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

FORM 10-Q

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

For the quarterly period ended September 30, 2023

or

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

For the transition period from to

Commission file number: 001-39315

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 No.)**

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

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES ☐ NO ☒

As of November 3, 2023, 139,769,070 shares of the registrants' common stock were outstanding.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q, including statements regarding general economic and market conditions, our future results of operations and financial condition, business strategy, and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as "anticipate," "believe," "contemplate," "continue," "could," "design," "estimate," "expect," "intend," "may," "plan," "potentially," "predict," "project," "should," "target," "will," "would," or the negative of these terms or other similar terms or expressions, although not all forward-looking statements contain these identifying words.

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

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

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

SUMMARY RISK FACTORS

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

- we intend to seek 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 would be materially and adversely affected;
- we currently rely on an agreement with a single lender to finance our vehicle inventory purchases. If we fail to extend our current floorplan facility and 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;
- general business and economic conditions and risks related to the larger automotive ecosystem, including consumer demand;
- we have a history of losses and we may not achieve or maintain profitability in the future;
- we may not be able to generate sufficient revenue to generate positive cash flow on a sustained basis;
- our indebtedness and liabilities could limit the cash flow available for our operations, expose us to risks that could adversely affect our business, financial condition and results of operations and impair our ability to satisfy our debt obligations;
- we have a limited operating history and are still building out our foundational systems;
- our failure to meet the continued listing requirements of the Nasdaq Global Select Market could result in a delisting of our common stock;
- our prior rapid growth is not indicative of our near term growth under our long-term roadmap and, if and when we return to rapid growth, we may not be able to manage our growth effectively;
- we may be unable to successfully complete the integration of the United Auto Credit Corporation ("UACC") business into our business and support UACC as a captive lending operation for Vroom, or realize the anticipated benefits of the UACC Acquisition or those benefits could take longer than anticipated;
- UACC may be unable to sell automotive finance receivables and generate gains on sales of those finance receivables, which could harm our business, results of operations, and financial condition;
- we rely on third-party vendors for key components of our business, which exposes us to increased risks;
- we have entered into outsourcing arrangements with third parties related to our customer experience team, and difficulties experienced in and our transition away from these arrangements have and could continue to result in an interruption of our ability to sell our vehicles and value-added products;
- our business, sales and results of operations are materially affected by our customer experience, our reputation and our brand;

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

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

	As of September 30, 2023	As of December 31, 2022
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 208,562	$ 398,915
Restricted cash (including restricted cash of consolidated VIEs of $47.2 million and $24.7 million, respectively)	80,517	73,095
Accounts receivable, net of allowance of $8.9 million and $21.5 million, respectively	9,022	13,967
Finance receivables at fair value (including finance receivables of consolidated VIEs of $12.2 million and $11.5 million, respectively)	12,901	12,939
Finance receivables held for sale, net (including finance receivables of consolidated VIEs of $338.4 million and $305.9 million, respectively)	399,836	321,626
Inventory	240,676	320,648
Beneficial interests in securitizations	5,287	20,592
Prepaid expenses and other current assets (including other current assets of consolidated VIEs of $24.3 million and $11.7 million, respectively)	56,889	58,327
Total current assets	1,013,690	1,220,109
Finance receivables at fair value (including finance receivables of consolidated VIEs of $376.7 million and $119.6 million, respectively)	387,796	140,235
Property and equipment, net	49,220	50,201
Intangible assets, net	138,644	158,910
Operating lease right-of-use assets	30,836	23,568
Other assets (including other assets of consolidated VIEs of $2.0 million and $0 million, respectively)	26,525	26,004
Total assets	$ 1,646,711	$ 1,619,027
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 27,280	$ 34,702
Accrued expenses (including accrued expenses of consolidated VIEs of $3.3 million and $1.5 million, respectively)	57,435	76,795
Vehicle floorplan	212,486	276,988
Warehouse credit facilities of consolidated VIEs	294,653	229,518
Current portion of long term debt (including current portion of securitization debt of consolidated VIEs at fair value of $186.6 million and $47.2 million, respectively)	197,045	47,239
Deferred revenue	12,487	10,655
Operating lease liabilities, current	9,511	9,730
Other current liabilities	12,284	17,693
Total current liabilities	823,181	703,320
Long term debt, net of current portion (including securitization debt of consolidated VIEs of $175.3 million and $32.6 million at fair value, respectively)	521,353	402,154
Operating lease liabilities, excluding current portion	26,938	20,129
Other long-term liabilities (including other long-term liabilities of consolidated VIEs of $9.5 million and $7.4 million, respectively)	16,969	18,183
Total liabilities	1,388,441	1,143,786
Commitments and contingencies (Note 13)		
Stockholders' equity:		
Common stock, $0.001 par value; 500,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 139,752,858 and 138,201,903 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	135	135
Additional paid-in-capital	2,083,046	2,075,798
Accumulated deficit	(1,824,911)	(1,600,692)
Total stockholders' equity	258,270	475,241
Total liabilities and stockholders' equity	$ 1,646,711	$ 1,619,027

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
Retail vehicle, net	$ 147,710	$ 234,353	$ 419,548	$ 1,283,263
Wholesale vehicle	30,898	47,604	75,593	270,489
Product, net	13,075	13,181	36,499	51,954
Finance	40,823	40,654	114,939	120,005
Other	3,128	5,005	10,700	13,841
Total revenue	235,634	340,797	657,279	1,739,552
Cost of sales:				
Retail vehicle	144,654	218,726	414,917	1,234,138
Wholesale vehicle	32,393	49,178	81,019	276,749
Product	917	—	2,518	—
Finance	8,481	4,699	22,755	10,368
Other	1,095	863	3,170	2,969
Total cost of sales	187,540	273,466	524,379	1,524,224
Total gross profit	48,094	67,331	132,900	215,328
Selling, general and administrative expenses	79,586	134,643	263,078	475,627
Depreciation and amortization	11,010	9,833	31,845	27,728
Impairment charges	—	1,017	1,353	206,127
Loss from operations	(42,502)	(78,162)	(163,376)	(494,154)
Gain on debt extinguishment	—	(37,917)	(19,640)	(37,917)
Interest expense	12,058	9,704	30,915	28,617
Interest income	(5,506)	(5,104)	(16,369)	(12,991)
Other loss, net	33,543	5,383	65,019	26,897
Loss before provision (benefit) for income taxes	(82,597)	(50,228)	(223,301)	(498,760)
Provision (benefit) for income taxes	260	899	918	(22,085)
Net loss	$ (82,857)	$ (51,127)	$ (224,219)	$ (476,675)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.59)	$ (0.37)	$ (1.61)	$ (3.46)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	139,692,323	138,118,679	139,123,352	137,817,839

See accompanying notes to these unaudited condensed consolidated financial statements.

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

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

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2022	138,201,903	$ 135	$ 2,075,798	$ (1,600,692)	$ 475,241
Stock-based compensation	—	$ —	$ 2,041	$ —	$ 2,041
Vesting of restricted stock units	600,108	—	—	—	—
Net loss	—	—	—	(75,044)	(75,044)
Balance at March 31, 2023	138,802,011	$ 135	$ 2,077,839	$ (1,675,736)	$ 402,238
Stock-based compensation	—	$ —	$ 2,316	$ —	$ 2,316
Vesting of restricted stock units	847,279	—	—	—	—
Net loss	—	—	—	(66,318)	(66,318)
Balance at June 30, 2023	139,649,290	$ 135	$ 2,080,155	$ (1,742,054)	$ 338,236
Stock-based compensation	—	$ —	$ 2,891	$ —	$ 2,891
Vesting of restricted stock units	103,568	—	—	—	—
Net loss	—	—	—	(82,857)	(82,857)
Balance at September 30, 2023	139,752,858	$ 135	$ 2,083,046	$ (1,824,911)	$ 258,270

See accompanying notes to these unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2023	**2022**
Operating activities		
Net loss	$ (224,219)	$ (476,675)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment charges	1,353	206,127
Gain on debt extinguishment	(19,640)	(37,917)
Depreciation and amortization	32,421	28,005
Amortization of debt issuance costs	3,418	3,777
Realized gains on securitization transactions	—	(45,589)
Deferred taxes	—	(23,855)
Losses on finance receivables and securitization debt, net	80,246	39,464
Stock-based compensation expense	7,248	6,613
Provision to record inventory at lower of cost or net realizable value	(15,867)	(5,033)
Provision for bad debt	995	18,448
Provision to record finance receivables held for sale at lower of cost or fair value	4,375	3,831
Amortization of unearned discounts on finance receivables at fair value	(20,273)	(12,121)
Other, net	(11,792)	(5,441)
Changes in operating assets and liabilities:		
Finance receivables, held for sale		
Originations of finance receivables held for sale	(420,793)	(483,167)
Principal payments received on finance receivables held for sale	71,906	38,297
Proceeds from sale of finance receivables held for sale, net	—	509,612
Other	(868)	(5,924)
Accounts receivable	3,950	63,252
Inventory	95,839	293,589
Prepaid expenses and other current assets	17,316	12,420
Other assets	2,097	(2,678)
Accounts payable	(7,422)	(22,183)
Accrued expenses	(19,914)	(27,020)
Deferred revenue	1,832	(59,490)
Other liabilities	(7,839)	(39,444)
Net cash used in operating activities	(425,631)	(23,102)
Investing activities		
Finance receivables at fair value		
Purchases of finance receivables at fair value	(3,392)	(49,475)
Principal payments received on finance receivables at fair value	136,644	106,829
Proceeds from sale of finance receivables at fair value, net	—	43,262
Consolidation of VIEs	11,409	—
Principal payments received on beneficial interests	4,334	5,571
Purchase of property and equipment	(11,553)	(19,968)
Acquisition of business, net of cash acquired of $47.9 million	—	(267,488)
Net cash provided by (used in) investing activities	137,442	(181,269)
Financing activities		
Proceeds from borrowings under secured financing agreements	261,991	—
Principal repayment under secured financing agreements	(159,384)	(176,909)
Proceeds from financing of beneficial interests in securitizations	24,506	—
Principal repayments of financing of beneficial interests in securitizations	(5,699)	—
Proceeds from vehicle floorplan	436,586	1,286,000
Repayments of vehicle floorplan	(501,088)	(1,453,529)
Proceeds from warehouse credit facilities	332,700	419,000
Repayments of warehouse credit facilities	(269,698)	(460,566)
Repurchases of convertible senior notes	(13,194)	(18,458)
Other financing activities	(1,462)	(1,977)
Net cash provided by (used in) financing activities	105,258	(406,439)
Net decrease in cash, cash equivalents and restricted cash	(182,931)	(610,810)
Cash, cash equivalents and restricted cash at the beginning of period	472,010	1,214,775
Cash, cash equivalents and restricted cash at the end of period	$ 289,079	$ 603,965

(Continued on following page)

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

Supplemental disclosure of cash flow information:				
Cash paid for interest	$	40,424	$	24,619
Cash paid for income taxes	$	5,153	$	2,062
Supplemental disclosure of non-cash investing and financing activities:				
Finance receivables from consolidation of 2022-2 securitization transaction	$	180,706	$	—
Elimination of beneficial interest from the consolidation of 2022-2 securitization transaction	$	9,811	$	—
Securitization debt from consolidation of 2022-2 securitization transaction	$	186,386	$	—
Reclassification of finance receivables held for sale to finance receivables at fair value, net	$	248,081	$	—
Fair value of beneficial interests received in securitization transactions	$	—	$	30,082

See accompanying notes to these unaudited condensed consolidated financial statements.

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

1. Description of Business and Basis of Presentation

Description of Business and Organization

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

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

The Company is organized into three reportable segments: Ecommerce, Wholesale, and Retail Financing. The Ecommerce reportable segment represents retail sales of used vehicles through the Company’s ecommerce platform, revenue earned on vehicle financing originated by UACC or the Company's third-party financing sources and sales of value-added products associated with those vehicles sales. The Wholesale reportable segment represents sales of used vehicles through wholesale channels. The Retail Financing reportable segment represents UACC’s operations with its network of third-party dealership customers, which primarily consists of the purchases and servicing of vehicle installment contracts, but excluding financing of vehicle sales to Vroom customers.

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

Basis of Presentation

The condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. The condensed consolidated balance sheet as of December 31, 2022, included herein, was derived from the audited consolidated financial statements as of that date. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Annual Report on Form 10-K for the year ended December 31, 2022.

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, and in management’s opinion, include all adjustments, which consist of only normal recurring adjustments necessary for the fair statement of the Company’s condensed consolidated balance sheet as of September 30, 2023 and its results of operations for the three and nine months ended September 30, 2023 and 2022. The results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the current fiscal year or any other future periods. Certain prior year amounts have been reclassified to conform to the current year presentation.

Principles of Consolidation

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

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

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed 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, and useful lives of property and equipment and intangible assets. The Company bases its estimates on historical experience, market conditions, and on various other assumptions that are believed to be reasonable. Actual results may differ from these estimates.

Comprehensive Loss

The Company did not have any other comprehensive income or loss for the three and nine months ended September 30, 2023 and 2022. Accordingly, net loss and comprehensive loss are the same for the periods presented.

Restricted Cash

Restricted cash primarily includes cash deposits required under the Company’s 2022 Vehicle Floorplan Facility as explained in Note 10 – Vehicle Floorplan Facility and UACC restricted cash. UACC collects and services receivables under the securitization transactions and warehouse credit facilities. These collections are restricted for use until properly remitted each month under the terms of the servicing agreement. Refer to Note 11 — Warehouse Credit Facilities of Consolidated VIEs and Note 12 — Long Term Debt for further detail.

Finance Receivables

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

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

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

Finance Receivables Held for Sale, Net

Finance receivables that the Company intends to sell and not hold to maturity are classified as held-for-sale. The Company intends to sell finance receivables either through securitization transactions or forward flow arrangements. Finance receivables classified as held for sale are recorded at the lower of cost or fair value. Deferred acquisition costs and any discounts or premiums are deferred until the finance receivables are sold and are then recognized as part of the total gain or loss on sale and recorded in “Finance Revenue” and "Product, net" in the condensed consolidated statements of operations. Refer to Note 3 – Revenue Recognition.

The Company records a valuation allowance to report finance receivables at the lower of amortized cost basis or fair value. To determine the valuation allowance, finance receivables are evaluated collectively as they represent a large group of smaller-balance homogeneous loans. To the extent that actual experience differs from estimates, significant adjustments to the Company's valuation allowance may be needed. Fair value adjustments are recorded in "Other loss, net" in the condensed consolidated statements of operations. Principal balances of finance receivables are charged-off when the Company is unable to sell the finance receivable and the related vehicle has been repossessed and liquidated or the receivable has otherwise been deemed uncollectible. As of September 30, 2023 and December 31, 2022, the valuation allowance for finance receivables classified as held for sale was $15.3 million and $10.5 million, respectively. Refer to Note 16 – Financial Instruments and Fair Value Measurements.

Finance Receivables at Fair Value

Finance receivables at fair value represent finance receivables that the Company does not intend to sell in the immediate future and for which the fair value option was elected. Fair value adjustments are recorded in "Other loss, net" in the condensed consolidated statements of operations. Refer to Note 16 – Financial Instruments and Fair Value Measurements.

Consolidated CFEs

The Company elected the fair value option upon consolidation of the assets and liabilities of its variable interest entities ("VIEs") related to the 2021-1, 2022-2, and 2023-1 securitization transactions. Refer to Note 4 – Variable Interest Entities and Securitizations. These VIEs are consolidated collateralized financing entities (CFEs) and are accounted for using the measurement alternative in accordance with ASU 2014-13, *Measuring the Financial Assets and Liabilities of a Consolidated Collateralized Financing Entity* (“ASU 2014-13"). During the three and nine months ended September 30, 2023 and 2022, the Company recognized the following revenue and expenses associated with these CFEs in the condensed consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Finance revenue	$ 22,936	$ 9,999	$ 62,704	$ 35,039
Product revenue	$ 3,198	$ —	$ 9,172	$ —
Finance cost of sales	$ (5,246)	$ (937)	$ (14,075)	$ (2,941)
Product cost of sales	$ (917)	$ —	$ (2,518)	$ —
Other loss, net	$ (23,709)	$ (3,479)	$ (47,919)	$ (15,798)

The assets and liabilities of the CFEs are presented as part of the current and noncurrent “Finance receivables at fair value”, “Current portion of long term debt”, and "Long term debt, net of current portion", respectively, on the condensed consolidated balance sheets. Refer to Note 4 – Variable Interest Entities and Securitizations and Note 16 – Financial Instruments and Fair Value Measurements for further details.

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 condensed consolidated statement of operations.

Advertising

Advertising costs are expensed as incurred and are included within “Selling, general and administrative expenses” in the condensed consolidated statements of operations. Advertising expenses were $13.4 million and $14.9 million for the three months ended September 30, 2023 and 2022, respectively, and $39.9 million and $69.8 million for the nine months ended September 30, 2023 and 2022, respectively.

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Shipping and Handling

Logistics costs related to inbound transportation from the point of acquisition to the relevant reconditioning facility are included in cost of sales when the related used vehicle is sold. Logistics costs not included in cost of sales are accounted for as costs to fulfill contracts with customers and are included in “Selling, general and administrative expenses” in the condensed consolidated statements of operations and were $2.2 million and $4.9 million for the three months ended September 30, 2023 and 2022, respectively, and $6.3 million and $39.9 million for the nine months ended September 30, 2023 and 2022, respectively.

Concentration of Credit Risk and Significant Customers

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

For the three and nine months ended September 30, 2023 and 2022, no customer represented 10% or more of the Company’s revenues and no customer represented more than 10% of the Company’s accounts receivable as of September 30, 2023 and December 31, 2022.

Liquidity

The Company has had negative cash flows and generated losses from operations since inception and has historically had to rely on debt and equity financing to fund its operations. Further, the Company expects to incur additional losses in the future.

As of September 30, 2023, the Company had cash and cash equivalents of $208.6 million and restricted cash of $80.5 million. The primary source of liquidity is cash generated through financing activities.

Since inception, the Company has relied on borrowings under its vehicle floorplan facilities to finance its inventory. The term of the vehicle floorplan facility generally matures within one to two years and the Company typically renews those facilities at least annually. The 2022 Vehicle Floorplan Facility has a borrowing capacity of $228.1 million as of September 30, 2023, of which $15.6 million was unutilized and provides a committed credit line of up to $500.0 million which is scheduled to mature on March 31, 2024. The Company has commenced discussions with its floorplan lender, Ally Bank and Ally Financial (together “Ally”), regarding an amended floorplan facility that would extend the term beyond the current expiration date. Ally recently indicated its willingness to extend the floorplan facility beyond June 2024 would be contingent upon the Company raising additional capital. The 2022 Vehicle Floorplan Facility remains a committed facility through March 31, 2024. Prior to that date, the Company intends to continue its discussions with Ally over the terms of an amended facility and may engage with other lenders over the terms of an alternative facility. In the event that a capital raise is required by Ally or another lender, there can be no assurance that such additional capital would be available in the required amount or on terms acceptable to the Company, if at all. Failure to secure floorplan financing beyond the expiration of the 2022 Vehicle Floorplan Facility would have a material adverse effect on the Company’s ability to finance its inventory and operate its core used automotive sales business.

UACC has four warehouse credit facilities with an aggregate borrowing limit of $825.0 million as of September 30, 2023. As of September 30, 2023, outstanding borrowings related to the Warehouse Credit Facilities were $294.7 million and excess borrowing capacity was $72.5 million. Refer to Note 11 – Warehouse Credit Facilities of Consolidated VIEs for further discussion.

If the Company is unable to enter into an amended or alternative floorplan facility, it will pursue strategies to adjust its core used automotive operations and preserve liquidity and reduce fixed and variable costs. The Company anticipates that its existing cash and cash equivalents, the 2022 Vehicle Floorplan Facility and UACC credit facilities will be sufficient to support the Company for at least the next twelve months from the date of issuance of the condensed consolidated financial statements.

The Company’s projected cashflows are subject to various assumptions, including its growth rate, sales margin, GPPU, marketing costs, reduction in fixed and variable expenses, as well as market conditions. The Company bases its estimates on historical experience, market conditions and on various other assumptions that it believes to be reasonable.

Accounting Standards 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 Company adopted the guidance on January 1, 2023, which did not have a material impact on the Company's condensed consolidated financial statements and related disclosures.

3. Revenue Recognition

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

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

Retail Vehicle Revenue

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

The Company receives payment for used vehicle sales directly from the customer at the time of sale or arranges financing within a short period of time following the sale. Payments received prior to delivery of used vehicles are recorded as “Deferred revenue” within the condensed 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 condensed 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 direct-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 income from financing vehicle sales for Vroom customers through UACC and fees earned on selling third-party financing and value-added products, such as vehicle service contracts, guaranteed asset protection ("GAP") and tire and wheel coverage.

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

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

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

A portion of the fees earned on third-party financing and value-added products is subject to chargebacks in the event of early termination, default, or prepayment of the contracts by end-customers. The Company's exposure for these events is limited to the fees that it receives. An estimated refund liability for chargebacks against the revenue recognized from sales of these products is recorded in the period in which the related revenue is recognized and is based primarily on the Company's historical chargeback experience. The Company updates its estimates at each reporting date. As of September 30, 2023 and December 31, 2022, the Company's reserve for chargebacks was $6.7 million and $8.2 million, respectively, of which $3.6 million and $4.4 million, respectively, are included within "Accrued expenses" and $3.1 million and $3.8 million, respectively, are included in "Other long-term liabilities."

The Company also is contractually entitled to receive profit-sharing revenues based on the performance of the vehicle service policies once a required claims period has passed. The Company recognizes profit-sharing revenues to the extent it is probable that it will not result in a significant revenue reversal. The Company estimates the revenue based on historical claims and cancellation data from its customers, as well as other qualitative assumptions. The Company reassesses the estimate at each reporting period with any changes reflected as an adjustment to revenues in the period identified. As of September 30, 2023 and December 31, 2022, the Company recognized $21.0 million and $22.5 million, respectively, related to cumulative profit-sharing payments to which it expects to be entitled, of which $2.0 million and $1.6 million, respectively, are included within "Prepaid expenses and other current assets" and $19.0 million and $20.9 million, respectively, are included within "Other assets."

Finance Revenue

The Company's finance revenue is related to finance receivables originated by UACC for its network of third-party dealership customers and consists of interest income earned on finance receivables before they are sold, interest income earned on finance receivables held in consolidated VIEs, and gains on the sale of finance receivables. Refer to Note 4 – Variable Interest Entities and Securitizations.

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

Servicing income represents the annual fees earned on the outstanding principal balance of the finance receivables serviced. Fees are earned monthly at an annual rate of approximately 4% for the 2022-1 securitization transaction and 3.25% for the 2022-2 and 2023-1 securitization transactions of the outstanding principal balance of the finance receivables serviced. From January to March 2023, UACC waived the monthly servicing fees related to the 2022-2 securitization transaction, which resulted in consolidation of the 2022-2 VIE. Refer to Note 4 – Variable Interest Entities and Securitizations.

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 condensed consolidated statements of operations.

4. Variable Interest Entities and Securitizations

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

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

UACC has developed a securitization program that involves selling finance receivables to securitization trusts through the private issuance of asset-backed securities which are collateralized by the finance receivables. UACC establishes and sponsors these transactions which create and pass along risks to the variable interest holders, specifically, consumer credit risk and pre-payment risk. In February and July 2022, UACC completed the 2022-1 and 2022-2 securitization transactions, respectively, and in January 2023, UACC completed the 2023-1 securitization transaction.

The securitization trusts established in connection with asset-backed securitization transactions are VIEs. For each VIE that UACC establishes in its role as sponsor of securitization transactions, the Company performs an analysis to determine if it is the primary beneficiary of the VIE. For all securitization transactions consummated prior to the Acquisition Date, the Company consolidated VIEs and accounted for these transactions as secured borrowings.

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

In January 2023, UACC completed the 2023-1 securitization transaction, in which it sold approximately $238.7 million of rated asset-backed securities, for proceeds of $237.8 million. In April 2023, UACC sold the non-investment grade securities related to the 2023-1 securitization transaction for $23.1 million. UACC still retains the residual interests related to the 2023-1 securitization transaction. The trust is collateralized by finance receivables with an aggregate principal balance of $326.4 million. These finance receivables are serviced by UACC. The Company consolidated the 2023-1 VIE and accounted for this transaction as a secured borrowing.

UACC is the primary beneficiary of the 2021-1 and 2023-1 securitization trusts, as it has both the power to direct the activities that most significantly impact the entity’s economic performance and the obligation to absorb losses or the right to receive benefits from the entity that could potentially be significant to the VIE. UACC also retained a portion of the economic interests in the 2021-1 and 2023-1 asset-backed securitization transactions, in the form of residual interests in accordance with Regulation RR of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Risk Retention Rules"). The Risk Retention Rules require the Company to retain at least 5% of the beneficial interests issued by the securitization trusts. Refer to Note 12 – Long Term Debt for further details.

In July 2022, UACC sold a pool of finance receivables in the 2022-2 securitization transaction. UACC retained the servicing rights to these finance receivables and receives an "at market" servicing fee. UACC retained an insignificant amount of the asset-backed securities issued in the securitization in order to comply with risk retention rules. Originally, the Company concluded that it is not the primary beneficiary of the 2022-2 securitization trust because UACC retained interests in the VIE are insignificant. Therefore, the Company did not originally consolidate the 2022-2 trust. From January to March 2023, although not contractually required, UACC elected to waive its servicing fee on the 2022-2 securitization, due to higher-than-expected losses, which transferred more than an insignificant portion of the corresponding risk of loss from the VIE to the Company. Since UACC has the power to direct the significant activities of the VIE, as it is the servicer, and additionally it absorbs the risk of loss, the Company concluded that it is the primary beneficiary of the VIE. In March 2023, the Company accounted for the transaction as secured borrowings and consolidated the 2022-2 securitization trust. The beneficial interest was then eliminated.

The VIE model allows for a measurement alternative when a reporting entity elects the fair value option and consolidates a collateralized financing entity (“CFE”). This measurement alternative eliminates the accounting mismatch that may arise from measurement differences between the CFE’s financial assets and third-party financial liabilities in earnings and attributes those earnings to the controlling equity interest in the consolidated income statement. The 2021-1, 2022-2, and 2023-1 securitization trusts consolidated by UACC meet the definition of a CFE, therefore, the Company has elected to apply the measurement alternative when consolidating these VIEs. Refer to Note 16 – Financial Instruments and Fair Value Measurements for further detail.

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

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

	As of September 30, 2023		
	Securitization Vehicles	Warehouse Facilities[1]	Total
Current Assets:			
Restricted cash	$ 31,311	$ 15,924	$ 47,235
Finance receivables at fair value	11,227	991	12,218
Finance receivables held for sale	—	338,375	338,375
Other current assets	15,415	8,912	24,327
Total Current Assets	57,953	364,202	422,155
Finance receivables at fair value	354,567	22,093	376,660
Other assets	—	1,992	1,992
Total Assets	$ 412,520	$ 388,287	$ 800,807
Current Liabilities:			
Current portion of securitization debt	$ 186,559	$ —	$ 186,559
Warehouse credit facilities	—	294,653	294,653
Accrued expenses	1,421	1,912	3,333
Total Current Liabilities	187,980	296,565	484,545
Securitization debt, net of current portion	175,347	—	175,347
Other liabilities	4,340	5,166	9,506
Total Liabilities	$ 367,667	$ 301,731	$ 669,398

	As of December 31, 2022		
	Securitization Vehicles	Warehouse Facilities[1]	Total
Current Assets:			
Restricted cash	$ 9,023	$ 15,654	$ 24,677
Finance receivables at fair value	5,336	6,156	11,492
Finance receivables held for sale	—	305,917	305,917
Other current assets	2,730	9,004	11,734
Total Current Assets	17,089	336,731	353,820
Finance receivables at fair value	72,568	47,024	119,592
Total Assets	$ 89,657	$ 383,755	$ 473,412
Current Liabilities:			
Current portion of securitization debt	$ 47,239	$ —	$ 47,239
Warehouse credit facilities	—	229,518	229,518
Accrued expenses	90	1,439	1,529
Total Current Liabilities	47,329	230,957	278,286
Securitization debt, net of current portion	32,590	—	32,590
Other liabilities	686	6,724	7,410
Total Liabilities	$ 80,605	$ 237,681	$ 318,286

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

UACC establishes securitization trusts to purchase finance receivables. The securitization trusts issue asset-backed securities, which are collateralized by the finance receivables that UACC sells to the securitization trusts. Upon sale of the finance receivables to the securitization trusts, the Company recognizes a gain or loss on sales of finance receivables if it determines it qualifies for sale accounting treatment and it is not the primary beneficiary of the VIE.

In February 2022, UACC sold a pool of finance receivables in the 2022-1 securitization transaction. UACC retained the servicing rights to these finance receivables and receives an "at market" servicing fee. UACC retained an insignificant amount of the asset-backed securities issued in the securitization in order to comply with risk retention rules. The 2022-1 securitization trust is a VIE that the Company does not consolidate. As the servicer, UACC retained the power to direct the activities that are most significant to the entities, however, the Company concluded that it is not the primary beneficiary of the 2022-1 securitization trust because UACC retained interests in the VIE are insignificant. The beneficial interest retained by UACC included rated notes and unrated residual certificates issued by the 2022-1 securitization trust.

In July 2022, UACC completed the 2022-2 securitization transaction, as discussed above, and recognized a gain on sale for the three and nine months ended September 30, 2022.

During the three and nine months ended September 30, 2022, the Company sold $242.3 million and $523.7 million of rated asset-backed securities, respectively, and $17.3 million and $49.6 million of residual certificates, respectively, through securitization transactions. The total gain related to finance receivables sold pursuant to securitization transactions was $16.0 million and $45.6 million for the three and nine months ended September 30, 2022, respectively.

As of September 30, 2023 and December 31, 2022, the assets UACC retains in the unconsolidated VIEs were approximately $5.3 million and $20.6 million, respectively, and are included in "Beneficial interests in securitizations" in the Company's condensed consolidated balance sheet. The beneficial interests in securitizations are subject to restrictions on transfer pursuant to UACC’s obligations as a sponsor under Risk Retention Rules. These securities are interests in securitization trusts, thus there are no contractual maturities. In the nine months ended September 30, 2023, the Company entered into a Risk Retention Financing Facility to finance the majority of its retained beneficial interests in securitizations. Refer to Note 12 – Long Term Debt for further detail.

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

	As of September 30, 2023			As of December 31, 2022		
	Aggregate Principal Balance	Carrying Value	Total Exposure	Aggregate Principal Balance	Carrying Value	Total Exposure
Rated notes	$ 5,397	$ 5,132	$ 5,132	$ 19,233	$ 18,664	$ 18,664
Certificates	—	155	155	—	1,928	1,928
Other assets	310	310	310	310	310	310
Total unconsolidated VIEs	$ 5,707	$ 5,597	$ 5,597	$ 19,543	$ 20,902	$ 20,902

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

5. Acquisition

UACC Acquisition

On February 1, 2022, the Company completed the acquisition (the "UACC Acquisition") of 100% of Unitas Holdings Corp., a Delaware corporation, including its wholly owned subsidiaries United PanAm Financial Corp. and UACC. Unitas Holdings Corp. (now known as Vroom Finance Corporation), United PanAm Financial Corp. (now known as Vroom Automotive Financial Corporation) and UACC, as well as their other subsidiaries, are now wholly owned subsidiaries of the Company. This acquisition accelerates the Company's strategy of establishing a captive financing arm and underwriting vehicle financing for its customers, the results of which are included within the Ecommerce reporting segment. UACC will also continue its current operations with its network of third-party dealership customers, including the purchases and servicing of vehicle installment contracts, which constitutes the separate Retail Financing reporting

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segment. The cash consideration transferred was approximately $315.4 million at the Acquisition Date, inclusive of immaterial measurement period adjustments.

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

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

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

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

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

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

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

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

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

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

Customer relationships represents UACC's relationship with its network of dealer customers. UACC has expertise in the non-prime credit dealer market serving as the key link between independent dealerships and consumers. UACC has developed expertise and robust relationships in the independent dealer market as demonstrated by its active dealership network. The estimated fair value of the customer relationships was determined using a multi-period excess earnings method under the income approach. The significant assumptions used in the multi-period excess earnings method include estimates about future expected cash flows from the customer relationships, including pre-tax income margins and the discount rate.

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

The fair values assigned to assets acquired and liabilities assumed are based on management's estimates and assumptions. The allocation of the total consideration transferred to the assets acquired, including intangible assets and goodwill, as well as the liabilities assumed was final as of December 31, 2022.

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

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

Unaudited Pro Forma Information

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

	Nine Months Ended September 30, 2022
Total revenue	$ 1,755,023
Net loss	$ (488,866)

6. Inventory

Inventory consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Vehicles	$ 239,481	$ 317,994
Parts and accessories	1,195	2,654
Total inventory	$ 240,676	$ 320,648

As of September 30, 2023 and December 31, 2022, “Inventory” includes an adjustment of $8.3 million and $24.2 million, respectively, to record the balances at the lower of cost or net realizable value.

7. Property and Equipment, Net

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

	September 30, 2023	December 31, 2022
Equipment	$ 4,226	$ 3,357
Furniture and fixtures	1,898	1,896
Logistics fleet	32,544	32,468
Leasehold improvements	7,633	6,577
Internal-use software	39,627	30,725
Other	8,311	8,081
	94,239	83,104
Accumulated depreciation and amortization	(45,019)	(32,903)
Property and equipment, net	$ 49,220	$ 50,201

Depreciation and amortization expense was $4.5 million and $3.2 million for the three months ended September 30, 2023 and 2022, respectively, and $12.2 million and $9.5 million for the nine months ended September 30, 2023 and 2022, respectively. Depreciation and amortization expense included within “Cost of sales” in the condensed consolidated statements of operations was $0.2 million for the three months ended September 30, 2023 and 2022, and $0.6 million and $0.3 million for the nine months ended September 30, 2023 and 2022, respectively.

Implementation costs capitalized and accumulated amortization related to the Company’s cloud computing arrangements were $8.6 million and $6.0 million as of September 30, 2023, respectively, and $7.7 million and $4.6 million as of December 31, 2022, respectively, and were included within “Other assets” in the condensed consolidated balance sheets. Amortization expense of $0.6 million was included within “Selling, general and administrative expenses” in the condensed consolidated statements of operations for the three months ended September 30, 2023 and 2022, and $1.4 million and $1.7 million for the nine months ended September 30, 2023 and 2022, respectively.

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8. Goodwill and Intangible Assets

Goodwill

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

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

There was no goodwill as of September 30, 2023.

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

The Company estimated the fair value of the Ecommerce, Wholesale, and TDA reporting units using the discounted cash flow method under the income approach. The significant assumptions used in the valuation include revenue growth rates, future gross profit margins and operating expenses used to calculate projected future cash flows, determination of the weighted average cost of capital, and future economic and market conditions. The terminal value is based on an exit revenue multiple which requires significant assumptions regarding the selection of appropriate multiples that consider relevant market trading data. The Company bases its estimates and assumptions on its knowledge of the automotive and ecommerce industries, recent performance, expectations of future performance and other assumptions the Company believe to be reasonable.

The Company determined that the estimated fair value of the Ecommerce, Wholesale, and TDA reporting units was less than their carrying amounts. The Company recorded a goodwill impairment charge of $201.7 million in the condensed consolidated statements of operations for the nine months ended September 30, 2022.

Refer to Note 5 – Acquisition for more information related to the acquisition that occurred in the nine months ended September 30, 2022.

Intangible Assets

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

	September 30, 2023			December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Developed and purchased technology	$ 108,700	$ (33,801)	$ 74,899	$ 108,700	$ (21,053)	$ 87,647
Customer relationships	69,400	(15,167)	54,233	69,400	(8,661)	60,739
Trademarks and trade names	12,200	(2,688)	9,512	12,200	(1,676)	10,524
Total intangible assets	$ 190,300	$ (51,656)	$ 138,644	$ 190,300	$ (31,390)	$ 158,910

Refer to Note 5 – Acquisition for more information related to the acquisition that occurred in the nine months ended September 30, 2022.

Amortization expense for intangible assets was $6.8 million for the three months ended September 30, 2023 and 2022, and $20.3 million and $18.5 million for the nine months ended September 30, 2023 and 2022, respectively.

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The estimated amortization expense for intangible assets subsequent to September 30, 2023, consists of the following (in thousands):

Year Ending December 31:		
For remainder of 2023	$	6,756
2024		27,022
2025		27,022
2026		21,979
2027		21,882
Thereafter		33,983
	$	138,644

9. Accrued Expenses and Other Current Liabilities

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

	September 30, 2023		December 31, 2022	
Accrued marketing expenses	$	4,476	$	2,093
Vehicle related expenses		11,238		14,789
Sales taxes		4,849		5,983
Accrued compensation and benefits		16,127		28,276
Accrued professional services		2,373		3,488
Accrued legal settlements[1]		3,816		7,383
Interest payable		5,875		3,990
Other		8,681		10,793
Total accrued expenses	$	57,435	$	76,795

(1) Accrued legal settlements are primarily related to legal challenges stemming from operational challenges created by the Company's prior rapid growth, which resulted in additional costs incurred, including legal settlements.

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

	September 30, 2023		December 31, 2022	
Vehicle payable	$	4,407	$	3,617
Reserve for estimated returns		2,512		3,919
Insurance payable		2,817		4,551
Other		2,548		5,606
Total other current liabilities	$	12,284	$	17,693

10. Vehicle Floorplan Facility

In November 2022, the Company amended its floorplan facility with Ally Bank and Ally Financial (the "2022 Vehicle Floorplan Facility"). The 2022 Vehicle Floorplan Facility provides a committed credit line of up to $500.0 million which is scheduled to mature on March 31, 2024.

The amount of credit available to the Company on a monthly basis equals the product of (1) the greater of five times the aggregate number of retail units sold during the most recent month for which information is available or the aggregate number of retail units sold during the five most recent months for which information is available and (2) the greater of the average outstanding floorplan balance of all vehicles on the floorplan as of the immediately preceding month-end or the average monthly outstanding floorplan balance of all vehicles on the floorplan as of month-end for the immediately preceding five months. As of September 30, 2023, the Company elected to increase its monthly credit line availability by $25 million, as discussed below, bringing the borrowing capacity of the 2022 Vehicle Floorplan Facility to

$228.1 million, of which $15.6 million was unutilized. As of December 31, 2022, the borrowing capacity of the 2022 Vehicle Floorplan Facility was $343.9 million, of which $66.9 million was unutilized.

Additionally, the Company may elect to increase its monthly credit line availability by an additional $25.0 million during any four months in the period from November 1, 2022 through March 31, 2024, subject to the maximum $500.0 million credit limit. The 2022 Vehicle Floorplan Facility allows for more flexibility in the Company's borrowing capacity. Consistent with the terms of the 2020 Vehicle Floorplan Facility, the Company and Vroom Automotive, LLC have provided Ally with a guaranty of payment of all amounts owed under the 2022 Vehicle Floorplan Facility as well as a security interest in all or substantially all tangible, intangible, and other personal property of Vroom, Inc., to secure obligations under the 2022 Vehicle Floorplan Facility.

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

As of September 30, 2023 and December 31, 2022, outstanding borrowings on the vehicle floorplan facilities were $212.5 million and $277.0 million, respectively. Cash deposits required under the vehicle floorplan facilities of $31.9 million and $34.6 million are classified as "Restricted cash" within the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022, respectively.

Interest expense incurred by the Company for the vehicle floorplan facilities was $4.9 million and $6.5 million for the three months ended September 30, 2023 and 2022, respectively, and $14.1 million and $19.8 million for the nine months ended September 30, 2023 and 2022, respectively, which are recorded within “Interest expense” in the condensed consolidated statements of operations. The weighted average interest rate on the vehicle floorplan borrowings was 10.25% and 9.25% as of September 30, 2023 and December 31, 2022, respectively.

As of September 30, 2023 and December 31, 2022, 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 $3.5 million and $3.9 million for the three months ended September 30, 2023 and 2022, respectively, and $9.3 million and $11.4 million for the nine months ended September 30, 2023 and 2022, respectively, which are recorded within “Interest income” in the condensed consolidated statements of operations.

In August 2023, the Company amended its 2022 Vehicle Floorplan Facility to modify certain terms, and also amended the credit balance agreements to modify the minimum required credit balance calculation.

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11. Warehouse Credit Facilities of Consolidated VIEs

UACC has four senior secured warehouse facility agreements (the "Warehouse Credit Facilities") with banking institutions as of September 30, 2023. The Warehouse Credit Facilities are collateralized by eligible finance receivables and available borrowings are computed based on a percentage of eligible finance receivables. As of September 30, 2023 and December 31, 2022, the Company had excess borrowing capacity of $72.5 million and $105.8 million on UACC's Warehouse Credit Facilities, respectively. The terms of the Warehouse Credit Facilities include the following:

	Facility One	Facility Two	Facility Three	Facility Four
Execution date	May 30, 2012	November 19, 2013	July 11, 2019	November 18, 2022
Maturity date	July 20, 2024	June 2, 2025	August 29, 2025	September 12, 2025
Aggregate borrowings limit (in thousands)	$ 200,000	$ 200,000	$ 200,000	$ 225,000
As of September 30, 2023				
Aggregate principal balance of finance receivables pledged as collateral (in thousands)	$ 147,533	$ 72,255	$ 142,389	$ 37,408
Outstanding balance (in thousands)	$ 115,014	$ 53,215	$ 114,224	$ 12,200
Restricted cash (in thousands)	$ 6,581	$ 2,463	$ 6,643	$ 237
As of December 31, 2022				
Aggregate principal balance of finance receivables pledged as collateral (in thousands)	$ 143,919	$ 142,503	$ 126,636	$ —
Outstanding balance (in thousands)	$ 110,602	$ 19,615	$ 101,435	$ —
Restricted cash (in thousands)	$ 8,110	$ 2,007	$ 5,537	$ —

As of September 30, 2023 and December 31, 2022, the Company's weighted average interest rate on the Warehouse Credit Facilities borrowings was approximately 7.23% and 6.19%, respectively.

The Company's ability to utilize its Warehouse Credit Facilities is primarily conditioned on the satisfaction of certain legal, operating, administrative and financial covenants contained within the agreements. These include covenants that require UACC to maintain a minimum tangible net worth, minimum liquidity levels, specified leverage ratios and certain indebtedness levels. Failure to satisfy these and or any other requirements contained within the agreements would restrict access to the Warehouse Credit Facilities. Certain breaches of covenants may also result in acceleration of the repayment of borrowings prior to the scheduled maturity. As of September 30, 2023 and December 31, 2022, the Company was in compliance with all covenants related to the Warehouse Credit Facilities.

12. Long Term Debt

Debt instruments, excluding the 2022 Vehicle Floorplan Facility, which is discussed in Note 10 — Vehicle Floorplan Facility, and warehouse credit facilities of consolidated VIEs, which are discussed in Note 11 — Warehouse Credit Facilities of Consolidated VIEs, consisted of the following (in thousands):

	September 30, 2023	December 31, 2022
Current portion of securitization debt of consolidated VIEs	$ 186,559	$ 47,239
Current portion of financing of beneficial interest in securitizations	10,486	—
Total current portion of long term debt	$ 197,045	$ 47,239
Convertible senior notes	$ 327,837	$ 359,254
Securitization debt of consolidated VIEs, net of current portion	175,347	32,590
Financing of beneficial interest in securitizations	7,859	—
Junior subordinated debentures	10,310	10,310
Long term debt, net of current portion	$ 521,353	$ 402,154
Total debt	$ 718,398	$ 449,393

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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 three and nine months ended September 30, 2023, the conditions allowing holders of the Notes to convert were not met.

During the nine months ended September 30, 2023, the Company repurchased $32.8 million in aggregate principal amount of the Notes, net of deferred issuance costs, for $13.2 million in open-market transactions. The Company recognized a gain on extinguishment of debt of $19.6 million for the nine months ended September 30, 2023. During the nine months ended September 30, 2022, the Company repurchased $56.4 million in aggregate principal amount of the Notes, net deferred issuance costs, for $18.5 million in open-market transactions. The Company recognized a gain on extinguishment of debt of $37.9 million for the nine months ended September 30, 2022.

The Company accounts for the Notes as a single liability-classified instrument measured at amortized cost. As of September 30, 2023, the unamortized debt discount and debt issuance costs was $4.7 million and the net carrying value was $327.8 million. As of December 31, 2022, the unamortized debt discount and debt issuance costs was $6.5 million and the net carrying value was $359.3 million.

The Notes were issued at par value and fees associated with the issuance of these Notes are amortized to interest expense using the effective interest method over the contractual term of the Notes. The interest expense was $1.1 million and $1.9 million for the three months ended September 30, 2023 and 2022, respectively, and $3.3 million and $5.9 million for the nine months ended September 30, 2023 and 2022, respectively. The effective interest rate of the Notes is 1.3%.

Securitization Debt of Consolidated VIEs

The securitization debt was issued under UACC's securitization program. The Company elected to account for the securitization debt under the fair value option using the measurement alternative. Fair value adjustments are recorded in "Other loss, net" in the condensed consolidated statements of operations. Refer to Note 16 – Financial Instruments and Fair Value Measurements. For the 2021-1, 2022-2, and 2023-1 securitization transactions, the Company consolidated the VIEs and accounted for these transactions as secured borrowings. Refer to Note 4 – Variable Interest Entities and Securitizations for further discussion.

Upon the issuance of the securitization debt for the 2021-1 and 2023-1 securitization transactions, UACC retained the residual interests. UACC also retains the servicing rights for all finance receivables that were securitized; therefore, it is responsible for the administration and collection of the amounts owed under the contracts. In Q1 2023, UACC waived its servicing fees related to the 2022-2 securitization and subsequently consolidated the 2022-2 trust. The securitization agreements also require certain funds to be held in restricted cash accounts to provide additional collateral for the borrowings or to be applied to make payments on the securitization debt. Restricted cash under the various agreements totaled approximately $31.3 million and $9.0 million as of September 30, 2023 and December 31, 2022, respectively.

Wholly owned bankruptcy remote subsidiaries of UACC were formed to facilitate the above asset-backed financing transactions. Bankruptcy remote refers to a legal structure in which it is expected that the applicable entity would not be included in any bankruptcy filing by its parent or affiliates. All of the assets of these subsidiaries have been pledged as collateral for the related debt. None of the assets of these subsidiaries are available to pay other creditors of the Company or its affiliates.

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The securitization debt issued is included in “Current portion of long term debt” and "Long term debt, net of current portion" on the condensed consolidated balance sheet. The securitization debt of consolidated VIEs consisted of the following (in thousands):

As of September 30, 2023

Series	Final Scheduled Payment Date	Initial Principal	Contractual Interest Rate	Outstanding Principal	Fair Value
United Auto Credit 2021-1-D	June 10, 2026	$ 29,380	1.14 %	$ 11,664	$ 11,573
United Auto Credit 2021-1-E	June 10, 2026	20,800	2.58 %	20,800	20,515
United Auto Credit 2021-1-F	September 10, 2027	13,910	4.30 %	13,910	13,674
United Auto Credit 2022-2-A	April 10, 2025	119,139	4.39 %	13,708	13,697
United Auto Credit 2022-2-B	December 10, 2025	30,324	5.41 %	30,324	30,254
United Auto Credit 2022-2-C	May 10, 2027	26,533	5.81 %	26,533	26,215
United Auto Credit 2022-2-D	January 10, 2028	32,889	6.84 %	32,889	32,419
United Auto Credit 2022-2-E	April 10, 2029	33,440	10.00 %	33,440	30,474
United Auto Credit 2023-1-A	July 10, 2025	118,598	5.57 %	40,516	40,455
United Auto Credit 2023-1-B	July 10, 2028	51,157	5.91 %	51,157	50,727
United Auto Credit 2023-1-C	July 10, 2028	33,326	6.28 %	33,326	32,936
United Auto Credit 2023-1-D	July 10, 2028	35,653	8.00 %	35,653	35,860
United Auto Credit 2023-1-E	September 10, 2029	23,256	10.98 %	23,256	23,107
Total rated notes		$ 568,405		$ 367,176	$ 361,906

As of December 31, 2022

Series	Final Scheduled Payment Date	Initial Principal	Contractual Interest Rate	Outstanding Principal	Fair Value
United Auto Credit 2021-1-C	June 10, 2026	$ 29,640	0.84 %	$ 18,466	$ 18,322
United Auto Credit 2021-1-D	June 10, 2026	29,380	1.14 %	29,380	28,481
United Auto Credit 2021-1-E	June 10, 2026	20,800	2.58 %	20,800	19,685
United Auto Credit 2021-1-F	September 10, 2027	13,910	4.30 %	13,910	13,341
		$ 93,730		$ 82,556	$ 79,829

The final scheduled payment date represents legal maturity of the remaining balance sheet securitization debt. Securitization debt is expected to become due and to be paid prior to those dates, based on amortization of the finance receivables pledged to the Trusts. Expected payments, which will depend on the performance of such receivables, as to which there can be no assurance, are $44.5 million in 2023, $155.3 million in 2024, $94.4 million in 2025, $47.1 million in 2026 and $25.9 million in 2027.

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

	As of September 30, 2023		As of December 31, 2022	
	Aggregate Principal Balance	Fair Value	Aggregate Principal Balance	Fair Value
United Auto Credit 2021-1	$ 47,600	$ 45,332	$ 84,477	$ 77,904
United Auto Credit 2022-2	145,424	125,880	—	—
United Auto Credit 2023-1	227,460	194,582	—	—
Total finance receivables of CFEs	$ 420,484	$ 365,794	$ 84,477	$ 77,904

Financing of Beneficial Interests in Securitizations

On May 3, 2023, UACC entered into a Risk Retention Financing Facility enabling it to finance asset-backed securities issued in its securitization transactions and held by UACC pursuant to applicable risk retention rules. Under this facility, UACC sells such retained interests and agrees to repurchase them on a future date. In its initial transaction under this facility, UACC pledged $24.5 million of its retained beneficial interests as collateral, and received proceeds of $24.1 million, with expected repurchase dates ranging from March 2025 to September 2029. The securitization trusts will distribute payments related to UACC's pledged beneficial interests in securitizations directly to the lender, which will reduce the beneficial interests in securitizations and the related debt balance. Pledged collateral levels are monitored and are generally maintained at an agreed-upon percentage of the fair value of the amounts borrowed during the life of the transactions. In the event of a decline in the fair value of the pledged collateral, UACC may be required to transfer cash or additional securities as pledged under this facility. At the termination of this agreement, UACC is obligated to return the amounts borrowed.

The outstanding balance of this facility, net of unamortized debt issuance costs, was $18.4 million as of September 30, 2023, with $10.5 million included in "Current portion of long term debt" and $7.9 million included in "Long-term debt, net of current portion" on the condensed consolidated balance sheet. As of September 30, 2023, the fair value of the collateral pledged under this facility was $18.6 million.

Junior Subordinated Debentures

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

13. Commitments and Contingencies

Litigation

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

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

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

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

The Attorney General of Texas, on behalf of the State of Texas, filed a petition in April 2022 and an amended petition in October 2023, in the District Court of Travis County Texas against the Company, alleging violation of the Texas Deceptive Trade Practices − Consumer Protection Act, Texas Business and Commerce Code § 17.41 et seq (Texas v. Vroom Automotive LLC, and Vroom Inc., Case No. D-1-GN-001809). The purported violations are based on alleged deficiencies and other issues in the Company's marketing of used vehicles and fulfilment of customer orders, including the titling and registration of sold vehicles. Vroom Automotive, LLC and the Attorney General of the State of Texas have agreed to a temporary injunction in which Vroom Automotive, LLC agrees to adhere to its existing practice of possessing title for all vehicles it sells or advertises as available for sale on its ecommerce platform. The parties are engaged in discovery and Vroom continues to work cooperatively with the office of the Attorney General of the State of Texas towards a resolution. Because the case is at an early stage and the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, the Company cannot determine at present whether any potential liability would have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

In July 2022 and August 2022, respectively, certain plaintiffs filed two putative class action lawsuits in the District Court of Cleveland County, Oklahoma and the New York State Supreme Court, respectively, against Vroom, Inc., and Vroom Automotive LLC as defendants, alleging, among other things, deficiencies in Vroom's titling and registration of sold vehicles: Blake Sonne, individually and on behalf of all others similar situated, v. Vroom Automotive, LLC and Vroom, Inc., No. CJ-2022-822 and Emely Reyes Martinez, on behalf of all others similarly situated, v. Vroom Automotive, LLC and Vroom Inc., No. 652684/2022. The Company removed the cases to the U.S. District Court for the Western District of Oklahoma (Case No. 22-cv-761) and the U.S. District Court for the Southern District of New York (Case No. 22-cv-7631), respectively, and filed motions to compel arbitration of all claims in both cases. In September 2023, Vroom's motions to compel arbitration were granted in both cases, and the court actions are stayed pending the outcome of any arbitration proceeding over the respective plaintiffs' individual claims.

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

Nasdaq Notice

On June 23, 2023, the Company received written notice from The Nasdaq Stock Market LLC (“Nasdaq”) informing the Company that it has regained compliance with Nasdaq Listing Rule 5450(a)(1), which requires that companies listed on the Nasdaq Global Select Market maintain a minimum bid price of $1.00 per share.

As previously reported, on April 14, 2023, the Company received a letter from Nasdaq indicating that, for the preceding 30 consecutive business days, the bid price for the Company’s common stock had closed below the $1.00 per share minimum bid price requirement for continued inclusion on the Nasdaq Global Select Market pursuant to Nasdaq Listing Rule 5450(a)(1) (the “Minimum Bid Price Requirement”). In accordance with Nasdaq Listing Rule 5810(c)(3)(C), the Company had been provided an initial period of 180 calendar days from the Nasdaq notification, or until October 11, 2023, to regain compliance. To regain compliance, the Company was required to maintain the Minimum Bid Price Requirement for a minimum of ten consecutive business days.

In its June 23, 2023 notice, Nasdaq notified the Company that the closing bid price of its common stock had been at $1.00 per share or greater for 11 consecutive business days, from June 8, 2023 to June 22, 2023. Accordingly, the Company regained compliance with the Minimum Bid Price Requirement and the matter was closed.

Other Matters

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

14. Preferred Stock and Stockholders’ Equity

Preferred Stock

On June 11, 2020, the Company amended its certificate of incorporation to authorize the issuance of up to 10,000,000 shares of Preferred Stock. As of September 30, 2023, there was no preferred stock issued or outstanding.

Common Stock

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

15. Stock-based Compensation

On May 28, 2020, the Company adopted the 2020 Incentive Award Plan (“the 2020 Plan”), which authorized the issuance of (i) up to 3,019,108 shares of the Company’s common stock, (ii) an annual increase on the first day of each year beginning on January 1, 2022 and ending on January 1, 2030 of up to 4% of the shares of common stock outstanding on an as-converted basis on the last day of the immediately preceding fiscal year, 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 September 30, 2023, the Company has registered an additional 11,011,780 shares of the Company's common stock to be issued pursuant to the 2020 Plan. As of September 30, 2023, there were 1,527,629 shares available for future issuance under the 2020 Plan.

On May 20, 2022, the Company adopted the 2022 Inducement Award Plan (the “Inducement Award Plan”). Awards under the Inducement Award Plan may only be granted to a newly hired employee who has not previously been an employee or a member of the Board or an employee who is being rehired following a bona fide period of non-employment by the Company, in each case as a material inducement to the employee’s entering into employment. An aggregate of 3,000,000 shares of the Company’s common stock are reserved for issuance under the Inducement Award Plan. As of September 30, 2023, there were 2,547,122 shares available for future issuance under the Inducement Award Plan.

RSUs

The Company recognized $2.7 million and $0.9 million of stock-based compensation expense related to RSUs for the three months ended September 30, 2023 and 2022, respectively, and $6.6 million and $5.5 million for the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023 and December 31, 2022, the Company had $14.8 million and $18.2 million, respectively, of unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average period of 1.8 and 1.9 years, respectively.

On May 9, 2022, 1,200,000 RSUs having a grant date fair value of $1.08 per share were granted to the CEO and on May, 20, 2022, an aggregate of 3,190,000 RSUs having a grant date fair value of $1.45 per share were granted to certain members of the management team. On July 25, 2022, 140,000 RSUs having a grant date fair value of $1.64 per share were granted to a member of the management team. The RSUs were issued under the 2020 Plan and will vest on the third anniversary of the grant date, subject to continued employment through that date. The vesting of the RSUs will accelerate in one-third increments if the Company's common stock achieves a closing price at or above $7.50 per share for twenty consecutive trading days during the three-year vesting period; a closing price at or above $15.00 per share for twenty consecutive trading days in the second or third years of the vesting period; and a closing price at or above $21.00 per share for twenty consecutive trading days during the third year of the vesting period. As of September 30, 2023, the accelerated vesting conditions were not met.

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.

16. Financial Instruments and Fair Value Measurements

U.S. GAAP defines fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. These estimates are subjective in nature and involve uncertainties and matters of judgment, and therefore cannot be determined with precision. U.S. GAAP establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and establishes the following three levels of inputs that may be used to measure fair value:

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

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

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

Items Measured at Fair Value on a Recurring Basis

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

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

	As of September 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents:				
Money market funds	$ 11,232	$ —	$ —	$ 11,232
CFE assets:				
Finance receivables	—	—	365,794	365,794
Finance receivables at fair value	—	—	34,903	34,903
Beneficial interests in securitizations	—	5,287	—	5,287
Total financial assets	$ 11,232	$ 5,287	$ 400,697	$ 417,216
Financial Liabilities				
CFE liabilities:				
Securitization debt of consolidated VIEs	—	361,906	—	361,906
Total financial liabilities	$ —	$ 361,906	$ —	$ 361,906

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial Assets				
Cash and cash equivalents:				
Money market funds	$ 182,687	$ —	$ —	$ 182,687
CFE assets:				
Finance receivables	—	—	77,904	77,904
Finance receivables at fair value	—	—	75,270	75,270
Beneficial interests in securitizations	—	20,592	—	20,592
Total financial assets	$ 182,687	$ 20,592	$ 153,174	$ 356,453
Financial Liabilities				
CFE liabilities:				
Securitization debt of consolidated VIEs	—	79,829	—	79,829
Total financial liabilities	$ —	$ 79,829	$ —	$ 79,829

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

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

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

Financial assets and liabilities of CFEs: The Company elected the fair value option for the assets and liabilities of its consolidated VIEs related to securitization transactions that were deemed to be CFEs.

In accordance with ASC 825, the Company has elected the fair value option, for the eligible financial assets and liabilities of the 2021-1, 2022-2, and 2023-1 consolidated CFEs in order to mitigate potential accounting mismatches between the carrying value of the financial assets and liabilities. To eliminate potential measurement differences, the Company elected the measurement alternative included in ASU 2014-13, allowing the Company to measure both the financial assets and liabilities of a qualifying CFE using the fair value of either the CFE’s financial assets or liabilities, whichever is more observable. Under the measurement alternative prescribed by ASU 2014-13, the Company recognizes changes in the CFE’s net assets, including changes in fair value adjustments and net interest earned, in its condensed consolidated statements of operations.

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

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

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

Finance receivables at fair value: Finance receivables at fair value represent finance receivables for which the Company elected the fair value option in accordance with ASC 825. These receivables primarily relate to finance receivables that the Company does not intend to sell in the immediate future due to various factors such as: delinquencies, bankruptcy, etc. The Company estimates the fair value of these receivables using a discounted cash flow model and incorporates key inputs that include performance rate, default rate, recovery rate, and weighted average coupon rates, as well as certain macroeconomics events the Company believes market participants would consider relevant.

Beneficial interests in securitization: Beneficial interests in securitization relate to the 2022-1 securitization completed in February 2022 and include rated notes as well as certificates. The beneficial interests in the 2022-2 securitization completed in July 2022 were eliminated upon consolidation of the VIE in March 2023. Refer to Note 4 – Variable Interest Entities and Securitizations. The Company elected the fair value option on its beneficial interests in securitization.

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

Company has multiple quotes that are not within a consensus range of each other, the Company deems these securities to be classified as Level 3 of the fair value hierarchy.

Changes in Level 3 Recurring Fair Value Measurements

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

	Finance Receivables of Consolidated CFEs	Finance Receivables at Fair Value
Fair value as of January 1, 2023	$ 77,904	$ 75,270
Reclassification of finance receivables held for sale to finance receivables at fair value, net	248,081	—
Transfer within Level 3 categories	24,175	(24,175)
Consolidation of VIEs	180,706	—
Losses included in other income	(67,035)	(1,349)
Issuances, net of discount	—	3,392
Paydowns	(117,002)	(19,641)
Other	18,965	1,406
Fair value as of September 30, 2023	$ 365,794	$ 34,903

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

During the nine months ended September 30, 2023, $180.7 million of finance receivables related to the 2022-2 securitization transaction were consolidated and classified as Level 3 and $248.1 million of finance receivables held for sale related to the 2023-1 securitization transaction were reclassified to Level 3 finance receivables of consolidated CFEs.

The Company's transfers between levels of the fair value hierarchy are assumed to have occurred at the beginning of the reporting period on a quarterly basis, except for assets and liabilities acquired during the prior period as described below.

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Financial Assets				
Finance receivables of CFEs	$ 23,103	$ 3,930	$ 54,987	$ 19,225
Finance receivables at fair value	2,027	(1,004)	605	7,248
Beneficial interests in securitizations	238	206	1,160	527
Financial Liabilities				
Debt of securitized VIEs	335	(275)	(6,916)	(2,990)
Total net loss included in other income	$ 25,703	$ 2,857	$ 49,836	$ 24,010

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

As of September 30, 2023	Finance Receivables of CFEs at Fair Value	Finance Receivables at Fair Value
Aggregate unpaid principal balance included within finance receivables that are reported at fair value	$ 420,484	$ 40,538
Aggregate fair value of finance receivables that are reported at fair value	$ 365,794	$ 34,903
Unpaid principal balance of receivables within finance receivables that are reported at fair value and are on nonaccrual status (90 days or more past due)	$ 6,605	$ 736
Aggregate fair value of receivables carried at fair value that are on nonaccrual status (90 days or more past due)	$ 5,793	$ 580

As of December 31, 2022	Finance Receivables of CFEs at Fair Value	Finance Receivables at Fair Value
Aggregate unpaid principal balance included within finance receivables that are reported at fair value	$ 84,477	$ 89,068
Aggregate fair value of finance receivables that are reported at fair value	$ 77,904	$ 75,270
Unpaid principal balance of receivables within finance receivables that are reported at fair value and are on nonaccrual status (90 days or more past due)	$ 1,097	$ 1,499
Aggregate fair value of receivables carried at fair value that are on nonaccrual status (90 days or more past due)	$ 985	$ 1,311

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

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

As of September 30, 2023	Securitization debt of consolidated VIEs at Fair Value
Aggregate unpaid principal balance of rated notes of securitized VIEs	$ 367,176
Aggregate fair value of rated notes of securitized VIEs	$ 361,906

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As of December 31, 2022		Securitization debt of consolidated VIEs at Fair Value
Aggregate unpaid principal balance of rated notes of securitized VIEs	$	82,556
Aggregate fair value of rated notes of securitized VIEs	$	79,829

Fair Value of Financial Instruments Not Carried at Fair Value

The carrying amounts of restricted cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature. The carrying value of the 2022 Vehicle Floorplan Facility and the Warehouse Credit Facilities was determined to approximate fair value due to its short-term duration and variable interest rate that approximates prevailing interest rates as of each reporting period.

Finance receivables held for sale, net: For finance receivables eligible to be sold, the Company determines the fair value of finance receivables utilizing sales prices based on estimated securitization transactions, adjusted for transformation costs, risk and a normal profit margin associated with securitization transactions. Such fair value measurement of finance receivables held for sale, net is considered Level 3 of the fair value hierarchy. The carrying value and fair value of the finance receivables held for sale, net were as follows (in thousands):

	September 30, 2023		December 31, 2022	
Carrying value	$	375,664	$	299,235
Fair value	$	378,619	$	299,925

From time to time the Company may mark certain receivables classified as held for sale to fair value and classified as financial instruments recorded at fair value on a non-recurring basis. As of September 30, 2023 and December 31, 2022, there were $24.2 million and $22.4 million of finance receivables that were marked to fair value on a non-recurring basis, respectively. These are finance receivables that became delinquent and no longer meet the expected sales criteria. The Company uses a discounted cash flow model to estimate the present value of future recoveries for finance receivables. Such fair value measurement of finance receivables held for sale, net is considered Level 3 of the fair value hierarchy.

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

	September 30, 2023		December 31, 2022	
Carrying value	$	327,837	$	359,254
Fair value	$	174,556	$	128,026

Financing of beneficial interests in securitizations: The fair value of the financing of beneficial interests in securitizations, which are not carried at fair value on the accompanying condensed consolidated balance sheets, approximated their carrying value as of September 30, 2023 and are classified within Level 3 of the fair value hierarchy.

Junior Subordinated Debentures: The fair value of the junior subordinated debentures, which are not carried at fair value on the accompanying condensed consolidated balance sheets, approximated their carrying value as of September 30, 2023 and December 31, 2022 and are classified within Level 3 of the fair value hierarchy.

Fair Value of Financial Instruments on a Nonrecurring Basis

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

17. Restructuring Activities

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

In connection with the Realignment Plan, the Company reduced headcount across the organization and closed its New York City, Detroit, and one of its Houston office locations as well as several Sell Us Your Car® center facilities. Additionally, the Company streamlined TDA's operations and closed its service center. The service center was repurposed to replace the reconditioning facility in Stafford, Texas, which was also closed. The Company also restructured its network of logistics hubs in order to align with reduced unit volume and its regional operating model.

The restructuring activities associated with the Realignment Plan were substantially completed during 2022.

On January 18, 2023, the Company executed a reduction in force as part of the continued focus on reducing variable and fixed costs. The Company reduced Vroom's headcount by approximately 275 employees based on the assessment of the Company's business needs, key initiatives, and long-term success and profitable growth. For the nine months ended September 30, 2023, the Company incurred expenses of approximately $4.1 million, primarily consisting of severance.

On April 26, 2023, as part of the Company's ongoing reexamination of all facets of the business, the Company implemented an organizational restructuring that included a reduction in force. The Company reduced Vroom's headcount by approximately 120 employees and incurred total expenses of approximately $2.3 million for the nine months ended September 30, 2023, primarily consisting of severance costs, as a result of this reduction in force.

The following table summarizes the components of the restructuring and related charges:

	Three Months Ended September 30,		Nine Months Ended September 30,		Total Charges Incurred to Date
	2023	2022	2023	2022	
Charges by activity:					
Severance and termination benefits (1)	$ 274	$ 2,226	$ 6,655	$ 7,172	$ 14,013
Impairment of operating lease right-of-use assets (2)	—	1,017	—	4,424	6,491
Other costs (3)	—	—	—	1,176	1,176
Total restructuring and related charges	$ 274	$ 3,243	$ 6,655	$ 12,772	$ 21,680

(1) Severance and termination costs consist of severance costs provided to employees who have been terminated as well outplacement costs and COBRA benefits.
(2) Impairment of operating lease right-of-use assets consist of costs associated with planned facility closures that will continue to be incurred under the contract for its remaining term without economic benefit to the Company.
(3) Other costs incurred to date consist of legal expenses incurred in connection with the Realignment Plan and acceleration of depreciation of property and equipment related to the planned facility closures.

Severance and termination benefits and other costs are included in "Selling, general, and administrative expenses" in the condensed consolidated statements of operations for the three and nine months ended September 30, 2023 and 2022.

The following table is a reconciliation of the beginning and ending restructuring liability for the nine months ended September 30, 2023 and 2022:

Balance as of December 31, 2022	$ 810
Accrual and accrual adjustments	6,655
Cash payments	(7,098)
Balance as of September 30, 2023	$ 367

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

The restructuring liability for severance and termination benefits is reflected in "Accrued Expenses" in the condensed consolidated balance sheet as of September 30, 2023 and December 31, 2022.

18. Segment Information

The Company has three reportable segments: Ecommerce, Wholesale, and Retail Financing. 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 September 30, 2023 and December 31, 2022, 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, revenue earned on vehicle financing originated by UACC or the Company's third-party financing sources and sales of value-added products associated with those vehicles sales. The Wholesale reportable segment represents sales of used vehicles through wholesale channels. The Retail Financing reportable segment represents UACC's operations with its network of third-party dealership customers, including the purchases and servicing of vehicle installment contracts. Revenues within the "All Other" category consist of retail sales of used vehicles from TDA and fees earned on sales of value-added products associated with those vehicles sales and the CarStory business.

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

	Three Months Ended September 30, 2023				
	Ecommerce	Wholesale	Retail Financing	All Other	Total
Revenues from external customers	$ 149,851	$ 30,898	$ 40,823	$ 14,062	$ 235,634
Gross profit	$ 14,339	$ (1,495)	$ 32,341	$ 2,909	$ 48,094

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

	Nine Months Ended September 30, 2023				
	Ecommerce	Wholesale	Retail Financing	All Other	Total
Revenues from external customers	$ 423,713	$ 75,593	$ 114,939	$ 43,034	$ 657,279
Gross profit	$ 36,566	$ (5,426)	$ 92,184	$ 9,576	$ 132,900

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Reconciliation to consolidated total revenue				
Total reportable segment revenue	$ 221,572	$ 313,699	$ 614,245	$ 1,612,930
All Other revenues	14,062	27,098	43,034	126,622
Consolidated total revenue	$ 235,634	$ 340,797	$ 657,279	$ 1,739,552
Reconciliation to consolidated loss before (benefit) provision for income taxes				
Total reportable segment gross profit	$ 45,185	$ 61,414	$ 123,324	$ 198,239
All Other gross profit	2,909	5,917	9,576	17,089
Selling, general and administrative expenses	79,586	134,643	263,078	475,627
Depreciation and amortization	11,010	9,833	31,845	27,728
Impairment charges	—	1,017	1,353	206,127
Gain on debt extinguishment	—	(37,917)	(19,640)	(37,917)
Interest expense	12,058	9,704	30,915	28,617
Interest Income	(5,506)	(5,104)	(16,369)	(12,991)
Other loss, net	33,543	5,383	65,019	26,897
Consolidated loss before provision (benefit) for income taxes	$ (82,597)	$ (50,228)	$ (223,301)	$ (498,760)

19. Income Taxes

The Company computes income taxes using the liability method. This method requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between the financial statements and the income tax basis of assets and liabilities. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that certain deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those specific jurisdictions prior to the dates on which such net operating losses expire. The Company maintained a full valuation allowance against its net deferred tax assets because the Company has determined that it is more likely than not that these assets will not be fully realized based on a current evaluation of expected future taxable income and the Company being in a cumulative 3-year loss position.

The Company’s effective tax rate for the three months ended September 30, 2023 and 2022 was (0.31)% and (1.79)%, respectively. The Company’s effective tax rate for the nine months ended September 30, 2023 and 2022 was (0.41)% and 4.43%, respectively. The effective tax rate for the nine months ended September 30, 2022 was primarily driven by a deferred tax benefit recorded for the decrease of Valuation Allowance resulting from the acquisition of Unitas Holdings Corp. (now known as Vroom Finance Corporation) that occurred during the nine months ended September 30, 2022 of $23.9 million.

The Company is subject to tax in the United States and many state and local jurisdictions. The Company, with certain exceptions, is no longer subject to income tax examinations by U.S. federal, state and local for tax years 2016 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.

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The Company acquired Unitas Holdings Corp. (now known as Vroom Finance Corporation) on February 1, 2022 in a stock acquisition, refer to Note 5 – Acquisitions for additional information. The NOLs and other tax attributes acquired are also subject to Section 382 limitations.

The Company has not identified any uncertain tax positions as of September 30, 2023 or December 31, 2022. 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.

On August 16, 2022, the Inflation Reduction Act of 2022 ("IRA") was signed into law. The IRA includes implementation of a new alternative minimum tax, an excise tax on stock buybacks, and significant tax incentives for energy and climate initiatives, among other provisions. The Company is evaluating the provisions included under the IRA and does not expect the provisions to have a material impact to the Company's condensed consolidated financial statements.

20. Net Loss Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except share and per share amounts)	**2023**	**2022**	**2023**	**2022**
Net loss	$ (82,857)	$ (51,127)	$ (224,219)	$ (476,675)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	139,692,323	138,118,679	139,123,352	137,817,839
Net loss per share attributable to common stockholders, basic and diluted	$ (0.59)	$ (0.37)	$ (1.61)	$ (3.46)

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

	As of September 30,	
	2023	**2022**
Convertible senior notes	5,936,226	10,132,119
Stock options	2,379,519	3,273,021
Restricted stock units	14,008,261	8,879,252
Total	22,324,006	22,284,392

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and in the section titled "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report"), as updated by the section titled "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

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

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

- **Ecommerce:** We provide consumers with a personalized and intuitive ecommerce interface to research and select from thousands of fully reconditioned vehicles, with specific sorting, searching and filtering functionality. Our platform is accessible at any time on any device and provides transparent haggle-free pricing, detailed vehicle information, 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 utilize national marketing efforts to drive consumer sourcing. In our reconditioning and logistics operations, we deploy a hybrid strategy that optimizes a combination of ownership and operation of assets by us with strategic third-party partnerships. We continue to leverage our last mile hub logistics operations and geographically dispersed network of reconditioning centers to further develop our regional operating model designed to improve our operating leverage, drive stronger unit economics and enhance our customer experience.

- **Data Science and Experimentation:** Data science and experimentation are at the core of everything we do. We rely on data science, machine learning and A/B and multivariate testing to continually drive optimization and operating leverage across our ecommerce and vehicle operations. We leverage data to increase the effectiveness of our national brand and performance marketing, enhance our customer experience, analyze market dynamics at scale, calibrate our vehicle pricing and optimize our overall inventory sales velocity. In our vehicle operations, data science and experimentation enables us to fine tune our supply, sourcing and logistics models and to streamline our reconditioning processes.

- **Vehicle Financing:** A critical component of our value proposition is offering vehicle financing to our customers as a seamless component of the transaction process. We currently offer integrated, real-time, individualized financing solutions through strategic partnerships with trusted lenders in automotive finance and through our subsidiary, UACC, which we acquired on February 1, 2022. The acquisition of UACC accelerated Vroom's strategy to develop a captive financing arm and brought with it UACC's financing expertise and extensive application processing, underwriting, securitization, and servicing capabilities.

Based on data from Cox Automotive, there were an estimated 36.2 million used vehicle transactions in 2022. According to a 2022 NADA Auto Retailing market summary, the U.S. automotive industry generated approximately $1.2 trillion in sales in 2021. The U.S. used automotive market is highly fragmented and ripe for disruption as an industry that is notorious for consumer dissatisfaction and has one of the lowest levels of ecommerce penetration. Industry reports estimate that ecommerce penetration will grow to as much as half of all used vehicle sales by 2030. Our platform, coupled with our national presence and brand, provides a significant competitive advantage versus local dealerships and regional players that lack nationwide reach and scalable technology, operations and logistics. The traditional auto dealers and peer-to-peer market do not offer consumers what we offer.

Long-Term Roadmap

In 2022, we developed a long-term road map designed to achieve three key objectives: prioritizing unit economics over growth, significantly reducing operating expenses, and maximizing liquidity. In 2023, we have refined these three key objectives to prioritize unit economics *and growth*, improve costs *per unit* and maximize liquidity.

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

- **Building a well-oiled transaction machine:** Optimize and digitize our sales channels; streamline and digitize the title and registration process; and optimize our marketing strategies by building brand awareness, growing organic search traffic and fine-tuning paid media campaigns to improve direct traffic and drive conversion.

- **Building a well-oiled metal machine:** Optimize pricing and assortment of vehicles through predictive data and analytics and regionalization, as well as synchronize end-to-end supply chain to increase velocity and improve flow.

- **Building a regional operating model:** Build a regional operating model to improve the customer experience; increase the speed of the supply chain; lower logistics costs; and reduce markdowns.

- **Building a captive finance offering:** Accelerate the development of UACC as a captive financing operation, giving us the ability to better serve our customers across the credit spectrum, drive enhanced unit economics and improve our overall customer experience.

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

Our Model

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

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

We also sell vehicles through wholesale channels, which provide a revenue source for vehicles that do not meet our Vroom retail sales criteria.

For the three months ended September 30, 2023, our Ecommerce, Wholesale, and Retail Financing segments represented 63.6%, 13.1%, and 17.3% of our total revenue, respectively. For the nine months ended September 30, 2023 our Ecommerce, Wholesale, and Retail Financing segments represented 64.5%, 11.5%, and 17.5% of our total revenue, respectively.

Our retail gross profit consists of two components: Vehicle Gross Profit and Product Gross Profit. Vehicle Gross Profit is calculated as the aggregate retail sales price for all vehicles sold to customers along with delivery fee revenue and document fees received from customers, less the aggregate cost to acquire such vehicles, the aggregate cost of inbound transportation for such vehicles to our vehicle reconditioning centers, which we refer to as VRCs, and the aggregate cost of reconditioning such vehicles for sale. Product Gross Profit consists of fees earned on vehicle financing originated by our third-party financing sources and any third-party value-added products sold as part of a vehicle sale. Because we are paid fees on the third-party financing and other value-added products we sell, our gross profit on such products is equal to the revenue we generate. Starting in 2022, Product Gross Profit also includes (i) interest income earned on finance receivables from Vroom customers that we originate through UACC before the loans are sold, (ii) interest income on finance receivables held in consolidated variable interest entities ("VIEs") less the interest expense incurred on securitization debt, and when applicable (iii) gain on sales of securitized finance receivables. See “—Key Operating and Financial Metrics.”

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

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

Reported KPI

Our profitability depends primarily on improving unit economics and achieving operating leverage. We deploy a hybrid strategy that optimizes a combination of ownership and operation of assets by us with strategic third-party partnerships. Our hybrid approach also applies to the third-party value-added products we sell to customers. Historically, we generated additional revenue streams without directly underwriting vehicle financing or protection products; however, the UACC Acquisition enables us to underwrite vehicle financing for our customers. As we resume growth, 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.

Our Segments

We manage and report operating results through three reportable segments:

- **Ecommerce** (63.6% and 64.5% of total revenue for the three and nine months ended September 30, 2023): The Ecommerce segment represents retail sales of used vehicles through our ecommerce platform, revenue earned on vehicle financing originated by UACC or our third-party financing sources and sales of value-added products associated with those vehicles sales.

- **Wholesale** (13.1% and 11.5% of total revenue for the three and nine months ended September 30, 2023): The Wholesale segment represents sales of used vehicles through wholesale channels.

- **Retail Financing** (17.3% and 17.5% of total revenue for the three and nine months ended September 30, 2023): The Retail Financing segment represents UACC's operations with its network of third-party dealership customers.

Gross profit is defined as revenue less cost of sales for each segment. Reflected below is a summary of segment revenue and segment gross profit for the three and nine months ended September 30, 2023 and 2022:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Revenue:				
Ecommerce	$ 149,851	$ 225,441	$ 423,713	$ 1,222,436
Wholesale	30,898	47,604	75,593	270,489
Retail Financing	40,823	40,654	114,939	120,005
All Other	14,062	27,098	43,034	126,622
Total revenue	$ 235,634	$ 340,797	$ 657,279	$ 1,739,552
Gross profit (loss):				
Ecommerce	$ 14,339	$ 27,034	$ 36,566	$ 94,862
Wholesale	(1,495)	(1,574)	(5,426)	(6,260)
Retail Financing	32,341	35,954	92,184	109,637
All Other	2,909	5,917	9,576	17,089
Total gross profit	$ 48,094	$ 67,331	$ 132,900	$ 215,328

Key Operating and Financial Metrics

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Ecommerce units sold	4,561	6,428	12,621	35,134
Vehicle gross profit per ecommerce unit	$ 516	$ 2,267	$ 234	$ 1,314
Product gross profit per ecommerce unit	2,628	1,939	2,663	1,386
Total gross profit per ecommerce unit	$ 3,144	$ 4,206	$ 2,897	$ 2,700
Average monthly unique visitors	2,319,456	1,647,920	2,336,988	1,989,962
Ecommerce average days to sale	202	186	266	118
Inventory turnover	3.15	2.20	2.68	3.29
Inventory days to supply	117	167	135	110

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 exclude on-site sales of vehicles at TDA and through the Wholesale segment. Each vehicle sale through our ecommerce platform also creates the opportunity to leverage such sale to provide vehicle financing, sell value-added products and acquire trade-in vehicles from our customers, which we can either recondition and add to our inventory or sell through wholesale channels.

Vehicle Gross Profit per Ecommerce Unit

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

Product Gross Profit per Ecommerce Unit

Product Gross Profit per ecommerce unit, which we refer to as Product GPPU, for a given period is defined as the aggregate fees earned on sales of third-party vehicle financing and value-added products in that period, net of the reserves for chargebacks on such products in that period, divided by the number of ecommerce units sold in that period. Because we are paid fees on the vehicle financing and value-added products we sell, our gross profit is equal to the revenue we generate from the sale of such products. Starting in 2022, Product Gross Profit also includes (i) interest income earned on finance receivables from Vroom customers to finance vehicle sales that we originate through UACC before the loans are sold, (ii) interest income on finance receivables held in consolidated VIEs less the interest expense incurred on securitization debt, and when applicable (iii) gain on sales of securitized finance receivables, divided by the number of ecommerce units sold in that period.

Total Gross Profit per Ecommerce Unit

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

Average Monthly Unique Visitors

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

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

Ecommerce Average Days to Sale

We define ecommerce average days to sale as the average number of days between our acquisition of vehicles and the final delivery of such vehicles to customers through our ecommerce platform. We calculate average days to sale for a given period by dividing the aggregate number of days between the acquisition of all vehicles sold through our ecommerce platform during such period and final delivery of such vehicles to customers by the number of ecommerce units sold in that period. Ecommerce average days to sale excludes vehicles sold on-site at TDA and through the Wholesale segment. Ecommerce average days to sale is an important metric because a reduction in the number of days between the acquisition of a vehicle and the delivery of such vehicle typically results in a higher gross profit per unit.

Inventory turnover

Inventory turnover is a measure of how well we are optimizing our inventory. We calculate inventory turnover for a given period as total retail and wholesale cost of sales for the respective period annualized and divided by average inventory (computed using the current and immediately preceding quarter-end balances). Our inventory turnover ratio is an important metric as a higher turnover ratio reflects a more efficient use of our capital and typically results in a higher gross profit per unit.

Inventory days to supply

We calculate inventory days to supply for a given period by dividing average inventory by total retail and wholesale cost of sales per day for the respective period. Inventory days to supply is an important metric because a reduction in the inventory days to supply 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, and Adjusted EBITDA excluding securitization gain. These non-GAAP financial measures have limitations as analytical tools in that they do not reflect all of the amounts associated with our results of operations as determined in accordance with U.S. GAAP. Because of these limitations, these non-GAAP financial measures should be considered along with other operating and financial performance measures presented in accordance with U.S. GAAP. The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with U.S. GAAP. We have reconciled all non-GAAP financial measures with the most directly comparable U.S. GAAP financial measures.

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

EBITDA, Adjusted EBITDA, and Adjusted EBITDA excluding securitization gain

We calculate EBITDA as net loss before interest expense, interest income, income tax expense and depreciation and amortization expense.

We calculate Adjusted EBITDA as EBITDA adjusted to exclude severance costs, gain on debt extinguishment, severe weather-related costs, goodwill impairment charge, realignment costs, acquisition related costs, and other costs, which relate to the impairment of long-lived assets. Changes in fair value of financial instruments can fluctuate significantly from period to period and were previously related primarily to historical loans and debt that have been securitized, and were acquired on February 1, 2022 from UACC. Our ongoing business model is to originate or purchase finance receivables with the intent to sell, which we recognize at the lower of cost or fair value. As a result of current market conditions, the financial instruments related to the 2022-2 and 2023-1 securitization transactions are recognized on balance-sheet and accounted for under the fair value option. See Note 16 — Financial Instruments and Fair Value Measurements to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. As a result, the majority of our finance receivables are now carried at fair value and a significant portion of the risk of loss associated with these finance receivables have been retained by UACC. We therefore have determined we will no longer make any adjustments for such fluctuations in fair value to our Adjusted EBITDA results. We have recast the prior periods presented to conform to current period presentation. We may account for future securitizations as on balance sheet transactions depending on market conditions.

We calculate Adjusted EBITDA excluding securitization gain as Adjusted EBITDA adjusted to exclude the securitization gain from the sale of UACC's finance receivables as it provides a useful perspective on the underlying operating results and trends as well as a means to compare our period-over-period results.

The following table presents a reconciliation of EBITDA, Adjusted EBITDA, and Adjusted EBITDA excluding securitization gain to net loss, which is the most directly comparable U.S. GAAP measure:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Net loss	$ (82,857)	$ (51,127)	$ (224,219)	$ (476,675)
Adjusted to exclude the following:				
Interest expense	12,058	9,704	30,915	28,617
Interest income	(5,506)	(5,104)	(16,369)	(12,991)
Provision (benefit) for income taxes	260	899	918	(22,085)
Depreciation and amortization	11,248	9,995	32,421	28,005
EBITDA	$ (64,797)	$ (35,633)	$ (176,334)	$ (455,129)
Severance costs	$ 274	$ —	$ 6,655	$ —
Gain on debt extinguishment	—	(37,917)	(19,640)	(37,917)
Hail storm costs	—	—	2,353	—
Goodwill impairment charge	—	—	—	201,703
Realignment costs	—	3,243	—	12,772
Acquisition related costs	—	—	—	5,653
Other	—	—	1,352	2,127
Adjusted EBITDA	$ (64,523)	$ (70,307)	$ (185,614)	$ (270,791)
Securitization gain	—	(15,972)	—	(45,589)
Adjusted EBITDA excluding securitization gain	$ (64,523)	$ (86,279)	$ (185,614)	$ (316,380)

Other Key Factors and Trends Affecting our Operating Results

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

Ability to convert visitors to our platform into customers

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. Our ability to drive higher customer conversion depends on our ability to make our platform a compelling choice for consumers based on our functionalities and consumer offerings.

Data science and testing 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 science to provide an automated pricing platform that delivers real time, market-driven appraisals, and continually test and optimize in order to further refine our approach to enhance the customer experience and drive increased vehicle purchases.

Increased conversion also depends on our ability to provide the necessary customer support and sales support. Our ongoing investment in our customer experience operations includes investments in processes, technology, and data science. We are continuing to invest in our processes, in order to remove friction and increase transaction flow, and in technology and data science to automate and improve our customer experience, reduce costs per transaction and to drive conversion.

As part of our long-term roadmap, we have been scaling our in-house sales team, have ceased using all third-party sales providers and have meaningfully increased the level of sales supported internally, which we believe will improve our customer experience, and lower our selling costs. Our sales operation is now fully in-house, however, the transition away from third-party sales providers negatively impacted our sales volume through the first half of 2023. Nevertheless, we do not expect this transition to have a long-term impact on our sales volume, or financial condition and results of operations as we continue to reduce costs and optimize our internal sales force. The ability to successfully grow an effective internal sales team will be critical to our ability to achieve profitable growth.

In order to address the operational challenges created by our prior rapid growth from 2020 through the first quarter of 2022, including delays in titling and registering vehicles purchased by our customers, we have undertaken various initiatives to improve our transaction processing, enhance our customer experience, and reduce our regulatory risk. These initiatives include increased digitization and electronic transmission of transaction documents and implementation of our digital title vault to ensure that titles are quality checked and vaulted in Vroom's name prior to listing of vehicles on our website. As we improve the customer experience and drive efficiency in transaction processing, we expect that we will attract more visitors, improve conversion, drive greater sales and continue to source vehicles from consumers. If we cannot manage our growth effectively to maintain the quality and efficiency of our customers' experience, our business, financial condition and results of operations could be materially and adversely affected. See "Risks Related to Our Growth and Strategy—Our prior rapid growth is not indicative of our short-term strategy under our long-term roadmap and, if and when we return to rapid growth, we may not be able to manage our growth effectively" in our Annual Report.

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

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

We strategically source inventory from consumers, auctions, rental car companies, OEMs and dealers. For the three and nine months ended September 30, 2023, vehicles sourced from consumers represent the substantial majority of our retail inventory sold, although we expect the percentage of vehicles sourced from consumers to decline in the fourth quarter as we evaluate the optimal mix of sourcing channels and strive to source vehicles in a way to maximize our average gross profit per unit and improve unit economics. Because the quality of vehicles and associated contribution margin (gross margin less variable costs) profile vary across each channel, the mix of inventory sources has an impact on our profitability. 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. However, sourcing from consumers requires increased marketing, transportation, and reconditioning expenses. We continually evaluate the optimal mix of sourcing channels and strive to source vehicles in a way that generates the highest sales margins, lowest variable costs, and shortest inventory turns in order to maximize our average gross profit per unit and improve our unit economics.

As we made progress on our initiatives to address the operational challenges created by our prior rapid growth from 2020 through the first quarter of 2022, a higher portion of our unit sales in the first half of 2023 was from aged inventory as we obtained titles for vehicles not previously listed for sale, which negatively impacted our GPPU. As of September 30, 2023, we sold through the substantial majority of our aged inventory and expect our sales margin and GPPU to be negatively impacted by our aged inventory mix to a lesser extent in the fourth quarter of 2023.

In the latter half of 2022, we began inspecting consumer sourced vehicles at pickup and making real time adjustments to acquisition pricing as a result of our scaling proprietary logistics operation, which we expect will provide improvements to our overall gross profit per unit over time.

Ability to optimize our reconditioning operations

Before a vehicle is listed for retail sale on our platform, it undergoes a thorough reconditioning process in order to meet our Vroom retail sales criteria. The efficiency of this reconditioning process is a key element in our ability to grow profitably. Our ability to recondition purchased vehicles to our quality standards is a critical component of our business. Historically, we have successfully increased our reconditioning capacity as our business has grown, and our future success will depend on our ability to continue to optimize our reconditioning capacity to satisfy customer demand, maximize profitability, and enhance the customer experience.

We employ a hybrid approach that combines the use of our proprietary vehicle reconditioning center ("VRC") and VRCs primarily operated by a single third-party provider to best meet our reconditioning needs. We intend to optimize reconditioning capacity and operational efficiency through distributed third-party VRC locations and additional proprietary VRCs. Our use of third-party VRCs to recondition vehicles allows us to avoid additional capital expenditures, quickly adjust capacity, maintain greater operational flexibility and broaden our geographic footprint to drive lower logistics costs. Proprietary VRCs will enable us to have increased control over our reconditioning operations, ensure adequate capacity, optimize our end-to-end supply chain and support our regional operating model. We have integrated regional management of our distributed reconditioning and logistics operations as part of our ongoing efforts to optimize our operations and enhance our customer experience.

Our existing facilities in the Atlanta area provide us with the space and opportunity to develop a second proprietary VRC in the future, depending on our future reconditioning needs. Going forward, we will continue to seek to optimize the combination of strategic and geographically dispersed proprietary and third-party VRCs. We will continue to leverage our data science and deep industry experience to strategically select VRC locations where we believe there is the highest supply and demand for our vehicles and enable us to leverage a regional operating model.

Ability to optimize our logistics network

As we scaled our business, we not only added proprietary line-haul capability, but also built our third-party logistics network nationwide through the development of strategic carrier arrangements with national haulers and the consolidation of our carrier base into a smaller number of carriers in dedicated operating regions. We expect that these enhanced logistics operations, combined with the expansion of strategically located VRCs, will drive efficiency in our logistics operations. We have been accelerating our strategy to optimize our hybrid approach by focusing on improving the quality and reliability of our logistics operations. We previously prioritized investment in our last mile hub delivery operations, where we had the greatest impact on the customer experience, including by 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 and to shorten delivery routes for third-party carriers. We are continuing to expand the range of our proprietary logistics network to increase the percentage of vehicles picked up from and delivered to customers by our Vroom fleet. By leveraging our proprietary logistics network for inbound transportation related to acquisitions, we are able to increase driveway inspections for consumer sourced vehicles, which in turn improves the quality and pricing of acquisitions. We are also continuing to invest in our processes and technology to remove inefficiencies and increase automation. Consistent with our long-term roadmap and the continued development of our regional operating model, we intend to continue to strategically combine the operation of our proprietary fleet with the use of third-party carriers, as well as synchronize our end-to-end supply chain to increase sales velocity and optimize flow of our inventory. We plan to reduce the number of miles our vehicles travel and lower our inbound and outbound transportation costs using our regional operating model. We believe these initiatives will enable us to reduce logistics costs per mile, improve our inventory turnover and provide the highest level of customer service. We expect that optimizing our logistics network through this hybrid approach will result in improved unit economics, increased profitability and an enhanced customer experience.

Ability to leverage a regional operating model

As we scaled our business, we 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 drive growth, 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 are currently evaluating initiatives to be rolled out in select markets in order to leverage our regional operating model. 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 develop and manage our financing capabilities

Revenue 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 and Ally Financial 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, the acquisition of UACC in February 2022 has enabled us to expand our offerings across the credit spectrum and accelerate the development of our captive financing operation, which is one of the key strategic initiatives under our long-term roadmap. 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 and improve our unit economics.

While credit losses are inherent in the automotive finance receivables business, several variables have affected UACC’s recent loss and delinquency rates, including rising interest rates, the current inflationary environment and vehicle depreciation. UACC is currently experiencing higher loss severity and higher losses on its finance receivables, which has negatively impacted the fair value of our finance receivables and the losses recognized for the three and nine months ended September 30, 2023. Higher than anticipated credit losses may continue to negatively impact our business throughout the remainder of 2023, especially because UACC primarily operates in the sub-prime sector of the market which is expected to have more volatility. Certain advance rates available to UACC on borrowings from the Warehouse Credit Facilities have decreased as a result of the increasing credit losses in UACC's portfolio and overall rising interest rates. Any future decreases on available advance rates may have an adverse impact on our liquidity.

Ability to securitize UACC's loan portfolio

The success of UACC's business is highly dependent on the ability to securitize and sell the automotive finance receivables that it underwrites. As a result of increasing interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher loss severity in a soft securitization market. As a result, UACC may not be able to securitize its loan portfolio on favorable terms, or may not be able to sell the subordinate notes or residual certificates issued in its securitizations at a favorable price or at all.

We intend to structure UACC's securitization transactions to achieve off-balance sheet accounting treatment and recognize a gain on sale of the securitized finance receivables. However, if UACC fails to sell the subordinate notes or the residual interests, it will preclude us from recognizing the sale and result in the securitization trust being consolidated and therefore remaining on balance sheet. In January 2023, UACC completed the 2023-1 securitization transaction, selling the investment grade rated asset-backed securities, and in April 2023, UACC sold the non-investment grade rated securities. As a result of current market conditions, which led to unfavorable pricing, UACC retained the residual interests and we accounted for the 2023-1 securitization transaction as secured borrowings. The related finance receivables and securitization debt remain on balance sheet. In the future, we may account for UACC securitizations as on balance sheet transactions depending on the market conditions.

In addition, due to the increased loss severity, UACC elected to waive monthly servicing fees related to the 2022-2 securitization transaction in the first quarter of 2023. The waiver of monthly servicing fees related to the 2022-2 securitization transaction resulted in consolidation of the related finance receivables and securitization debt on our financial statements. Waiver of monthly servicing fees also resulted in reduced servicing income.

Ability to increase and better monetize value-added products

We generate revenue by earning fees for selling value-added products to customers in connection with vehicle sales. Currently, our other third-party value-added product offerings consist of protection products, such as vehicle service contracts, GAP protection and tire and wheel coverage. 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. 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.

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 typically 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. However, the past few years have not followed typical depreciation trends and there remains continued uncertainty surrounding market trends. 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” in our Annual Report.

Macroeconomic Factors

Both the United States and global economies are experiencing a sustained inflationary environment and the Federal Reserve’s efforts to tame inflation have led to, and may continue to lead to, increased interest rates, which affects automotive finance rates, reducing discretionary spending and making vehicle financing more costly and less accessible to many consumers. On March 10 and March 12, 2023, the Federal Deposit Insurance Corporation ("FDIC") took control and was appointed receiver of Silicon Valley Bank and Signature Bank, respectively. Other regional banks also closed or faced risk of closure, which created additional economic uncertainty. Starting on September 15, 2023, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") initiated a strike against three of America's major automakers. As of October 30, 2023, the three automakers made tentative deals with the UAW, which ended the strike, but has led to economic uncertainty within the automotive industry and may lead to potential shortages of vehicle parts. Moreover, geopolitical conflicts and war, including those in Europe and the Middle East, have increased global economic and political uncertainty, which has caused dramatic fluctuations in global financial markets. A significant escalation or expansion of economic disruption could continue to impact consumer spending, disrupt our supply chain, broaden inflationary costs, and could have a material adverse effect on our results of operations. We will continue to actively monitor and develop responses to these disruptions, but depending on duration and severity, these trends could continue to negatively impact our business throughout the remainder of 2023 and into 2024.

Components of Results of Operations

Revenue

Retail vehicle revenue

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

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

ASP depends primarily on our acquisition and pricing strategies (which in turn depend in part on demand predicted by our data analytics), 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. We expect ASP to continue to fluctuate as a result of market conditions and based upon demand predicted by our data analytics.

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

As a result of the UACC Acquisition, we generate ecommerce product revenue from receivables generated by financing provided to Vroom customers through our captive financing operation. We earn interest income on such finance receivables before the loans are sold, interest income on finance receivables held in consolidated VIEs, and, when applicable, gain on the sales of these securitized finance receivables. We account for sales of these finance receivables in accordance with ASC Topic 860, *Transfers and Servicing of Financial Assets ("ASC 860")*. In order for transfers of the finance receivables to qualify as sales, the finance receivables being transferred must be legally isolated, may not be constrained by restrictions from further transfer, and must be deemed to be beyond our control. Although our long-term plan is to structure future securitization transactions to qualify for sale accounting, similar to the 2022-1 securitization transaction, for which the gain on sale was recorded in “Finance revenue”, as discussed below, current market conditions may impact our ability to achieve sales accounting treatment.

In January 2023, UACC completed the 2023-1 securitization transaction, retaining the residual interests, and we accounted for this transaction as secured borrowings. During the first quarter of 2023, we also consolidated the 2022-2 securitization transaction and accounted for it as secured borrowings. Refer to "Finance revenue" below for further details.

The revenue we are able to generate from these sales will be dependent on the current market conditions, the number of finance receivables UACC originates with our customers, the average principal balance of the finance receivables, the credit quality of the portfolio, and the price at which they are sold in securitization transactions or through forward flow arrangements.

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

Finance revenue

Our finance revenue is related to finance receivables originated by UACC for its network of third-party dealership customers and consists of interest income earned on finance receivables before the loans are sold, interest income earned on finance receivables held in consolidated VIEs, and, when applicable, gains on the sale of securitized finance receivables.

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

For any securitization transactions that are accounted for as secured borrowings, we recognize interest income, which includes finance charges and servicing fees in accordance with the terms of the related customer agreements.

In February 2022, UACC completed the 2022-1 securitization transaction, which qualified as sales, therefore we recorded a gain on the sale of the finance receivables. The amount of the gain is equal to the fair value of the net proceeds received less the carrying amount of the finance receivables. Although our long-term plan is to structure future securitization transactions similar to the 2022-1 securitization transaction and account for them as sales, market conditions may impact our ability to achieve sales accounting treatment. In January 2023, UACC completed the 2023-1 securitization transaction, selling the investment grade rated asset-backed securities, and in April 2023, UACC sold the non-investment grade rated securities. As a result of current market conditions, which led to unfavorable pricing, UACC retained the residual interests and we accounted for the 2023-1 securitization transaction as secured borrowings. The related finance receivables and securitization debt remain on balance sheet. We may account for future securitizations as on balance sheet transactions depending on the market conditions.

Servicing income represents the annual fees earned on the outstanding principal balance of the finance receivables serviced. Fees are earned monthly at an annual rate of approximately 4% for the 2022-1 securitization transaction and 3.25% for the 2022-2 and 2023-1 securitization transactions of the outstanding principal balance of the finance receivables serviced.

As a result of increasing interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher loss severity in a soft securitization market. The increased loss severity could lead to reduced servicing income if UACC elects to waive monthly servicing fees going forward as it did in the first quarter of 2023. The waiver of servicing fees related to the 2022-2 securitization transaction resulted in consolidation of the related finance receivables and securitization debt on our financial statements.

See “Note 3—Revenue Recognition” and "Note 4 – Variable Interest Entities and Securitizations" to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Cost of sales

Retail cost of sales

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

Wholesale cost of sales

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

Product cost of sales

Product cost of sales consists of interest expense incurred on securitization debt related to finance receivables originated by UACC for Vroom customers.

Finance cost of sales

Finance cost of sales consists of interest expense incurred on securitization debt originated by UACC for its network of third-party dealership customers and collection expenses related to servicing finance receivables.

Total gross profit

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

Selling, general and administrative expenses

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

Depreciation and amortization

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

Impairment Charges

Impairment charges represent an impairment charge to write down the carrying amount of goodwill to fair value and lease impairment charges related to closing physical office locations and Sell Us Your Car® centers.

Gain on debt extinguishment

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

Interest expense

Our interest expense primarily includes (i) interest expense related to our vehicle floorplan facility with Ally Bank and Ally Financial (the "2022 Vehicle Floorplan Facility"), as discussed below, which is used to finance our inventory, (ii) interest expense on our Notes, and (iii) interest expense on UACC's Warehouse Credit Facilities, which is used to fund our finance receivables.

Interest Income

Interest income primarily represents interest credits earned on cash deposits maintained in relation to our 2022 Vehicle Floorplan Facility as well as interest earned on cash and cash equivalents.

Other Loss, net

Other loss, net primarily represents realized and unrealized losses on finance receivables, securitization debt and beneficial interests in securitizations as well as recoveries from losses previously recognized on finance receivables.

Results of Operations

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
	(in thousands)			(in thousands)		
Revenue:						
Retail vehicle, net	$ 147,710	$ 234,353	(37.0)%	$ 419,548	$ 1,283,263	(67.3)%
Wholesale vehicle	30,898	47,604	(35.1)%	75,593	270,489	(72.1)%
Product, net	13,075	13,181	(0.8)%	36,499	51,954	(29.7)%
Finance	40,823	40,654	0.4%	114,939	120,005	(4.2)%
Other	3,128	5,005	(37.5)%	10,700	13,841	(22.7)%
Total revenue	235,634	340,797	(30.9)%	657,279	1,739,552	(62.2)%
Cost of sales:						
Retail vehicle	144,654	218,726	(33.9)%	414,917	1,234,138	(66.4)%
Wholesale vehicle	32,393	49,178	(34.1)%	81,019	276,749	(70.7)%
Product	917	—	100.0%	2,518	—	100.0%
Finance	8,481	4,699	80.5%	22,755	10,368	119.5%
Other	1,095	863	26.9%	3,170	2,969	6.8%
Total cost of sales	187,540	273,466	(31.4)%	524,379	1,524,224	(65.6)%
Total gross profit	48,094	67,331	(28.6)%	132,900	215,328	(38.3)%
Selling, general and administrative expenses	79,586	134,643	(40.9)%	263,078	475,627	(44.7)%
Depreciation and amortization	11,010	9,833	12.0%	31,845	27,728	14.8%
Impairment charges	—	1,017	(100.0)%	1,353	206,127	(99.3)%
Loss from operations	(42,502)	(78,162)	45.6%	(163,376)	(494,154)	66.9%
Gain on debt extinguishment	—	(37,917)	100.0%	(19,640)	(37,917)	48.2%
Interest expense	12,058	9,704	24.3%	30,915	28,617	8.0%
Interest income	(5,506)	(5,104)	7.9%	(16,369)	(12,991)	26.0%
Other loss, net	33,543	5,383	523.1%	65,019	26,897	141.7%
Loss before provision (benefit) for income taxes	(82,597)	(50,228)	64.4%	(223,301)	(498,760)	55.2%
Provision (benefit) for income taxes	260	899	(71.1)%	918	(22,085)	104.2%
Net loss	$ (82,857)	$ (51,127)	62.1%	$ (224,219)	$ (476,675)	53.0%

Segments

We manage and report operating results through three reportable segments:

- **Ecommerce** (63.6% and 64.5% of total revenue for the three and nine months ended September 30, 2023): The Ecommerce segment represents retail sales of used vehicles through our ecommerce platform, revenue earned on vehicle financing originated by UACC or our third-party financing sources and sales of value-added products associated with those vehicles sales.

- **Wholesale** (13.1% and 11.5% of total revenue for the three and nine months ended September 30, 2023): The Wholesale segment represents sales of used vehicles through wholesale channels.

- **Retail Financing** (17.3% and 17.5% of total revenue for the three and nine months ended September 30, 2023): The Retail Financing segment represents UACC's operations with its network of third-party dealership customers.

Three Months Ended September 30, 2023 and 2022

Ecommerce

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change	% Change
	(in thousands, except unit data and average days to sale)			
Ecommerce units sold	4,561	6,428	(1,867)	(29.0)%
Ecommerce revenue:				
Vehicle revenue	$ 136,949	$ 212,980	$ (76,031)	(35.7)%
Product revenue	12,902	12,461	441	3.5%
Total ecommerce revenue	$ 149,851	$ 225,441	$ (75,590)	(33.5)%
Ecommerce gross profit:				
Vehicle gross profit	$ 2,354	$ 14,573	$ (12,219)	(83.8)%
Product gross profit	11,985	12,461	(476)	(3.8)%
Total ecommerce gross profit	$ 14,339	$ 27,034	$ (12,695)	(47.0)%
Average vehicle selling price per ecommerce unit	$ 30,026	$ 33,133	$ (3,107)	(9.4)%
Product revenue per ecommerce unit	2,829	1,939	890	45.9%
Gross profit per ecommerce unit:				
Vehicle gross profit per ecommerce unit	$ 516	$ 2,267	$ (1,751)	(77.2)%
Product gross profit per ecommerce unit	2,628	1,939	689	35.5%
Total gross profit per ecommerce unit	$ 3,144	$ 4,206	$ (1,062)	(25.2)%
Ecommerce average days to sale	202	186	16	8.6%

Ecommerce units

Ecommerce units sold decreased 1,867, or 29.0%, from 6,428 for the three months ended September 30, 2022 to 4,561 for the three months ended September 30, 2023. This decrease was driven by our strategic decision to prioritize unit economics over unit sales volume as well as macroeconomic factors. As we continue to improve our processes, we began to resume growth in the second quarter of 2023. Going forward, we expect to continue to grow ecommerce units sequentially.

Ecommerce average days to sale increased from 186 days for the three months ended September 30, 2022 to 202 days for the three months ended September 30, 2023. We have undertaken various initiatives to address the operational challenges created by our prior rapid growth from 2020 through the first quarter of 2022, in particular with titling and registration processes. While these initiatives are designed to improve our transaction processing, enhance our customer experience, and reduce our regulatory risk, they resulted in delays in listing vehicles for sale and caused a higher portion of our unit sales in the third quarter of 2023 to be from aged inventory as compared to the third quarter of 2022, which increased the number of days between our acquisition of vehicles and the final delivery of such vehicles to customers. As of September 30, 2023, we have sold through the substantial majority of our aged inventory, therefore we expect ecommerce average days to sale to continue to decrease sequentially in the fourth quarter of 2023 and into 2024.

Vehicle Revenue

Ecommerce vehicle revenue decreased $76.1 million, or 35.7%, from $213.0 million for the three months ended September 30, 2022 to $136.9 million for the three months ended September 30, 2023. The decrease in ecommerce vehicle revenue was primarily attributable to the 1,867 decrease in ecommerce units sold, which decreased vehicle revenue by $61.9 million, and a decrease in ASP per unit, which decreased from $33,133 for the three months ended September 30, 2022 to $30,026 for the three months ended September 30, 2023 and decreased vehicle revenue by $14.2 million.

The decrease in ASP per unit was due to the mix of vehicles sold during the third quarter of 2023, primarily as a result of a higher portion of our unit sales being from aged inventory compared to the third quarter of 2022, as well as market depreciation. We expect ASP to continue to fluctuate as a result of market conditions and adjustments to our inventory based upon demand predicted by our data analytics.

Product Revenue

Ecommerce product revenue increased $0.4 million, or 3.5%, from $12.5 million for the three months ended September 30, 2022 to $12.9 million for the three months ended September 30, 2023. The increase in ecommerce product revenue was primarily attributable to an increase in product revenue per unit, which increased from $1,939 for the three months ended September 30, 2022 to $2,829 for the three months ended September 30, 2023 and increased product revenue by $4.0 million, partially offset by the 1,867 decrease in ecommerce units sold, which decreased product revenue by $3.6 million. The increase in product revenue per unit is primarily due to an increase in interest income earned on finance receivables from Vroom customers originated or serviced by UACC as compared to the third quarter of 2022.

Vehicle Gross Profit

Ecommerce vehicle gross profit decreased $12.2 million, or 83.8%, from $14.6 million for the three months ended September 30, 2022 to $2.4 million for the three months ended September 30, 2023. The decrease in vehicle gross profit was primarily attributable to the $1,751 decrease in vehicle gross profit per unit from $2,267 for the three months ended September 30, 2022 to $516 for three months ended September 30, 2023, which decreased vehicle gross profit by $8.0 million, as well as the 1,867 decrease in ecommerce units sold, which decreased vehicle gross profit by $4.2 million. The decrease in vehicle gross profit per unit was primarily driven by lower sales margin on aged inventory, and lower shipping fees as a result of free shipping options for customers.

As we made progress on our initiatives to address the operational challenges created by our prior rapid growth from 2020 through the first quarter of 2022, our unit sales in the third quarter of 2023 continued to be affected by sales of aged inventory, which negatively impacted our sales margin and GPPU. As of September 30, 2023, we sold through the substantial majority of our aged inventory and expect our sales margin and GPPU to be negatively impacted by our aged inventory mix to a lesser extent in the fourth quarter of 2023.

Product Gross Profit

Ecommerce product gross profit decreased $0.5 million, or 3.8%, from $12.5 million for the three months ended September 30, 2022 to $12.0 million for the three months ended September 30, 2023. The decrease in ecommerce product gross profit was primarily attributable to the 1,867 decrease in ecommerce units sold, which decreased product gross profit by $3.6 million, partially offset by a $689 increase in product gross profit per unit, which increased product gross profit by $3.1 million. Product gross profit per unit increased from $1,939 for the three months ended September 30, 2022 to $2,628 for the three months ended September 30, 2023, primarily due to an increase in interest income earned, partially offset by interest expense on securitization debt related to finance receivables from Vroom customers originated or serviced by UACC as compared to the third quarter of 2022.

Wholesale

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change	% Change
	(in thousands, except unit data)			
Wholesale units sold	2,270	3,128	(858)	(27.4)%
Wholesale revenue	$ 30,898	$ 47,604	$ (16,706)	(35.1)%
Wholesale gross loss	$ (1,495)	$ (1,574)	$ 79	5.0%
Average selling price per unit	$ 13,611	$ 15,219	$ (1,608)	(10.6)%
Wholesale gross loss per unit	$ (659)	$ (503)	$ (156)	31.0%

Wholesale Units

Wholesale units sold decreased 858, or 27.4%, from 3,128 for the three months ended September 30, 2022 to 2,270 for the three months ended September 30, 2023, primarily driven by a decrease in wholesale units purchased from consumers and a lower number of trade-in vehicles associated with the decrease in the number of ecommerce units sold.

Wholesale Revenue

Wholesale revenue decreased $16.7 million, or 35.1%, from $47.6 million for the three months ended September 30, 2022 to $30.9 million for the three months ended September 30, 2023. The decrease was primarily attributable to the 858 decrease in wholesale units sold, which decreased wholesale revenue by $13.1 million, as well as a lower ASP per wholesale unit, which decreased wholesale revenue by $3.6 million.

Wholesale Gross Loss

Wholesale gross loss remained relatively flat at $1.6 million for the three months ended September 30, 2022 as compared to $1.5 million for the three months ended September 30, 2023.

Retail Financing

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

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change	% Change
	(in thousands)			
Retail Financing revenue	$ 40,823	$ 40,654	$ 169	0.4%
Retail Financing gross profit	$ 32,341	$ 35,954	$ (3,613)	(10.0)%

Retail Financing Revenue

Retail Financing revenue remained relatively flat at $40.7 million for the three months ended September 30, 2022 as compared to $40.8 million for the three months ended September 30, 2023.

Retail Financing Gross Profit

Retail Financing gross profit decreased $3.7 million, or 10.0%, from $36.0 million for the three months ended September 30, 2022 to $32.3 million for the three months ended September 30, 2023. The decrease was primarily driven by the gain on sale recognized in the third quarter of 2022 and an increase in interest expense on securitization debt, partially offset by an increase in interest income earned on finance receivables with third-party dealership customers as a result of the consolidation of the 2022-2 and 2023-1 securitization transactions.

Selling, general and administrative expenses

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Change	% Change
	(in thousands)			
Compensation & benefits	$ 37,695	$ 55,694	$ (17,999)	(32.3)%
Marketing expense	13,429	14,945	(1,516)	(10.1)%
Outbound logistics [(1)]	2,209	4,945	(2,736)	(55.3)%
Occupancy and related costs	4,575	6,041	(1,466)	(24.3)%
Professional fees	5,277	6,459	(1,182)	(18.3)%
Software and IT costs	9,227	11,277	(2,050)	(18.2)%
Other	7,174	35,282	(28,108)	(79.7)%
Total selling, general & administrative expenses	$ 79,586	$ 134,643	$ (55,057)	(40.9)%

(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 associated with vehicle deliveries. Inbound transportation costs, from the point of acquisition to the relevant reconditioning facility, are included in cost of sales.

SG&A expenses decreased $55.0 million, or 40.9%, from $134.6 million for the three months ended September 30, 2022 to $79.6 million for the three months ended September 30, 2023. The total decrease was primarily caused by:

- a $18.0 million decrease in compensation and benefits primarily as a result of workforce reductions;
- a $2.7 million decrease in outbound logistics costs attributable to the decrease in ecommerce units sold as well as a decrease in outbound logistics cost per ecommerce unit;
- a $2.1 million decrease in software and IT costs primarily related to volume-based fees as a result of reduced headcount and more efficient targeted software use;
- a $1.5 million decrease in marketing expense contemplated by our long-term roadmap;
- a $1.5 million decrease in occupancy expense primarily as a result of physical office location closures from the fourth quarter of 2022 through the second quarter of 2023; and
- a $28.1 million decrease in other SG&A expenses primarily due to a decrease in our non-recurring costs, including legal settlements and rental car expenses, as we worked to address our operational challenges created by our rapid growth from 2020 through the first quarter of 2022 as well as reduced fixed and variable costs contemplated by our long-term roadmap.

We expect SG&A expenses to decrease in the future driven by further reductions in both fixed and variable cost components as we continue to optimize our operations. We may not be able to fully realize further cost savings and benefits initially anticipated from the long-term roadmap, and the future costs may be greater than expected.

Depreciation and amortization

Depreciation and amortization expenses increased from $9.8 million for the three months ended September 30, 2022 to $11.0 million for the three months ended September 30, 2023 as a result of amortization related to our capitalized internal use software costs incurred in the development of our platform and website applications.

Impairment Charges

Impairment charges represent lease impairment charges of $1.0 million for the three months ended September 30, 2022, related to closing a physical office location in Houston, Texas.

Gain on debt extinguishment

Gain on debt extinguishment represents a gain of $37.9 million for the three months ended September 30, 2022, related to the repurchase of $56.4 million in aggregate principal balance of the Notes, net of deferred issuance costs, for $18.5 million.

Interest expense

Interest expense increased $2.4 million, or 24.3%, from $9.7 million for the three months ended September 30, 2023, to $12.1 million for the three months ended September 30, 2023. The increase was primarily attributable to an increase in interest expense incurred on UACC's Warehouse Credit Facilities, which increased interest expense by $4.7 million. The increase was partially offset by a decrease of $1.5 million in interest expense related to a lower outstanding balance on the 2022 Vehicle Floorplan Facility, as well as a decrease in interest expense on the Notes of $0.9 million due to the repurchase of a portion of the Notes during the second half of 2022 and first half of 2023.

Interest income

Interest income remained relatively flat at $5.1 million for the three months ended September 30, 2022 as compared to $5.5 million for the three months ended September 30, 2023.

Other loss, net

Other loss, net increased $28.1 million, or 523.1%, from $5.4 million for the three months ended September 30, 2022 to $33.5 million for the three months ended September 30, 2023. The increase in other loss was primarily driven by an increase in realized and unrealized losses on finance receivables as a result of a larger loan portfolio as well higher loss rates on our overall portfolio as of September 30, 2023 as compared to September 30, 2022.

Nine Months Ended September 30, 2023 and 2022

Ecommerce

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

	Nine Months Ended September 30,			
	2023	2022	Change	% Change
	(in thousands, except unit data and average days to sale)			
Ecommerce units sold	12,621	35,134	(22,513)	(64.1)%
Ecommerce revenue:				
Vehicle revenue	$ 387,585	$ 1,173,727	$ (786,142)	(67.0)%
Product revenue	36,128	48,709	(12,581)	(25.8)%
Total ecommerce revenue	$ 423,713	$ 1,222,436	$ (798,723)	(65.3)%
Ecommerce gross profit:				
Vehicle gross profit	$ 2,956	$ 46,153	$ (43,197)	(93.6)%
Product gross profit	33,610	48,709	(15,099)	(31.0)%
Total ecommerce gross profit	$ 36,566	$ 94,862	$ (58,296)	(61.5)%
Average vehicle selling price per ecommerce unit	$ 30,710	$ 33,407	$ (2,697)	(8.1)%
Product revenue per ecommerce unit	2,863	1,386	1,477	106.6%
Gross profit per ecommerce unit:				
Vehicle gross profit per ecommerce unit	$ 234	$ 1,314	$ (1,080)	(82.2)%
Product gross profit per ecommerce unit	2,663	1,386	1,277	92.1%
Total gross profit per ecommerce unit	$ 2,897	$ 2,700	$ 197	7.3%
Ecommerce average days to sale	266	118	148	125.4%

Ecommerce units

Ecommerce units sold decreased 22,513, or 64.1%, from 35,134 for the nine months ended September 30, 2022 to 12,621 for the nine months ended September 30, 2023. This decrease was driven by our strategic decision to prioritize unit economics over unit sales volume starting in the middle of the second quarter of 2022, pressure on servicing our demand as a result of reducing third-party sales support staff and scaling our internal sales team, as well as macroeconomic factors.

Ecommerce average days to sale increased from 118 days for the nine months ended September 30, 2022 to 266 days for the nine months ended September 30, 2023. We have undertaken various initiatives to address the operational challenges created by our prior rapid growth from 2020 through the first quarter of 2022, in particular with titling and registration processes. While these initiatives are designed to improve our transaction processing, enhance our customer experience, and reduce our regulatory risk, they resulted in delays in listing vehicles for sale and caused a higher portion of our unit sales throughout 2023 to be from aged inventory which increased the number of days between our acquisition of vehicles and the final delivery of such vehicles to customers. As of September 30, 2023, we have sold through the substantial majority of our aged inventory, therefore we expect ecommerce average days to sale to continue to decrease in the fourth quarter of 2023 and into 2024.

Vehicle Revenue

Ecommerce vehicle revenue decreased $786.1 million, or 67.0%, from $1,173.7 million for the nine months ended September 30, 2022 to $387.6 million for the nine months ended September 30, 2023. The decrease in ecommerce vehicle revenue was primarily attributable to the 22,513 decrease in ecommerce units sold, which decreased vehicle revenue by $752.1 million, and a decrease in ASP per unit, which decreased from $33,407 for the nine months ended September 30, 2022 to $30,710 for the nine months ended September 30, 2023 and decreased vehicle revenue by $34.0 million.

The decrease in ASP per unit was primarily due to significant market appreciation in the first half of 2022. We expect ASP to continue to fluctuate as a result of market conditions and adjustments to our inventory based upon demand predicted by our data analytics.

Product Revenue

Ecommerce product revenue decreased $12.6 million, or 25.8%, from $48.7 million for the nine months ended September 30, 2022 to $36.1 million for the nine months ended September 30, 2023. The decrease in ecommerce product revenue was primarily attributable to the 22,513 decrease in ecommerce units sold, which decreased product revenue by $31.2 million, partially offset by an increase in product revenue per unit, which increased from $1,386 for the nine months ended September 30, 2022 to $2,863 for the nine months ended September 30, 2023 and increased product revenue by $18.6 million. The increase in product revenue per unit is primarily due to an increase in interest income earned on finance receivables from Vroom customers originated or serviced by UACC as compared to the nine months ended September 30, 2022.

Vehicle Gross Profit

Ecommerce vehicle gross profit decreased $43.2 million, or 93.6%, from $46.2 million for the nine months ended September 30, 2022 to $3.0 million for the nine months ended September 30, 2023. The decrease in vehicle gross profit was primarily attributable to the 22,513 decrease in ecommerce units sold, which decreased vehicle gross profit by $29.6 million. Additionally, vehicle gross profit per unit decreased $1,080 from $1,314 for the nine months ended September 30, 2022 to $234 for nine months ended September 30, 2023, which decreased vehicle gross profit by $13.6 million. The decrease was primarily driven by lower sales margin on aged inventory and higher reconditioning costs per unit related to an increased mix of higher mileage and aged vehicles along with significant parts inflation. The decreases were partially offset by a lower inventory reserve as a result of a decrease in inventory levels as we continued to sell through our aged inventory.

As we made progress on our initiatives to address the operational challenges created by our prior rapid growth from 2020 through the first quarter of 2022, a higher portion of our unit sales through the third quarter of 2023 was from aged inventory, which negatively impacted our sales margin and GPPU. As of September 30, 2023, we sold through the substantial majority of our aged inventory and expect our sales margin and GPPU to be negatively impacted by our aged inventory mix to a lesser extent in the fourth quarter of 2023.

Product Gross Profit

Ecommerce product gross profit decreased $15.1 million, or 31.0%, from $48.7 million for the nine months ended September 30, 2022 to $33.6 million for the nine months ended September 30, 2023. The decrease in ecommerce product gross profit was primarily attributable to the 22,513 decrease in ecommerce units sold, which decreased product gross profit by $31.2 million, partially offset by a $1,277 increase in product gross profit per unit, which increased product gross profit by $16.1 million. Product gross profit per unit increased from $1,386 for the nine months ended September 30, 2022 to $2,663 for the nine months ended September 30, 2023, primarily due to an increase in interest income earned, partially offset by interest expense on securitization debt related to finance receivables from Vroom customers originated or serviced by UACC.

Wholesale

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

	Nine Months Ended September 30,			
	2023	2022	Change	% Change
	(in thousands, except unit data)			
Wholesale units sold	5,273	19,108	(13,835)	(72.4)%
Wholesale revenue	$ 75,593	$ 270,489	$ (194,896)	(72.1)%
Wholesale gross loss	$ (5,426)	$ (6,260)	$ 834	13.3%
Average selling price per unit	$ 14,336	$ 14,156	$ 180	1.3%
Wholesale gross loss per unit	$ (1,029)	$ (328)	$ (701)	213.7%

Wholesale Units

Wholesale units sold decreased 13,835, or 72.4%, from 19,108 for the nine months ended September 30, 2022 to 5,273 for the nine months ended September 30, 2023, primarily driven by a decrease in wholesale units purchased from consumers and a lower number of trade-in vehicles associated with the decrease in the number of ecommerce units sold.

Wholesale Revenue

Wholesale revenue decreased $194.9 million, or 72.1%, from $270.5 million for the nine months ended September 30, 2022 to $75.6 million for the nine months ended September 30, 2023. The decrease was primarily attributable to the 13,835 decrease in wholesale units sold, which decreased wholesale revenue by $195.8 million, partially offset by a higher ASP per wholesale unit, which increased wholesale revenue by $0.9 million.

Wholesale Gross Loss

Wholesale gross loss decreased $0.9 million, or 13.3%, from $6.3 million for the nine months ended September 30, 2022 to $5.4 million for the nine months ended September 30, 2023. The change was primarily attributable to the 13,835 decrease in wholesale units sold, which decreased wholesale gross loss by $4.5 million, partially offset by a $701 increase in wholesale gross loss per unit from $328 for the nine months ended September 30, 2022 to $1,029 for the nine months ended September 30, 2023, which increased wholesale gross loss by $3.6 million.

The increase in wholesale gross loss per unit was primarily driven by lower sales margins and was partially offset by a lower inventory reserve as a result of a decrease in inventory levels. During the nine months ended September 30, 2023, certain of our vehicles located in our Orlando, Florida and Denver, Colorado locations were damaged by hail storms, which resulted in an aggregate loss of $2.4 million, net of insurance recoveries. As of September 30, 2023, the majority of hail damaged vehicles have been sold through the wholesale market.

Retail Financing

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

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change	% Change
	(in thousands)			
Retail Financing revenue	$ 114,939	$ 120,005	$ (5,066)	(4.2)%
Retail Financing gross profit	$ 92,184	$ 109,637	$ (17,453)	(15.9)%

Retail Financing Revenue

Retail Financing revenue decreased $5.1 million, or 4.2%, from $120.0 million for the nine months ended September 30, 2022 to $114.9 million for the nine months ended September 30, 2023. The decrease was primarily driven by the gain on sale of finance receivables of $45.6 million for the nine months ended September 30, 2022 related to the 2022-1 and 2022-2 securitization transactions, as well as a decline in servicing income and product income net of cancellations. The decrease was partially offset by an increase in interest income earned on finance receivables with third-party dealership customers as a result of the consolidation of the 2022-2 and 2023-1 securitization transactions.

Retail Financing Gross Profit

Retail Financing gross profit decreased $17.4 million, or 15.9%, from $109.6 million for the nine months ended September 30, 2022 to $92.2 million for the nine months ended September 30, 2023. The decrease was primarily driven by the gain on sale of finance receivables of $45.6 million for the nine months ended September 30, 2022 related to the 2022-1 and 2022-2 securitization transactions, as well as a decline in servicing income and product income net of cancellations. Additionally, the decrease was caused by increase in collection expenses related to servicing finance receivables originated by UACC and an increase in interest expense on securitization debt. The decrease was partially offset by an increase in interest income earned on finance receivables with third-party dealership customers as a result of the consolidation of the 2022-2 and 2023-1 securitization transactions.

Selling, general and administrative expenses

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Change	% Change
	(in thousands)			
Compensation & benefits	$ 130,318	$ 199,111	$ (68,793)	(34.6)%
Marketing expense	39,871	69,818	(29,947)	(42.9)%
Outbound logistics [1]	6,251	39,925	(33,674)	(84.3)%
Occupancy and related costs	13,600	17,408	(3,808)	(21.9)%
Professional fees	15,504	26,585	(11,081)	(41.7)%
Software and IT costs	27,555	33,406	(5,851)	(17.5)%
Other	29,979	89,374	(59,395)	(66.5)%
Total selling, general & administrative expenses	$ 263,078	$ 475,627	$ (212,549)	(44.7)%

(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 associated with vehicle deliveries. Inbound transportation costs, from the point of acquisition to the relevant reconditioning facility, are included in cost of sales.

SG&A expenses decreased $212.5 million, or 44.7%, from $475.6 million for the nine months ended September 30, 2022 to $263.1 million for the nine months ended September 30, 2023. The total decrease was primarily caused by:

- a $68.8 million decrease in compensation and benefits primarily as a result of workforce reductions;
- a $33.7 million decrease in outbound logistics costs attributable to the decrease in ecommerce units sold as well as a decrease in outbound logistics cost per ecommerce unit;
- a $29.9 million decrease in marketing expense contemplated by our long-term roadmap;

- a $11.1 million decrease in professional fees primarily related to costs incurred in connection with the UACC Acquisition during the first quarter of 2022 as well as a decrease in legal and other consulting fees;
- a $5.9 million decrease in software and IT costs primarily related to volume-based fees as a result of reduced headcount and more efficient targeted software use;
- a $3.8 million decrease in occupancy expense primarily as a result of physical office location closures from the second quarter of 2022 through the second quarter of 2023; and
- a $59.4 million decrease in other SG&A expenses primarily due to a decrease in our non-recurring costs, including legal settlements and rental car expenses, as we worked to address our operational challenges created by our rapid growth from 2020 through the first quarter of 2022 as well as reduced fixed and variable costs contemplated by our long-term roadmap.

We expect SG&A expenses to decrease in the future driven by further reductions in both fixed and variable cost components as we continue to optimize our operations. We may not be able to fully realize further cost savings and benefits initially anticipated from the long-term roadmap, and the future costs may be greater than expected.

Depreciation and amortization

Depreciation and amortization expenses increased $4.1 million, or 14.8%, from $27.7 million for the nine months ended September 30, 2022 to $31.8 million for the nine months ended September 30, 2023. The increase was primarily due to an additional month of amortization expense of intangible assets acquired as part of the UACC Acquisition for the nine months ended September 30, 2023 and amortization related to our capitalized internal use software costs incurred in the development of our platform and website applications.

Impairment Charges

Impairment charges of $1.4 million for the nine months ended September 30, 2023 represent lease impairment charges related to closing a physical office location. Impairment charges of $206.1 million for the nine months ended September 30, 2022 represent an impairment charge to write down the carrying amount of the goodwill to fair value and lease impairment charges related to closing physical office locations and Sell Us Your Car® centers as part of the Realignment Plan.

Gain on debt extinguishment

Gain on debt extinguishment represents a gain of $19.6 million and $37.9 million for the nine months ended September 30, 2023 and 2022, respectively, related to the repurchase of $32.8 million and $56.4 million in aggregate principal balance of the Notes, net of deferred issuance costs, for $13.2 million and $18.5 million, respectively.

Interest expense

Interest expense increased $2.3 million, or 8.0%, from $28.6 million for the nine months ended September 30, 2022 to $30.9 million for the nine months ended September 30, 2023. Interest expense incurred on UACC's Warehouse Credit Facilities increased, which was offset by a decrease in interest expense related to a lower outstanding balance on the 2022 Vehicle Floorplan Facility, as well as a decrease in interest expense on the Notes due to the repurchase of a portion of the Notes during the second half of 2022 and first half of 2023.

Interest income

Interest income increased $3.4 million, or 26.0%, from $13.0 million for the nine months ended September 30, 2022 to $16.4 million for the nine months ended September 30, 2023. The increase in interest income was primarily driven by higher interest rates earned on cash and cash equivalents.

Other loss, net

Other loss, net increased $38.1 million, or 141.7%, from $26.9 million for the nine months ended September 30, 2022 to $65.0 million for the nine months ended September 30, 2023. The increase in other loss was primarily driven by an increase in realized and unrealized losses on finance receivables as a result of a larger loan portfolio as well higher loss rates on our overall portfolio as of September 30, 2023 as compared to September 30, 2022.

Quarterly Results of Operations Supplemental data

The following tables set forth our quarterly financial information for the third quarter and second quarter of 2023:

	Three Months Ended September 30, 2023	Three Months Ended June 30, 2023	Change	% Change
	(in thousands, except unit data)			
Total revenues	$ 235,634	$ 225,178	$ 10,456	4.6 %
Total gross profit	$ 48,094	$ 46,001	$ 2,093	4.5 %
Ecommerce units sold	4,561	4,127	434	10.5 %
Ecommerce revenue	$ 149,851	$ 138,225	$ 11,626	8.4 %
Ecommerce gross profit	$ 14,339	$ 12,189	$ 2,150	17.6 %
Vehicle gross profit (loss) per ecommerce unit	$ 516	$ 290	$ 226	77.9 %
Product gross profit per ecommerce unit	2,628	2,664	(36)	(1.4)%
Total gross profit per ecommerce unit	$ 3,144	$ 2,954	$ 190	6.4 %
Wholesale units sold	2,270	1,834	436	23.8 %
Wholesale revenue	$ 30,898	$ 30,800	$ 98	0.3 %
Wholesale gross (loss) profit	$ (1,495)	$ (3,993)	$ 2,498	62.6 %
Wholesale gross (loss) profit per unit	$ (659)	$ (2,177)	$ 1,518	69.7 %
Retail Financing revenue	$ 40,823	$ 42,128	$ (1,305)	(3.1)%
Retail Financing gross profit	$ 32,341	$ 34,068	$ (1,727)	(5.1)%
Total selling, general, and administrative expenses	$ 79,586	$ 86,955	$ (7,369)	(8.5)%

	Three Months Ended September 30, 2023	Three Months Ended June 30, 2023	Change	% Change
	(in thousands)			
Net loss	$ (82,857)	$ (66,318)	$ (16,539)	24.9 %
Adjusted to exclude the following:				
Interest expense	12,058	8,938	3,120	34.9 %
Interest income	(5,506)	(4,921)	(585)	11.9 %
Provision for income taxes	260	385	(125)	(32.5)%
Depreciation and amortization	11,248	10,536	712	6.8 %
EBITDA	$ (64,797)	$ (51,380)	$ (13,417)	26.1 %
Severance costs	$ 274	$ 2,277	$ (2,003)	(88.0)%
Gain on debt extinguishment	—	(10,931)	10,931	100.0 %
Hail storm costs	—	2,353	(2,353)	(100.0)%
Other	—	1,352	(1,352)	(100.0)%
Adjusted EBITDA	$ (64,523)	$ (56,329)	$ (8,194)	14.5 %
Securitization gain	—	—	—	0.0 %
Adjusted EBITDA excluding securitization gain	$ (64,523)	$ (56,329)	$ (8,194)	14.5 %

Liquidity and Capital Resources

As of September 30, 2023, we had cash and cash equivalents of $208.6 million and restricted cash of $80.5 million. Restricted cash primarily includes cash deposits required under our 2022 Vehicle Floorplan Facility of $31.9 million and restricted cash required under UACC's securitization transactions and Warehouse Credit Facilities of $47.2 million. Our primary source of liquidity is cash generated through financing activities. Additionally, we had excess borrowing capacity of $72.5 million under UACC's Warehouse Credit Facilities as of September 30, 2023.

Since inception, we have relied on borrowings under our vehicle floorplan facilities to finance our inventory. The term of the vehicle floorplan facility generally matures within one to two years and we typically renew those facilities at least annually. Our 2022 Vehicle Floorplan Facility expires on March 31, 2024, and we have commenced discussions with our floorplan lender, Ally Bank and Ally Financial (together "Ally"), regarding an amended floorplan facility that would extend the term beyond the current expiration date. Ally has indicated its willingness to extend the floorplan facility beyond June 2024 would be contingent upon Vroom raising additional capital. The 2022 Vehicle Floorplan Facility remains a committed facility through March 31, 2024. Prior to that date, we intend to continue our discussions with Ally over the terms of an amended facility and may engage with other lenders over the terms of an alternative facility. There can be no assurance that Ally would agree to extend the 2022 Vehicle Floorplan Facility on terms acceptable to us, or that alternative floorplan financing would be available on acceptable terms from another lender. In the event that a capital raise is required by Ally or another lender, there can be no assurance that such additional capital would be available in an amount or on terms acceptable to us, if at all. Failure to secure floorplan financing beyond the expiration of the 2022 Vehicle Floorplan Facility would have a material adverse effect on our ability to finance our inventory and operate our core used automotive sales business.

Our future capital requirements will depend on many factors, including our efforts to increase sales volume, optimize our sales margin, GPPU and marketing costs, as well as reduce fixed and variable expenses; scale our internal sales force to support sales volume growth; invest in our website and mobile applications; continue automation of our selling experience; and increase inventory as we resume growth. We have no significant debt maturities due until 2026 and the payments on our securitization debt are funded by cashflows on the finance receivables within the securitization trusts.

We expect to use our cash and cash equivalents to finance our future capital requirements, borrowings under the 2022 Vehicle Floorplan Facility and any amended or alternative vehicle floorplan facility to finance our inventory, and UACC's Warehouse Credit Facilities to fund our finance receivables. Certain advance rates available to UACC on borrowings from the Warehouse Credit Facilities have decreased as a result of the increasing credit losses in UACC's portfolio and overall rising interest rates. Any future decreases on available advance rates may have an adverse impact on our liquidity. In addition, our projected capital requirements are subject to various assumptions, including our growth rate, sales margin, GPPU, marketing costs, and reductions in fixed and variable expenses, as well as market conditions.

If we are unable to enter into an amended or alternative floorplan facility, we will pursue strategies to adjust our core used automotive sales operations and reduce variable and fixed costs. We anticipate that (i) our existing cash and cash equivalents, (ii) 2022 Vehicle Floorplan Facility, and (iii) UACC's Warehouse Credit Facilities will be sufficient to support the Company for at least the next twelve months from the date of this Quarterly Report on Form 10-Q.

We intend to seek additional equity or debt financing to fund our current operations and support the extension of our vehicle floorplan financing. Such additional financing could take the form of a private investment in equity securities, convertible debt securities or other debt financing, an at-the-market offering of our common stock, rights offering or other public offering of equity or debt securities. The availability of additional equity or debt financing will depend on the continued execution of our long-term roadmap, our ability to demonstrate a path to long-term profitable growth, as well as market conditions. The sale of additional equity would result in significant dilution to our stockholders. The incurrence of debt financing would result in additional debt service obligations and the instruments governing such debt could provide for restrictive operating and financial covenants, security interests on our assets, and other terms that could be adverse to our current stakeholders. There can be no assurance that such equity or debt financing will be available in amounts or on terms acceptable to us, if at all. Failure to raise additional capital through equity or debt financing would have a material adverse effect on our ability to meet our short and long-term liquidity needs and achieve our business objectives.

Convertible Senior Notes

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

The Notes bear interest at a rate of 0.75% per annum, payable semiannually in arrears on January 1 and July 1 of each year, beginning on January 1, 2022. The Notes will mature on July 1, 2026, subject to earlier repurchase, redemption or conversion. The total net proceeds from the offering, after deducting commissions paid to the initial purchasers and debt issuance costs, were approximately $608.9 million. During the three months ended September 30, 2023, the conditions allowing holders of the Notes to convert were not met.

During the nine months ended September 30, 2023, we repurchased $32.8 million in aggregate principal amount of the Notes, net of deferred issuance costs, for $13.2 million, respectively, in open-market transactions. We recognized a gain on extinguishment of debt of $19.6 million for the nine months ended September 30, 2023. As a result of these repurchases and repurchases made in 2022, as of September 30, 2023, $327.8 million aggregate principal amount of the

Notes remain outstanding, net of deferred issuance costs of $4.7 million. Subject to market conditions and availability, we may continue to opportunistically repurchase Notes from time to time to reduce our outstanding indebtedness at a discount. Refer to Note 12 — Long Term Debt to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, for further discussion.

Vehicle Financing

In November 2022, we amended our floorplan facility with Ally Bank and Ally Financial (the “2022 Vehicle Floorplan Facility”). The 2022 Vehicle Floorplan Facility provides a committed credit line of up to $500.0 million which is scheduled to mature on March 31, 2024.

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

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

In August 2023, the Company amended its 2022 Vehicle Floorplan Facility to modify certain terms, and also amended the credit balance agreements to modify the minimum required credit balance calculation.

Finance Receivables

Subject to market conditions, we plan to sell finance receivables originated by UACC through asset-backed securitization transactions and forward flow arrangements. In January 2023, UACC sold approximately $238.7 million of investment grade rated asset-backed securities in an auto loan securitization transaction from a securitization trust, established and sponsored by UACC for proceeds of $237.8 million. On April 19, 2023, UACC sold the non-investment grade rated securities related to the 2023-1 securitization transaction for $23.1 million. The trust is collateralized by finance receivables with an aggregate principal balance of $326.4 million. As a result of current market conditions, which led to unfavorable pricing, UACC retained the residual interests, and we accounted for the 2023-1 securitization transaction as secured borrowings.

In the nine months ended September 30, 2022, UACC sold $523.7 million of rated asset-backed securities and $49.6 million of residual certificates in auto loan securitization offerings from securitization trusts, established and sponsored by UACC, for proceeds of $582.9 million. The trusts are collateralized by finance receivables with an aggregate principal balance of $603.5 million and has a carrying value of $534.6 million at the time of sale.

Finance receivables are serviced by UACC. UACC retains at least 5% of the notes and residual certificates sold as required by applicable risk retention rules and generally uses the proceeds of the securitization transactions to pay down outstanding debt under its Warehouse Credit Facilities.

Although our long-term strategy is to structure future securitization transactions similar to the 2022-1 securitization transaction and account for them as sales, market conditions may impact our ability to achieve sales accounting treatment. Depending on market conditions, future securitization transactions may be accounted for as secured borrowings and remain on balance sheet.

As a result of increasing interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher loss severity and higher losses in a soft securitization market. The increased loss severity could lead to reduced servicing income if UACC elects to waive monthly servicing fees going forward as it did in the first quarter of 2023. The waiver of monthly servicing fees related to the 2022-2 securitization transaction resulted in consolidation of the related finance receivables and securitization debt on our financial statements.

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

UACC Risk Retention Financing Facility

On May 3, 2023, UACC entered into a Risk Retention Financing Facility enabling it to finance asset-backed securities issued in its securitization transactions and held by UACC pursuant to applicable risk retention rules. Under this facility, UACC sells such retained interests and agrees to repurchase them at fair value on a future date. In its initial transaction under this facility, UACC pledged $24.5 million of its retained beneficial interests as collateral, and received proceeds of $24.1 million, with expected repurchase dates ranging from March 2025 to September 2029. The securitization trusts will distribute payments related to UACC's pledged beneficial interests in securitizations directly to the lenders, which will reduce the beneficial interests in securitizations and the related debt balance.

Warehouse Credit Facilities

UACC has four senior secured warehouse facility agreements the (“Warehouse Credit Facilities”) with banking institutions. The Warehouse Credit Facilities are collateralized by eligible finance receivables and available borrowings are computed based on a percentage of eligible finance receivables. The aggregate borrowing limit is $825.0 million with maturities between July 2024 and September 2025. As of September 30, 2023, outstanding borrowings related to the Warehouse Credit Facilities were $294.7 million and we were in compliance with all covenants related to the Warehouse Credit Facilities. Failure to satisfy these and or any other requirements contained within the agreements would restrict access to the Warehouse Credit Facilities and could have a material adverse effect on our financial condition, results of operations and liquidity. Certain breaches of covenants may also result in acceleration of the repayment of borrowings prior to the scheduled maturity. Refer to Note 11 — Warehouse Credit Facilities of Consolidated VIEs to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, for further discussion.

Cash Flows from Operating, Investing, and Financing Activities

The following table summarizes our cash flows for the nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	$ (425,631)	$ (23,102)
Net cash provided by (used in) investing activities	137,442	(181,269)
Net cash provided by (used in) financing activities	105,258	(406,439)
Net decrease in cash, cash equivalents and restricted cash	(182,931)	(610,810)
Cash and cash equivalents and restricted cash at beginning of period	472,010	1,214,775
Cash and cash equivalents and restricted cash at end of period	$ 289,079	$ 603,965

Operating Activities

Net cash flows used in operating activities increased by $402.5 million, from $23.1 million for the nine months ended September 30, 2022 to $425.6 million for the nine months ended September 30, 2023. For the nine months ended September 30, 2022, the cash used in operating activities was partially offset by the proceeds from the sale of finance receivables held for sale related to the 2022-1 and 2022-2 securitization transactions of $509.6 million. The remaining increase in net cash used in operating activities is due to a change in working capital of $132.6 million primarily related to the change in inventory levels. The increases were partially offset by a $138.6 million decrease in net loss after reconciling adjustments for the nine months ended September 30, 2023, as compared to the nine months ended September 30, 2022, a decrease of originations of finance receivables held for sale of $62.4 million, and an increase in principal payments received on finance receivables held for sale of $33.6 million.

As the 2023-1 securitization transaction was accounted for as secured borrowings, the proceeds are included as a financing activity in our condensed consolidated statement of cash flows.

We finance a majority of our inventory with the 2022 Vehicle Floorplan Facility. In accordance with U.S. GAAP, we report all cash flows arising in connection with the 2022 Vehicle Floorplan Facility, as a financing activity in our condensed consolidated statement of cash flows.

Investing Activities

Net cash flows from investing activities changed $318.7 million, from net cash used in investing activities of $181.3 million for the nine months ended September 30, 2022 to net cash provided by investing activities of $137.4 million for the nine months ended September 30, 2023, primarily as a result of the UACC Acquisition in February 2022 which resulted in cash outflow of $267.5 million during the nine months ended September 30, 2022, a decrease in purchases of finance receivables at fair value of $46.1 million, an increase in principal payments received on finance receivables at fair value of $29.8 million, and the consolidation of the 2022-2 securitization transaction which resulted in a cash inflow of $11.4 million during the nine months ended September 30, 2023. The increases were partially offset by a decrease in proceeds from the sale of finance receivables at fair value for the 2022-1 and 2022-2 securitization transactions of $43.3 million during the nine months ended September 30, 2022.

Financing Activities

Net cash flows from financing activities changed $511.7 million, from net cash used in financing activities of $406.4 million for the nine months ended September 30, 2022 to net cash provided by financing activities of $105.3 million for the nine months ended September 30, 2023. The change was primarily related to proceeds from borrowings under secured financing arrangements of $262.0 million, an increase in net cash inflow of $104.6 million related to our Warehouse Credit Facilities, a decrease in net repayments of $103.0 million related to our Vehicle Floorplan Facility, proceeds from financing beneficial interests in securitizations of $24.5 million for the nine months ended September 30, 2023, and a decrease in principal repayments under secured financing agreements of $17.5 million.

Critical Accounting Policies and Estimates

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

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

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Recently Issued and Adopted Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

Interest Rate Risk

As of September 30, 2023, we had an outstanding balance under the 2020 Vehicle Floorplan Facility of $212.5 million and an outstanding balance under our Warehouse Credit Facilities of $294.7 million. The 2020 Vehicle Floorplan Facility bears interest at a rate equal to the Prime Rate, announced per annum by Ally Bank, plus 105 basis points. The Warehouse Credit Facilities bear interest at a rate equal to SOFR plus a fixed percentage based on the agreement with the banking institution. A hypothetical 10% change in interest rates during the three and nine months ended September 30, 2023 would result in a change to interest expense of $0.8 million and $1.9 million, respectively.

As of September 30, 2023, we had $718.4 million of long-term debt including the current portion of long term debt of $197.0 million. As the interest rate on the long term debt is fixed, we do not have exposure to interest rate risk.

Item 4. Controls and Procedures

Limitations on effectiveness of controls and procedures

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

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2023.

Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of September 30, 2023, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended September 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

The Attorney General of Texas, on behalf of the State of Texas, filed a petition in April 2022 and an amended petition in October 2023, in the District Court of Travis County Texas against the Company, alleging violation of the Texas Deceptive Trade Practices − Consumer Protection Act, Texas Business and Commerce Code § 17.41 et seq (Texas v. Vroom Automotive LLC, and Vroom Inc., Case No. D-1-GN-001809). The purported violations are based on alleged deficiencies and other issues in the Company's marketing of used vehicles and fulfilment of customer orders, including the titling and registration of sold vehicles. Vroom Automotive, LLC and the Attorney General of the State of Texas have agreed to a temporary injunction in which Vroom Automotive, LLC agrees to adhere to its existing practice of possessing title for all vehicles it sells or advertises as available for sale on its ecommerce platform. The parties are engaged in discovery and Vroom continues to work cooperatively with the office of the Attorney General of the State of Texas towards a resolution. Because the case is at an early stage and the outcome of any complex legal proceeding is inherently unpredictable and subject to significant uncertainties, the Company cannot determine at present whether any potential liability would have a material adverse effect on the Company's financial condition, cash flows, or results of operations.

In July 2022 and August 2022, respectively, certain plaintiffs filed two putative class action lawsuits in the District Court of Cleveland County, Oklahoma and the New York State Supreme Court, respectively, against Vroom, Inc., and Vroom Automotive LLC as defendants, alleging, among other things, deficiencies in Vroom’s titling and registration of sold vehicles: Blake Sonne, individually and on behalf of all others similar situated, v. Vroom Automotive, LLC and Vroom, Inc., No. CJ-2022-822 and Emely Reyes Martinez, on behalf of all others similarly situated, v. Vroom Automotive, LLC and Vroom Inc., No. 652684/2022. The Company removed the cases to the U.S. District Court for the Western District of Oklahoma (Case No. 22-cv-761) and the U.S. District Court for the Southern District of New York (Case No. 22-cv-7631), respectively, and filed motions to compel arbitration of all claims in both cases. In September 2023, Vroom’s motions to compel arbitration were granted in both cases, and the court actions are stayed pending the outcome of any arbitration proceeding over the respective plaintiffs’ individual claims.

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

Item 1A. Risk Factors

Our operations and financial results are subject to various risks and uncertainties including those disclosed under "Item 1A. Risk Factors" in our Annual Report. We provide below the material changes to our risk factors described in our Annual Report. If any of these risks or others not specified 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:

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

As of September 30, 2023, we had cash and cash equivalents of $208.6 million. In 2022 we adopted our long-term roadmap, which was designed to prioritize unit economics, reduce operating expenses and maximize liquidity. Nevertheless, our future capital requirements will depend on many factors, including our efforts to increase sales volume; optimize our sales margin, GPPU and marketing costs, as well as reduce fixed and variable expenses; scale our internal sales force to support sales volume growth; invest in our website and mobile applications; continue automation of our selling experience; and increase inventory as we resume growth. We rely on borrowings under our 2022 Vehicle Floorplan Facility to finance our inventory and we have commenced discussions with our floorplan lender, Ally Bank and Ally Financial (together, "Ally") regarding an amended floorplan facility that would extend the term beyond the current expiration date. While we have typically extended our floorplan facility annually, Ally has indicated its willingness to extend the floorplan facility beyond June 2024 would be contingent upon Vroom raising additional capital. The 2022 Vehicle Floorplan Facility remains a committed facility through March 31, 2024. Prior to that date, we intend to continue our discussions with Ally over the terms of an amended facility and may engage with other lenders over the terms of an alternative facility. There can be no assurance that Ally would agree to extend the 2022 Vehicle Floorplan Facility on terms acceptable to us, or that alternative floorplan financing would be available on acceptable terms from another lender. We intend to seek additional equity or debt financing to fund our current operations and support the extension of our vehicle floorplan financing, 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 raise additional capital through equity or debt financings would have a material adverse effect on our ability to meet our short and long-term liquidity needs and achieve our business objectives. See "We intend to seek 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 would be materially and adversely affected."

We currently rely on an agreement with a single lender to finance our vehicle inventory purchases under our 2022 Vehicle Floorplan Facility. If we fail to extend our current floorplan facility and 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, Ally, to finance our vehicle inventory purchases under our 2022 Vehicle Floorplan Facility. Outstanding borrowings are due as financed vehicles are sold, and the 2022 Vehicle Floorplan Facility is secured by our vehicle inventory and certain other assets. Our 2022 Vehicle Floorplan Facility expires on March 31, 2024, and we have commenced discussions with Ally regarding an amended floorplan facility that would extend the term beyond the current expiration date. Ally has indicated that its willingness to extend the floorplan facility beyond June 2024 would be contingent upon Vroom raising additional capital. The 2022 Vehicle Floorplan Facility remains a committed facility through March 31, 2024. Prior to that date, we intend to continue our discussions with Ally over the terms of an amended facility and may engage with other lenders over the terms of an alternative facility. There can be no assurance that Ally would agree to extend the 2022 Vehicle Floorplan Facility on acceptable terms to us, or that alternative floorplan financing would be available on acceptable terms from another lender. In the event that a capital raise is required by Ally or another lender, there can be no assurance that such additional capital would be available in an amount or on terms acceptable to us, if at all. If we are unable to extend the 2022 Vehicle Floorplan Facility, or we are unable to find a satisfactory replacement, our inventory supply may decline, resulting in fewer vehicles available for sale on our website. Failure to secure floorplan financing beyond the expiration of the 2022 Vehicle Floorplan Facility would have a material adverse effect on our ability to finance our inventory and operate our core used automotive sales business. These financing risks, in addition to potential rising interest rates, inflation, and changes in market conditions, if realized, could negatively impact our business, financial condition and results of operations. See "Management's

Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Vehicle Financing”.

We intend to seek 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 would be materially and adversely affected.

We intend to seek additional capital to fund our operations and support the extension of our vehicle floorplan financing. In addition, we may raise additional capital in the future to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to successfully execute on our long-term roadmap, make certain marketing expenditures to improve our brand awareness, build and maintain our inventory of used vehicles, develop our captive finance operation, expand our internal sales force, improve our customer experience operations, develop new products or services or further improve existing products and services, expand and enhance our operating and proprietary logistics and reconditioning infrastructure and acquire complementary businesses and technologies. However, there can be no assurance that additional funds, including any additional equity or debt financings, will be available in amounts or on terms acceptable to us, if at all. Moreover, any debt financing that we secure would result in additional debt service obligations and the instruments governing such debt could provide for restrictive operating and financial covenants, security interests on our assets, and other terms that could be adverse to our current stakeholders, 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 would 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 or conditions satisfactory to us, we may be forced to obtain financing on undesirable terms or our ability to continue to pursue our business objectives, including to support the extension of our vehicle floorplan financing, successfully execute our long-term roadmap and to respond to business opportunities, challenges or unforeseen circumstances, would be significantly limited, and our business, financial condition and results of operations would 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 September 30, 2023, we had outstanding $212.5 million aggregate principal amount of borrowings under our 2022 Vehicle Floorplan Facility and $332.5 million aggregate principal amount of our 0.75% Convertible Senior Notes due 2026 (the "Notes"). Our interest expense was $4.9 million and $14.1 million for the three and nine months ended September 30, 2023, respectively, related to the 2022 Vehicle Floorplan Facility. In addition, as of September 30, 2023, UACC had $361.9 million of securitization indebtedness as well as four senior secured warehouse facility agreements the (“Warehouse Credit Facilities”) with banking institutions, with an aggregate borrowing limit of $825.0 million. As of September 30, 2023, there was $294.7 million in outstanding borrowings related to the Warehouse Credit Facilities. In the nine months ended September 30, 2023, we repurchased $32.8 million in aggregate principal amount of our Notes, net of deferred issuance costs, in open market transactions for $13.2 million. Subject to market conditions and availability, we may continue to opportunistically repurchase Notes from time to time to reduce our outstanding indebtedness at a discount. However, we may be unable to repay, restructure or refinance the remaining Notes.

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 or restructure or refinance our indebtedness. We intend to seek additional equity or debt financing to fund our operations and support the extension of our vehicle floorplan financing with Ally, which could include a restructuring of some or all of our outstanding debt. Our ability to restructure or refinance our current or future debt or obtain additional debt financing will depend on the condition of the capital markets and our financial condition at such time, including the continued execution of our long-term roadmap and our ability to demonstrate a path to long-term profitable growth. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments may restrict us from adopting some of these alternatives. Any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis or failure to comply with certain restrictions in our debt instruments would result in a default under our debt instruments. In the event of a default under any of our current or future debt instruments, the lenders could elect to declare all amounts outstanding under such debt instruments to be due and payable. Furthermore, our 2022 Vehicle Floorplan Facility restricts our ability to dispose of assets and/or use the proceeds from the disposition, and any amended or alternative vehicle floorplan facility may include similar restrictions. We may not be able to consummate any such dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due.

In addition, our indebtedness under our 2022 Vehicle Floorplan Facility bears interest at variable rates, and any amended or alternative floorplan facility may bear interest at variable rates as well. As a result, fluctuations in interest rates may affect our cash flows or business, financial condition and results of operations. In addition, any future funding arrangements may be at higher interest rates or subject to other less favorable terms. We may attempt to minimize interest rate risk and lower our overall borrowing costs through the utilization of derivative financial instruments, primarily interest rate swaps.

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

We intend to seek additional equity or debt financing. The issuance of any additional capital stock would result in significant dilution to our 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, and would significantly dilute existing stockholders.

We intend to seek additional equity or debt financing to fund our current operations and support the extension of our vehicle floorplan financing, which may include offerings of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations or fund acquisitions, or for other purposes. In addition, as of September 30, 2023, we had reserved 4,074,751 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. If we issue or sell 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 or sale of additional shares of common stock would significantly dilute the ownership interests of our existing common stockholders, including noteholders who receive 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.

We intend to seek additional equity or debt financing to fund our current operations and support the extension of our vehicle floorplan financing, which may include the sale of substantial amounts of shares of our common stock in the public or private markets. Such sales of shares 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 any unrecognized gains on those shares. Additionally, any shares of common stock held by our affiliates are eligible for resale pursuant to Rule 144 under the Securities Act, subject to the volume, manner of sale, holding period and other limitations of Rule 144.

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

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

We are unable to predict the timing of or the effect that such sales may have on the prevailing market price of our common stock, which in turn may impact our continued listing on Nasdaq. See “We may be unable to satisfy a continued listing rule from the Nasdaq”.

We may be unable to satisfy a continued listing rule from the Nasdaq.

The Nasdaq Stock Market LLC ("Nasdaq") maintains several requirements for continued listing of our common stock, one of which is the maintenance of a minimum closing bid price of $1.00. On April 14, 2023, we received written notice from Nasdaq notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the $1.00 minimum bid price requirement for continued inclusion on the Nasdaq Global Select Market. The notice had no immediate effect on the listing of our common stock, which continues to trade on the Nasdaq Global Select Market under the symbol "VRM". Pursuant to the Nasdaq listing rules, we were provided a period of 180 calendar days, or until October 11, 2023, to regain compliance with the minimum closing bid price requirement of at least $1.00 per share for a minimum of 10 consecutive business days. On June 23, 2023, we received written notice from Nasdaq informing us that, from June 8, 2023 to June 22, 2023, our minimum bid price had been $1.00 per share or higher and, accordingly, we had regained compliance with Nasdaq Listing Rule 5450(a)(1) and that the matter was now closed. However, there can be no assurance that our common stock will continue to close at or above the $1.00 per share minimum bid price as required by Nasdaq, or that we will otherwise meet the requirements of Nasdaq for continued inclusion for trading on Nasdaq Global Select Market.

If our common stock again closes below the $1.00 per share minimum bid price required by Nasdaq for 30 consecutive business days, we would receive another written notice of non-compliance with Nasdaq’s listing standards and be provided a period of 180 calendar days from the date of such notice to regain compliance with the minimum closing bid price requirement of at least $1.00 per share for a minimum of 10 consecutive business days.

We intend to actively monitor the closing bid price of our common stock and, if we lose compliance with Nasdaq’s minimum bid price closing requirements, will consider all available options to regain compliance.

If our common stock is delisted in the future, it is unlikely that we will be able to list our common stock on another national securities exchange and, as a result, we expect our securities would be quoted on an over-the-counter market. If this were to occur, we and our stockholders could face significant material adverse consequences, including limited availability of market quotations and analyst coverage for our common stock, and reduced liquidity for the trading of our securities. In addition, a delisting would constitute a fundamental change under the terms of our Indenture and make our Notes redeemable at par upon delisting (as described further below), and we could also experience a decreased ability to issue additional securities and obtain additional financing in the future. Delisting also could result in, among other things, a loss of investor confidence or interest in strategic transactions or opportunities, us being subject to regulation in each state in which we offer our securities, and difficulty in recruiting and retaining personnel through equity incentive awards.

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

As of September 30, 2023, we, including our subsidiaries, had approximately $1,225.5 million principal amount of consolidated indebtedness. We intend to seek additional equity or debt financing to fund our current operations and support the extension of our vehicle floorplan financing. Our indebtedness could have significant negative consequences for our security holders and our business, results of operations and financial condition by, among other things:

- increasing our vulnerability to adverse economic and industry conditions;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, which will reduce the amount of cash available for other purposes, including the successful execution of our long-term roadmap;
- limiting our flexibility to plan for, or react to, changes in our business;

- diluting the interests of our existing stockholders as a result of issuing shares of our common stock upon conversion of our Notes due 2026; and
- placing us at a possible competitive disadvantage with competitors that are less leveraged than us or have better access to capital.

Our business may not generate sufficient funds, and we may otherwise be unable to maintain sufficient cash reserves, or to pay amounts due under our indebtedness, and our cash needs may increase in the future. In addition, our existing indebtedness contains, and any future indebtedness that we may incur may contain, financial and other restrictive covenants that may limit our ability to operate our business, raise capital or make payments under our other indebtedness. For example, on April 14, 2023, we received written notice from Nasdaq notifying us that, for the prior 30 consecutive business days, the bid price for our common stock had closed below the $1.00 minimum bid price requirement for continued inclusion on the Nasdaq Global Select Market. On June 23, 2023, we received written notice from Nasdaq informing us that, from June 8, 2023 to June 22, 2023, our minimum bid price had been $1.00 per share or higher and, accordingly, we had regained compliance with the Nasdaq listing rules. If our common stock again closes below the $1.00 per share minimum bid price required by Nasdaq for 30 consecutive business days, we would receive another notice of non-compliance with Nasdaq's listing standards and may be provided a period of 180 calendar days from the date of such notice to regain compliance with the minimum bid closing price requirement of at least $1.00 per share for a minimum of 10 consecutive business days. However, there can be no assurance that our common stock will continue to close at or above the $1.00 per share minimum bid price as required by Nasdaq, or that we will otherwise meet the requirements of Nasdaq for continued inclusion for trading on Nasdaq Global Select Market. The delisting of our common stock from the Nasdaq Global Select Market would constitute a fundamental change under the terms of our Indenture and make our Notes redeemable at par upon delisting. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

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 the "Risk Factors" section in our Annual Report, as well as the following:

- potential delisting of our common stock, as described above;
- our operating and financial performance and prospects, including as a result of operational changes and initiatives we have and continue to undertake as part of our long-term roadmap;
- our liquidity and ability to raise capital;
- our quarterly or annual earnings or those of other companies in our industry compared to market expectations;
- our guidance regarding future quarterly or annual earnings, and our financial results in relation to previously issued guidance;
- our ability to achieve the benefits of any cost saving measures;
- conditions that impact demand for our offerings and platform, including demand in the automotive industry generally and the performance of the third parties through whom we conduct significant parts of our business;
- future announcements concerning our business or our competitors’ businesses;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- coverage by or changes in financial estimates by securities analysts or failure to meet their expectations;
- market and industry perception of our success, or lack thereof, in pursuing our business strategy;
- changes in market sentiment regarding growth companies that are not yet profitable;

- strategic actions by us or our competitors, such as acquisitions or restructurings;
- changes in laws or regulations which adversely affect our industry or us;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in senior management or key personnel and the impact of reductions in our workforce;
- issuances, exchanges or sales, or expected issuances, exchanges or sales of our capital stock;
- changes in our dividend policy;
- new, or adverse resolution of pending, litigation or other claims against us;
- global political unrest and wars, including geopolitical conflicts and war in Europe and the Middle East, which could delay and disrupt our business, and if such political unrest further 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;
- the current inflationary environment in the United States and in other global economies, the impact of rising interest rates and the impact of any recession or general economic downturn;
- potential volatility in the banking industry; and
- other changes in general market, economic and political conditions in the United States and global economies or financial markets, including those resulting from the federal government's ongoing negotiations regarding the federal debt limit, natural disasters, terrorist attacks, global pandemics, and responses to such events.

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

We have recently experienced significant declines in the market price of our common stock, and it could continue to decline in the future, including as a result of the execution, and implementation of our long-term roadmap. Based upon the decline in our stock price, we recorded a goodwill impairment charge in our condensed consolidated statement of operations for the quarter ended March 31, 2022. See Note 8 to our Consolidated Financial Statements in our Annual Report. 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, and make it difficult for our investors to sell their shares of common stock. If our stock price continues to close below $1.00 per share minimum bid price for 30 consecutive business days we would be out of compliance with the $1.00 per share minimum bid price requirement for continued inclusion on the Nasdaq Global Select Market and our stock would be at risk of delisting. See "Risk Factors—We may be unable to satisfy a continued listing rule from the Nasdaq" and "Risk Factors—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" for more information on the risk of delisting from the Nasdaq Global Select Market. In addition, companies that experience volatility in the market price of their securities often are the subject of securities class action litigation. For example, a consolidated class action is pending in the U.S. District Court for the Southern District of New York against us, certain of our officers, and certain of our directors, among others, alleging violations of the federal securities laws. See Part II, Item 1. “Legal Proceedings.”

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

We acquired UACC with the expectation that the transaction would result in benefits to our business over time, including the benefits of a captive finance arm that would enable us to increase ecommerce unit sales, expand our penetration into non-prime sales, accelerate total revenue growth, enhance aggregate gross profit and GPPU, and leverage our fixed cost base. We expect that the development of our captive financing capabilities through the UACC Acquisition will be a significant element of our path to profitability and help position us for long-term growth in accordance with our long-term roadmap. 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 fully 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, credit underwriting practices and debt collection practices.

In addition, with regard to UACC’s financing, subject to market conditions, we intend to maintain a hybrid funding approach through the use of off-balance sheet securitization transactions and forward flow arrangements. Achievement of off-balance sheet accounting treatment requires the Company to sell all of the rated notes and residual certificates in the securitization, subject to holding 5% vertical risk retention. Execution of securitization transactions, including achievement of off-balance sheet accounting treatment for those transactions, is subject to market conditions. Even if UACC is able to complete its securitizations, it may not be able to sell its lower-rated securities or residual interests and those securitizations may not qualify for off-balance sheet accounting treatment, resulting in retention of the underlying loans (or residual interests) on our consolidated balance sheet, which could have an adverse impact on our liquidity. For example, as a result of current market conditions, which led to unfavorable pricing, we retained the non-investment grade securities and residual interests in UACC's 2023-1 securitization, requiring that the transaction remain on balance sheet pending the sale of the additional retained interests. Although we subsequently sold the non-investment grade securities, we continue to hold the residual interests. There can be no assurance that these residual interests will be sold and off-balance sheet treatment will be achieved in the future for this transaction. In addition, as a result of increasing interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher losses in a soft securitization market. Due to the increased losses, UACC elected to waive monthly servicing fees related to the 2022-2 securitization transaction in the first quarter of 2023. The waiver of monthly servicing fees related to the 2022-2 securitization transaction resulted in consolidation of the related finance receivables and securitization debt on our financial statements. Waiver of monthly servicing fees also results in reduced servicing income. Any future waivers of monthly servicing fees on other prior off-balance sheet securitization transactions could result in consolidation of such transactions. Such future consolidations could increase our indebtedness and may have a material adverse effect on our results of operations, financial condition and liquidity.

UACC may be unable to sell automotive finance receivables and generate gains on sales of those finance receivables, which could harm our business, results of operations, and financial condition.

UACC provides indirect financing by drawing on its Warehouse Credit Facilities to purchase motor vehicle retail installment sales contracts and pledging eligible finance receivables as collateral, then typically selling the receivables related to the financing contract. Certain advance rates available to UACC on borrowings from the Warehouse Credit Facilities have decreased as a result of the increasing credit losses in UACC's portfolio and overall rising interest rates. Any future decreases on available advance rates may have an adverse impact on our liquidity. In addition, UACC has entered into arrangements to sell automotive finance receivables that it purchases, such as securitizations, and we expect UACC to enter into additional securitizations, loan sales to financing partners and other new arrangements in the future, subject to market conditions. If UACC is not able to sell receivables under these current or future arrangements for a variety of reasons, including increased credit losses or because it has reached its capacity under the arrangements, its financing partners exercise termination rights before it reaches capacity, general economic or credit market conditions, market disruption or it reaches the scheduled expiration date of the commitment, and it is not able to enter into new arrangements on similar terms, it may not have adequate liquidity and our business, financial condition and results of operations may be adversely affected. For example, as a result of current market conditions, which led to unfavorable pricing, we retained the non-investment grade securities and residual interests in UACC's 2023-1 securitization, requiring that the transaction remain on balance sheet pending the sale of the additional retained interests. Although we subsequently sold the non-investment grade securities, we continue to hold the residual interests. There can be no assurance that these residual interests will be sold and off-balance sheet treatment will be achieved in the future for this transaction. 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. In addition, as a result of increasing interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher loss severity in a soft securitization market. Due to the increased loss severity, UACC elected to waive monthly servicing fees related to the 2022-2 securitization transaction in the first quarter of 2023. The waiver of monthly servicing fees related to the 2022-2 securitization transaction resulted in consolidation of the related finance receivables and securitization debt on our financial statements. Waiver of monthly servicing fees also results in reduced servicing income. Any future waivers of monthly servicing fees on other prior off-balance sheet securitization transactions could result in consolidation of such transactions. Such future consolidations could increase our indebtedness and may have a material adverse effect on our results of operations, financial condition and liquidity.

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.

There can be no assurance that UACC will be able to complete additional securitizations in the future, particularly if the securitization markets become increasingly 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. For example, on April 18, 2023, UACC's BB-rated securities from the 2022-2 securitization transaction were downgraded by one ratings agency to a single-B rating. UACC's other rated securities may also be downgraded or put on negative credit watch. Furthermore, although our intent is to sell receivables originated by UACC using off-balance sheet securitization transactions, even if UACC is able to complete its securitizations, those securitizations may not qualify for sales accounting if market conditions do not allow for the sale of lower-rated securities or residual certificates. For example, as a result of current market conditions, which led to unfavorable pricing, we retained the non-investment grade securities and residual interests in UACC's 2023-1 securitization, requiring that the transaction remain on balance sheet pending the sale of the additional retained interests. Although we subsequently sold the non-investment grade securities, we continue to hold the residual interests. There can be no assurance that these residual interests will be sold and off-balance sheet treatment will be achieved in the future for this transaction. In addition, as a result of increasing interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher losses in a soft securitization market. The increased losses could lead to reduced servicing income if UACC elects to waive monthly servicing fees going forward as it did in the first quarter of 2023 on the 2022-2 securitization transaction. The waiver of monthly servicing fees on the 2022-2 securitization transaction resulted in consolidation of the related finance receivables and securitization debt on Vroom's financial statements. 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 is currently experiencing increasing credit losses in interests it holds in automotive finance receivables 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 have and may continue to negatively impact its operating results.

UACC is currently experiencing increasing credit losses on its finance receivables, which has negatively impacted the fair value of our financial receivables and the losses recognized during 2022 and 2023. Increasing credit losses may continue to negatively impact our business during 2023, especially due to the fact that UACC primarily operates in the sub-prime sector of the market. As UACC has become and will continue to be an increasingly significant part of our consolidated operations, our business, results of operations, and financial condition is increasingly vulnerable to adverse developments in UACC's business.

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

In addition, the success of UACC's business is highly dependent on the ability to securitize and sell the automotive finance receivables that it underwrites. As a result of increasing interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher losses in a soft securitization market. As a result, UACC may not be able to sell the subordinate notes or residual certificates issued in the securitizations at a favorable price or at all. Due to the increased losses, UACC elected to waive monthly servicing fees related to the 2022-2 securitization transaction in the first quarter of 2023. The waiver of monthly servicing fees related to the 2022-2 securitization transaction resulted in consolidation of the related finance receivables and securitization debt on our financial statements. Waiver of monthly servicing fees also results in reduced servicing income. Any future waivers of monthly servicing fees on other prior off-balance sheet securitization transactions could result in consolidation of such transactions. Such future consolidations could increase our indebtedness and may have a material adverse effect on our results of operations, financial condition and liquidity.

UACC makes various assumptions and judgments about the automotive finance receivables it originates and may establish a valuation allowance and value beneficial ownership interests based on a number of factors. Although management may establish a valuation allowance and value beneficial ownership interests based on analysis it believes is appropriate, this may not be adequate, particularly in periods of increased industry-wide vehicle depreciation rates, which we are currently experiencing. For example, if economic conditions were to deteriorate unexpectedly, additional loan losses not incorporated in the existing valuation may occur. Several variables have affected UACC’s recent loss and delinquency rates, including general economic conditions and market interest rates, and such variables are likely to differ in the future. In particular, given the impact the COVID-19 pandemic 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. Further, the rate of prepayments cannot be predicted and may be influenced by a variety of factors, including changes in the economic and social conditions of our borrowers.

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

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Use of Proceeds from Public Offering of Common Stock

On June 11, 2020, we completed our IPO. The offer and sale of all of the shares in the IPO were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-238482), as amended, which was declared effective by the SEC on June 8, 2020. There has been no material change in the planned use of proceeds from our IPO as described in our final prospectus filed with the SEC on June 9, 2020 pursuant to Rule 424(b)(4).

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

(a) None.

(b) None.

(c) Not applicable.

Item 6. Exhibits

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Form	File No.	Exhibit	Filing Date	Filed Herewith	Furnished Herewith
2.1	Agreement and Plan of Merger, dated as of October 11, 2021, by and among Vroom, Inc., Vroom Finance Corporation, Unitas Holdings Corp. and Fortis Advisors LLC, solely in its capacity as the equityholders' representative	8-K	001-39315	2.1	October 12, 2021		
3.1	Amended and Restated Certificate of Incorporation of Vroom, Inc.	10-Q	001-39315	3.1	August 13, 2020		
3.2	Amended and Restated Bylaws of Vroom, Inc.	10-Q	001-39315	3.2	August 13, 2020		
4.1	Specimen Stock Certificate evidencing the shares of common stock	S-1/A	333-238482	4.1	June 1, 2020		
4.2	Indenture, dated as of June 18, 2021, between Vroom, Inc. and U.S. Bank National Association, as trustee	8-K	001-39315	4.1	June 21, 2021		
4.3	Form of Global Note representing the 0.750% Convertible Senior Notes due 2026 (included in Exhibit 4.2)	8-K	001-39315	4.2	June 21, 2021		
4.4	Eighth Amended and Restated Investors' Rights Agreement, dated as of November 21, 2019, by and among Vroom, Inc. and certain holders of its capital stock	S-1/A	333-238482	4.2	May 18, 2020		
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	

SIGNATURES

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

	Vroom, Inc.	
Date: November 7, 2023	By:	/s/ Thomas H. Shortt
		Thomas H. Shortt
		Chief Executive Officer
		(principal executive officer)
Date: November 7, 2023	By:	/s/ Robert R. Krakowiak
		Robert R. Krakowiak
		Chief Financial Officer
		(principal financial officer)

Exhibit 31.1

CERTIFICATION

I, Thomas H. Shortt, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vroom, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023	By:	/s/ Thomas H. Shortt
		Thomas H. Shortt
		Chief Executive Officer
		(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Robert R. Krakowiak, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vroom, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2023

By: /s/ Robert R. Krakowiak
Robert R. Krakowiak
Chief Financial Officer
(*principal financial officer*)

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Vroom, Inc. (the “Company”) for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023

By: /s/ Thomas H. Shortt
Thomas H. Shortt
Chief Executive Officer
(*principal executive officer*)

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Vroom, Inc. (the “Company”) for the period ended September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2023

By: /s/ Robert R. Krakowiak
Robert R. Krakowiak
Chief Financial Officer
(*principal financial officer)*