue.

In addition to these laws and regulations that apply specifically to the sale and financing of used vehicles, 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 also are subject to laws and regulations affecting public companies, including securities laws and Nasdaq rules.

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

For a discussion of the various risks we face from regulation and compliance matters, see "Risk Factors—Risks Related to Laws and Regulations—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"; "—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"; "—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"; "—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"; "Risk Factors—Risks Related to Our Use of Data and Technology—We are subject to risks related to online payment methods"; "Risk Factors—Risks Related to Our Growth and Strategy—We are expanding 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" and "Risk Factors—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."

**Seasonality**

Used vehicle sales are 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. In line with these macro trends, our gross profit per unit has historically been higher in the first half of the year when compared to the second half of the year. 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."

**Available Information**

Our website address is *www.vroom.com*. The information contained on, or that can be accessed through, our website is deemed not to be incorporated in this Annual Report on Form 10-K or to be part of this Annual Report on Form 10-K or any other report filed with the SEC. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with, or furnish them to, the SEC. The SEC maintains a website at www.sec.gov that contains reports, proxy statements, and other information regarding SEC registrants, including Vroom Inc.

## 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 Annual Report on Form 10-K, 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 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.***

Governmental authorities around the world have implemented measures to reduce the spread of COVID-19. These measures have adversely affected workforces, customers, supply chains, consumer sentiment, economies, and financial markets, and, along with decreased consumer spending, led to an economic downturn across many global economies.

The COVID-19 pandemic rapidly escalated in the United States, creating significant uncertainty and economic disruption, and leading to record levels of unemployment nationally. Numerous state and local jurisdictions imposed, and others in the future may impose, shelter-in-place orders, quarantines, shut-downs or restrictions on operations of non-essential businesses, and similar government orders and restrictions on their residents to control the spread of COVID-19. While such orders or restrictions have been lifted in many jurisdictions, certain of those orders have been or may be re-instated, new orders have been imposed and future orders may be imposed as the COVID-19 pandemic continues and new variants of the virus surface. Such orders or restrictions resulted in temporary facility closures (including certain of our third-party VRCs), work stoppages, slowdowns and travel restrictions, among other effects, thereby adversely impacting our operations. While vaccination efforts have led to the lifting of many of the shut-down orders and restrictions across the country, due to the evolving nature of the COVID-19 crisis, including the spread of new variants of the virus, and the uncertainties surrounding the efficacy of vaccines and other treatments for COVID-19, including with respect to the success of vaccination efforts, we continue to monitor the situation closely and assess the impact on our business.

In response to the COVID-19 disruptions, we implemented a number of measures designed to protect the health and safety of our workforce. These measures included 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. We are following the guidance from public health officials and government agencies, including limiting the number of employees in our office facilities, implementation of enhanced cleaning measures, social distancing guidelines, wearing of masks, eliminating non-essential vendor / guest visitation, and requiring health attestations and temperature checks prior to entering facilities, in each case subject to local requirements. Seating, signage, and cleaning materials have been added to ensure adherence to best practices for employee health and safety during this pandemic. Where feasible, we operate on a rotating team schedule to reduce exposure and also require any diagnosed or exposed employees to self-isolate before returning to work. The TDA dealership, our Stafford, TX reconditioning center and our back-office facility in Houston continued to remain open during the year ended December 31, 2021 and through the date of this Annual Report on Form 10-K. However, 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 were 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. We are now beginning to encourage a broader return to the office for employees who have selected to work in a hybrid or in-person model. All actions will be taken in accordance with updated state and local health and safety guidance and requirements for in-office work. Nevertheless, the unpredictable nature of the virus, its treatment and worker sentiment may further delay routine in-person work and reduce the effectiveness of efforts aimed at improving employee retention; there can be no assurance that there will not be future material disruptions in our workforce. 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, late fee waivers and other assistance programs. Certain governmental authorities, including United States federal, state or local governments, could also enact laws, regulations, executive orders or other guidance that allow borrowers to forego making scheduled payments for some period of time and some states have enacted executive orders that preclude creditors from exercising certain rights or taking certain actions with respect to motor vehicle contracts, including repossession or liquidation of vehicles. UACC's assistance programs and any such governmental programs, if enacted, 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, including the efficacy of vaccines and other treatments for COVID-19, including with respect to the success of vaccination efforts, 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; the operation of TDA; 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 $1,148.8 million as of December 31, 2021. We incurred net losses of $370.9 million and $202.8 million for the years ended December 31, 2021 and 2020, respectively. We may incur significant losses in the future for a number of reasons, including our inability to reduce costs, 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; global pandemics; and increasing competition, as well as other risks described in this Annual Report on Form 10-K, and we may encounter unforeseen expenses, difficulties, complications and delays in achieving profitability.

Additionally, we expect to continue to incur losses as we invest in and strive to grow our business. We expect our operating expenses to increase in the future as we invest in the UACC business and develop it into a captive finance operation, increase our investment in our proprietary logistics operations, increase our advertising and marketing efforts to build our brand, continue to invest in technology development, increase hiring and expand our operating infrastructure. In addition, we continue to incur significant legal, accounting, compliance and other expenses as a public company. As a result of these increased expenditures, we will have to generate and sustain increased revenue 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 $441, or 25.0%, from the year ended December 31, 2020 to December 31, 2021. To reduce our losses, we will need to increase our gross profit per unit by lowering our costs per unit by, among other things, 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, and our revenue growth rate may decline.***

We cannot assure you that we will generate sufficient revenue to offset the cost of maintaining our platform and maintaining and growing our business. Although our revenue grew from $1.4 billion for the year ended December 31, 2020 to $3.2 billion for the year ended December 31, 2021, our revenue growth rate may decline in the future because of a variety of factors, including 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; and increasing competition. We cannot assure you that our revenue will continue to grow or will not decline. You should not consider our historical revenue growth as indicative of our future performance. If our revenue growth rate declines, our business, financial condition and results of operations will be materially and adversely affected.

Further, going forward we expect to make significant investments to further develop and expand 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, increased marketing and other efforts to acquire and retain customers, expanding our customer experience team, developing our technology and data analytics capabilities, adding new features and functionality to our website, mobile application development and expansion of our reconditioning and proprietary 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 growth rate may decline. 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 continue to grow our revenue, our business, financial condition and results of operations could be materially and adversely affected.

***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 December 31, 2021, we had outstanding $512.8 million aggregate principal amount of borrowings under our 2020 Vehicle Floorplan Facility and $625.0 million aggregate principal amount of our 0.75% Convertible Senior Notes due 2026. Our interest expense was $17.7 million for the year ended December 31, 2021 related to the Vehicle Floorplan.

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 2020 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 2020 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 stated intention to increase the federal funds rate in 2022, we expect to pay higher interest under our 2020 Vehicle Floorplan Facility and incur higher interest expense in 2022 compared to 2021. 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 December 31, 2021, we, including our subsidiaries, had approximately $1,123.4 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;

- 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 0.75% convertible senior 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. 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.

***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 0.75% Convertible Senior Notes due 2026 (the “Notes”). 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.

***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 increase our marketing expenditures to improve our brand awareness, build and maintain our inventory of used vehicles, develop our captive finance operation, develop new products or services or further improve existing products and services, expand and enhance our operating and proprietary logistics 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. 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 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 2020 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 2020 Vehicle Floorplan Facility. Outstanding borrowings are due as financed vehicles are sold, and the 2020 Vehicle Floorplan Facility is secured by our vehicle inventory and certain other assets. If we are unable to maintain our 2020 Vehicle Floorplan Facility, which expires in March 2023, 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, 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 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 generally exhibit 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 current 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:

- our ability to attract new customers;
- our ability to develop our captive finance operation;
- 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;
- the scope, impact and timing of any federal economic stimulus checks;
- our ability to maintain sufficient inventory of desirable vehicles;
- 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.

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 may not be indicative of our future growth and, if we continue to grow rapidly, we may not be able to manage our growth effectively.***

Our revenue grew from $1.4 billion for the year ended December 31, 2020 to $3.2 billion for the year ended December 31, 2021. We expect that, in the future, even if our revenue continues to increase, our rate of growth may decline. In any event, we will not be able to grow as fast or at all if we do not:

- 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;

- 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 logistics operations, including our customer delivery experience;

- expand our vehicle reconditioning capacity to satisfy increasing unit value; 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. However, our business is relatively new and has operated at substantial scale for only a limited period of time. Given this limited history, it is difficult to predict whether we will be able to maintain or grow our business. Our historical revenue growth should not be considered indicative of our future performance. We have encountered, and will 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 and increasing expenses as we continue to grow our business. 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. In the event of this 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 has placed and 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 have experienced significant growth in the number of customers on our platform as well as the amount of data that we analyze. Although we have hired additional personnel, our operations have not kept pace with our top-line growth, which has resulted in backlogs in our operations that have adversely affected our customer experience. We expect to continue hiring additional personnel to support our continued rapid growth. In addition, our organizational structure is becoming more complex as we add staff and expand our business focus, 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. 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, we have invested, and continue to invest, in enhancing our foundational systems as we scale our business, including design and expansion of website functionality and features, mobile application development, advancement and deployment of sophisticated data analytics, lean manufacturing technology and logistics network management, and work on all such foundational systems is ongoing. Fundamental to our continued growth and path to profitability 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.

These types of activities and investments subject us to various costs and risks, including increased 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 expanding 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 accelerating our investment in our proprietary logistics operations, including expanding our owned vehicle fleet. Additionally, as of December 31, 2021, we have opened 31 last mile hubs around the country at third-party facilities, through which we will 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 delivery operations and, more recently, have been investing 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. These investments will require additional 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 insurance referral services, 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 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 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 may 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. 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 growth and profitability 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. 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 growth and profitability will depend in part on:

- the effectiveness of our national 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 includes national television campaigns, and performance marketing through digital platforms, including both auto-centric lead generation platforms and broader consumer-facing platforms. We also strategically use targeted radio campaigns and billboards and other local advertising in key markets, and we are expanding our national marketing efforts featuring Sell Us Your Car®. 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. Future growth and profitability will depend in part on the cost and 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 grow rapidly and 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 growth may suffer and 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 grow 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 acquisition of UACC, 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, and a number of our third-party VRCs also host our last-mile delivery hubs. 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. In addition, we are currently experiencing reconditioning constraints due to labor shortages and elevated demand at third-party supply chain partners, which negatively affects our cost structure and throughput. These risks are exacerbated by the fact that slightly more than half of our current third-party VRCs are primarily operated by one third-party provider and, due to recent changes in the reconditioning market, we expect the volume serviced by that provider to increase in the near term.

Moreover, our future growth and profitability depends in part on scaling our reconditioning and last-mile delivery operations and expanding the geographic reach of those operations in order to reduce shipping costs. We have expanded our reconditioning capacity primarily through third-party VRC locations and, as we continue to scale our business, we intend to add additional proprietary VRCs to our integrated hybrid network to ensure adequate capacity. However, there can be no guarantee that we will be able to add additional proprietary VRCs quickly enough to address our capacity needs.

One of our third party VRC providers, Adesa U.S., which also hosts a number of our last-mile hubs, recently announced a change of control transaction pursuant to which Adesa is being acquired by a competitor of Vroom. Adesa has communicated its intent to discontinue its third-party reconditioning services, which will require us to replace Adesa's capacity with increased capacity at our other existing providers, new providers, or additional proprietary VRCs, and relocate the affected last-mile hubs. If for any reason we are unable to replace such reconditioning capacity and expand our reconditioning operations as planned, we could experience operational delays and a decrease in planned inventory. A failure to relocate the affected last-mile hubs could delay our continued expansion of our last-mile operations and hurt our customer experience. A failure to successfully manage the transition away from Adesa or to otherwise manage the risks associated with the operation of our VRCs by us and our third-party service providers could have a material adverse effect on our business, financial condition and results of operations.

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 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 expanding our proprietary logistics network, 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 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 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.

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 9% of our inventory. In addition, more than half of our third-party reconditioning services are 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, attract and integrate 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 attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss of any of our key employees or senior management, including our Chief Executive Officer, Paul J. Hennessy, could materially and adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. 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 attracting well-qualified employees or retaining and motivating existing employees, 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 any difficulties experienced in these arrangements could 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.

Currently, the substantial majority 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. Thus, the customer experience center is fundamental to the success of our business. 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. If the third party’s systems and operations fail or if the third party is otherwise unable to perform its sales function, 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 the customer experience center or 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 growth makes 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 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, 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 our acquisition of UACC. 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 our business and financial condition may be harmed as a result.

***We may not realize the anticipated benefits of the acquisition of UACC 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. In addition, we expect to maintain an asset-light funding approach through the use of forward flow arrangements and off-balance sheet securitization transactions. 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. 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.

***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 future securitizations, and expects to enter into 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, 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 and February 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. 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 its 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. Credit losses are inherent in the automotive finance receivables business and could have a material adverse effect on our results of operations.

UACC makes various assumptions and judgments about the automotive finance receivables it originates and may provide an allowance for loan losses and value beneficial ownership interests based on a number of factors. Although management may establish an allowance for loan losses 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 allowance or 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 originate 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 have 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. 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 69% of our inventory from consumers in 2021. 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 sell inventory. Failure to expeditiously sell our inventory could have a material adverse effect on 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 gross profit per unit and 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, CapitalOne Auto Navigator and Rocket Auto;
- 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. 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 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. Increased environmental regulation has made, and may in the future make, used vehicles more expensive and less desirable for consumers.

In addition, changing trends in consumer tastes, negative business and economic conditions and market volatility may 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 six 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 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.

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 licensed as a dealer in the States of Texas, Florida and Arizona and 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 recently obtained a Pennsylvania installment seller license and expect to resume offering financing to Pennsylvania customers in the future.

Any failure to renew or maintain 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 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.

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, including the California Consumer Privacy Act (the "CCPA"), as amended and expanded by the California Privacy Rights Act ("CPRA") effective January 1, 2023, the Virginia Consumer Data Protection Act, which goes into effect January 1, 2023, and the Colorado Privacy Act, which goes into effect July 1, 2023. 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, the CPRA creates a new California data protection agency specifically tasked to enforce the CCPA, which would likely result in increased regulatory scrutiny of California businesses in the areas of data protection and security. The substantive requirements for businesses subject to the CPRA will become enforceable on July 1, 2023.

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 proposed regulations such as the CCPA 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 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, Bing and Yahoo!, 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 and texasdirectauto.com 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®, and Vast® 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.

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 Annual Report on Form 10-K, as well as the following:

- our operating and financial performance and prospects;
- 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;
- 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;
- 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 growth strategy;
- 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;
- 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 situation with Ukraine and Russia, 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
- 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. 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 lead to a goodwill impairment. 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 I, Item 3. "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 December 31, 2021, we had reserved 2,777,619 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.

A registration statement on Form S-8 is being filed 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. Subject to the satisfaction of vesting conditions, shares registered under the registration statement on Form S-8 will be 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, 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 beginning with this annual report for the year ended December 31, 2021, 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.

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.

***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, thirteen analysts cover our company. If the number of analysts that cover us declines, 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 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 December 31, 2021 we had U.S. federal net operating loss (“NOL”) carryforwards of $893.4 million, 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 elsewhere in this Annual Report on Form 10-K for a further discussion of the carryforward of our NOLs. As of December 31, 2021, we maintain a full valuation allowance of $216.0 million 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 believe these lawsuits are without merit and intend to vigorously contest these claims. See Part I, Item 3. “Legal Proceedings” for more information about this class action and other legal proceedings to which we are subject.

***We may need to recognize impairment charges related to goodwill, identified intangible assets and fixed assets.***

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. If, as a result of a general economic slowdown or deterioration in one or more of the markets in which we operate or in our financial performance or future outlook, or if the estimated fair value of our long-lived assets decreases, we may determine that one or more of our long-lived assets is impaired. An impairment charge would be determined based on the estimated fair value of the assets and any such impairment charge could have a material adverse effect on our business, financial condition and results of operations.

***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.

***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 Annual Report on Form 10-K 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 Annual Report on Form 10-K 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.

### Item 1B. Unresolved Staff Comments

Not Applicable.

### Item 2. Properties

Our corporate headquarters is located in New York, New York, and consists of approximately 22,549 square feet of space under a lease that expires in May 2025. We also lease office space outside Houston, Texas, which we use to support our administrative functions, under leases that expire in November 2024 and December 2022. We use these facilities for finance, legal, human resources, information technology, engineering, sales and marketing and other administrative functions, all of which support our Ecommerce and Wholesale segments.

Additionally, we operate our Vroom VRC located outside Houston, Texas, under leases that expire in December 2023. We use our Vroom VRC to recondition vehicles, which supports our TDA and Ecommerce segments.

We also operate the TDA dealership outside Houston, Texas, which supports our TDA segment, under a lease that expires in September 2024.

We believe our existing and planned facilities are sufficient for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

### Item 3. 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 ongoing. 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, one of the Company's stockholders filed a derivative lawsuit 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 a violation of the federal securities laws and breach of fiduciary duty to the Company based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. This lawsuit is captioned Rainey v. Hennessy et al., Case No. 21-cv-6933. The Court deemed this case "related" to In re: Vroom, Inc. Securities Litigation and stayed all proceedings pending final resolution of In re: Vroom, Inc. Securities Litigation. On November 8, 2021, a similar purported shareholder derivative lawsuit captioned Salli v. Hennessy et al., Case No. 1:21-cv-09237, was filed against the Company (as a nominal defendant only) and certain of our directors and officers in the U.S. District Court for the Southern District of New York, alleging breach of fiduciary duty, related violations of Delaware law, and breaches of various provisions of the Exchange Act. The lawsuit is based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation and Rainey. On December 2, 2021, the court consolidated Rainey and Salli under the case caption In re Vroom, Inc. Shareholder Derivative Litigation, Case No. 21-cv-6933, approved the parties' stipulation that the case would remain stayed pending final resolution of In re: Vroom, Inc. Securities Litigation. On January 28, 2022, a similar purported shareholder derivative lawsuit captioned McDonough v. Hennessy et al., Case No. 22-cv-752, was filed against the Company (as a nominal defendant only) and certain of our directors and officers in the U.S. District

Court for the Southern District of New York, alleging breach of fiduciary duty and breach of various provisions of the Exchange Act. The lawsuit is based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. On February 1, 2022, a similar purported shareholder derivative lawsuit captioned Yunayev v. Hennessy et al., Case No. 22-cv-862, was filed against the Company (as a nominal defendant only) and certain of our directors and officers in the U.S. District Court for the Southern District of New York, alleging breach of fiduciary duty and breach of various provisions of the Exchange Act. The lawsuit is based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. The McDonough and Yunayev suits are in preliminary stages and there have been no substantive developments in either matter.

**Item 4. Mine Safety Disclosures**

Not applicable.

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth information regarding our executive officers and directors as of the date of this Annual Report on Form 10-K.

| Name | Age | Position(s) |
|---|---|---|
| Robert J. Mylod, Jr. | 55 | Chairperson of the Board |
| Scott A. Dahnke | 56 | Director |
| Michael J. Farello | 57 | Director |
| Laura W. Lang | 66 | Director |
| Laura G. O'Shaughnessy | 44 | Director |
| Paula B. Pretlow | 66 | Director |
| Frederick O. Terrell | 67 | Director |
| Paul J. Hennessy | 57 | Chief Executive Officer, Director |
| Robert R. Krakowiak | 51 | Chief Financial Officer |
| Thomas H. Shortt | 53 | Chief Operating Officer |
| Mark E. Roszkowski | 51 | Chief Strategy Officer and General Manager of Vroom Financial |
| Patricia Moran | 62 | Chief Legal Officer and Secretary |
| C. Denise Stott | 54 | Chief People and Culture Officer |

***Robert J. Mylod, Jr.*** has served as a member of our board of directors since September 2015. Mr. Mylod is the Managing Partner of Annox Capital Management, a private investment firm that he founded in 2013. Previously, Mr. Mylod served as Head of Worldwide Strategy & Planning and Vice Chairman for Bookings Holdings, Inc., an online travel services provider, from January 2009 to March 2011 and as its Chief Financial Officer and Vice Chairman from November 2000 to January 2009. He currently serves as the Chair of the board of directors and a member of the compensation committee of Booking Holdings, Inc. Mr. Mylod also currently serves as a member of the board of directors and of the audit committee of Redfin Corporation, an online real estate company. He is also a member of the board of directors of several private companies. Mr. Mylod holds a Bachelor of Arts in English from the University of Michigan and a Master of Business Administration from the University of Chicago Booth School. We believe that Mr. Mylod's experience as a venture capital investor and a senior finance executive, including having served as the chief financial officer and vice chairman of a large publicly traded online services provider, qualifies him to serve on our board of directors.

***Scott A. Dahnke*** has served on our board of directors since July 2015. Since 2016, Mr. Dahnke has served as co-Chief Executive Officer of *L* Catterton, a consumer-focused private equity firm, after previously serving as Managing Partner from 2003 to 2015. Prior to that, he was Managing Director of Deutsche Bank Capital Partners, the former private equity division of Deutsche Bank AG, from 2002 to 2003, and Managing Director of AEA Investors from 1998 to 2002. Previously, Mr. Dahnke was Chief Executive Officer of infoGROUP (formerly known as InfoUSA), a provider of data and data-driven marketing services, from 1997 to 1998. Prior to joining infoGROUP, Mr. Dahnke served clients on an array of strategic and operational issues as a Partner at McKinsey & Company. His early career also includes experience in the Merger Department of Goldman, Sachs & Co. and with General Motors. Mr. Dahnke currently serves as Chairperson of the board of directors and of the compensation committee and as a member of the nominations, corporate governance and social responsibility committee of Williams Sonoma Inc., as well as serving as a director of several private companies. From September 2011 to May 2019, Mr. Dahnke served on the board of directors of Noodles & Company and from June 2020 to March 2021 he served on the board of directors of Norwegian Cruise Lines Holdings Ltd. Mr. Dahnke holds a Bachelor of Science from the University of Notre Dame and a Master of Business Administration from Harvard Business School. We believe Mr. Dahnke's experience in private equity investment and expertise in the ecommerce, retail and consumer industry, along with his service as a director at numerous companies, qualifies him to serve on our board of directors.

***Michael Farello*** has served on our board of directors since July 2015. Since 2006, Mr. Farello has served as Managing Partner at *L* Catterton, a consumer-focused private equity firm. Prior to this, he served as an executive at Dell Technologies, Inc., a global end-to-end technology provider, from 2002 to 2005, and spent twelve years at McKinsey & Company, a management consulting firm. Mr. Farello currently serves as a member of the board of directors of several private companies including FlashParking, Inc. and Hydrow Inc. Mr. Farello holds a Bachelor of Science from Stanford University and a Master of Business Administration from Harvard Business School. We believe Mr. Farello's experience in private equity investments and expertise in the consumer sector, along with his service as a director at numerous companies, qualifies him to serve on our board of directors.

***Laura W. Lang*** has served on our board of directors since May 2020. Ms. Lang has served as the Managing Director of Narragansett Ventures, LLC, a strategic advisory firm focused on digital business transformation and growth investing, since January 2014. Since November 2018, Ms. Lang has also served as an adviser to *L* Catterton. Ms. Lang was the Chief Executive Officer of Time Inc., one of the largest branded media companies in the world, until 2013. From 2008 until she joined Time Inc. in 2012, Ms. Lang was Chief Executive Officer of Digitas Inc., a marketing and technology agency and unit of Publicis Groupe S.A. In addition, she headed the company's pure-play digital agencies, including Razorfish, Big Fuel, Denuo and Phonevalley. Ms. Lang currently serves as a member of the board of directors and the talent and compensation and finance committees of V. F. Corporation, an international apparel and footwear company. She previously served as a member of the board of directors of Care.com Inc. from August 2014 to June 2016, Nutrisystem, Inc. from 2010 to 2012 and Benchmark Electronics, Inc. from 2005 to 2011. Ms. Lang holds a Bachelor of Arts from Tufts University and a Master of Business Administration from the Wharton School of the University of Pennsylvania. We believe Ms. Lang's extensive leadership experience, digital and media expertise and service on the board of directors of other public companies qualifies her to serve on our board of directors.

***Laura G. O'Shaughnessy*** has served on our board of directors since May 2020. Ms. O'Shaughnessy is a strategic growth and operations consultant for a number of direct to consumer brands. Previously she was the Chief Executive Officer of SocialCode, LLC, a technology company that manages digital and social advertising for leading consumer brands, which she co-founded in 2009. In addition, Ms. O'Shaughnessy oversaw business development and product strategy for the Slate Group, an online publisher, where she specialized in advertising product development and strategic partnerships. Ms. O'Shaughnessy currently serves as a member of the board of directors and of the audit committee and governance committee of Acuity Brands, and on the boards of directors of several nonprofits. Ms. O'Shaughnessy holds a Bachelor of Arts in Economics from the University of Chicago and a Master of Business Administration from the MIT Sloan School of Management. We believe Ms. O'Shaughnessy's leadership experience, including serving in a chief executive officer role, and digital and technology expertise, qualifies her to serve on our board of directors.

***Paula B. Pretlow*** has served on our Board of Directors since April 2021. Ms. Pretlow is a former Senior Vice President of The Capital Group, an investment management firm, where she led the public fund business development and client relationship group and was also responsible for large client relationships from 1999 until 2011. Prior to joining The Capital Group, she worked for Montgomery Asset Management and Blackrock (formerly Barclays Global Investors). She is a member of the board of directors and the audit committee chair of Ares Dynamic Credit Allocation Fund, Inc., as well as the board of directors and the audit and finance committee of Williams-Sonoma, Inc. She is also a member of the board of directors of Bitwise Industries, an Independent Trustee and audit committee chair for Cion Ares Diversified Credit Fund and a member of the board of directors of Greenlight Financial Technology, Inc. In addition, she currently serves as a member of the Board of Trustees of The Kresge Foundation, The Harry and Jeannette Weinberg Foundation and Northwestern University. Ms. Pretlow holds a Bachelor of Arts in Political Science and a Master of Business Administration, both from Northwestern University, and is a 2017 Fellow of Stanford's Distinguished Careers Institute. We believe Ms. Pretlow’s leadership experience, including roles in finance and business development, along with her experience as a director, qualify her to serve on our Board of Directors.

***Frederick O. Terrell*** has served on our Board of Directors since April 2021. Mr. Terrell serves as a Senior Advisor for Centerbridge Partners, L.P., a private investment management firm. He is the former Executive Vice Chairman of Investment Banking and Capital Markets at Credit Suisse, where he was responsible for the bank’s global relationships with some of its most high-profile clients. From 1997 to 2008, he was Founder and Managing Partner of Provender Capital Group, LLC, which made private equity investments in emerging growth-oriented companies on behalf of major institutional investors. He also has an extensive background in corporate finance, capital markets, structured products and asset securitization and from 1992-1997 was Head of Mortgage Finance at CS First Boston. He began his career as an Associate with The First Boston Corporation in 1983 and was promoted to Managing Director in 1993. Mr. Terrell currently serves as a member of the board of directors and the audit committee of ViacomCBS Inc. and as a member of the board of directors and the audit committee and human resources and compensation committee of The Bank of New York Mellon Corporation. He also serves on the board of directors of Mobility Capital Finance, Inc. He is a former member of the boards of directors of the New York Life Insurance Company, Wellchoice, Inc. (formerly Empire Blue Cross Blue Shield) and Carver Bancorp Inc. His not-for-profit experience includes his current service as a member of the Investment Committee of the Rockefeller Foundation, as well as on the boards of the Partnership Fund for New York City, the Planet Word Museum, the Advisory Board for Center for a New American Security and as a member of the Economic Club of New York City and the Council on Foreign Relations. He is a former member of the University Council of Yale University and Board of Advisors for the Yale School of Management. Mr. Terrell holds a Bachelor of Arts from La Verne College, a Master of Arts from Occidental College and a Master of Business Administration from the Yale School of Management. We believe Mr. Terrell’s extensive experience in banking and global finance, including in a large global financial institution, his demonstrated leadership in advising on corporate strategy and complex transactions, as well as his experience as a director, qualify him to serve on our Board of Directors.

***Paul J. Hennessy*** has served as our Chief Executive Officer and as a member of our board of directors since June 2016. Mr. Hennessy has over 20 years of global ecommerce leadership experience, previously serving in several leadership roles for Booking Holdings, Inc. (“Booking Holdings”), a world leader in online travel. At Booking Holdings, he most recently served as Chief Executive Officer of Priceline.com, a leading online travel agency for finding discount rates for travel-related purchases, from April 2015 to June 2016, and as Chief Marketing Officer of Booking.com, a leading online service for booking accommodation reservations, from November 2011 to March 2015. Mr. Hennessy also currently serves on the board of directors and the audit committee and compensation committee of Shutterstock Inc. Mr. Hennessy holds a Bachelor of Science in Marketing Management from Dominican College and a Master of Business Administration from Long Island University. Mr. Hennessy was selected to serve on our board of directors based on his deep experience and the perspective he brings as our Chief Executive Officer, as well as his extensive prior ecommerce leadership experience, driving growth strategies and optimizing operations and marketing for profitability.

***Robert R. Krakowiak*** has served as Chief Financial Officer and Treasurer of Vroom since September 2021. Prior to that he served as Chief Financial Officer and Treasurer of Stoneridge Corporation since August 2016 and was appointed as Executive Vice President in October 2018. Prior to joining Stoneridge, Mr. Krakowiak served as Vice President, Treasurer and Investor Relations at Visteon Corporation from 2012 until August 2016. Prior to that, Mr. Krakowiak held various financial positions at Owens Corning from 2005 to 2012. Mr. Krakowiak holds Bachelor of Science and Master of Science degrees in Electrical Engineering from the University of Michigan and a Master of Business Administration from the University of Chicago Booth School of Business.

***Thomas H. Shortt*** has served as our Chief Operating Officer since January 2022. Prior to joining Vroom, Mr. Shortt served as Senior Vice President at Walmart Inc. ("Walmart") starting in 2018, where he developed a comprehensive ecommerce supply chain strategy and led improvements through advanced analytics, processes, and systems. Prior to his time at Walmart, Mr. Shortt served as Senior Vice President of Supply Chain at The Home Depot, Inc. starting in 2013, and previously held senior leadership roles overseeing supply chain, fulfillment and logistics, with an emphasis on change management and business transformation, at ACCO Brands Corporation, Unisource, Fisher Scientific and Office Depot. Mr. Shortt holds a Bachelor’s degree in Accounting from the University of Akron.

***Mark E. Roszkowski*** has served as our Chief Strategy Officer and General Manager of Vroom Financial Services since January 2022. Prior to entering this role, Mr. Roszkowski served as our Chief Revenue Officer since February 2019. Prior to joining Vroom, Mr. Roszkowski served as Executive Vice President, Global Head of Corporate Development, Strategy and Strategic Partnerships of Verizon Media, the media and online businesses division of Verizon Communications Inc., from June 2017 to January 2019. He previously served as Senior Vice President, Global Head of Corporate Development, Strategy and Strategic Partnerships of AOL Inc., a web portal and online service provider, from June 2014 through its sale to Verizon in June 2015 and subsequently until June 2017. Mr. Roszkowski holds a Bachelor of Science in Mechanical Engineering from Worcester Polytechnic Institute, a Master of Science in Mechanical Engineering from the University of Rochester and a Master of Business Administration from Massachusetts Institute of Technology.

***Patricia Moran*** has served as our Chief Legal Officer and Secretary since January 2019. Previously, Ms. Moran was a Managing Director, Chief Legal Officer and Secretary of Greenhill & Co. Inc., a publicly traded, global independent investment bank, from April 2014 to October 2016, and a Senior Advisor from November 2016 to April 2017. Prior to joining Greenhill, Ms. Moran was a Partner at Skadden, Arps, Slate, Meagher & Flom LLP, a leading global law firm where she had a 30-year career and chaired the New York office Diversity Committee. Ms. Moran has broad experience in corporate governance and corporate transactions, including mergers and acquisitions, private equity, joint ventures, restructurings and corporation finance. Ms. Moran holds a Bachelor of Science from the University of Scranton and a Juris Doctor from the Villanova University School of Law.

***C. Denise Stott*** has served as our Chief People and Culture Officer since November 2016. Previously, Ms. Stott was Senior Vice President of Human Resources at Undertone, a digital advertising company, from May 2013 to October 2016. Ms. Stott’s tenure at Undertone included leading the human resources function through multiple transformations including acquisitions and the eventual sale to a public company. From February 2010 until she joined Undertone, Ms. Stott was Vice President of Human Resources at Yodle, a leader in local online marketing, where she led people development through a focus on talent acquisition, employee engagement, employee training and compensation and benefits. Ms. Stott also served as Senior Vice President of Human Resources for ZenithOptimedia, a media and advertising services provider, from August 2007 to July 2009. Ms. Stott holds a Bachelor of Science in Mathematical Economics from Tulane University and a Master of Business Administration from Vanderbilt University.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

#### Market Information

On June 9, 2020, our common stock began trading on the Nasdaq Global Select Market under the ticker symbol "VRM." Prior to that date, there was no public trading market for our common stock.

#### Holders of Record

We are authorized to issue up to 500,000,000 shares of common stock and up to 10,000,000 shares of preferred stock. As of February 24, 2022, there were 25 stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

#### Dividend Policy

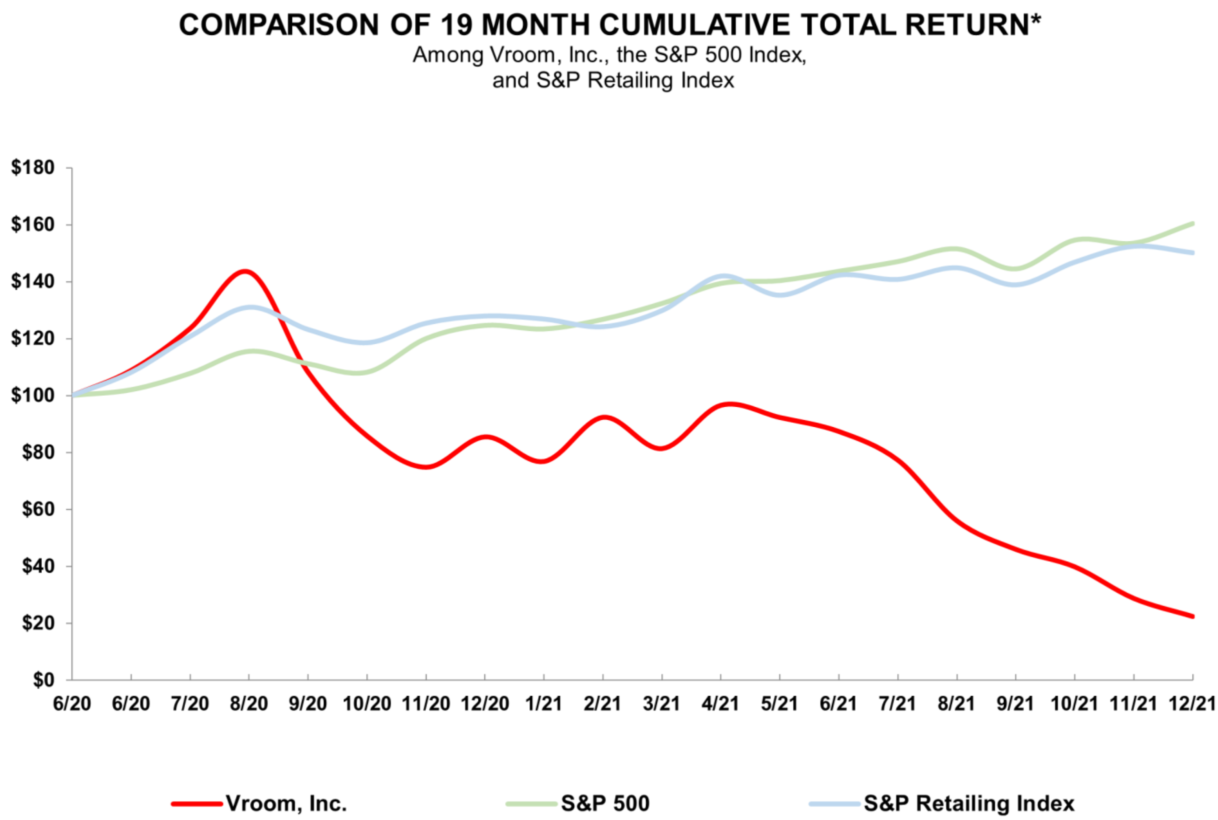
We have not declared or paid any cash dividends on our common stock during the fiscal year and do not currently anticipate paying cash dividends in the foreseeable future.

#### Stock Performance Graph

*The information contained in this Stock Performance Graph section shall not be deemed to be "soliciting material" or "filed" or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act or the Exchange Act.*

The following graph compares the total stockholder return from June 9, 2020, the date on which our common shares commenced trading on the Nasdaq Global Select Market, through December 31, 2021 of (i) our common stock, (ii) the Standard and Poor's 500 Stock Index ("S&P 500") and (iii) the Standard and Poor's 500 Retailing Index ("S&P 500

Retailing Index"), assuming an initial investment of $100 on June 9, 2020 including reinvestment of dividends where applicable. The results presented below are not necessarily indicative of future performance.




*$100 invested on 6/9/20 in stock or 5/31/20 in index, including reinvestment of dividends.
Fiscal year ending December 31.



**Purchases of equity securities by the Issuer or affiliated purchasers**

None.

**Recent sales of unregistered securities**

As previously disclosed, on January 7, 2021, we completed the acquisition of 100% of Vast Holdings, Inc. (d/b/a CarStory) and issued 1,072,117 shares of our common stock as partial consideration for the acquisition. In the third quarter of 2021 we cancelled 5,673 of those shares as part of a working capital adjustment, for a total of 1,066,444 shares issued as partial consideration. The issuance of such shares of common stock was made in reliance on Section 4(a)(2) of the Securities Act of 1933, as amended.

On June 18, 2021, we issued $625,000,000 in aggregate principal amount of 0.750% Convertible Senior Notes due 2026 (the “Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended. The Notes are convertible into shares of our common stock on the terms set forth in the indenture governing the Notes. The Notes were issued to the initial purchasers in reliance upon Section 4(a)(2) of the Securities Act in transactions not involving any public offering. The Company relied on this exemption from registration based in part on representations made by the initial purchasers in the purchase agreement for the Notes. The Notes were resold by the initial purchasers to persons whom the initial purchasers reasonably believe are “qualified institutional buyers,” as defined in, and in accordance with, Rule 144A under the Securities Act. Any shares of the Company’s common stock that may be issued upon conversion of the Notes will be issued in reliance upon Section 3(a)(9) of the Securities Act as involving an exchange by the Company exclusively with its security holders. Initially, a maximum of 15,621,062 shares of the Company's common stock may be issued upon conversion of the Notes, based on the initial maximum conversion rate of 24.9937 shares of common stock per $1,000 principal amount of Notes, which is subject to customary anti-dilution adjustment provisions. Additional information relating to the issuance of the Notes was provided in a Current Report on Form 8-K filed with the Securities and Exchange Commission on June 21, 2021.

***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 6. [Reserved].

## Item 7. 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 consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. 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 those incorporated by reference into the section titled "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.*

*A discussion regarding our financial condition and results of operation for the year ended December 31, 2021 compared to the year ended December 31, 2020 is presented below. A discussion regarding our financial condition and results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 is included under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2020.*

### 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 expanding last mile 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 also highly fragmented, with over 42,000 dealers as of 2020 and millions of peer-to-peer transactions across the country. It also is 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 and cannot offer consumers what we offer.

**Our Model**

We generate revenue through the sale of used vehicles and value-added products. We sell vehicles directly to consumers primarily through our Ecommerce segment as a licensed dealer. As the largest segment in our business, Ecommerce revenue grew 166.8% from 2020 to 2021, and we expect Ecommerce to continue to outgrow our other segments as it is the core focus of our growth strategy.

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 Houston-based Texas Direct Auto, or TDA.

For the year ended December 31, 2021, our Ecommerce, Wholesale and TDA segments represented 76.7%, 15.7% and 7.2% 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 any finance and protection products sold as part of a vehicle sale. Because we are paid fees on the value-added products we sell, our gross profit on such products is equal to the revenue we generate. 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** | Bank Fees Earned from Arranging Customer Financing |
| **+ Value-Added Product GPPU** | Fees Earned from Sale of Protection Products (Gap, Warranty, Tire & Wheel Coverage) |
| **= Product Gross Profit per Unit** | |
| **Total Retail Gross Profit per Unit** | |

Reported KPI

Our profitability depends primarily on increasing unit sales and operating leverage, as well as improving unit economics. 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. Currently, we generate additional revenue streams without directly underwriting vehicle financing or protection products; however, our acquisition of UACC accelerates our strategy to develop a captive financing arm and 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, which we believe has been enhanced by the acquisition of CarStory and integration of its advanced data analytics. As we scale, we expect to continue to leverage the data at our disposal to optimize and enhance the volume and selection of vehicles in our inventory and, in turn, drive revenue growth and profitability. We are also exploring and testing third party inventory strategies, which offers the possibility of expanding our sourcing channels through third party sellers while offering us attractive revenue models in an asset light, debt free structure. 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 profitably grow. To recondition vehicles, we rely on a combination of our Vroom VRC along with a network of VRCs owned and operated by third parties. Utilizing this hybrid approach, we have increased our total reconditioning capacity to approximately 3,400 units per week as of December 31, 2021, with approximately three-fourths from our 37 third-party VRCs. One of our third party VRC providers, Adesa U.S., which also hosts a number of our last-mile hubs, recently announced a change of control transaction pursuant to which Adesa is being acquired by a competitor of Vroom. Adesa has communicated its intent to discontinue its third-party reconditioning serves, which will require us to replace Adesa's capacity with increased capacity at our other existing providers, new providers, or additional proprietary VRCs, and relocate the affected last-mile hubs. Going forward, as we continue to scale our business, we intend to add additional proprietary VRCs to our integrated hybrid network to ensure adequate capacity and support our regional operating model. As we are increasing the number of vehicles in our inventory and expanding our reconditioning capacity, we expect that reconditioning costs and inbound shipping costs per unit will continue to decrease as we benefit from economies of scale and operating leverage in reconditioning costs. See "—Other Key Factors and Trends Affecting our Operating Results—Ability to expand and optimize our reconditioning capacity to satisfy increasing demand."

### *Logistics Network*

For our logistics operations, we historically used primarily national third-party carriers, which allowed us to efficiently deliver vehicles to customers throughout the United States while focusing on expanding other critical components of our business, such as the volume and selection of vehicles in our inventory. We optimized 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 strategy enhanced the flexibility, agility and speed of our growth while reducing the need for additional capital commitments as we scaled our business. We have been accelerating our strategy to optimize our hybrid approach by expanding our proprietary logistics networks due to a confluence of factors, including increased shipping prices and delays during the COVID-19 pandemic from a reduced supply of carriers and increased demand for carriers from competitors, as well as our desire to improve the quality and reliability of our logistics operations and enhance our customer experience. We have been prioritizing investment in our last mile delivery operations, where we can have the greatest impact on the customer experience, and also are investing in short-haul vehicles to make regional deliveries from our last mile hubs, many of which are located at our third-party VRCs, and line-haul vehicles for hub-to-hub shipments on high-volume routes. Consistent with our hybrid approach and the continued development of our regional operating model as we continue to scale our business, we will strategically combine the operation of our expanded proprietary fleet with the use of third-party carriers, which will enable us to accommodate our rapid growth, improve our operating leverage and provide the highest level of customer service. See "—Other Key Factors and Trends Affecting our Operating Results—Ability to expand and develop our logistics network."

***Value-Added Products***

We generate revenue by earning fees for selling value-added products to customers in connection with vehicle sales. Currently, our third-party value-added product offerings consist of finance and protection products, such as financing from third-party lenders for our customers' vehicle purchases, as well as sales of vehicle service contracts, GAP protection and tire and wheel coverage. As we scale our business, we intend to introduce additional value-added products 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. As a first step in our integration plan, UACC has joined the existing lineup of 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 increase and better monetize value-added products."

## Our Segments

We manage and report operating results through three reportable segments:

- **Ecommerce** (76.7% of 2021 revenue; 67.4% of 2020 revenue): 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** (15.7% of 2021 revenue; 18.1% of 2020 revenue): The Wholesale segment represents sales of used vehicles through wholesale channels.

- **TDA** (7.2% of 2021 revenue; 14.4% of 2020 revenue): The TDA segment represents retail sales of used vehicles from TDA and fees earned on sales of value-added products associated with those vehicle sales.

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 years ended December 31, 2021, 2020, and 2019:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 (1) | 2019 (1) |
| | (in thousands) | | |
| **Revenue:** | | | |
| Ecommerce | $ 2,442,369 | $ 915,451 | $ 588,114 |
| Wholesale | 498,981 | 245,580 | $ 213,464 |
| TDA | 229,872 | 195,295 | $ 388,504 |
| All Other | 13,033 | 1,374 | $ 1,739 |
| Total revenue | $ 3,184,255 | $ 1,357,700 | $ 1,191,821 |
| **Gross profit:** | | | |
| Ecommerce | $ 164,746 | $ 60,861 | $ 32,127 |
| Wholesale | 18,120 | (1,432) | 340 |
| TDA | 11,907 | 11,677 | 24,661 |
| All Other | 7,326 | 439 | 731 |
| Total gross profit | $ 202,099 | $ 71,545 | $ 57,859 |

(1) We reclassified other revenue and other gross profit related to the vehicle repair service at TDA 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 consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. 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.

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Ecommerce units sold | 74,698 | 34,488 | 18,945 |
| Vehicle Gross Profit per ecommerce unit | $ 1,108 | $ 869 | $ 1,109 |
| Product Gross Profit per ecommerce unit | 1,098 | 896 | 587 |
| Total Gross Profit per ecommerce unit | $ 2,206 | $ 1,765 | $ 1,696 |
| Average monthly unique visitors | 1,968,656 | 969,890 | 653,216 |
| Listed vehicles | 20,686 | 15,963 | 4,956 |
| Ecommerce average days to sale | 74 | 66 | 68 |

***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 through the TDA and Wholesale segments. As we continue to expand our ecommerce business, we expect that ecommerce units sold will continue to be the primary driver of our revenue growth. Additionally, each vehicle sale through our ecommerce platform also creates the opportunity to leverage such sale to sell value-added products. Continued ecommerce growth will also increase the number of trade-in vehicles acquired 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. As we continue to expand our ecommerce business, we believe Vehicle GPPU will be 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 value-added products we sell, our gross profit is equal to the revenue we generate from the sale of value-added 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 acquisition of UACC accelerates our strategy to develop a captive financing arm and will enable us to expand our automotive financing solutions across the credit spectrum to support sales growth, improve unit economics and create long-term value for our shareholders. With the captive financing offered by UACC, we will begin to generate product gross profit through the sales of finance receivables we originate and sell in securitization transactions or 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.

### *Listed Vehicles*

We define listed vehicles as the aggregate number of vehicles listed on our platform at any given point in time. Listed vehicles includes vehicles that are available for sale, pending sale and “coming soon”. Listed vehicles is a key indicator of our performance because we believe that the number of vehicles listed on our platform is a key driver of vehicle sales and revenue growth. Increasing the number of vehicles listed on our platform results in a greater selection of vehicles for our customers, creating demand and increasing conversion.

### *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 through the TDA and Wholesale segments. 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 loss from operations, Non-GAAP net loss, Non-GAAP net loss per share and Non-GAAP net loss per share, as adjusted. 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 loss from operations, Non-GAAP net loss, Non-GAAP net loss per share and Non-GAAP net loss per share, as adjusted 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 loss from operations, Non-GAAP net loss, Non-GAAP net loss per share and Non-GAAP net loss per share, as adjusted facilitate internal comparisons of our historical operating performance on a more consistent basis, we use these measures for business planning purposes.

### *EBITDA and Adjusted EBITDA*

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 the one-time, IPO related acceleration of non-cash stock-based compensation expense, the one-time, IPO related non-cash revaluation of a preferred stock warrant, and acquisition related costs. The following table presents a reconciliation of EBITDA and Adjusted EBITDA to net loss, which is the most directly comparable U.S. GAAP measure:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Net loss | $ (370,911) | $ (202,799) | $ (142,978) |
| Adjusted to exclude the following: | | | |
| Interest expense | 21,948 | 9,656 | 14,596 |
| Interest income | (10,341) | (5,896) | (5,607) |
| Provision for income taxes | 754 | 84 | 168 |
| Depreciation and amortization expense | 13,215 | 4,654 | 6,157 |
| EBITDA | $ (345,335) | $ (194,301) | $ (127,664) |
| One-time IPO related acceleration of non-cash stock-based compensation | — | 1,262 | — |
| One-time IPO related non-cash revaluation of preferred stock warrant | — | 20,470 | — |
| Acquisition related costs | 5,090 | 2,080 | — |
| Adjusted EBITDA | $ (340,245) | $ (170,489) | $ (127,664) |

### *Adjusted loss from operations*

We calculate Adjusted loss from operations as loss from operations adjusted to exclude the one-time, IPO related acceleration of non-cash stock-based compensation expense and acquisition related costs. The following table presents a reconciliation of Adjusted loss from operations to loss from operations, which is the most directly comparable U.S. GAAP measure:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Loss from operations | $ (358,615) | $ (178,599) | $ (133,148) |
| Add: One-time IPO related acceleration of non-cash stock based compensation | — | 1,262 | — |
| Add: Acquisition related costs | 5,090 | 2,080 | — |
| Adjusted loss from operations | $ (353,525) | $ (175,257) | $ (133,148) |

***Non-GAAP net loss, Non-GAAP net loss per share and Non-GAAP net loss per share, as adjusted***

We calculate Non-GAAP net loss as net loss adjusted to exclude the one-time, IPO related acceleration of non-cash stock-based compensation expense, the one-time, IPO related non-cash revaluation of a preferred stock warrant, and acquisition related costs. We calculate Non-GAAP net loss per share as Non-GAAP net loss divided by weighted average number of shares outstanding. The following table presents a reconciliation of Non-GAAP net loss and Non-GAAP net loss per share to net loss and net loss per share, which are the most directly comparable U.S. GAAP measures:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands, except share and per share amounts) | | |
| Net loss | $ (370,911) | $ (202,799) | $ (142,978) |
| Accretion of redeemable convertible preferred stock | — | — | (132,750) |
| Net loss attributable to common stockholders | $ (370,911) | $ (202,799) | $ (275,728) |
| Add: One-time IPO related acceleration of non-cash stock based compensation | — | 1,262 | — |
| Add: One-time IPO related non-cash revaluation of preferred stock warrant | — | 20,470 | — |
| Add: Acquisition related costs | 5,090 | 2,080 | — |
| Non-GAAP net loss | $ (365,821) | $ (178,987) | $ (275,728) |
| Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted | 136,429,791 | 73,345,569 | 8,605,962 |
| Net loss per share, basic and diluted | $ (2.72) | $ (2.76) | $ (32.04) |
| Impact of one-time IPO related acceleration of non-cash stock based compensation | — | 0.02 | — |
| Impact of one-time IPO related non-cash revaluation of preferred stock warrant | — | 0.28 | — |
| Impact of acquisition related costs | 0.04 | 0.03 | — |
| Non-GAAP net loss per share, basic and diluted | $ (2.68) | $ (2.43) | $ (32.04) |
| Non-GAAP net loss per share, as adjusted, basic and diluted[a] | $ (2.68) | $ (1.37) | $ (1.11) |

[a]Non-GAAP net loss per share, as adjusted has been computed to give effect to, as of the beginning of each period presented, (i) the shares of common stock issued in connection with our IPO (ii) the automatic conversion of all outstanding shares of redeemable convertible preferred stock into shares of common stock that occurred upon the consummation of our IPO and (iii) the shares of common stock issued in connection with our follow-on public offering. The computation of Non-GAAP net loss per share, as adjusted is as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands, except share and per share amounts) | | |
| Non-GAAP net loss | $ (365,821) | $ (178,987) | $ (275,728) |
| Add: Accretion of redeemable convertible preferred stock | — | — | $ 132,750 |
| Non-GAAP net loss, as adjusted | $ (365,821) | $ (178,987) | $ (142,978) |
| Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted | 136,429,791 | 73,345,569 | 8,605,962 |
| Add: unweighted adjustment for common stock issued in connection with IPO | — | 24,437,500 | 24,437,500 |
| Add: unweighted adjustment for conversion of redeemable convertible preferred stock in connection with IPO | — | 85,533,394 | 85,533,394 |
| Add: unweighted adjustment for common stock issued in connection with follow-on public offering | — | 10,800,000 | 10,800,000 |
| Less: Adjustment for the impact of the above items already included in weighted-average number of shares outstanding for the periods presented | — | (63,865,903) | — |
| Weighted-average number of shares outstanding used to compute net loss per share, as adjusted, basic and diluted | 136,429,791 | 130,250,560 | 129,376,856 |
| Non-GAAP net loss per share, as adjusted, basic and diluted | $ (2.68) | $ (1.37) | $ (1.11) |

## Recent Events

### *Acquisition of UACC*

On February 1, 2022, we completed the acquisition of 100% of Unitas Holdings Corp., the parent corporation of UACC, a leader in automotive finance, for a cash purchase price of approximately $300.0 million, subject to customary purchase price adjustments. This acquisition accelerates our strategy of establishing a captive financing arm and underwriting vehicle financing for our customers.

We believe that, over time, the UACC platform will unlock the benefits of our captive finance strategy and enable us to increase ecommerce unit sales, expand our penetration of sales to customers across the credit spectrum, accelerate total revenue growth, enhance aggregate gross profit and GPPU, and leverage our fixed cost base. In addition, utilizing UACC's securitization expertise, we expect loans originated by UACC post-closing to be funded through existing warehouse lines and sold via forward flow arrangements and off-balance sheet securitization transactions. This originate-to-sell strategy is designed to achieve the benefits of a captive financing operation while maintaining an asset-light funding strategy.

UACC intends to originate and sell finance receivables in securitization transactions and forward flow arrangements for both Vroom automotive customers and its existing network of dealership customers. We will begin to generate ecommerce product revenue on the sale of the finance receivables with Vroom automotive customers. UACC will continue its current operations with the network of dealership customers, which will constitute a separate reporting segment.

## Update on the Impact of the COVID-19 Pandemic

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 and now exceeds pre-pandemic levels. This recovery has been bolstered by the introduction of COVID-19 vaccines nationwide.

We believe the effects of the COVID-19 pandemic have reinforced our business model. However, the future impact of the COVID-19 pandemic on our operational and financial performance is currently uncertain and will depend on many factors outside our control, including 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. While all of our offices were 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. We are now beginning to encourage a broader return to the office for employees who have selected to work in a hybrid or in-person model. All actions will be taken in accordance with updated state and local health and safety guidance and requirements for in-office work. Nevertheless, the unpredictable nature of the virus, its treatment and worker sentiment may further delay routine in-person work and reduce the effectiveness of efforts aimed at improving employee retention; there can be no assurance that there will not be future material disruptions in our workforce. 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. We will continue to monitor and assess the impact of the COVID-19 pandemic on our business and our results of operations and financial condition as the pandemic continues to evolve.

See "Risk Factors—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."

### 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 utilize data science to drive revenue growth by cost effectively increasing the volume and selection of vehicles in our inventory***

Our growth is primarily driven by vehicle sales. Vehicle sales growth, in turn, is largely driven by the volume of inventory and the selection of vehicles listed on our platform. Accordingly, we believe that having the appropriate volume and mix of vehicle inventory is critical to our ability to drive growth.

The continued growth of our vehicle inventory 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 acquisition of UACC. 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. We believe the acquisition of CarStory has enhanced our predictive market data capabilities. As we continue to invest in our operational efficiency and data analytics, we expect that we will continue to cost effectively increase the volume and optimize the selection of our ecommerce inventory. Our data analytics are complex models that incorporate numerous assumptions and predictions about consumer and industry dynamics. As with all predictions, the output of our data analytics is subject to inherent uncertainty and reflects judgment and expertise when providing data-driven decisions based on those analytics.

***Ability to capitalize on the continued migration of vehicle purchasers to ecommerce platforms through data-driven marketing efforts***

While the overall ecommerce penetration rate in used vehicle sales remains low, over the last several years, ecommerce used vehicle sales have experienced significant growth. There has been a shift in consumer buying patterns towards more convenient, personalized, and on-demand purchases, as well as a demand for ecommerce across more diverse categories, including the used vehicle market. We expect that the ecommerce model for buying and selling used vehicles will continue to grow and such growth may be accelerated by the COVID-19 pandemic. Our ability to continue to benefit from this trend will be an important driver of our future performance.

We seek to improve our brand awareness among consumers through national marketing campaigns in order to strengthen our customer acquisition funnel. We also use digital performance marketing such as search engine marketing, automotive aggregator sites and social media to acquire customers more cost effectively. Our aggregate marketing spend has significantly increased over time, and we expect to continue to invest in both national brand marketing and performance marketing efforts. As we leverage our national brand, we believe this investment in marketing spend will drive additional demand and sales. We also believe that we have the ability to drive down the cost of acquisition per unit sold by increasing the efficiency of our marketing spend.

***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, including the advanced data capabilities from our acquisition of CarStory, 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 service and sales support to respond to increased demand. Our ongoing investment in our sales and sales support operations includes investments in people, processes and technology. We are continuing to invest in our processes, to remove friction and increase transaction flow and in technology, to automate and improve our customer experience and drive conversion and consumer sourcing. As we continue to invest in our brand and improve the customer experience, we expect that we will attract more visitors, improve conversion, drive greater sales and increase the percentage of vehicles sourced from consumers.

Total Ecommerce transactions, defined as ecommerce vehicle purchases directly from consumers, including both trade-ins and straight buys, plus ecommerce units sold, increased over 170% in 2021 as compared to 2020. Total Ecommerce transactions represented approximately 143,500 for 2021 compared to 53,000 for 2020 and 26,000 for 2019. The increase was driven by the increase in the percentage of vehicles sourced from consumers, which was driven primarily by expanded Sell Us Your Car® marketing campaigns, and the increase in ecommerce unit sales, which was driven primarily by increased inventory listings, amplified marketing campaigns and expanded reconditioning capacity.

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

We strategically source inventory from consumers, auctions, rental car companies, OEMs and dealers. For the three and twelve months ended December 31, 2021, vehicles sourced from consumers represent approximately 76% and 69% 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. Throughout 2021, we have 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, and making consumer sourcing even more favorable.

In order to continue to source vehicles directly from consumers, we continue to expand our national marketing efforts that are focused on our Sell Us Your Car® proposition. 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 will provide improvements to our overall gross profit per unit over time.

We are also exploring and testing third-party inventory strategies, which offers the possibility of expanding our sourcing channels through third-party sellers while offering us attractive revenue models in an asset light, debt free structure.

***Ability to expand and optimize our reconditioning capacity to satisfy increasing demand***

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 expand and optimize our reconditioning capacity to satisfy increasing customer demand. We employ a hybrid approach that combines the use of our proprietary VRC and third-party VRCs to best meet our reconditioning needs.

As we continue to grow our business, we intend to continue to increase 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 increase capacity, maintain greater operational flexibility and broaden our geographic footprint to drive lower logistics costs. However, we are currently experiencing reconditioning and logistics constraints due to labor shortages and elevated demand at third-party supply chain partners, which negatively affects our cost structure and throughput. Additionally, one of our third party VRC providers, Adesa U.S., which also hosts a number of our last-mile hubs, recently announced a change of control transaction pursuant to which Adesa is being acquired by a competitor of Vroom. Adesa has communicated its intent to discontinue its third-party reconditioning serves, which will require us to replace Adesa's capacity with increased capacity at our other existing providers, new providers, or additional proprietary VRCs, and relocate the affected last-mile hubs. Proprietary VRCs will enable us to have increased control over our reconditioning operations, increase capacity as we scale, and support our regional operating model. As we scale, we will seek to optimize the combination of strategic, geographically dispersed, proprietary and third-party VRCs and intend to add additional proprietary VRCs into our integrated hybrid network.

We have continued to expand our third-party VRC operations and, as of December 31, 2021, have a total of 37 third-party VRCs throughout the U.S. 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. We expect that the continued increase in reconditioning capacity and investment in technology will drive greater operational efficiency, higher gross profit per unit and improved unit economics over time.

***Ability to expand and develop our logistics network***

We historically used primarily national third-party carriers and have optimized 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. Our VRCs also serve as pooling points to aggregate acquired vehicles and we are using certain VRCs as hubs for staging vehicles for last mile delivery to customers, which we expect to provide an improved experience for customers. As of December 31, 2021, we had 31 hubs and we delivered 61% and 36% of our ecommerce units sold with our proprietary last mile service during the three and twelve months ended December 31, 2021, respectively. We have been accelerating our strategy to optimize our hybrid approach by expanding our proprietary logistics networks due to a confluence of factors, including increased shipping prices and delays during the COVID-19 pandemic from a reduced supply of carriers and increased demand for carriers from competitors, as well as our desire to improve the quality and reliability of our logistics operations and enhance our customer experience. We have been prioritizing investment in our last mile delivery operations, where we can have the greatest impact on the customer experience, and also are investing in short-haul vehicles to make regional deliveries from our last mile hubs, many of which are located at our third-party VRCs, and line-haul vehicles for hub-to-hub shipments on high-volume routes. As we invest in our expanded logistics operations, we expect to incur increased operating expenses and capital expenditures associated with purchasing or leasing fleet vehicles, leasing space for delivery hubs, hiring qualified drivers, and operating and maintaining fleet vehicles, offset in part by reduced third-party logistics expense. Consistent with our hybrid approach and the continued development of our regional operating model as we continue to scale our business, we will strategically combine the operation of our expanded proprietary fleet with the use of third-party carriers, which will enable us to accommodate our rapid growth, improve our operating leverage and provide the highest level of customer service. Over time, as our business scales, 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 acquisition of UACC enables us to accelerate the establishment of our captive financing capabilities. We expect that with further investment and our continued integration efforts, the acquisition of UACC will allow us to increase ecommerce unit sales, expand our penetration of sales to customers across the credit spectrum, and accelerate total revenue growth. In addition, we expect captive financing for our customers to lead to improved unit economics, which will accelerate our path to profitability.

***Ability to increase and better monetize other 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. As we scale our business, we intend to increase the breadth and variety of value-added products offered to customers 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. Given the current strong market demand for used vehicles and our rapid growth, our gross profit per unit has not been in line with these macro trends in the most recent historical periods. 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."

***Inflation, Changing Prices, and Labor Shortages***

We have recently experienced unprecedented market conditions and inflationary pressures, 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. This volatility creates risks around our ability to appropriately price our vehicles and maintain our sales margins and may cause our results of operations to fluctuate significantly. We have also experienced reconditioning and logistics constraints due to labor shortages and elevated demand at third-party supply chain partners, which negatively affects our cost structure and throughput. 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 in 2022.

## 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, are 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 and our ability to expand our reconditioning operations and logistics network.

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. Our ASP increased significantly during 2021 primarily due to market appreciation, and we expect ASP to fluctuate in the short-term as a result of market conditions. However, our long-term strategy continues to move us towards lower-priced inventory, which we expect will result in a lower ASP. The acquisition of UACC 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 value-added products to our customers in connection with vehicle sales, such as fees earned on customer vehicle financing from third-party lenders and fees earned on sales of other value-added products, such as vehicle service contracts, GAP protection and tire and wheel coverage. We earn fees on these 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.

With the captive financing offered by UACC, we will begin to generate product revenue through the sales of finance receivables UACC originates and sells in securitization transactions or forward flow arrangements.
We plan to sell the finance receivables UACC originates to securitization trusts they sponsor and establish, which will issue asset-backed securities. We also plan to sell the finance receivables UACC originates to third parties under forward-flow arrangements. The revenue we are able to generate from these sales will be dependent on the number of finance receivables UACC originates, the average principal balance of the finance receivables, the credit quality of the portfolio, and the price at which they are able to sell them in securitization transactions or to financing partners.

*Other revenue*

Other revenue consists of labor and parts revenue earned by us for vehicle repair services at TDA and, commencing in the first quarter of 2021, revenue from CarStory.

See “Note 3—Revenue Recognition” to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

***Cost of sales***

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.

***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 and professional fees for accounting, auditing, tax, legal and consulting services.

We expect that our SG&A expenses will increase in the future as we expand our operations, including our proprietary logistics and reconditioning operations, integrate and invest in UACC, hire additional employees and continue to increase our marketing spend. However, we believe these increases will be partially offset by operating leverage as our business continues to scale and we gain efficiencies from our investments in technology and process improvements.

### *Depreciation and amortization*

Our depreciation and amortization expense primarily includes: depreciation related to our leasehold improvements and company vehicles; 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 vehicles related to inbound transportation is included in cost of sales in the consolidated statements of operations.

### *Interest expense*

Our interest expense includes 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, as well as interest expense on our term loan facility, which was repaid in full in December 2019, and interest expense on our Notes.

### *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.

## Results of Operations

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

| | Year Ended December 31, | | | Year Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | % Change | 2020 | 2019 | % Change |
| | (in thousands) | | | (in thousands) | | |
| Revenue: | | | | | | |
| Retail vehicle, net | $2,583,417 | $1,072,551 | 140.9% | $1,072,551 | $ 952,910 | 12.6% |
| Wholesale vehicle | 498,981 | 245,580 | 103.2% | 245,580 | 213,464 | 15.0% |
| Product, net | 88,824 | 38,195 | 132.6% | 38,195 | 23,708 | 61.1% |
| Other | 13,033 | 1,374 | 848.5% | 1,374 | 1,739 | (21.0)% |
| Total revenue | 3,184,255 | 1,357,700 | 134.5% | 1,357,700 | 1,191,821 | 13.9% |
| Cost of sales | 2,982,156 | 1,286,155 | 131.9% | 1,286,155 | 1,133,962 | 13.4% |
| Total gross profit | 202,099 | 71,545 | 182.5% | 71,545 | 57,859 | 23.7% |
| Selling, general and administrative expenses | 547,823 | 245,546 | 123.1% | 245,546 | 184,988 | 32.7% |
| Depreciation and amortization | 12,891 | 4,598 | 180.4% | 4,598 | 6,019 | (23.6)% |
| Loss from operations | (358,615) | (178,599) | 100.8% | (178,599) | (133,148) | 34.1% |
| Interest expense | 21,948 | 9,656 | 127.3% | 9,656 | 14,596 | (33.8)% |
| Interest income | (10,341) | (5,896) | 75.4% | (5,896) | (5,607) | 5.2% |
| Revaluation of stock warrant | — | 20,470 | (100.0)% | 20,470 | 769 | 2,561.9% |
| Other income, net | (65) | (114) | (43.0)% | (114) | (96) | 18.8% |
| Loss before provision for income taxes | (370,157) | (202,715) | 82.6% | (202,715) | (142,810) | 41.9% |
| Provision for income taxes | 754 | 84 | 797.6% | 84 | 168 | (50.0)% |
| Net loss | $ (370,911) | $ (202,799) | 82.9% | $ (202,799) | $ (142,978) | 41.8% |

### *Segments*

We manage and report operating results through three reportable segments:

- **Ecommerce** (76.7% of 2021 revenue; 67.4% of 2020 revenue): 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** (15.7% of 2021 revenue; 18.1% of 2020 revenue): The Wholesale segment represents sales of used vehicles through wholesale channels.

- **TDA** (7.2% of 2021 revenue; 14.4% of 2020 revenue): The TDA segment represents retail sales of used vehicles from TDA and fees earned on sales of value-added products associated with those vehicle sales.

## Year Ended December 31, 2021 and 2020

### *Ecommerce*

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

| | Year Ended December 31, 2021 | Year Ended December 31, 2020 | Change | % Change |
|---|---|---|---|---|
| | (in thousands, except unit data and average days to sale) | | | |
| Ecommerce units sold | 74,698 | 34,488 | 40,210 | 116.6% |
| Ecommerce revenue: | | | | |
| Vehicle revenue | $ 2,360,368 | $ 884,560 | $ 1,475,808 | 166.8% |
| Product revenue | 82,001 | 30,891 | 51,110 | 165.5% |
| Total ecommerce revenue | $ 2,442,369 | $ 915,451 | $ 1,526,918 | 166.8% |
| Ecommerce gross profit: | | | | |
| Vehicle gross profit | $ 82,745 | $ 29,970 | $ 52,775 | 176.1% |
| Product gross profit | 82,001 | 30,891 | 51,110 | 165.5% |
| Total ecommerce gross profit | $ 164,746 | $ 60,861 | $ 103,885 | 170.7% |
| Average vehicle selling price per ecommerce unit | $ 31,599 | $ 25,648 | $ 5,951 | 23.2% |
| Gross profit per ecommerce unit: | | | | |
| Vehicle gross profit per ecommerce unit | $ 1,108 | $ 869 | $ 239 | 27.5% |
| Product gross profit per ecommerce unit | 1,098 | 896 | 202 | 22.5% |
| Total gross profit per ecommerce unit | $ 2,206 | $ 1,765 | $ 441 | 25.0% |
| Ecommerce average days to sale | 74 | 66 | 8 | 12.1% |

### *Ecommerce units*

Ecommerce units sold increased 40,210, or 116.6%, from 34,488 in 2020 to 74,698 in 2021. This increase was driven by higher inventory levels, strong national brand recognition driven by our national advertising campaign and increased marketing spend, and growing consumer acceptance of our business model. The increase was also attributable to strong market demand generally for used vehicles, caused in part by the shortage of microchips and delays in new car manufacturing. Average monthly unique visitors to our website grew from 969,890 in 2020 to 1,968,656 in 2021, representing year over year growth of 103.0%. We expect ecommerce units sold to continue to grow in the future as we increase our inventory selection and marketing efforts, improve conversion and broaden our customer base by expanding our product offerings across the credit spectrum.

Ecommerce average days to sale increased from 66 days in 2020 to 74 days in 2021. The increase was primarily driven by constraints experienced in sales support in response to accelerating demand and the sale of aged inventory during the first quarter of 2021.

### *Vehicle Revenue*

Ecommerce vehicle revenue increased $1,475.8 million, or 166.8%, from $884.6 million in 2020 to $2,360.4 million in 2021. The increase in ecommerce vehicle revenue was primarily attributable to the 40,210 increase in ecommerce units sold, which increased vehicle revenue by $1,031.3 million, as well as ASP per unit, which increased from $25,648 in 2020 to $31,599 in 2021 and increased vehicle revenue by $444.5 million. The increase in ASP per unit was primarily attributable to market appreciation due to increased demand. Although we expect ASP to fluctuate in the short-term as a result of market conditions, our long-term strategy continues to move us toward lower-priced inventory, which we expect will result in a lower ASP. The acquisition of UACC 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.

### *Product Revenue*

Ecommerce product revenue increased $51.1 million, or 165.5%, from $30.9 million in 2020 to $82.0 million in 2021. The increase in ecommerce product revenue was primarily attributable to the 40,210 increase in ecommerce units sold, which increased product revenue by $36.0 million and a $202 increase in product revenue per unit, which increased product revenue by $15.1 million. Product revenue per unit increased from $896 in 2020 to $1,098 in 2021, primarily due to an increase in the average loan size as a result of higher ASP, as well as higher attachment rates on other value added products. We expect ecommerce product revenue will continue to grow driven by the captive financing offered by UACC and the sales of finance receivables we originate and sell in securitization transactions or forward flow arrangements. Additionally, we expect increases in ecommerce units sold, introduction of new value-added products and increased attachment rates will continue to positively affect our product revenue.

***Vehicle Gross Profit***

Ecommerce vehicle gross profit increased $52.7 million, or 176.1%, from $30.0 million in 2020 to $82.7 million in 2021. The increase in vehicle gross profit was primarily attributable to the 40,210 increase in ecommerce units sold, which increased vehicle gross profit by $34.9 million and a $239 increase in vehicle gross profit per unit, which increased vehicle gross profit by $17.8 million. Vehicle gross profit per unit increased from $869 in 2020 to $1,108 in 2021, primarily attributable to improvements in reconditioning costs and higher sales margins (sales price less purchase price of vehicles sold). Strong sales margin per unit was driven by a record retail pricing environment during 2021 as well as an increase in vehicles sourced directly from consumers and further improvements in our pricing methodologies, partially offset by high acquisition costs for premium vehicles in the third quarter, combined with the retail depreciation for these vehicles during the fourth quarter of 2021. In the fourth quarter of 2021 we also experienced higher reconditioning costs due to labor shortages and elevated demand at third-party reconditioning partners.

As we continue to mature our infrastructure and increase and optimize our hybrid network of VRCs, we expect ecommerce vehicle gross profit per unit to increase in the future driven by reduced costs across acquisitions, logistics and reconditioning. However, these improvements may be partially offset by macroeconomic factors, which can lead to rising prices within the used car market and increased logistics and reconditioning costs.

***Product Gross Profit***

Ecommerce product gross profit increased $51.1 million, or 165.5%, from $30.9 million in 2020 to $82.0 million in 2021. The increase in ecommerce product gross profit was primarily attributable to the 40,210 increase in ecommerce units sold, which increased product gross profit by $36.0 million and a $202 increase in product gross profit per unit, which increased product gross profit by $15.1 million. Product gross profit per unit increased from $896 in 2020 to $1,098 in 2021, primarily due to an increase in the average loan size as a result of higher ASP, as well as higher attachment rates on other value added products. We expect ecommerce product gross profit will continue to grow driven by the captive financing offered by UACC and the sales of finance receivables we originate and sell in securitization transactions or forward flow arrangements. Additionally, we expect increases in ecommerce units sold, introduction of new value-added products and increased attachment rates will continue to positively affect our product gross profit.

***Wholesale***

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

| | Year Ended December 31, | | | |
|---|---|---|---|---|
| | **2021** | **2020** | **Change** | **% Change** |
| | (in thousands, except unit data) | | | |
| Wholesale units sold | 37,163 | 21,108 | 16,055 | 76.1% |
| Wholesale revenue | $ 498,981 | $ 245,580 | $ 253,401 | 103.2% |
| Wholesale gross profit (loss) | $ 18,120 | $ (1,432) | $ 19,552 | 1,365.4% |
| Average selling price per unit | $ 13,427 | $ 11,634 | $ 1,793 | 15.4% |
| Wholesale gross profit (loss) per unit | $ 488 | $ (68) | $ 556 | 817.6% |

***Wholesale Units***

Wholesale units sold increased 16,055, or 76.1%, from 21,108 in 2020 to 37,163 in 2021, primarily driven by an increase in wholesale units purchased from consumers, a higher number of trade-in vehicles associated with the increase in the number of ecommerce units sold and strong wholesale market demand for used vehicles.

### *Wholesale Revenue*

Wholesale revenue increased $253.4 million, or 103.2%, from $245.6 million in 2020 to $499.0 million in 2021. The increase was primarily attributable to the 16,055 increase in wholesale units sold, which increased wholesale revenue by $186.8 million, as well as a higher ASP per wholesale unit, which increased from $11,634 in 2020 to $13,427 in 2021 and increased wholesale revenue by $66.6 million. The increase in ASP per unit was primarily attributable to market appreciation.

### *Wholesale Gross Profit (Loss)*

Wholesale gross profit increased $19.5 million from gross loss of $1.4 million in 2020 to gross profit of $18.1 million in 2021. The increase was primarily attributable to a $556 increase in wholesale gross profit per unit as a result of favorable wholesale market conditions.

### *TDA*

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

| | Year Ended December 31, 2021 | Year Ended December 31, 2020 (1) | Change | % Change |
|---|---|---|---|---|
| | (in thousands, except unit data and average days to sale) | | | |
| TDA units sold | 7,212 | 7,385 | (173) | (2.3)% |
| TDA revenue: | | | | |
| Vehicle revenue | $ 223,049 | $ 187,991 | $ 35,058 | 18.6% |
| Product revenue | 6,823 | 7,304 | (481) | (6.6)% |
| Total TDA revenue | $ 229,872 | $ 195,295 | $ 34,577 | 17.7% |
| TDA gross profit: | | | | |
| Vehicle gross profit | $ 5,084 | $ 4,373 | $ 711 | 16.3% |
| Product gross profit | 6,823 | 7,304 | (481) | (6.6)% |
| Total TDA gross profit | $ 11,907 | $ 11,677 | $ 230 | 2.0% |
| Average vehicle selling price per TDA unit | $ 30,927 | $ 25,456 | $ 5,471 | 21.5% |
| Gross profit per TDA unit: | | | | |
| Vehicle gross profit per TDA unit | $ 705 | $ 592 | $ 113 | 19.1% |
| Product gross profit per TDA unit | 946 | 989 | (43) | (4.3)% |
| Total gross profit per TDA unit | $ 1,651 | $ 1,581 | $ 70 | 4.4% |
| TDA average days to sale | 46 | 46 | — | 0.0% |

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

### *TDA units*

TDA units sold decreased 173, or 2.3%, from 7,385 in 2020 to 7,212 in 2021. Despite the strong market demand for used vehicles, the decrease in units is a result of reduced inventory at the TDA location as the ecommerce business continues to scale.

### *Vehicle Revenue*

TDA vehicle revenue increased $35.0 million, or 18.6%, from $188.0 million in 2020 to $223.0 million in 2021. The increase in TDA vehicle revenue was primarily due to a higher ASP per unit, as a result of market appreciation, which increased from $25,456 in 2020 to $30,927 in 2021 and increased revenue by $39.5 million, partially offset by the 173 decrease in TDA units sold, which decreased TDA vehicle revenue by $4.5 million.

### *Product Revenue*

TDA product revenue decreased $0.5 million, or 6.6%, from $7.3 million in 2020 to $6.8 million in 2021.

***Vehicle Gross Profit***

TDA vehicle gross profit increased $0.7 million, or 16.3%, from $4.4 million in 2020 to $5.1 million in 2021. The increase in vehicle gross profit was primarily attributable to an increase in TDA vehicle gross profit per unit.

***Product Gross Profit***

TDA product gross profit decreased $0.5 million, or 6.6%, from $7.3 million in 2020 to $6.8 million in 2021.

***Selling, general and administrative expenses***

| | Year Ended December 31, 2021 | Year Ended December 31, 2020 | Change | % Change |
|---|---|---|---|---|
| | (in thousands) | | | |
| Compensation & benefits | $ 204,913 | $ 92,205 | $ 112,708 | 122.2% |
| Marketing expense | 125,481 | 62,393 | 63,088 | 101.1% |
| Outbound logistics (1) | 85,788 | 30,262 | 55,526 | 183.5% |
| Occupancy and related costs | 17,448 | 10,784 | 6,664 | 61.8% |
| Professional fees | 24,386 | 10,560 | 13,826 | 130.9% |
| Other | 89,807 | 39,342 | 50,465 | 128.3% |
| Total selling, general & administrative expenses | $ 547,823 | $ 245,546 | $ 302,277 | 123.1% |

(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 $302.3 million, or 123.1%, from $245.5 million in 2020 to $547.8 million in 2021. The increase was primarily due to:

- a $112.7 million increase in compensation and benefits as a result of an increase in headcount and an increase in variable fees for third-party sales and sales support providers as a result of an increase in units sold;

- a $63.1 million increase in marketing expense as we expanded our national broad-reach brand advertising, aired our first Super Bowl commercial, produced new commercials, and increased performance and online marketing as we continue to grow our listed inventory;

- a $55.5 million increase in outbound logistics costs attributable to the growth in ecommerce units sold, which increased outbound logistics costs by $35.3 million, and increases in market rates of logistics providers, which increased outbound logistics costs by $20.2 million;

- a $13.8 million increase in professional fees primarily related to acquisition related costs incurred in connection with the acquisition of UACC and increased consulting expenses primarily in the corporate, marketing and engineering departments as well as increased legal fees; and

- a $50.5 million increase in other SG&A expenses primarily related to volume-based fees for software licenses and other variable expenses as our business continues to scale as well as additional insurance costs associated with being a publicly traded company and growing inventory.

Total SG&A expenses per total ecommerce transaction, defined as ecommerce vehicle purchases directly from consumers plus ecommerce units sold, decreased from $4,633 for the year ended December 31, 2020 to $3,818 for the year ended December 31, 2021, primarily due to operating leverage as our business continues to scale, partially offset by increases in market rates of logistics providers and acquisition related costs incurred in connection with the acquisition of UACC.

We expect SG&A expenses to increase in the future as we continue to scale our business, integrate and invest in UACC, invest in and improve our customer experience, and continue expanding our proprietary logistics and reconditioning hybrid networks. However, we believe these increases will be partially offset by operating leverage as our business continues to scale and we gain efficiencies from our investments in technology and process improvements.

SG&A expenses may also continue to be negatively impacted by macroeconomic factors such as rising prices particularly within compensation and benefits and outbound logistics costs.

***Depreciation and amortization***

Depreciation and amortization expenses increased $8.3 million, or 180.4%%, from $4.6 million in 2020 to $12.9 million in 2021. The increase was primarily due to amortization expense of intangible assets acquired as part of the acquisition of the CarStory business on January 7, 2021, depreciation of short-haul and line-haul vehicles acquired for our proprietary logistics network and increased depreciation expense as we continue to develop our internal use software.

***Interest expense***

Interest expense increased $12.2 million, or 127.3%, from $9.7 million in 2020 to $21.9 million in 2021. The increase was primarily attributable to a higher outstanding balance of the 2020 Vehicle Floorplan Facility due to the increase in vehicle inventory levels as the business continues to scale, which increased interest expense $7.9 million and interest expense incurred on the Notes, which increased interest expense $4.3 million. Interest expense may increase in the future as a result of the Federal Reserve's plans to raise interest rates throughout 2022.

***Interest income***

Interest income increased $4.4 million, or 75.4%, from $5.9 million in 2020 to $10.3 million in 2021. The increase in interest income was primarily driven by higher cash and cash equivalent balances as a result of the issuance of the Notes.

## Liquidity and Capital Resources

As of December 31, 2021, we had cash and cash equivalents of $1.1 billion. Our primary source of liquidity is cash generated through financing activities. On February 1, 2022 we completed the acquisition of UACC for a cash purchase price of approximately $300.0 million, subject to customary purchase price adjustments.

On June 11, 2020, we completed our IPO in which we sold 24,437,500 shares of our common stock for proceeds of $504.0 million, net of the underwriting discount and before deducting offering expenses. On September 15, 2020, we completed our follow-on public offering in which we sold 10,800,000 shares of common stock for proceeds of $569.5 million, net of the underwriting discount and before deducting offering expenses. On June 18, 2021, we issued $625.0 million aggregate principal amount of the Notes for net proceeds of $608.9 million.

We anticipate that our existing cash and cash equivalents and the 2020 Vehicle Floorplan Facility will be sufficient to support our working capital and capital expenditure requirements for at least the next twelve months from the date of this Annual Report on Form 10-K. We intend to use cash flows provided by UACC's operations to reinvest in the development of UACC into a full captive financing arm.

We have experienced a continued increase in the use of cash as our business scaled and we continue to expand our operations. Our future capital requirements will depend on many factors, including our rate of revenue growth, our efforts to reduce costs per unit, integration and investment costs for the acquisition of UACC, the expansion of our inventory, sales and marketing activities, and investment in our reconditioning, logistics and customer experience operations. To finance our long term growth and capital expenditures, we expect to use our cash and cash equivalents, borrowings under our vehicle floorplan facilities and debt and equity financing. Currently, we finance approximately 25% of our retail inventory with our cash and cash equivalents. We expect this percentage to decrease as we intend to utilize more of the capacity of our vehicle floorplan facility to finance the expansion of our retail inventory. We have no significant debt maturities due until 2026. 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 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 our 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 certain 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 our 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 our common stock and the conversion rate of the Notes on such trading day;

- If we call 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).

We may settle conversions by paying or delivering, as applicable, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election.

We may not redeem the Notes prior to July 6, 2024. On or after July 6, 2024, we 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 our 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 we undergo a fundamental change (as defined in the Indenture), subject to certain conditions, holders of the Notes may require us 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 we issue a notice of redemption, we 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 December 31, 2021, the conditions allowing holders of the Notes to convert were not met.

***Vehicle Financing***

As of December 31, 2021, we finance our inventory primarily through the 2020 Vehicle Floorplan Facility with Ally Bank and Ally Financial (together, "Ally"), which was amended in December 2021 and provides a committed credit line of up to $700.0 million.

The amount of credit available to us under the 2020 Vehicle Floorplan Facility is determined on a monthly basis based on a calculation that considers average outstanding borrowings and vehicle units paid off by us within the three immediately preceding months. Approximately $187.2 million was available under this facility as of December 31, 2021. In February 2022, we amended the 2020 Vehicle Floorplan Facility to extend the maturity date to March 31, 2023. We are required to pay an availability fee on the average unused capacity from the prior quarter if it was greater than 50% of the calculated floorplan allowance, as defined. We are subject to financial covenants that require us 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 monthly daily floorplan principal balance outstanding on deposit with Ally Bank. We were required to pay an upfront commitment fee upon execution of the amendment.

Outstanding borrowings are due as the vehicles financed are sold, or in any event, on the maturity date. The amended 2020 Vehicle Floorplan Facility bears interest at a rate equal to the Prime Rate, announced per annum by Ally Bank, plus 105 basis points. We are party to a Credit Balance Agreement that permits us to deposit cash with Ally for the purpose of reducing the amount of interest payable for borrowings under the 2020 Vehicle Floorplan Facility.

***Finance Receivables***

We are planning to sell finance receivables originated by UACC through forward flow arrangements and asset-backed securitization transactions. In February 2022, we completed a securitization transaction of finance receivables originated by our wholly owned subsidiary UACC. The securitization has been structured as an off-balance sheet transaction in which UACC sold approximately $318.5 million in principal balance of auto loans to a securitization trust and received proceeds from the issuance and sale of rated notes and unrated residual certificates and retained a 5% vertical risk retention interest in each class of notes and certificates. The Company recognized a gain on the sale upon transfer in an amount equal to the fair value of the net proceeds received less the carrying amount of the finance receivables sold.

***Operating Leases***

We enter into various noncancelable operating lease agreements for office space, the Company's reconditioning facility, the TDA retail location, the Company's Sell Us Your Car centers, parking lots, other facilities, and equipment used in the normal course of business. Operating lease obligations were $16.5 million, with $7.3 million payable within 12 months. See "Note 12—Leases," to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further detail of our obligations and the timing of expected future payments.

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

The following table summarizes our cash flows for the years ended December 31, 2021, 2020, and 2019:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| | (in thousands) | | |
| Net cash used in operating activities | $ (568,688) | $ (355,254) | $ (215,636) |
| Net cash used in investing activities | (104,288) | (11,329) | (3,528) |
| Net cash provided by financing activities | 797,712 | 1,237,035 | 275,242 |
| Net increase in cash and cash equivalents and restricted cash | 124,736 | 870,452 | 56,078 |
| Cash and cash equivalents and restricted cash at beginning of period | 1,090,039 | 219,587 | 163,509 |
| Cash and cash equivalents and restricted cash at end of period | $ 1,214,775 | $ 1,090,039 | $ 219,587 |

***Operating Activities***

Net cash flows used in operating activities increased $213.4 million, or 60.1%, from $355.3 million in 2020 to $568.7 million in 2021. The increase is primarily attributable to $167.8 million in incremental net loss after reconciling adjustments in 2021 as compared to 2020 as well as an increase in working capital, primarily related to higher inventory levels as we continue to scale our business, resulting in an increase in the use of cash of $45.6 million.

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

### *Investing Activities*

Net cash flows used in investing activities increased $93.0 million, from $11.3 million in 2020 to $104.3 million in 2021, primarily as a result of the acquisition of the CarStory business in January 2021 which resulted in cash outflow of $75.9 million, the acquisition of short-haul and line-haul vehicles for our proprietary logistics network and an increase in capitalized software development costs.

### *Financing Activities*

Net cash flows provided by financing activities decreased $439.3 million from $1,237.0 million in 2020 to $797.7 million in 2021. The decrease was primarily related to net proceeds of $568.0 million received upon completion of the follow-on public offering, $497.2 million received upon completion of the IPO, and $21.7 million related to the net issuance of Series H preferred stock in 2020. The decrease was partially offset by net proceeds of $608.9 million received upon issuance of the Notes as well as a net increase of $30.2 million related to our Vehicle Floorplan in 2021.

## Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of 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.

Due to the evolving and uncertain nature of the COVID-19 pandemic, it is reasonably possible that it could materially impact our estimates, particularly those noted above that require consideration of forecasted financial information, in the near to medium term. The ultimate impact will depend on numerous evolving factors that we may not be able to accurately predict, including the duration and extent of the pandemic, the impact of federal, state, local and foreign governmental actions, consumer behavior in response to the pandemic and other economic and operational conditions we may face.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our financial condition and results of operations. For further information, see “Note 2—Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### *Business Combinations*

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 three reporting units: Ecommerce, Wholesale and TDA. 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 valuation approach. The income valuation 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 valuation 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 October 1, 2021, the carrying value of goodwill was $158.8 million, of which $152.9 million is allocated to the Ecommerce reporting unit. In connection with the annual goodwill impairment test as of October 1, 2021, we performed a quantitative impairment assessment for the Ecommerce reporting unit. The results of the quantitative test indicated that the fair value of the Ecommerce reporting unit exceeded carrying value and that the Ecommerce reporting unit was not at risk of failing the quantitative impairment test. A 10% decrease in the estimated fair value would not have resulted in a different conclusion. Additionally, as of December 31, 2021, we performed an interim goodwill impairment assessment due to the decline in our and comparable companies’ stock prices. As a result of the interim goodwill impairment test, management determined that the estimated fair value of the Ecommerce reporting unit exceeded its carrying value by 50% and no impairment was recorded. The quantitative interim impairment test was performed utilizing the discounted cash flow method described above. A 10% decrease in the estimated fair value at December 31, 2021 would not have resulted in a different conclusion.

No goodwill impairment was determined to exist for the years ended December 31, 2021, 2020, and 2019.

## Recently Issued and Adopted Accounting Pronouncements

See “Note 2—Summary of Significant Accounting Policies” to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for a discussion about new accounting pronouncements adopted and not yet adopted as of the date of this report.

## Item 7A. 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 December 31, 2021, we had an outstanding balance under the 2020 Vehicle Floorplan Facility of $512.8 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. A hypothetical 10% change in interest rates during the year ended December 31, 2021 would result in a change to interest expense of $1.7 million.

As of December 31, 2021, we had an outstanding principal balance on our Notes of $625.0 million. As the interest rate on the Notes is fixed, we do not have exposure to interest rate risk.

## Item 8. Financial Statements and Supplementary Data

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Vroom, Inc.

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Vroom, Inc. and its subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, of changes in redeemable convertible preferred stock and stockholders' equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Goodwill - Interim Impairment Assessment for the Ecommerce Reporting Unit*

As described in Notes 2 and 7 to the consolidated financial statements, the Company's goodwill balance was $158.8 million as of December 31, 2021, and the goodwill associated with the Ecommerce reporting unit was $152.9 million. Goodwill is tested for impairment annually as of October 1, or whenever events or changes in circumstances indicate that an impairment may exist. As disclosed by management, the quantitative goodwill impairment test requires a determination of whether the estimated fair value of a reporting unit is less than its carrying value. Management estimates the fair value of the reporting units using an income valuation approach. The income valuation approach is applied using the discounted cash flow method which requires management to (1) estimate future cash flows for a discrete projection period, (2) estimate the terminal value, which reflects the remaining value that the reporting unit is expected to generate beyond the projection period, and (3) discount 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 valuation approach requires the use of significant estimates and assumptions by management, relating to 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. An interim goodwill impairment assessment was performed as of December 31, 2021 due to the decline in the Company's and comparable companies' stock price. As a result of the interim goodwill impairment assessment, management determined that the estimated fair value of the Ecommerce reporting unit exceeded its carrying value and no impairment was recorded.

The principal considerations for our determination that performing procedures relating to the interim goodwill impairment assessment for the Ecommerce reporting unit is a critical audit matter are (i) the significant judgment by management when developing the fair value of the Ecommerce reporting unit; (ii) a high degree of auditor judgment, subjectivity, and effort in performing procedures and evaluating management's significant assumptions related to revenue growth rates and the exit revenue multiple; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's interim goodwill impairment assessment, including controls over the valuation of the Ecommerce reporting unit. These procedures also included, among others (i) testing management's process for developing the fair value of the Ecommerce reporting unit; (ii) evaluating the appropriateness of the discounted cash flow method; (iii) testing the completeness and accuracy of underlying data used in the discounted cash flow method; and (iv) evaluating the reasonableness of the significant assumptions used by management related to revenue growth rates and the exit revenue multiple. Evaluating management's assumptions related to revenue growth rates and the exit revenue multiple involved evaluating whether the assumptions used by management were reasonable considering (i) the current and past performance of the Ecommerce reporting unit; (ii) the consistency with external market and industry data; and (iii) whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the appropriateness of the Company's discounted cash flow method and the reasonableness of the exit revenue multiple significant assumption.

/s/ PricewaterhouseCoopers LLP

New York, New York
February 28, 2022

We have served as the Company's auditor since 2016.

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

| | As of December 31, 2021 | As of December 31, 2020 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 1,132,325 | $ 1,056,213 |
| Restricted cash | 82,450 | 33,826 |
| Accounts receivable, net of allowance of $8,889 and $2,803, respectively | 105,433 | 60,576 |
| Inventory | 726,384 | 423,647 |
| Prepaid expenses and other current assets | 55,700 | 23,617 |
| Total current assets | 2,102,292 | 1,597,879 |
| Property and equipment, net | 37,042 | 15,092 |
| Intangible assets, net | 28,207 | 34 |
| Goodwill | 158,817 | 78,172 |
| Operating lease right-of-use assets | 15,359 | 17,137 |
| Other assets | 25,033 | 15,742 |
| Total assets | $ 2,366,750 | $ 1,724,056 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 52,651 | $ 32,925 |
| Accrued expenses | 121,508 | 59,405 |
| Vehicle floorplan | 512,801 | 329,231 |
| Deferred revenue | 75,803 | 24,822 |
| Operating lease liabilities, current | 6,889 | 6,052 |
| Other current liabilities | 57,604 | 30,275 |
| Total current liabilities | 827,256 | 482,710 |
| Convertible senior notes | 610,618 | — |
| Operating lease liabilities, excluding current portion | 9,592 | 12,093 |
| Other long-term liabilities | 4,090 | 2,151 |
| Total liabilities | 1,451,556 | 496,954 |
| Commitments and contingencies (Note 11) | | |
| Stockholders' equity: | | |
| Common stock, $0.001 par value; 500,000,000 shares authorized as of December 31, 2021 and December 31, 2020; 137,092,891 and 134,043,969 shares issued and outstanding as of December 31, 2021 and December 31, 2020, respectively | 135 | 132 |
| Additional paid-in-capital | 2,063,841 | 2,004,841 |
| Accumulated deficit | (1,148,782) | (777,871) |
| Total stockholders' equity | 915,194 | 1,227,102 |
| Total liabilities and stockholders' equity | $ 2,366,750 | $ 1,724,056 |

*See accompanying notes to these consolidated financial statements.*

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

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Revenue: | | | |
| Retail vehicle, net | $ 2,583,417 | $ 1,072,551 | $ 952,910 |
| Wholesale vehicle | 498,981 | 245,580 | 213,464 |
| Product, net | 88,824 | 38,195 | 23,708 |
| Other | 13,033 | 1,374 | 1,739 |
| Total revenue | 3,184,255 | 1,357,700 | 1,191,821 |
| Cost of sales | 2,982,156 | 1,286,155 | 1,133,962 |
| Total gross profit | 202,099 | 71,545 | 57,859 |
| Selling, general and administrative expenses | 547,823 | 245,546 | 184,988 |
| Depreciation and amortization | 12,891 | 4,598 | 6,019 |
| Loss from operations | (358,615) | (178,599) | (133,148) |
| Interest expense | 21,948 | 9,656 | 14,596 |
| Interest income | (10,341) | (5,896) | (5,607) |
| Revaluation of preferred stock warrant | — | 20,470 | 769 |
| Other income, net | (65) | (114) | (96) |
| Loss before provision for income taxes | (370,157) | (202,715) | (142,810) |
| Provision for income taxes | 754 | 84 | 168 |
| Net loss | $ (370,911) | $ (202,799) | $ (142,978) |
| Accretion of redeemable convertible preferred stock | $ — | $ — | $ (132,750) |
| Net loss attributable to common stockholders | $ (370,911) | $ (202,799) | $ (275,728) |
| Net loss per share attributable to common stockholders, basic and diluted | $ (2.72) | $ (2.76) | $ (32.04) |
| Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted | 136,429,791 | 73,345,569 | 8,605,962 |

*See accompanying notes to these consolidated financial statements.*

**VROOM, INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)**
**(in thousands, except share amounts)**

| | Redeemable Convertible Preferred Stock | | Common Stock | | Additional Paid-in | Accumulated | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Capital | Deficit | (Deficit) |
| Balance at December 31, 2018 | 66,825,300 | $ 519,100 | 8,571,386 | $ 8 | $ — | $ (296,874) | $ (296,866) |
| Stock-based compensation | — | $ — | — | $ — | $ 2,756 | $ — | $ 2,756 |
| Exercise of stock options | — | — | 135,950 | — | 466 | — | 466 |
| Vesting of restricted stock awards | — | — | 623,832 | — | 1,344 | — | 1,344 |
| Repurchase of common stock | — | — | (680,246) | — | (4,566) | (1,258) | (5,824) |
| Issuance of Series H redeemable convertible preferred stock, net of issuance costs | 16,743,328 | 222,482 | — | — | — | — | — |
| Accretion of redeemable convertible preferred stock | — | 132,750 | — | — | — | (132,750) | (132,750) |
| Net loss | — | — | — | — | — | (142,978) | (142,978) |
| Balance at December 31, 2019 | 83,568,628 | $ 874,332 | 8,650,922 | $ 8 | $ — | $ (573,860) | $ (573,852) |
| Issuance of common stock | — | $ — | 183,870 | $ — | $ 2,127 | $ — | $ 2,127 |
| Issuance of Series H redeemable convertible preferred stock, net of issuance costs | 1,964,766 | 26,714 | — | — | — | — | — |
| Conversion of redeemable convertible preferred stock to common stock | (85,533,394) | (901,046) | 85,533,394 | 86 | 900,960 | — | 901,046 |
| Conversion of redeemable convertible preferred stock warrant to common stock warrant | — | — | — | — | 21,873 | — | 21,873 |
| Issuance of common stock in IPO, net of offering costs | — | — | 24,437,500 | 24 | 496,486 | — | 496,510 |
| Issuance of common stock in follow-on public offering, net of offering costs | — | — | 10,800,000 | 11 | 567,941 | — | 567,952 |
| Repurchase of common stock | — | — | (200,000) | — | (606) | (1,212) | (1,818) |
| Vesting of restricted stock awards | — | — | 3,249,346 | 2 | 3,381 | — | 3,383 |
| Stock-based compensation | — | — | — | — | 13,254 | — | 13,254 |
| Exercise of stock options | — | — | 598,406 | 1 | 2,340 | — | 2,341 |
| Exercise of common stock warrants | — | — | 636,112 | — | — | — | — |
| Vesting of restricted stock units | — | — | 237,334 | — | — | — | — |
| Common stock shares withheld to satisfy employee tax withholding obligations | — | — | (82,915) | — | (2,915) | — | (2,915) |
| Net loss | — | — | — | — | — | (202,799) | (202,799) |
| Balance at December 31, 2020 | — | $ — | 134,043,969 | $ 132 | $ 2,004,841 | $ (777,871) | $ 1,227,102 |
| Issuance of common stock for CarStory acquisition | — | $ — | 1,066,444 | $ 1 | $ 38,810 | $ — | $ 38,811 |
| Fair value of unvested stock options assumed in CarStory acquisition | — | — | — | — | 1,017 | — | 1,017 |
| Stock-based compensation | — | — | — | — | 13,409 | — | 13,409 |
| Exercise of stock options | — | — | 1,409,004 | 2 | 5,764 | — | 5,766 |
| Vesting of restricted stock units | — | — | 573,474 | — | — | — | — |
| Net loss | — | — | — | — | — | (370,911) | (370,911) |
| Balance at December 31, 2021 | — | $ — | 137,092,891 | $ 135 | $ 2,063,841 | $ (1,148,782) | $ 915,194 |

*See accompanying notes to these consolidated financial statements.*

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

| | Year Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Operating activities** | | | |
| Net loss | $ (370,911) | $ (202,799) | $ (142,978) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization | 13,215 | 4,654 | 6,157 |
| Amortization of debt issuance costs | 2,872 | 938 | 357 |
| Stock-based compensation expense | 13,409 | 13,254 | 2,756 |
| Provision to record inventory at lower of cost or net realizable value | 9,471 | 6,588 | 2,682 |
| Revaluation of preferred stock warrant | — | 20,470 | 769 |
| Other | 9,619 | 2,375 | 2,609 |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | (53,206) | (32,068) | (18,430) |
| Inventory | (312,208) | (224,489) | (92,877) |
| Prepaid expenses and other current assets | (32,452) | (9,117) | (3,935) |
| Other assets | (9,172) | (4,556) | (3,487) |
| Accounts payable | 19,321 | 14,066 | 4,035 |
| Accrued expenses | 61,170 | 28,431 | 10,131 |
| Deferred revenue | 50,943 | 7,499 | 10,902 |
| Other liabilities | 29,241 | 19,500 | 5,673 |
| Net cash used in operating activities | (568,688) | (355,254) | (215,636) |
| **Investing activities** | | | |
| Purchase of property and equipment | (28,413) | (11,329) | (3,528) |
| Acquisition of business, net of cash acquired | (75,875) | — | — |
| Net cash used in investing activities | (104,288) | (11,329) | (3,528) |
| **Financing activities** | | | |
| Repayments of long-term debt and debt extinguishment costs | — | — | (25,685) |
| Proceeds from vehicle floorplan | 2,713,350 | 1,242,736 | 992,179 |
| Repayments of vehicle floorplan | (2,529,780) | (1,086,966) | (914,200) |
| Proceeds from issuance of convertible senior notes | 625,000 | — | — |
| Issuance costs paid for convertible senior notes | (16,129) | — | — |
| Proceeds from the issuance of redeemable convertible preferred stock, net | — | 21,694 | 227,502 |
| Repurchase of common stock | — | (1,818) | (5,824) |
| Common stock shares withheld to satisfy employee tax withholding obligations | — | (2,915) | — |
| Proceeds from the issuance of common stock in connection with IPO, net of underwriting discount | — | 504,024 | — |
| Payments of costs related to IPO | — | (6,791) | (723) |
| Proceeds from the issuance of common stock in connection with follow-on public offering, net of underwriting discount | — | 569,471 | — |
| Payments of costs related to follow-on public offering | — | (1,519) | — |
| Proceeds from exercise of stock options | 5,766 | 2,341 | 1,810 |
| Other financing activities | (495) | (3,222) | 183 |
| Net cash provided by financing activities | 797,712 | 1,237,035 | 275,242 |
| **Net increase in cash, cash equivalents and restricted cash** | 124,736 | 870,452 | 56,078 |
| Cash, cash equivalents and restricted cash at the beginning of period | 1,090,039 | 219,587 | 163,509 |
| **Cash, cash equivalents and restricted cash at the end of period** | $ 1,214,775 | $ 1,090,039 | $ 219,587 |

*(Continued on following page)*

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

| | | | |
|---|---|---|---|
| **Supplemental disclosure of cash flow information:** | | | |
| Cash paid for interest | $ 15,964 | $ 8,540 | $ 12,607 |
| Cash paid for income taxes | $ 403 | $ 163 | $ 157 |
| **Supplemental disclosure of non-cash investing and financing activities:** | | | |
| Issuance of common stock for CarStory acquisition | $ 38,811 | $ — | $ — |
| Fair value of unvested stock options assumed for acquisition of business | $ 1,017 | $ — | $ — |
| Accretion of redeemable convertible preferred stock | $ — | $ — | $ 132,750 |
| Series H preferred stock issuance costs included in accrued expenses | $ — | $ — | $ 5,020 |
| Costs related to IPO included in accrued expenses and accounts payable | $ — | $ — | $ 1,703 |
| Conversion of redeemable convertible preferred stock warrant to common stock warrant | $ — | $ 21,873 | $ — |
| Issuance of common stock as upfront payment to nonemployee | $ — | $ 2,127 | $ — |
| Accrued property and equipment expenditures | $ 760 | $ 97 | $ 200 |

*See accompanying notes to these consolidated financial statements.*

**VROOM, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

## 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).

As of December 31, 2021, the Company is organized into three reportable segments: Ecommerce, Wholesale, and TDA. The Ecommerce reportable segment represents retail sales of used vehicles through the Company's ecommerce platform and fees earned on sales of value-added products associated with those vehicles sales. The Wholesale reportable segment represents sales of used vehicles through wholesale channels. The TDA reportable segment represents retail sales of used vehicles from TDA and fees earned on sales of value-added products associated with those vehicles sales.

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.

### *Stock Split*

In connection with the closing of the Company's initial public offering ("IPO") on June 11, 2020, the Company effected a 2-for-1 forward stock split of the Company's common stock, which became effective immediately prior to the consummation of the IPO. All shares of the Company's common stock, stock-based instruments, and per-share data included in these consolidated financial statements have been retroactively adjusted as though the stock split has been effected prior to all periods presented.

### *Initial Public Offering*

The Company closed its IPO on June 11, 2020 in which it sold 24,437,500 shares of common stock at the public offering price of $22.00 per share, including 3,187,500 shares sold pursuant to exercise by the underwriters of their option to purchase additional shares. The Company received proceeds of $504.0 million from the IPO, net of the underwriting discount and before deducting offering expenses of $7.5 million. In addition, in accordance with their terms and consistent with the conversion rates discussed in Note 13 - Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit), all shares of the Company's outstanding redeemable convertible preferred stock were automatically converted into common stock upon the closing of the IPO.

### *Follow-on Public Offering*

The Company closed its follow-on public offering on September 15, 2020 in which it sold 10,800,000 shares of common stock at the public offering price of $54.50 per share. The Company received proceeds of $569.5 million from the offering, net of the underwriting discount and before deducting offering expenses of $1.5 million.

### *Basis of Presentation*

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). Certain prior year amounts have been reclassified to conform to the current year presentation.

***Principles of Consolidation***

The accompanying 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.

Due to the evolving and uncertain nature of COVID-19, it is reasonably possible that it could materially impact the Company’s estimates, particularly those noted above that require consideration of forecasted financial information, in the near to medium term. The ultimate impact will depend on numerous evolving factors that the Company may not be able to accurately predict, including the duration and extent of the pandemic, the impact of federal, state, local and foreign governmental actions, consumer behavior in response to the pandemic and other economic and operational conditions the Company may face.

***Comprehensive Loss***

The Company did not have any other comprehensive income or loss for the years ended December 31, 2021, 2020, and 2019. Accordingly, net loss and comprehensive loss are the same for the periods presented.

***Revenue Recognition***

Revenue consists of retail used vehicle sales, wholesale used vehicle sales, fees earned on sales of value-added products to customers in connection with vehicles sales, and other revenues. Refer to Note 3 – Revenue Recognition for a discussion of the Company’s significant accounting policies related to revenue recognition.

***Cost of sales***

Cost of sales primarily includes the cost to acquire used vehicles, inbound transportation costs and direct and indirect reconditioning costs associated with preparing vehicles for resale. 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 necessary adjustments to reflect vehicle inventory at the lower of cost or net realizable value.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash deposits at financial institutions and highly liquid investments with original maturities of three months or less. Outstanding checks that are in excess of the cash balances at certain financial institutions are included in “Accounts payable” in the consolidated balance sheets and changes in these amounts are reflected in operating cash flows in the consolidated statements of cash flows.

***Restricted Cash***

Restricted cash includes cash deposits required under letter of credit agreements as explained in Note 11 – Commitments and Contingencies and cash deposits required under the Company’s 2020 Vehicle Floorplan Facility as explained in Note 9 – Vehicle Floorplan Facilities. Additionally, as of December 31, 2021, restricted cash also includes \$30.0 million of cash deposits required under a cash collateral agreement with one of the Company's preferred lenders.

***Accounts Receivable, Net***

Accounts receivable, net of an allowance for doubtful accounts, includes amounts due from customers and from third-party financial institutions related to vehicle purchases. The allowance for doubtful accounts is estimated based upon historical experience, age of the balances, current economic conditions and other factors and is evaluated as of each reporting date. Increases and decreases in the allowance for doubtful accounts are recorded in "Selling, general and administrative expenses" in the consolidated statements of operations.

***Inventory***

Inventory consists primarily of used vehicles and parts and accessories and is stated at the lower of cost or net realizable value. Inventory cost is determined by specific identification and includes acquisition cost, direct and indirect reconditioning costs and inbound transportation expenses. Net realizable value represents the estimated selling price less costs to complete, dispose and transport the vehicles. The Company recognizes any necessary adjustments to reflect inventory at the lower of cost or net realizable value through adjustments to "Cost of sales" in the consolidated statements of operations.

***Property and Equipment, Net***

Property and equipment are recorded at cost less accumulated depreciation and amortization. Charges for repairs and maintenance that do not improve or extend the life of the respective assets are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are written off and any resulting gains or losses are recorded during the period.

Depreciation and amortization are calculated using the straight-line method over the following estimated useful lives of the assets:

| | |
|---|---|
| Equipment | 3 to 15 years |
| Furniture and fixtures | 3 to 15 years |
| Logistics fleet | 5 to 7 years |
| Leasehold improvements | Lesser of useful life or lease term |
| Internal-use software | 3 to 5 years |

The Company capitalizes direct costs of materials and services utilized in developing or obtaining internal-use software. The Company also capitalizes payroll and payroll-related costs for employees who are directly associated with and who devote time to the development of software products for internal use, to the extent of the time spent directly on the project. Capitalization of costs begins during the application development stage and ends when the software is available for general use. Costs incurred during the preliminary project and post-implementation stages are charged to expense as incurred.

Additionally, the Company capitalizes implementation costs incurred in a cloud computing arrangement that is a service contract. The capitalized implementation costs related to a cloud computing arrangement are amortized over the term of the arrangement. Capitalized implementation costs are included in "Other assets" in the consolidated balance sheet and are amortized over the terms of the arrangements, which range between 2 and 10 years.

***Goodwill and Intangible Assets***

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 three reporting units: Ecommerce, Wholesale, and TDA. In performing its annual 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.

As of October 1, 2021, the carrying value of the Company's goodwill was $158.8 million, of which $152.9 million is allocated to the Ecommerce reporting unit. In connection with its annual goodwill impairment test as of October 1, 2021, the Company performed a quantitative impairment assessment for its Ecommerce reporting unit. The results of the quantitative test indicated that the fair value of the Ecommerce reporting unit exceeded carrying value. The quantitative impairment test was performed utilizing the discounted cash flow method described above. Additionally, as of December 31, 2021 an interim goodwill impairment assessment was performed due to the decline in the Company's and comparable companies stock prices. As a result of the interim goodwill impairment test, the Company determined that the estimated fair value of the Ecommerce reporting unit exceeded its carrying value and no impairment was recorded.

No goodwill impairment was determined to exist for the years ended December 31, 2021, 2020, and 2019.

The Company's intangible assets are amortized on a straight-line basis over the following estimated useful lives:

| | |
|---|---|
| Developed technology | 5 years |
| Trademarks | 8 years |
| Customer relationships | 8 years |

The Company periodically reassesses the useful lives of its definite-lived intangible assets when events or circumstances indicate that useful lives have significantly changed from the previous estimate.

***Vehicle Floorplan***

The vehicle floorplan payable (the “Vehicle Floorplan Facility”) reflects amounts borrowed to finance the purchase of specific vehicle inventories. Portions of the Vehicle Floorplan Facility are settled on a daily basis depending on the Company’s sales and purchasing activity. The Vehicle Floorplan Facility is collateralized by vehicle inventories and certain other assets of the Company. Borrowings and repayments are presented separately and classified as financing activities within the consolidated statements of cash flows.

***Income Taxes***

The Company accounts for income taxes under the asset and liability method. The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, as well as for operating loss and tax credit carry forwards. The Company measures deferred tax assets and liabilities using enacted tax rates expected to apply to taxable income in the years in which the Company expects to recover or settle those temporary differences. The Company recognizes the effect of a change in tax rates on deferred tax assets and liabilities in the results of operations in the period that includes the enactment date. The Company reduces the measurement of a deferred tax asset, if necessary, by a valuation allowance if it is more likely than not that the Company will not realize some or all of the deferred tax asset. The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon technical merits, it is more likely than not that the position will be sustained upon examination. Potential interest and penalties associated with unrecognized tax positions are recognized in income tax expense.

***Stock-Based Compensation***

The Company recognizes the cost of employee services received in exchange for stock awards based on the fair value of those awards at the date of grant over the requisite service period. The Company accounts for forfeitures as they occur. For awards earned based on performance or upon occurrence of a contingent event, if the award is deemed probable of being earned, related compensation expense is recorded over the estimated service period. If an award is not considered probable of being earned, no amount of stock-based compensation is recognized. To the extent the estimate of awards considered probable of being earned changes, the amount of stock-based compensation recognized will also change.

The Company uses the Black-Scholes-Merton (“Black-Scholes”) option pricing model to determine the fair value of its stock options. Estimating the fair value of stock options requires the input of subjective assumptions, including the estimated fair value of the Company’s common stock, the expected life of the options, stock price volatility, which is determined based on the historical volatilities of several publicly listed peer companies as the Company has only a short trading history for its common stock, the risk-free interest rate and expected dividends. The assumptions used in the Company’s Black-Scholes option-pricing model represent management’s best estimates and involve a number of variables, uncertainties and assumptions and the application of management’s judgment, as they are inherently subjective.

***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 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 $125.5 million, $62.4 million, and $49.9 million for the years ended December 31, 2021, 2020, and 2019, 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 consolidated statements of operations and were $85.8 million, $30.3 million, and $14.0 million for the years ended December 31, 2021, 2020, and 2019, 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 years ended December 31, 2021, 2020, and 2019, 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 December 31, 2021 and 2020.

***Liquidity***

The Company has had negative cash flows and losses from operations since inception and expects to incur additional losses in the future. The Company closed its IPO on June 11, 2020, in which it received proceeds of $504.0

million, net of the underwriting discount and before deducting offering expenses of $7.5 million. Additionally, the Company closed its follow-on public offering on September 15, 2020 in which it received proceeds of $569.5 million, net of the underwriting discount and before deducting offering expenses of $1.5 million.

In June 2021, the Company issued $625.0 million aggregate principal amount of 0.75% unsecured Convertible Senior Notes due 2026. Refer to Note 10 – Convertible Senior Notes for further discussion.

The Company has a Vehicle Floorplan Facility with a borrowing capacity of $700.0 million as of December 31, 2021. Refer to Note 9 – Vehicle Floorplan Facilities for further discussion.

***Net Loss Per Share Attributable to Common Stockholders***

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Under the two-class method, net loss is attributed to common stockholders and participating securities based on their participation rights. The Company considers all series of its redeemable convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the redeemable convertible preferred stock as the holders of the Company's redeemable convertible preferred stock do not have a contractual obligation to share in the Company's losses. Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. For periods in which the Company reports net losses, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

The accretion of the Company's redeemable convertible preferred stock (refer to Note 13) for the year ended December 31, 2019 has been presented as an increase to net loss to determine net loss attributable to common stockholders.

***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 lists its used vehicle inventory for sale on the Rocket Auto platform, but all sales of the Company's inventory are conducted through the Company's platform. During the term of the RA Agreement, Rocket has agreed to ensure that not less than a minimum percentage of all used vehicles sold or leased through the platform on a monthly basis will be Vroom inventory. The Company issued Rocket 183,870 shares of the Company's common stock upon execution of the RA Agreement. The Company will pay Rocket a combination of cash and stock for vehicle sales made through the platform. Rocket may earn up to 8,641,914 shares of common stock over a four-year period based upon sales volume of Vroom inventory through the Rocket Auto platform.

The Company accounts for the issuance of its common stock under the RA agreement in accordance with ASC 718, *Compensation – Stock Compensation*, including the provisions that apply to share-based payments issued to nonemployees for goods or services. The Company determined that the grant date was May 15, 2020, for both the upfront shares issued and the additional shares that potentially are to be issued based on sales volume through the Rocket Auto platform. The fair value of the Company's common stock on the grant date was determined to be $11.57 per share. The grant date fair value of the upfront shares issued was initially recognized as an asset within "Other assets" in the consolidated balance sheet, which will subsequently be amortized within "Selling, general and administrative expenses" over the term of the RA agreement commencing on the launch date. The grant date fair value of the potential shares to be issued will be recognized within "Selling, general and administrative expenses" as sales of Vroom's inventory associated with the Rocket Auto platform occur and such shares are earned.

***Accounting Standards Adopted***

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"). The intent of this new guidance is to align the requirements for capitalizing implementation costs incurred in a cloud computing arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software as defined in ASC 350-40. Under ASU 2018-15, the capitalized implementation costs related to a cloud computing arrangement will be amortized over the term of the arrangement and all capitalized implementation amounts will be required to be presented in the same line items of the financial statements as the related hosting fees. The Company adopted ASU 2018-15 as of January 1, 2019. The new guidance was applied prospectively to all implementation costs incurred after the date of adoption and resulted in the capitalization of $2.7 million of implementation costs, which primarily relate to the Company's hosted general ledger system.

In February 2016, the FASB issued, ASU 2016-02*, Leases (Topic 842)*, which amends the accounting guidance on leases. The new standard requires a lessee to recognize right-of-use assets and lease obligations on the balance sheet for most lease agreements. The Company adopted Topic 842 as of January 1, 2020 using the modified retrospective approach with a cumulative-effect adjustment to opening retained earnings (accumulated deficit) with no restatement of comparative periods. Upon adoption, the Company recognized $18.4 million of operating lease liabilities and $17.4 million of operating lease right-of-use assets. The adoption of Topic 842 did not result in a cumulative effect adjustment to accumulated deficit.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement,* related to updated requirements over the disclosures of fair value measurements. Under ASU 2018-13, certain disclosure requirements for fair value measurements were eliminated, modified or added to facilitate better disclosure regarding recurring and non-recurring fair value measurements. The Company adopted the guidance on January 1, 2020 which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial instruments, Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which amends the guidance on the impairment of financial instruments by requiring measurement and recognition of expected credit losses for most financial assets, including trade receivables, and other instruments that are not measured at fair value through net income. The Company adopted the guidance on January 1, 2020 which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Tax*es*, which enhances and simplifies various aspects of the income tax accounting guidance including the elimination of certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The Company adopted the guidance on January 1, 2021 which did not have a material impact on the Company's consolidated financial statements and related disclosures.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the issuer's accounting for convertible debt instruments and amended certain guidance related to the computation of earnings per share for convertible instruments and contracts in an entity's own equity. The Company early adopted the new guidance effective January 1, 2021. There was no impact on the date of adoption. During the year ended December 31, 2021, the Company issued convertible notes. Refer to Note 10 – Convertible Senior Notes for further discussion.

***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 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. The Company recognizes revenue at a point in time as described below.

### *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.

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 value-added products, such as vehicle service contracts, guaranteed asset protection (“GAP”) and tire and wheel coverage. The Company sells these 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 these 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 December 31, 2021 and 2020, the Company's reserve for chargebacks was $9.6 million and $3.8 million, respectively, of which $5.5 million and $1.7 million, respectively, are included within "Accrued expenses" and $4.1 million and $2.1 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 December 31, 2021 and 2020, the Company recognized $17.9 million and $11.5 million, respectively, related to cumulative profit-sharing payments to which it expects to be entitled, of which $0.9 million and $0.8 million, respectively, are included within "Prepaid expenses and other current assets" and $17.0 million and $10.7 million, respectively, are included within "Other assets."

***Other Revenue***

Other revenue consists of labor and parts revenue earned by the Company for vehicle repair services at TDA and, commencing in the first quarter of 2021, revenue from CarStory.

***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. 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. The Company expects CarStory to continue 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 | $ 116,568 |

(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.

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 | $ 116,568 |

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 | $ 34,300 | |

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 ("DCF") 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.

## 5. Inventory

Inventory consisted of the following (in thousands):

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Vehicles | $ 724,542 | $ 421,458 |
| Parts and accessories | 1,842 | 2,189 |
| Total inventory | $ 726,384 | $ 423,647 |

As of December 31, 2021 and 2020, "Inventory" includes an adjustment of $22.4 million and $12.9 million, respectively, to record the balances at the lower of cost or net realizable value.

## 6. Property and Equipment, Net

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

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Equipment | $ 1,011 | $ 1,061 |
| Furniture and fixtures | 2,244 | 1,746 |
| Logistics fleet | 22,810 | 4,303 |
| Leasehold improvements | 7,161 | 7,068 |
| Internal-use software | 18,423 | 10,552 |
| Other | 5,811 | 3,696 |
| | 57,460 | 28,426 |
| Accumulated depreciation and amortization | (20,418) | (13,334) |
| Property and equipment, net | $ 37,042 | $ 15,092 |

Depreciation and amortization expense was $7.1 million, $4.1 million, and $2.8 million for the years ended December 31, 2021, 2020, and 2019, respectively. Depreciation and amortization expense of $0.3 million, $0.1 million, and $0.1 million was included within “Cost of sales” in the consolidated statements of operations for the years ended December 31, 2021, 2020, and 2019, respectively.

Implementation costs capitalized and accumulated amortization related to the Company’s cloud computing arrangements were $8.1 million and $2.4 million as of December 31, 2021, respectively, and $3.6 million and $1.0 million as of December 31, 2020, respectively, and were included within “Other assets” in the consolidated balance sheets. Amortization expense of $1.4 million, $0.7 million, and $0.3 million was included within “Selling, general and administrative expenses” in the consolidated statements of operations for the years ended December 31, 2021, 2020, and 2019, respectively.

## 7. Goodwill and Intangible Assets

### *Goodwill*

The following table summarizes the activity in the carrying value of goodwill by reporting unit for the years ended December 31, 2021 and 2020 (in thousands):

| | Ecommerce | Wholesale | TDA | Total |
|---|---|---|---|---|
| **Balance as of December 31, 2019** | **$ 72,231** | **$ 1,720** | **$ 4,221** | **$ 78,172** |
| Change in carrying amount | — | — | — | — |
| **Balance as of December 31, 2020** | **$ 72,231** | **$ 1,720** | **$ 4,221** | **$ 78,172** |
| **Balance as of December 31, 2020** | **$ 72,231** | **$ 1,720** | **$ 4,221** | **$ 78,172** |
| Acquisition | 80,645 | — | — | 80,645 |
| **Balance as of December 31, 2021** | **$ 152,876** | **$ 1,720** | **$ 4,221** | **$ 158,817** |

Refer to Note 4 – Acquisition for more information related to the acquisition that occurred in the year ended December 31, 2021.

There have been no accumulated impairment charges as of December 31, 2021 and 2020.

***Intangible Assets***

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

| | December 31, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Value | Accumulated Amortization | Carrying Value | Gross Carrying Value | Accumulated Amortization | Carrying Value |
| Developed Technology | $ 25,700 | $ (5,043) | $ 20,657 | $ — | $ — | $ — |
| Trademarks | 5,240 | (673) | 4,567 | 40 | (27) | 13 |
| Customer Relationships | 3,400 | (417) | 2,983 | — | — | — |
| Other | 252 | (252) | — | 252 | (231) | 21 |
| Total intangible assets | $ 34,592 | $ (6,385) | $ 28,207 | $ 292 | $ (258) | $ 34 |

Refer to Note 4 – Acquisition for more information related to the acquisition that occurred in the year ended December 31, 2021.

Amortization expense for intangible assets was $6.1 million, $0.5 million, and $3.4 million for the years ended December 31, 2021, 2020, and 2019, respectively.

The estimated amortization expense for intangible assets subsequent to December 31, 2021, consists of the following (in thousands):

| Year Ending December 31: | |
|---|---|
| 2022 | $ 6,220 |
| 2023 | 6,215 |
| 2024 | 6,215 |
| 2025 | 6,215 |
| 2026 | 1,172 |
| Thereafter | 2,170 |
| | $ 28,207 |

## 8. Accrued Expenses and Other Current Liabilities

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

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Accrued marketing expenses | $ 17,546 | $ 9,106 |
| Vehicle related expenses | 36,459 | 13,062 |
| Sales taxes | 39,163 | 15,443 |
| Accrued compensation and benefits | 16,150 | 5,749 |
| Accrued professional services | 4,225 | 4,890 |
| Other | 7,965 | 11,155 |
| Total accrued expenses | $ 121,508 | $ 59,405 |

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

| | December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Vehicle payable | $ 30,647 | $ 25,086 |
| Reserve for estimated returns | 26,522 | 5,058 |
| Other | 435 | 131 |
| Total other current liabilities | $ 57,604 | $ 30,275 |

## 9. Vehicle Floorplan Facilities

In March 2020, the Company entered into a new vehicle floorplan facility with Ally Bank and Ally Financial (the “2020 Vehicle Floorplan Facility”). The 2020 Vehicle Floorplan Facility provided a committed credit line of up to $450.0 million and was amended in October 2020 to extend the maturity date to September 30, 2022. 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.

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 to the 1-Month LIBOR rate applicable in the immediately preceding month plus a spread of 425 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 outstanding borrowings 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 $50.6 million and $31.6 million are classified as "Restricted cash" within the consolidated balance sheets as of December 31, 2021 and 2020, respectively.

In December 2021, the Company further amended its 2020 Vehicle Floorplan Facility to increase the committed credit line from $450.0 million to $700.0 million. The amendment updated the interest rate to the Prime Rate, announced per annum by Ally Bank, plus 105 basis points. The Company was required to pay an upfront commitment fee upon execution of the amendment. As of December 31, 2021, the borrowing capacity of the 2020 Vehicle Floorplan Facility was $700.0 million, of which $187.2 million was unutilized. In February 2022, the Company amended its 2020 Vehicle Floorplan Facility to extend the maturity date to March 31, 2023 and was required to pay an upfront commitment fee upon execution of the amendment.

As of December 31, 2021 and 2020, outstanding borrowings on the vehicle floorplan facilities were $512.8 million and $329.2 million, respectively.

Interest expense incurred by the Company for the vehicle floorplan facilities was $17.7 million, $9.7 million, and $10.4 million for the years ended December 31, 2021, 2020, and 2019, respectively, which are recorded within “Interest expense” in the consolidated statements of operations. The weighted average interest rate on the vehicle floorplan borrowings was 4.30% and 4.39% as of December 31, 2021 and 2020, respectively.

As of December 31, 2021 and 2020, the Company was in compliance with all covenants related to the vehicle floorplan facilities.

In connection with the vehicle floorplan facilities, 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 $10.1 million, $5.4 million, and $5.1 million for the years ended December 31, 2021, 2020, and 2019, respectively, which are recorded within “Interest income” in the consolidated statements of operations.

## 10. 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 overallotment 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).

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 December 31, 2021, the conditions allowing holders of the Notes to convert were not met.

The Company accounts for the Notes as a single liability-classified instrument measured at amortized cost. As of December 31, 2021, the unamortized debt discount and debt issuance costs was $14.4 million and the net carrying value was $610.6 million. The total estimated fair value of the Notes as of December 31, 2021 was approximately $386.1 million. The fair value was determined using actual bids and offer prices of the Notes in markets that are not active and is classified within Level 2 of the fair value hierarchy.

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 year ended December 31, 2021 was $4.3 million. The effective interest rate of the Notes is 1.3%.

## 11. 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.

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 consolidated case is in preliminary stages, and the Company anticipates filing a motion to dismiss all claims.

In August 2021, one of the Company's stockholders filed a derivative lawsuit 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 a violation of the federal securities laws and breach of fiduciary duty to the Company based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. This lawsuit is captioned Rainey v. Hennessy et al., Case No. 21-cv-6933. The Court deemed this case "related" to In re: Vroom, Inc. Securities Litigation and stayed all proceedings pending final resolution of In re: Vroom, Inc. Securities Litigation.

On November 8, 2021, a similar purported shareholder derivative lawsuit captioned Salli v. Hennessy et al., Case No. 1:21-cv-09237, was filed against the Company (as a nominal defendant only) and certain of our directors and officers in the U.S. District Court for the Southern District of New York, alleging breach of fiduciary duty, related violations of Delaware law, and breaches of various provisions of the Exchange Act. The lawsuit is based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation and Rainey. The plaintiff in Salli marked that case as "related" to Rainey.

On December 2, 2021, the court consolidated Rainey and Salli under the case caption In re Vroom, Inc. Shareholder Derivative Litigation, Case No. 21-cv-6933, approved the parties' stipulation that the case would remain stayed pending final resolution of In re: Vroom, Inc. Securities Litigation. On January 28, 2022, a similar purported shareholder derivative lawsuit captioned McDonough v. Hennessy et al., Case No. 22-cv-752, was filed against the Company (as a nominal defendant only) and certain of our directors and officers in the U.S. District Court for the Southern District of New York, alleging breach of fiduciary duty and breach of various provisions of the Exchange Act. The lawsuit is based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. On February 1, 2022, a similar purported shareholder derivative lawsuit captioned Yunayev v. Hennessy et al., Case No. 22-cv-862, was filed against the Company (as a nominal defendant only) and certain of our directors and officers in the U.S. District Court for the Southern District of New York, alleging breach of fiduciary duty and breach of various provisions of the Exchange Act. The lawsuit is based on the same general course of conduct alleged in In re: Vroom, Inc. Securities Litigation. The McDonough and Yunayev suits are in preliminary stages and there have been no substantive developments in either matter.

The Company believes these lawsuits are 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.

***Letters of Credit***

The Company obtained stand-by letters of credit to satisfy conditions under three lease agreements. The Company was required to maintain a cash deposit of $1.8 million and $2.2 million with the financial institution that issued the stand-by letters of credit, which is classified as “Restricted cash” within the consolidated balance sheets as of December 31, 2021 and 2020, respectively.

***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.

**12. Leases**

The Company’s leasing activities primarily consist of real estate leases for its operations, including office space, the Company’s reconditioning facility, the TDA retail location, the Company’s Sell Us Your Car centers, parking lots, other facilities and equipment used in the normal course of business. The real estate leases have terms ranging from six months to eight years. The Company assesses whether each lease is an operating or finance lease at the lease commencement date. The Company does not have any material leases, individually or in the aggregate, classified as a finance leasing arrangement.

The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company does not have any significant leases that have not yet commenced but that create significant rights and obligations for the Company.

The Company’s real estate leases often require it to make payments for maintenance in addition to rent as well as payments for real estate taxes and insurance. Maintenance, real estate taxes, and insurance payments are generally variable costs which are based on actual expenses incurred by the lessor. Therefore, these amounts are not included in the consideration of the contract when determining the right-of-use asset and lease liability but are reflected as variable lease expenses.

Leases with an initial term of 12 months or less are not recorded on the Company’s consolidated balance sheet and expense for these leases are recognized on a straight-line basis over the lease term.

***Options to extend or terminate leases***

Certain of the Company’s real estate leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years. The exercise of lease renewal options is at the Company’s sole discretion. If it is reasonably certain that the Company will exercise such options, the periods covered by such options are included in the lease term and are recognized as part of the Company’s right-of-use assets and lease liabilities. The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

***Lease term and discount rate***

The weighted-average remaining lease term and discount rate for the Company’s operating leases, excluding short-term operating leases, were 2.7 years and 3.4% as of December 31, 2021, respectively, and 3.5 years and 3.4% as of December 31, 2020, respectively.

As the rate implicit in the lease is generally not readily determinable for the Company’s operating leases, the discount rates used to determine the present value of the Company’s lease liabilities are based on the Company’s incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. The Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

***Lease costs and activity***

The Company's lease costs and activity for the years ended December 31, 2021 and 2020 were as follows (in thousands):

| | Year Ended December 31, 2021 | Year Ended December 31, 2020 |
|---|---|---|
| **Lease Cost** | | |
| Operating lease cost | $ 6,919 | $ 5,503 |
| Short-term lease cost | 1,660 | 350 |
| Variable lease cost | 2,921 | 1,915 |
| Sublease income | (196) | (445) |
| Net lease cost | $ 11,304 | $ 7,323 |

| | Year Ended December 31, 2021 | Year Ended December 31, 2020 |
|---|---|---|
| **Other information** | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ 6,806 | $ 5,524 |
| Right-of-use assets obtained in exchange for operating lease liabilities | $ 1,599 | $ 4,600 |

***Maturity of Lease Liabilities***

The maturity of the Company's lease liabilities on an undiscounted cash flow basis and a reconciliation to the operating lease liabilities recognized on the Company's consolidated balance sheet as of December 31, 2021 were as follows (in thousands):

| | |
|---|---|
| 2022 | 7,294 |
| 2023 | 5,404 |
| 2024 | 3,505 |
| 2025 | 1,034 |
| 2026 | 12 |
| Thereafter | - |
| Total lease payments | 17,249 |
| Less: interest | (768) |
| Present value of lease liabilities | $ 16,481 |
| | |
| Operating lease liabilities, current | $ 6,889 |
| Operating lease liabilities, noncurrent | 9,592 |
| Total operating lease liabilities | $ 16,481 |

In accordance with ASC Topic 840, rent expense was $7.2 million for the year ended December 31, 2019. Certain of the Company's lease agreements contain escalation clauses, and accordingly, the Company records the rent expense on a straight-line basis over the lease term.

## 13. Redeemable Convertible Preferred Stock and Stockholders' Equity

### *Redeemable Convertible Preferred Stock*

On January 8, 2020, the Company issued and sold an aggregate of 1,964,766 shares of Series H Preferred Stock in exchange for gross proceeds of $26.7 million. The proceeds were used for general corporate purposes and business development.

Immediately upon closing of the IPO, the Company's outstanding shares of preferred stock were automatically converted into an aggregate of 85,533,394 shares of the Company's common 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 December 31, 2021, 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.

### *Warrants*

In connection with the offering of shares of Series B Preferred Stock in November 2014, the Company issued warrants to an investor in return for providing ongoing advisory services ("Series B Warrants"). The Series B Warrants allowed the investor to purchase up to 161,136 shares of common stock with an exercise price of $0.72 per share. The Series B Warrants vested in equal monthly installments through October 1, 2017. Upon the closing of the IPO, all of the Series B Warrants were exercised on a cashless basis by the holder which resulted in the net issuance of 155,862 shares of the Company's common stock.

In August 2017, the Company issued a warrant (the "Series F Preferred Stock Warrant") which entitled the holder to purchase up to 589,970 shares of the Company's Series F Preferred Stock, or common stock upon conversion of the Company's preferred stock into common stock, with an exercise price of $8.53 per share. The holders exercised the warrant on June 23, 2020 on a cashless basis, which resulted in the net issuance of 480,250 shares of the Company's common stock. Prior to the conversion of the Company's preferred stock into common stock, the Series F Preferred Stock Warrant was classified as a liability due to the contingent redemption features of the Series F Preferred Stock and was measured at fair value at each reporting date.

## 14. 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. As of December 31, 2021, there were 2,777,619 shares available for future issuance under the 2020 Plan.

***Stock Options***

The following table summarizes stock option activity for the year ended December 31, 2021:

| | Shares | Weighted Average Exercise Price | | Weighted Average Remaining Contractual Life |
|---|---|---|---|---|
| Outstanding as of December 31, 2020 | 5,617,568 | $ | 4.35 | 7.33 |
| Granted | 72,578 | | 4.97 | |
| Exercised | (1,409,004) | | 4.09 | |
| Forfeited / cancelled | (204,600) | | 5.73 | |
| Outstanding as of December 31, 2021 | 4,076,542 | $ | 4.39 | 6.24 |
| Vested and exercisable as of December 31, 2020 | 3,449,606 | $ | 3.83 | 6.74 |
| Vested and exercisable as of December 31, 2021 | 2,964,534 | $ | 4.04 | 5.81 |

The Company recognized $2.2 million, $2.2 million, and $2.6 million of stock-based compensation expense related to stock options for the years ended December 31, 2021, 2020, and 2019, respectively. As of December 31, 2021 and 2020, the Company had $2.5 million and $3.5 million, respectively, of unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average period of 1.7 years and 2.2 years, respectively.

The aggregate intrinsic value of options exercised during the year ended December 31, 2021 was $48.2 million, and the aggregate intrinsic value of options outstanding and options exercisable as of December 31, 2021 was $26.1 million and $20.0 million, respectively.

***RSUs***

The following table summarizes activity for restricted stock units ("RSUs") for the year ended December 31, 2021:

| | Shares | Weighted Average Grant Date Fair Value per Share | |
|---|---|---|---|
| Unvested and outstanding as of December 31, 2020 | 2,235,442 | $ | 11.46 |
| Granted | 794,833 | | 34.65 |
| Vested | (573,474) | | 12.53 |
| Forfeited / cancelled | (186,988) | | 20.24 |
| Unvested and outstanding as of December 31, 2021 | 2,269,813 | $ | 24.69 |

The Company recognized $11.2 million, $10.9 million, and $0.1 million of stock-based compensation expense related to RSUs for the years ended December 31, 2021, 2020, and 2019, respectively. As of December 31, 2021 and 2020, the Company had $21.7 million and $15.4 million, respectively, of unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average period of 2.1 years and 1.8 years, respectively.

In February 2020, the Company granted 367,782 RSUs to its chief executive officer that vest upon the achievement of performance-based conditions for the performance period ending December 31, 2022. The award was modified in April 2021 to amend the performance-based conditions to Gross Profit and EBITDA targets. In April 2021, the Company granted an additional 48,881 RSUs to its chief executive officer that vest upon the achievement of Gross Profit and EBITDA targets for the performance period ending December 31, 2023. As of December 31, 2021, the awards were not considered probable of being earned and no stock-based compensation expense was recognized.

Certain of the Company's RSU grants are subject to acceleration upon a change of control and termination within 12 months, and upon death, disability, retirement and certain "good leaver" circumstances.

## 15. 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 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 following tables present the Company’s financial assets and liabilities measured at fair value on a recurring basis (in thousands):

| | As of December 31, 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **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 |

| | As of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Financial Assets** | | | | |
| Cash and cash equivalents: | | | | |
| Money market funds | $ 814,681 | $ — | $ — | $ 814,681 |
| Total financial assets | $ 814,681 | $ — | $ — | $ 814,681 |

### *Valuation Methodologies*

*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.

### *Fair Value of Financial Instruments*

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 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. Refer to Note 10 – Convertible Senior Notes for further discussion related to the fair value of the Company's convertible debt issuance.

Assets and liabilities acquired as part of a business combination are recorded at fair value on a nonrecurring basis. Refer to Note 4 – Acquisition for additional information.

## 16. Segment Information

The Company has three reportable segments: Ecommerce, Wholesale, and TDA. No operating segments have been aggregated to form the reportable segments. 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 December 31, 2021, 2020, and 2019, 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 and fees earned on sales of value-added products associated with those vehicle sales. The Wholesale reportable segment represents sales of used vehicles through wholesale channels. The TDA reportable segment represents retail sales of used vehicles from TDA and fees earned on sales of value-added products associated with those vehicle sales. Revenues within the "All Other" category consist of the CarStory business and vehicle repair services at TDA.

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

| | Year Ended December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | Ecommerce | Wholesale | TDA | All Other | Total |
| Revenues from external customers | $ 2,442,369 | $ 498,981 | $ 229,872 | $ 13,033 | $ 3,184,255 |
| Gross profit | $ 164,746 | $ 18,120 | $ 11,907 | $ 7,326 | $ 202,099 |

| | Year Ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Ecommerce | Wholesale | TDA | All Other (1) | Total |
| Revenues from external customers | $ 915,451 | $ 245,580 | $ 195,295 | $ 1,374 | $ 1,357,700 |
| Gross profit | $ 60,861 | $ (1,432) | $ 11,677 | $ 439 | $ 71,545 |

| | Year Ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Ecommerce | Wholesale | TDA | All Other (1) | Total |
| Revenues from external customers | $ 588,114 | $ 213,464 | $ 388,504 | $ 1,739 | $ 1,191,821 |
| Gross profit | $ 32,127 | $ 340 | $ 24,661 | $ 731 | $ 57,859 |

(1) The Company reclassified other revenue and other gross profit related to the vehicle repair service at TDA from the TDA reportable segment to the "All Other" category to conform with current year presentation.

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

| | Year Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| **Reconciliation to consolidated total revenue** | | | |
| Total reportable segment revenue | $ 3,171,222 | $ 1,356,326 | $ 1,190,082 |
| All Other revenues | 13,033 | 1,374 | 1,739 |
| Consolidated total revenue | $ 3,184,255 | $ 1,357,700 | $ 1,191,821 |
| **Reconciliation to consolidated loss before provision for income taxes** | | | |
| Total reportable segment gross profit | $ 194,773 | $ 71,106 | $ 57,128 |
| All Other gross profit | 7,326 | 439 | 731 |
| Selling, general and administrative expenses | 547,823 | 245,546 | 184,988 |
| Depreciation and amortization | 12,891 | 4,598 | 6,019 |
| Interest expense | 21,948 | 9,656 | 14,596 |
| Interest Income | (10,341) | (5,896) | (5,607) |
| Revaluation of preferred stock warrant | — | 20,470 | 769 |
| Other income, net | (65) | (114) | (96) |
| Consolidated loss before provision for income taxes | $ (370,157) | $ (202,715) | $ (142,810) |

## 17. Income Taxes

### *Income Tax Provision*

Domestic and foreign pretax income (loss) are as follows for the years ended December 31, 2021, 2020, and 2019 (in thousands):

| | Year Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Domestic | $ (370,640) | $ (202,715) | $ (142,810) |
| Foreign | 483 | — | — |
| Total | $ (370,157) | $ (202,715) | $ (142,810) |

The components of the provision for income taxes are as follows (in thousands):

| | Year Ended December 31, 2021 | 2020 | 2019 |
|---|---|---|---|
| Current: | | | |
| Federal | $ — | $ — | $ — |
| State and local | 679 | 84 | 168 |
| Foreign | 75 | — | — |
| Total current tax expense | 754 | 84 | 168 |
| Deferred tax (benefit): | | | |
| Federal | — | — | — |
| State and local | — | — | — |
| Foreign | — | — | — |
| Total deferred tax (benefit) | — | — | — |
| Provision for income taxes | $ 754 | $ 84 | $ 168 |

***Tax Rate Reconciliation***

The Company's effective tax rate for the years ended December 31, 2021, 2020, and 2019 was (0.20)%, (0.04)%, and (0.12)%, respectively.

A reconciliation of the provision for income taxes at the statutory rate to the amount reflected in the consolidated statements of operations is as follows (in thousands):

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Income taxes at statutory rate | $ (77,733) | $ (42,570) | $ (29,990) |
| State income taxes, net of federal benefit | (8,251) | (5,417) | (1,096) |
| Foreign Rate Differential | (26) | — | — |
| Permanent differences | (4,800) | 1,264 | 772 |
| Change in valuation allowance | 94,158 | 46,901 | 30,051 |
| Other | (2,594) | (94) | 431 |
| Provision for income taxes | $ 754 | $ 84 | $ 168 |

***Deferred Tax Assets (Liabilities)***

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 for December 31, 2021 and 2020 because the Company has determined that is it 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. As of December 31, 2021 and 2020 the valuation allowance balance was $216.0 million and $121.9 million, respectively.

Significant components of the Company's deferred tax assets and liabilities are as follows (in thousands):

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Deferred tax assets: | | |
| Net operating loss carryforwards | $ 203,170 | $ 102,252 |
| Inventory reserves | 12,278 | 12,409 |
| Stock-based compensation | 3,617 | 3,119 |
| Accrued Expense | 75 | 1,456 |
| Right of Use Asset | 3,821 | 4,175 |
| Allowance for Doubtful Accounts | 2,592 | 1,809 |
| Other | 1,905 | 836 |
| Total deferred tax assets | 227,458 | 126,056 |
| Less: valuation allowance | (216,017) | (121,859) |
| Net deferred tax assets | 11,441 | 4,197 |
| Deferred tax liabilities: | | |
| Intangible amortization | (6,793) | (225) |
| Depreciation | (1,088) | (29) |
| Lease Liability | (3,560) | (3,943) |
| Net deferred tax liabilities | (11,441) | (4,197) |
| Net deferred income taxes | $ — | $ — |

***Net Operating Losses***

As of December 31, 2021, the Company had total net operating loss carryforwards for U.S. federal income tax purposes of $893.4 million, of which $165.2 million expire from 2028 through 2042 and $728.2 million do not expire. The Company has net operating loss carryforwards for state income tax purposes of $237.8 million, which expire from 2034 through 2040.

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 company is not currently under audit for any US federal or state income tax audits.

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 Vast Holdings, Inc. on January 7, 2021 in a stock acquisition, refer to Note 4 – Acquisition for additional information. The NOLs and other tax attributes acquired 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.

***Uncertain Tax Positions***

The Company has not identified any uncertain tax positions as of December 31, 2021 or 2020. Any interest and penalties related to uncertain tax positions shall be recorded as a component of income tax expense. To date, no interest or penalties have been accrued in relation to uncertain tax positions.

## 18. Net Loss Per Share

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

| | Year Ended December 31, | | |
|---|---|---|---|
| **(in thousands, except share and per share amounts)** | **2021** | **2020** | **2019** |
| Net loss | $ (370,911) | $ (202,799) | $ (142,978) |
| Accretion of redeemable convertible preferred stock | — | — | (132,750) |
| Net loss attributable to common stockholders | $ (370,911) | $ (202,799) | $ (275,728) |
| Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted | 136,429,791 | 73,345,569 | 8,605,962 |
| Net loss per share attributable to common stockholders, basic and diluted | $ (2.72) | $ (2.76) | $ (32.04) |

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:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2021 | 2020 | 2019 |
| Convertible senior notes | 11,158,722 | — | — |
| Stock options | 4,076,542 | 5,617,568 | 6,110,000 |
| Restricted stock units | 1,853,150 | 1,867,660 | 408,000 |
| Redeemable convertible preferred stock | — | — | 83,568,628 |
| Warrants | — | — | 161,136 |
| Restricted stock awards | — | — | 3,249,382 |
| Total | 17,088,414 | 7,485,228 | 93,497,146 |

## 19. Related Party Transactions

### *Management Services Agreement*

In July 2015, the Company entered into a management services agreement ("MSA") with Catterton Management Company, L.L.C. ("Catterton Management"), an affiliate of L Catterton ("Catterton"), a holder of more than 5% of the Company's outstanding capital stock, pursuant to which Catterton Management agreed to provide consulting services on certain business and financial matters. Under the MSA, the Company agreed to pay Catterton Management an annual fee of $0.3 million until the expiration of the MSA upon the earlier of (i) termination by mutual consent of the parties and (ii) such time that Catterton and/or its affiliates cease to be one of the Company's stockholders. For the years ended December 31, 2020 and 2019, payments of the annual fees were waived. In May 2020, the MSA was terminated.

### *AutoNation Reconditioning Agreement*

In January 2019, the Company entered into a vendor agreement ("Vendor Agreement") with AutoNation, Inc. ("AutoNation"), an affiliate of Auto Holdings, Inc., a holder of more than 5% of the Company's outstanding capital stock, pursuant to which AutoNation agreed to provide certain reconditioning and repair services for vehicles owned by the Company. Amounts due under the Vendor Agreement for parts supplied and services performed by AutoNation become due and payable as they accrued. For the year ended December 31, 2019, the Company incurred $1.1 million of costs under the Vendor Agreement. The Vendor Agreement was terminated in February 2020.

## 20. Subsequent Events

On February 1, 2022, the Company completed the acquisition of 100% of Unitas Holdings Corp., the parent corporation of United Auto Credit Corporation ("UACC"), a leader in automotive finance, for a cash purchase price of approximately $300.0 million, subject to customary purchase price adjustments. This acquisition accelerates the Company's strategy of establishing a captive financing arm and underwriting vehicle financing for their customers. UACC will continue its current operations of serving and expanding its network of dealership customers, which will constitute a separate reporting segment.

Due to the proximity of the acquisition date to the Company's filing of its annual report on Form 10-K for the year ended December 31, 2021, the initial accounting for the UACC business combination is incomplete, and therefore the Company is unable to disclose certain information required by ASC 805, Business Combinations, including the provisional amounts recognized as of the acquisition date for each major class of assets acquired and liabilities assumed and goodwill.

In February 2022, the Company completed a securitization transaction of finance receivables originated by its wholly owned subsidiary UACC. The securitization has been structured as an off-balance sheet transaction in which UACC sold approximately $318.5 million in principal balance of auto loans to a securitization trust and received proceeds from the issuance and sale of rated notes and unrated residual certificates and retained a 5% vertical risk retention interest in each class of notes and certificates. UACC recognized a gain on the sale upon transfer in an amount equal to the fair value of the net proceeds received less the carrying amount of the finance receivables sold.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. 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 December 31, 2021.

Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of December 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

**Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, using the criteria described in *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2021.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2021 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

**Remediation of Previously Disclosed Material Weaknesses**

As previously disclosed in Part II Item 9A Controls and Procedures in our Annual Report on Form 10-K for the year ended December 31, 2020 and our subsequent Quarterly Reports on Form 10-Q filed prior to this Annual Report on Form 10-K, we identified material weaknesses in our internal control over financial reporting. We did not design or maintain an effective control environment commensurate with our financial reporting requirements. Specifically, we lacked a sufficient complement of personnel with (i) an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely and accurately, and (ii) an appropriate level of knowledge and experience to establish effective information technology processes and controls. This material weakness contributed to the following material weaknesses:

- we did not design and maintain adequate controls over the preparation and review of certain account reconciliations and journal entries. Specifically, we did not design and maintain controls to ensure (i) the appropriate segregation of duties in the preparation and review of account reconciliations and journal entries and (ii) account reconciliations and journal entries were reviewed at the appropriate level of precision.

- we did not design and maintain effective controls over certain information technology general controls for information systems and applications that are relevant to the preparation of the consolidated financial statements. Specifically, we did not design and maintain sufficient user and privileged access controls to ensure appropriate segregation of duties and adequate restricted user access to financial applications; program change management controls to ensure that IT program and data changes affecting financial IT applications and underlying accounting records are identified, tested, authorized and implemented appropriately; or computer operations controls as well as testing and approval controls for program development.

In the years ended December 31, 2019, 2020 and 2021 we undertook measures to address these material weaknesses in our internal controls. In particular, we:

- hired additional qualified accounting, financial reporting and information technology personnel;
- implemented oversight and training on internal control over financial reporting, including re-training of control owners regarding Information Technology General Controls ("ITGC") risks, controls and maintaining adequate evidence;
- enhanced monitoring of ITGC design and operational effectiveness;
- implemented new financial systems and processes;
- implemented additional review controls and processes and required timely account reconciliation and analyses;
- implemented processes and controls to better identify and manage segregation of duties; and
- engaged an external advisor to assist with evaluating, documenting, and testing the design and operating effectiveness of internal controls and assisting with the remediation of deficiencies, as necessary.

Management has concluded that the material weaknesses described above have been remediated. The applicable controls have been in place for a sufficient period of time and management has concluded, through testing, that the controls operated effectively.

**Changes in Internal Control over Financial Reporting**

Except as described above in "Remediation of Previously Disclosed Material Weaknesses", 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 December 31, 2021, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

Mr. Scott Dahnke provided notice on February 27, 2022 that he plans to step down as a director effective as of our 2022 Annual Meeting of Stockholders, and therefore he will not stand for re-election at that meeting.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers, and Corporate Governance

We have adopted a written code of ethics, entitled “Code of Business Conduct and Ethics,” that applies to all of our directors, executive officers and employees, including our principal executive officer, principal financial officer, principal accounting officer and controller, or persons performing similar functions. We make available our code of ethics free of charge through our investor relations website which is located at *ir.vroom.com*. We intend to post on our website all disclosures that are required by law or Nasdaq listing standards concerning any amendments to, or waivers from, any provision of our code of ethics.

The information concerning our executive offers and directors required by this Item 10 is contained under the caption “Information about our Executive Officers and Directors” at the end of Part I of this Annual Report on Form 10-K. The remaining information required by this item is incorporated by reference to Vroom’s Proxy Statement for its 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021, under the headings "Our Board of Directors," "Our Executive Officers," "Corporate Governance," and, if applicable, "Delinquent Section 16(a) Reports".

### Item 11. Executive Compensation

The information required by this item is incorporated by reference to Vroom’s Proxy Statement for its 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021, under the headings "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," and "Compensation Committee Report".

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference to Vroom’s Proxy Statement for its 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021, under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance under Equity Compensation Plans".

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to Vroom’s Proxy Statement for its 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021, under the headings "Certain Relationships and Related Person Transactions" and "Corporate Governance".

### Item 14. Principal Accounting Fees and Services

The information required by this item is incorporated by reference to Vroom’s Proxy Statement for its 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2021, under the subheading "Principal Accountant Fees and Services".

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements: The Consolidated Financial Statements of Vroom are set forth in Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules: All financial statement schedules have been omitted because they are not applicable, not material or the required information is shown in Part II, Item 8 of this Annual Report on Form 10-K.

3. Exhibits: The exhibits listed in the accompanying Exhibit Index are filed, furnished or incorporated by reference as part of this Annual Report on Form 10-K.

### 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 | | |
| 4.5 | Description of Registrant’s Securities | 10-K | 001-39315 | 4.3 | March 3, 2021 | | |
| 10.1† | Second Amended & Restated 2014 Equity Incentive Plan, as amended | S-1/A | 333-238482 | 10.1 | May 18, 2020 | | |

| | | | | | |
|---|---|---|---|---|---|
| 10.2† | First Amendment to the Second Amended and Restated Vroom, Inc. 2014 Equity Incentive Award Plan | 10-Q | 001-39315 | 10.3 | August 13, 2020 |
| 10.3† | Second Amendment to the Second Amended and Restated Vroom, Inc. 2014 Equity Incentive Award Plan | 10-Q | 001-39315 | 10.4 | August 13, 2020 |
| 10.4† | Form of Stock Option Agreement pursuant to the Second Amended and Restated 2014 Equity Incentive Award Plan | 10-K | 001-39315 | 10.4 | March 3, 2021 |
| 10.5† | Form of Restricted Stock Unit Agreement pursuant to the Second Amended and Restated 2014 Equity Incentive Award Plan | 10-K | 001-39315 | 10.5 | March 3, 2021 |
| 10.6† | 2019 Short Term Incentive Plan | S-1/A | 333-238482 | 10.2 | May 18, 2020 |
| 10.7† | 2020 Incentive Award Plan | S-1/A | 333-238482 | 10.3 | June 1, 2020 |
| 10.8† | Form of Restricted Stock Unit Agreement pursuant to the 2020 Incentive Award Plan | 10-Q | 001-39315 | 10.2 | August 13, 2020 |
| 10.9† | Amended and Restated Non-Employee Director Compensation Policy | 10-Q | 001-39315 | 10.1 | May 12, 2021 |
| 10.10† | Form of Indemnification Agreement | S-1/A | 333-238482 | 10.5 | June 1, 2020 |
| 10.11† | Executive Severance Plan | 10-K | 333-238482 | 10.11 | March 3, 2021 |
| 10.12 | Commercial Lease Agreement, dated August 10, 2009, as amended, by and between Texas Direct Auto and Robert P. Archer, ETAL | S-1/A | 333-238482 | 10.6 | June 1, 2020 |
| 10.13 | Lease Agreement, dated May 21, 2011, as amended, by and between Beechnut FEC LLC and Left Gate Property Holding, Inc. d/b/a as Texas Direct Auto | S-1/A | 333-248655 | 10.7 | June 1, 2020 |
| 10.14 | Second Amendment to Lease Agreement, dated January 3, 2019, by and between Beechnut FEC LLC and Vroom, Inc. | 10-K | 001-39315 | 10.14 | March 3, 2021 |
| 10.15 | Third Amendment to Lease Agreement, dated February 2, 2021, by and between Beechnut FEC LLC and Left Gate Property Holding, LLC d/b/a Texas Direct Auto | 10-K | 001-39315 | 10.15 | March 3, 2021 |
| 10.16 | Lease Agreement, dated May 21, 2011, by and between Sohani Heritage Trust and Left Gate Property Holding, Inc. d/b/a Texas Direct Auto | S-1/A | 333-248655 | 10.8 | June 1, 2020 |

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|---|---|---|---|---|---|
| 10.17 | First Amendment to Lease Agreement, dated December 28, 2018, by and between Sohani Heritage Trust and Left Gate Property, Inc. d/b/a Texas Direct Auto | 10-K | 001-39315 | 10.17 | March 3, 2021 |
| 10.18 | Second Amendment to Lease Agreement, dated April 28, 2020, by and between Sohani Heritage Trust and Vroom, Inc., as successor to Left Gate Property Holding, Inc. d/b/a Texas Direct Auto | 10-K | 001-39315 | 10.18 | March 3, 2021 |
| 10.19 | Third Amendment to Lease Agreement, dated January 28, 2021, by and between Sohani Heritage Trust and Left Gate Property Holding, LLC d/b/a Texas Direct Auto | 10-K | 001-39315 | 10.19 | March 3, 2021 |
| 10.20 | Development Agreement, dated June 28, 2011, as amended, by and between The City of Meadows Place, Texas and Left Gate Property Holding, Inc. d/b/a Texas Direct Auto and Vroom | S-1/A | 333-248655 | 10.9 | June 1, 2020 |

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|---|---|---|---|---|---|---|
| 10.21# | Inventory Financing and Security Agreement, dated March 6, 2020, by and among Ally Bank, Ally Financial Inc., Left Gate Property Holding, LLC and Vroom, Inc. | S-1/A | 333-248655 | 10.10 | May 18, 2020 | |
| 10.22# | First Amendment to Inventory Financing and Security Agreement, dated June 19, 2020, by and among Ally Bank, Ally Financial Inc., Left Gate Property Holding, LLC and Vroom, Inc. | 10-Q | 001-39315 | 10.9 | August 13, 2020 | |
| 10.23# | Second Amendment to Inventory Financing and Security Agreement, dated October 1, 2020 by and among Ally Bank, Ally Financial, Inc., Left Gate Property Holding, LLC and Vroom, Inc. | 10-Q | 001-39315 | 10.1 | November 12, 2020 | |
| 10.24# | Third Amendment to Inventory Financing and Security Agreement, dated December 16, 2021 by and among Ally Bank, Ally Financial, Inc., Vroom Automotive, LLC and Vroom, Inc. | 8-K | 001-39315 | 10.1 | December 20, 2021 | |
| 10.25# | Fourth Amendment to Inventory Financing and Security Agreement, dated February 24, 2022 by and among Ally Bank, Ally Financial, Inc., Vroom Automotive, LLC and Vroom, Inc. | | | | | X |
| 10.26# | Customer Experience Management Agreement, dated April 17, 2020, by and between Rock Connections LLC and Left Gate Property Holding, LLC | S-1/A | 333-248655 | 10.11 | June 1, 2020 | |
| 10.27# | Assignment and Assumption Agreement, dated August 17, 2020, by and between Left Gate Property Holding, LLC, Rock Connections LLC and Rocket Auto LLC | 10-K | 001-39315 | 10.25 | March 3, 2021 | |
| 10.28# | Retail Reconditioning Services Agreement, dated May 20, 2020, by and between Manheim Remarketing, Inc d/b/a Manheim Retail Solutions and Left Gate Property Holding, LLC d/b/a Vroom | S-1/A | 333-248655 | 10.12 | June 1, 2020 | |
| 10.29† | Employment Agreement, dated June 8, 2016, by and between Vroom, Inc. and Paul J. Hennessy | S-1/A | 333-248655 | 10.13 | June 1, 2020 | |

| | | | | | |
|---|---|---|---|---|---|
| 10.30† | Employment Offer Letter, dated October 15, 2018, by and between Vroom, Inc. and David K. Jones | S-1/A | 333-248655 | 10.14 | June 1, 2020 |
| 10.31† | Employment Offer Letter, dated January 6, 2019, by and between Vroom, Inc. and Mark Roszkowski | S-1/A | 333-248655 | 10.15 | June 1, 2020 |
| 10.32† | Employment Offer Letter, dated December 29, 2018, by and between Vroom, Inc. and Patricia Moran | S-1/A | 333-248655 | 10.18 | September 8, 2020 |
| 10.33† | Employment Offer Letter, dated November 3, 2016, by and between Vroom, Inc. and Carol Denise Stott | S-1/A | 333-248655 | 10.19 | September 8, 2020 |
| 10.34† | Letter Agreement, dated as of September 13, 2021, by and between Robert Krakowiak and Vroom, Inc. | 8-K | 001-39315 | 10.1 | September 13, 2021 |
| 10.35† | Transition and Separation Letter Agreement, dated as of September 10, 2021, by and between David Jones and Vroom, Inc. | 8-K | 001-39315 | 10.2 | September 13, 2021 |
| 10.36† | Letter Agreement, dated as of December 15, 2021, by and between Thomas Shortt and Vroom, Inc. | 8-K | 001-39315 | 10.1 | December 17, 2021 |
| 10.37† | Nominee and Indemnity Agreement, dated September 1, 2020, by and among Catterton Management Company, L.L.C. as investment manager of CGP2 Lone Star, L.P., Scott Dahnke and Vroom, Inc. | S-1/A | 333-248655 | 10.20 | September 8, 2020 |
| 10.38† | Nominee and Indemnity Agreement, dated September 1, 2020, by and among Catterton Management Company, L.L.C. as investment manager of CGP2 Lone Star, L.P., Michael Farello and Vroom, Inc. | S-1/A | 333-248655 | 10.21 | September 8, 2020 |
| 10.39† | Assignment of Contracts, dated July 29, 2021, by and between CGP2 Lone Star, LP as assignor and Catterton Growth Partners II, L.P., Catterton Growth Partners II Offshore, L.P., L Catterton Growth Partners III, L.P. and L Catterton Growth Partners Offshore III, L.P. as assignees, of the Nominee and Indemnity Agreements, dated September 1, 2020, of Scott Dahnke and Michael Farello | 10-Q | 001-39315 | 10.1 | August 11, 2021 |
| 21.1 | Subsidiaries of the Registrant | 10-K | 001-39315 | 21.1 | March 3, 2021 |

| | | | |
|---|---|---|---|
| 23.1 | Consent of PricewaterhouseCoopers LLP | 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 | |
| 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 |

† Indicates a management contract or compensatory plan or arrangement.
# Certain portions of this exhibit (indicated by “[***]”) have been omitted pursuant to Regulation S-K, Item (601)(b)(10).

**Item 16. Form 10-K Summary**

None.

## 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: February 28, 2022 By: /s/ Paul J. Hennessy
Paul J. Hennessy
Chief Executive Officer
*(principal executive officer)*

Date: February 28, 2022 By: /s/ Robert R. Krakowiak
Robert R. Krakowiak
Chief Financial Officer
*(principal financial and accounting officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ Paul J. Hennessy<br>Paul J. Hennessy | Chief Executive Officer (Principal Executive Officer) and Director | February 28, 2022 |
| /s/ Robert R. Krakowiak<br>Robert R. Krakowiak | Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer) | February 28, 2022 |
| /s/ Robert J. Mylod, Jr.<br>Robert J. Mylod, Jr. | Director | February 28, 2022 |
| /s/ Scott A. Dahnke<br>Scott A. Dahnke | Director | February 28, 2022 |
| /s/ Michael J. Farello<br>Michael J. Farello | Director | February 28, 2022 |
| /s/ Laura W. Lang<br>Laura W. Lang | Director | February 28, 2022 |
| /s/ Laura G. O’Shaughnessy<br>Laura G. O’Shaughnessy | Director | February 28, 2022 |
| /s/ Paula B. Pretlow<br>Paula B. Pretlow | Director | February 28, 2022 |
| /s/ Frederick O. Terrell<br>Frederick O. Terrell | Director | February 28, 2022 |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

***paul j. hennessy***
CHIEF EXECUTIVE OFFICER

***robert j. mylod, jr.***
CHAIRPERSON OF THE BOARD
MANAGING PARTNER AND FOUNDER, ANNOX CAPITAL MANAGEMENT

***scott a. dahnke***
CO-CHIEF EXECUTIVE OFFICER, L CATTERTON
FORMER MANAGING DIRECTOR, DEUTSCHE BANK CAPITAL PARTNERS

***michael j. farello***
MANAGING PARTNER, L CATTERTON
FORMER EXECUTIVE, DELL TECHNOLOGIES, INC.

***laura w. lang***
MANAGING DIRECTOR, NARRAGANSETT VENTURES, LLC
FORMER CHIEF EXECUTIVE OFFICER, TIME INC.

***laura g. o'shaughnessy***
FORMER CHIEF EXECUTIVE OFFICER, SOCIALCODE, LLC

***paula b. pretlow***
FORMER SENIOR VICE PRESIDENT, THE CAPITAL GROUP

***frederick o. terrell***
SENIOR ADVISOR, CENTERBRIDGE PARTNERS, L.P.
FORMER EXECUTIVE VICE CHAIRMAN OF INVESTMENT BANKING AND CAPITAL MARKETS, CREDIT SUISSE

## MANAGEMENT

***paul j. hennessy***
CHIEF EXECUTIVE OFFICER

***robert r. krakowiak***
CHIEF FINANCIAL OFFICER

***dennis looney***
CHIEF SUPPLY CHAIN OFFICER

***rachel mahoney***
CHIEF MARKETING OFFICER

***patricia moran***
CHIEF LEGAL OFFICER

***mark e. roszkowski***
CHIEF STRATEGY OFFICER AND GENERAL MANAGER OF VROOM FINANCIAL SERVICES

***tom shortt***
CHIEF OPERATING OFFICER

***c. denise stott***
CHIEF PEOPLE AND CULTURE OFFICER

***mary kay wegner***
CHIEF LOGISTICS OFFICER

***investor relations***
investors@vroom.com

***stock listing***
NASDAQ Global Select Market: VRM

vroom®