

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

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**FORM 10-K**  

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

For the fiscal year ended December 31, 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  
(State or Other Jurisdiction of  
Incorporation or Organization)

90112566  
(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

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

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

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

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

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

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

Large accelerated filer   
Non-accelerated filer

Accelerated filer   
Smaller reporting company   
Emerging growth company

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

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

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

As of June 30, 2023, the aggregate market value of the common stock of the registrant held by non-affiliates was \$184.0 million based on the closing price of the common stock on The Nasdaq Global Select Market of the Nasdaq Stock Market LLC on such date.

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As of March 7, 2024, 1,794,797 shares of the registrants' common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain portions of the information required to be furnished pursuant to Part III of this Annual Report on Form 10-K will be set forth in, and incorporated by reference from, the registrant's definitive proxy statement for the annual meeting of stockholders which will be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year ended December 31, 2023.

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## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

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

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

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

## SUMMARY RISK FACTORS

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

- there are risks associated with the discontinuance of our ecommerce operations and wind-down of our used vehicle dealership business;
- our Value Maximization Plan may not be successful, and may not lead to growth and enhanced profitability for our UACC or CarStory businesses;
- we may not generate sufficient liquidity to operate our business;
- 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;
- 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;
- 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;
- the geographic concentration of UACC's borrowers or dealerships 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;
- our recent reverse stock split may not result in the market price per share of our common stock to either exceed or remain in excess of the \$1.00 minimum bid price as required by Nasdaq (as defined herein), or have any of its other anticipated impacts, and we may be unable to satisfy other Nasdaq continued listing rules;
- 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'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 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 may negatively impact our operating results;
- if UACC loses servicing rights on its automobile contracts, our results of operations would be negatively impacted;

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- 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

### Item 1. Business

#### Overview

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

#### Our Company

During the fiscal year ended December 31, 2023, the period covered by this Annual Report on Form 10-K, Vroom operated an end-to-end ecommerce platform to buy and sell used vehicles. On January 22, 2024, we announced that the Board of Directors (the “Board”) of Vroom had approved a value maximization plan, pursuant to which the Company has discontinued its ecommerce operations and is in the process of winding down its used vehicle dealership business in order to preserve liquidity and enable the Company to maximize stakeholder value through its remaining businesses (the “Value Maximization Plan”). Vroom owns United Auto Credit Corporation (“UACC”), a leading automotive finance company that offers vehicle financing to its customers through third party dealers under the UACC brand, and CarStory (“CarStory”), a leader in AI-powered analytics and digital services for automotive retail. The UACC and CarStory businesses will continue to serve their third-party customers, with their operations substantially unaffected by Vroom’s ecommerce wind-down. The Company will seek to grow and enhance the profitability of the UACC and CarStory businesses going forward.

Prior to the adoption of the Value Maximization Plan, the Company’s platform combined automotive ecommerce, vehicle operations and data science and experimentation to bring all phases of the car buying and selling process to consumers wherever they are, offering an extensive selection of used vehicles, transparent pricing, competitive financing, and at-home pick-up and delivery. Pursuant to the Value Maximization Plan, we are conducting an orderly wind-down of our ecommerce business.

#### Former Ecommerce Operations

Vroom’s ecommerce platform offered thousands of vehicles that had undergone detailed inspections, met proprietary reconditioning standards and were backed by a Vroom 90-day limited warranty. The platform provided comprehensive and transparent information on each of the vehicles we sold and provided buyers with a personalized, intuitive interface with specific sorting, searching and filtering functionality. The platform offered integrated, real-time financing solutions through strategic partnerships with automotive finance lenders and through our subsidiary, UACC. For consumers looking to sell their vehicles, the platform offered the ease of online submission of basic vehicle information to receive an on-demand appraisal. Vroom’s vehicle operations encompassed a vertically integrated approach to sourcing, transporting, reconditioning, delivering, and picking up vehicles. Data science and experimentation was at the core of Vrooms operations, and we relied on data science, machine learning and A/B and multivariate testing to continually drive optimization and operating leverage across our ecommerce and vehicle operations.

Pursuant to the Value Maximization Plan, we are conducting an orderly wind-down of our ecommerce business. We have suspended transactions through vroom.com, completed transactions for customers who had previously contracted with us to purchase or sell a vehicle, halted purchases of additional vehicles, sold substantially all of our used vehicle inventory through wholesale channels and paid off our vehicle floorplan financing facility dated November 4, 2022 (“2022 Vehicle Floorplan Facility”) with Ally Bank and Ally Financial Inc. (“Ally”). We continue to take other actions to maximize the value of our remaining ecommerce assets, reduce our outstanding commitments and preserve our liquidity, and have been executing a reduction-in-force commensurate with our reduced operations. Although we expect the ecommerce wind down to be substantially complete by the end of the first quarter of 2024, we may incur additional wind-down costs through the end of 2024.

The UACC and CarStory businesses will continue to serve their third-party customers, with their operations substantially unaffected by Vroom’s ecommerce wind-down. The Company will seek to grow and enhance the profitability of the UACC and CarStory businesses going forward.

For more information about our former ecommerce operations, please refer to “Part I, Item 1. Business” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 2, 2023.

## **UACC**

UACC, which Vroom acquired in February 2022, is an indirect lender that offers vehicle financing to consumers through third-party dealers under the UACC brand, focusing primarily on the non-prime market. Prior to Vroom’s wind-down of its ecommerce operations, UACC also offered vehicle financing to Vroom’s customers through its ecommerce platform. Effective March 1, 2024, Tom Shortt, the Company’s Chief Executive Officer, serves as UACC’s President and Chief Executive Officer and Jon Sandison, the Company’s VP, Investor Relations and FP&A, serves as UACC’s Chief Financial Officer.

UACC, which has been engaged in automotive finance since 1996, currently offers financing services to a nationwide network of thousands of manufacturer-franchised and independent motor vehicle dealers in 49 states, and we seek to expand that network over time. UACC enables these dealers to finance their customers’ purchases of new and used automobiles, medium and light duty trucks and vans with competitive financing terms. The credit programs offered by UACC are primarily designed to serve consumers who have limited access to traditional motor vehicle financing.

In addition to its financing expertise, the UACC platform brings with it extensive application processing, underwriting, and servicing capabilities. UACC’s underwriting process begins when UACC accepts a consumer credit application from one of its approved dealerships. Upon receipt, required information is entered into UACC’s underwriting system for review and disposition by UACC’s automated underwriting decisioning engine in accordance with UACC’s established underwriting guidelines. Because UACC serves consumers who are typically unable to meet the credit standards imposed by most traditional motor vehicle financing sources, it may charge higher interest rates than most traditional motor vehicle financing sources.

UACC verifies the accuracy of information submitted through credit applications and retail installment sales contracts. Verifications are assigned based on risk modeling and completed via a combination of first-party verifications and third-party data sources. Verifications may include customer identity, customer interviews, proof of residence, verification of employment, proof of income, collateral/vehicle valuation, verification of insurance, and other stipulated requirements resulting from risk factors inherent within each credit application.

UACC services the retail installment sales contracts it originates or purchases and will continue to service the contracts it originated or purchased for customers of Vroom’s former ecommerce business. Servicing activities consist primarily of collecting and processing customer payments, responding to customer inquiries, initiating contact with customers who are delinquent in payment of an installment, maintaining the security interests in the financed vehicles and, when necessary, arranging for the repossession and liquidation of the financed vehicles and pursuit of deficiencies. Because UACC focuses primarily on the non-prime market, it generally sustains a higher level of delinquencies and credit losses than that experienced by traditional motor vehicle financing sources. As of December 31, 2023, UACC serviced a portfolio of approximately 79,000 retail installment sales contracts with an aggregate principal outstanding balance of \$1.1 billion.

To fund UACC’s automotive finance operations, eligible retail installment sales contracts that UACC originates or purchases are pledged to lenders under warehouse credit facilities and typically sold to third-party investors via securitization transactions, with UACC continuing to service the finance receivables underlying those contracts. In such securitization transactions, UACC 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 receives the cash proceeds from the sale of the securities.

## **CarStory**

CarStory is a leader in AI-powered analytics and digital services for automotive retail. CarStory offers its digital retailing services to dealers, automotive financial services companies and others in the automotive industry, which use CarStory’s solutions to enhance their customer experience and drive increased vehicle purchases.



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CarStory drives automotive retail innovation by aggregating, optimizing and distributing data from thousands of automotive sources. CarStory tracks over three and a half million unique vehicle identification numbers (“VINs”) listed for sale every day. This data is aggregated with demand insights from millions of consumer sessions and VIN data from CarStory’s proprietary VIN database to generate accurate price and sales. CarStory helps dealers optimize their pricing by leveraging data science models for retail pricing that provide predictive pricing for marketing, buying, selling and VIN-level features.

In addition to its data analytics and digital services, CarStory powers white labeled storefronts for automotive marketplaces and finance companies. In developing its white label capabilities, CarStory also has developed a variety of consumer-focused functions designed to enhance the customer experience and drive conversion. CarStory’s data and data science assets create significant opportunity for automotive AI product development, with over 200 million VINs, over three billion photos and price and price elasticity models.

### **Marketing**

As an indirect lender, UACC’s marketing efforts are focused on selling to dealerships, rather than consumers. UACC utilizes a combination of internal and field sales managers to both solicit the enrollment of new dealerships and to market its financing programs and products to existing dealerships. UACC’s sales managers serve as the primary liaison with its dealerships. Sales managers focus their efforts on educating dealership personnel on UACC’s lending programs and how to combine specific consumer characteristics, collateral and deal structures to increase the probability of approval under UACC’s underwriting guidelines. Prior to establishing a business relationship with an automobile dealership, UACC completes a review of the dealership’s operations, inventory, facilities, and owner’s credit history.

CarStory has not actively engaged in marketing activities since being acquired by Vroom in 2021. As part of the wind-down of its ecommerce business, Vroom has ended all sales and marketing activities for its used vehicle operations.

### **Competition**

The automotive financing industry is large and highly competitive. UACC competes with a number of national, regional and local finance companies, banks, credit unions, fintech companies, and captive finance companies. Many of these companies are larger and have greater financial resources than UACC, including greater access to capital markets for debt instruments or access to lower cost deposit bases. These funding sources may be unavailable to UACC. Many of these companies also have long-standing relationships with automobile dealers and may provide other financing to dealers, including floor plan financing for the dealers’ purchases of automobiles from manufacturers and auctions, which we do not offer.

Credit applications may be sent simultaneously to multiple lenders for consideration. As a result, UACC competes with other financing sources on the basis of the approved structure, minimum customer requirements and stipulations, types of vehicles financed, dealer fees, dealer incentives, levels of service, and distribution (accessibility to UACC’s program via credit application technology platforms). We believe that we can obtain from our dealership network sufficient automobile contracts for purchase at attractive prices by consistently applying reasonable underwriting criteria and making timely purchases of qualifying automobile contracts, however, there can be no assurance that we will be able to do so.

The automotive data and service business is large and very competitive. CarStory competes with a number of companies in the automotive industry, including valuation services, VIN data providers, website marketplaces, inventory aggregators, and retail e-commerce platforms. Some of these companies are significantly larger with well-established sales and marketing teams. We compete with other companies to attract customers to our marketplace and dealers to our digital solutions.

### **Human Capital Management**

As of December 31, 2023, the Company employed a total of 1,682 employees, of which 1,675 were full-time employees. The total consisted of 1,468 employees across 34 states in the United States and 214 employees based in Belgrade, Serbia. UACC employed 683 workers, of which 677 were full-time. CarStory employed 219 workers, 213 of which are based in Serbia, with the balance in the US. The balance were employed as part of the Vroom ecommerce

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business. None of our employees is represented by a labor union. We consider our relationships with our employees to be good and have not experienced any interruptions of operations due to labor disagreements.

In January and April 2023, as part of our continued focus on reducing variable and fixed costs, we conducted reductions in force across the Vroom business. During the year, we also undertook several smaller reductions to further streamline the business. In January 2024, in connection with the wind-down of our ecommerce operations, we began a significant reduction in force across the entire Vroom business. We anticipate that approximately 800 employees will be impacted upon substantial completion of the wind-down, resulting in a reduction of approximately 93% of the employees not engaged in UACC's or CarStory's ongoing operations.

### **Intellectual Property**

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

As of the date of this Annual Report on Form 10-K, CarStory has 30 issued or allowed U.S. patents with expirations through 2039 and seven pending U.S. patent applications, and Vroom has one pending nonprovisional patent. We own 25 registrations for trademarks in the United States owned by Vroom, Vast (CarStory's parent entity) and UACC, collectively, with renewal deadlines through 2033, including Vroom®, V & Design®, Get In®, Sell Us Your Car®, VroomProtect®, Texas Direct®, CarStory®, Vast® and United Auto Credit®; and we hold 54 registered trademarks in Australia, Brazil, China, Colombia, Chile, Argentina, the European Union, the United Kingdom, Japan, Singapore, Mexico, Canada, South Korea and Peru, including for the Vroom® trademark with renewal deadlines through 2033 and we also have a number of pending trademark applications in the U.S. and certain foreign jurisdictions. We continually review our branding strategies and technology development efforts to assess the existence, registrability, and patentability of new intellectual property. We will work to preserve the value of our Vroom® intellectual property rights where appropriate following the wind-down of our ecommerce operations.

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

### **Government Regulation**

Our businesses are and will continue to be subject to extensive U.S. federal, state and local laws and regulations.

As an entity operating in the financial services sector, UACC is required to comply with a wide variety of laws and regulations. Compliance with these laws and regulations requires that UACC maintain forms, processes, procedures, controls and the infrastructure to support these requirements, and these laws and regulations often create operational constraints both on UACC's ability to implement servicing procedures and on pricing. UACC is subject to laws designed for the protection of consumers, including the Truth in Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, prohibitions against unfair, deceptive, and abusive acts and practices, and various other state and federal laws and regulations. These laws mandate certain disclosures with respect to finance charges on automobile contracts and impose certain other restrictions. Most states regulate retail installment sales, including setting a maximum interest rate, caps on certain fees, or maximum amounts financed. Certain states require UACC to have a sales finance license, consumer credit license, or similar applicable license. UACC has obtained licenses in all states where licensing is required.

UACC's financing operations are also subject to U.S. federal, state, and local laws and regulations regarding contract origination, acquiring motor vehicle installment sales contracts from retail sellers, furnishing data to credit reporting agencies, servicing, debt collection practices, and securitization transactions. In addition, UACC is subject to supervision and examination by the Consumer Financial Protection Bureau ("CFPB"), a federal agency created by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The CFPB has rulemaking, supervisory and enforcement authority over UACC and is specifically authorized, among other things, to take actions to prevent companies from engaging in "unfair, deceptive or abusive" acts or practices in connection with consumer financial

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products and services, and to issue rules requiring enhanced disclosures for consumer financial products or services. The CFPB also has authority to interpret, enforce and issue regulations implementing enumerated consumer laws, including certain laws that apply to UACC. The Dodd-Frank Act and regulations promulgated thereunder may affect UACC's cost of doing business, may limit or expand its permissible activities, may affect the competitive balance within UACC's industry and market areas, and could have a material adverse effect on UACC.

In addition to the CFPB, other state and federal agencies have the ability to regulate aspects of our business. For example, the Dodd-Frank Act provides a mechanism for state Attorneys General to investigate UACC. In addition, the Federal Trade Commission has jurisdiction to investigate aspects of our business. From time to time, we are subject to routine investigations by state and federal regulators. We expect that regulatory investigations by both state and federal agencies will continue, and there can be no assurance that the results of such investigations will not have a material adverse effect on UACC.

The advertising, sale, purchase, financing and transportation of used vehicles are regulated by every state in which we previously operated our ecommerce business, and by the U.S. federal government. The titling and registration of vehicles and the sale of value-added products also are regulated by state laws, and such laws can vary significantly from state to state. In addition, our ecommerce business was subject to regulations and laws specifically governing the internet and ecommerce and the collection, storage, use and other processing of personal information and other customer data. Further, our ecommerce business was subject to current and future laws regarding the use of, training, testing, oversight and accuracy of AI. Additionally, we are subject to industry-specific regulations and intellectual property laws regarding proprietary data, including motor vehicle records. The federal governmental agencies that have regulated our ecommerce business and have the authority to enforce such regulations and laws against us include agencies such as the U.S. Federal Trade Commission, the U.S. Department of Transportation, the U.S. Occupational Health and Safety Administration, the U.S. Department of Justice and the U.S. Federal Communications Commission. Additionally, our ecommerce business was subject to regulation by individual state dealer licensing authorities, state consumer protection agencies and state financial regulatory agencies. From time to time, our ecommerce business was subject to audits, requests for information, investigations and other inquiries from our regulators related to customer complaints. As we encountered operational challenges in keeping up with our rapid growth from 2020 through the first quarter of 2022, we experienced an increase in customer complaints, leading to an increase in such regulatory inquiries. We have endeavored to promptly respond to any such inquiries and cooperate with our regulators. We previously held automotive dealer licenses and motor vehicle sales finance licenses or retail installment seller licenses in multiple states. As a result of the wind-down of the ecommerce business and cessation of our used automotive dealer operations, we are in the process of terminating such licenses.

In addition to the laws and regulations described above, our facilities and business operations are subject to laws and regulations relating to environmental protection, occupational health and safety, and other broadly applicable business regulations. We also are subject to laws and regulations involving taxes, tariffs, privacy and data security, anti-spam, pricing, content protection, electronic contracts and communications, mobile communications, consumer protection, information-reporting requirements, unencumbered internet access to our platform, the design and operation of websites and internet neutrality. We also are subject to laws and regulations affecting public companies, including securities laws and Nasdaq listing rules.

For a discussion of the various risks we face from regulation and compliance matters, see "Risk Factors—Risks Related to Cybersecurity and Privacy—Failure to comply with federal, state and local laws and regulations relating to privacy, data protection and consumer protection, or the expansion of current or the enactment of new laws or regulations relating to privacy, data protection and consumer protection, as well as our actual or perceived failure to protect such information could harm our reputation and could adversely affect our business, financial condition and results of operations"; "Risk Factors—Risks Related to Cybersecurity and Privacy—Our CarStory business relies on artificial intelligence to facilitate the automotive retail experience. If our use of artificial intelligence results in inaccurate data, regulatory scrutiny, privacy concerns or is otherwise unsuccessful, it could adversely affect our business, results of operations, and financial condition"; "Risk Factors—Risks Related to Cybersecurity and Privacy—Any actual or perceived failure to comply with the evolving regulatory frameworks around the development and use of AI could adversely affect our business, results of operations, and financial condition"; "Risk Factors—Risks Related to Laws and Regulations—We operate in a highly regulated industry and are subject to a wide range of federal, state and local laws and regulations. Failure to comply with these laws and regulations could have a material adverse effect on our business, financial condition and results of operations"; "—If we fail to comply with the Telephone Consumer Protection Act, we may face significant damages, which could harm our business, financial condition and results of operations"; and "—Government regulation of

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

**Seasonality**

Used vehicle sales are seasonal. The used vehicle industry typically experiences an increase in sales early in the calendar year and reaches its highest point late in the first quarter and early in the second quarter. Vehicle sales then level off through the rest of the year, with the lowest level of sales in the fourth quarter. This seasonality has historically corresponded with the timing of income tax refunds, which are an important source of funding for vehicle purchases. Additionally, used vehicles depreciate at a faster rate in the last two quarters of each year and a slower rate in the first two quarters of each year. However, the past few years have not followed typical depreciation trends and there remains continued uncertainty surrounding market trends. Consistent with market trends, UACC generally experiences increased funding activity during the first quarter through tax season. Delinquencies also tend to be lower during the first quarter through tax season and higher during the latter half of the year. See “Risk Factors—Risks Related to Our Financial Condition and Results of Operations—We may experience seasonal and other fluctuations in our quarterly results of operations, which may not fully reflect the underlying performance of our business.”

**Available Information**

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

## Item 1A. Risk Factors

*An investment in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with the financial and other information contained in this Annual Report on Form 10-K, before you decide to purchase shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material or important, may also become material or important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline and you could lose all or part of your investment in our common stock.*

### **Risks Related to Our Financial Condition, Results of Operations, Liquidity and Indebtedness**

***There are risks associated with the discontinuance of our ecommerce operations and wind-down of our used vehicle dealership business.***

On January 22, 2024, we announced the Value Maximization Plan, pursuant to which we are discontinuing our ecommerce operations and winding down our used vehicle dealership business in order to preserve cash and maximize stakeholder value through our remaining businesses. As a result, we will incur costs including severance costs, inventory liquidation costs, contract and lease termination costs and non-cash asset impairments, and such costs are expected to exceed any cash we generate on the liquidation of assets. The Company estimates it will incur approximately \$31.5 million in one-time expenses in connection with the Plan. Included in this amount are approximately \$15.0 million in costs attributable to contract and lease terminations and approximately \$16.5 million of expenses the Company expects to incur relating to employee severance and benefits costs. The actual amount of wind down, transition and impairment charges may materially exceed our estimates, due to various factors, many of which are outside of our control, including the outcomes of discussions and negotiations (a number of which are currently ongoing) with the counterparties to the contracts and leases we intend to terminate or modify. In addition, because of uncertainties with respect to our wind-down plan (including those described above), we may not be able to realize the anticipated benefits of or complete the wind-down in the expected timeframe, on the terms or in the manner we expect, and the costs incurred in connection with such wind-down activities may exceed our estimates. If the time to complete the wind-down takes longer than expected, or the actual costs or impairment charges exceed our estimates, the Company's business, operational results, financial position and cash flows could be adversely affected.

The purpose of the Value Maximization Plan is to wind-down our ecommerce operations, which were not profitable and had significant cash burn, in order to preserve cash and enable us to maximize stakeholder value through our remaining businesses, UACC and CarStory. As of February 29, 2024, we had cash and cash equivalents of approximately \$94.0 million. Given our wind-down expenses, including employee severance costs, our ongoing operating expenses and recent losses at UACC, there can be no assurance that we will succeed in growing and enhancing the profitability of UACC and CarStory and create meaningful stakeholder value.

Additionally, the announced wind-down involves further risks, including:

- the inability to retain qualified personnel necessary for the wind-down during the wind-down period;
- potential disruption of the operations of the rest of our businesses and diversion of management's attention from such businesses and operations;
- exposure to unknown, contingent or other liabilities, including litigation arising in connection with the wind-down;
- negative impact on our business relationships, including but not limited to potential relationships with our customers, suppliers, vendors, licensees and employees; and
- unintended negative consequences from changes to our business.

If any of these or other factors impair our ability to successfully implement the wind-down, we may not be able to realize other business opportunities as we may be required to spend additional time and incur additional expense relating to the wind-down that otherwise would be used on the development, expansion and profitability of our other businesses, which could adversely impact our business, operational results, financial position and cash flows.

***We may not generate sufficient liquidity to operate our business.***

As of February 29, 2024, we had cash and cash equivalents of approximately \$94.0 million. We expect to use our cash and cash equivalents to finance our future capital requirements and UACC's four senior secured warehouse facility agreements (the "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 higher interest rates. Any future decreases on available advance rates may have an adverse impact on our liquidity.

We cannot assure you that we will generate sufficient revenue to offset the cost of maintaining our remaining operations, including significant accounting, legal, administrative and other costs associated with being a public company, and to service the interest and repay the outstanding Convertible Senior Notes due 2026 (the "Notes") when due. Our revenue growth may be adversely affected by our inability to grow and develop the UACC and CarStory businesses; weakness in the automotive retail industry generally; general economic conditions, including high interest rates and inflation; global pandemics and other public health emergencies; and increasing competition. Our historical revenue growth is not indicative of our future performance, particularly given the wind-down of our ecommerce business. If we are unable to grow and develop the UACC and CarStory businesses and generate sufficient revenue, our business, financial condition and results of operations will be materially and adversely affected. Additionally, our cash needs may increase in the future as we focus on growing and developing the UACC and CarStory businesses.

In addition to our ongoing cash requirements, our liquidity will also be used to fund costs related to the wind-down of our ecommerce operations, primarily severance and early contract and lease termination payments. Such payments could be significant and have a material effect on our cash flows from operations. Our future capital requirements will depend on many factors, including our available advance rates on the Warehouse Credit Facilities, our ability to complete additional securitization transactions on terms favorable to us, and our future credit losses. We have no significant debt maturities due until July 2026 and the payments on our securitization debt are funded by cashflows on the finance receivables within the securitization trusts. However, there can be no assurance that our liquidity will be sufficient to achieve the objectives of our Value Maximization Plan.

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

We have not been profitable since our inception in 2012 and had an accumulated deficit of approximately \$1,966.2 million as of December 31, 2023. We incurred net losses of \$365.5 million and \$451.9 million for the years ended December 31, 2023 and 2022, respectively. While the majority of our historic losses related to our ecommerce business, UACC had a loss before provision for income taxes of approximately \$41.2 million for the year ended December 31, 2023. We may continue to incur significant losses in the future for a number of reasons, including increased losses on UACC's portfolio, our inability to grow and maximize the value of the UACC and CarStory businesses; weakness in the automotive retail industry generally; general economic conditions, including high interest rates, inflation and unemployment; global pandemics and other public health emergencies; and increasing competition, as well as other risks described in this Annual Report on Form 10-K, and we may encounter unforeseen expenses, difficulties, complications and delays in achieving the goals of our Value Maximization Plan.

While we have significantly reduced our operating expenses as part of our Value Maximization Plan, we expect to continue incurring operating expenses as we invest in the UACC and CarStory businesses, including investments in technology development for those businesses. In addition, we anticipate continued legal, accounting, administrative and other expenses as a public company. As a result of these expenditures, we will have to generate and sustain revenue sufficient to offset our operating expenses in order to achieve and maintain profitability.

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

As of December 31, 2023, we had outstanding \$151.2 million aggregate principal amount of borrowings under our 2022 Vehicle Floorplan Facility and \$290.5 million aggregate principal amount of our Notes. For the year ended December 31, 2023, our interest expense was \$19.5 million related to the 2022 Vehicle Floorplan Facility, and \$4.3 million related to the Notes. In addition, as of December 31, 2023, UACC had \$314.1 million of securitization indebtedness as well as its Warehouse Credit Facilities with banking institutions, with an aggregate borrowing limit of \$825.0 million. As of December 31, 2023, there was \$421.3 million in outstanding borrowings related to the Warehouse Credit Facilities. In

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2023, we repurchased \$74.2 million in aggregate principal amount of our Notes, net of deferred issuance costs of \$3.7 million, in open market transactions for \$36.5 million. Subject to market conditions and availability, we may continue to opportunistically repurchase Notes from time to time to reduce our outstanding indebtedness at a discount. However, as we approach the July 2026 maturity date, we may be unable to repay, restructure or refinance the remaining Notes on commercially reasonable terms or at all.

If our cash flows and capital resources are insufficient to fund our debt service obligations going forward, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. If new debt is added to our current indebtedness level, the related risks that we face could intensify. Our remaining Notes will mature on July 1, 2026, and our ability to service the interest and repay the Notes when due will depend on our ability to generate sufficient cash. Our ability to restructure or refinance our current or future debt, including the Notes, or obtain additional debt financing will depend on the condition of the capital markets and our financial condition at such time, including the execution of our Value Maximization Plan and our ability to grow and enhance the profitability of the UACC and CarStory businesses. 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. 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.

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

As of December 31, 2023, we, including our subsidiaries, had approximately \$1,199.0 million principal amount of consolidated indebtedness. Of that amount, \$151.2 million aggregate principal amount of borrowings under our 2022 Vehicle Floorplan Facility has been paid in full, and \$314.1 million of securitization debt is funded by cashflows on receivables within the securitization trusts. 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 Value Maximization Plan;
- limiting our flexibility to plan for, or react to, changes in our business;
- 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 December 21, 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 February 13, 2024, after obtaining stockholder approval, we effected a 1-for-80 reverse stock split (the "Reverse Stock Split"), and our stock began trading on a post-split adjusted basis on February 14, 2024. On February 29, 2024, we were notified by Nasdaq Listing Qualifications that the closing bid price of our common stock had been at \$1.00 per share or greater for 11 consecutive business days, from February 14, 2024 to February 28, 2024. Accordingly, the Company has regained compliance with Nasdaq Listing Rule 5450(a)(1) and this matter is now closed. However, if our common stock again closes below the \$1.00 per share minimum bid price required by Nasdaq for 30 consecutive business days, we again would receive another notice of non-compliance with Nasdaq's listing standards and would face the risk of delisting. 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

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Nasdaq, or that we will otherwise meet the requirements of Nasdaq for continued listing 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.

***We recognized an impairment charge related to goodwill and long-lived assets. If our amortizable intangible assets or remaining long-lived assets become impaired in the future, we would incur additional impairment charges, which would negatively affect our operating results.***

Our goodwill was fully impaired as of December 31, 2022. We also recognized impairment charges of \$48.7 million related to long-lived assets during the year ended December 31, 2023. If our amortizable intangible assets or remaining long-lived assets become impaired in the future, we would incur additional impairment charges, which would negatively affect our results of operations. There is significant judgment required in the analysis of a potential impairment of identified intangible assets and other long-lived assets. Impairment may result from, among other things, significant changes in the manner of use of the acquired assets, negative industry or economic trends and/or significant underperformance relative to historic or projected operating results. See Notes 7 and 12 to the Company's Consolidated Financial Statements.

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

We expect our quarterly results of operations, including our yield, net spreads, risk-adjusted margins, credit losses and cash flow to vary significantly in the future based in part on vehicle-buying patterns. Vehicle sales historically have exhibited seasonality, with an increase in sales early in the year that reaches its highest point late in the first quarter and early in the second quarter, which then levels off through the rest of the year with the lowest level of sales in the fourth quarter. This seasonality historically corresponds with the timing of income tax refunds, which can provide a primary source of funds for customers' payments on used vehicle purchases. Used vehicle prices also exhibit seasonality, with used vehicles depreciating at a faster rate in the last two quarters of each year and a slower rate in the first two quarters of each year. Consistent with market trends, UACC generally experiences increased funding activity during the first quarter through tax season. Delinquencies also tend to be lower during the first quarter through tax season and higher during the latter half of the year.

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

- the progress of our Value Maximization Plan;
- our liquidity and ability to raise capital through equity or debt financings;
- our ability to complete securitization transactions on favorable terms;
- our future credit losses;
- increases in vehicle prices;
- changes in the competitive dynamics of our industry;
- the regulatory environment;
- macroeconomic conditions, including interest rates, inflation, unemployment and underemployment rates, vehicle supply and demand and labor costs;
- changes that impact disposable income, including changes that impact the timing or amount of income tax refunds; and
- litigation or other claims against us and increased legal and regulatory expenses.

In addition, a significant portion of our expenses are fixed and do not vary proportionately with fluctuations in revenues. As a result of these seasonal fluctuations, our results in any quarter may not be indicative of the results we may achieve in any subsequent quarter or for the full year, and period-to-period comparisons of our results of operations may not be meaningful.



## Risks Related to Our Operations

***The geographic concentration of UACC's borrowers or dealerships 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.***

Changes in demographics and population, local and regional downturns or severe weather conditions and other catastrophic occurrences in any of the states where UACC has a high concentration of borrowers or dealership partners could result in payment delays and increased risk of losses and could materially and adversely affect our revenues and results of operations. During the year ended December 31, 2023, 36.9% of UACC's originations were located in UACC's three largest states (measured by aggregate financed amount). While we believe that we have a diverse geographic presence, we expect that these three states will continue to generate significant amounts of our loans due to economic, demographic, regulatory, competitive and other conditions in these states. Adverse developments in these states could lead to reduced demand for automotive financing, and could materially adversely affect our financial condition and results of operations.

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

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our continuing ability to retain, develop, motivate and attract highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to retain and attract them. In particular, we are highly dependent on the services of our leadership team to the development of our business, future vision, and strategic direction, including as we realign our business in accordance with the Value Maximization Plan. On February 29, 2024, James G. Vagim, III, UACC's Co-President and Chief Executive Officer, and Ravi Gandhi, UACC's Co-President and Chief Financial Officer stepped down. The Company's Chief Executive Officer, Tom Shortt succeeded Mr. Vagim as President and Chief Executive Officer, and the Company's Vice President of Investor Relations and Financial Planning & Analysis, Jon Sandison, succeeded Mr. Gandhi as UACC's Chief Financial Officer. Our future performance will depend, in part, on the successful transition of these positions. We heavily rely on the continued service and performance of our senior management team, which provides leadership, contributes to the core areas of our business and helps us to efficiently execute our business, including with respect to strategic initiatives such as our Value Maximization Plan. If members of our senior management team, including our executive leadership, become ill, or if we are otherwise unable to retain them, we may not be able to manage our business effectively and, as a result, our business and operating results could be harmed. If the senior management team, including any new hires that we make, fails to work together effectively and to execute our plans and strategies on a timely basis then our business and future growth prospects could be harmed.

In addition, we issue equity awards to certain of our employees as part of our hiring and retention efforts, and job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. Our employees' ability to sell their shares in the public market at times and/or at prices desired may lead to a larger than normal turnover rate. The market value of our common stock has declined significantly. If the actual or perceived value of our common stock does not recover, or if our common stock is delisted from the Nasdaq Global Select Market, it may adversely affect our ability to hire or retain employees. See "We may be unable to satisfy a continued listing rule from the Nasdaq". In addition, we may periodically change our equity compensation practices, which may include reducing the number of employees eligible for equity awards or reducing the size or value of equity awards granted per employee or undertaking other efforts that may prove to be an unsuccessful retention mechanism. If we are unable to attract, integrate, or retain the qualified and highly skilled personnel required to fulfill our current or future needs, our business and future growth prospects could be harmed.

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

***We are, and may in the future be, subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, financial condition and results of operations.***

We are subject to various litigation matters from time to time, the outcome of which could have a material adverse effect on our business, financial condition and results of operations. Claims arising out of actual or alleged violations of law could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be asserted under a variety of laws, including but not limited to consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business. For example, a consolidated class action is pending in the U.S. District Court for the Southern District of New York asserting claims on behalf of a putative class of Company stockholders against us, certain of our officers, and certain of our directors, among others, alleging violations of the federal securities laws. We also are a party to certain stockholder derivative suits in which the Company is named as a nominal defendant in suits that various individual stockholders seek to bring on behalf of the Company against certain of our current and former directors and officers. These suits are pending in the U.S. District Court for the Southern District of New York and the U.S. District Court for the District of Delaware and are based on the same general course of conduct alleged in the consolidated securities class action. We believe these lawsuits are without merit and intend to vigorously contest these claims.

In January 2022, the Company received a non-public civil investigative demand from the Federal Trade Commission (“FTC”), seeking the production of information related to certain of the Company’s business practices and the Company responded to those information requests. On February 23, 2024, the FTC notified the Company that it has reason to believe that the Company violated Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a); the FTC’s Mail, Internet, or Telephone Order Merchandise Rule, 16 C.F.R. Part 435; the FTC’s Used Motor Vehicle Trade Regulation Rule, 16 C.F.R. Part 455; and the FTC’s Pre-Sale Availability Rule, 16 C.F.R. Part 702. The FTC advised the Company that it is authorized to negotiate a stipulated order and the Company intends to work cooperatively with the FTC towards a resolution. Because the matter 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 addition, in April 2022, the Attorney General of Texas filed a lawsuit on behalf of the State of Texas in the District Court of Travis County, Texas against the Company, alleging violation of the Texas Deceptive Trade Practices – Consumer Protection Act and Texas Business and Commerce Code § 17.41 et seq. In December 2023, Vroom, Inc., Vroom Automotive, LLC and the Attorney General of the State of Texas reached a final agreement to resolve all claims in the petition, without any admission of wrongdoing by either Vroom entity. Under the agreement, the Company will pay a total of \$2 million in civil penalties and \$1 million in attorneys’ fees, with the first half due in September 2024 and the remaining half due in September 2025, and abide permanently by an injunction of certain operational practices that were previously implemented. The agreement was approved by the District Court of Travis County on December 13, 2023. See Part I, Item 3. “Legal Proceedings” for more information about these matters and the other legal proceedings to which we are subject.

### **Risks Related to the UACC Business**

***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 retail installment sales contracts and pledging eligible finance receivables as collateral, then typically selling the receivables related to the retail installment sales contracts. 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, through securitizations, and we expect UACC to enter into additional securitizations 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

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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 market conditions at the time, 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 we are unable to sell the residual interests, we could be subject to credit risk and be forced to incur unexpected asset write-offs and bad-debt expense. In addition, as a result of high interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC has been experiencing higher loss severity. 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 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 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, the financial markets or credit performance. For example, on March 1, 2024, 2023, UACC's BB-rated securities from the 2022-2 securitization transaction were downgraded by one ratings agency to a CCC 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. In addition, as a result of higher interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher portfolio losses. 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 may negatively impact our operating results.***

UACC specializes in the purchase and servicing of contracts to finance vehicle purchases primarily by non-prime customers, including those who have limited credit history, past credit problems, or low income. Such contracts generally have a higher risk of non-performance, and may result in higher delinquencies and higher losses than contracts with customers who have higher credit ratings. UACC is currently experiencing increasing credit losses on its finance receivables, which has negatively impacted the fair value of our financial receivables and increased the losses recognized during 2022 and 2023. Increasing credit losses negatively impacted our business during 2023 and we expect these credit

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losses to continue to negatively impact our business during 2024. Due to the wind-down of our ecommerce business, UACC has become our largest business and our results of operations and financial condition are increasingly vulnerable to adverse developments in UACC's business.

Until UACC sells automotive finance receivables, and to the extent it retains interests in those receivables after it sells them, whether pursuant to securitization transactions or otherwise, UACC is exposed to the risk that certain customers will be unable or unwilling to repay their retail installment sales contracts according to their terms and that the vehicle collateral securing the payment of those retail installment sales contracts 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 market, 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 and financial condition. Because UACC focuses predominately on non-prime borrowers, the actual rates of delinquencies, defaults, repossessions and losses on its receivables are higher and more volatile than those experienced in the general motor vehicle finance industry and may be adversely 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.

UACC makes various assumptions and judgments about the automotive finance receivables it originates or purchases 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 credit 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, including the associated stimulus programs, 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 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 or purchases. If it relies on systems that fail to effectively forecast loss rates on receivables it originates or purchases, 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, including the associated stimulus programs. Additionally, as noted above, we believe that the impact of the pandemic on the economy and individuals led to loss and delinquency expectations that may not accurately predict the performance of UACC's receivables.

UACC generally seeks to sell these receivables through securitization transactions. If the receivables it sells experience higher loss rates than forecasted, it may be unable to sell those receivables or may obtain less favorable pricing on the receivables it sells in the future and suffer reputational harm in the marketplace for the receivables it sells and its 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, then to the extent those receivables fail to perform during its holding period, they may become ineligible for sale.

***If UACC's dealers do not submit a sufficient number of suitable automobile contracts to UACC for purchase, its results of operations may be impaired.***

UACC is dependent upon establishing and maintaining relationships with a large number of manufacturer-franchised and independent motor vehicle dealers to supply it with automobile contracts. During the years ended December 31, 2020 through 2023, no single dealer accounted for 1% or more of the automobile contracts UACC purchased, other than Vroom, through our former ecommerce business, which accounted for approximately 22% of

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UACC's automobile contracts in 2023. The agreements UACC has with dealers to purchase automobile contracts do not require dealers to submit a minimum number of automobile contracts for purchase. The failure of dealers to submit automobile contracts that meet UACC's underwriting criteria could result in reductions in its revenues or the cash flows available to it, and, therefore, could have an adverse effect on UACC's and our results of operations.

As of December 31, 2023, automobile contracts originated from Vroom customers or purchased from Vroom represented approximately 30% of UACC's total serviced loan portfolio. If UACC is unable to replace the volume of automobile contracts it previously received from Vroom's ecommerce business, our business, financial condition, and results of operations could be materially adversely affected.

### ***If UACC loses servicing rights on its automobile contracts, our results of operations would be impaired.***

UACC is entitled to receive servicing fees only when it acts as servicer under the applicable sale and servicing agreements governing its Warehouse Credit Facilities and securitizations. Under such agreements, UACC may be terminated as servicer upon the occurrence of certain events, including:

- its failure to observe and perform its duties and responsibilities and comply with other covenants;
- certain bankruptcy events; and
- the occurrence of certain events of default under the documents governing the facilities.

The loss of servicing rights could materially and adversely affect our results of operations, financial condition and cash flows.

### ***Risk retention rules may limit UACC's liquidity and increase UACC's capital requirements.***

Securitizations of automobile receivables are subject to risk retention rules under Federal law, which generally require that sponsors of asset-backed securities (ABS), such as UACC, retain no less than five percent of the credit risk of the assets collateralizing the ABS issuance. The rules also set forth prohibitions on transferring or hedging the credit risk that the sponsor is required to retain. Because the rules place an upper limit on the degree to which UACC may use financial leverage, its securitization structures may require more capital, or may release less cash, than might be the case in the absence of such rules.

### ***UACC may be unable to continue to access or renew funding sources and obtain capital needed to maintain and grow its business.***

UACC uses debt financing to maintain and grow its business. It currently utilizes its Warehouse Credit Facilities and securitizations to fund its liquidity needs. We cannot guarantee that the Warehouse Credit Facilities will continue to be available beyond their current maturity dates, on acceptable terms, or at all, or that UACC will be able to obtain additional financing on acceptable terms or at all. The availability of additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the losses incurred in UACC's loan portfolio, UACC's financial position, its results of operations, and the capacity for additional borrowing under its existing financing arrangements. If UACC's various financing alternatives were to become limited or unavailable, it may be unable to maintain or grow loan volume at the level that we anticipate and our financial condition and results of operations could be materially adversely affected.

## **Risks Related to Cybersecurity and Privacy**

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

We and certain of our third-party providers collect, maintain and process data about current and prospective customers, employees, business partners and others, including personally identifiable information, as well as proprietary information belonging to our business such as trade secrets (collectively, "Confidential Information"). We rely on computer systems, hardware, software, technology infrastructure and online sites and networks for both internal and external operations that are critical to our business (collectively, "IT Systems"). We own and manage some of these IT Systems but also rely on third parties that are not directly under our control to manage certain areas of these operations. For example, we rely on encryption, storage, and processing technology developed by third parties to securely transmit, operate on and store such information. Successful cyberattacks that disrupt or result in unauthorized access to third party

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IT Systems can materially impact our operation and financial results. Due to the volume and sensitivity of the personal information and data we and these third parties manage and expect to manage in the future, as well as the nature of our customer base, the security features of our information systems are critical. Any failure or perceived failure by us or by third parties who access our IT Systems and/or Confidential Information to maintain the security of personal and other data that is provided to us by customers, employees and vendors could harm our reputation and brand and expose us to a risk of loss or litigation and possible liability, any of which could adversely affect our business, financial condition, and results of operations. While we employ a number of security measures designed to protect the security of our IT Systems and Confidential Information, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, and of third parties we rely on will be fully implemented, complied with our effective in protecting our IT Systems and Confidential Information.

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

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

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

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

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

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

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

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

#### **Risks Related to Our Industry and General Economic Conditions**

***Our businesses participate in highly competitive industries, and pressure from existing and new companies may adversely affect our business and results of operations.***

The automobile financing business is large and highly competitive. UACC competes with a number of national, regional and local finance companies, banks, credit unions, fintech companies, and captive finance companies. Many of these companies are much larger and have greater financial resources than UACC, including greater access to capital markets for debt instruments or access to lower cost deposit bases. These funding sources may be unavailable to UACC. Many of these companies also have long-standing relationships with automobile dealers and may provide other financing to dealers, including floor plan financing for the dealers' purchases of automobiles from manufacturers and auctions, which we do not offer. There can be no assurance that we will be able to continue to compete successfully and, as a result, we may not be able to purchase automobile contracts from dealers at a price acceptable to us, which could result in reductions in our revenues or the cash flows available to us. Additionally, if UACC is unsuccessful in maintaining and growing its dealer network, our results of operations, cash flows, and financial condition may be adversely affected.

The automotive data and service business is large and very competitive. CarStory competes with a number of companies in the automotive industry, including valuation services, VIN data providers, website marketplaces, inventory

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aggregators, and retail e-commerce platforms. Some of these companies are significantly larger with well-established sales and marketing teams. We compete with other companies to attract customers to our marketplace and dealers to our digital solutions. If we are unable to grow CarStory's marketplace and customer base, our results of operations, cash flows, and financial condition may be adversely affected.

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

Our business is affected by general business and economic conditions. The global economy often experiences periods of instability, and this volatility may lead to high unemployment and a lack of available credit, which may in turn lead to increased delinquencies, defaults, repossessions and losses on motor vehicle contracts financed through UACC and could materially and adversely affect our business, financial condition and results of operations.

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

### **Risks Related to Laws and Regulations**

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

Our businesses are and will continue to be subject to extensive U.S. federal, state and local laws and regulations. The financing of motor vehicles is regulated by every state in which we operate and by the U.S. federal government. Our prior ecommerce business, including the advertising and sale of used vehicles, titling and registration of vehicles, and the sale of value-added products, also was regulated by state laws, and such state laws can vary significantly from state to state. In addition, we are subject to regulations and laws specifically governing the internet and ecommerce and the collection, storage and use of personal information and other customer data. We are also subject to federal and state consumer protection laws, including prohibitions against unfair or deceptive acts or practices. The federal governmental agencies that regulate our business and have the authority to enforce such regulations and laws against us include agencies such as the U.S. Federal Trade Commission ("FTC"), the U.S. Consumer Financial Protection Bureau ("CFPB"), the U.S. Occupational Health and Safety Administration, the U.S. Department of Justice and the U.S. Federal Communications Commission ("FCC"). Additionally, we are subject to regulation by state consumer protection agencies and state financial regulatory agencies.

In our prior ecommerce business, we have been subject to audits, requests for information, investigations and other inquiries from our regulators related to customer complaints. As we encountered operational challenges in keeping up with our rapid growth from 2020 through the first quarter of 2022, we experienced an increase in customer complaints, leading to an increase in such regulatory inquiries. We endeavored to promptly respond to any such inquiries and cooperate with our regulators. However, we have incurred fines in certain states and in April 2022, the Attorney General of Texas filed a lawsuit on behalf of the State of Texas in the District Court of Travis County, Texas against the Company, alleging violation of the Texas Deceptive Trade Practices – Consumer Protection Act and Texas Business and Commerce Code § 17.41 et seq. In December 2023, Vroom, Inc., Vroom Automotive, LLC and the Attorney General of the State of Texas reached a final agreement to resolve all claims in the petition, without any admission of wrongdoing by either Vroom entity. Under the agreement, the Company will pay a total of \$2 million in civil penalties and \$1 million in attorneys' fees, with the first half due in September 2024 and the remaining half due in September 2025, and abide permanently by an injunction of certain operational practices that were previously implemented. The agreement was approved by the District Court of Travis County on December 13, 2023. See Part II, Item 1 – "Legal Proceedings."



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In addition, In January 2022, the Company received a non-public civil investigative demand from the Federal Trade Commission (“FTC”), seeking the production of information related to certain of the Company’s business practices and the Company responded to those information requests. On February 23, 2024, the FTC notified the Company that it has reason to believe that the Company violated Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a); the FTC’s Mail, Internet, or Telephone Order Merchandise Rule, 16 C.F.R. Part 435; the FTC’s Used Motor Vehicle Trade Regulation Rule, 16 C.F.R. Part 455; and the FTC’s Pre-Sale Availability Rule, 16 C.F.R. Part 702. The FTC advised the Company that it is authorized to negotiate a stipulated order and the Company intends to work cooperatively with the FTC towards a resolution. Because the matter 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 relation to our prior ecommerce business, we have been licensed as a dealer in the states of Texas, Florida, Arizona, California, Ohio and Wisconsin. We also have a motor vehicle sales finance license in Texas in connection with our Texas dealer license, a retail installment seller license in Florida in connection with our Florida dealer license, a retail installment seller license in Pennsylvania, and filed the required notice in Arizona in connection with our Arizona dealer license. As a result of the wind-down of the ecommerce business and discontinuance of our used automotive dealer operations, we are terminating the foregoing licenses once all transactions, including title and registration transactions on behalf of our customers, are completed in the relevant jurisdiction.

UACC’s financing operations are subject to U.S. federal, state, and local laws and regulations regarding contract origination, acquiring motor vehicle installment sales contracts from retail sellers, furnishing data to credit reporting agencies, servicing, debt collection practices, and securitization transactions. Certain states require UACC to have a sales finance license, consumer credit license, or similar applicable license. UACC has obtained licenses in all states where licensing is required. In addition, UACC is subject to enforcement by the CFPB and state consumer protection agencies, including state attorney general offices and state financial regulatory agencies. Any failure to renew or maintain or any revocation of any of UACC’s licenses would materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

We utilized telephone calls as a means of responding to and communicating with our Vroom ecommerce customers interested in purchasing, trading in and/or selling vehicles and value-added products. Potential customers could submit their contact information, including phone number, via our website or third-party listing sites to express their interest in purchasing a vehicle, selling a vehicle, or obtaining financing terms. We engaged third-party customer experience centers to respond to certain of these inquiries and further communicate with potential customers concerning sales, purchases and financings of our vehicles through our platform. We also sent text messages to customers concerning the status of their order. As we wind-down our ecommerce operations, we will continue to communicate with

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customers through telephone calls and text messages as needed. Our UACC business utilizes telephone calls and text messages as a means of responding to and communicating with customers who finance their vehicle purchase from automobile dealers through UACC, including communications relating to collections. Our CarStory business collects consent to contact consumers by telephone calls or text messages via its vehicles listing sites and shares such consent with CarStory's business partners.

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

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

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

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

### **Risks Related to Our Use of Data and Technology**

***Our CarStory business is dependent on our ability to offer accurate and competitive pricing for vehicles.***

We provide suggested offer pricing to our dealer partners as part of the CarStory platform using data science and proprietary algorithms based on a number of factors, including mechanical soundness, consumer desirability, vehicle history, market prices and relative value as prospective inventory. If we are unable to provide accurate and competitive pricing to our dealer partners, our revenue, gross margins and results of operations would be affected, which could have an adverse effect on our business, financial condition and results of operations.

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

Our platform employs open-source software, and we expect to use open-source software in the future. To the extent that our platform depends upon the successful operation of open-source software, any undetected errors or defects

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in this open-source software could prevent the deployment or impair the functionality of our platform, delay the introduction of new solutions, result in a failure of our platform and injure our reputation. For example, undetected errors or defects in open-source software could render it vulnerable to breaches or security attacks, and, in conjunction, make our systems more vulnerable to data breaches.

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

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

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

UACC operates a data center at a colocation facility in California to support its operations. This data center is vulnerable to damage or interruption from fire, flood, power loss, telecommunications failures, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, ransomware, earthquakes and similar events. The occurrence of any of these events could render communications between our offices inoperable and our results of operations could be harmed. Problems faced by our third-party web-hosting providers, including AWS and Google Cloud, could inhibit the functionality of our platform. For example, our third-party web-hosting providers could close their facilities without adequate notice or suffer interruptions in service caused by cyber-attacks, natural disasters or other phenomena. Disruption of their services could cause our website to be inoperable and could have a material adverse effect on our business, financial condition and results of operations. Any financial difficulties, up to and including bankruptcy, faced by our third-party web-hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. In addition, if our third-party web-hosting providers are unable to keep up with our growing capacity needs, our business, financial condition and results of operations could be harmed.

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

***Our CarStory business relies on artificial intelligence to facilitate the automotive retail experience. If our use of artificial intelligence results in inaccurate data, regulatory scrutiny, privacy concerns or is otherwise unsuccessful, it could adversely affect our business, results of operations, and financial condition.***

We have made significant investments in artificial intelligence ("AI") initiatives, including through our CarStory business and offerings. CarStory provides AI-powered analytics and digital services, including predictive market data, for automotive retail. CarStory relies on AI, machine learning, automated decision making, data analytics and similar tools to analyze market trends, improve our services, provide insights to our customers and tailor our interactions with our customers ("AI Tools"). Certain of these AI Tools are proprietary to CarStory, and certain are third party AI Tools that CarStory has obtained a right to use from the applicable provider. Pursuant to our Value Maximization Plan, we are shifting focus in part to our CarStory business and expect to expand our use and offerings of our AI Tools. We intend to leverage our CarStory data and technology, including our AI Tools, to enhance operations at UACC. As with many technological innovations, there

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are significant risks involved in developing, maintaining and utilizing AI Tools and no assurance can be provided that CarStory's use of AI Tools will enhance our products or services or continue to be successful. If the models underlying our AI Tools are inadequately or incorrectly designed, improperly trained or used, or the data used to train them is incomplete, inadequate or biased in some way, our use of AI Tools may inadvertently reduce our efficiency or cause unintentional or unexpected outputs that are incorrect, insufficient, do not match our business goals, do not comply with our policies or standards, adversely affect our financial condition, business and reputation. Further if we are deemed to not have sufficient rights to use such data to train our AI Tools, then we may be subject to litigation by the owners of the content or other materials that comprise such data, similar to the litigation that is currently pending in various U.S. courts against other developers of AI Tools, and which has an uncertain outcome.

The market for AI Tools is complex and rapidly evolving, and we face significant competition from other companies as well as an evolving regulatory landscape. To the extent AI development and utilization from our industry competitors prove to be successful, or more successful, than our approach, the demand for our CarStory platform, and thus our business, could be adversely affected. Our efforts to continuously improve our AI Tools, including the introduction of new products or capabilities or changes to existing products or capabilities, may result in new or enhanced governmental or regulatory scrutiny, litigation, privacy or ethical concerns, or other complications that could adversely affect our business, reputation, or financial results. For example, the use of datasets to develop AI models, the content generated by AI systems, or the application of AI systems may be found to be insufficient, biased, or harmful, or violate current or future laws and regulations or deviate from consumers' expectations of privacy. In addition, market acceptance of AI technologies is uncertain, especially in the automotive retail industry.

The rapid evolution of AI will require the application of resources to develop, test, maintain and improve our products and services to help ensure that the AI is accurate and efficient. The continuous development, testing, maintenance and deployment of our AI Tools may also increase the cost profile of our offerings due to the nature of the computing costs involved in such systems, and may involve unforeseen difficulties including material performance problems, undetected defects or errors. We may encounter technical obstacles, and it is possible that we may discover additional problems that may prevent our proprietary AI Tools from operating properly, which could adversely affect our business, customer relationships and reputation. See "Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of AI could adversely affect our business, results of operations, and financial condition."

***Any actual or perceived failure to comply with the evolving regulatory frameworks around the development and use of AI could adversely affect our business, results of operations, and financial condition.***

The regulatory framework around the development and use of these emerging technologies is rapidly evolving, and many federal, state and foreign government bodies and agencies have introduced and/or are currently considering additional laws and regulations. Both in the United States and internationally, the development and use of AI Tools are the subject of evolving regulation by various governmental and regulatory agencies, and changes in laws, rules, directives and regulations governing the use of AI Tools may adversely affect the ability of our business to use or rely on AI Tools. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or perception of their requirements may have on our business.

Already, there are some existing legal regimes that regulate certain aspects of AI, and new laws regulating AI Tools are expected to enter into force in the United States and the EU in 2024. In October 2023, the President of the United States issued a broad Executive Order on the Safe, Secure and Trustworthy Development and Use of AI (the "Order"), emphasizing the need for transparency, accountability and fairness in the development and use of AI Tools. The Order established certain new requirements for the training, testing and cybersecurity of sophisticated AI models and large-scale compute centers used to train AI models. The Order also instructed several other federal agencies to promulgate certain additional regulations within specific timeframes from the date of the Order regarding the development, use and marketing of AI Tools.

Any of the foregoing, together with developing guidance and/or decisions in this area, may affect our ability to use AI Tools, require additional compliance measures and changes to our operations and processes regarding AI Tools, and result in increased compliance costs, and potential increases in the risk of civil claims against us. Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of AI Tools, could adversely affect our brand, reputation, business, results of operations, and financial condition.

## Risks Related to Intellectual Property

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

The protection of intellectual property, technology and confidential information is crucial to the success of our businesses. Moreover, we will work to preserve the value of our Vroom® intellectual property rights where appropriate following the wind-down of our ecommerce operations. We rely on a combination of trademark, trade secret, patent and copyright law, as well as contractual restrictions, to protect our intellectual property (including our brand, technology and confidential information). While it is our policy to protect and defend our rights to our intellectual property, we cannot predict whether steps taken by us to protect our intellectual property will be adequate to prevent infringement, misappropriation, dilution or other violations of our intellectual property rights. We also cannot guarantee that others will not independently develop technology that has the same or similar functionality as our technology. Unauthorized parties may also attempt to copy or obtain and use our technology to develop competing solutions, and policing unauthorized use of our technology and intellectual property rights may be difficult and ineffective. Changes in the law or adverse court rulings may also negatively affect our ability to prevent others from using our technology. If our intellectual property rights are used or misappropriated by third parties, the value of our brand and intellectual property may be diminished and competitors may be able to more effectively mimic our products and methods of operations. Any of these events could materially adversely affect our business, financial condition or results of operations. Furthermore, we may face claims of infringement of third-party intellectual property that could interfere with our ability to market, promote and sell our brands, products and services. Any litigation to enforce our intellectual property rights or defend ourselves against claims of infringement of third-party intellectual property rights, regardless of merit, could be costly, divert attention of management and may not ultimately be resolved in our favor. Moreover, if we are unable to successfully defend against claims that we have infringed the intellectual property rights of others, we may be prevented from using certain intellectual property and may be liable for damages, which in turn could materially adversely affect our business, financial condition or results of operations. Even if we were to prevail, the time and resources necessary to resolve such disputes could be costly, time-consuming and divert the attention of management from our business operations.

A number of aspects of intellectual property protection in the field of AI and machine learning are currently under development, and there is uncertainty and ongoing litigation in different jurisdictions as to the degree and extent of protection warranted for AI and machine learning systems and relevant system input and outputs. If we fail to obtain protection for the intellectual property rights concerning our AI Tools, or later have our intellectual property rights invalidated or otherwise diminished, our competitors may be able to take advantage of our research and development efforts to develop competing products. Given the long history of development of AI Tools, other parties may have (or in the future may obtain) patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our own AI Tools.

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

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

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

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Our CarStory business has a number of patents and we may obtain additional patents in the future. We may fail to apply for patents on important products, methods and technologies in a timely fashion or at all, or we may fail to apply for patents in potentially relevant jurisdictions. Moreover, we may fail to obtain issuance of any of the patent applications we do file. Effective protection of patents is complex, expensive and difficult to maintain, both in terms of filing costs as well as the costs of defending and enforcing our rights in our patents. For example, the U.S. Patent and Trademark Office and various foreign governmental patent agencies require compliance with a number of procedural requirements to complete the patent application process and to maintain issued patents, and noncompliance or non-payment could result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in a relevant jurisdiction.

***Our agreements with employees and consultants may not effectively prevent unauthorized use of our intellectual property, and we may be subject to claims asserting that our employees or, consultants have wrongfully used or disclosed alleged trade secrets of their current or former employers or claims asserting ownership of what we regard as our own intellectual property.***

As part of our efforts to protect our intellectual property, technology and confidential information, we require employees and contractors who may be involved in the creation or development of intellectual property to enter into confidentiality and assignment of inventions agreements, and we also require certain third parties to enter into nondisclosure agreements. However, we may not be successful in having all such employees, contractors or third parties enter into such agreements. These agreements may not effectively grant all necessary rights to any inventions that may have been developed by our employees and consultants. In addition, while these agreements will give us contractual remedies upon unauthorized use or disclosure of our intellectual property or confidential information, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and we may not be able to detect such unauthorized activity.

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

***We rely on licenses to use the intellectual property rights of third parties which are incorporated into our products and services. Failure to renew or expand existing licenses may require us to modify, limit or discontinue certain offerings, which could materially affect our business, financial condition and results of operations.***

We rely on products, technologies and intellectual property that we license from third parties for use in our products and services. We cannot assure that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. In the event that we cannot renew or expand existing licenses, we may be required to discontinue or limit our use of the products or services that include or incorporate the licensed intellectual property.

We cannot be certain that our licensors are not infringing the intellectual property rights of others or that our suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. If we are unable to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to develop our products and services containing that technology could be severely limited and our business could be harmed. Additionally, if we are unable to obtain necessary technology from third parties, we may be forced to acquire or develop alternate technology, which may require significant time and effort and may be of lower quality or performance standards. This would limit and delay our ability to provide new or competitive offerings and increase our costs. If alternate technology cannot be obtained or developed, we may not be able to offer certain functionality as part of our products and services, which could adversely affect our business, financial condition and results of operations.

***We utilize third party open-source software components in some of the solutions we license to our clients deliverables we develop and create for our clients, and failure to comply with the terms of the underlying open-source software licenses could subject us or our clients to possible litigation.***

We use open-source software in some of our proprietary software, and we expect to continue to use open-source software in the future. The use and distribution of open-source software is accompanied by the risk that open-source licensors generally do not provide warranties, indemnification or other contractual provisions regarding the quality of the code or intellectual property infringement claims protections. To the extent that our proprietary software depends upon the successful operation of open-source software, any undetected errors or defects in this open-source software could prevent the deployment or impair the functionality of such technologies and injure our reputation. In addition, some open source licenses contain terms requiring us to make available source code for modifications or derivative works we create based upon the type of open-source software we use or grant other licenses to our intellectual property. Although we monitor our use of open-source software to avoid subjecting our software to conditions we do not intend, we cannot assure you that our processes for controlling our use of open-source software in our software will be effective. Additionally, we could be subject to third-party claims asserting ownership of, or demanding release of, the open-source software or derivative works that we developed using such software, or otherwise seeking to enforce the terms of the applicable open-source license. Such claims could result in litigation and/or substantial costs to defend and resolve.

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

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

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

#### **Risks Related to Ownership of Our Common Stock**

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

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

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

- our operating and financial performance and prospects, including as a result of operational changes and initiatives we are taking as part of our Value Maximization Plan;
- the discontinuation of our ecommerce operations and wind-down of our used vehicle dealership business and our ability to reduce the related costs;
- potential delisting of our common stock, as described below;
- our ability to grow and develop the UACC and CarStory businesses;

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- 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;
- future announcements concerning our businesses 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 high 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 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 Value Maximization Plan. 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 again closes 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 I, Item 3. “Legal Proceedings.”

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

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

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

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

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

We may 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 may conduct future offerings of our common stock, preferred stock or other securities that are convertible into or exercisable for our common stock to finance our operations or fund acquisitions, or for other purposes. On December 1, 2023, we filed a prospectus supplement with the SEC under which we may offer and sell from time to time and at our discretion shares of our common stock having an aggregate offering price of up to \$50.0 million pursuant to an “at the market” offering program (the “ATM Program”). As of December 31, 2023, we had issued 43,483 shares of common stock under the ATM program for net proceeds of \$2.4 million. In addition, as of December 31, 2023, we had reserved 53,537 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.***

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

On December 1, 2023, we filed a prospectus supplement with the SEC for our ATM Program. As of December 31, 2023, we had issued 43,483 shares of common stock under our ATM program for net proceeds of \$2.4 million. In addition, 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 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 December 21, 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 February 13, 2024, after obtaining stockholder approval, we effected a 1-for-80 reverse stock split (the “Reverse Stock Split”), and our stock began trading on a post-split adjusted basis on February 14, 2024. On February 29, 2024, we were notified by Nasdaq Listing Qualifications that the closing bid price of our common stock had been at \$1.00 per share or greater for 11 consecutive business days, from February 14, 2024 to February 28, 2024. Accordingly, the Company has regained compliance with Nasdaq Listing Rule 5450(a)(1) and this matter is now closed. However, 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.

We intend to continue 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.

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

As a public company, we face significant legal, accounting, administrative and other costs and expenses. We are subject to the Exchange Act, the rules and regulations implemented by the SEC, the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes Oxley-Act"), the Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), the Public Company Accounting Oversight Board ("PCAOB") and Nasdaq rules and standards, each of which imposes additional reporting and other obligations on public companies. As a public company, we are required to, among other things:

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

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

In addition, the need to continue to develop the corporate infrastructure demanded of a public company may also divert management's attention from implementing our business strategy, including our Value Maximization Plan, which could prevent us from improving our businesses, financial condition and results of operations. If we do not continue to develop and implement the right processes and tools to manage our changing enterprise and maintain our culture, our ability to compete successfully and achieve our business objectives could be impaired, which could negatively impact our business, financial condition and results of operations. In addition, we cannot predict or estimate the amount of additional costs we may incur to comply with these requirements. We anticipate that these costs will materially increase our general and administrative expenses.

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

***We are a “smaller reporting company” and the reduced disclosure requirements applicable to smaller reporting companies may make our common stock less attractive to investors.***

As of December 31, 2023, we are a “smaller reporting company” as defined under the rules promulgated under the Exchange Act. We will remain a smaller reporting company until the fiscal year following the determination that either (i) the value of our voting and non-voting common shares held by non-affiliates is \$250 million or more measured on the last business day of our second fiscal quarter or (ii) our annual revenues are \$100 million or more during the most recently completed fiscal year and the value of our voting and non-voting common shares held by non-affiliates is \$700 million or more measured on the last business day of our second fiscal quarter. Smaller reporting companies are able to provide simplified executive compensation disclosure and have certain other reduced disclosure obligations, including, among other things, being required to provide only two years of audited financial statements and not being required to provide selected financial data, or supplemental financial information.

We cannot predict whether investors will find our common stock less attractive because we have chosen to rely on any these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be reduced or more volatile.

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

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

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

If we identify material weaknesses in our internal control over financial reporting, our management will be unable to assert that our disclosure controls and procedures and our internal control over financial reporting is effective. If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an unqualified opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be adversely affected and we could become subject to litigation or investigations by Nasdaq, the SEC, or other regulatory authorities, which could require additional financial and management resources.

***If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our operating results could be adversely affected.***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Critical Accounting Policies and Estimates” in Part II, Item 7 of this Annual Report on Form 10-K. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, 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. Our operating results may be adversely affected if our assumptions change

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or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of our common stock.

The implementation of new accounting requirements or other changes to GAAP could have a material adverse effect on our reported results of operations and financial condition.

***Increased scrutiny and changing expectations from investors, consumers, employees, regulators, and others regarding our environmental, social and governance practices and reporting could cause us to incur additional costs, devote additional resources and expose us to additional risks, which could adversely impact our reputation, customer attraction and retention, access to capital and employee recruitment and retention.***

Companies across all industries are facing increasing scrutiny related to their environmental, social and governance (“ESG”) practices and reporting. Investors, consumers, employees and other stakeholders have focused increasingly on ESG practices and placed increasing importance on the implications and social cost of their investments, purchases and other interactions with companies. With this increased focus, public reporting regarding ESG practices is becoming more broadly expected. If our ESG practices and reporting do not meet investor, consumer or employee expectations, which continue to evolve, our brand, reputation and customer retention may be negatively impacted.

Our ability to achieve any ESG objective is subject to numerous risks, many of which are outside of our control. Examples of such risks include:

- the availability and cost of low- or non-carbon-based energy sources;
- the evolving regulatory requirements affecting ESG standards or disclosures;
- the availability of suppliers that can meet sustainability, diversity and other ESG standards that we may set;
- our ability to recruit, develop and retain diverse talent in our labor markets; and
- the success of our organic growth and acquisitions or dispositions of businesses or operations.

If we fail, or are perceived to be failing, to meet the standards included in any sustainability disclosure or the expectations of our various stakeholders, it could negatively impact our reputation, customer attraction and retention, access to capital and employee retention. In addition, new sustainability rules and regulations have been adopted and may continue to be introduced in various states and other jurisdictions. Our failure to comply with any applicable rules or regulations could lead to penalties and adversely impact our reputation, customer attraction and retention, access to capital and employee retention.

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

On June 18, 2021, we issued \$625.0 million aggregate principal amount of Notes, of which \$290.5 million aggregate principal amount are still outstanding. Certain provisions in our Notes and our indenture governing our Notes could make a third party attempt to acquire us more difficult or expensive. For example, if a takeover constitutes a fundamental change, then noteholders will have the right to require us to repurchase their Notes for cash. In addition, if a takeover constitutes a make-whole fundamental change, then we may be required to temporarily increase the conversion rate. In either case, and in other cases, our obligations under our Notes and our indenture could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management, including in a transaction that our security holders may view as favorable.

***We may need to seek or raise additional debt or equity 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 may need to seek or raise additional debt or equity capital to in pursuit of various goals, including without limitation to fund our operations, pursue our business objectives, respond to business opportunities, challenges or unforeseen circumstances, successfully execute on our Value Maximization Plan, develop new products or services or further improve existing products and services, and acquire complementary businesses and technologies. To the extent we decide to seek or raise additional capital, 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 require but 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, successfully 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.

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

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

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

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

Any provision of our amended and restated certificate of incorporation, amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our

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stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

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

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

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

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

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business, if any. Currently, no analysts cover our company. The lack of analyst coverage could decrease demand for our common stock and our common stock price and trading volume may decline even further.

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

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

### **Risks Related to Tax Matters**

***We may be limited in our ability to utilize, or may not be able to utilize, net operating loss carryforwards to reduce our future tax liability.***

As of December 31, 2023, we had substantial U.S. federal net operating loss ("NOL") carryforwards, the utilization of which may be limited annually due to certain change in ownership provisions of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). Some of our U.S. federal NOL carryforwards will begin to expire in 2028, with the remaining losses having no expiration. Please refer to Note 20 of our consolidated financial statements appearing

elsewhere in this Annual Report on Form 10-K for a further discussion of the carryforward of our NOLs. As of December 31, 2023, we maintain a full valuation allowance for our net deferred tax assets.

An “ownership change” (generally defined as greater than 50-percentage-point cumulative changes in the equity ownership of certain stockholders over a rolling three-year period) under Section 382 of the Code may limit our ability to utilize fully our pre-change NOL carryforwards to reduce our taxable income in periods following the ownership change. In general, an ownership change would limit our ability to utilize U.S. federal NOL carryforwards to an amount equal to the aggregate value of our equity at the time of the ownership change multiplied by a specified tax-exempt interest rate, subject to increase by certain built-in gains. Similar provisions of state tax law may also apply to our state NOL carryforwards. We believe we have undergone an ownership change for purposes of Section 382 of the Code in each of 2013, 2014, 2015 and 2021, which substantially limits our ability to use U.S. federal NOL carryforwards generated prior to each such ownership change. In addition, future changes in our stock ownership, some of which may be beyond our control, could result in additional ownership changes under Section 382 of the Code.

***Tax matters could impact our results of operations and financial condition.***

We are subject to U.S. federal income tax, as well as income tax in certain states. Our provision for income taxes and cash tax liability in the future could be adversely affected by numerous factors including, changes in tax laws, regulations, accounting principles or interpretations thereof, which could materially and adversely impact our cash flows and our business, financial condition and results of operations in future periods. Increases in our effective tax rate could also materially affect our net results. In addition, the U.S. government may enact significant changes to the taxation of business entities including, among others, an increase in the corporate income tax rate and the imposition of minimum taxes. The likelihood of these changes being enacted or implemented is unclear. We are currently unable to predict whether such changes will occur and, if so, the ultimate impact on our business. Further, we are subject to the examination of our income and other tax returns by the IRS and state and local tax authorities, which could have an impact on our business, financial condition and results of operations.

**General Risk Factors**

***Our business is subject to the risk of natural disasters, adverse weather events and other catastrophic events, such as war and terrorism.***

Our business is vulnerable to damage or interruption from earthquakes, fires, floods, hurricanes, power losses, telecommunications failures, terrorist attacks, acts of war, global pandemics, human errors and similar events. The third-party systems and operations on which we rely are subject to similar risks. For example, a significant natural disaster, such as an earthquake, fire, flood or hurricane could have an adverse effect on our businesses, financial condition and operating results, and our insurance coverage may be insufficient to compensate us for losses that may occur. Global climate change is resulting in certain types of natural disasters occurring more frequently or with more intense effects. We may not have sufficient protection or recovery plans in some circumstances. As we rely heavily on our computer and communications systems and the internet to conduct our businesses and provide high-quality customer service, any disruptions could negatively affect our ability to run our businesses, which could have an adverse effect on our businesses, financial condition, and operating results.

War and acts of terrorism in the United States and abroad could also cause disruptions in our businesses, consumer demand or the economy as a whole. For example, the ongoing geopolitical conflicts and war in Europe and the Middle East could result in a slowdown in global economic growth, rising inflation, market disruptions and increased volatility in commodity prices in the United States. The extent and duration of the military actions, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. The broader consequences of geopolitical tensions, such as embargoes, regional instability and geopolitical shifts; airspace bans relating to certain routes, or strategic decisions to alter certain routes; and potential retaliatory action by governments against companies, cannot be predicted. We may incur expenses or delays relating to such events outside of our control, which could have a material adverse impact on our business, operating results and financial condition. Any such disruptions may also magnify the impact of other risks described in this Risk Factors section.



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

Our success will depend, in part, on our ability to successfully wind-down our ecommerce business and develop and evolve UACC and CarStory. Although we have no plans to do so as of the filing of this Annual Report on Form 10-K, we may in the future determine to grow our businesses through the acquisition of complementary businesses and technologies rather than through internal development, as we did with our prior acquisitions of UACC and CarStory. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and we may not be able to successfully complete identified acquisitions or realize their intended benefits. The risks we face in connection with acquisitions include:

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

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

***Our insurance may not provide adequate levels of coverage against claims.***

We believe that we maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Moreover, any loss incurred could exceed policy limits and policy payments made to us may not be made on a timely basis. For example, insurance we maintain against liability claims may not continue to be available on terms acceptable to us and such coverage may not be adequate to cover the types of liabilities actually incurred. A successful claim brought against us, if not fully covered by available insurance coverage, could materially and adversely affect our business, financial condition and results of operations.

***If our operating and financial performance in any given period does not meet the guidance that we provide to the public, the market price of our common stock may decline.***

From time to time, we provide public guidance on our expected operating and financial results for future periods. Any such guidance will be comprised of forward-looking statements subject to the risks and uncertainties described in this Annual Report on Form 10-K and in our other public filings and public statements. Any such guidance is prepared by our

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management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the relevant release and the factors described under “Special Note Regarding Forward-Looking Statements” in this Annual Report on Form 10-K and our current and periodic reports filed with the SEC.

Guidance is based upon a number of assumptions and estimates that, although presented with numerical specificity, are inherently subject to business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the estimated ranges. The principal reason that we release this guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any third parties. Moreover, even if we do issue public guidance, there can be no assurance that we will continue to do so in the future.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Our actual results may not always be in line with or exceed any guidance we have provided, especially in times of economic uncertainty. If, in the future, our operating or financial results for a particular period do not meet any guidance we provide or the expectations of investment analysts, or if we reduce our guidance for future periods, the market price of our common stock may decline.

### ***Short sellers of our stock may be manipulative and may drive down the market price of our common stock.***

Short selling is the practice of selling securities that the seller does not own, but rather has borrowed or intends to borrow from a third party with the intention of buying identical securities at a later date to return to the lender. A short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. It is therefore in the short seller's interest for the price of the stock to decline, and some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issuer, often involving misrepresentations of the issuer's business prospects and similar matters calculated to create negative market momentum, which may permit them to obtain profits for themselves as a result of selling the stock short.

As a public entity, we may be the subject of concerted efforts by short sellers to spread negative information in order to gain a market advantage. In addition, the publication of misinformation may also result in lawsuits, the uncertainty and expense of which could adversely impact our businesses, financial condition, and reputation. There are no assurances that we will not face short sellers' efforts or similar tactics in the future, and the market price of our common stock may decline as a result of their actions.

### ***Stockholder activism could disrupt our business, cause us to incur significant expenses, hinder execution of our business strategy, and impact our stock price.***

We may in the future be subject to stockholder activism, which can arise in a variety of predictable or unpredictable situations, and can result in substantial costs and divert management's and our Board of Director's attention and resources from our businesses. Additionally, stockholder activism could give rise to perceived uncertainties as to our long-term businesses, financial forecasts, future operations and strategic planning, harm our reputation, adversely affect our relationships with our business partners, and make it more difficult to attract and retain qualified personnel. We may also be required to incur significant fees and other expenses related to activist matters, including for third-party advisors that would be retained by us to assist in navigating activist situations. Our stock price could fluctuate due to trading activity associated with various announcements, developments, and share purchases over the course of an activist campaign or otherwise be adversely affected by the events, risks and uncertainties related to any such stockholder activism.

### **Item 1B. Unresolved Staff Comments**

Not Applicable.

## Item 1C. Cybersecurity

### Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information.

We design and assess our program guided by a number of well-known industry standards, such as the National Institute of Standards and Technology (NIST) Risk Management Framework (RMF), International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) 27001, and Center for Internet Security (CIS) Controls V8. This does not imply that we meet all of these standards, specifications, and requirements, only that we use these standards as a guide to help us identify, assess, and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Key features of our cybersecurity risk management program include, but are not limited to, the following:

- risk assessments designed to help identify material cybersecurity risks to our critical systems and, information;
- an information security program, led by our Senior Director, Information Security, principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls, and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security processes;
- cybersecurity awareness training of our employees;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers, and vendors based on their criticality and risk profile.

We have not identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. We face certain ongoing risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. See “Risk Factors—Risks Related to Cybersecurity and Privacy—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.”

### Cybersecurity Governance

Our Board considers cybersecurity risk as part of its risk oversight function and has delegated to the Audit Committee (the “Committee”) oversight of cybersecurity and other information technology risks. The Committee oversees management’s implementation of our cybersecurity risk management program. Our cybersecurity risk management program is integrated into our overall enterprise risk management program, and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Vroom’s Senior Director, Information Security reports to the Committee on a quarterly basis on our cybersecurity risks. In addition, the Senior Director, Information Security updates the Committee, as necessary, regarding any material cybersecurity incidents, as well as any incidents with lesser impact potential.

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The Committee periodically reports to the full Board regarding its activities, including those related to cybersecurity. Committee members receive presentations on cybersecurity topics from our Senior Director, Information Security, internal security staff or external experts as part of the Committee's continuing education on topics that impact public companies. Our management team, including Vroom's Chief Executive Officer, Chief Financial Officer, Chief Legal Officer, Chief People and Culture Officer, and Head of Technology, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal information security program and personnel and certain of our retained external cybersecurity consultants. Our Senior Director of Information Security, reports to the VP of Engineering and is the head of the Company's cybersecurity team. The Senior Director of Information Security is responsible for overseeing the Company's security team and related initiatives. He has twenty-five years of experience in the technology industry with over ten years of experience in cybersecurity.

Our management team stays informed and monitors efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal information security personnel; threat intelligence and other information obtained from governmental, public or private sources, including external consultants engaged by us; and alerts and reports produced by security tools deployed in the IT environment.

### **Item 2. Properties**

We lease office space in Houston, Texas, consisting of approximately 102,492 square feet of space under a lease that expires in November 2024. We have used this space as our corporate headquarters and to support our administrative functions, including finance, human resources, information technology, engineering, sales and marketing and other administrative functions, all of which supported our Ecommerce and Wholesale segments.

In addition, we operated the TDA dealership outside Houston, Texas, consisting of approximately 58,000 square feet under a lease that expires in September 2024. This space included our Vroom VRC, and supported reconditioning and sales operations for our Ecommerce segment. In connection with the Value Maximization Plan and the wind-down of the ecommerce business, we intend to cease using both facilities.

UACC leases office space in Newport Beach, California, consisting of approximately 20,058 square feet of space under a lease that expires on March 31, 2029. UACC uses this space as its corporate headquarters and to support UACC's retail indirect financing, including risk management, dealer compliance, finance and accounting, human resources, information technology, sales and marketing, credit underwriting and funding, all of which support our Retail Financing segment.

In addition, UACC leases office space in Fort Worth, Texas, consisting of approximately 106,500 square feet of space under a lease that expires in September 2031. UACC uses this space as its servicing center and to support UACC's retail indirect financing, including servicing, collections, remarketing and recovery operations. UACC also leases office space outside of Buffalo, New York, consisting of approximately 12,000 square feet of space under a lease that expires in June 2031. UACC uses this space as its buyer center and to conduct credit underwriting operations in support of its indirect retail financing. The Fort Worth and Buffalo spaces support our Retail Financing segment.

We have been negotiating early terminations of leases that are no longer needed for our ecommerce business. We believe our existing and planned facilities are sufficient for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

### **Item 3. Legal Proceedings**

From time to time, we are subject to legal proceedings in the normal course of operating our business. The outcome of litigation, regardless of the merits, is inherently uncertain. Beginning in March 2021, multiple putative class actions were filed in the U.S. District Court for the Southern District of New York by certain of the Company's stockholders against the Company and certain of the Company's officers alleging violations of federal securities laws. The lawsuits

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

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

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

In January 2022, the Company received a non-public civil investigative demand from the Federal Trade Commission ("FTC"), seeking the production of information related to certain of the Company's business practices and the Company responded to those information requests. On February 23, 2024, the FTC notified the Company that it has reason to believe that the Company violated Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a); the FTC's Mail, Internet, or Telephone Order Merchandise Rule, 16 C.F.R. Part 435; the FTC's Used Motor Vehicle Trade Regulation Rule, 16 C.F.R. Part 455; and the FTC's Pre-Sale Availability Rule, 16 C.F.R. Part 702. The FTC advised the Company that it is authorized to negotiate a stipulated order and the Company intends to work cooperatively with the FTC towards a resolution. Because the matter 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 April 2022, the Attorney General of Texas filed a petition on behalf of the State of Texas in the District Court of Travis County, Texas against the Company, alleging violation of the Texas Deceptive Trade Practices – Consumer Protection Act, Texas Business and Commerce Code § 17.41 et seq., based on alleged deficiencies and other issues in the Company's marketing of used vehicles and fulfillment of customer orders, including the titling and registration of sold vehicles. According to the petition, 80% of the customer complaints referenced in the petition were received in the 12 months prior to April 2022. The petition is captioned State of Texas v. Vroom Automotive LLC, and Vroom Inc., Case No. D-1-GN-001809. In May 2022, Vroom Automotive, LLC the Attorney General of the State of Texas agreed to a temporary injunction in which Vroom Automotive, LLC agreed to adhere to its existing practice of possessing title for all vehicles it sells or advertises as available for sale on its ecommerce platform. In December 2023, Vroom, Inc., Vroom Automotive,

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LLC and the Attorney General of the State of Texas reached a final agreement to resolve all claims in the petition, without any admission of wrongdoing by either Vroom entity. Under the agreement, the Company will pay a total of \$2 million in civil penalties and \$1 million in attorneys' fees, with the first half due in September 2024 and the remaining half due in September 2025, and abide permanently by an injunction of certain operational practices that were previously implemented. The agreement was approved by the District Court of Travis County on December 13, 2023.

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 stayed pending the outcome of any arbitration proceeding over the respective plaintiffs' individual claims. On February 9, 2024, the parties filed a joint stipulation to dismiss the Sonne matter with prejudice.

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 4. Mine Safety Disclosures**

Not applicable.

## INFORMATION ABOUT OUR EXECUTIVE OFFICERS AND DIRECTORS

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

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
Robert J. Mylod, Jr.	57	Chairperson of the Board
Timothy M. Crow	68	Director
Michael J. Farello	59	Director
Laura W. Lang	68	Director
Laura G. O'Shaughnessy	46	Director
Paula B. Pretlow	68	Director
Thomas H. Shortt	55	Chief Executive Officer, Director, and President and Chief Executive Officer of UACC
Robert R. Krakowiak	53	Chief Financial Officer
Patricia Moran	64	Chief Legal Officer and Secretary
C. Denise Stott	56	Chief People and Culture Officer

**Robert J. Mylod, Jr.** has served as a member of our Board of Directors since September 2015 and Independent Executive Chair of the Board since May 2022. Mr. Mylod is the Managing Partner of Annox Capital Management, a private investment firm that he founded in 2013. Previously, Mr. Mylod served as Head of Worldwide Strategy & Planning and Vice Chair for Bookings Holdings, Inc., an online travel services provider, from January 2009 to March 2011 and as its Chief Financial Officer and Vice Chairman from November 2000 to January 2009. He currently serves as the Chair of the board of directors and a member of the compensation committee of Booking Holdings, Inc. Mr. Mylod is also a member of the board of directors of several private companies. Mr. Mylod holds a Bachelor of Arts in English from the University of Michigan and a Master of Business Administration from the University of Chicago Booth School. We believe that Mr. Mylod's experience as a venture capital investor and a senior finance executive, including having served as the chief financial officer and vice chairman of a large publicly traded online services provider, qualifies him to serve on our Board of Directors.

**Timothy M. Crow** has served on our Board of Directors since October 2022. Mr. Crow is the Chief Executive Officer and Managing Director of Fernwood Holdings, a venture capital investment firm focused on hyper-growth innovators. Mr. Crow has led an accomplished career spanning more than 20 years in human capital management for leading consumer retail companies. From May 2002, Mr. Crow served in roles of increasing responsibility at The Home Depot, Inc., the world's largest home improvement specialty retailer, culminating in his role as Executive Vice President, Chief Human Resources Officer from February 2007 to July 2017. Prior to that, Mr. Crow served as Senior Vice President, Human Resources of Kmart Corporation, a leading general merchandise retailer, from May 1999 through May 2002. Mr. Crow previously served as a director of Milacron Holdings, Corp., a global leader in the plastic technology and processing industry, where he chaired its Leadership Development and Compensation Committee, and currently serves as a director of a number of private companies. Mr. Crow earned a Bachelor of Arts degree from California State University at Northridge. We believe that Mr. Crow's extensive leadership experience, human capital management expertise, and investment experience qualifies him to serve on our board of directors.

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

private equity investments and expertise in the consumer sector, along with his service as a director at numerous companies, qualifies him to serve on our Board of Directors.

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

**Laura G. O'Shaughnessy** has served on our Board of Directors since May 2020. Since December 2022, Ms. O'Shaughnessy has served as the Chief Marketing Officer and Co-Founder of Picnic Group, a data-driven consumer packaged goods company where she oversees the scaling of founder-created consumer packaged food brands. Prior to The Picnic Group, Ms. O'Shaughnessy was a strategic growth and operations consultant for a number of direct to consumer brands. Previously she was the Chief Executive Officer of SocialCode, LLC (now named Code3), a technology company that manages digital and social advertising for leading consumer brands, which she co-founded in 2009 and led until August 2020. Ms. O'Shaughnessy currently serves as a member of the board of directors and of the audit committee and governance committee of Acuity Brands, and on the boards of directors of two nonprofits in Washington, D.C. Ms. O'Shaughnessy holds a Bachelor of Arts in Economics from the University of Chicago and a Master of Business Administration from the MIT Sloan School of Management. We believe Ms. O'Shaughnessy's extensive leadership experience, including serving in a chief executive officer role, and digital and technology expertise, qualifies her to serve on our Board of Directors.

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

**Thomas H. Shortt** has served as the Company's Chief Executive Officer since May 2022 and previously served as the Company's Chief Operating Officer from January 2022. Since March 1, 2024, Mr. Shortt has also served as President and Chief Executive Officer of UACC. Prior to joining Vroom, Mr. Shortt served as Senior Vice President at Walmart Inc. ("Walmart") starting in 2018, where he developed a comprehensive ecommerce supply chain strategy and led improvements through advanced analytics, processes, and systems. Prior to his time at Walmart, Mr. Shortt served as Senior Vice President of Supply Chain at The Home Depot, Inc. starting in 2013, and previously held senior leadership roles overseeing supply chain, fulfillment and logistics, with an emphasis on change management and business transformation, at ACCO Brands Corporation, Unisource Worldwide, Inc., Fisher Scientific International, Inc. and Office Depot, Inc. Mr. Shortt holds a Bachelor's degree in Accounting from the University of Akron and is a graduate of the Harvard Business School Advanced Management Program. We believe that Mr. Shortt's service as our chief executive officer and his expertise in supply chain, logistics, data analytics and change management qualifies him to serve on our Board of Directors.



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

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

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

## PART II

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

#### **Market Information**

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

#### **Holders of Record**

We are authorized to issue up to 500,000,000 shares of common stock and up to 10,000,000 shares of preferred stock. As of March 7, 2024, there were 20 stockholders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

#### **Dividend Policy**

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

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

None.

#### **Recent sales of unregistered securities**

None.

#### ***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). As of December 31, 2023, we had fully utilized the net proceeds from our IPO.



## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

### Recent Events

#### **Value Maximization Plan**

On January 22, 2024, we announced that our Board had approved the Value Maximization Plan, pursuant to which we discontinued our ecommerce operations and are in the process of winding down our used vehicle dealership business in order to preserve liquidity and enable us to maximize stakeholder value through our remaining businesses. We have suspended transactions through vroom.com, completed transactions for customers who had previously contracted with us to purchase or sell a vehicle, halted purchases of additional vehicles, sold substantially all of our used vehicle inventory through wholesale channels and paid off our 2022 Vehicle Floorplan Facility. We continue to take other actions to maximize the value of our remaining ecommerce assets, reduce our outstanding commitments and preserve our liquidity, and have been executing a reduction-in-force commensurate with our reduced operations. Although we expect the ecommerce wind down to be substantially complete by the end of the first quarter of 2024, we may incur additional wind-down costs through the end of 2024.

We also own and operate UACC, a leading automotive finance company that offers vehicle financing to its customers through third-party dealers under the UACC brand, and CarStory, an artificial intelligence-powered analytics and digital services platform for automotive retail. The UACC and CarStory businesses will continue to serve their third-party customers, with their operations substantially unaffected by Vroom's ecommerce wind-down. We will seek to grow and enhance the profitability of the UACC and CarStory businesses going forward.

As a result of the Value Maximization Plan, we estimate that we will incur total cash charges of approximately \$16.5 million for severance and other personnel-related costs and approximately \$15.0 million in contract and lease termination costs. As part of a planned reduction-in-force under the Value Maximization Plan, we anticipate that approximately 800 employees will be impacted upon substantial completion of the wind-down, resulting in a reduction of approximately 93% of the employees not engaged in UACC's or CarStory's ongoing operations.

We determined a triggering event existed as of December 31, 2023, resulting in long-lived asset impairment charges of \$47.4 million. The impairment charges consist of \$23.9 million related to "Property and equipment, net", \$22.2 million related to "Operating lease right-of-use assets", and \$1.3 million related to "Other assets" on our consolidated balance sheet. Refer to Note 7 — Property and Equipment, Net and Note 12 — Leases in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further discussion.

#### **Repayment of 2022 Vehicle Floorplan Facility**

On January 19, 2024, we amended our 2022 Vehicle Floorplan Facility. As a result of the amendment, borrowings under the 2022 Vehicle Floorplan Facility were suspended for future vehicle purchases and we were required to maintain 40% of our outstanding borrowings in cash. In addition, all other financial covenants were eliminated. As a result of the liquidation of our vehicle inventory, we repaid the remaining outstanding balance related to the 2022 Vehicle Floorplan Facility in full and the agreement has been terminated.

#### **Nasdaq Notice and Reverse Stock Split**

On December 21, 2023, we received written notice from The Nasdaq Stock Market LLC ("Nasdaq") notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the \$1.00 per share

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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").

On February 13, 2024, after obtaining stockholder approval, we effected a 1-for-80 reverse stock split (the "Reverse Stock Split"), and our stock began trading on a post-split adjusted basis on February 14, 2024. On February 29, 2024, we were notified by the Nasdaq Listing Qualifications staff that the closing bid price of our common stock had been at \$1.00 per share or greater for 11 consecutive business days, from February 14, 2024 to February 28, 2024. Accordingly, the Company has regained compliance with Nasdaq Listing Rule 5450(a)(1) and this matter is now closed. 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 again receive another notice of non-compliance with Nasdaq's listing standards and face the risk of delisting.

All shares of the Company's common stock, stock-based instruments, and per-share data included in this Annual Report on Form 10-K have been retroactively adjusted as though the Reverse Stock Split has been effected prior to all periods presented.

### **Overview**

During the fiscal year ended December 31, 2023, the period covered by this Annual Report on Form 10-K, Vroom operated an end-to-end ecommerce platform to buy and sell used vehicles. Vroom also owns United Auto Credit Corporation, a leading automotive finance company that offers vehicle financing to its customers through third-party dealers under the UACC brand, and the CarStory business, a leader in AI-powered analytics and digital services for automotive retail.

### **Former Ecommerce Operations**

Vroom's ecommerce platform combined automotive ecommerce, vehicle operations and data science and experimentation to bring all phases of the car buying and selling process to consumers wherever they are, offering an extensive selection of used vehicles, transparent pricing, competitive financing, and at-home pick-up and delivery. Vroom's ecommerce platform offered thousands of vehicles that had undergone detailed inspections, met proprietary reconditioning standards and were backed by a Vroom 90-day limited warranty. The platform provided comprehensive and transparent information on each of the vehicles we sold and provided buyers with a personalized, intuitive interface with specific sorting, searching and filtering functionality. The platform offered integrated, real-time financing solutions through strategic partnerships with automotive finance lenders and through our subsidiary, UACC. For consumers looking to sell their vehicles, the platform offered the ease of online submission of basic vehicle information to receive an on-demand appraisal. Vroom's vehicle operations encompassed a vertically integrated approach to sourcing, transporting, reconditioning, delivering, and picking up vehicles. Data science and experimentation was at the core of Vrooms operations, and we relied on data science, machine learning and A/B and multivariate testing to continually drive optimization and operating leverage across our ecommerce and vehicle operations. Pursuant to the Value Maximization Plan described above, we are conducting an orderly wind-down of our ecommerce business starting in 2024. Although we expect the ecommerce wind down to be substantially complete by the end of the first quarter of 2024, we may incur additional wind-down costs through the end of 2024.

### **UACC**

UACC, which Vroom acquired in February 2022, is an indirect lender that offers vehicle financing to consumers through third-party dealers under the UACC brand, focusing primarily on the non-prime market. Prior to Vroom's wind-down of its ecommerce operations, UACC also offered vehicle financing to Vroom's customers through its ecommerce platform.

UACC, which has been engaged in automotive finance since 1996, currently offers financing services to a nationwide network of thousands of manufacturer-franchised and independent motor vehicle dealers in 49 states, and we seek to expand that network over time. UACC enables these dealers to finance their customers' purchases of new and used automobiles, medium and light duty trucks and vans with competitive financing terms. The credit programs offered by UACC are primarily designed to serve consumers who have limited access to traditional motor vehicle financing.

In addition to its financing expertise, the UACC platform brings with it extensive application processing, underwriting, and servicing capabilities. UACC services the retail installment sales contracts it originates or purchases and

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will continue to service the contracts it originated or purchased for customers of Vroom's former ecommerce business. Because UACC focuses primarily on the non-prime market, it generally sustains a higher level of delinquencies and credit losses than that experienced by traditional motor vehicle financing sources. As of December 31, 2023, UACC serviced a portfolio of approximately 79,000 retail installment sales contracts with an aggregate principal outstanding balance of \$1.1 billion.

Loss before provision for income taxes for UACC on a standalone basis was \$41.2 million and \$16.2 million for the years ended December 31, 2023 and 2022, respectively, including intercompany eliminations of \$17.7 million and \$6.2 million, respectively.

### **CarStory**

CarStory is a leader in AI-powered analytics and digital services for automotive retail. CarStory offers its digital retailing services to dealers, automotive financial services companies and others in the automotive industry, which use CarStory's solutions to enhance their customer experience and drive increased vehicle purchases.

CarStory drives automotive retail innovation by aggregating, optimizing and distributing data from thousands of automotive sources. CarStory tracks over three and a half million unique vehicle identification numbers ("VINs") listed for sale every day. This data is aggregated with demand insights from millions of consumer sessions and VIN data from CarStory's proprietary VIN database to generate accurate price and sales predictions. CarStory helps dealers optimize their pricing by leveraging data science models for retail pricing that provide predictive pricing for marketing, buying, selling and VIN-level features.

In addition to its data analytics and digital services, CarStory powers white labeled storefronts for automotive marketplaces and finance companies. In developing its white label capabilities, CarStory also has developed a variety of consumer-focused functions designed to enhance the customer experience and drive conversion. CarStory's data and data science assets create significant opportunity for automotive AI product development, with over 200 million VINs, over three billion photos and price and price elasticity models.

### **Our Segments**

In the year ended December 31, 2023 and prior periods, we managed and reported operating results through three reportable segments:

- **Ecommerce** (64.5% of 2023 revenue; 70.0% of 2022 revenue): 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** (11.7% of 2023 revenue; 15.1% of 2022 revenue): The Wholesale segment represents sales of used vehicles through wholesale channels.
- **Retail Financing** (17.6% of 2023 revenue; 7.8% of 2022 revenue): The Retail Financing segment represents UACC's operations with its network of third-party dealership customers.

As a result of the Value Maximization Plan and the wind-down of our ecommerce operations, we will discontinue reporting our results through our Ecommerce and Wholesale segments starting in the first quarter of 2024.

Gross profit is defined as revenue less cost of sales for each segment. Reflected below is a summary of segment revenue and segment gross profit for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
(in thousands)		
<b>Revenue:</b>		
Ecommerce	\$ 576,170	\$ 1,364,195
Wholesale	104,119	293,528
Retail Financing	156,938	152,542
All Other	55,976	138,636
Total revenue	<u>\$ 893,203</u>	<u>\$ 1,948,901</u>
<b>Gross profit (loss):</b>		
Ecommerce	\$ 59,231	\$ 99,973
Wholesale	(34,353)	(10,620)
Retail Financing	125,610	138,381
All Other	11,459	17,053
Total gross profit	<u>\$ 161,947</u>	<u>\$ 244,787</u>

### Key Operating and Financial Metrics

Prior to the wind-down of our ecommerce operations, including the periods presented in this Annual Report on Form 10-K, we regularly reviewed 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 were useful in evaluating our performance, in addition to our financial results prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP. You should read the key operating and financial metrics in conjunction with the following discussion of our results of operations and together with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. We focused heavily on metrics related to unit economics as improved gross profit per unit was a key element of our growth and profitability strategies. As a result of the Value Maximization Plan and the wind-down of our ecommerce operations, we have discontinued evaluating our business using these key operating and financial metrics in the first quarter of 2024.

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

	Year Ended December 31,	
	2023	2022
Ecommerce units sold	17,401	39,278
Vehicle gross profit per ecommerce unit	\$ 594	\$ 1,033
Product gross profit per ecommerce unit	2,809	1,512
Total gross profit per ecommerce unit	<u>\$ 3,403</u>	<u>\$ 2,545</u>
Average monthly unique visitors	2,060,804	1,866,197
Ecommerce average days to sale	217	131
Inventory turnover	3.02	3.05
Inventory days to supply	121	120

### **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 Texas Direct Auto ("TDA") and through the Wholesale segment. Each vehicle sale through our ecommerce platform also created the opportunity to leverage such sale to provide vehicle financing, sell value-added products and acquire trade-in vehicles from our customers, which we could 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 vehicle reconditioning centers ("VRCs") and the aggregate costs of reconditioning those vehicles in that period, divided by the number of ecommerce units sold in that period.

### **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 were paid fees on the vehicle financing and value-added products we sold, our gross profit was equal to the revenue we generated from the sale of such products. Starting in 2022, Product Gross Profit also included (i) interest income earned on finance receivables from Vroom customers to finance vehicle sales that we originated through UACC before the contracts 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.

### **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.

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.



### ***Inventory turnover***

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).

### ***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.

## **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, long-lived asset impairment charges, goodwill impairment charge, realignment costs, acquisition related costs, and the acceleration of non-cash stock-based compensation. Changes in fair value of financial instruments can fluctuate significantly from period to period and were previously related primarily to historical finance receivables and debt that have been securitized, and were acquired on February 1, 2022 from UACC. As a result of market conditions at the time, 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 17 — Financial Instruments and Fair Value Measurements to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. 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.

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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:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Net loss	\$ (365,540)	\$ (451,910)
Adjusted to exclude the following:		
Interest expense	45,445	40,693
Interest income	(21,158)	(19,363)
Provision (benefit) for income taxes	615	(19,680)
Depreciation and amortization	43,476	38,707
EBITDA	<u>\$ (297,162)</u>	<u>\$ (411,553)</u>
Severance costs	\$ 6,703	\$ —
Gain on debt extinguishment	(37,878)	(164,684)
Hail storm costs	2,353	—
Long-lived asset impairment charges	48,748	5,806
Goodwill impairment charge	—	201,703
Realignment costs	—	15,025
Acquisition related costs	—	5,653
Acceleration of non-cash stock-based compensation	—	2,439
Adjusted EBITDA	<u>\$ (277,236)</u>	<u>\$ (345,611)</u>
Securitization gain	—	(45,589)
Adjusted EBITDA excluding securitization gain	<u>\$ (277,236)</u>	<u>\$ (391,200)</u>

**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 expand our dealer network to increase vehicle finance offerings***

We intend to grow our automotive financing business. UACC will continue to provide financing services to its existing dealer network and will seek to expand its network over time. UACC provides funding that allows manufacturer-franchised and independent motor vehicle dealers to finance new and used vehicles. Currently, UACC serves a nationwide network of thousands of dealers in 49 states. UACC's credit programs are primarily designed to serve consumers who have limited access to traditional vehicle financing, although UACC intends to expand its offerings across a broader range of the credit spectrum going forward.

As of December 31, 2023, automobile contracts originated from Vroom customers or purchased from Vroom represented approximately 30% of UACC's total serviced loan portfolio. If UACC is unable to replace the volume of automobile contracts it previously received from the Vroom ecommerce business, our business, financial condition, and results of operations could be materially adversely affected.

### ***Ability to manage credit losses and enhance profitability at UACC***

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 year ended December 31, 2023. Higher than anticipated credit losses contributed to a pre-tax net loss at UACC of approximately \$41.2 million for the year ended December 31, 2023, and are expected to continue to negatively impact our business in 2024, especially because UACC primarily operates in the non-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 or acquires. As a result of high interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher loss severity. 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.

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 market conditions at the time, 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.

### ***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. Consistent with market trends, UACC generally experiences increased funding activity during the first quarter through tax season. Delinquencies also tend to be lower during the first quarter through tax season and higher during the latter half of the year. See "Risk Factors—Risks Related to Our Financial Condition and Results of Operations—We may experience seasonal and other fluctuations in our quarterly results of operations, which may not fully reflect the underlying performance of our business" 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 increased interest rates, which affects automotive finance rates, reducing discretionary spending and making vehicle financing more costly and less accessible to many consumers. In December 2023, the Federal Reserve announced that it expects to cut interest rates in 2024; however it is too soon to know the degree to which rates may be cut and the impact it may have on the economy. 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, 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 in 2024.

## Components of Results of Operations

### Revenue

In connection with the Value Maximization Plan, in January 2024 we started to wind-down our ecommerce operations, including both retail and wholesale vehicle sales which also reduced associated product revenue. Therefore, each of the retail vehicle revenue, wholesale vehicle revenue, and the associated product revenue described below will not be applicable to our results of operations going forward.

#### *Retail vehicle revenue*

Historically, we sold retail vehicles through both our ecommerce platform and TDA. Revenue from vehicle sales, including any delivery charges, was recognized when vehicles were 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 were the primary factors impacting our retail revenue stream.

#### *Wholesale vehicle revenue*

Historically, we sold vehicles that do not meet our Vroom retail sales criteria through wholesale channels. Vehicles sold through wholesale channels were acquired from customers who traded-in their vehicles when making a purchase from us, from customers who sold 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 were the primary drivers of wholesale revenue.

#### *Product revenue*

Historically, we generated 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.

We generate ecommerce product revenue from receivables generated by financing provided to Vroom customers through UACC. We earn interest income on such finance receivables before the contracts are sold, interest income on finance receivables held in consolidated VIEs, and, when applicable, gain on the sales of securitized finance receivables. We account for sales of finance receivables in accordance with ASC Topic 860, *Transfers and Servicing of Financial Assets ("ASC 860")*. Refer to "Finance revenue" below for further details.

We also earned fees on third-party financing and value-added products pursuant to arrangements with the third parties that sold and administered these products. For accounting purposes, we were an agent for these transactions and, as a result, we recognized fees on a net basis when the customer entered into an arrangement to purchase these products or obtain third-party financing, which was typically at the time of a vehicle sale. Our gross profit on product revenue is equal to the revenue we generate. Product revenue was 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 consisted of estimated profit-sharing amounts to which we were entitled based on the performance of third-party protection products once a required claims period has passed. A portion of the fees we received was subject to chargeback in the event of early termination, default, or prepayment of the contracts by our customers. We recognized product revenue net of reserves for estimated chargebacks.

#### *Finance revenue*

Our finance revenue is related to finance receivables originated or acquired by UACC through its network of third-party dealership customers and consists of interest income earned on finance receivables before the contracts are sold,

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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 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.

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 a sale, 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. In July 2022, UACC sold a pool of finance receivables in the 2022-2 securitization transaction. Originally, we concluded that we were not the primary beneficiary of the 2022-2 securitization trust, and therefore we did not 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. 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, we concluded that we are the primary beneficiary of the VIE. In March 2023, we accounted for the transaction as secured borrowings and consolidated the 2022-2 securitization trust. The beneficial interest was then eliminated. 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 market conditions at the time, 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 the 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 high interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher loss severity. 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.

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

### **Cost of sales**

In connection with the Value Maximization Plan, we started to wind-down our ecommerce operations in January 2024. Therefore, each of the retail cost of sales, wholesale cost of sales, and the associated product cost of sales described below will not be applicable to our results of operations going forward.

#### *Retail cost of sales*

Retail cost of sales primarily included the costs to acquire vehicles, inbound transportation costs and direct and indirect reconditioning costs associated with preparing vehicles for sale. Costs to acquire vehicles were primarily driven by the inventory source, vehicle mix and general supply and demand conditions of the used vehicle market. Inbound transportation costs included costs to transport the vehicle to our VRCs. Reconditioning costs included parts, labor and third-party reconditioning costs directly attributable to the vehicle and allocated overhead costs. Cost of sales also included 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 included 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, historically consisted 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. Going forward, we expect our SG&A expenses to decrease significantly as a result of the wind-down of our ecommerce operations.

### **Depreciation and amortization**

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

### **Impairment Charges**

Impairment charges represent charges to write down the carrying amount of goodwill and other long-lived assets to fair value as well as 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 2022 Vehicle Floorplan Facility, which was used to finance our inventory, (ii) interest expense on our Notes, (iii) interest expense on UACC's Warehouse Credit Facilities, which are used to fund our finance receivables, and (iv) interest expense on UACC's financing of beneficial interests in securitizations.

**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 consolidated results of operations for the periods indicated:

	Year Ended December 31,		% Change
	2023	2022	
(in thousands)			
Revenue:			
Retail vehicle, net	\$ 565,972	\$ 1,425,842	(60.3)%
Wholesale vehicle	104,119	293,528	(64.5)%
Product, net	52,253	62,747	(16.7)%
Finance	156,938	152,542	2.9%
Other	13,921	14,242	(2.3)%
Total revenue	893,203	1,948,901	(54.2)%
Cost of sales:			
Retail vehicle	553,565	1,382,005	(59.9)%
Wholesale vehicle	138,472	304,148	(54.5)%
Product	3,337	—	100.0%
Finance	31,328	14,161	121.2%
Other	4,554	3,800	19.8%
Total cost of sales	731,256	1,704,114	(57.1)%
Total gross profit	161,947	244,787	(33.8)%
Selling, general and administrative expenses	340,657	566,387	(39.9)%
Depreciation and amortization	42,769	38,290	11.7%
Impairment charges	48,748	211,873	(77.0)%
Loss from operations	(270,227)	(571,763)	52.7%
Gain on debt extinguishment	(37,878)	(164,684)	77.0%
Interest expense	45,445	40,693	11.7%
Interest income	(21,158)	(19,363)	9.3%
Other loss (income), net	108,289	43,181	150.8%
Loss before provision (benefit) for income taxes	(364,925)	(471,590)	22.6%
Provision (benefit) for income taxes	615	(19,680)	103.1%
Net loss	\$ (365,540)	\$ (451,910)	19.1%

**Segments**

We have historically managed and reported operating results through three reportable segments:

- **Ecommerce** (64.5% of 2023 revenue; 70.0% of 2022 revenue): 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** (11.7% of 2023 revenue; 15.1% of 2022 revenue): The Wholesale segment represents sales of used vehicles through wholesale channels.
- **Retail Financing** (17.6% of 2023 revenue; 7.8% of 2022 revenue): The Retail Financing segment represents UACC's operations with its network of third-party dealership customers.

As a result of the Value Maximization Plan and the wind-down of our ecommerce operations, we will discontinue reporting our results through our Ecommerce and Wholesale segments starting in the first quarter of 2024.

**Years Ended December 31, 2023 and 2022**

**Ecommerce**

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

	Year Ended December 31,		Change	% Change
	2023	2022		
	(in thousands, except unit data and average days to sale)			
Ecommerce units sold	17,401	39,278	(21,877)	(55.7)%
Ecommerce revenue:				
Vehicle revenue	\$ 523,945	\$ 1,304,797	\$ (780,852)	(59.8)%
Product revenue	52,225	59,398	(7,173)	(12.1)%
Total ecommerce revenue	<u>\$ 576,170</u>	<u>\$ 1,364,195</u>	<u>\$ (788,025)</u>	<u>(57.8)%</u>
Ecommerce gross profit:				
Vehicle gross profit	\$ 10,343	\$ 40,575	\$ (30,232)	(74.5)%
Product gross profit	48,888	59,398	(10,510)	(17.7)%
Total ecommerce gross profit	<u>\$ 59,231</u>	<u>\$ 99,973</u>	<u>\$ (40,742)</u>	<u>(40.8)%</u>
Average vehicle selling price per ecommerce unit	\$ 30,110	\$ 33,220	\$ (3,110)	(9.4)%
Product revenue per ecommerce unit	3,001	1,512	1,489	98.5%
Gross profit per ecommerce unit:				
Vehicle gross profit per ecommerce unit	\$ 594	\$ 1,033	\$ (439)	(42.5)%
Product gross profit per ecommerce unit	2,809	1,512	1,297	85.8%
Total gross profit per ecommerce unit	<u>\$ 3,403</u>	<u>\$ 2,545</u>	<u>\$ 858</u>	<u>33.7%</u>
Ecommerce average days to sale	217	131	86	65.6%

**Ecommerce units**

Ecommerce units sold decreased 21,877, or 55.7%, from 39,278 for the year ended December 31, 2022 to 17,401 for the year ended December 31, 2023. This decrease was driven by our strategic decision to prioritize unit economics over unit sales volume starting in the second quarter of 2022, our decision to reduce vehicle acquisitions during the fourth quarter of 2023, 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 131 days for the year ended December 31, 2022 to 217 days for the year ended December 31, 2023. We undertook 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 were designed to improve our transaction processing, enhance our customer experience, and



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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.

**Vehicle Revenue**

Ecommerce vehicle revenue decreased \$780.9 million, or 59.8%, from \$1,304.8 million for the year ended December 31, 2022 to \$523.9 million for the year ended December 31, 2023. The decrease in ecommerce vehicle revenue was primarily attributable to the 21,877 decrease in ecommerce units sold, which decreased vehicle revenue by \$726.8 million, and a decrease in ASP per unit, which decreased from \$33,220 for the year ended December 31, 2022 to \$30,110 for the year ended December 31, 2023 and decreased vehicle revenue by \$54.1 million. The decrease in ASP per unit was primarily due to significant market appreciation in the first half of 2022.

**Product Revenue**

Ecommerce product revenue decreased \$7.2 million, or 12.1%, from \$59.4 million for the year ended December 31, 2022 to \$52.2 million for the year ended December 31, 2023. The decrease in ecommerce product revenue was primarily attributable to the 21,877 decrease in ecommerce units sold, which decreased product revenue by \$33.1 million, partially offset by an increase in product revenue per unit, which increased from \$1,512 for the year ended December 31, 2022 to \$3,001 for the year ended December 31, 2023 and increased product revenue by \$25.9 million. The increase in product revenue per unit was primarily due to an increase in interest income earned on finance receivables from Vroom customers originated or serviced by UACC as compared to the year ended December 31, 2022.

**Vehicle Gross Profit**

Ecommerce vehicle gross profit decreased \$30.3 million, or 74.5%, from \$40.6 million for the year ended December 31, 2022 to \$10.3 million for the year ended December 31, 2023. The decrease in vehicle gross profit was primarily attributable to the 21,877 decrease in ecommerce units sold, which decreased vehicle gross profit by \$22.7 million. Additionally, vehicle gross profit per unit decreased \$439 from \$1,033 for the year ended December 31, 2022 to \$594 for year ended December 31, 2023, which decreased vehicle gross profit by \$7.6 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 in 2023 was from aged inventory, which negatively impacted our sales margin and GPPU.

**Product Gross Profit**

Ecommerce product gross profit decreased \$10.5 million, or 17.7%, from \$59.4 million for the year ended December 31, 2022 to \$48.9 million for the year ended December 31, 2023. The decrease in ecommerce product gross profit was primarily attributable to the 21,877 decrease in ecommerce units sold, which decreased product gross profit by \$33.1 million, partially offset by a \$1,297 increase in product gross profit per unit, which increased product gross profit by \$22.6 million. Product gross profit per unit increased from \$1,512 for the year ended December 31, 2022 to \$2,809 for the year ended December 31, 2023, primarily due to an increase in interest income earned, partially offset by interest expense on securitization debt related to Vroom customers' finance receivables originated or serviced by UACC.

## Wholesale

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

	Year Ended December 31,		Change	% Change
	2023	2022		
	(in thousands, except unit data)			
Wholesale units sold	7,094	20,876	(13,782)	(66.0)%
Wholesale revenue	\$ 104,119	\$ 293,528	\$ (189,409)	(64.5)%
Wholesale gross loss	\$ (34,353)	\$ (10,620)	\$ (23,733)	223.5%
Average selling price per unit	\$ 14,677	\$ 14,061	\$ 616	4.4%
Wholesale gross loss per unit	\$ (4,843)	\$ (509)	\$ (4,334)	851.5%

## Wholesale Units

Wholesale units sold decreased 13,782, or 66.0%, from 20,876 for the year ended December 31, 2022 to 7,094 for the year ended December 31, 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 \$189.4 million, or 64.5%, from \$293.5 million for the year ended December 31, 2022 to \$104.1 million for the year ended December 31, 2023. The decrease was primarily attributable to a 13,782 decrease in wholesale units sold, which decreased wholesale revenue by \$193.8 million, partially offset by a higher ASP per wholesale unit, which increased wholesale revenue by \$4.4 million.

## Wholesale Gross Loss

Wholesale gross loss increased \$23.8 million, or 223.5%, from \$10.6 million for the year ended December 31, 2022 to \$34.4 million for the year ended December 31, 2023. The change was primarily attributable to a \$4,334 increase in wholesale gross loss per unit from \$509 for the year ended December 31, 2022 to \$4,843 for the year ended December 31, 2023, which increased wholesale gross loss by \$30.8 million, partially offset by a 13,782 decrease in wholesale units sold, which decreased wholesale gross loss by \$7.0 million.

The increase in wholesale gross loss per unit was primarily driven by lower sales margins as a result of wholesale liquidations for aged inventory and vehicles damaged by hail storms in the second and third quarter of 2023 and a higher inventory reserve.

## Retail Financing

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

	Year Ended December 31,		Change	% Change
	2023	2022		
	(in thousands)			
Retail Financing revenue	\$ 156,938	\$ 152,542	\$ 4,396	2.9%
Retail Financing gross profit	\$ 125,610	\$ 138,381	\$ (12,771)	(9.2)%

## Retail Financing Revenue

Retail Financing revenue increased \$4.4 million, or 2.9%, from \$152.5 million for the year ended December 31, 2022 to \$156.9 million for the year ended December 31, 2023. The increase was primarily driven by an increase in interest and discount income from \$78.6 million for the year ended December 31, 2022 to \$140.6 million for the year ended December 31, 2023 related to income earned on finance receivables with third-party dealership customers as a result of new originations and the consolidation of the 2022-2 and 2023-1 securitization transactions. The increase was

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partially offset by the gain on sale of finance receivables of \$45.6 million for the year ended December 31, 2022 related to the 2022-1 and 2022-2 securitization transactions.

**Retail Financing Gross Profit**

Retail Financing gross profit decreased \$12.8 million, or 9.2%, from \$138.4 million for the year ended December 31, 2022 to \$125.6 million for the year ended December 31, 2023. The decrease was primarily driven by the gain on sale of finance receivables of \$45.6 million for the year ended December 31, 2022 related to the 2022-1 and 2022-2 securitization transactions. Additionally, the decrease was a result of an increase in collection expenses related to servicing finance receivables originated or acquired by UACC and an increase in interest expense on securitization debt from \$3.4 million for the year ended December 31, 2022 to \$18.6 million for the year ended December 31, 2023. The decrease was partially offset by an increase in interest and discount income earned on finance receivables with third-party dealership customers as a result of new originations and the consolidation of the 2022-2 and 2023-1 securitization transactions, as described above.

**Selling, general and administrative expenses**

	Year Ended December 31,		Change	% Change
	2023	2022		
	(in thousands)			
Compensation & benefits	\$ 166,056	\$ 251,153	\$ (85,097)	(33.9)%
Marketing expense	48,440	79,670	(31,230)	(39.2)%
Outbound logistics <sup>(1)</sup>	8,466	39,023	(30,557)	(78.3)%
Occupancy and related costs	18,010	23,363	(5,353)	(22.9)%
Professional fees	20,129	33,455	(13,326)	(39.8)%
Software and IT costs	36,466	44,570	(8,104)	(18.2)%
Other	43,090	95,153	(52,063)	(54.7)%
Total selling, general & administrative expenses	\$ 340,657	\$ 566,387	\$ (225,730)	(39.9)%

(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 \$225.7 million, or 39.9%, from \$566.4 million for the year ended December 31, 2022 to \$340.7 million for the year ended December 31, 2023. The total decrease was primarily caused by:

- a \$85.1 million decrease in compensation and benefits primarily as a result of workforce reductions;
- a \$31.2 million decrease in marketing expense contemplated by our long-term roadmap, our previous business strategy for our ecommerce business;
- a \$30.6 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 \$13.3 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 \$8.1 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 \$5.4 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 \$52.1 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.

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We expect SG&A expenses to decrease in the future driven by further reductions in both fixed and variable cost components as we wind-down our ecommerce business and complete our announced workforce reduction.

### **Depreciation and amortization**

Depreciation and amortization expenses increased \$4.5 million, or 11.7%, from \$38.3 million for the year ended December 31, 2022 to \$42.8 million for the year ended December 31, 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 year ended December 31, 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 \$48.7 million for the year ended December 31, 2023 primarily consist of \$47.4 million long-lived asset impairment charges as a result of a triggering event as of December 31, 2023. Impairment charges of \$211.9 million for the year ended December 31, 2022 represent an impairment charge to write down the carrying amount of the goodwill to fair value, lease impairment charges related to closing physical office locations, Stafford reconditioning facility and Sell Us Your Car® centers, and impairment of long-lived assets no longer in use.

### **Gain on debt extinguishment**

Gain on debt extinguishment represents a gain of \$37.9 million and \$164.7 million for the years ended December 31, 2023 and 2022, respectively, related to the repurchase of \$74.2 million and \$254.3 million in aggregate principal balance of the Notes, net of deferred issuance costs, for \$36.5 million and \$90.2 million, respectively.

### **Interest expense**

Interest expense increased \$4.7 million, or 11.7%, from \$40.7 million for the year ended December 31, 2022 to \$45.4 million for the year ended December 31, 2023. Interest expense incurred on UACC's Warehouse Credit Facilities increased as a result of an increase in the outstanding balance. The increase 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 during 2023.

### **Interest income**

Interest income increased \$1.8 million, or 9.3%, from \$19.4 million for the year ended December 31, 2022 to \$21.2 million for the year ended December 31, 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 \$65.1 million, or 150.8%, from \$43.2 million for the year ended December 31, 2022 to \$108.3 million for the year ended December 31, 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 as higher loss rates on our overall portfolio as of December 31, 2023 as compared to December 31, 2022.

## **Liquidity and Capital Resources**

As of December 31, 2023, we had cash and cash equivalents of \$135.6 million and restricted cash of \$73.2 million. Restricted cash primarily includes restricted cash required under UACC's securitization transactions and Warehouse Credit Facilities of \$49.1 million and cash deposits required under our 2022 Vehicle Floorplan Facility of \$22.7 million. Prior to the wind-down of our ecommerce operations, our primary source of liquidity was cash generated through financing activities. Additionally, we had excess borrowing capacity of \$56.9 million under UACC's Warehouse Credit Facilities as of December 31, 2023.

On January 19, 2024, we amended our 2022 Vehicle Floorplan Facility. As a result of the amendment, borrowings under the 2022 Vehicle Floorplan Facility were suspended for future vehicle purchases and we were required to maintain 40% of our outstanding borrowings in cash. In addition, all other financial covenants were eliminated. As a result of the

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liquidation of our vehicle inventory, we repaid all amounts outstanding under the 2022 Vehicle Floorplan Facility in full and the agreement has been terminated.

We expect to use our cash and cash equivalents to finance our future capital requirements 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.

As of February 29, 2024, we had cash and cash equivalents of approximately \$94.0 million. We anticipate that our existing cash and cash equivalents and UACC's Warehouse Credit Facilities will be sufficient to support the Company for at least the next twelve months from the date of this Annual Report on Form 10-K.

In addition to our ongoing cash requirements, our liquidity will also be used to fund costs related to the announced wind-down of our ecommerce operations, primarily in relation to severance and early contract and lease termination payments. Such payments could be significant and have a material effect on our cash flows from operations. Our future capital requirements will depend on many factors, including our ability to successfully implement the Value Maximization Plan and realize its benefits, available advance rates on our Warehouse Credit Facilities, our ability to complete additional securitization transactions at terms favorable to us, and our future credit losses. We have no significant debt maturities due until July 2026 and the payments on our securitization debt are funded by cashflows on the finance receivables within the securitization trusts.

### **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 year ended December 31, 2023, the conditions allowing holders of the Notes to convert were not met.

During the year ended December 31, 2023, we repurchased \$74.2 million in aggregate principal amount of the Notes, net of deferred issuance costs, for \$36.5 million, respectively, in open-market transactions. We recognized a gain on extinguishment of debt of \$37.9 million for the year ended December 31, 2023. As a result of these repurchases and repurchases made in 2022, as of December 31, 2023, \$286.8 million aggregate principal amount of the Notes remain outstanding, net of deferred issuance costs of \$3.7 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 13 — Long Term Debt of our consolidated financial statements included elsewhere in this Annual Report on Form 10-K, for further discussion.

### **Finance Receivables**

Subject to market conditions, we plan to sell finance receivables originated by UACC through asset-backed securitization transactions. In January 2023, UACC sold approximately \$238.7 million of investment grade rated asset-backed securities in the 2023-1 auto loan securitization transaction 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 securitization trust is collateralized by finance receivables with an aggregate principal balance of \$326.4 million. As a result of market conditions at the time, which led to unfavorable pricing, UACC retained the residual interests, and we accounted for the 2023-1 securitization transaction as secured borrowings.

In the year ended December 31, 2022, UACC sold \$523.7 million of rated asset-backed securities and \$49.6 million of residual certificates in 2022-1 and 2022-2 auto loan securitization transactions for proceeds of \$582.9 million. The securitization trusts are collateralized by finance receivables with an aggregate principal balance of \$603.5 million and have a carrying value of \$534.6 million at the time of sale.

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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.

Depending on market conditions, future securitization transactions may be accounted for as secured borrowings and remain on balance sheet.

As a result of high interest rates, the current inflationary environment and vehicle depreciation in the used automotive industry, UACC is experiencing higher loss severity. 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 consolidated financial statements included elsewhere in this Annual Report on Form 10-K, 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 June 2025 and September 2025. As of December 31, 2023, outstanding borrowings related to the Warehouse Credit Facilities were \$421.3 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 consolidated financial statements included elsewhere in this Annual Report on Form 10-K, for further discussion.

### ***Operating Leases***

Prior to the wind-down of our ecommerce operations, we entered into various noncancelable operating lease agreements for office space, the Company's reconditioning facility, the TDA retail location, the Company's Sell Us Your Car centers, regional logistics hubs, parking lots, other facilities, and equipment used in the normal course of business, and, as of December 31, 2023 operating lease obligations were \$33.9 million, with \$10.7 million payable within 12 months. As of December 31, 2023, UACC had an additional operating lease that has not yet commenced with future lease payments of approximately \$1.2 million. The lease is expected to commence over the next 12 months with initial lease terms of approximately 7 years. As a result of the Value Maximization Plan, we have been negotiating early terminations of our lease obligations. As of March 8, 2024, we have reduced our aggregate future operating lease obligations by \$4.9 million. Our ongoing lease obligations will depend on the outcomes of discussions and negotiations (a number of which are currently ongoing) with counterparties to the leases we still intend to terminate or modify. See "Note 12—Leases," to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further detail of our obligations and the timing of expected future payments.

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

The following table summarizes our cash flows for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	(in thousands)	
Net cash used in operating activities	\$ (533,684)	\$ (109,065)
Net cash provided by (used in) investing activities	173,153	(164,212)
Net cash provided by (used in) financing activities	97,340	(469,488)
Net (decrease) increase in cash, cash equivalents and restricted cash	(263,191)	(742,765)
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	<u>\$ 208,819</u>	<u>\$ 472,010</u>

### **Operating Activities**

Net cash flows used in operating activities increased by \$424.6 million, from \$109.1 million for the year ended December 31, 2022 to \$533.7 million for the year ended December 31, 2023. For the year ended December 31, 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 2021-2 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 \$155.1 million, primarily related to the change in inventory levels. The increases were partially offset by a \$149.3 million decrease in net loss after reconciling adjustments for the year ended December 31, 2023, as compared to the year ended December 31, 2022, a decrease of originations of finance receivables held for sale of \$43.4 million, and an increase in principal payments received on finance receivables held for sale of \$41.3 million.

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

We financed 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 consolidated statement of cash flows.

### **Investing Activities**

Net cash flows from investing activities changed \$337.4 million, from net cash used in investing activities of \$164.2 million for the year ended December 31, 2022 to net cash provided by investing activities of \$173.2 million for the year ended December 31, 2023. The change was primarily a result of the UACC Acquisition in February 2022 which resulted in cash outflow of \$267.5 million during the year ended December 31, 2022, a decrease in purchases of finance receivables at fair value of \$53.1 million, an increase in principal payments received on finance receivables at fair value of \$42.4 million, and the consolidation of the 2022-2 securitization transaction which resulted in a cash inflow of \$11.4 million during the year ended December 31, 2023. The changes 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, which resulted in a cash inflow during the year ended December 31, 2022.

### **Financing Activities**

Net cash flows from financing activities changed \$566.8 million, from net cash used in financing activities of \$469.5 million for the year ended December 31, 2022 to net cash provided by financing activities of \$97.3 million for the year ended December 31, 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 \$136.0 million related to our Warehouse Credit Facilities, a decrease in net repayments of \$110.0 million related to our 2022 Vehicle Floorplan Facility, a decrease in the repurchase of convertible senior notes of \$53.7 million, and proceeds from financing beneficial interests in securitizations of \$24.5 million for the year ended December 31, 2023. The changes were partially offset by an increase in principal repayments under secured financing agreements and financing beneficial interests in securitizations of \$15.6 million and \$8.7 million, respectively.

### **Critical Accounting Policies and Estimates**

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

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

### **Recently Issued and Adopted Accounting Pronouncements**

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



**Item 7A. Quantitative and Qualitative Disclosure About Market Risk**

We are a smaller reporting company as defined in Rule 12b-2 of the Exchange Act and are not required to provide the information otherwise required under this Item 7A.

**Item 8. Financial Statements and Supplementary Data**

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## Report of Independent Registered Public Accounting Firm

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

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

We have audited the accompanying consolidated balance sheets of Vroom, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations, of changes in stockholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Basis for Opinions***

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

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

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

### ***Emphasis of Matter***

As discussed in Note 1 – Value Maximization Plan to the consolidated financial statements, in 2024, the Board of Directors approved a value maximization plan, pursuant to which the Company discontinued its ecommerce operations and is winding down its used vehicle dealership business.

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the

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transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

**Critical Audit Matters**

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

*Revenue Recognition – Retail Vehicle, Net Revenues*

As described in Note 3 to the consolidated financial statements, the Company's revenue for the year ended December 31, 2023 included retail vehicle, net revenues of \$566.0 million. The Company recognizes revenue for used vehicle sales generally at a point in time when the vehicles are delivered to the customer or picked up by the customer. The revenue recognized by the Company includes the agreed upon transaction price, including any delivery charges and document fees stated within the customer contract.

The principal consideration for our determination that performing procedures relating to the recognition of retail vehicle, net revenues is a critical audit matter is a high degree of auditor effort in performing procedures related to recognition of the Company's retail vehicle, net revenues.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the recording of revenue at the transaction price when the used vehicle has been delivered to the customer or picked up by the customer. These procedures also included, among others (i) testing a sample of retail vehicle, net revenue transactions by obtaining and inspecting source documents, such as customer contracts, delivery documents, and cash receipts and (ii) testing the timing of revenue recognition for a sample of retail vehicle, net revenue transactions before December 31, 2023 by obtaining and inspecting source documents, such as customer contracts and delivery documents.

/s/ PricewaterhouseCoopers LLP

New York, New York  
March 13, 2024

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

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

	As of December 31,	
	2023	2022
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 135,585	\$ 398,915
Restricted cash (including restricted cash of consolidated VIEs of \$49.1 million and \$24.7 million, respectively)	73,234	73,095
Accounts receivable, net of allowance of \$11.2 million and \$21.5 million, respectively	9,139	13,967
Finance receivables at fair value (including finance receivables of consolidated VIEs of \$11.8 million and \$11.5 million, respectively)	12,501	12,939
Finance receivables held for sale, net (including finance receivables of consolidated VIEs of \$457.2 million and \$305.9 million, respectively)	503,546	321,626
Inventory	163,250	320,648
Beneficial interests in securitizations	4,485	20,592
Prepaid expenses and other current assets (including other current assets of consolidated VIEs of \$25.2 million and \$11.7 million, respectively)	50,899	58,327
<b>Total current assets</b>	<b>952,639</b>	<b>1,220,109</b>
Finance receivables at fair value (including finance receivables of consolidated VIEs of \$329.6 million and \$119.6 million, respectively)	336,169	140,235
Property and equipment, net	24,132	50,201
Intangible assets, net	131,892	158,910
Operating lease right-of-use assets	7,063	23,568
Other assets (including other assets of consolidated VIEs of \$1.8 million and \$0 million, respectively)	23,527	26,004
<b>Total assets</b>	<b>\$ 1,475,422</b>	<b>\$ 1,619,027</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 26,762	\$ 34,702
Accrued expenses (including accrued expenses of consolidated VIEs of \$4.0 million and \$1.5 million, respectively)	52,452	76,795
Vehicle floorplan	151,178	276,988
Warehouse credit facilities of consolidated VIEs	421,268	229,518
Current portion of long-term debt (including current portion of securitization debt of consolidated VIEs at fair value of \$163.5 million and \$47.2 million, respectively)	172,410	47,239
Deferred revenue	14,025	10,655
Operating lease liabilities, current	8,737	9,730
Other current liabilities	9,974	17,693
<b>Total current liabilities</b>	<b>856,806</b>	<b>703,320</b>
Long-term debt, net of current portion (including securitization debt of consolidated VIEs of \$150.6 million and \$32.6 million at fair value, respectively)	454,173	402,154
Operating lease liabilities, excluding current portion	25,183	20,129
Other long-term liabilities (including other long-term liabilities of consolidated VIEs of \$10.4 million and \$7.4 million, respectively)	17,109	18,183
<b>Total liabilities</b>	<b>1,353,271</b>	<b>1,143,786</b>
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Common stock, \$0.001 par value; 500,000,000 shares authorized as of December 31, 2023 and 2022; 1,791,286 and 1,727,525 shares issued and outstanding as of December 31, 2023 and 2022, respectively	2	2
Additional paid-in-capital	2,088,381	2,075,931
Accumulated deficit	(1,966,232)	(1,600,692)
<b>Total stockholders' equity</b>	<b>122,151</b>	<b>475,241</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,475,422</b>	<b>\$ 1,619,027</b>

*See accompanying notes to these consolidated financial statements.*

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

	Year Ended December 31,	
	2023	2022
Revenue:		
Retail vehicle, net	\$ 565,972	\$ 1,425,842
Wholesale vehicle	104,119	293,528
Product, net	52,253	62,747
Finance	156,938	152,542
Other	13,921	14,242
<b>Total revenue</b>	<b>893,203</b>	<b>1,948,901</b>
Cost of sales:		
Retail vehicle	553,565	1,382,005
Wholesale vehicle	138,472	304,148
Product	3,337	—
Finance	31,328	14,161
Other	4,554	3,800
<b>Total cost of sales</b>	<b>731,256</b>	<b>1,704,114</b>
<b>Total gross profit</b>	<b>161,947</b>	<b>244,787</b>
Selling, general and administrative expenses	340,657	566,387
Depreciation and amortization	42,769	38,290
Impairment charges	48,748	211,873
<b>Loss from operations</b>	<b>(270,227)</b>	<b>(571,763)</b>
Gain on debt extinguishment	(37,878)	(164,684)
Interest expense	45,445	40,693
Interest income	(21,158)	(19,363)
Other loss (income), net	108,289	43,181
Loss before provision (benefit) for income taxes	(364,925)	(471,590)
Provision (benefit) for income taxes	615	(19,680)
<b>Net loss</b>	<b>\$ (365,540)</b>	<b>\$ (451,910)</b>
<b>Net loss per share attributable to common stockholders, basic and diluted</b>	<b>\$ (209.70)</b>	<b>\$ (262.15)</b>
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	1,743,128	1,723,843

*See accompanying notes to these consolidated financial statements.*

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

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2021	1,713,662	\$ 2	\$ 2,063,974	\$ (1,148,782)	\$ 915,194
Stock-based compensation	—	\$ —	\$ 11,957	\$ —	\$ 11,957
Vesting of restricted stock units	9,404	—	—	—	—
Restricted stock units in accordance with purchase agreement	4,459	—	—	—	—
Net loss	—	—	—	(451,910)	(451,910)
Balance at December 31, 2022	1,727,525	\$ 2	\$ 2,075,931	\$ (1,600,692)	\$ 475,241
Stock-based compensation	—	\$ —	\$ 10,051	\$ —	\$ 10,051
Vesting of restricted stock units	20,278	—	—	—	—
Issuance of common stock related to at-the-market offering, net of offering costs	43,483	—	2,399	—	2,399
Net loss	—	—	—	(365,540)	(365,540)
Balance at December 31, 2023	1,791,286	\$ 2	\$ 2,088,381	\$ (1,966,232)	\$ 122,151

*See accompanying notes to these consolidated financial statements.*

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

	Year Ended December 31,	
	2023	2022
<b>Operating activities</b>		
Net loss	\$ (365,540)	\$ (451,910)
Adjustments to reconcile net loss to net cash used in operating activities:		
Impairment charges	48,748	211,873
Gain on debt extinguishment	(37,878)	(164,684)
Depreciation and amortization	43,476	38,707
Amortization of debt issuance costs	4,598	4,809
Realized gains on securitization transactions	—	(45,589)
Deferred taxes	—	(23,855)
Losses on finance receivables and securitization debt, net	114,702	66,839
Stock-based compensation expense	10,051	11,957
Provision to record inventory at lower of cost or net realizable value	(2,360)	1,812
Provision for bad debt	4,074	13,406
Provision to record finance receivables held for sale at lower of cost or fair value	20,566	6,541
Amortization of unearned discounts on finance receivables at fair value	(25,954)	(14,593)
Other, net	(17,393)	(7,512)
Changes in operating assets and liabilities:		
<i>Finance receivables, held for sale</i>		
Originations of finance receivables held for sale	(582,170)	(625,575)
Principal payments received on finance receivables held for sale	105,858	64,521
Proceeds from sale of finance receivables held for sale, net	—	509,612
Other	(1,606)	(7,701)
Accounts receivable	754	78,060
Inventory	159,758	403,924
Prepaid expenses and other current assets	22,711	4,146
Other assets	3,266	(2,546)
Accounts payable	(7,940)	(24,281)
Accrued expenses	(24,766)	(53,553)
Deferred revenue	3,370	(65,148)
Other liabilities	(10,009)	(38,325)
Net cash used in operating activities	(533,684)	(109,065)
<b>Investing activities</b>		
<i>Finance receivables at fair value</i>		
Purchases of finance receivables at fair value	(3,392)	(56,484)
Principal payments received on finance receivables at fair value	174,748	132,391
Proceeds from sale of finance receivables at fair value, net	—	43,262
Consolidation of VIEs	11,409	—
Principal payments received on beneficial interests	5,193	8,341
Purchase of property and equipment	(14,805)	(24,234)
Acquisition of business, net of cash acquired of \$47.9 million	—	(267,488)
Net cash provided by (used in) investing activities	173,153	(164,212)
<b>Financing activities</b>		
Proceeds from the issuance of common stock in at-the-market offering, net of offering costs	2,399	—
Proceeds from borrowings under secured financing agreements	261,991	—
Principal repayment under secured financing agreements	(208,476)	(192,839)
Proceeds from financing of beneficial interests in securitizations	24,506	—
Principal repayments of financing of beneficial interests in securitizations	(8,698)	—
Proceeds from vehicle floorplan	559,331	1,403,042
Repayments of vehicle floorplan	(685,141)	(1,638,855)
Proceeds from warehouse credit facilities	480,100	520,800
Repayments of warehouse credit facilities	(290,483)	(467,216)
Repurchases of convertible senior notes	(36,536)	(90,208)
Other financing activities	(1,653)	(4,212)
Net cash provided by (used in) financing activities	97,340	(469,488)
<b>Net (decrease) increase in cash, cash equivalents and restricted cash</b>	(263,191)	(742,765)
Cash, cash equivalents and restricted cash at the beginning of period	472,010	1,214,775
<b>Cash, cash equivalents and restricted cash at the end of period</b>	<b>\$ 208,819</b>	<b>\$ 472,010</b>

(Continued on following page)



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

**Supplemental disclosure of cash flow information:**

Cash paid for interest	\$ 59,351	\$ 34,907
Cash paid for income taxes	\$ 5,363	\$ 2,409

**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 consolidated financial statements.*

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

**1. Description of Business and Basis of Presentation**

***Description of Business and Organization***

Vroom, Inc., and its wholly owned subsidiaries (collectively, the "Company"), was an end-to-end ecommerce platform to buy and 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 was 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").

Starting in 2022, the Company was organized into three reportable segments: Ecommerce, Wholesale and Retail Financing. The Ecommerce reportable segment represented 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 represented sales of used vehicles through wholesale channels. The Retail Financing reportable segment represented UACC's operations with its network of third-party dealership customers, which primarily consists of the purchases and servicing of vehicle installment contracts, but excludes financing of vehicle sales to Vroom customers. As a result of the Value Maximization Plan and the wind-down of the ecommerce operations, as described below, the Company will discontinue reporting its results through the Ecommerce and Wholesale segments starting in the first quarter of 2024.

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.

***Value Maximization Plan***

On January 19, 2024, the Board of Directors of Vroom approved a value maximization plan, pursuant to which the Company discontinued its ecommerce operations and is winding down its used vehicle dealership business in order to preserve liquidity and enable the Company to maximize stakeholder value through its remaining businesses (the "Value Maximization Plan"). The Company has suspended transactions through vroom.com, completed transactions for customers who had previously contracted to purchase or sell a vehicle, halted purchases of additional vehicles, sold all of its used vehicle inventory through wholesale channels and paid off its floorplan financing facility. The Company continues to take other actions to maximize the value of its remaining ecommerce assets, reduce its outstanding commitments and preserve its liquidity, and has been executing a reduction-in-force commensurate with its reduced operations. The Company expects the ecommerce wind down to be substantially complete by the end of the first quarter of 2024, but may incur additional wind-down costs through the end of 2024.

The Company also owns and operates UACC, an automotive finance company, and CarStory, an artificial intelligence-powered analytics and digital services platform for automotive retail. The UACC and CarStory businesses will continue to serve their third-party customers, with their operations unaffected by Vroom's ecommerce wind-down.

As a result of the Value Maximization Plan, the Company estimates that it will incur total cash charges of approximately \$16.5 million for severance and other personnel-related costs and approximately \$15.0 million in other contract and lease termination costs. As part of a planned reduction-in-force under the Value Maximization Plan, the Company anticipates that approximately 800 employees will be impacted upon substantial completion of the wind-down, resulting in a reduction of approximately 93% of the employees not engaged in UACC's or CarStory's ongoing operations.

The Company determined a triggering event existed as of December 31, 2023, resulting in long-lived asset impairment charges of \$47.4 million. The impairment charges consist of \$23.9 related to "Property and equipment, net",

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

\$22.2 million related to "Operating lease right-of-use assets", and \$1.3 million related to "Other assets" on the Company's consolidated balance sheets. Refer to Note 7 — Property and Equipment, Net and Note 12 — Leases for further details.

***Reverse Stock Split***

On February 13, 2024, the Company effected a 1-for-80 reverse stock split of the Company's common stock. All shares of the Company's common stock, stock-based instruments and per-share data included in these consolidated financial statements have been retroactively adjusted as though the stock split has been effected prior to all periods presented.

***Basis of Presentation***

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

***Principles of Consolidation***

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

**2. Summary of Significant Accounting Policies**

***Use of Estimates***

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue, 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 years ended December 31, 2023, and 2022. Accordingly, net loss and comprehensive loss are the same for the periods presented.

***Revenue Recognition***

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

***Cost of sales***

Cost of sales primarily includes the cost to acquire used vehicles, inbound transportation costs and direct and indirect reconditioning costs associated with preparing vehicles for resale. Reconditioning costs include parts, labor and third-party reconditioning costs directly attributable to the vehicle and allocated overhead costs. Cost of sales also includes any necessary adjustments to reflect vehicle inventory at the lower of cost or net realizable value. As a result of the UACC acquisition, cost of sales also includes interest expense incurred on securitization debt related to finance receivables originated by UACC for Vroom customers as well as 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.

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

***Cash and Cash Equivalents***

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

***Restricted Cash***

Restricted cash 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 13 — Long Term Debt for further detail.

***Accounts Receivable, Net***

Accounts receivable, net of an allowance for doubtful accounts, includes amounts due from customers and from third-party financial institutions related to vehicle purchases. The allowance for doubtful accounts is estimated based upon historical experience, age of the balances, current economic conditions and other factors and is evaluated as of each reporting date. Increases and decreases in the allowance for doubtful accounts are recorded in "Selling, general and administrative expenses" in the consolidated statements of operations. The allowance for doubtful accounts was \$11.2 million, \$21.5 million and \$8.5 million as of December 31, 2023, 2022, and 2021, respectively. For the year ended December 31, 2023, the provision for bad debt was \$4.1 million and write-offs were \$14.4 million. For the year ended December 31, 2022, the provision for bad debt was \$13.4 million and write-offs were immaterial.

***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 through securitization transactions. 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 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 (income), net" in the 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 December 31, 2023 and 2022, the valuation allowance

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

for finance receivables classified as held for sale was \$33.8 million and \$10.5 million, respectively. Refer to Note 17 – 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 (income), net" in the consolidated statements of operations. Refer to Note 17 – 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 years ended December 31, 2023 and 2022, the Company recognized the following revenue and expenses associated with these CFEs in the consolidated statements of operations:

	Year Ended December 31,	
	2023	2022
Finance revenue	\$ 82,442	\$ 40,869
Product revenue	\$ 11,966	\$ —
Finance cost of sales	\$ (18,840)	\$ (3,377)
Product cost of sales	\$ (3,338)	\$ —
Other loss, net	\$ (66,968)	\$ (20,987)

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 consolidated balance sheets. Refer to Note 4 – Variable Interest Entities and Securitizations and Note 17 – Financial Instruments and Fair Value Measurements for further details.

**Inventory**

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

**Property and Equipment, Net**

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

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

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

Equipment	3 to 15 years
Furniture and fixtures	3 to 15 years
Logistics fleet	5 to 7 years
Leasehold improvements	Lesser of useful life or lease term
Internal-use software	1 to 10 years

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

Additionally, the Company capitalizes implementation costs incurred in a cloud computing arrangement that is a service contract. The capitalized implementation costs related to a cloud computing arrangement are amortized over the term of the arrangement. Capitalized implementation costs are included in "Other assets" in the consolidated balance sheet and are amortized over the terms of the arrangements, which range between 1 and 10 years.

The Company regularly reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying amount of an asset group may not be recoverable. The Company compares the sum of estimated undiscounted future cash flows expected to result from the use of the asset group to the carrying value of the asset group. When the carrying value of the asset group exceeds its estimated undiscounted future cash flows, the Company recognizes an impairment charge for the amount by which the carrying value of the asset group exceeds the fair value of the asset group. Refer to Note 7 — Property and Equipment, Net for further details on impairment tests performed.

#### **Goodwill and Intangible Assets**

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

The Company has three reporting units: Ecommerce, Wholesale and Retail Financing. In performing its goodwill impairment test, the Company first reviews qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing qualitative factors, the Company determines that it is more likely than not that the fair value of a reporting unit is more than its carrying amount, then performing the quantitative test is unnecessary and the Company's goodwill is not considered to be impaired. However, if based on the qualitative assessment the Company concludes that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, or if the Company elects to bypass the optional qualitative assessment as provided for under U.S. GAAP, the Company proceeds with performing the quantitative impairment test. Refer to Note 8 — Goodwill and Intangible Assets for further details on the impairment tests performed.

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

Developed technology	7 years
Trademarks	9 years
Customer relationships	8 years

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

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

**Leases**

The Company determines if an arrangement is a lease at inception by evaluating if the asset is explicitly or implicitly identified or distinct, if the Company will receive substantially all of the economic benefit or if the lessor has an economic benefit and the ability to substitute the asset. Right-of-use ("ROU") assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The Company assesses whether the lease is an operating or finance lease at its inception. Operating lease liabilities are recognized at commencement date based on the present value of the lease payments over the lease term. As the rate implicit in the lease is generally not readily determinable for the Company's operating leases, the discount rates used to determine the present value of the Company's lease liabilities are based on the Company's incremental borrowing rate at the lease commencement date and commensurate with the remaining lease term. The incremental borrowing rate for a lease is the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment. The Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset is the initial lease liability adjusted for any prepayments, initial indirect costs incurred by the Company, and lease incentives. The Company's operating leases are included in "Operating lease right-of-use assets," "Operating lease liabilities, current," and "Operating lease liabilities, excluding current portion" on the consolidated balance sheets. The Company does not have any material leases, individually or in the aggregate, classified as a finance leasing arrangement. Additionally, leases with an initial term of 12 months or less are not recorded on the Company's consolidated balance sheet and expenses for these leases are recognized on a straight-line basis over the lease term.

The Company regularly reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying amount of an asset group may not be recoverable. The Company compares the sum of estimated undiscounted future cash flows expected to result from the use of the asset group to the carrying value of the asset group. When the carrying value of the asset group exceeds its estimated undiscounted future cash flows, the Company recognizes an impairment charge for the amount by which the carrying value of the asset group exceeds the fair value of the asset group. Refer to Note 12 — Leases for further details on impairment tests performed.

**Vehicle Floorplan**

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

**Income Taxes**

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

**Stock-Based Compensation**

The Company recognizes the cost of employee services received in exchange for stock awards based on the fair value of those awards at the date of grant over the requisite service period. The Company accounts for forfeitures as they

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occur. For awards earned based on performance or upon occurrence of a contingent event, if the award is deemed probable of being earned, related compensation expense is recorded over the estimated service period. If an award is not considered probable of being earned, no amount of stock-based compensation is recognized. To the extent the estimate of awards considered probable of being earned changes, the amount of stock-based compensation recognized will also change.

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

***Business Combinations***

The Company uses its best estimates and assumptions to assign fair value to the tangible and intangible assets acquired and liabilities assumed at the acquisition date. The Company's estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. The Company will continue to collect information and reevaluate these estimates and assumptions quarterly and record any adjustments to the Company's preliminary estimates to goodwill provided that the Company is within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments will be recorded to the Company's consolidated statement of operations.

***Advertising***

Advertising costs are expensed as incurred and are included within "Selling, general and administrative expenses" in the consolidated statements of operations. Advertising expenses were \$48.4 million and \$79.7 million for the years ended December 31, 2023 and 2022, respectively.

***Shipping and Handling***

Logistics costs related to inbound transportation from the point of acquisition to the relevant reconditioning facility are included in cost of sales when the related used vehicle is sold. Logistics costs not included in cost of sales are accounted for as costs to fulfill contracts with customers and are included in "Selling, general and administrative expenses" in the consolidated statements of operations and were \$8.5 million and \$39.0 million for the years ended December 31, 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. government securities. Concentration of credit risk with respect to accounts receivable is generally mitigated by a large customer base.

For the years ended December 31, 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 December 31, 2023 and 2022.



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***Liquidity***

As of December 31, 2023, the Company had cash and cash equivalents of \$135.6 million and restricted cash of \$73.2 million. Restricted cash primarily includes restricted cash required under UACC's securitization transactions and Warehouse Credit Facilities of \$49.1 million and cash deposits required under our 2022 Vehicle Floorplan Facility of \$22.7 million. The Company has historically had negative cash flows and generated losses from operations and the Company's primary source of liquidity has been cash generated through financing activities. As of February 29, 2024 the Company had cash and cash equivalents of approximately \$94.0 million.

In January 2024, the Company announced its Value Maximization Plan to discontinue its ecommerce operations and wind-down its used vehicle dealership business, refer to Note 1 — Description of Business and Basis of Presentation — Value Maximization Plan. On January 19, 2024, the Company amended its agreement with Ally Bank and Ally Financial Inc. (together, "Ally") dated November 4, 2022. As a result of the amendment, the floorplan was suspended for future vehicle purchases and the Company was required to maintain 40% of our outstanding borrowings in cash. In addition, all other financial covenants were eliminated. As a result of the liquidation of the Company's vehicle inventory, the Company repaid all amounts outstanding under the 2022 Vehicle Floorplan Facility in the first quarter of 2024 and the agreement was terminated.

In addition to the Company's ongoing cash requirements, the Company's liquidity will also be used to fund the announced wind-down of its ecommerce operations which is expected to result in the payment of \$16.5 million in severance related benefits and \$15.0 million in early contract and lease termination costs.

UACC has four warehouse credit facilities with an aggregate borrowing limit of \$825.0 million as of December 31, 2023. As of December 31, 2023, outstanding borrowings related to the Warehouse Credit Facilities were \$421.3 million and excess borrowing capacity was \$56.9 million. As of December 31, 2023, the Company was 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 the financial condition of the Company, 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 for further discussion.

The Company expects to use cash and cash equivalents to finance future capital requirements and UACC's Warehouse Credit Facilities to fund 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.

The Company's future capital requirements will depend on many factors, including the ability to successfully implement the Value Maximization Plan and realize its benefits, available advance rates on the Warehouse Credit Facilities, our ability to complete additional securitization transactions at terms favorable to us, and our future credit losses.

The Company anticipates that existing cash and cash equivalents and UACC's Warehouse Credit Facilities will be sufficient to support the Company's ongoing operations and obligations, inclusive of the wind-down of the ecommerce operations, for at least the next twelve months from the date of issuance of the consolidated financial statements.

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

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Under the two-class method, net loss is attributed to common stockholders and participating securities based on their participation rights. Under the two-class method, the net loss attributable to common stockholders is not allocated to the preferred stock as the holders of the Company's preferred stock do not have a contractual obligation to share in the Company's losses. Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. For periods in which the

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Company reports net losses, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

**Accounting Standards Adopted**

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

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the issuer's accounting for convertible debt instruments and amended certain guidance related to the computation of earnings per share for convertible instruments and contracts in an entity's own equity. The Company early adopted the new guidance effective January 1, 2021. There was no impact on the date of adoption. During the year ended December 31, 2021, the Company issued convertible notes. Refer to Note 13 – Long Term Debt for further discussion.

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 consolidated financial statements and related disclosures.

**Accounting Standards Issued But Not Yet Adopted**

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires disclosure of incremental segment information on an annual and interim basis, primarily through enhanced disclosures of significant segment expenses. The guidance will be effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024 and requires retrospective application to all periods presented upon adoption, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires disclosure of incremental income tax information within the rate reconciliation and expanded disclosures of income taxes paid, among other disclosure requirements. The guidance will be effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this guidance will have on its consolidated financial statements and related disclosures.

**3. Revenue Recognition**

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

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

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***Retail Vehicle Revenue***

The Company sold 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 consolidated balance sheets.

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

***Wholesale Vehicle Revenue***

The Company sold 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

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events is limited to the fees that it receives. An estimated refund liability for chargebacks against the revenue recognized from sales of these products is recorded in the period in which the related revenue is recognized and is based primarily on the Company's historical chargeback experience. The Company updates its estimates at each reporting date. As of December 31, 2023 and 2022, the Company's reserve for chargebacks was \$6.2 million and \$8.2 million, respectively, of which \$3.3 million and \$4.4 million, respectively, are included within "Accrued expenses" and \$2.9 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 December 31, 2023 and 2022, the Company recognized \$20.6 million and \$22.5 million, respectively, related to cumulative profit-sharing payments to which it expects to be entitled, of which \$2.3 million and \$1.6 million, respectively, are included within "Prepaid expenses and other current assets" and \$18.3 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 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.

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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 13 – 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.

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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 17 – 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, as classified in the consolidated balance sheets (in thousands):

	As of December 31, 2023		
	Securitization Vehicles	Warehouse Facilities <sup>1</sup>	Total
<b>Current Assets:</b>			
Restricted cash	\$ 28,458	\$ 20,688	\$ 49,146
Finance receivables at fair value	10,878	947	11,825
Finance receivables held for sale	—	457,185	457,185
Other current assets	12,390	12,814	25,204
<b>Total Current Assets</b>	<b>51,726</b>	<b>491,634</b>	<b>543,360</b>
Finance receivables at fair value	306,120	23,499	329,619
Other assets	—	1,759	1,759
<b>Total Assets</b>	<b>\$ 357,846</b>	<b>\$ 516,892</b>	<b>\$ 874,738</b>
<b>Current Liabilities:</b>			
Current portion of securitization debt	\$ 163,516	\$ —	\$ 163,516
Warehouse credit facilities	—	421,268	421,268
Accrued expenses	1,286	2,674	3,960
<b>Total Current Liabilities</b>	<b>164,802</b>	<b>423,942</b>	<b>588,744</b>
Securitization debt, net of current portion	150,579	—	150,579
Other liabilities	3,248	7,127	10,375
<b>Total Liabilities</b>	<b>\$ 318,629</b>	<b>\$ 431,069</b>	<b>\$ 749,698</b>

	As of December 31, 2022		
	Securitization Vehicles	Warehouse Facilities <sup>1</sup>	Total
<b>Current Assets:</b>			
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
<b>Total Current Assets</b>	<b>17,089</b>	<b>336,731</b>	<b>353,820</b>
Finance receivables at fair value	72,568	47,024	119,592
<b>Total Assets</b>	<b>\$ 89,657</b>	<b>\$ 383,755</b>	<b>\$ 473,412</b>
<b>Current Liabilities:</b>			
Current portion of securitization debt	\$ 47,239	\$ —	\$ 47,239
Warehouse credit facilities	—	229,518	229,518
Accrued expenses	90	1,439	1,529
<b>Total Current Liabilities</b>	<b>47,329</b>	<b>230,957</b>	<b>278,286</b>
Securitization debt, net of current portion	32,590	—	32,590
Other liabilities	686	6,724	7,410
<b>Total Liabilities</b>	<b>\$ 80,605</b>	<b>\$ 237,681</b>	<b>\$ 318,286</b>

<sup>1</sup> 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

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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 year ended December 31, 2022.

During the year ended December 31, 2022, the Company sold \$523.7 million of rated asset-backed securities and \$49.6 million of residual certificates through securitization transactions. The total gain related to finance receivables sold pursuant to securitization transactions was \$45.6 million for the year ended December 31, 2022.

As of December 31, 2023 and 2022, the assets UACC retains in the unconsolidated VIEs were approximately \$4.5 million and \$20.6 million, respectively, and are included in "Beneficial interests in securitizations" in the Company's 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 year ended December 31, 2023, the Company entered into a Risk Retention Financing Facility to finance the majority of its retained beneficial interests in securitizations. Refer to Note 13 – 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 December 31, 2023			As of December 31, 2022		
	Aggregate Principal Balance	Carrying Value	Total Exposure	Aggregate Principal Balance	Carrying Value	Total Exposure
Rated notes	\$ 4,538	\$ 4,345	\$ 4,345	\$ 19,233	\$ 18,664	\$ 18,664
Certificates	—	140	140	—	1,928	1,928
Other assets	310	310	310	310	310	310
Total unconsolidated VIEs	<u>\$ 4,848</u>	<u>\$ 4,795</u>	<u>\$ 4,795</u>	<u>\$ 19,543</u>	<u>\$ 20,902</u>	<u>\$ 20,902</u>

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

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



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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 17 – 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.

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

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

Purchased technology represents the fair value of UACC's proprietary technology used to support all aspects of their business including underwriting, servicing, and risk management. The estimated fair value of the purchased technology was determined using a relief-from-royalty method under the income approach. The significant assumptions used in the relief-from-royalty method include estimates about future expected cash flows from the 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 \$5.7 million for the year ended December 31, 2022, and are included within "Selling, general and administrative expenses" in the 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 \$167.8 million and \$26.7 million for the year ended December 31, 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, adjustments to reflect non-recurring acquisition-related costs of \$5.7 million as of the beginning of the 2021 annual reporting period, a non-recurring tax adjustment of \$24.1 million for the year ended December 31, 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 years ended December 31, 2022 is as follows (in thousands):

	Year Ended December 31,	
	2022	
Total revenue	\$	1,964,372
Net loss	\$	(464,101)

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## 6. Inventory

Inventory consisted of the following (in thousands):

	December 31,	
	2023	2022
Vehicles	\$ 162,659	\$ 317,994
Parts and accessories	591	2,654
<b>Total inventory</b>	<b>\$ 163,250</b>	<b>\$ 320,648</b>

As of December 31, 2023 and 2022, "Inventory" includes an adjustment of \$21.8 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):

	December 31,	
	2023	2022
Equipment	\$ 2,653	\$ 3,357
Furniture and fixtures	503	1,896
Logistics fleet	32,562	32,468
Leasehold improvements	434	6,577
Internal-use software	4,807	30,725
Other	1,369	8,081
	42,328	83,104
Accumulated depreciation and amortization	(18,196)	(32,903)
<b>Property and equipment, net</b>	<b>\$ 24,132</b>	<b>\$ 50,201</b>

Depreciation and amortization expense was \$16.5 million and \$13.4 million for the years ended December 31, 2023 and 2022, respectively. Depreciation and amortization expense included within "Cost of sales" in the consolidated statements of operations was \$0.7 million and \$0.4 million for the years ended December 31, 2023 and 2022 respectively.

Implementation costs capitalized and accumulated amortization related to the Company's cloud computing arrangements were \$0.6 million and \$0.2 million as of December 31, 2023, respectively, and \$7.7 million and \$4.6 million as of December 31, 2022, respectively, and were included within "Other assets" in the consolidated balance sheets. Amortization expense of \$1.8 million and \$2.3 million was included within "Selling, general and administrative expenses" in the consolidated statements of operations for the years ended December 31, 2023 and 2022, respectively.

The Company determined a triggering event existed as of December 31, 2023, resulting in impairment charges for "Property and equipment, net" and "Other assets" of \$23.9 million and \$1.3 million, respectively, related to the Company's internal-use software, implementation costs for cloud computing arrangements, and other miscellaneous furniture and equipment that no longer have a planned future use.

Additionally, the Company incurred impairment charges for "Property and equipment, net" and "Other assets" of \$0.3 million and \$3.4 million, respectively, for the year ended December 31, 2022, related to the Company's internal-use software and implementation costs for cloud computing arrangements that are no longer in use.

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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 year ended December 31, 2022 (in thousands):

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

There was no goodwill as of December 31, 2023 and 2022.

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

The Company estimated the fair value of the Ecommerce, Wholesale, and TDA reporting units using the discounted cash flow method under the income approach. The significant assumptions used in the valuation include revenue growth rates, future gross profit margins and operating expenses used to calculate projected future cash flows, 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 consolidated statements of operations for the year ended December 31, 2022.

Refer to Note 5 – Acquisition for more information related to the acquisition that occurred in the year ended December 31, 2022.

### Intangible Assets

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

	December 31, 2023			December 31, 2022		
	Gross Carrying Value	Accumulated Amortization	Carrying Value	Gross Carrying Value	Accumulated Amortization	Carrying Value
Developed and purchased technology	\$ 108,700	\$ (38,050)	\$ 70,650	\$ 108,700	\$ (21,053)	\$ 87,647
Customer relationships	69,400	(17,336)	52,064	69,400	(8,661)	60,739
Trademarks and trade names	12,200	(3,022)	9,178	12,200	(1,676)	10,524
<b>Total intangible assets</b>	<b>\$ 190,300</b>	<b>\$ (58,408)</b>	<b>\$ 131,892</b>	<b>\$ 190,300</b>	<b>\$ (31,390)</b>	<b>\$ 158,910</b>

Refer to Note 5 – Acquisition for more information related to the acquisition that occurred in the year ended December 31, 2022.

Amortization expense for intangible assets was \$27.0 million and \$25.3 million for the years ended December 31, 2023 and 2022, respectively.

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The estimated amortization expense for intangible assets subsequent to December 31, 2023, consists of the following (in thousands):

Year Ending December 31:		
2024	\$	27,022
2025		27,022
2026		21,979
2027		21,882
2028		21,882
Thereafter		12,105
	\$	<u>131,892</u>

**9. Accrued Expenses and Other Current Liabilities**

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

	December 31,	
	2023	2022
Accrued marketing expenses	\$ 3,694	\$ 2,093
Vehicle related expenses	9,655	14,789
Sales taxes	4,398	5,983
Accrued compensation and benefits	13,223	28,276
Accrued professional services	2,935	3,488
Accrued legal settlements <sup>(1)</sup>	6,050	7,383
Interest payable	5,708	3,990
Other	6,789	10,793
Total accrued expenses	<u>\$ 52,452</u>	<u>\$ 76,795</u>

(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):

	December 31,	
	2023	2022
Vehicle payable	\$ 3,522	\$ 3,617
Reserve for estimated returns	1,594	3,919
Insurance payable	4,158	4,551
Other	700	5,606
Total other current liabilities	<u>\$ 9,974</u>	<u>\$ 17,693</u>

**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 December 31, 2023, the borrowing capacity of the 2022 Vehicle Floorplan Facility was \$253.6 million, of which \$102.4 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.

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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 December 31, 2023 and 2022, outstanding borrowings on the vehicle floorplan facilities were \$151.2 million and \$277.0 million, respectively. Cash deposits required under the vehicle floorplan facilities of \$22.7 million and \$34.6 million are classified as "Restricted cash" within the consolidated balance sheets as of December 31, 2023 and 2022, respectively.

Interest expense incurred by the Company for the vehicle floorplan facilities was \$19.5 million and \$26.8 million for the years ended December 31, 2023 and 2022, respectively, which are recorded within "Interest expense" in the consolidated statements of operations. The weighted average interest rate on the vehicle floorplan borrowings was 10.25% and 9.25% as of December 31, 2023 and 2022, respectively.

As of December 31, 2023 and 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 \$13.2 million and \$15.9 million for the years ended December 31, 2023 and 2022, respectively, which are recorded within "Interest income" in the consolidated statements of operations.

On January 19, 2024, the Company amended its 2022 Vehicle Floorplan Facility. As a result of the amendment, borrowings under the 2022 Vehicle Floorplan Facility were suspended for future vehicle purchases and the Company was required to maintain 40% of its outstanding borrowings in cash. In addition, all other financial covenants were eliminated. As a result of the liquidation of the Company's vehicle inventory, the Company repaid the remaining outstanding balance related to the 2022 Vehicle Floorplan Facility in full and the agreement has been terminated.

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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 December 31, 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 December 31, 2023 and 2022, the Company had excess borrowing capacity of \$56.9 million and \$105.8 million on UACC's Warehouse Credit Facilities, respectively. The terms of the Warehouse Credit Facilities include the following (in thousands):

	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 21, 2025	June 2, 2025	August 29, 2025	September 12, 2025
Aggregate borrowings limit	\$ 200,000	\$ 200,000	\$ 200,000	\$ 225,000
<b>As of December 31, 2023</b>				
Aggregate principal balance of finance receivables pledged as collateral	\$ 223,207	\$ 64,970	\$ 165,927	\$ 92,978
Outstanding balance	\$ 177,375	\$ 51,012	\$ 117,264	\$ 75,617
Restricted cash	\$ 8,961	\$ 2,550	\$ 6,485	\$ 2,692
<b>As of December 31, 2022</b>				
Aggregate principal balance of finance receivables pledged as collateral	\$ 143,919	\$ 142,503	\$ 126,636	\$ —
Outstanding balance	\$ 110,602	\$ 19,615	\$ 101,435	\$ —
Restricted cash	\$ 8,110	\$ 2,007	\$ 5,537	\$ —

As of December 31, 2023 and 2022, the Company's weighted average interest rate on the Warehouse Credit Facilities borrowings was approximately 6.98% 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 December 31, 2023 and 2022, the Company was in compliance with all covenants related to the Warehouse Credit Facilities.

**12. Leases**

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

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. As of December 31, 2023, the Company had an additional operating lease that has not yet commenced with future lease payments of approximately \$1.2 million. The lease is expected to commence over the next 12 months with an initial lease term of approximately 7 years.

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

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

**Options to extend or terminate leases**

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

**Lease term and discount rate**

The weighted-average remaining lease term and discount rate for the Company's operating leases, excluding short-term operating leases, were 5.1 years and 7.1% as of December 31, 2023, respectively, and 4.2 years and 5.8% as of December 31, 2022, respectively.

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

**Lease costs and activity**

The Company's lease costs and activity for the years ended December 31, 2023 and 2022 were as follows (in thousands):

	Year Ended December 31,	
	2023	2022
<b>Lease Cost</b>		
Operating lease cost	\$ 8,951	\$ 8,402
Short-term lease cost	312	690
Variable lease cost	4,125	3,810
Sublease income	(379)	(72)
Net lease cost	<u>\$ 13,009</u>	<u>\$ 12,830</u>
	Year Ended December 31,	
	2023	2022
<b>Other information</b>		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 11,892	\$ 9,322
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 13,260	\$ 19,896

The Company incurred impairment charges related to operating lease right-of-use assets of \$23.5 million for the year ended December 31, 2023, with \$22.2 million related to the wind-down of the Company's ecommerce operations that resulted in a triggering event as of December 31, 2023 and \$1.3 million related the closing of a physical office location.

The Company incurred impairment charges related to operating lease right-of-use assets of \$6.5 million for the year ended December 31, 2022, related to 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. Refer to Note 18 — Restructuring Activities for further detail.



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**Maturity of Lease Liabilities**

The maturity of the Company's lease liabilities on an undiscounted cash flow basis and a reconciliation to the operating lease liabilities recognized on the Company's consolidated balance sheet as of December 31, 2023 were as follows (in thousands):

2024	10,744
2025	6,960
2026	6,233
2027	5,877
2028	4,873
Thereafter	6,329
Total lease payments	41,016
Less: interest	(7,096)
Present value of lease liabilities	<u>\$ 33,920</u>
Operating lease liabilities, current	\$ 8,737
Operating lease liabilities, noncurrent	25,183
Total operating lease liabilities	<u>\$ 33,920</u>

**13. 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):

	December 31,	
	2023	2022
Current portion of securitization debt of consolidated VIEs	\$ 163,516	\$ 47,239
Current portion of financing of beneficial interest in securitizations	8,894	—
Total current portion of long term debt	<u>\$ 172,410</u>	<u>\$ 47,239</u>
Convertible senior notes	\$ 286,800	\$ 359,254
Securitization debt of consolidated VIEs, net of current portion	150,579	32,590
Financing of beneficial interest in securitizations	6,484	—
Junior subordinated debentures	10,310	10,310
Long term debt, net of current portion	<u>\$ 454,173</u>	<u>\$ 402,154</u>
Total debt	<u>\$ 626,583</u>	<u>\$ 449,393</u>

**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.

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Each \$1,000 principal amount of the Notes will initially be convertible into 0.2232 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$4,480.29 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 years ended December 31, 2023 and 2022, the conditions allowing holders of the Notes to convert were not met.

In 2023, the Company repurchased \$74.2 million in aggregate principal amount of the Notes, net of deferred issuance costs, for \$36.5 million in open-market transactions. The Company recognized a gain on extinguishment of debt of \$37.9 million for the year ended December 31, 2023.

In 2022, the Company repurchased \$254.3 million in aggregate principal amount of the Notes, net of deferred issuance costs, for \$90.2 million in open-market transactions. The Company recognized a gain on extinguishment of debt of \$164.7 million for the year ended December 31, 2022.

The Company accounts for the Notes as a single liability-classified instrument measured at amortized cost. As of December 31, 2023, the unamortized debt discount and debt issuance costs was \$3.7 million and the net carrying value was \$286.8 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 for the years ended December 31, 2023 and 2022 were \$4.3 million and \$7.2 million, respectively. The effective interest rate of the Notes is 1.3%.

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**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 consolidated statements of operations. Refer to Note 17 – 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 the first quarter of 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 \$28.5 million and \$9.0 million as of December 31, 2023 and 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.

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

As of December 31, 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 %	\$ 3,246	\$ 3,235
United Auto Credit 2021-1-E	June 10, 2026	20,800	2.58 %	20,800	20,540
United Auto Credit 2021-1-F	September 10, 2027	13,910	4.30 %	13,910	13,644
United Auto Credit 2022-2-B	December 10, 2025	30,324	5.41 %	28,786	28,745
United Auto Credit 2022-2-C	May 10, 2027	26,533	5.81 %	26,533	26,331
United Auto Credit 2022-2-D	January 10, 2028	32,889	6.84 %	32,889	32,642
United Auto Credit 2022-2-E	April 10, 2029	33,440	10.00 %	33,440	29,691
United Auto Credit 2023-1-A	July 10, 2025	118,598	5.57 %	15,089	15,083
United Auto Credit 2023-1-B	July 10, 2028	51,157	5.91 %	51,157	51,019
United Auto Credit 2023-1-C	July 10, 2028	33,326	6.28 %	33,326	33,199
United Auto Credit 2023-1-D	July 10, 2028	35,653	8.00 %	35,653	36,152
United Auto Credit 2023-1-E	September 10, 2029	23,256	10.98 %	23,256	23,814
<b>Total rated notes</b>		<b>\$ 449,266</b>		<b>\$ 318,085</b>	<b>\$ 314,095</b>

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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
		<u>\$ 93,730</u>		<u>\$ 82,556</u>	<u>\$ 79,829</u>

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 \$147.6 million in 2024, \$91.8 million in 2025, \$47.8 million in 2026, \$26.8 million in 2027 and \$4.1 million in 2028.

In February 2024, UACC exercised its option to repurchase the 2021-1 securitization debt for a total redemption price of \$35.6 million.

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

	As of December 31,			
	2023		2022	
	Aggregate Principal Balance	Fair Value	Aggregate Principal Balance	Fair Value
United Auto Credit 2021-1	\$ 38,951	\$ 35,790	\$ 84,477	\$ 77,904
United Auto Credit 2022-2	125,072	111,379	—	—
United Auto Credit 2023-1	197,586	169,829	—	—
Total finance receivables of CFEs	<u>\$ 361,609</u>	<u>\$ 316,998</u>	<u>\$ 84,477</u>	<u>\$ 77,904</u>

**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 \$15.4 million as of December 31, 2023, with \$8.9 million included in "Current portion of long term debt" and \$6.5 million included in "Long-term debt, net of current portion" on the consolidated balance sheet. As of December 31, 2023, the fair value of the collateral pledged under this facility was \$15.8 million.

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**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.

**14. 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

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approved the parties' stipulation that the case would remain stayed pending final resolution of In re: Vroom, Inc. Securities Litigation. This lawsuit remains in preliminary stages and there have been no substantive developments.

In January 2022, the Company received a non-public civil investigative demand from the Federal Trade Commission ("FTC"), seeking the production of information related to certain of the Company's business practices and the Company responded to those information requests. On February 23, 2024, the FTC notified the Company that it has reason to believe that the Company violated Section 5(a) of the Federal Trade Commission Act, 15 U.S.C. § 45(a); the FTC's Mail, Internet, or Telephone Order Merchandise Rule, 16 C.F.R. Part 435; the FTC's Used Motor Vehicle Trade Regulation Rule, 16 C.F.R. Part 455; and the FTC's Pre-Sale Availability Rule, 16 C.F.R. Part 702. The FTC advised the Company that it is authorized to negotiate a stipulated order and the Company intends to work cooperatively with the FTC towards a resolution. Because the matter 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 April 2022, the Attorney General of Texas filed a petition on behalf of the State of Texas in the District Court of Travis County, Texas against the Company, alleging violation of the Texas Deceptive Trade Practices – Consumer Protection Act, Texas Business and Commerce Code § 17.41 et seq., based on alleged deficiencies and other issues in the Company's marketing of used vehicles and fulfillment of customer orders, including the titling and registration of sold vehicles. According to the petition, 80% of the customer complaints referenced in the petition were received in the 12 months prior to April 2022. The petition is captioned State of Texas v. Vroom Automotive LLC, and Vroom Inc., Case No. D-1-GN-001809. In May 2022, Vroom Automotive, LLC the Attorney General of the State of Texas agreed to a temporary injunction in which Vroom Automotive, LLC agreed to adhere to its existing practice of possessing title for all vehicles it sells or advertises as available for sale on its ecommerce platform. In December 2023, Vroom, Inc., Vroom Automotive, LLC and the Attorney General of the State of Texas reached a final agreement to resolve all claims in the petition, without any admission of wrongdoing by either Vroom entity. Under the agreement, the Company will pay a total of \$2 million in civil penalties and \$1 million in attorneys' fees, with the first half due in September 2024 and the remaining half due in September 2025, and abide permanently by an injunction of certain operational practices that were previously implemented. The agreement was approved by the District Court of Travis County on December 13, 2023.

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 stayed pending the outcome of any arbitration proceeding over the respective plaintiffs' individual claims. On February 9, 2024, the parties filed a joint stipulation to dismiss the Sonne matter with prejudice.

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 December 21, 2023, the Company received written notice from The Nasdaq Stock Market LLC ("Nasdaq") notifying it that, for the last 30 consecutive business days, the bid price for the Company's common stock had closed

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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").

On February 13, 2024 after obtaining stockholder approval, the Company effected a 1-for-80 reverse stock split (the "Reverse Stock Split"), and the Company's stock began trading on a post-split adjusted basis on February 14, 2024. On February 29, 2024, the Company was notified by the Nasdaq Listing Qualifications staff that the closing bid price of its common stock had been at \$1.00 per share or greater for 11 consecutive business days, from February 14, 2024 to February 28, 2024. Accordingly, the Company has regained compliance with Nasdaq Listing Rule 5450(a)(1) and this matter is now closed. If the Company's common stock again closes below the \$1.00 per share minimum bid price required by Nasdaq for 30 consecutive business days, the Company would again receive another notice of non-compliance with Nasdaq's listing standards and face the risk of delisting.

All shares of the Company's common stock, stock-based instruments, and per-share data included in these consolidated financial statements have been retroactively adjusted as though the Reverse Stock Split has been effected prior to all periods presented.

***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.

**15. 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 December 31, 2023, there was no preferred stock issued or outstanding.

***Common Stock***

On February 13, 2024, the Company amended its certificate of incorporation to effect a 1-for-80 reverse stock split of shares of the Company's outstanding common stock, such that every 80 shares of common stock became one of common stock. The shares of common stock authorized for issuance remained unchanged at 500,000,000 and the par value per share of common stock remained unchanged at \$0.001. Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders.

***At-the-market Offering***

On December 1, 2023, the Company entered into an equity distribution agreement with Virtu Americas LLC to sell shares of the Company's common stock, par value \$0.001 per share, with aggregate gross sales proceeds of up to \$50.0 million, from time to time, through an "at-the-market" equity offering program (the "ATM offering"). As of December 31, 2023, the Company has up to \$47.5 million remaining in aggregate gross proceeds that can be issued through the ATM offering.

**16. 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 37,379 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 December 31, 2023, the Company has registered an additional

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137,647 shares of the Company's common stock to be issued pursuant to the 2020 Plan. As of December 31, 2023, there were 22,869 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 37,500 shares of the Company's common stock are reserved for issuance under the Inducement Award Plan. As of December 31, 2023, there were 30,668 shares available for future issuance under the Inducement Award Plan.

**Stock Options**

The following table summarizes stock option activity for the year ended December 31, 2023:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding as of December 31, 2022	35,715	\$ 475.74	7.32
Granted	—	—	—
Exercised	—	—	—
Expired	(3,281)	336.80	—
Forfeited / cancelled	(6,346)	387.49	—
Outstanding as of December 31, 2023	26,088	\$ 514.72	6.64
Vested and exercisable as of December 31, 2022	16,494	\$ 378.40	5.71
Vested and exercisable as of December 31, 2023	16,861	\$ 468.68	5.70

The Company recognized \$0.8 million and \$1.5 million of stock-based compensation expense related to stock options for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the Company had \$0.6 million and \$1.6 million, respectively, of unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average period of 1.2 years and 1.9 years, respectively.

There were no options exercised during the year ended December 31, 2023, and the aggregate intrinsic value of options outstanding and options exercisable as of December 31, 2023 was not material.

On May 9, 2022 and May 20, 2022, 7,500 stock options having a fair value of \$66.40 per share were granted to the CEO and an aggregate of 8,125 stock options having a grant date fair value of \$91.20 per share were granted to certain members of key management, respectively. The exercise price of the stock options is \$600.00 per share. The stock options vest ratably over a three-year period subject to continued employment through each applicable vesting date.

The grant date fair value of stock options granted during the year ended December 31, 2022 was estimated at the time of grant using the Black-Scholes option-pricing model and utilized the following assumptions:

	May 20, 2022	May 9, 2022
Fair value of common stock (per share)	\$ 91.20	\$ 66.40
Expected term (in years)	10	10
Risk-free interest rate	2.78%	3.05%
Expected volatility	100.00%	100.00%
Dividend yield	—%	—%



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**RSUs**

The following table summarizes restricted stock unit ("RSUs") activity for the year ended December 31, 2023:

	Shares	Weighted Average Grant Date Fair Value per Share
Unvested and outstanding as of December 31, 2022	108,268	\$ 259.37
Granted	110,365	73.10
Vested and released	(20,278)	468.31
Forfeited / cancelled	(23,089)	213.51
Outstanding as of December 31, 2023	175,266	\$ 124.33
Vested and exercisable	(1,152)	84.80
Unvested and outstanding as of December 31, 2023	174,114	\$ 124.59

The Company recognized \$9.2 million, \$10.5 million, and \$11.2 million of stock-based compensation expense related to RSUs for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the Company had \$12.1 million and \$18.2 million, respectively, of unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average period of 1.6 and 1.9 years, respectively.

On May 9, 2022, 15,000 RSUs having a grant date fair value of \$86.40 per share were granted to the CEO and on May 20, 2022, an aggregate of 39,875 RSUs having a grant date fair value of \$116.00 per share were granted to certain members of the management team. On July 25, 2022, 1,750 RSUs having a grant date fair value of \$131.20 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 \$600.00 per share for twenty consecutive trading days during the three-year vesting period; a closing price at or above \$1,200.00 per share for twenty consecutive trading days in the second or third years of the vesting period; and a closing price at or above \$1,680.00 per share for twenty consecutive trading days during the third year of the vesting period. As of December 31, 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.

**17. 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

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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 December 31, 2023			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Cash and cash equivalents:				
Money market funds	\$ 80	\$ —	\$ —	\$ 80
CFE assets:				
Finance receivables	—	—	316,998	316,998
Finance receivables at fair value	—	—	31,672	31,672
Beneficial interests in securitizations	—	4,485	—	4,485
Total financial assets	<u>\$ 80</u>	<u>\$ 4,485</u>	<u>\$ 348,670</u>	<u>\$ 353,235</u>
<b>Financial Liabilities</b>				
CFE liabilities:				
Securitization debt of consolidated VIEs	—	314,095	—	314,095
Total financial liabilities	<u>\$ —</u>	<u>\$ 314,095</u>	<u>\$ —</u>	<u>\$ 314,095</u>
	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
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	<u>\$ 182,687</u>	<u>\$ 20,592</u>	<u>\$ 153,174</u>	<u>\$ 356,453</u>
<b>Financial Liabilities</b>				
CFE liabilities:				
Securitization debt of consolidated VIEs	—	79,829	—	79,829
Total financial liabilities	<u>\$ —</u>	<u>\$ 79,829</u>	<u>\$ —</u>	<u>\$ 79,829</u>

**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

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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 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

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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	248,081	—
Transfer within Level 3 categories	23,338	(23,338)
Consolidation of VIEs	180,706	—
Losses included in other income	(86,331)	(1,683)
Issuances, net of discount	—	3,392
Paydowns	(151,032)	(23,716)
Other	24,332	1,747
Fair value as of December 31, 2023	<u>\$ 316,998</u>	<u>\$ 31,672</u>

	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	(51,330)	51,330	—
Losses included in other income	(29,825)	(14,388)	—
Issuances, net of discount	—	56,484	—
Sales	(24,312)	(14,114)	—
Paydowns	(90,410)	(41,980)	—
Other	11,137	3,655	—
Fair value as of December 31, 2022	<u>\$ 77,904</u>	<u>\$ 75,270</u>	<u>\$ —</u>

During the year ended December 31, 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 year ended December 31, 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 December 31, 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 (income), net" in the consolidated statements of operations related to the eligible financial instruments for which the fair value option was elected (in thousands):

	Year Ended December 31,	
	2023	2022
<b>Financial Assets</b>		
Finance receivables of CFEs	\$ 75,064	\$ 24,231
Finance receivables at fair value	(2,103)	11,624
Beneficial interests in securitizations	1,103	1,149
<b>Financial Liabilities</b>		
Debt of securitized VIEs	(5,635)	(2,727)
<b>Total net loss included in "Other loss (income), net"</b>	<b>\$ 68,429</b>	<b>\$ 34,277</b>

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

	Finance Receivables of CFEs at Fair Value	Finance Receivables at Fair Value
<b>As of December 31, 2023</b>		
Aggregate unpaid principal balance included within finance receivables that are reported at fair value	\$ 361,609	\$ 36,207
Aggregate fair value of finance receivables that are reported at fair value	\$ 316,998	\$ 31,672
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)	\$ 6,700	\$ 717
Aggregate fair value of receivables carried at fair value that are on nonaccrual status (90 days or more past due)	\$ 5,921	\$ 544
<b>As of December 31, 2022</b>		
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):

	Securitization debt of consolidated VIEs at Fair Value	
<b>As of December 31, 2023</b>		
Aggregate unpaid principal balance of rated notes of securitized VIEs	\$	318,085
Aggregate fair value of rated notes of securitized VIEs	\$	314,095
<b>As of December 31, 2022</b>		
Aggregate unpaid principal balance of rated notes of securitized VIEs	\$	82,556
Aggregate fair value of rated notes of securitized VIEs	\$	79,829

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**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 in a securitization, the Company determines the fair value of these 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. As of December 31, 2023, the Company determined that all of these finance receivables should be marked to their fair value of \$468.8 million based on the results of the Company's lower of amortized cost basis or fair value analysis. As of December 31, 2022, the carrying value and fair value of the finance receivables held for sale, net were \$299.2 million and \$299.9 million, respectively.

In addition, from time to time the Company may mark certain receivables, that are no longer eligible to be sold in a securitization, classified as held for sale to fair value on a non-recurring basis. As of December 31, 2023 and 2022, there were \$34.8 million and \$22.4 million of these 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 securitization 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 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.

	December 31,			
	2023		2022	
Carrying value	\$	286,800	\$	359,254
Fair value	\$	152,506	\$	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 consolidated balance sheets, approximated their carrying value as of December 31, 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 consolidated balance sheets, approximated their carrying value as of December 31, 2023 and 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 – Acquisition and Note 8 – Goodwill and Intangible Assets for additional information.

**18. 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

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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 year ended December 31, 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 year ended December 31, 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:

	Year Ended December 31,		Total Charges Incurred to Date
	2023	2022	
<b>Charges by activity:</b>			
Severance and termination benefits <sup>(1)</sup>	\$ 6,703	\$ 7,358	\$ 14,061
<sup>(2)</sup> Impairment of operating lease right-of-use assets	—	6,491	6,491
Other costs <sup>(3)</sup>	—	1,176	1,176
<b>Total restructuring and related charges</b>	<b>\$ 6,703</b>	<b>\$ 15,025</b>	<b>\$ 21,728</b>

(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" and impairment of operating lease right-of-use assets are included in "Impairment charges" in the consolidated statements of operations for the years ended December 31, 2023 and 2022.

The following table is a reconciliation of the beginning and ending restructuring liability for the years ended December 31, 2023 and 2022:

Balance as of December 31, 2021	\$	—
Accrual and accrual adjustments		7,941
Cash payments		(7,131)
Balance as of December 31, 2022	\$	810
Accrual and accrual adjustments		6,703
Cash payments		(7,440)
Balance as of December 31, 2023	\$	73

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

**19. Segment Information**

The Company has three reportable segments: Ecommerce, Wholesale, and Retail Financing. No operating segments have been aggregated to form the reportable segments.

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As a result of the Value Maximization Plan and the wind-down of the ecommerce operations, the Company will discontinue reporting its results through the Ecommerce and Wholesale segments starting in the first quarter of 2024.

The Company determined its operating segments based on how the chief operating decision maker (“CODM”) reviews the Company’s operating results in assessing performance and allocating resources. The CODM reviews revenue and gross profit for each of the reportable segments. Gross profit is defined as revenue less cost of sales incurred by the segment. The CODM does not evaluate operating segments using asset information as these are managed on an enterprise-wide group basis. Accordingly, the Company does not report segment asset information. As of December 31, 2023 and 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):

	Year Ended December 31, 2023				
	Ecommerce	Wholesale	Retail Financing	All Other	Total
Revenues from external customers	\$ 576,170	\$ 104,119	\$ 156,938	\$ 55,976	\$ 893,203
Gross profit	\$ 59,231	\$ (34,353)	\$ 125,610	\$ 11,459	\$ 161,947

  

	Year Ended December 31, 2022				
	Ecommerce	Wholesale	Retail Financing	All Other	Total
Revenues from external customers	\$ 1,364,195	\$ 293,528	\$ 152,542	\$ 138,636	\$ 1,948,901
Gross profit	\$ 99,973	\$ (10,620)	\$ 138,381	\$ 17,053	\$ 244,787

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

	Year Ended December 31,	
	2023	2022
<b>Reconciliation to consolidated total revenue</b>		
Total reportable segment revenue	\$ 837,227	\$ 1,810,265
All Other revenues	55,976	138,636
Consolidated total revenue	<u>\$ 893,203</u>	<u>\$ 1,948,901</u>
<b>Reconciliation to consolidated loss before (benefit) provision for income taxes</b>		
Total reportable segment gross profit	\$ 150,488	\$ 227,734
All Other gross profit	11,459	17,053
Selling, general and administrative expenses	340,657	566,387
Depreciation and amortization	42,769	38,290
Impairment charges	48,748	211,873
Gain on debt extinguishment	(37,878)	(164,684)
Interest expense	45,445	40,693
Interest Income	(21,158)	(19,363)
Other loss, net	108,289	43,181
Consolidated loss before provision (benefit) for income taxes	<u>\$ (364,925)</u>	<u>\$ (471,590)</u>



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**20. Income Taxes*****Income Tax Provision***

Domestic and foreign pretax income (loss) are as follows for the years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,	
	2023	2022
Domestic	\$ (365,520)	\$ (472,203)
Foreign	595	613
<b>Total</b>	<b>\$ (364,925)</b>	<b>\$ (471,590)</b>

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

	Year Ended December 31,	
	2023	2022
Current:		
Federal	\$ —	\$ —
State and local	526	4,083
Foreign	89	92
<b>Total current tax expense</b>	<b>615</b>	<b>4,175</b>
Deferred tax (benefit):		
Federal	—	(20,472)
State and local	—	(3,383)
Foreign	—	—
<b>Total deferred tax (benefit)</b>	<b>—</b>	<b>(23,855)</b>
<b>Provision (benefit) for income taxes</b>	<b>\$ 615</b>	<b>\$ (19,680)</b>

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 evaluated the provisions included under the IRA and the provisions do not have a material impact to the Company's consolidated financial statements.

***Tax Rate Reconciliation***

The Company's effective tax rate for the years ended December 31, 2023 and 2022 was (0.17)% and 4.17%, respectively. The increase in effective tax rate for the year ended December 31, 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 December 31, 2022 period, of \$23.9 million.

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

	Year Ended December 31,	
	2023	2022
Income taxes at statutory rate	\$ (76,657)	\$ (99,034)
State income taxes, net of federal benefit	(23,718)	(3,529)
Foreign Rate Differential	(36)	(129)
Permanent differences	1,550	1,510
Goodwill impairment	—	41,241
Deferred tax adjustment for acquisition of business	—	(23,855)
Change in valuation allowance	99,926	66,634
Other	(450)	(2,518)
Provision (benefit) for income taxes	<u>\$ 615</u>	<u>\$ (19,680)</u>

**Deferred Tax Assets (Liabilities)**

The Company computes income taxes using the liability method. This method requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between the financial statements and the income tax basis of assets and liabilities. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that certain deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those specific jurisdictions prior to the dates on which such net operating losses expire. The Company maintained a full valuation allowance against its net deferred tax assets 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. As of December 31, 2023, 2022, and 2021, the valuation allowance balance was \$358.7 million, \$258.8 million and \$216.0 million, respectively.

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

	As of December 31,	
	2023	2022
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 365,841	\$ 265,927
Inventory reserves	9,758	9,395
Stock-based compensation	2,169	3,067
Depreciation	3,729	—
Lease Liability	8,829	7,086
Unrealized Gains/Losses	3,636	10,549
Allowance for Doubtful Accounts	1,765	8,342
Other	2,441	2,612
Total deferred tax assets	398,168	306,978
Less: valuation allowance	(358,722)	(258,796)
Net deferred tax assets	39,446	48,182
<b>Deferred tax liabilities:</b>		
Intangible amortization	(32,687)	(37,377)
Depreciation	—	(3,017)
Repo Expenses	(4,966)	(2,194)
Right of Use Asset	(1,793)	(5,594)
Net deferred tax liabilities	(39,446)	(48,182)
Net deferred income taxes	<u>\$ —</u>	<u>\$ —</u>

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**Net Operating Losses**

As of December 31, 2023, the Company had total net operating loss carryforwards for U.S. federal income tax purposes of \$1,504.9 million, of which \$168.5 million expire from 2028 through 2042 and \$1,336.4 million do not expire. The Company has net operating loss carryforwards for state income tax purposes of \$767.8 million, which expire from 2034 through 2042.

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 2017 and prior. The company is not currently under audit for any US federal or state income tax audits.

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

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

**Uncertain Tax Positions**

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

**21. Net Loss Per Share**

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

(in thousands, except share and per share amounts)	Year Ended December 31,	
	2023	2022
Net loss	\$ (365,540)	\$ (451,910)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	1,743,128	1,723,843
Net loss per share attributable to common stockholders, basic and diluted	\$ (209.70)	\$ (262.15)

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 December 31,	
	2023	2022
Convertible senior notes	64,830	81,635
Stock options	26,088	35,715
Restricted stock units	175,266	108,268
Total	266,184	225,618

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

Not applicable.

## **Item 9A. Controls and Procedures**

### **Limitations on effectiveness of controls and procedures**

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

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

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of December 31, 2023.

Based on that evaluation, our Principal Executive Officer and Principal Financial Officer have concluded that, as of December 31, 2023, our disclosure controls and procedures were effective at the reasonable assurance level.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2023, using the criteria described in *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded that the Company's internal control over financial reporting was effective as of December 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

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

During the year ended December 31, 2023, we completed the process of incorporating the internal controls of Unitas Holdings Corp., including its wholly owned subsidiaries United PanAm Financial Corp. and United Auto Credit Corporation, into our internal control over financial reporting and extending our Section 404 compliance program under the Sarbanes-Oxley Act and the applicable rules and regulations under such law to include such entities. Except for the foregoing, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarterly period ended December 31, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **Item 9B. Other Information**

### **a) Disclosure in lieu of reporting on a Current Report on Form 8-K.**

On March 8, 2024 (the "Effective Date"), the Compensation Committee (the "Committee") of the Board of Directors of Vroom, Inc. (the "Company") approved retention letter agreements (each, a "Retention Agreement") with each of Thomas Shortt, Robert Krakowiak and Patricia Moran providing for: (i) an amendment to each executive's outstanding restricted stock units which are scheduled to vest in 2024, 2025 and 2026 to vest in full between March 17, 2025 and March 20, 2025, subject to the executive's continued employment through such date (the "RSU Vesting Amendment") or earlier acceleration on a termination without Cause or for Good Reason (each as defined in the Retention Agreement), (ii) in consideration of the executives' agreement to the RSU Vesting Amendment, a grant of additional restricted stock units with respect to 2,250, 1,085, and 531 shares of common stock, respectively, with the same vesting terms, and (iii) an

extension of the post-termination exercise period of any outstanding vested stock options held by such executive in the event of the executive's termination without Cause or for Good Reason through the original expiration date of such options. In addition, Mr. Shortt's Retention Agreement provides that he will be eligible to earn a retention bonus of \$1,000,000, which will be payable in five equal installments on or shortly following each date of filing of the Company's annual report on Form 10-K for fiscal year 2023, the quarterly reports on Form 10-Q for each of the first three fiscal quarters of fiscal year 2024, and the Company's annual report on Form 10-K for fiscal year 2024, subject to his continued service with the Company on the applicable payment date or on an earlier termination without Cause or for Good Reason.

The Committee also determined to increase the base salaries of Mr. Krakowiak and Ms. Moran to \$650,000 and \$600,000, respectively, effective as of February 1, 2024. In addition, the Committee approved an amendment and restatement of the Company's Amended and Restated Executive Severance Plan (the "Executive Severance Plan") which: (i) clarifies that a Competing Business (as defined in the Executive Severance Plan) includes a business engaged in financing motor vehicles in order to reflect changes to the Company's business activities since the effective date of the Executive Severance Plan, (ii) makes certain other clarifying changes, including to reflect the severance terms previously agreed to with the Company's Chief Executive Officer Mr. Shortt in his employment letter with the Company dated May 9, 2022; and (iii) provides that the severance payments payable on a qualifying termination (outside of the Change in Control Period (as defined in the Executive Severance Plan)) will be paid in substantially equal installments over a period of four months (rather than the original eighteen- or twelve- month periods, as applicable).

The foregoing summary of the amendment and restatement to the Executive Severance Plan and Retention Agreements is not complete and is qualified in its entirety by reference to the full text of the amended and restated Executive Severance Plan, a copy of which is attached as Exhibit 10.15 and the Retention Agreements, a copy of which are attached as Exhibits 10.25, 10.26 and 10.27.

**b) Insider Trading Arrangements and Policies.**

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

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

Not applicable.

## PART III

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

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

The information concerning our executive officers and directors required by this Item 10 is contained under the caption "Information about our Executive Officers and Directors" at the end of Part I of this Annual Report on Form 10-K. The remaining information required by this item is incorporated by reference to Vroom's Proxy Statement for its 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023, under the headings "Our Board of Directors," "Our Executive Officers," "Corporate Governance," and, if applicable, "Delinquent Section 16(a) Reports".

### **Item 11. Executive Compensation**

The information required by this item is incorporated by reference to Vroom's Proxy Statement for its 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023, under the headings "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation".

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

The information required by this item is incorporated by reference to Vroom's Proxy Statement for its 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023, under the headings "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized for Issuance under Equity Compensation Plans".

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

The information required by this item is incorporated by reference to Vroom's Proxy Statement for its 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023, under the headings "Certain Relationships and Related Person Transactions" and "Corporate Governance".

### **Item 14. Principal Accounting Fees and Services**

The information required by this item is incorporated by reference to Vroom's Proxy Statement for its 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2023, under the subheading "Principal Accountant Fees and Services".

**PART IV****Item 15. Exhibits and Financial Statement Schedules**

1. Financial Statements: The Consolidated Financial Statements of Vroom are set forth in Part II, Item 8 of this Annual Report on Form 10-K.
2. Financial Statement Schedules: All financial statement schedules have been omitted because they are not applicable, not material or the required information is shown in Part II, Item 8 of this Annual Report on Form 10-K.
3. Exhibits: The exhibits listed in the accompanying Exhibit Index are filed, furnished or incorporated by reference as part of this Annual Report on Form 10-K.

**INDEX TO EXHIBITS**

<b>Exhibit Number</b>	<b>Exhibit Description</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>	<b>Filed Herewith</b>	<b>Furnished Herewith</b>
2.1	<a href="#">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</a>	8-K	001-39315	2.1	October 12, 2021		
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Vroom, Inc.</a>	10-Q	001-39315	3.1	August 13, 2020		
3.2	<a href="#">Certificate of Amendment of Amended and Restated Certificate of Incorporation of Vroom, Inc., dated February 13, 2024.</a>	8-K	001-39315	3.1	February 14, 2024		
3.3	<a href="#">Amended and Restated Bylaws of Vroom, Inc.</a>	10-Q	001-39315	3.2	August 13, 2020		
4.1	<a href="#">Specimen Stock Certificate evidencing the shares of common stock</a>	S-1/A	333-238482	4.1	June 1, 2020		
4.2	<a href="#">Indenture, dated as of June 18, 2021, between Vroom, Inc. and U.S. Bank National Association, as trustee</a>	8-K	001-39315	4.1	June 21, 2021		
4.3	<a href="#">Form of Global Note representing the 0.750% Convertible Senior Notes due 2026 (included in Exhibit 4.2)</a>	8-K	001-39315	4.2	June 21, 2021		
4.4	<a href="#">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</a>	S-1/A	333-238482	4.2	May 18, 2020		

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4.5	<a href="#">Description of Registrant's Securities</a>	10-K	001-39315	4.3	March 3, 2021
10.1†	<a href="#">Second Amended &amp; Restated 2014 Equity Incentive Plan, as amended</a>	S-1/A	333-238482	10.1	May 18, 2020
10.2†	<a href="#">First Amendment to the Second Amended and Restated Vroom, Inc. 2014 Equity Incentive Award Plan</a>	10-Q	001-39315	10.3	August 13, 2020
10.3†	<a href="#">Second Amendment to the Second Amended and Restated Vroom, Inc. 2014 Equity Incentive Award Plan</a>	10-Q	001-39315	10.4	August 13, 2020
10.4†	<a href="#">Form of Stock Option Agreement pursuant to the Second Amended and Restated 2014 Equity Incentive Award Plan</a>	10-K	001-39315	10.4	March 3, 2021
10.5†	<a href="#">Form of Restricted Stock Unit Agreement pursuant to the Second Amended and Restated 2014 Equity Incentive Award Plan</a>	10-K	001-39315	10.5	March 3, 2021
10.6†	<a href="#">2019 Short Term Incentive Plan</a>	S-1/A	333-238482	10.2	May 18, 2020
10.7†	<a href="#">2020 Incentive Award Plan</a>	S-1/A	333-238482	10.3	June 1, 2020
10.8†	<a href="#">Form of Restricted Stock Unit Agreement pursuant to the 2020 Incentive Award Plan</a>	10-Q	001-39315	10.2	August 13, 2020
10.9†	<a href="#">Form of Stock Option Grant Notice and Stock Option Agreement pursuant to the 2020 Incentive Award Plan</a>	10-Q	001-39315	10.4	August 8, 2022
10.10†	<a href="#">2022 Inducement Award Plan</a>	S-8	333-265233	99.1	May 26, 2022
10.11†	<a href="#">Form of Restricted Stock Unit Agreement pursuant to the 2022 Inducement Award Plan</a>	S-8	333-265233	99.2	May 26, 2022
10.12†	<a href="#">Form of Stock Option Agreement pursuant to the 2022 Inducement Award Plan</a>	S-8	333-265233	99.3	May 26, 2022
10.13†	<a href="#">Amended and Restated Non-Employee Director Compensation Policy</a>	10-Q	001-39315	10.9	August 8, 2022
10.14†	<a href="#">Form of Indemnification Agreement</a>	S-1/A	333-238482	10.5	June 1, 2020



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10.15†	<a href="#"><u>Amended and Restated Executive Severance Plan, as amended and restated</u></a>					X
10.16#	<a href="#"><u>Amended and Restated Inventory Financing and Security Agreement, dated November 4, 2022 by and among Ally Bank, Ally Financial Inc., Vroom Automotive, LLC and Vroom, Inc.</u></a>	10-Q	001-39315	10.1	November 7, 2022	
10.17	<a href="#"><u>First Amendment to Amended and Restated Inventory Financing and Security Agreement, dated August 1, 2023, by and among Ally Bank, Ally Financial Inc., Vroom Automotive, LLC and Vroom, Inc.</u></a>	10-Q	001-39315	10.1	August 8, 2023	
10.18	<a href="#"><u>Second Amendment to Amended and Restated Inventory Financing and Security Agreement, dated January 19, 2024, by and among Ally Bank, Ally Financial Inc., Vroom Automotive, LLC and Vroom, Inc.</u></a>					X
10.19†	<a href="#"><u>Agreement of Termination of Amended and Restated Inventory Financing and Security Agreement and Credit Balance Agreement, dated March 12, 2024 by and among Ally Bank, Ally Financial Inc., Vroom Automotive, LLC and Vroom, Inc.</u></a>					X
10.20†	<a href="#"><u>Employment Offer Letter, dated December 29, 2018, by and between Vroom, Inc. and Patricia Moran</u></a>	S-1/A	333-248655	10.18	September 8, 2020	
10.21†	<a href="#"><u>Employment Offer Letter, dated November 3, 2016, by and between Vroom, Inc. and Carol Denise Stott</u></a>	S-1/A	333-248655	10.19	September 8, 2020	
10.22†	<a href="#"><u>Letter Agreement, dated as of September 13, 2021, by and between Robert Krakowiak and Vroom, Inc.</u></a>	8-K	001-39315	10.1	September 13, 2021	
10.23†	<a href="#"><u>Amended Offer Letter, dated as of May 20, 2022, by and between Robert R. Krakowiak and Vroom, Inc.</u></a>	8-K	001-39315	10.2	May 26, 2022	
10.24†	<a href="#"><u>Letter Agreement, dated as of December 15, 2021, by and between Thomas Shortt and Vroom, Inc.</u></a>	8-K	001-39315	10.1	December 17, 2021	

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10.25†	<a href="#">Letter Agreement dated as of March 11, 2024, by and between Thomas Shortt and Vroom, Inc.</a>					X
10.26†	<a href="#">Letter Agreement dated as of March 11, 2024, by and between Robert Ronald Krakowiak and Vroom, Inc.</a>					X
10.27†	<a href="#">Letter Agreement dated as of March 11, 2024, by and between Patricia Moran and Vroom, Inc.</a>					X
10.28†	<a href="#">Employment Letter, dated as of May 9, 2022, by and between Thomas Shortt and Vroom, Inc.</a>	8-K	001-39315	10.1	May 9, 2022	
10.29†	<a href="#">Nominee and Indemnity Agreement, dated September 1, 2020, by and among Catterton Management Company, L.L.C. as investment manager of CGP2 Lone Star, L.P., Michael Farello and Vroom, Inc.</a>	S-1/A	333-248655	10.21	September 8, 2020	
10.30†	<a href="#">Assignment of Contracts, dated July 29, 2021, by and between CGP2 Lone Star, LP as assignor and Catterton Growth Partners II, L.P., Catterton Growth Partners II Offshore, L.P., L Catterton Growth Partners III, L.P. and L Catterton Growth Partners Offshore III, L.P. as assignees, of the Nominee and Indemnity Agreements, dated September 1, 2020, of Scott Dahnke and Michael Farello</a>	10-Q	001-39315	10.1	August 11, 2021	
21.1	<a href="#">Subsidiaries of the Registrant</a>					X
23.1	<a href="#">Consent of PricewaterhouseCoopers LLP</a>					X
31.1	<a href="#">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</a>					X
31.2	<a href="#">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</a>					X

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32.1	<a href="#">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</a>	X
32.2	<a href="#">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</a>	X
97.1†	<a href="#">Policy for Recovery of Erroneously Awarded Compensation</a>	X
101.INS	Inline XBRL Instance Document	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)	X

† Indicates a management contract or compensatory plan or arrangement.

# Certain portions of this exhibit (indicated by "[\*\*\*]") have been omitted pursuant to Regulation S-K, Item (601)(b)(10).

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

None.



**AMENDED AND RESTATED VROOM, INC.  
EXECUTIVE SEVERANCE PLAN  
Effective March 1, 2021**

**Amended and Restated on May 20, 2022  
As subsequently Amended and Restated on March 8, 2024**

**1. ESTABLISHMENT AND PURPOSE**

The Vroom, Inc. Executive Severance Plan (the “*Plan*”), originally established by the Board of Directors of Vroom, Inc. (the “*Board*”) effective March 1, 2021, as amended and restated in its entirety effective May 20, 2022 and as hereby amended and restated in its entirety effective March 8, 2024 (the “*A&R Effective Date*”). The purpose of this Plan is to promote the interests of Vroom, Inc. (the “*Company*”) and its stockholders by retaining certain executive-level employees through the provision of severance protections to such employees in the event their employment is terminated under the circumstances described in this Plan.

**2. DEFINITIONS AND CONSTRUCTION**

2.1 **Definitions.** Whenever used in this Plan, capitalized terms shall have the same meaning as set forth herein or in Appendix A.

2.2 **Construction.** Captions and titles contained in this Plan are for convenience only and shall not affect the meaning or interpretation of any provision of the Plan. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term “or” is not intended to be exclusive, unless the context clearly requires otherwise.

**3. PARTICIPATION**

Executive-level employees of the Company Group who are designated by the Committee by name, title, position, function, salary band, any other category deemed appropriate by the Committee, or any combination of the foregoing from time to time as Participants in this Plan. A list of Participants is set forth on Appendix B hereto (as such Appendix B may from time to time be amended by the Committee or the Administrator). In addition, as a condition to participation in this Plan, each individual agrees to be bound by, the terms and conditions of this Plan.

**4. TERMINATION OF EMPLOYMENT WITHOUT CAUSE OR FOR GOOD REASON**

In the event of a Participant’s Separation from Service without Cause or for Good Reason (other than a Termination Upon a Change in Control), the Participant shall be entitled to receive the compensation and benefits described in this Section 4.

4.1 **Accrued Obligations.** The Participant shall be entitled to receive:

(a) all salary and commissions earned through the date of the Participant's Separation from Service;

(b) reimbursement within ten (10) business days of submission of proper expense reports of all expenses reasonably and necessarily incurred by the Participant in connection with the business of the Company Group and in accordance with Company Group policies prior to Participant's Separation from Service.

4.2 **Severance Benefits.** Provided that Participant executes the Release prior to the applicable Release Deadline and such Release then becomes effective and irrevocable in accordance with its terms, and subject to Participant's compliance with the restrictive covenants set forth in Section 9 herein, and any Employee Inventions and Proprietary Information Agreement or other written agreement between an entity or entities in the Company Group and a Participant relating to the Company's and/or Company Group's property, intellectual or otherwise, the Participant shall be entitled to receive the following severance payments and benefits (the "**Severance Benefits**"):

(c) **Severance Payment.** The Company shall pay the Participant an amount equal to the Severance Amount, payable in substantially equal installments in accordance with the Company's regular payroll practices during the period beginning on such Separation from Service and ending at the end of the applicable Severance Period.

(d) **COBRA Premiums.** Subject to the requirements of the Code, if the Participant properly elects healthcare continuation coverage under the Company's group health insurance plans pursuant to COBRA, to the extent that the Participant is eligible to do so, then the Company shall directly pay or, at its election, reimburse the Participant for COBRA premiums for the Participant and the Participant's covered dependents (in an amount determined based on the same benefit levels as would have applied if the Participant's employment had not been terminated based on the Participant's elections in effect on the Separation from Service) for the COBRA Continuation Period. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Code Section 409A under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover the Participant under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company reimbursement shall thereafter be paid to the Participant in substantially equal monthly installments over the COBRA Continuation Period (or the remaining portion thereof).

(e) **Equity Acceleration.** Accelerated vesting of outstanding equity to the extent provided in any written agreement between Participant and the Company Group.

#### 5. **TERMINATION UPON A CHANGE IN CONTROL**

In the event of a Participant's Termination Upon a Change in Control, the Participant shall be entitled to receive the compensation and benefits described in this Section 5.

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5.1 **Accrued Obligations.** The Participant shall be entitled to receive:

(a) all salary and commissions earned through the date of the Participant's Separation from Service;

(b) reimbursement within ten (10) business days of submission of proper expense reports of all expenses reasonably and necessarily incurred by the Participant in connection with the business of the Company Group and in accordance with Company Group policies prior to Participant's Separation from Service.

5.2 **Severance Benefits.** Provided that Participant executes the Release prior to the applicable Release Deadline and such Release then becomes effective and irrevocable in accordance with its terms, and subject to Participant's compliance with the restrictive covenants set forth in Section 9 herein, and any Employee Inventions and Proprietary Information Agreement or other written agreement between an entity or entities in the Company Group and a Participant relating to the Company's and/or Company Group's property, intellectual or otherwise, the Participant shall be entitled to receive the following severance payments and benefits (the "**Severance Benefits**"):

(c) **Severance Payment.** On the first Payroll Date on or following the date the Release becomes effective and irrevocable, and, in any event, within sixty (60) days after the date of the Participant's Separation from Service, the Company shall pay to the Participant in a lump sum cash payment an amount equal to (i) in the case of any Participant other than the Company's Chief Executive Officer the product of (x) the Participant's Base Salary Rate multiplied by (y) the Participant's CIC Severance Multiplier; and (ii) in the case of the Company's Chief Executive Officer, the Severance Amount.

(d) **Prorated Bonus.** In the case of any Participant other than the Company's Chief Executive Officer, a prorated annual bonus for the Company's fiscal year in which the Participant's Separation from Service occurs, calculated assuming achievement of any applicable company performance goals or objectives at the greater of actual or 100% and any applicable individual performance goals or objectives at 100%, but prorated based on the number of days the Participant was employed by the Company during such fiscal year, and shall be paid in a single lump-sum payment on the date on which annual bonuses are paid to the Company's senior executives generally for such year, but in no event later than March 15<sup>th</sup> of the calendar year immediately following the calendar year in which such Separation from Service occurs.

(e) **COBRA Premiums.** Subject to the requirements of the Code, if the Participant properly elects healthcare continuation coverage under the Company's group health insurance plans pursuant to COBRA, to the extent that the Participant is eligible to do so, then the Company shall directly pay or, at its election, reimburse the Participant for COBRA premiums for the Participant and the Participant's covered dependents (in an amount determined based on the same benefit levels as would have applied if the Participant's employment had not been terminated based on the Participant's elections in effect on the Separation from Service) for the COBRA Continuation Period. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Code Section 409A under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover the Participant under its group health plans without penalty under applicable law (including without limitation, Section 2716 of

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the Public Health Service Act), then, in either case, an amount equal to each remaining Company reimbursement shall thereafter be paid to the Participant in substantially equal monthly installments over the COBRA Continuation Period (or the remaining portion thereof).

(f) **Equity Acceleration.** Accelerated vesting of outstanding equity to the extent provided in any written agreement between Participant and the Company Group, and without limiting the foregoing, all outstanding equity awards held by a Participant on the date of a Separation from Service that constitutes a Termination Upon a Change in Control will immediately become fully vested and, as applicable, exercisable as of the date of such Termination Upon a Change in Control and, with respect to performance-vesting awards, such vesting shall be calculated assuming achievement of any applicable performance goals or objectives at the greater of actual performance or 100%.

## 6. TERMINATION UPON DEATH OR DISABILITY

In the event of a Participant's Separation from Service due to death or Disability, the Participant shall be entitled to receive the compensation and benefits described in this Section 6.

6.1 **Accrued Obligations.** The Participant shall be entitled to receive:

(a) all salary and commissions earned through the date of the Participant's Separation from Service;

(b) reimbursement within ten (10) business days of submission of proper expense reports of all expenses reasonably and necessarily incurred by the Participant in connection with the business of the Company Group and in accordance with Company Group policies prior to Participant's Separation from Service.

6.2 **COBRA Premiums.** Subject to the requirements of the Code, if the Participant properly elects healthcare continuation coverage under the Company's group health insurance plans pursuant to COBRA, to the extent that the Participant is eligible to do so, then the Company shall directly pay or, at its election, reimburse the Participant for COBRA premiums for the Participant and the Participant's covered dependents (in an amount determined based on the same benefit levels as would have applied if the Participant's employment had not been terminated based on the Participant's elections in effect on the Separation from Service) for the COBRA Continuation Period. Notwithstanding the foregoing, (i) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Code Section 409A under Treasury Regulation Section 1.409A-1(a)(5), or (ii) the Company is otherwise unable to continue to cover the Participant under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act), then, in either case, an amount equal to each remaining Company reimbursement shall thereafter be paid to the Participant in substantially equal monthly installments over the COBRA Continuation Period (or the remaining portion thereof).

6.3 **Equity Acceleration.** All outstanding Equity Awards that vest based solely on the passage of time that are held by Participant on the date of Participant's Separation from Service shall immediately become fully vested and, as applicable, exercisable.

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## 7. FEDERAL EXCISE TAX UNDER SECTION 4999 OF THE CODE

7.1 **Excess Parachute Payment.** In the event that any payment or benefit received or to be received by the Participant pursuant to this Plan or otherwise (collectively, the “*Payments*”) would subject the Participant to any excise tax pursuant to Section 4999 of the Code (the “*Excise Tax*”) due to the characterization of such Payments as an excess parachute payment under Section 280G of the Code, then, notwithstanding the other provisions of this Plan, the amount of such Payments will not exceed the amount which produces the greatest after-tax benefit to the Participant. For purposes of this Section 7.1, if Payments must be reduced, then such reductions shall come first from the cash severance otherwise payable to the Participant.

7.2 **Determination by Accounting Firm.** Upon the occurrence of any event (the “*Event*”) that would give rise to any Payments pursuant to this Plan, the Company shall promptly request a determination in writing to be made within thirty (30) days of the date of the Event by a nationally recognized independent public accounting firm (the “*Accounting Firm*”) selected by the Company of the amount and type of such Payments which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accounting Firm may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accounting Firm such information and documents as the Accounting Firm may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accounting Firm may reasonably charge in connection with their services contemplated by this Section. In the event that the report of the Accounting Firm is not received within thirty (30) days following the Participant’s Termination Upon Change in Control, the Company shall pay to the Participant the cash severance benefits required by Section 5.2 above (subject to any reduction necessary to produce the greatest after-tax benefit to the Participant) within ten (10) days of the later of the date of the Accounting Firm’s report of their determination or the payment date determined in accordance with Section 5.2 above.

8. **ENTIRE PLAN; RELATION TO OTHER AGREEMENTS.** Except as otherwise set forth herein (including, for the avoidance of doubt, Sections 4.2(c) and 5.2(d)) or otherwise agreed to in writing between the Company Group and a Participant (including for the avoidance of doubt any Employee Inventions and Proprietary Information Agreement or other written agreement between an entity or entities in the Company Group and a Participant relating to the Company’s and/or Company Group’s property, intellectual or otherwise, which, notwithstanding this Agreement, shall continue in effect to the full extent provided thereby, provided that to extent of any conflict between any such agreement and this Plan, this Plan shall control), (a) this Plan contains the entire understanding of the parties relating to the subject matter hereof and supersedes any prior agreement, arrangement and understanding between any Participant and the Company Group, with respect to the subject matter hereof and (b) participating in this Plan and accepting the Severance Benefits hereunder, the Participant acknowledges and agrees that any prior agreement, arrangement and understanding between any Participant, on the one hand, and the Company Group, on the other hand, with respect to the subject matter hereof is hereby revoked and ineffective with respect to the Participant (including with respect to any severance arrangement contained in an effective employment agreement, employment letter agreement and/or change of control addendum by and between the Participant and the Company Group), except as otherwise agreed herein, including, for the avoidance of doubt, Sections 4.2(c) and 5.2(d).

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## 9. CONFIDENTIAL INFORMATION, NON-COMPETITION AND NON-SOLICITATION

9.1 The Participant shall hold in a fiduciary capacity for the benefit of the Company Group all secret or confidential information, knowledge or data relating to the Company Group, which shall have been obtained by the Participant in connection with the Participant's employment by the Company Group and which shall not be or become public knowledge (other than by acts by the Participant or representatives of the Participant in violation of this Plan). After termination of the Participant's employment with the Company Group, the Participant shall not, without the prior written consent of the Company Group or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data, to anyone other than the Company Group and those designated by it; provided, however, that if the Participant receives actual notice that the Participant is or may be required by law or legal process to communicate or divulge any such information, knowledge or data, the Participant shall promptly so notify the Company Group.

9.2 While employed by the Company Group and during the Restricted Period following a Separation from Service, the Participant shall not, at any time, directly or indirectly engage in, have any interest in (including, without limitation, through the investment of capital or lending of money or property), or manage, operate or otherwise render any services to, any person or entity (whether on his own or in association with others, as a principal, director, officer, employee, agent, representative, partner, member, security holder, consultant, advisor, independent contractor, owner, investor, participant or in any other capacity) that engages in (either directly or through any subsidiary or affiliate thereof) the business of buying, selling, reconditioning, pricing or financing motor vehicles (including, for the avoidance of doubt, direct or indirect sub-prime automotive lending to consumers) in an online and/or ecommerce setting or any other business which competes with a business constituting at least 5% of the Company Group's revenues as of the Participant's Separation from Service, or that manages, operates or otherwise renders any services in connection with, such business (whether on his own or in association with others, as a principal, director, officer, employee, agent, representative, partner, member, security holder, consultant, advisor, independent contractor, owner, investor, participant or in any other capacity) ("**Competing Business**"). Notwithstanding the foregoing, the Participant shall be permitted to acquire a passive stock or equity interest in such a person or entity; provided that such stock or other equity interest acquired is less than five percent (5%) of the outstanding interest in such person or entity.

9.3 While employed by the Company Group and during the Restricted Period following a Separation from Service, the Participant shall not directly or indirectly solicit, induce, or encourage any employee or consultant of any member of the Company Group to terminate their employment or other relationship with the Company Group or to cease to render services to any member of the Company Group and the Participant shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity. During Participant's employment with the Company and during the Restricted Period following a Separation from Service, the Participant shall not solicit, induce, or encourage any customer, client, vendor, or other party doing business with any member of the Company Group to terminate its relationship therewith or transfer its business from any member of the Company Group and the Participant shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity.

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9.4 In recognition of the fact that irreparable injury will result to the Company Group in the event of a breach by the Participant or Participant's obligations under Sections 9.1, 9.2 and 9.3 hereof, that monetary damages for such breach would not be readily calculable, and that the Company Group would not have an adequate remedy at law therefor, the Participant acknowledges, consents and agrees that in the event of such breach, or the threat thereof, the Company Group shall be entitled, in addition to any other legal remedies and damages available, to specific performance thereof and to temporary and permanent injunctive relief (without the necessity of posting a bond) to restrain the violation or threatened violation of such obligations by the Participant.

9.5 Notwithstanding the foregoing, to the extent any Participant is subject to the Attorneys' Rules of Professional Conduct of any state or other jurisdiction, nothing in this Section 9 shall be interpreted to restrict such a Participant from engaging in the authorized practice of law, provided that such engagement does not also require Participate to serve in whole or in part in a business, non-legal role with a Competing Business.

## 10. ADMINISTRATION

10.1 This Plan is administered by the Company (the "*Administrator*"). The Administrator, from time to time, may also appoint such individuals to act as the Administrator's representatives as the Administrator considers necessary or desirable for the effective administration of the Plan.

10.2 The Administrator, from time to time, may adopt such rules and regulations as may be necessary or desirable for the proper and efficient administration of the Plan and as are consistent with the terms of the Plan.

10.3 In administering the Plan, the Administrator (and its delegate) shall have the sole and absolute discretionary authority to construe and interpret the provisions of the Plan (and any related or underlying documents or policies), to interpret applicable law, and make factual determinations thereunder, including the authority to determine the eligibility of employees and the amount of benefits payable under the Plan. Any interpretation of this Plan and any decision on any matter within the discretion of the Administrator made by the Administrator in good faith is binding on all persons. If challenged in a legal proceeding, the Administrator's interpretations and determinations will be reviewed under the most deferential abuse of discretion standard of review.

10.4 The Administrator keeps records of this Plan and is responsible for the administration of this Plan.

10.5 If, due to errors in drafting, any Plan provision does not accurately reflect its intended meaning, as demonstrated by consistent interpretations or other evidence of intent, or as determined by the Administrator in its sole and absolute discretion, the provision shall be considered ambiguous and shall be interpreted by the Administrator in a fashion consistent with its intent, as determined in the sole and absolute discretion of the Administrator.

10.6 This Section may not be invoked by any Employee, Participant or other person to require this Plan to be interpreted in a manner inconsistent with its interpretation by the Administrator.

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10.7 The Administrator will apply uniform rules to all similarly situated Participants.

10.8 The Company will pay all costs of administration, except as provided with respect to disputes below.

## 11. CLAIMS FOR BENEFITS

11.1 **ERISA Plan.** This Plan is intended to be (a) an employee welfare plan as defined in Section 3(1) of Employee Retirement Income Security Act of 1974 ("**ERISA**") and (b) a "top-hat" plan maintained for the benefit of a select group of management or highly compensated employees of the Company Group. This document is intended to constitute both the Plan document and the Plan's Summary Plan Description.

11.2 **Application for Benefits.** All applications for payments and/or benefits under the Plan ("**Benefits**") shall be submitted to the Company's Benefits department personnel (the "**Claims Administrator**"), with a copy to the Company's General Counsel. Applications for Benefits must be in writing on forms acceptable to the Claims Administrator and must be signed by the Participant or beneficiary. The Claims Administrator reserves the right to require the Participant or beneficiary to furnish such other proof of the Participant's expenses, including without limitation, receipts, canceled checks, bills, and invoices as may be required by the Claims Administrator.

### 11.3 Appeal of Denial of Claim.

(a) If a claimant's claim for Benefits is denied, the Claims Administrator shall provide notice to the claimant in writing of the denial within ninety (90) days after its submission. The notice shall be written in a manner calculated to be understood by the claimant and shall include:

- (1) The specific reason or reasons for the denial;
- (2) Specific references to the Plan provisions on which the denial is based;
- (3) A description of any additional material or information necessary for the applicant to perfect the claim and an explanation of why such material or information is necessary; and
- (4) An explanation of the Plan's claims review procedures and a statement of claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination.

(b) If special circumstances require an extension of time for processing the initial claim, a written notice of the extension and the reason therefor shall be furnished to the claimant before the end of the initial ninety (90) day period. In no event shall such extension exceed ninety (90) days.

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(c) If a claim for Benefits is denied, the claimant, at the claimant's sole expense, may appeal the denial to the Committee (the "*Appeals Administrator*") within sixty (60) days of the receipt of written notice of the denial. In pursuing such appeal the applicant or his duly authorized representative:

- (1) may request in writing that the Appeals Administrator review the denial;
- (2) may review pertinent documents; and
- (3) may submit issues and comments in writing.

(d) The decision on review shall be made within sixty (60) days of receipt of the request for review, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than one hundred twenty (120) days after receipt of the request for review. If such an extension of time is required, written notice of the extension shall be furnished to the claimant before the end of the original sixty (60) day period. The decision on review shall be made in writing, shall be written in a manner calculated to be understood by the claimant, and, if the decision on review is a denial of the claim for Benefits, shall include:

- (1) The specific reason or reasons for the denial;
- (2) Specific references to the Plan provisions on which the denial is based;
- (3) A description of any additional material or information necessary for the applicant to perfect the claim and an explanation of why such material or information is necessary; and
- (4) An explanation of the Plan's claims review procedures and a statement of claimant's right to bring a civil action under ERISA Section 502(a) following an adverse benefit determination.

**11.4 Disputes Subject to Arbitration.** Subject to Section 18 herein, any claim, dispute or controversy arising out of this Plan, the interpretation, validity or enforceability of this Plan or the alleged breach thereof shall be submitted by the parties to binding arbitration by the American Arbitration Association ("*AAA*") or as otherwise required by ERISA; provided, however, that (a) the arbitrator shall have no authority to make any ruling or judgment that would confer any rights with respect to trade secrets, confidential and proprietary information or other intellectual property; and (b) this arbitration provision shall not preclude the parties from seeking legal and equitable relief from any court having jurisdiction with respect to any disputes or claims relating to or arising out of the misuse or misappropriation of intellectual property. Such arbitration shall be conducted in accordance with the then-existing AAA Employment Arbitration Rules and Mediation Procedures. The rules can be found at <https://www.adr.org/employment>, or a copy will be provided upon request. Judgment may be entered on the award of the arbitrator in any court having jurisdiction.

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(a) **Site of Arbitration.** The site of the arbitration proceeding shall be in New York City, New York or any other site mutually agreed to by the Company and the Participant.

(b) **Costs and Expenses Borne by Company.** All costs and expenses of arbitration, including but not limited to reasonable attorneys' fees and other costs reasonably incurred by the Participant in connection with an arbitration in accordance with this Section 11, shall be paid by the Company. Notwithstanding the foregoing, if the Participant initiates the arbitration, and the arbitrator finds that the Participant's claims were totally without merit or frivolous, then the Participant shall be responsible for the Participant's own attorneys' fees and costs.

11.5 If any judicial proceeding is undertaken to appeal or arbitrate the denial of a claim or bring any other action under ERISA other than a breach of fiduciary duty claim, the evidence presented may be strictly limited to the evidence timely presented to the Administrator. In addition, any such judicial proceeding must be filed no later than two years from the date of the final adverse benefit determination of an applicant's appeal of the denial of his or her claim for benefits. Notwithstanding the foregoing, if the applicable, analogous state statute of limitations has run or will run before the aforementioned two-year period, the state's statute of limitations shall be controlling.

## 12. NO CONTRACT OF EMPLOYMENT

Neither the establishment of the Plan, nor any amendment thereto, nor the payment of any benefits shall be construed as giving any person the right to be retained by the Company, a Successor or any other member of the Company Group. Except as otherwise established in an employment agreement between the Company Group and a Participant, the employment relationship between the Participant and the Company is an "at-will" relationship. Accordingly, either the Participant or the Company may terminate the relationship at any time, with or without Cause, and with or without notice except as otherwise provided by Section 14. In addition, nothing in this Plan shall in any manner obligate any Successor or other member of the Company Group to offer employment to any Participant or to continue the employment of any Participant whom it does hire for any specific duration of time.

## 13. SUCCESSORS AND ASSIGNS

13.1 **Successors of the Company.** The Company shall require any Successor, expressly, absolutely and unconditionally to assume and agree to perform this Plan in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. Failure of the Company to obtain such agreement shall be a material breach of this Plan and shall entitle the Participant to resign for Good Reason and to receive the benefits provided under this Plan in the event of Termination Upon a Change in Control.

13.2 **Acknowledgment by Company.** If, after a Change in Control, the Company fails to reasonably confirm that it has performed the obligation described in Section 13.1 within thirty (30) days after written notice from the Participant, such failure shall be a material breach of this Plan and shall entitle the Participant to resign for Good Reason and to receive the benefits provided under this Plan in the event of Termination Upon a Change in Control.

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**13.3 Heirs and Representatives of Participant.** This Plan shall inure to the benefit of and be enforceable by the Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees or other beneficiaries. If the Participant should die while any amount would still be payable to the Participant hereunder (other than amounts which, by their terms, terminate upon the death of the Participant) if the Participant had continued to live, then all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the executors, personal representatives or administrators of the Participant's estate.

#### 14. NOTICES

**14.1 General.** For purposes of this Plan, notices and all other communications shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States certified mail, return receipt requested, or by overnight courier, postage prepaid, as follows:

(a) if to the Company:

Vroom, Inc.  
Attn: Legal  
3600 W. Sam Houston Parkway S.  
Floor 4  
Houston, TX 77042

Attention: Chief Legal Officer

(b) if to the Participant, at the home address which the Company has its personnel records.

Either party may provide the other with notices of change of address, which shall be effective upon receipt.

**14.2 Notice of Termination.** Any termination by the Company of the Participant's employment during the Change in Control Period or any resignation by the Participant during the Change in Control Period shall be communicated by a notice of termination or resignation to the other party hereto given in accordance with Section 14.1. Such notice shall indicate the specific termination provision in this Plan relied upon, shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated, and shall specify the termination date.

#### 15. TERMINATION AND AMENDMENT OF PLAN

The Plan may be terminated or amended by the Board or the Committee, in its sole discretion; *provided, however*, that any Participant listed on Appendix B who is terminated or resigns from employment with the Company shall be deemed to be automatically removed from Appendix B upon the effectiveness of such termination or resignation, as applicable, and without further action of the Board or the Committee; *provided further*, that, notwithstanding the foregoing, during a Change in Control Period, the Plan may not be terminated or amended until the date all payments and benefits eligible to be received hereunder shall have been paid.

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## 16. SECTION 409A

16.1 **General.** The payments and benefits under the Plan are intended to comply with or be exempt from Section 409A and, accordingly, to the maximum extent permitted, the Plan shall be interpreted to be in compliance with or exempt from Section 409A. If the Company determines that any particular provision of the Plan would cause a Participant to incur any tax or interest under Section 409A, the Company shall take commercially reasonable efforts to reform such provision to the minimum extent reasonably appropriate to comply with or be exempt from Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision of the Plan is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to the Participants and the Company of the applicable provision without resulting in the imposition of a tax under Section 409A.

16.2 **Specified Employee.** Notwithstanding anything to the contrary in the Plan, if the Company determines at the time of a Participant's Separation from Service that the Participant is a "specified employee" for purposes of Section 409A, then, to the extent delayed commencement of any portion of the benefits to which a Participant is entitled under the Plan is required to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of the Participant's benefits shall not be provided to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's Separation from Service with the Company or (ii) the date of the Participant's death. On the first business day following the expiration of the applicable Section 409A period, all payments deferred pursuant to the preceding sentence shall be paid in a lump sum to the Participant (or the Participant's estate or beneficiaries), and any remaining payments due to the Participant under the Plan shall be paid as otherwise provided herein.

16.3 **Separation from Service.** Notwithstanding anything to the contrary in the Plan, any compensation or benefit payable under the Plan that constitutes "nonqualified deferred compensation" under Section 409A and is designated under the Plan as payable upon a Participant's termination of employment with the Company shall be payable only upon the Participant's Separation from Service with the Company.

16.4 **Expense Reimbursements.** To the extent that any reimbursements payable under the Plan are subject to Section 409A, any such reimbursements shall be paid to the Participant no later than December 31 of the year following the year in which the expense was incurred. The amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and a Participant's right to reimbursement under the Plan will not be subject to liquidation or exchange for another benefit.

## 17. MISCELLANEOUS PROVISIONS

17.1 **Release.** Notwithstanding anything herein to the contrary, a Participant shall not be entitled to receive any payments or benefits, other than the "Accrued Obligations" described above, pursuant to Sections 4.2, 5.2 or Sections 6.2 or 6.3 hereof (and such Participant shall forfeit all rights to such payments) unless such Participant has executed and delivered to the Company a Release prior to the applicable Release Deadline and such Release remains in full force and effect, has not been timely revoked and is no longer subject to revocation, and a Participant

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shall be entitled to receive such payments and benefits only so long as such Participant has not breached any of the provisions of the Release or the restrictive covenants set forth in Section 9 herein in accordance with the terms thereof. If the Release is executed and delivered and no longer subject to revocation, then any cash payments due to a Participant shall be paid (subject to Section 16) in accordance with the applicable provisions of this Plan. The first such cash payment shall include payment of all amounts that otherwise would have been due prior to the Release Effective Date under the terms of this Plan applied as though such payments commenced immediately upon the date of such Participant's Separation from Service, and any payments scheduled to be made after the Release Effective Date shall continue as provided herein. Notwithstanding the foregoing, if the period in which the Release may be executed prior to the Release Deadline begins in one calendar year and ends in another calendar year and all or any portion of such payments constitute non-exempt deferred compensation for purposes of Section 409A, then none of such payments shall begin until such second calendar year.

**17.2 Unfunded Obligation.** Any amounts payable to Participants pursuant to the Plan are unfunded obligations. The Company shall not be required to segregate any monies from its general funds, or to create any trusts, or establish any special accounts with respect to such obligations. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Board or the Company and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Company.

**17.3 No Duty to Mitigate; Obligations of Company.** A Participant shall not be required to mitigate the amount of any payment or benefit contemplated by this Plan by seeking employment with a new employer or otherwise, nor shall any such payment or benefit (except for benefits to the extent described in Section 7.2) be reduced by any compensation or benefits that the Participant may receive from employment by another employer. Except as otherwise provided by this Plan, the obligations of the Company to make payments to the Participant and to make the arrangements provided for herein are absolute and unconditional and may not be reduced by any circumstances, including without limitation any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Participant or any third party at any time.

**17.4 No Representations.** The Participant acknowledges that in becoming a Participant in the Plan, the Participant is not relying and has not relied on any promise, representation or statement made by or on behalf of the Company which is not set forth in this Plan.

**17.5 Waiver.** No waiver by the Participant or the Company of any breach of, or of any lack of compliance with, any condition or provision of this Plan by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

**17.6 Choice of Law.** The Plan is a welfare plan subject to ERISA and it shall be interpreted, administered, and enforced in accordance with that law. To the extent that state law is applicable the internal laws of the state of Delaware without regard to any conflict of laws provisions shall be controlling in all matters relating to this Plan.

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17.7 **Validity.** The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, which shall remain in full force and effect.

17.8 **Benefits Not Assignable.** Except as otherwise provided herein or by law, no right or interest of any Participant under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including, without limitation, by execution, levy, garnishment, attachment, pledge or in any other manner, and no attempted transfer or assignment thereof shall be effective. No right or interest of any Participant under the Plan shall be liable for, or subject to, any obligation or liability of such Participant.

17.9 **Tax Withholding.** All payments made pursuant to this Plan will be subject to withholding of applicable income and employment taxes. However, whether cash severance amounts are eligible compensation under the Company's benefit plans will be determined by the terms of such plans.

17.10 **Information to be Furnished by Participants.** Each Participant must furnish to the Company such documents, evidence, data or other information as the Company considers necessary or desirable for the purpose of administering this Plan. Benefits under this Plan for each Participant are provided on the condition that Participant furnishes full, true and complete data, evidence or other information, and that Participant will promptly sign any document related to the Plan, requested by the Company.

17.11 **Consultation with Legal and Financial Advisors.** The Participant acknowledges that this Plan confers significant legal rights, and may also involve the waiver of rights under other agreements; that the Company has encouraged the Participant to consult with the Participant's personal legal and financial advisors; and that the Participant has had adequate time to consult with the Participant's advisors.

17.12 **Severability; Blue Pencil.** The invalidity or unenforceability of any provision of this Plan shall not affect the validity or enforceability of any other provision of this Plan, and each other provision of this Plan shall be severable and enforceable to the extent permitted by applicable law. In the event that any provision of this Plan shall be held invalid, illegal or unenforceable (whether in whole or in part) for any reason, such provision shall be deemed modified to the extent of such invalidity, illegality or unenforceability, and the remaining valid, legal and enforceable provisions (and part of such provision, as the case may be) shall not be affected thereby.

## 18. YOUR RIGHTS UNDER ERISA

18.1 You are entitled to certain rights and protections under ERISA. ERISA provides that all Participants will be entitled to:

(a) examine, without charge, at the Administrator's office, and at other specified locations, all documents governing this Plan and a copy of the latest annual report (Form 5500 Series) filed with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration;

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(b) upon written request to the Administrator, who may make a reasonable charge for the copies, obtain copies of all documents governing this Plan, including copies of the latest annual report (Form 5500 Series) and updated summary plan description; and

(c) receive a summary of the Plan's annual financial report.

18.2 In addition to creating rights for you under this Plan, ERISA imposes duties upon the people who are responsible for the operation of this Plan. The people who operate this Plan, called "fiduciaries" of this Plan, have a duty to do so prudently and in the interest of you and other Participants and beneficiaries. No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

18.3 If your claim for a benefit is denied in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

18.4 Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and the Company to pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits hereunder which is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, if you disagree with the Administrator's decision, you may file suit in Federal court.

18.5 If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

18.6 If you have questions about this Plan, you should contact the Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in the telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W., Washington, D.C. 20210. You also may obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

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## Other Important Facts

**PLAN NAME:** Vroom, Inc. Executive Severance Plan

**SPONSOR:** Vroom, Inc.  
Attn: Legal  
3600 W. Sam Houston Parkway S.  
Floor 4  
Houston, TX 77042

**EMPLOYER  
IDENTIFICATION  
NUMBER (EIN):** 90-1112566

**PLAN NUMBER:** 502

**TYPE OF PLAN:** Employee Welfare Severance Benefit Plan

**PLAN YEAR:** The Plan Year (if any) shall begin on each January 1 and end on each December 31. However, the first Plan Year for this Plan shall begin on March 1, 2021 and end on December 31, 2021.

**TYPE OF  
ADMINISTRATION:** Self-Administered

**PLAN  
ADMINISTRATOR:** Vroom, Inc.  
Attn: Legal  
3600 W. Sam Houston Parkway S.  
Floor 4  
Houston, TX 77042  
855-524-1300

**LEGAL PROCESS:** Legal process with respect to the Plan may be served upon the Plan Administrator.

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## APPENDIX A

### Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below:

(a) “**Base Salary Rate**” means the Participant’s annual base salary rate in effect immediately prior to the Participant’s Separation from Service; provided, that a Participant’s Base Salary Rate shall not give effect to any reduction in base salary that would be Good Reason hereunder.

(b) “**Cause**” means the occurrence of any of the following: (1) the Participant’s willful failure to substantially perform Participant’s duties to the Company (other than any such failure resulting from the Participant’s incapacity due to physical or mental illness or any such actual or anticipated failure after Participant’s issuance of a notice of termination for Good Reason), after a written demand for performance is delivered to the Participant by the Board or the Chief Executive Officer of the Company, which demand specifically identifies the manner in which the Board or the Chief Executive Officer of the Company believes that the Participant has not performed Participant’s duties; (2) the Participant’s commission of an act of fraud or material dishonesty resulting in reputational, economic or financial injury to the Company; (3) the Participant’s commission of, including any entry by the Participant of a guilty or no contest plea to, a felony or other crime involving moral turpitude; (4) a material breach by the Participant of Participant’s fiduciary duty to the Company which results in reputational, economic, or other injury to the Company; or (5) the Participant’s material breach of the Participant’s obligation under a written agreement between the Company and the Participant.

(c) “**Change in Control**” has the meaning given in the Company’s 2020 Incentive Award Plan, as may be amended from time to time.

(d) “**Change in Control Period**” means the period beginning on the date that is three (3) months prior to the consummation of the Change in Control and ending on the twelve (12)-month anniversary of such Change in Control.

(e) “**CIC Severance Multiplier**” means, with respect to any Participant other than the Company’s Chief Executive Officer, one and a half (1.5).

(f) “**COBRA Continuation Period**” shall, with respect to any Participant, commence upon such Participant’s termination of employment and end after the lapse of:

- (1) If such Participant is the Company’s Chief Executive Officer, eighteen (18) months; and
- (2) Any Participant other than the Company’s Chief Executive Officer, twelve (12) months.

(g) “**Code**” means the Internal Revenue Code of 1986, as amended, or any successor thereto and any applicable regulations (including proposed or temporary regulations) and other Internal Revenue Service guidance promulgated thereunder.

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(h) “**Committee**” means the Compensation Committee of the Board.

(i) “**Company**” means Vroom, Inc., and, following a Change in Control, a Successor that agrees to assume all of the terms and provisions of this Plan or a Successor which otherwise becomes bound by operation of law to this Plan.

(j) “**Company Group**” means the group consisting of the Company and each present or future parent and subsidiary corporation or other business entity thereof.

(k) “**Disability**” means that the Participant has become entitled to receive benefits under an applicable Company long-term disability plan or, if no such plan covers the Participant, as determined in the reasonable discretion of the Board.

(l) “**Equity Award**” means any Option, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units or other stock-based compensation award.

(m) “**Good Reason**” means the occurrence of any of the following conditions without the Participant’s informed written consent unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction):

(1) a material diminution in the Participant’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, excluding for this purpose any isolated, insubstantial or inadvertent actions not taken in bad faith and which are remedied by the Company promptly after receipt of notice thereof given by the Participant; or

(2) the Company’s material reduction in Participant’s base salary, as the same may be increased from time to time; or

(3) a material change in the geographic location of the Participant’s principal location as of the date hereof, which shall, in any event, include only a relocation of more than twenty-five (25) miles from such principal location; or

(4) any material breach of this Plan by the Company Group with respect to the Participant.

Notwithstanding the foregoing, the Participant will not be deemed to have resigned for Good Reason unless (1) the Participant provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Participant to constitute Good Reason within sixty (60) days after the date of the occurrence of any event that the Participant knows or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of the Participant’s termination for Good Reason occurs no later than sixty (60) days after the expiration of the Company’s cure period.

(n) “**Option**” means any option to purchase shares of the capital stock of the Company or of any other member of the Company Group granted to a Participant by the Company or any other Company Group member, whether granted before or after a Change in Control.

(o) “**Participant**” means each individual who listed on Appendix B.

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(p) "**Payroll Date**" means the last day of a payroll period.

(q) "**Release**" means a general release of claims in favor of the Company, the Company Group, its/their affiliates, and its/their respective officers, directors, employees, and agents in a form provided by the Company.

(r) "**Release Deadline**" means, with respect to a Participant who is age forty (40) or older on the date of such Participant's Separation from Service, the date which is forty five (45) days following the Participant's Separation from Service. With respect to a Participant who is younger than age forty (40) on the date of such Participant's Separation from Service, the "Release Deadline" shall be the date which is twenty one (21) days following the Participant's Separation from Service.

(s) "**Restricted Period**" shall, with respect to any Participant, commence on such Participant's termination of employment and end after the lapse of:

- (1) If such Participant is the Company's Chief Executive Officer, eighteen (18) months; and
- (2) Any Participant other than the Company's Chief Executive Officer, twelve (12) months.

(t) "**Restricted Stock**" means any compensatory award of shares of the capital stock of the Company or of any other member of the Company Group granted to a Participant by the Company or any other Company Group member or acquired upon the exercise of an Option, whether such shares are granted or acquired before or after a Change in Control, including any shares issued in exchange for any such shares by a Successor or any other member of the Company Group.

(u) "**Restricted Stock Units**" mean any compensatory award of rights to receive shares of the capital stock or cash in an amount measured by the value of shares of the capital stock of the Company or of any other member of the Company Group at one or more specified future times or upon the satisfaction of one or more specified conditions granted to a Participant by the Company or any other Company Group member, whether such awards are granted before or after a Change in Control, including any such awards granted in exchange for such awards by a Successor or any other member of the Company Group.

(v) "**Section 409A**" means Section 409A of the Code.

(w) "**Separation from Service**" means a "separation from service" as defined in Section 409A.

(x) "**Severance Amount**" shall, with respect to any Participant, mean:

(1) If such Participant is the Company's Chief Executive Officer, the product of (A) the sum of (i) the Participant's Base Salary Rate and (ii) target annual bonus in effect as of the A&R Effective Date (i.e. 150% of Participant's annual base salary), multiplied by (B) one and a half (1.5); and

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(2) Any Participant other than the Company's Chief Executive Officer, an aggregate amount equal to twelve (12) months of such Participant's Base Salary Rate.

(y) "**Severance Period**" shall, with respect to any Participant, commence upon the date of such Participant's termination of employment and end after the lapse of four (4) months.

(z) "**Specified Employee**" means a specified employee of the Company Group as defined in Section 409A.

(aa) "**Stock Appreciation Right**" means any award consisting of the right to receive payment, for each share of the capital stock of the Company or of any other member of the Company Group subject to such award, of an amount equal to the excess, if any, of the fair market value of such share on the date of exercise of the award over the exercise price for such share granted to a Participant by the Company or any other Company Group member, whether such awards are granted before or after a Change in Control, including any such awards granted in exchange for such awards by a Successor or any other member of the Company Group.

(bb) "**Successor**" means any successor in interest to substantially all of the business and/or assets of the Company.

(cc) "**Termination Upon a Change in Control**" means the occurrence of any of the following events:

(1) termination by the Company Group of the Participant's employment for any reason other than Cause during the Change in Control Period; or

(2) the Participant's resignation for Good Reason from employment with the Company Group during the Change in Control Period, provided that such resignation occurs within sixty (60) days following the occurrence of the condition constituting Good Reason;

provided, however, that Termination Upon a Change in Control shall not include any termination of the Participant's employment which is (i) for Cause, (ii) a result of the Participant's death or Disability, or (iii) a result of the Participant's voluntary termination of employment other than for Good Reason.

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## **APPENDIX B**

### Participants

Tom Shortt  
Cesar Aponte  
Robert R. Krakowiak  
Patricia Moran  
C. Denise Stott  
Amy Gieffers  
Agnieszka Zakowicz  
Jonathan Sandison

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**SECOND AMENDMENT TO  
AMENDED AND RESTATED INVENTORY FINANCING AND SECURITY AGREEMENT**

**I. THE PARTIES TO THIS AGREEMENT**

This Second Amendment to Amended and Restated Inventory Financing and Security Agreement (“Amendment”) is effective as of January 19, 2024 (the “Amendment Effective Date”), and is made by and among the following parties:

- A. **Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey)** (together with its successors and assigns, “Bank”), a Utah state-chartered bank with a local business office currently located at 5851 Legacy Circle, Suite 200, Plano, Texas 75024; and
- B. **Ally Financial Inc.**, a Delaware corporation (together with its successors and assigns, “Ally”) with a local business office currently located at 5851 Legacy Circle, Suite 200, Plano, Texas 75024 (together with Bank, the “Ally Parties” and Bank and Ally each being, an “Ally Party”);
- C. **Vroom Automotive, LLC**, a Texas limited liability company, formerly known as Left Gate Property Holding, LLC, doing business as Texas Direct Auto and Vroom, with its principal executive office currently located at 12053 Southwest Freeway, Stafford, Texas 77477 (“Dealership”); and
- D. **Vroom, Inc.**, a Delaware corporation, with its principal executive office currently located at 3600 W. Sam Houston Pkwy S, Floor 4, Houston, Texas 77042 (“Vroom”).

**II. THE RECITALS**

The essential facts relied on by Bank, Ally, Dealership and Vroom as true and complete, and giving rise to this Amendment, are as follows:

- A. The Ally Parties, Dealership and Vroom are parties to an Amended and Restated Inventory Financing and Security Agreement, effective as of November 4, 2022, as amended by the First Amendment to Amended and Restated Inventory Financing and Security Agreement, effective as of August 1, 2023 (as amended, the “IFSA”).
- B. Dealership is winding down its ecommerce retail business and will cease its acquisition of Vehicles.
- C. The parties to this Amendment desire to amend the IFSA as outlined in this Amendment.

**III. THE AGREEMENT**

In consideration of the premises and the mutual promises in this Amendment, which are acknowledged to be sufficient, Bank, Ally, Dealership and Vroom agree to the following:

- A. Capitalized terms used but not defined herein have the meanings given to them in the IFSA.
- B. Effective as of Amendment Effective Date, Section III.A.2 of the IFSA is amended and restated in its entirety as follows:
  - 2. **Credit Line.** The Ally Parties have no obligation to make advances under the Credit Line, which is suspended and will be administered on a liquidating basis; provided, however, the Ally Parties will make additional advances under the Credit Line at the applicable Advance Rate in place prior to the Amendment Effective Date for any vehicle for which documentation reasonably satisfactory to the Ally Parties is provided by the Dealership

substantiating that the Dealership acquired or made an offer to acquire the vehicle from a retail consumer prior to 5 pm CT January 26, 2024. After the Amendment Effective Date, Dealership will not purchase any vehicles via an auction without the prior written consent of the Ally Parties.

- C. Effective as of Amendment Effective Date, Section III.A.8 of the IFSA is amended and restated in its entirety as follows:
8. [Reserved]
- D. Effective as of Amendment Effective Date, Section III.A.9 of the IFSA is amended and restated in its entirety as follows:
9. [Reserved]
- E. Effective as of Amendment Effective Date, Section III.C.2(a) of the IFSA is amended and restated in its entirety as follows:
- (a) For each Inventory Financed Vehicle that is sold: (i) to a consumer retail purchaser in the ordinary course of business, the Dealership will pay the Ally Parties the principal amount of the advance or loan by the Ally Parties within five (5) business days after the date such Vehicle is sold (which shall not be later than the sale contract date), leased, consigned, gifted, exchanged, transferred, otherwise disposed of, registered, placed into service, or no longer in possession of the Dealership, or if it is otherwise lost, stolen, confiscated, missing, or not received, or if it is damaged or destroyed; (ii) via SmartAuction, the Dealership authorizes the Ally Parties to immediately apply all SmartAuction sale proceeds received via SmartAuction for such Inventory Financed Vehicle to the principal amount of the advance or loan by the Ally Parties on such Inventory Financed Vehicle immediately upon receipt and the Dealership will pay any remaining floorplan principal owed to the Ally Parties on the same date that the Ally Parties apply such SmartAuction sale proceeds; and (iii) via an auction, to a wholesaler, or to or through any other party other than as outlined in clauses (i) and (ii) above, within two (2) business days after the date such Vehicle is sold (which shall not be later than the sale contract date) (the periods outlined in this Section III.C.2(a) being, the "Release Period"). Provided the Dealership is current on all payment obligations owed to the Ally Parties, each business day, the Ally Parties will provide any net surplus owed to Dealership after application of all proceeds received by the Ally Parties (e.g., via SmartAuction, from third party auctions, or from the Dealership) or owed by the Ally Parties to the Dealership to all amounts then owed and due by the Dealership to the Ally Parties.
- F. Effective as of Amendment Effective Date, the IFSA is amended to renumber Section III.D.7 to III.D.7(a) and to add the following III.D.7(b)
- (b) Assignment of Accounts Due or to Become Due from Vehicle Sellers and Liquidators. Effective after January 22, 2024, with or without default, Dealership hereby authorizes and empowers each of Bank and Ally to demand, collect and receive all proceeds of any kind from all Vehicle Sellers and other parties who at such time or after such date possess any of the Dealership's Vehicles in order to sell or dispose of them, including, but not limited to all Manheim auctions ("Vehicle Sellers and Liquidators"), and give such parties binding receipts for, all sums due and/or to become due and, in Dealership's name or otherwise, to prosecute suits therefor. Effective after January 22, 2024, with or without a default, each of the Ally Parties may, at any time notify such Vehicle Sellers and Liquidators to make payment directly to the Ally Parties of amounts in which the Ally Parties have a security interest. Dealership unconditionally and irrevocably authorizes and instructs each of its Vehicle Sellers and Liquidators to make payment directly to the Ally Parties as instructed

and authorizes such Vehicle Sellers and Liquidators to rely on a copy of this Agreement as evidence of the authorization and instruction. The Ally Parties will account to Dealership for all sums received pursuant to this assignment and applied in the manner described in Subsection III.C.7. above. This assignment is irrevocable without the prior written consent of each of the Ally Parties and is provided as additional security for and not as payment of obligations now or hereafter arising to the Ally Parties. Dealership hereby appoints each Bank and Ally as its agent and attorney-in-fact for the sole purpose of executing or endorsing, on Dealership's behalf, any document, check or other instrument necessary to cause payment of sums assigned hereunder, or to perfect Bank's and/or Ally's security interest in the aforesaid accounts and payment intangibles. In the event of any inconsistency between this Subsection and III.D.7(a) as to any Vehicle Seller and Liquidator, the provisions of this Subsection shall prevail.

- G. Effective as of Amendment Effective Date, Section III.G.2 of the IFSA is amended to add the following subsections III.G.2(g) and (h):
- (g) For all vehicles sold by Dealership, reports of all vehicles sold, the name and location of the auction through which they were sold (if applicable), and the net sale price of such vehicle, not later than 3:00 p.m. prevailing Central Time ("CT") each business day for all prior days' sales.
  - (h) A projected schedule of the liquidation of the Dealership's vehicles, no later than 5:00 pm CT on January 22, 2024 and updated each following Wednesday no later than 5:00 pm CT.
- H. Effective as of Amendment Effective Date, Section III.G.3 of the IFSA is amended and restated in its entirety as follows:
- 3. [Reserved]
- I. Effective as of Amendment Effective Date, Section III.G.4 of the IFSA is deleted and replaced with the following:
- 4. Dealership and Vroom will comply in all material respects with all of Dealership's obligations under the Fourth Amended and Restated Credit Balance Agreement (and any amendments or modifications to such agreement) (as amended, the "CBA"), including, but not limited to, maintaining a Minimum Required Balance (as defined in the CBA) in the amount of 40.00% of the Wholesale Outstandings.
- J. The parties hereby agree that no actions taken in accordance with, or as contemplated by, this Amendment, constitute a violation of Section III.E.6 of the IFSA.
- K. Except as provided above, the IFSA and all other agreements between each of the Ally Parties and Dealership and Vroom remain in full force and effect as written. In the event of a conflict between the terms of the IFSA and this Amendment, the terms of this Amendment prevail. The parties hereto ratify all terms of the IFSA as amended by the Amendment.
- L. If any provision of this Amendment is held to be invalid or unenforceable by a court of competent jurisdiction, all other provisions remain valid and enforceable.
- M. This Amendment:
- a. May be modified only by a writing signed by all parties.

- b. May be signed in counterparts, each of which is deemed an original, and all of which taken together constitute one and the same agreement. The signatures of the parties, exchanged via fax or e-mail, shall constitute and be deemed original signatures for all purposes.
- c. Binds and inures to the benefit of the parties and their respective successors and assigns.
- d. Does not constitute a waiver of any existing or past default by Dealership under the terms of any of its agreements with the Ally Parties, including, but not limited to the IFSA.
- e. Constitutes the entire agreement of the parties with respect to its subject matter.

Agreed to as of the Amendment Effective Date.

**Ally Bank**

By: /s/ Cindy Balint

Name: Cindy Balint

Title: Authorized Representative

Date: 1/19/2024

**Ally Financial Inc.**

By: /s/ Cindy Balint

Name: Cindy Balint

Title: Authorized Representative

Date: 1/19/2024

**Vroom Automotive, LLC**

By:

Title: Chief Financial Officer

Date: 1/19/2024

**Vroom, Inc.**

By: /s/ Robert R. Krakowiak

Name: Robert R. Krakowiak

Title: Chief Financial Officer

Date: 1/19/2024

**AGREEMENT OF TERMINATION  
OF  
AMENDED AND RESTATED INVENTORY FINANCING AND SECURITY AGREEMENT  
AND CREDIT BALANCE AGREEMENT**

**I. THE PARTIES TO THIS AGREEMENT**

This Agreement of Termination of Amended and Restated Inventory Financing and Security Agreement and Credit Balance Agreement ("Termination Agreement") is effective as of March 12, 2024 (the "Effective Date"), and is made by and among the following parties:

- A. **Ally Bank (Ally Capital in Hawaii, Mississippi, Montana and New Jersey)** (together with its successors and assigns, "Bank"), a Utah state-chartered bank with a local business office currently located at 5851 Legacy Circle, Suite 200, Plano, Texas 75024;
- B. **Ally Financial Inc.**, a Delaware corporation (together with its successors and assigns, "Ally") with a local business office currently located at 5851 Legacy Circle, Suite 200, Plano, Texas 75024 (together with Bank, the "Ally Parties" and Bank and Ally each being, an "Ally Party");
- C. **Vroom Automotive, LLC**, a Texas limited liability company, formerly known as Left Gate Property Holding, LLC, doing business as Texas Direct Auto and Vroom, with its principal executive office currently located at 12053 Southwest Freeway, Stafford, Texas 77477 ("Dealership"); and
- D. **Vroom, Inc.**, a Delaware corporation, with its principal executive office currently located at 3600 W. Sam Houston Pkwy S, Floor 4, Houston, Texas 77042 ("Vroom").

**II. THE RECITALS**

The essential facts relied on by Bank, Ally, Dealership and Vroom as true and complete, and giving rise to this Termination Agreement, are as follows:

- A. The Ally Parties, Dealership and Vroom are parties to an Amended and Restated Inventory Financing and Security Agreement, effective as of November 4, 2022, as amended by the First Amendment to Amended and Restated Inventory Financing and Security Agreement, effective as of August 1, 2023, and the Second Amendment to Amended and Restated Inventory Financing and Security Agreement, effective as of January 19, 2024 (as amended, the "IFSA"). Capitalized terms used and not defined herein have the meaning ascribed to them in the IFSA.
- B. Ally Bank and Dealership are parties to a Fourth Amended and Restated Credit Balance Agreement, effective as of January 19, 2024 (the "CBA" and, together with the IFSA, the "Finance Agreements").
- C. Dealership is winding down its ecommerce retail business and has ceased acquisition of Vehicles.
- D. Dealership has paid all amounts due and owing to the Ally Parties under the IFSA and the Credit Line has been terminated.
- E. All funds received by Bank under the CBA have been applied or returned to Dealership.
- F. The parties to this Termination Agreement desire to confirm the termination of the Finance Agreements.

### III. THE AGREEMENT

Bank, Ally, Dealership and Vroom hereby acknowledge and agree as follows:

- A. Effective as of the date hereof, each of the IFSA and the CBA are terminated with no further liability or obligation thereunder by or on the part of the Ally Parties, Dealership or Vroom.
- B. The Ally Parties acknowledge and agree that, as of the Effective Date, the Security Interest granted to the Ally Parties under the IFSA is terminated and the Ally Parties no longer have a Security Interest or any other lien, claim or incumbrance on the Collateral or any other property, assets or securities of Vroom or Dealership. Within 10 business days of the Effective Date, the Ally Parties will make all filings with the appropriate state offices to terminate all current UCC financing statements filed by the Ally Parties naming Dealership and/or Vroom as debtor.
- C. This Termination Agreement does not include and shall have no effect on the Ally Master Retail-Lease Agreement dated April 3, 2020, as amended to date (the "MLRA"), which is being terminated contemporaneous herewith pursuant to the terms of that certain letter agreement, dated March 12, 2024, between Dealership and the Ally Parties.
- D. This Termination Agreement:
- a. May be modified only by a writing signed by all parties.
  - b. May be signed in counterparts, each of which is deemed an original, and all of which taken together constitute one and the same agreement. The signatures of the parties, exchanged via fax or e-mail, shall constitute and be deemed original signatures for all purposes.
  - c. Binds and inures to the benefit of the parties and their respective successors and assigns.
  - d. Constitutes the entire agreement of the parties with respect to its subject matter.
- E. JURY WAIVER. BANK, ALLY, DEALERSHIP AND VROOM WAIVE AND RENOUNCE THE RIGHT UNDER FEDERAL AND STATE LAW TO A TRIAL BY JURY FOR ANY CLAIM, SUIT OR LITIGATIONS RELATING TO THIS TERMINATION AGREEMENT.

Agreed to as of the Effective Date.

**Ally Bank**

By: /s/ Cindy Balint

Name: Cindy Balint

Title: Authorized Representative

Date: March 12, 2024

**Ally Financial Inc.**

By: /s/ Cindy Balint

Name: Cindy Balint

Title: Authorized Representative

**Vroom Automotive, LLC**

By: /s/ Robert R. Krakowiak

Name: Robert R. Krakowiak

Title: Chief Financial Officer

Date: March 12, 2024

**Vroom, Inc.**

By: /s/ Robert R. Krakowiak

Name: Robert R. Krakowiak

Title: Chief Financial Officer

Date: March 12, 2024

Date: March 12, 2024

AGREEMENT OF TERMINATION OF IFSA AND CBA 3

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March 11, 2024

Thomas Shortt  
Delivered via email

Re: Amendment to Compensation Arrangements

Dear Thomas,

You are receiving this letter ("Letter Agreement") because the Compensation Committee of the Board of Directors of Vroom, Inc. (the "Company") has determined to modify the terms of your compensation package with the Company, including as relates to your outstanding restricted stock unit awards previously granted to you by the Company under the Company's 2020 Incentive Award Plan (the "Plan") which are scheduled to vest in 2024, 2025 and 2026 and set forth on Exhibit A (the "RSUs"). This Letter Agreement serves as an amendment to the restricted stock unit award agreement(s) evidencing the RSUs (the "RSU Agreements") as well as a notice of certain changes to the Amended and Restated Vroom, Inc. Executive Severance Plan (as may be amended from time to time, the "Severance Plan") and the Company's offer of a one-time cash retention bonus opportunity to you in consideration of your continued service to the Company, subject to the terms and conditions of this Letter Agreement.

1. **RSU Amendments.** Subject to your execution of this Letter Agreement, effective as of March 8, 2024, the RSU Agreements are hereby amended as follows:
    - a) Fifty percent of the RSUs will vest in full on March 19, 2025 and fifty percent of the RSUs will vest in full on March 20, 2025 (the "New Vesting Dates"), subject to your continued employment through such applicable dates. In consideration for your agreement to the New Vesting Dates, the Company hereby agrees to increase the number of RSUs which were originally scheduled to vest in 2024 by 25%, which additional RSUs will, for the avoidance of doubt, be subject to the terms of the RSU Agreements governing the RSUs which were originally scheduled to vest in 2024, as expressly amended herein.
    - b) In the event your employment with the Company and its subsidiaries terminates without Cause or for Good Reason (each as defined on *Appendix I* hereto) prior to the New Vesting Dates, as applicable, and you are not asked by the Company to serve as a consultant to the Company, any unvested RSUs will accelerate and vest in full. In the event your employment with the Company and its subsidiaries terminates without Cause or for Good Reason prior to the New Vesting Dates, as applicable, and you are asked by the Company to commence service as a consultant, subject to the terms of a consulting agreement to be entered into by and between you and the Company, the Company agrees that any RSUs held by you as of the date of termination of your employment will remain outstanding and eligible to vest on the New Vesting Dates, subject to your continued service with the Company as a consultant; *provided*, that if your service with the Company is terminated during the consulting period by the Company without Cause your outstanding RSUs will accelerate and vest in full. Notwithstanding the foregoing,
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the post-termination exercise period of any vested option to purchase Company common stock held by the Participant as of such Participant's termination without Cause or for Good Reason shall be extended through the original expiration date of such option.

2. **Retention Bonus:** Subject to your execution of this Letter Agreement, you are eligible to receive a retention bonus in an aggregate amount of \$1,000,000 (the "Retention Bonus"), which will be payable in five equal installments on or within ten days of each date of filing of the Company's annual report on Form 10-K for fiscal year 2023, the quarterly reports on Form 10-Q for each of the first three fiscal quarters of fiscal year 2024, and the Company's annual report on Form 10-K for fiscal year 2024 (each, a "Periodic Report"). Payment of each installment of the Retention Bonus will be subject to your continued service with the Company on the applicable payment date; *provided* that if your employment with the Company and its subsidiaries is terminated without Cause or for Good Reason, you will receive the remaining unpaid amount of the Retention Bonus, which shall be payable within thirty (30) days of such date of termination.
3. **Severance Plan.** The Severance Plan has been amended by the Company to provide that in the event of your Separation from Service without Cause or for Good Reason (other than a Termination Upon a Change in Control), the Severance Amount payable to you pursuant to Section 4.2(a) of the Severance Plan will be payable over a Severance Period of four months, subject to the terms and conditions of the Severance Plan, and notwithstanding anything to the contrary in your offer letter with the Company or otherwise. A copy of the amended Severance Plan is enclosed with this Letter Agreement as *Appendix II* (with all capitalized terms used and not defined in this section as defined therein).

You acknowledge and agree that, in consideration for the benefits provided for in this Letter Agreement, you hereby waive any right to terminate your employment for Good Reason as a result of any action or event occurring prior to the date hereof, including without limitation, due to or in connection with the Company's Value Maximization Plan. You and the Company hereby acknowledge that you do not waive your right to resign for Good Reason as a result of events that may occur following the date hereof.

You further acknowledge and agree that the Company or any applicable subsidiary thereof will be entitled to withhold from amounts to be paid to you hereunder any federal, state or local withholding or other taxes that the Company or such applicable subsidiary is required to withhold.

Neither this Letter Agreement, nor any modification thereof, nor the payment of any benefits shall be construed as giving you the right to be retained in the service or employ of the Company or any of its affiliates. The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder, and accordingly, to the maximum extent permitted, this Letter Agreement shall be interpreted and administered to be in accordance therewith.

Except as explicitly amended by this Letter Agreement, the RSU Agreements shall continue in full force and effect in accordance with their terms. This Letter Agreement shall be interpreted, construed, and governed according to the laws of the State of Delaware, without reference to conflicts of law principles thereof. This Letter Agreement may be executed in two or more

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STYLEREF "Letter - Date" \\* MERGEFORMAT

counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Should you have any questions, please reach out to Deni Stott at Deni.Stott@vroom.com.

Sincerely,

C. Denise Stott  
Chief People & Culture Officer

I hereby acknowledge and agree to all of the terms and provisions of this Letter Agreement:

/s/ Thomas Shortt \_\_\_\_\_ March 13, 2024 \_\_\_\_\_  
Thomas Shortt Date

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## **Appendix I**

### **RSUs**

If you are a participant in the Amended and Restated Vroom, Inc. Executive Severance Plan (as may be amended from time to time, the "Severance Plan"), "Cause" and "Good Reason" shall have the meanings set forth therein. If you are not a participant in the Severance Plan, "Cause" and "Good Reason" shall have the meanings set forth as follows:

**"Cause"** means the occurrence of any of the following: (1) your willful failure to substantially perform your duties to the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after your issuance of a notice of termination for Good Reason), after a written demand for performance is delivered to you by the Board of Directors or the Chief Executive Officer of the Company, which demand specifically identifies the manner in which the Board of Directors or the Chief Executive Officer of the Company believes that you have not performed your duties; (2) your commission of an act of fraud or material dishonesty resulting in reputational, economic or financial injury to the Company; (3) your commission of, including any entry by you of a guilty or no contest plea to, a felony or other crime involving moral turpitude; (4) a material breach by you of your fiduciary duty to the Company which results in reputational, economic, or other injury to the Company; or (5) your material breach of your obligation under a written agreement between the Company and you.

**"Good Reason"** means the occurrence of any of the following conditions without your informed written consent unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction):

- 1) a material diminution in your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, excluding for this purpose any isolated, insubstantial or inadvertent actions not taken in bad faith and which are remedied by the Company promptly after receipt of notice thereof given by you; or
- 2) the Company's material reduction in your base salary, as the same may be increased from time to time; or
- 3) a material change in the geographic location of your principal location as of the Letter Agreement, which shall, in any event, include only a relocation of more than twenty-five (25) miles from such principal location; or
- 4) any material breach of the Letter Agreement by the Company with respect to you.

Notwithstanding the foregoing, you will not be deemed to have resigned for Good Reason unless (1) you provide the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by you to constitute Good Reason within sixty (60) days after the date of the occurrence of any event that you know or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of your termination for Good Reason occurs no later than sixty (60) days after the expiration of the Company's cure period.

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STYLEREF "Letter - Date" \\* MERGEFORMAT

**Appendix II**  
**Severance Plan**

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March 11, 2024

Robert Ronald Krakowiak  
Delivered via email

Re: Amendment to Compensation Arrangements

Dear Robert,

You are receiving this letter ("Letter Agreement") because the Compensation Committee of the Board of Directors of Vroom, Inc. (the "Company") has determined to modify the terms of your compensation package with the Company, including as relates to your outstanding restricted stock unit awards previously granted to you by the Company under the Company's 2020 Incentive Award Plan (the "Plan") which are scheduled to vest in 2024, 2025 and 2026 and set forth on Exhibit A (the "RSUs"). This Letter Agreement serves as an amendment to the restricted stock unit award agreement(s) evidencing the RSUs (the "RSU Agreements") as well as a notice of certain changes to the Amended and Restated Vroom, Inc. Executive Severance Plan (as may be amended from time to time, the "Severance Plan"), subject to the terms and conditions of this Letter Agreement.

1. **RSU Amendments.** Subject to your execution of this Letter Agreement, effective as of March 8, 2024, the RSU Agreements are hereby amended as follows:
    - a) The RSUs will vest in full on March 18, 2025 (the "New Vesting Date"), subject to your continued employment through such date. In consideration for your agreement to the New Vesting Date, the Company hereby agrees to increase the number of RSUs which were originally scheduled to vest in 2024 by 25%, which additional RSUs will, for the avoidance of doubt, be subject to the terms of the RSU Agreements governing the RSUs which were originally scheduled to vest in 2024, as expressly amended herein.
    - b) In the event your employment with the Company and its subsidiaries terminates without Cause or for Good Reason (each as defined on *Appendix I* hereto) prior to the New Vesting Date and you are not asked by the Company to serve as a consultant to the Company, the RSUs will accelerate and vest in full. In the event your employment with the Company and its subsidiaries terminates without Cause or for Good Reason prior to the New Vesting Date and you are asked by the Company to commence service as a consultant, subject to the terms of a consulting agreement to be entered into by and between you and the Company, the Company agrees that any RSUs held by you as of the date of termination of your employment will remain outstanding and eligible to vest on the New Vesting Date, subject to your continued service with the Company as a consultant; *provided*, that if your service with the Company is terminated during the consulting period by the Company without Cause your outstanding RSUs will accelerate and vest in full. Notwithstanding the foregoing, the post-termination exercise period of any vested option to purchase Company common stock held by the Participant as of such Participant's termination without Cause or for Good Reason shall be
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extended through the original expiration date of such option.

- 2. Severance Plan.** The Severance Plan has been amended by the Company to provide that in the event of your Separation from Service without Cause or for Good Reason (other than a Termination Upon a Change in Control), the Severance Amount payable to you pursuant to Section 4.2(a) of the Severance Plan will be payable over a Severance Period of four months, subject to the terms and conditions of the Severance Plan, and notwithstanding anything to the contrary in your offer letter with the Company or otherwise. A copy of the amended Severance Plan is enclosed with this Letter Agreement as *Appendix II* (with all capitalized terms used and not defined in this section as defined therein).

You acknowledge and agree that, in consideration for the benefits provided for in this Letter Agreement, you hereby waive any right to terminate your employment for Good Reason as a result of any action or event occurring prior to the date hereof, including without limitation, due to or in connection with the Company's Value Maximization Plan. You and the Company hereby acknowledge that you do not waive your right to resign for Good Reason as a result of events that may occur following the date hereof.

You further acknowledge and agree that the Company or any applicable subsidiary thereof will be entitled to withhold from amounts to be paid to you hereunder any federal, state or local withholding or other taxes that the Company or such applicable subsidiary is required to withhold.

Neither this Letter Agreement, nor any modification thereof, nor the payment of any benefits shall be construed as giving you the right to be retained in the service or employ of the Company or any of its affiliates. The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder, and accordingly, to the maximum extent permitted, this Letter Agreement shall be interpreted and administered to be in accordance therewith.

Except as explicitly amended by this Letter Agreement, the RSU Agreements shall continue in full force and effect in accordance with their terms. This Letter Agreement shall be interpreted, construed, and governed according to the laws of the State of Delaware, without reference to conflicts of law principles thereof. This Letter Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Should you have any questions, please reach out to Deni Stott at [Deni.Stott@vroom.com](mailto:Deni.Stott@vroom.com).

Sincerely,

C. Denise Stott  
Chief People & Culture Officer

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STYLEREF "Letter - Date" \\* MERGEFORMAT

I hereby acknowledge and agree to all of the terms and provisions of this Letter Agreement:

/s/ Robert Ronald Krakowiak                      March 13, 2024  
Robert Ronald Krakowiak                      Date

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## **Appendix I**

### **RSUs**

If you are a participant in the Amended and Restated Vroom, Inc. Executive Severance Plan (as may be amended from time to time, the "Severance Plan"), "Cause" and "Good Reason" shall have the meanings set forth therein. If you are not a participant in the Severance Plan, "Cause" and "Good Reason" shall have the meanings set forth as follows:

**"Cause"** means the occurrence of any of the following: (1) your willful failure to substantially perform your duties to the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after your issuance of a notice of termination for Good Reason), after a written demand for performance is delivered to you by the Board of Directors or the Chief Executive Officer of the Company, which demand specifically identifies the manner in which the Board of Directors or the Chief Executive Officer of the Company believes that you have not performed your duties; (2) your commission of an act of fraud or material dishonesty resulting in reputational, economic or financial injury to the Company; (3) your commission of, including any entry by you of a guilty or no contest plea to, a felony or other crime involving moral turpitude; (4) a material breach by you of your fiduciary duty to the Company which results in reputational, economic, or other injury to the Company; or (5) your material breach of your obligation under a written agreement between the Company and you.

**"Good Reason"** means the occurrence of any of the following conditions without your informed written consent unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction):

- 1) a material diminution in your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, excluding for this purpose any isolated, insubstantial or inadvertent actions not taken in bad faith and which are remedied by the Company promptly after receipt of notice thereof given by you; or
- 2) the Company's material reduction in your base salary, as the same may be increased from time to time; or
- 3) a material change in the geographic location of your principal location as of the Letter Agreement, which shall, in any event, include only a relocation of more than twenty-five (25) miles from such principal location; or
- 4) any material breach of the Letter Agreement by the Company with respect to you.

Notwithstanding the foregoing, you will not be deemed to have resigned for Good Reason unless (1) you provide the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by you to constitute Good Reason within sixty (60) days after the date of the occurrence of any event that you know or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of your termination for Good Reason occurs no later than sixty (60) days after the expiration of the Company's cure period.

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STYLEREF "Letter - Date" \\* MERGEFORMAT

**Appendix II**  
**Severance Plan**

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March 11, 2024

Patricia Moran  
Delivered via email

Re: Amendment to Compensation Arrangements

Dear Patricia,

You are receiving this letter ("Letter Agreement") because the Compensation Committee of the Board of Directors of Vroom, Inc. (the "Company") has determined to modify the terms of your compensation package with the Company, including as relates to your outstanding restricted stock unit awards previously granted to you by the Company under the Company's 2020 Incentive Award Plan (the "Plan") which are scheduled to vest in 2024, 2025 and 2026 and set forth on Exhibit A (the "RSUs"). This Letter Agreement serves as an amendment to the restricted stock unit award agreement(s) evidencing the RSUs (the "RSU Agreements") as well as a notice of certain changes to the Amended and Restated Vroom, Inc. Executive Severance Plan (as may be amended from time to time, the "Severance Plan"), subject to the terms and conditions of this Letter Agreement.

1. **RSU Amendments.** Subject to your execution of this Letter Agreement, effective as of March 8, 2024, the RSU Agreements are hereby amended as follows:
    - a) The RSUs will vest in full on March 17, 2025 (the "New Vesting Date"), subject to your continued employment through such date. In consideration for your agreement to the New Vesting Date, the Company hereby agrees to increase the number of RSUs which were originally scheduled to vest in 2024 by 25%, which additional RSUs will, for the avoidance of doubt, be subject to the terms of the RSU Agreements governing the RSUs which were originally scheduled to vest in 2024, as expressly amended herein.
    - b) In the event your employment with the Company and its subsidiaries terminates without Cause or for Good Reason (each as defined on *Appendix I* hereto) prior to the New Vesting Date and you are not asked by the Company to serve as a consultant to the Company, the RSUs will accelerate and vest in full. In the event your employment with the Company and its subsidiaries terminates without Cause or for Good Reason prior to the New Vesting Date and you are asked by the Company to commence service as a consultant, subject to the terms of a consulting agreement to be entered into by and between you and the Company, the Company agrees that any RSUs held by you as of the date of termination of your employment will remain outstanding and eligible to vest on the New Vesting Date, subject to your continued service with the Company as a consultant; *provided*, that if your service with the Company is terminated during the consulting period by the Company without Cause your outstanding RSUs will accelerate and vest in full. Notwithstanding the foregoing, the post-termination exercise period of any vested option to purchase Company common stock held by the Participant as of such Participant's termination without Cause or for Good Reason shall be
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extended through the original expiration date of such option.

- 2. Severance Plan.** The Severance Plan has been amended by the Company to provide that in the event of your Separation from Service without Cause or for Good Reason (other than a Termination Upon a Change in Control), the Severance Amount payable to you pursuant to Section 4.2(a) of the Severance Plan will be payable over a Severance Period of four months, subject to the terms and conditions of the Severance Plan, and notwithstanding anything to the contrary in your offer letter with the Company or otherwise. A copy of the amended Severance Plan is enclosed with this Letter Agreement as *Appendix II* (with all capitalized terms used and not defined in this section as defined therein).

You acknowledge and agree that, in consideration for the benefits provided for in this Letter Agreement, you hereby waive any right to terminate your employment for Good Reason as a result of any action or event occurring prior to the date hereof, including without limitation, due to or in connection with the Company's Value Maximization Plan. You and the Company hereby acknowledge that you do not waive your right to resign for Good Reason as a result of events that may occur following the date hereof.

You further acknowledge and agree that the Company or any applicable subsidiary thereof will be entitled to withhold from amounts to be paid to you hereunder any federal, state or local withholding or other taxes that the Company or such applicable subsidiary is required to withhold.

Neither this Letter Agreement, nor any modification thereof, nor the payment of any benefits shall be construed as giving you the right to be retained in the service or employ of the Company or any of its affiliates. The intent of the parties is that payments and benefits under this Agreement be exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder, and accordingly, to the maximum extent permitted, this Letter Agreement shall be interpreted and administered to be in accordance therewith.

Except as explicitly amended by this Letter Agreement, the RSU Agreements shall continue in full force and effect in accordance with their terms. This Letter Agreement shall be interpreted, construed, and governed according to the laws of the State of Delaware, without reference to conflicts of law principles thereof. This Letter Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Should you have any questions, please reach out to Deni Stott at [Deni.Stott@vroom.com](mailto:Deni.Stott@vroom.com).

Sincerely,

C. Denise Stott  
Chief People & Culture Officer

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STYLEREF "Letter - Date" \\* MERGEFORMAT

I hereby acknowledge and agree to all of the terms and provisions of this Letter Agreement:

/s/ Patricia Moran  
Patricia Moran

Date

March 13, 2024

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## **Appendix I**

### **RSUs**

If you are a participant in the Amended and Restated Vroom, Inc. Executive Severance Plan (as may be amended from time to time, the "Severance Plan"), "Cause" and "Good Reason" shall have the meanings set forth therein. If you are not a participant in the Severance Plan, "Cause" and "Good Reason" shall have the meanings set forth as follows:

**"Cause"** means the occurrence of any of the following: (1) your willful failure to substantially perform your duties to the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after your issuance of a notice of termination for Good Reason), after a written demand for performance is delivered to you by the Board of Directors or the Chief Executive Officer of the Company, which demand specifically identifies the manner in which the Board of Directors or the Chief Executive Officer of the Company believes that you have not performed your duties; (2) your commission of an act of fraud or material dishonesty resulting in reputational, economic or financial injury to the Company; (3) your commission of, including any entry by you of a guilty or no contest plea to, a felony or other crime involving moral turpitude; (4) a material breach by you of your fiduciary duty to the Company which results in reputational, economic, or other injury to the Company; or (5) your material breach of your obligation under a written agreement between the Company and you.

**"Good Reason"** means the occurrence of any of the following conditions without your informed written consent unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction):

- 1) a material diminution in your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, excluding for this purpose any isolated, insubstantial or inadvertent actions not taken in bad faith and which are remedied by the Company promptly after receipt of notice thereof given by you; or
- 2) the Company's material reduction in your base salary, as the same may be increased from time to time; or
- 3) a material change in the geographic location of your principal location as of the Letter Agreement, which shall, in any event, include only a relocation of more than twenty-five (25) miles from such principal location; or
- 4) any material breach of the Letter Agreement by the Company with respect to you.

Notwithstanding the foregoing, you will not be deemed to have resigned for Good Reason unless (1) you provide the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by you to constitute Good Reason within sixty (60) days after the date of the occurrence of any event that you know or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of your termination for Good Reason occurs no later than sixty (60) days after the expiration of the Company's cure period.

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STYLEREF "Letter - Date" \\* MERGEFORMAT

**Appendix II**  
**Severance Plan**

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**Subsidiaries of Vroom, Inc.**

**Legal Name of Subsidiary**

AAGP, LLC d/b/a Vroom  
 Vroom Automotive, LLC d/b/a Texas Direct Auto and Vroom and f/k/a Left Gate Property Holding, LLC  
 Vroom Logistics, LLC  
 CarStory, LLC  
 Vast.com, Inc. d/b/a CarStory  
 Vast D.O.O.  
 Vroom Transportation Services, LLC  
 Vroom Finance Holdings, LLC  
 Vroom Finance Corporation  
 Vroom Automotive Finance Corporation  
 United Auto Credit Corporation  
 UACC Auto Financing Trust III  
 UACC Auto Financing Trust IV  
 UACC Auto Financing Trust V  
 United Auto Credit Financing LLC

**Jurisdiction of Organization**

Texas  
 Texas  
 Delaware  
 Delaware  
 California  
 Serbia  
 Delaware  
 Delaware  
 Delaware  
 California  
 California  
 Delaware  
 Delaware  
 Delaware  
 Delaware



CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-267361) and Form S-8 (No. 333-239093, No. 333-263121, No. 333-265233, and No.333-270227) of Vroom, Inc. of our report dated March 13, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York  
March 13, 2024

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## CERTIFICATION

I, Thomas H. Shortt, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 13, 2024

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

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## CERTIFICATION

I, Robert R. Krakowiak, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 13, 2024

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

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**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 Annual Report on Form 10-K of Vroom, Inc. (the "Company") for the period ended December 31, 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: March 13, 2024

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

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**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 Annual Report on Form 10-K of Vroom, Inc. (the "Company") for the period ended December 31, 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: March 13, 2024

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

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## VROOM, INC. POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Board of Directors (the “*Board*”) of Vroom, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined in the text of this Policy are defined in Section 11.

### **1. Persons Subject to Policy**

This Policy shall apply to current and former Officers of the Company. Each Officer is required to sign an acknowledgement agreeing to be bound by the terms of the Policy. However, even if an Officer fails to sign the acknowledgment, this Policy will continue to apply to the Officer.

### **2. Compensation Subject to Policy**

This Policy shall apply to Incentive-Based Compensation “received” on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” when the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

### **3. Recovery of Compensation**

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not, alone, give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

### **4. Manner of Recovery; Limitation on Duplicative Recovery**

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation or



Erroneously Awarded Compensation, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Sarbanes-Oxley Act Section 304 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation will be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

**5. Administration**

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, stockholders and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, as permitted under applicable law, including any Applicable Rules.

**6. Interpretation**

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

**7. No Indemnification; No Personal Liability**

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. No member of the Committee or the Board shall have any personal liability to any person as a result of actions taken under this Policy.

**8. Application; Enforceability**

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to, any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “*Other Recovery Arrangements*”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

**9. Severability**

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

**10. Amendment and Termination**

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

**11. Definitions**

“*Applicable Rules*” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“*Committee*” means the committee of the Board responsible for executive compensation decisions comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee, a majority of the independent directors serving on the Board.

“*Erroneously Awarded Compensation*” means the amount of Incentive-Based Compensation received by a current or former Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP, IFRS and non-GAAP/IFRS financial measures, as well as stock price and total stockholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**IFRS**” means international financial reporting standards as adopted by the International Accounting Standards Board.

“**Impracticable**” means (a) (i) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company (i) has made reasonable attempts to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association, (b) to the extent permitted by the Applicable Rules, the recovery would violate the Company’s home country laws pursuant to an opinion of home country counsel; provided that the Company has (i) obtained an opinion of home country counsel, acceptable to the relevant listing exchange or association, that recovery would result in such violation, and (ii) provided such opinion to the relevant listing exchange or association, or (c) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as an Officer; (b) who served as an Officer at any time during the performance period for that compensation; (c) while the issuer has a class of its securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“**Officer**” means each person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“**Restatement**” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Three-Year Period**” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or



officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

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**ACKNOWLEDGMENT AND CONSENT TO  
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION**

The undersigned has received a copy of the Policy for Recovery of Erroneously Awarded Compensation (the “Policy”) adopted by Vroom, Inc. (the “Company”) and agrees to the terms of the Policy such that compensation received by the undersigned may be subject to reduction, cancellation, forfeiture and/or recoupment to the extent necessary to comply with the Policy, notwithstanding any other agreement to the contrary. The undersigned also acknowledges and agrees that the undersigned is not entitled to indemnification in connection with any enforcement of the Policy to the extent set forth in the Policy and expressly waives any rights to such indemnification under the Company’s organizational documents or otherwise.

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Date

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Signature

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Name

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Title

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