

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2020

OR

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



Commission File Number: 001-37869

**Cars.com Inc.**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or other jurisdiction of incorporation or organization)

81-3693660

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

300 S. Riverside Plaza, Suite 1000

Chicago, Illinois 60606

(Address of principal executive offices)

(312) 601-5000

Registrant's telephone number, including area code

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock	CARS	New York Stock Exchange

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

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

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

Large accelerated filer

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of April 30, 2020, the registrant had 67,144,823 shares of common stock, \$0.01 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

Cars.com Inc.  
Consolidated Balance Sheets  
(In thousands, except per share data)

	March 31, 2020 (unaudited)	December 31, 2019
<b>Assets:</b>		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 187,344	\$ 13,549
Accounts receivable, net	95,069	101,762
Prepaid expenses	8,092	6,526
Other current assets	782	603
Total current assets	<u>291,287</u>	<u>122,440</u>
Property and equipment, net	43,782	43,696
Goodwill	—	505,885
Intangible assets, net	904,221	1,329,499
Investments and other assets	16,634	26,471
Total assets	<u>\$ 1,255,924</u>	<u>\$ 2,027,991</u>
<b>Liabilities and stockholders' equity:</b>		
<i>Current liabilities:</i>		
Accounts payable	\$ 17,626	\$ 12,431
Accrued compensation	9,056	16,738
Current portion of long-term debt	31,425	31,391
Other accrued liabilities	40,203	38,246
Total current liabilities	<u>98,310</u>	<u>98,806</u>
<i>Noncurrent liabilities:</i>		
Long-term debt	763,361	611,277
Deferred tax liability	—	132,996
Other noncurrent liabilities	46,363	43,844
Total noncurrent liabilities	<u>809,724</u>	<u>788,117</u>
Total liabilities	<u>908,034</u>	<u>886,923</u>
Commitments and contingencies		
<i>Stockholders' equity:</i>		
Preferred Stock at par, \$0.01 par value; 5,000 shares authorized; no shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	—	—
Common Stock at par, \$0.01 par value; 300,000 shares authorized; 66,961 and 66,764 shares issued and outstanding as of March 31, 2020 and December 31, 2019, respectively	670	668
Additional paid-in capital	1,516,174	1,515,109
Accumulated deficit	(1,154,501)	(367,067)
Accumulated other comprehensive loss	(14,453)	(7,642)
Total stockholders' equity	<u>347,890</u>	<u>1,141,068</u>
Total liabilities and stockholders' equity	<u>\$ 1,255,924</u>	<u>\$ 2,027,991</u>

The accompanying notes are an integral part of the Consolidated Financial Statements.

**Cars.com Inc.**  
**Consolidated Statements of Loss**  
*(In thousands, except per share data)*  
*(Unaudited)*

	Three Months Ended March 31,	
	2020	2019
<b>Revenue:</b>		
Retail	\$ 148,094	\$ 139,338
Wholesale	—	14,860
Total revenue	148,094	154,198
<b>Operating expenses:</b>		
Cost of revenue and operations	26,030	25,579
Product and technology	14,873	17,863
Marketing and sales	54,922	60,343
General and administrative	14,117	23,888
Affiliate revenue share	6,369	2,454
Depreciation and amortization	30,961	28,125
Goodwill and intangible asset impairment	905,885	—
Total operating expenses	1,053,157	158,252
Operating loss	(905,063)	(4,054)
<b>Nonoperating expense:</b>		
Interest expense, net	(7,526)	(7,566)
Other (expense) income, net	(9,501)	119
Total nonoperating expense, net	(17,027)	(7,447)
Loss before income taxes	(922,090)	(11,501)
Income tax benefit	(134,656)	(2,470)
Net loss	\$ (787,434)	\$ (9,031)
<b>Weighted-average common shares outstanding:</b>		
Basic	66,938	67,584
Diluted	66,938	67,584
<b>Loss per share:</b>		
Basic	\$ (11.76)	\$ (0.13)
Diluted	(11.76)	(0.13)

*The accompanying notes are an integral part of the Consolidated Financial Statements.*

**Cars.com Inc.**  
**Consolidated Statements of Comprehensive Loss**  
*(In thousands)*  
*(Unaudited)*

	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Net loss	\$ (787,434)	\$ (9,031)
Other comprehensive loss, net of tax:		
Interest rate swap	(6,811)	(7,279)
Total other comprehensive loss	(6,811)	(7,279)
Comprehensive loss	<u>\$ (794,245)</u>	<u>\$ (16,310)</u>

*The accompanying notes are an integral part of the Consolidated Financial Statements.*

**Cars.com Inc.**  
**Consolidated Statements of Stockholders' Equity**  
*(In thousands)*  
*(Unaudited)*

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2019	—	\$ —	66,764	\$ 668	\$ 1,515,109	\$ (367,067)	\$ (7,642)	\$ 1,141,068
Net loss	—	—	—	—	—	(787,434)	—	(787,434)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(6,811)	(6,811)
Shares issued in connection with stock-based compensation plans, net	—	—	197	2	(906)	—	—	(904)
Stock-based compensation	—	—	—	—	1,971	—	—	1,971
Balance at March 31, 2020	—	\$ —	66,961	\$ 670	\$ 1,516,174	\$ (1,154,501)	\$ (14,453)	\$ 347,890

	Preferred Stock		Common Stock		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2018	—	\$ —	68,262	\$ 683	\$ 1,508,001	\$ 118,239	\$ —	\$ 1,626,923
Net loss	—	—	—	—	—	(9,031)	—	(9,031)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(7,279)	(7,279)
Repurchases of common stock	—	—	(881)	(9)	—	(19,991)	—	(20,000)
Shares issued in connection with stock-based compensation plans, net	—	—	62	1	(744)	—	—	(743)
Stock-based compensation	—	—	—	—	2,981	—	—	2,981
Other	—	—	12	—	(181)	—	—	(181)
Balance at March 31, 2019	—	\$ —	67,455	\$ 675	\$ 1,510,057	\$ 89,217	\$ (7,279)	\$ 1,592,670

*The accompanying notes are an integral part of the Consolidated Financial Statements.*

**Cars.com Inc.**  
**Consolidated Statements of Cash Flows**  
*(In thousands)*  
*(Unaudited)*

	Three Months Ended March 31,	
	2020	2019
<b>Cash flows from operating activities:</b>		
Net loss	\$ (787,434)	\$ (9,031)
Adjustments to reconcile Net loss to Net cash provided by operating activities:		
Depreciation	5,683	4,033
Amortization of intangible assets	25,278	24,092
Amortization of unfavorable contracts liability	—	(6,300)
Goodwill and intangible asset impairment	905,885	—
Impairment of non-marketable security	9,447	—
Stock-based compensation	1,971	2,981
Deferred income taxes	(133,064)	(2,570)
Provision for doubtful accounts	1,606	1,055
Amortization of debt issuance costs	556	311
Other, net	75	(9)
Changes in operating assets and liabilities:		
Accounts receivable	5,087	12,274
Prepaid expenses	(1,566)	1,847
Other current assets	(218)	886
Other assets	458	(17,208)
Accounts payable	5,133	574
Accrued compensation	(7,682)	(4,075)
Other accrued liabilities	(1,661)	14,087
Other noncurrent liabilities	(662)	15,442
Net cash provided by operating activities	<u>28,892</u>	<u>38,389</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(5,755)	(3,363)
Other, net	—	(600)
Net cash used in investing activities	<u>(5,755)</u>	<u>(3,963)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from revolving loan borrowings	165,000	—
Payments of long-term debt	(13,438)	(10,625)
Stock-based compensation plans, net	(904)	(743)
Repurchases of common stock	—	(20,000)
Other	—	(181)
Net cash provided by (used in) financing activities	<u>150,658</u>	<u>(31,549)</u>
Net increase in cash and cash equivalents	<u>173,795</u>	<u>2,877</u>
Cash and cash equivalents at beginning of period	13,549	25,463
Cash and cash equivalents at end of period	<u>\$ 187,344</u>	<u>\$ 28,340</u>
<b>Supplemental cash flow information:</b>		
Cash paid for income taxes, net of refunds	\$ 124	\$ 38
Cash paid for interest	6,956	7,413

*The accompanying notes are an integral part of the Consolidated Financial Statements.*

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements**  
**(Unaudited)**

**NOTE 1. Description of Business, Company History and Summary of Significant Accounting Policies**

**Description of Business.** Cars.com Inc., (the “Company” or CARS) is a leading digital marketplace and solutions provider for the automotive industry that connects car shoppers with sellers and original equipment manufacturers (“OEM”s). The Company’s marketplace empowers shoppers with the resources and information to make confident car buying decisions while our digital solutions and technology platform help sellers improve operational efficiency, profitability and sales. The Company’s portfolio of brands includes Cars.com, Dealer Inspire and DealerRater, in addition to Auto.com, PickupTrucks.com and NewCars.com.

**Company History.** In May 2017, the Company separated from its former parent company, TEGNA Inc. (“TEGNA”) by means of a spin-off of a newly formed company, Cars.com Inc., which now owns TEGNA’s former digital automotive marketplace business (the “Separation”). On May 31, 2017, the Company made a \$650.0 million cash transfer to TEGNA and TEGNA completed the Separation through a pro rata distribution to its stockholders of all outstanding shares of the Company’s common stock. The Company’s common stock began trading “regular way” on the New York Stock Exchange on June 1, 2017.

In February 2018, the Company acquired all of the outstanding stock of Dealer Inspire Inc., an innovative technology leader providing progressive dealer websites, digital retailing and messaging platform products, and substantially all of the net assets of Launch Digital Marketing LLC, a provider of digital marketing services, including paid, organic, social and creative services (collectively, the “DI Acquisition”). The post-DI Acquisition business related to Dealer Inspire, Inc. and Launch Digital Marketing LLC is referred to collectively as “Dealer Inspire”.

**Basis of Presentation.** These accompanying unaudited interim Consolidated Financial Statements (“Consolidated Financial Statements”) have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial statements. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. These Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the notes thereto for the year ended December 31, 2019, which are included in the Company’s Annual Report on Form 10-K dated February 26, 2020 (the “December 31, 2019 Financial Statements”).

The significant accounting policies used in preparing these Consolidated Financial Statements were applied on a basis consistent with those reflected in the December 31, 2019 Financial Statements. In the opinion of management, the Consolidated Financial Statements contain all adjustments (consisting of a normal, recurring nature) necessary to present fairly the Company’s financial position, results of operations, cash flows and changes in stockholders’ equity as of the dates and for the periods indicated. The unaudited results of operations for the three months ended March 31, 2020 are not necessarily indicative of results that may be expected for the year ending December 31, 2020.

**Use of Estimates.** The preparation of the accompanying Consolidated Financial Statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the Consolidated Financial Statements and accompanying disclosures. Although these estimates are based on management’s best knowledge of current events and actions that the Company may undertake in the future, actual results may differ from those estimates.

**Principles of Consolidation.** The accompanying Consolidated Financial Statements include the accounts of Cars.com Inc. and its 100% owned subsidiaries. All intercompany transactions and accounts are eliminated in consolidation.

**NOTE 2. New Accounting Pronouncements**

**Recently Adopted Accounting Pronouncements**

**Cloud Computing Arrangements.** In August 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, aligning the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs for internal-use software. The Company adopted this new guidance as of January 1, 2020. The adoption did not have a material impact on its Consolidated Financial Statements and related disclosures.

**Financial Instruments – Credit Losses.** In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses* changing the way credit losses on accounts receivable are estimated. Under current U.S. GAAP, credit losses on trade accounts receivable are recognized once it is probable that such losses will occur. Under this new guidance, the Company is required to

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Unaudited)*

estimate credit losses based on the expected amount of future collections which may result in earlier recognition of allowance for doubtful accounts. The Company adopted this new guidance as of January 1, 2020. The adoption did not have a material impact on its Consolidated Financial Statements and related disclosures.

**Reference Rate Reform.** In March 2020, the FASB concluded its reference rate reform project and issued ASU 2020-04. The Board undertook the reference rate reform project to address constituents' concerns about the anticipated transition away from the use of the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. ASU 2020-04 provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The Company adopted this new guidance as of January 1, 2020. The adoption did not have a material impact on its Consolidated Financial Statements and related disclosures.

**NOTE 3. Revenue**

**Revenue Summary.** In the table below (in thousands), revenue is disaggregated by sales channel and major products and services. The Company only has one reportable segment; therefore, further disaggregation is not applicable at this time.

Sales channel	Three Months Ended March 31,	
	2020	2019
Direct	\$ 125,361	\$ 115,094
National advertising	19,393	20,295
Other	3,340	3,949
Retail	148,094	139,338
Wholesale	—	14,860
Total revenue	<u>\$ 148,094</u>	<u>\$ 154,198</u>
<b>Major products and services</b>		
Subscription advertising and digital solutions	\$ 117,263	\$ 121,314
Display advertising	23,359	22,289
Pay per lead	5,743	7,934
Other	1,729	2,661
Total revenue	<u>\$ 148,094</u>	<u>\$ 154,198</u>

**NOTE 4. Goodwill and Indefinite-lived Intangible Asset**

The changes in the carrying amount of goodwill and indefinite-lived intangible asset are as follows (in thousands):

	December 31, 2019	Additions	Impairment	March 31, 2020
Goodwill	\$ 505,885	\$ —	\$ (505,885)	\$ —
Indefinite-lived intangible asset	790,020	—	(400,000)	390,020

**Triggering Event.** In the three months ended March 31, 2020, the Company determined there was a triggering event, caused by the economic impacts of the novel coronavirus disease 2019 ("COVID-19") pandemic and related restrictions.

In March 2020, the World Health Organization categorized COVID-19 as a pandemic, and it continues to spread throughout the United States and the rest of the world with different geographical locations impacted more than others. The rapid spread of COVID-19 has resulted in governmental authorities around the country implementing numerous measures to contain the virus, such as quarantines, shelter-in-place orders and business shutdowns. This has had, and is expected to continue to have, a negative impact on regional and national economies and the automotive industry for an uncertain duration.

The COVID-19 pandemic and related restrictions have caused a widespread increase in unemployment and are expected to result in reduced consumer spending and an economic slowdown or recession. Automobile dealers operate in a highly competitive market and are vulnerable to both decreased demand for new and used vehicles and periods of an economic slowdown or recession. Furthermore, dealerships have temporarily or permanently closed and more may close in the near future in light of the COVID-19 pandemic and related restrictions. As a result of negative changes in the financial condition of dealers, in the second half of March 2020, the

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements (continued)**  
**(Unaudited)**

Company's customers began to adjust, reduce or suspend their operating activities. This has resulted and may continue to result in decreased subscription revenue and reduced demand for the Company's services.

In an effort to assist its dealer customers impacted by the COVID-19 pandemic and related restrictions, the Company has announced, among other measures, financial relief in the form of certain invoice credits of 50% for April 2020 and 30% for May and June 2020. With respect to managing its expenses, the Company has multiple initiatives underway to adjust its expenses with changes in revenue.

The effects of the COVID-19 pandemic and the related restrictions, particularly reduced consumer spending and in light of the discounts that the Company has provided its dealer customers for the second quarter of 2020, will negatively impact the Company's results of operations, cash flows and financial position. In addition, the extent of the impact will vary depending on the duration and severity of the economic and operational impacts of the COVID-19 pandemic and related restrictions. Thus, the amount and timing of future cash flows, used in the valuation models to estimate the current fair value of the Company's assets, has been significantly and negatively impacted by the COVID-19 pandemic and related restrictions.

**Impairment Assessment.** The Company performed interim quantitative impairment tests as of March 31, 2020. The results of the goodwill and indefinite-lived intangible asset impairment tests indicated that the carrying values exceeded the estimated fair values and thus, the Company recorded an impairment of \$505.9 million and \$400.0 million related to its goodwill and indefinite-lived intangible asset, respectively.

**Goodwill.** Goodwill represents the excess of acquisition cost over the fair value of assets acquired, including identifiable intangible assets, net of liabilities assumed. Goodwill is tested for impairment on an annual basis or between annual tests if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company's goodwill is tested for impairment at a level referred to as the reporting unit. The level at which the Company tests goodwill for impairment requires us to determine whether the operations below the business segment level constitute a business for which discrete financial information is available and segment management regularly reviews the operating results. The Company has determined that CARS operates as a single reporting unit.

The process of estimating the fair value of goodwill is subjective and requires us to make estimates that may significantly impact the outcome of the analysis. A qualitative assessment is performed at least annually and considers events and circumstances such as macroeconomic conditions, industry and market conditions, cost factors and overall financial performance, as well as company specifications. If after performing this assessment, the Company concludes it is more likely than not that the fair value of the reporting unit is less than its carrying amount, then the Company performs the quantitative test.

Under the quantitative test, a goodwill impairment is identified by comparing the fair value of the reporting unit to the carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds the fair value of the reporting unit, goodwill is considered impaired and an impairment charge is recognized in an amount equal to the excess, not to exceed the carrying amount of goodwill.

The Company estimated the fair value of the reporting unit with an income approach using the discounted cash flow ("DCF") analysis and the Company also considered a market-based valuation methodology using comparable public company trading values. Determining fair value requires the exercise of significant judgments, including the amount and timing of expected future cash flows, long-term growth rates, the discount rate and relevant comparable public company earnings multiples. The cash flows employed in the DCF analysis are based on the Company's best estimate of future sales, earnings and cash flows after considering factors such as general market conditions and recent operating performance. The discount rate utilized in the DCF analysis is based on the reporting unit's weighted-average cost of capital, which takes into account the relative weights of each component of capital structure (equity and debt) and represents the expected cost of new capital, adjusted as appropriate to consider the risk inherent in future cash flows of the Company's reporting unit.

Impairment assessment inherently involves management judgments regarding a number of assumptions described above. The reporting unit fair value also depends on the future strength of the U.S. economy. New and developing competition as well as technological change could also adversely affect future fair value estimates. Due to the many variables inherent in the estimation of a reporting unit's fair value and the relative size of the Company's recorded goodwill, differences in assumptions could have a material effect on the estimated fair values.

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements (continued)**  
**(Unaudited)**

**Indefinite-lived Intangible Asset.** The Company's indefinite-lived intangible asset relates to the Cars.com trade name and resulted from TEGNA's 2014 acquisition of Cars.com. Intangible assets with indefinite lives are tested annually, or more often if circumstances dictate, such as in the quarter ended March 31, 2020, for impairment and written down to fair value as required. The estimates of fair value are determined using the "relief from royalty" methodology, which is a variation of the income approach. The discount rate assumption is based on an assessment of the risk inherent in the projected future cash flows generated by the trade name intangible asset.

**NOTE 5. Debt**

As of March 31, 2020, the Company was in compliance with the covenants under its Credit Agreement.

**Term Loan.** As of March 31, 2020, the outstanding principal amount under the Term Loan was \$379.7 million and the interest rate in effect was 4.3%, including the impact of the interest rate swap discussed below. During the three months ended March 31, 2020, the Company made \$8.4 million in mandatory quarterly Term Loan payments.

**Revolving Loan.** As of March 31, 2020, the outstanding borrowings under the Revolving Loan were \$420.0 million and the interest rate in effect was 2.7%. During the three months ended March 31, 2020, the Company borrowed \$165.0 million. Additionally, the Company made \$5.0 million in voluntary Revolving Loan payments. The Company drew down \$165.0 million on the Company's Revolving Loan for additional liquidity and flexibility, ending the quarter with \$187.3 million in available cash. As of March 31, 2020, \$30.0 million was available to borrow under the Revolving Loan. The Company's borrowings are limited by its total net leverage ratio, which is calculated in accordance with the Credit Agreement and was 4.1 to 1.0 as of March 31, 2020.

**Fair Value.** The Company's debt is classified as Level 2 in the fair value hierarchy and the fair value is measured based on comparable trading prices, ratings, sectors, coupons and maturities of similar instruments. As of March 31, 2020, the fair value of the outstanding indebtedness was approximately \$658.7 million, compared to the carrying value of \$799.7 million. As of December 31, 2019, the fair value approximated the carrying value.

**Credit Agreement.** In October 2019, the Company entered into an amendment to its Credit Agreement to increase the total net leverage covenant during the remaining term of the Credit Agreement while preserving the favorable pricing structure from the original agreement. The amendment increased the Company's maximum total net leverage ratio from 3.75x to 4.50x with incremental step downs through the maturities of the Term Loan and the Revolving Loan on May 31, 2022.

**NOTE 6. Interest Rate Swap**

The interest rate on borrowings under the Company's Term Loan is floating and, therefore, subject to fluctuations. In order to manage the risk associated with changes in interest rates on its borrowing under the Term Loan, the Company entered into an interest rate swap (the "Swap") effective December 31, 2018. Under the terms of the Swap, the Company is locked into a fixed rate of interest of 2.96% plus an applicable margin, as defined in the Company's Credit Agreement, on a notional amount of \$300 million. The Swap is designated as a cash flow hedge of interest rate risk. As of March 31, 2020, the fair value of the Swap was an unrealized loss of \$17.0 million, of which \$7.8 million and \$9.2 million is recorded in Other accrued liabilities and Other noncurrent liabilities, respectively, on the Consolidated Balance Sheets. During the three months ended March 31, 2020 and March 31, 2019, \$1.0 million and \$0.3 million was reclassified from Accumulated other comprehensive loss into Interest expense, net, respectively.

**NOTE 7. Unfavorable Contracts Liability**

In connection with the October 2014 acquisition of Cars.com by TEGNA, the Company entered into affiliate agreements with the former owners of Cars.com (Belo Corporation ("Belo"), The McClatchy Company ("McClatchy"), tronc, inc. ("tronc"), and the Washington Post). Under the affiliate agreements, affiliates had the exclusive right to sell and price Cars.com's products in their local territories, paying Cars.com a wholesale rate for the Cars.com product. The Company charged the affiliates 60% of the corresponding Cars.com retail rate for products sold to affiliate dealers and recognized revenue generated from these agreements as Wholesale revenue in the Consolidated Statements of Loss. The Unfavorable contracts liability was established as a result of these unfavorable affiliate agreements that the Company entered into as part of TEGNA's acquisition of the Company in 2014. The Unfavorable contracts liability was amortized on a straight-line basis over the five-year contract period.

Prior to the affiliate conversions discussed below, the Company recognized \$25.2 million of Wholesale revenue with a corresponding reduction of the Unfavorable contracts liability on an annual basis. After the affiliate conversions, the amortization of the Unfavorable

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Unaudited)*

contracts liability was recorded as a reduction of Affiliate revenue share within Operating expenses in the Consolidated Statements of Loss Income. As of September 30, 2019, the Unfavorable contracts liability was fully amortized.

The Company amended five of its affiliate agreements (Gannett, McClatchy, TEGNA, tronc, and the Washington Post) and as a result, has a direct relationship with these dealer customers and recognizes the revenue associated with converted dealers as Retail revenue, rather than Wholesale revenue, in the Consolidated Statements of Loss. On October 1, 2019, the Belo affiliate agreement expired and the Company now directly serves all dealer customers.

As part of the amendments to the affiliate agreements, Gannett, McClatchy, TEGNA, tronc, and the Washington Post have agreed to perform certain marketing support and transition services through varying dates, the latest of which is June 29, 2020. The fees the Company pays associated with the amended affiliate agreements are recorded as Affiliate revenue share expense within Operating expenses in the Consolidated Statements of Loss.

Therefore, during the three months ended March 31, 2020 and March 31, 2019, the Company recorded zero and \$5.8 million of unfavorable contracts liability amortization as a reduction to Affiliate revenue share expense, rather than Wholesale revenue, in the Consolidated Statements of Loss, respectively.

**NOTE 8. Commitments and Contingencies**

The Company and its subsidiaries are parties from time to time in legal and administrative proceedings involving matters incidental to its business. These matters, whether pending, threatened or unasserted, if decided adversely to the Company or settled, may result in liabilities material to its financial position, results of operations or cash flows. The Company records a liability when it believes that it is both probable that a loss will be incurred and the amount of loss can be reasonably estimated. The Company evaluates, at least quarterly, developments in its legal matters that could affect the amount of liability that has been previously accrued and makes adjustments as appropriate. Significant judgment is required to determine both the probability and the estimated amount.

**NOTE 9. Stockholders' Equity**

In March 2018, the Company's Board of Directors authorized a stock repurchase program to acquire up to \$200 million of the Company's common stock. The Company was allowed to repurchase stock from time to time in open market transactions or through privately negotiated transactions in accordance with applicable federal securities laws. The timing and amounts of any purchases under the stock repurchase program was based on market conditions and other factors including price. The repurchase program had a two-year duration, did not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice. The Company funded the share repurchase program principally with cash from operations. As of March 31, 2020, the repurchase program is expired. The Company repurchased and subsequently retired zero shares during the three months ended March 31, 2020 and 0.9 million shares for \$20.0 million during the three months ended March 31, 2019.

**NOTE 10. Stock-Based Compensation**

**Restricted Stock Units ("RSUs").** RSUs represent the right to receive unrestricted shares of the Company's common stock at the time of vesting, subject to any restrictions as specified in the individual holder's award agreement. RSUs are subject to graded vesting, generally ranging between one and four years and the fair value of the RSUs is equal to the Company's common stock price on the date of grant. **RSU activity for the three months ended March 31, 2020 is as follows (in thousands, except for weighted-average grant date fair value):**

	Number of RSUs	Weighted-Average Grant Date Fair Value
<b>Outstanding as of December 31, 2019</b>	943	\$ 24.68
Granted	3,167	5.40
Vested and delivered	(220)	24.80
Forfeited	(87)	22.82
<b>Outstanding as of March 31, 2020 (1)</b>	<u>3,803</u>	<u>8.66</u>

(1) The outstanding balance as of March 31, 2020 includes 80 RSUs that were vested, but not yet delivered.

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Unaudited)*

**Performance Stock Units (“PSUs”).** PSUs represent the right to receive unrestricted shares of the Company’s common stock at the time of vesting. The fair value of the PSUs is equal to the Company’s common stock price on the date of grant. The percentage of PSUs that shall vest will range from 0% to 200% of the number of PSUs granted based on the Company’s future performance related to certain revenue targets; adjusted earnings before interest, income taxes, depreciation and amortization targets; margin targets; and/or share price over a one to three-year performance period. These PSUs are subject to cliff vesting at the end of the respective performance period. PSU activity for the three months ended March 31, 2020 is as follows (in thousands, except for weighted-average grant date fair value):

	Number of PSUs	Weighted-Average Grant Date Fair Value
<b>Outstanding as of December 31, 2019</b>	953	\$ 26.60
Granted <sup>(1)</sup>	715	5.40
Vested and delivered	—	—
Forfeited or cancelled <sup>(1)</sup>	(775)	27.13
<b>Outstanding as of March 31, 2020</b>	<u>893</u>	<u>8.78</u>

(1) Included in "Forfeited or cancelled" are 558 shares that were cancelled and replaced by new grants during the three months ended March 31, 2020.

**Stock Options.** Stock options represent the right to purchase shares of the Company’s common stock at the time of vesting, subject to any restrictions as specified in the individual holder’s award agreement. Stock options are subject to three-year cliff vesting and expire 10 years from the grant date. Stock option activity for the three months ended March 31, 2020 is as follows (in thousands, except for weighted-average grant date fair value):

	Number of Options	Weighted-Average Grant Date Fair Value
<b>Outstanding as of December 31, 2019</b>	—	\$ —
Granted	513	2.80
Vested and delivered	—	—
Forfeited	—	—
<b>Outstanding as of March 31, 2020</b>	<u>513</u>	<u>2.80</u>

The fair value of the stock options granted during the three months ended March 31, 2020 are estimated on the grant date using the Black-Scholes option pricing model, using the following assumptions:

Risk-free interest rate	1.01%
Weighted-average volatility	53.08%
Dividend yield	0%
Expected years until exercise	6.5

**NOTE 11. Loss Per Share**

Basic loss per share is calculated by dividing Net loss by the weighted-average number of shares of common stock outstanding. Diluted loss per share is similarly calculated, except that the calculation includes the dilutive effect of the assumed issuance of shares under stock-based compensation plans, unless the inclusion of such shares would have an anti-dilutive impact. The computation of Loss per share is as follows (in thousands, except per share data):

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Unaudited)*

	Three Months Ended March 31,	
	2020	2019
Net loss	\$ (787,434)	\$ (9,031)
Basic weighted-average common shares outstanding	66,938	67,584
Effect of dilutive stock-based compensation awards (1)	—	—
Diluted weighted-average common shares outstanding	66,938	67,584
Loss per share, basic	\$ (11.76)	\$ (0.13)
Loss per share, diluted	(11.76)	(0.13)

- (1) There were 4,516 and 266 potential common shares excluded from diluted weighted-average shares outstanding for the three months ended March 31, 2020 and March 31, 2019, respectively, as their inclusion would have had an anti-dilutive effect.

**NOTE 12. Leases**

**Leases.** The Company is obligated as a lessee under certain non-cancelable operating leases for office space, and is also obligated to pay insurance, maintenance and other executory costs associated with the leases. As of March 31, 2020, the Company's operating lease assets, included in Investments and other assets, were \$16.5 million and operating lease liabilities were \$32.9 million, the current maturities of which is included in Other accrued liabilities and the long-term portion of which is included in Other noncurrent liabilities. The difference between the operating lease assets and the operating lease liabilities is primarily due to a lease incentive received in 2017 related to the 300 South Riverside Lease in Chicago, Illinois. Other information related to the Company's operating leases for the three months ended March 31, 2020 is as follows (in thousands, except percentage):

**Income statement information:**

	Three Months Ended March 31,	
	2020	2019
Operating lease cost	\$ 986	\$ 958
Short-term lease cost	229	381
Variable lease cost	839	994
Total lease cost	\$ 2,054	\$ 2,333

**Other information:**

	Three Months Ended March 31,	
	2020	2019
Cash paid for operating leases	\$ 1,259	\$ 1,224
Weighted-average remaining lease term (in months)	\$ 130	\$ 139
Weighted-average discount rate	7.4%	7.4%

**NOTE 13. Other (Expense) Income, net**

Included in Other (expense) income, net in the three months ended March 31, 2020 was a full impairment of \$9.4 million of a non-marketable investment, triggered by the COVID-19 pandemic and the related restrictions. This investment had been recorded within Investments and other assets on the Consolidated Balance Sheets.

**NOTE 14. Income Taxes**

**Deferred Tax Asset and Valuation Allowance.** As a result of the goodwill and indefinite-lived intangible asset impairments recorded during the three months ended March 31, 2020, the Company had a \$96.5 million deferred tax asset position. The Company considers all available evidence, both positive and negative, to determine whether, based on the weight of that evidence, a valuation allowance is required to reduce the net deferred tax assets to the amount that is more likely than not to be realized in future periods. Based on future taxable income projections, the Company believes it is more likely than not that the net deferred tax assets will not be realized. Therefore, the Company has recorded a full valuation allowance during the three months ended March 31, 2020. As of each reporting date, management considers new evidence, both positive and negative, that could affect its view of the future realization of deferred tax assets.

**Cars.com Inc.**  
**Notes to the Consolidated Financial Statements (continued)**  
*(Unaudited)*

**Effective Tax Rate.** The effective income tax rate, expressed by calculating the income tax expense as a percentage of Income before income tax, was 15% for the three months ended March 31, 2020. The effective tax rate differed from the statutory federal income tax rate of 21%, primarily due to the tax impact of the goodwill and intangible asset impairments and the full valuation allowance recorded during the three months ended March 31, 2020.

**NOTE 15. Subsequent Events**

**Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").** In recognition of the significant threat to the liquidity of financial markets posed by the COVID-19 pandemic and related restrictions, the U.S. government enacted into law the CARES Act, which is a sweeping stimulus bill intended to bolster the U.S. economy, among other things, and provide emergency assistance and tax credits or benefits to qualifying businesses and individuals. The Company is currently evaluating this new law and its impact on its Consolidated Financial Statements and related disclosures.

**Reduction in Force.** On April 29, 2020, the Company announced the permanent reduction in force of approximately 170 people, the majority of whom had been placed on furlough in early April 2020. The Company estimates the pre-tax costs for this action to be in the range of approximately \$4.0 to 4.75 million, substantially all of which are related to employee severance and are expected to be recorded during the three months ending June 30, 2020.

## Note About Forward-Looking Information

This report contains “forward-looking statements” within the meaning of the federal securities laws. All statements other than statements of historical facts are forward-looking statements. Forward-looking statements include information concerning the impact of the COVID-19 pandemic and related restrictions on our industry, our dealer customers and our results of operations, our business strategies, strategic alternatives, plans and objectives, market potential, outlook, trends, future financial performance, planned operational and product improvements, potential strategic transactions, liquidity, including expense reduction and draws from our revolving credit facility, and other matters and involve known and unknown risks that are difficult to predict. As a result, our actual financial results, performance, achievements, strategic actions or prospects may differ materially from those expressed or implied by these forward-looking statements. These statements often include words such as “believe,” “expect,” “project,” “anticipate,” “outlook,” “intend,” “strategy,” “plan,” “estimate,” “target,” “seek,” “will,” “may,” “would,” “should,” “could,” “forecasts,” “mission,” “strive,” “more,” “goal” or similar expressions. Forward-looking statements are based on our current expectations, beliefs, strategies, estimates, projections and assumptions, based on our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments, current developments regarding the COVID-19 pandemic and other factors we think are appropriate. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by the Company and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are expressed in good faith and we believe these judgments are reasonable. However, you should understand that these statements are not guarantees of strategic action, performance or results. Our actual results and strategic actions could differ materially from those expressed in the forward-looking statements. Given these uncertainties, forward-looking statements should not be relied on in making investment decisions. Comparisons of results between current and prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data. Whether or not any such forward-looking statement is in fact achieved will depend on future events, some of which are beyond our control.

Important factors that could cause actual results or events to differ materially from those anticipated include, among others:

- The COVID-19 pandemic and related restrictions have adversely affected, and could continue to adversely affect, our business, financial condition, liquidity and results of operations.
- Our business is subject to risks related to the larger automotive ecosystem, including consumer demand and other macroeconomic issues.
- We participate in a highly competitive market, and pressure from existing and new competitors may materially and adversely affect our business, results of operations and financial condition.
- If we fail to maintain or increase our base of subscribing dealers that purchase our solutions or to increase our revenue from subscribing dealers, our business, results of operations and financial condition would be materially and adversely affected.
- We compete with other consumer automotive websites and mobile applications and other digital content providers for share of automotive-related digital advertising spending and may be unable to maintain or grow our base of advertising customers or increase our revenue from existing advertisers.
- Market acceptance of and influence over certain of our products and services is concentrated in a limited number of automobile OEMs and dealership associations, and we may not be able to maintain or grow these relationships.
- We may face difficulties in transitioning to a full-service solutions provider that helps automotive brands and dealers create enduring customer relationships.
- We rely on third-party service providers for many aspects of our business, including automobile pricing and other data, and any failure to maintain these relationships could harm our business.
- We rely on in-house content creation and development to drive traffic to the CARS sites and mobile applications.
- We rely in part on Internet search engines and mobile application download stores to drive traffic to the CARS sites and mobile applications. If the CARS sites and mobile applications fail to appear prominently in these search results, traffic to the CARS sites and mobile applications could decline and our business, results of operations or financial condition may be materially and adversely affected.
- The value of our assets or operations may be diminished if our information technology systems fail to perform adequately.
- We rely on technology systems’ availability and ability to prevent unauthorized access. If our security and resiliency measures fail to prevent all incidents, it could result in damage to our reputation, incur costs and create liabilities.

- Our business depends on strong brand recognition, and any failure to maintain, protect and enhance our brands could hurt our ability to retain or expand our base of consumers, customers and advertisers, and our ability to increase the frequency with which consumers, dealers and advertisers use our services.
- We cannot assure you that we will be able to continue to successfully develop and launch new products or grow our complementary product offerings.
- Our business is dependent on keeping pace with advances in technology. If we are unable to keep pace with advances in technology, consumers may stop using our services and our revenue will decrease.
- If we do not adapt to automated buying strategies quickly, our display advertising revenue could be adversely affected.
- If our mobile applications do not continue to meet consumer demands or we are unable to successfully monetize our mobile advertising solutions, our business, results of operations or financial condition may be materially and adversely affected.
- Dealer closures or consolidation among dealers or OEMs could reduce demand for, and the pricing of, our marketing and solutions offerings, thereby leading to decreased earnings.
- If growth in the online and mobile automotive advertising market stagnates or declines, our business, results of operations or financial condition could be materially and adversely affected.
- Uncertainty exists in the application of various laws and regulations to our business, including privacy laws such as the California Consumer Privacy Act and new tax laws and interpretations. New laws or regulations applicable to our business, or the expansion or interpretation of existing laws and regulations to apply to our business, could subject us to licensing requirements, claims, judgments and remedies, including sales and use taxes, other monetary liabilities and limitations on our business practices, and could increase administrative costs.
- Strategic acquisitions, investments and partnerships could pose various risks, increase our leverage, dilute existing stockholders and significantly impact our ability to expand our overall profitability.
- The value of our existing intangible assets may become impaired, depending upon future operating results.
- Adverse results from litigation or governmental investigations could impact our business practices and operating results.
- Misappropriation or infringement of our intellectual property and proprietary rights, enforcement actions to protect our intellectual property and claims from third parties relating to intellectual property could materially and adversely affect our business, results of operations and financial condition.
- If we expand into new geographic markets, we may be prevented from using our brands in such markets.
- Our ability to operate effectively could be impaired if we fail to attract and retain our key employees.
- Seasonality may cause fluctuations in our revenue and operating results.
- Our business could be negatively affected as a result of actions of activist stockholders, and such activism could impact the trading value of our common stock.
- Our debt agreements contain restrictions that may limit our flexibility in operating our business.
- Increases in interest rates could increase interest payable under our variable rate indebtedness.
- Uncertainty relating to the LIBOR calculation process and potential phasing out of LIBOR after 2021 may adversely affect the market value of our current or future debt obligations, including our long-term debt instruments and our bank credit facilities.
- We do not expect to pay any cash dividends for the foreseeable future.
- Your percentage of ownership in the Company may be diluted in the future.
- Certain provisions of our certificate of incorporation, by-laws, and Delaware law may discourage takeovers and limit our ability to use, acquire, or develop certain competing businesses.
- Our amended and restated certificate of incorporation designates the state courts of the State of Delaware, or, if no state court located in the State of Delaware has jurisdiction, the federal court for the District of Delaware, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could discourage lawsuits against us and our directors and officers.

For a detailed discussion of many of these risks and uncertainties, see “Part I, Item 1A., Risk Factors” and “Part II, Item 7., Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (“SEC”) on February 26, 2020 and our

Current Reports on Form 8-K filed with the SEC and available on our website at investor.cars.com or via EDGAR at www.sec.gov. All forward-looking statements contained in this report are qualified by these cautionary statements. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties. Moreover, you should interpret many of the risks identified in this report, as well as the risks set forth above, as being heightened as a result of the ongoing and numerous adverse impacts of the COVID-19 pandemic and related restrictions. The forward-looking statements contained in this report are based only on information currently available to us and speak only as of the date of this report. We undertake no obligation, other than as may be required by law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise. The forward-looking statements in this report are intended to be subject to the safe harbor protection provided by the federal securities laws.

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

The following discussion and analysis of our business, financial condition, results of operations and quantitative and qualitative disclosures should be read in conjunction with our Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This discussion and analysis also contains forward-looking statements and should be read in conjunction with the disclosures and information contained in "Note About Forward-Looking Information" in this Quarterly Report on Form 10-Q. The financial information discussed below and included elsewhere in this Quarterly Report on Form 10-Q may not necessarily reflect what our financial condition, results of operations and cash flows may be in the future.

References in this discussion and analysis to "we," "us," "our" and similar terms refer to Cars.com Inc. and its subsidiaries, collectively, unless the context indicates otherwise.

### Business Overview

We are a leading digital marketplace and solutions provider for the automotive industry that connects car shoppers with sellers and original equipment manufacturers ("OEM"s). Our marketplace empowers shoppers with the resources and information to make confident car buying decisions while our digital solutions and technology platform help sellers improve operational efficiency, profitability and sales. Our portfolio of brands includes Cars.com, Dealer Inspire and DealerRater, in addition to Auto.com, PickupTrucks.com and NewCars.com.

In May 2017, we separated from our former parent company, TEGNA Inc. ("TEGNA") by means of a spin-off of a newly formed company, Cars.com Inc., which now owns TEGNA's former digital automotive marketplace business (the "Separation"). Our common stock began trading "regular way" on the New York Stock Exchange on June 1, 2017. In February 2018, the Company acquired all of the outstanding stock of Dealer Inspire, Inc. and substantially all of the net assets of Launch Digital Marketing LLC (the "DI Acquisition").

### Overview of Results

(in thousands, except percentages)

	Three Months Ended March 31,	
	2020	2019
Revenue	\$ 148,094	\$ 154,198
Net loss (1)	(787,434)	(9,031)
Retail revenue as % of total revenue	100%	90%
Wholesale revenue as % of total revenue	0%	10%

- (1) The net loss for the three months ended March 31, 2020 was primarily attributed to the goodwill and intangible asset impairment, of \$905.9 million or \$757.1 million, net of tax. The net loss in each period was impacted by the following costs (in thousands):

	Three Months Ended March 31,	
	2020	2019
Severance, transformation and other exit costs	\$ 1,404	\$ 6,453
Transaction-related costs (1)	97	2,044
Costs associated with stockholder activist campaign	—	2,695
Total	\$ 1,501	\$ 11,192

- (1) Transaction-related costs are certain expense items resulting from actual or potential transactions such as business combinations, mergers, acquisitions, dispositions, spin-offs, financing transactions, and other strategic transactions, including, without limitation, (a) transaction-related bonuses and (b) expenses for advisors and representatives such as investment bankers, consultants, attorneys and accounting firms. Transaction-related costs may also include, without limitation, transition and integration costs such as retention bonuses and acquisition-related milestone payments to acquired employees, in addition to consulting, compensation and other incremental costs associated with integration projects.

### 2020 Highlights and Trends

**Coronavirus disease 2019 ("COVID-19").** In March 2020, the World Health Organization categorized COVID-19 as a pandemic, and it continues to spread throughout the United States and the rest of the world with different geographical locations impacted more than others. The rapid spread of COVID-19 has resulted in governmental authorities around the country implementing numerous measures to contain the virus, such as quarantines, shelter-in-place orders and business shutdowns. This has had, and is expected to continue to have, a negative impact on regional and national economies and the automotive industry for an uncertain duration.

The COVID-19 pandemic and related restrictions have caused a widespread increase in unemployment and are expected to result in reduced consumer spending and an economic slowdown or recession. Dealers operate in a highly competitive market and are vulnerable to both decreased demand for new and used vehicles and periods of an economic slowdown or recession. Furthermore, dealerships have temporarily or permanently closed and more may close in the near future in light of the COVID-19 pandemic and related restrictions. As a result of negative changes in the financial condition of dealers, in the second half of March 2020, our customers began to adjust, reduce or suspend their operating activities. This has resulted and may continue to result in decreased subscription revenue and reduced demand for our services.

In an effort to assist our dealer customers impacted by the COVID-19 pandemic and related restrictions, we have announced, among other measures, financial relief in the form of certain invoice credits of 50% for April 2020 and 30% for May and June 2020. We expect the COVID-19 pandemic and related restrictions will have a greater impact on our results in the second quarter of 2020 and beyond, particularly in light of these discounts. Moreover, depending upon the progress of the pandemic and the government and societal responses thereto, our customers may implement further cost-savings measures, including additional reductions of their advertising spend.

With respect to managing our expenses, we have multiple initiatives underway to adjust our expenses with changes in revenue. These steps have included an employee furlough and reduction in force, salary reductions, freezes on hiring and temporary labor, deferral of merit and promotion increases; a reduction of our marketing expense by aligning our variable marketing spend with shopper demand, while carefully maintaining consumer engagement as evidenced by our strong organic traffic; partnering with our vendors to reduce cost; and significant reductions of non-essential spending.

We remain committed to and have intensified our efforts around cash flow discipline, including the identification of significant capital expenditures that can be deferred, and working capital management.

We have taken steps to strengthen our financial position during this period of heightened uncertainty. In March 2020, we drew down \$165.0 million on our Revolving Loan for additional liquidity and flexibility due to the uncertainty of the COVID-19 pandemic and related restrictions. As of March 31, 2020, we had \$187.3 million in available cash and \$30.0 million was available to borrow under the Revolving Loan. As of April 30, 2020, Cash and cash equivalents were approximately \$190.0 million.

We believe our core strategic strengths, including our powerful family of brands, growing high-quality audience and suite of digital solutions for advertisers will assist us as we navigate a rapidly changing marketplace. Additionally, we are focused on equipping our customers with digital solutions to enable them to compete in an environment in which an increasing number of car-buying customers are shopping from home. These solutions include virtual showrooms, home delivery badging, online chat and our FUEL™ In-Market Video (“FUEL IMV”) product that allows dealers to target in-market buyers on streaming platforms.

Prior to the impact of the COVID-19 pandemic and related restrictions, we believe that we were in a position to deliver a robust second half of the year and to exit the year with revenue growth. The effects of the COVID-19 pandemic and related restrictions, particularly in light of the discounts that we have provided our dealer customers for the second quarter of 2020, will negatively impact our results of operations, cash flows and financial position. However, the extent of the impact will vary depending on the duration and severity of the economic and operational impacts of the COVID-19 pandemic and related restrictions. Therefore, the results for the three months ended March 31, 2020, may not be indicative of the results for the year ending December 31, 2020.

**Reduction in Force.** On April 29, 2020, we announced the permanent reduction in force of approximately 170 people, the majority of whom had been placed on furlough in early April 2020. We estimate the pre-tax costs for this action to be in the range of approximately \$4.0 to 4.75 million, substantially all of which are related to employee severance and is expected to be recorded during the three months ending June 30, 2020.

#### ***Q1 2020 Traffic and Dealer Customer Growth.***

**Traffic.** Traffic provides an indication of our consumer reach. Although our consumer reach does not directly result in revenue, we believe our ability to reach in-market car shoppers is attractive to our dealers and national advertisers. We have been diligently focused on growing our audience, the fundamental deliverable of any marketplace business.

Driven by our product innovations and investments in and efficiencies gained in search engine optimization, brand awareness and paid channels, we have experienced year-over-year Traffic growth since January 2018, and in January 2020, we recorded the highest level of Traffic in our history. In the first quarter of 2020, we maintained strong organic Traffic growth and achieved 20% growth in Traffic and 11% growth in Average Monthly Unique Visitors. However, due to the impact of the COVID-19 pandemic and related restrictions, our Traffic in the second half of March 2020 was negatively impacted and we only experienced slight year-over-year growth in March.

Although we experienced strong traffic growth in the first quarter of 2020, the unknown duration and economic uncertainty related to the COVID-19 pandemic and related restrictions and reduced consumer spending have impacted and may continue to impact our traffic in 2020 and beyond.

**Dealer Customers.** In the first quarter of 2020, Dealer Customers grew by 104, or 1%, to 18,938 as of March 31, 2020, as compared with 18,834 as of December 31, 2019. This increase was a result of growth in new solutions-only dealer customers, improved retention rates in local marketplace customers and strong sales in the local marketplace through the first half of March. Due to the impact of the COVID-19 pandemic and related restrictions, sales slowed in mid-March and overall local dealer customers declined slightly in the month of March.

Although we experienced dealer customer growth in the first quarter of 2020, the unknown duration and economic uncertainty related to the COVID-19 pandemic and related restrictions and reduced consumer spending have impacted and may continue to impact our dealer customers in 2020 and beyond.

**FUEL IMV Launch.** In February 2020, we announced the launch of FUEL IMV, an innovative digital video solution focused on the \$9.7 billion spent on TV advertising by the U.S. auto market. The new solution helps dealers, original equipment manufacturers and regional/dealer ad associations target serious ready-to-buy shoppers with digital videos streamed across various platforms, and combat the high costs and inefficiencies of traditional television advertising. We began generating FUEL IMV revenue in the first quarter of 2020.

**OEM Agreement.** In 2019, we were selected as one of four preferred website providers to General Motors (“GM”). This allowed us to begin selling our website solutions to more than 4,100 GM dealers. This program is semi-exclusive and provides GM dealers a choice in provider for the first time in 15 years. GM remains on track to launch over 800 additional websites with revenue expected to begin in the second half of 2020. This new agreement provides us with the opportunity to substantially increase our current website customer base, which was approximately 3,600 as of March 31, 2020.

**Technology Transformation.** In February 2019, we announced a restructuring of the product and technology teams, which primarily focused on shifting our technology spend towards innovation to improve our speed of product delivery, to enable integration across current and future systems, and to migrate our systems to the cloud (the “Technology Transformation”). In connection with the Technology Transformation, we have aligned our product and technology teams with our long-term growth strategy to expand beyond listings to a digital solutions marketplace. As part of this process, we have streamlined the existing teams as we modernize our technology platform and invest in a more efficient cloud-based infrastructure focused on machine learning, product innovation and growth. Although we have elected to defer the completion of the Technology Transformation due to the impact of the COVID-19 pandemic and related restrictions, we have achieved cost efficiencies and expect to achieve further cost efficiencies upon completion of the Technology Transformation.

### Key Operating Metrics

We regularly review a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make operating and strategic decisions. Information regarding Traffic and Average Monthly Unique Visitors is as follows:

	Three Months Ended March 31,		% Change
	2020	2019	
Traffic (Visits)	158,921,000	132,474,000	20%
Average Monthly Unique Visitors	24,929,000	22,408,000	11%
Direct Monthly Average Revenue Per Dealer	\$ 2,092	\$ 2,225	(6)%

Information regarding Dealer Customers is as follows:

	March 31, 2020	March 31, 2019	% Change	December 31, 2019	% Change
Dealer Customers	18,938	19,300	(2)%	18,834	1%

**Traffic (Visits).** Traffic is fundamental to our business. Traffic to the CARS network of websites and mobile apps provides value to our advertisers in terms of audience, awareness, consideration and conversion. In addition to tracking traffic volume and sources, we monitor activity on our properties, allowing us to innovate and refine our consumer-facing offerings. Traffic is defined as the number of visits to CARS desktop and mobile properties (responsive sites and mobile apps), measured using Adobe Analytics. Traffic does not include traffic to Dealer Inspire websites. Visits refers to the number of times visitors accessed CARS properties during the period,

no matter how many visitors make up those visits. Traffic provides an indication of our consumer reach. Although our consumer reach does not directly result in revenue, we believe our ability to reach in-market car shoppers is attractive to our dealer customers and national advertisers.

The growth in Traffic was driven by our product innovations and investments in and efficiencies gained in search engine optimization, brand awareness and paid channels. However, due to the impact of the COVID-19 pandemic and related restrictions, our Traffic in the second half of March 2020 was negatively impacted and we only experienced slight year-over-year growth in March. For the three months ended March 31, 2020 and March 31, 2019, mobile traffic accounted for 76% and 71% of total Traffic, respectively.

Although we experienced strong traffic growth in the first quarter of 2020, the unknown duration and economic uncertainty related to the COVID-19 pandemic and related restrictions and reduced consumer spending have impacted and may continue to impact our traffic in 2020 and beyond.

**Average Monthly Unique Visitors (“UVs”).** Growth in unique visitors and consumer traffic to our network of websites and mobile apps increases the number of impressions, clicks, leads and other events we can monetize to generate revenue. We define UVs in a given month as the number of distinct visitors that engage with our platform during that month. Visitors are identified when a user first visits an individual CARS property on an individual device/browser combination or installs one of our mobile apps on an individual device. If a visitor accesses more than one of our web properties or apps or uses more than one device or browser, each of those unique property/browser/app/device combinations counts towards the number of UVs. UVs do not include Dealer Inspire UVs. We measure UVs using Adobe Analytics.

The growth in UVs was driven by our product innovations and investments in and efficiencies gained in search engine optimization, brand awareness and paid channels.

**Average Revenue Per Dealer (“ARPD”).** We believe our ability to grow ARPD is an indicator of the value proposition of our products. We define ARPD as Direct retail revenue during the period divided by the average number of direct dealer customers during the same period.

ARPD declined 2% from the ARPD of \$2,136 for the three months ended December 31, 2019, primarily due to upsell cancellations and selected discounts given in the second half of March as a result of the COVID-19 pandemic and related restrictions.

ARPD declined 6% from March 31, 2019, primarily due to upsell cancellations and dealer churn and discounts given in the second half of March 2020 as a result of the COVID-19 pandemic and related restrictions

**Dealer Customers.** Dealer Customers represent dealerships using our products as of the end of each reporting period. Each physical or virtual dealership location is counted separately, whether it is a single-location proprietorship or part of a large consolidated dealer group. Multi-franchise dealerships at a single location are counted as one dealer.

Total Dealer Customers increased 1% from December 31, 2019. This increase was a result of growth in new solutions-only dealer customers, improved retention rates in local marketplace and dealer solutions customers and strong sales in the local marketplace through the first half of March. Due to the impact of the COVID-19 pandemic and related restrictions, sales slowed in mid-March and overall local dealer customers declined slightly in the month of March.

Total Dealer Customers declined 2% from March 31, 2019. Dealer Customers declined, primarily due to cancellations of marketplace customers, partially offset by growth in digital solutions customers.

Although we experienced dealer customer growth in the first quarter of 2020, the unknown duration and economic uncertainty related to the COVID-19 pandemic and related restrictions and reduced consumer spending have impacted and may continue to impact our dealer customers in 2020 and beyond.

**Factors Affecting Our Performance.** Our business is impacted by the changes in the larger automotive environment, including consumer demand and other macroeconomic factors, and changes related to automotive digital advertising. Changes in car sales volumes in the United States and reduced dealer profitability also influence OEMs’ and dealerships’ willingness to increase spend with automotive marketplaces like Cars.com. In the later part of March 2020, we observed increased softness in car sales and dealer profitability. Due to the impact of the COVID-19 pandemic and the related restrictions, this softness has become more acute and expected to continue in the near-term.

Our long-term success will depend in part on our ability to continue to transform our business toward a multi-faceted suite of digital solutions that complement our online marketplace offerings. We believe our core strategic strengths, including our powerful family of

brands, growing high-quality audience and suite of digital solutions for advertisers will assist us as we navigate a rapidly changing marketplace. Additionally, we are focused on equipping our customers with digital solutions to enable them to compete in an environment in which an increasing number of car-buying customers are shopping from home. These solutions include virtual showrooms, home delivery badging, online chat and our FUEL™ In-Market Video product that allows dealers to target in-market buyers on streaming platforms. The foundation of our continued success is the value we deliver to customers, and we believe that our large and growing audience of in-market, undecided car shoppers and innovative solutions deliver significant value to our customers.

## Results of Operations

### Three Months Ended March 31, 2020 Compared to Three Months Ended March 31, 2019

(In thousands, except percentages)	Three Months Ended March 31,		Increase (Decrease)	% Change
	2020	2019		
<b>Revenue:</b>				
Direct	\$ 125,361	\$ 115,094	\$ 10,267	9%
National advertising	19,393	20,295	(902)	(4)%
Other	3,340	3,949	(609)	(15)%
Retail	148,094	139,338	8,756	6%
Wholesale	—	14,860	(14,860)	(100)%
Total revenue	148,094	154,198	(6,104)	(4)%
<b>Operating expenses:</b>				
Cost of revenue and operations	26,030	25,579	451	2%
Product and technology	14,873	17,863	(2,990)	(17)%
Marketing and sales	54,922	60,343	(5,421)	(9)%
General and administrative	14,117	23,888	(9,771)	(41)%
Affiliate revenue share	6,369	2,454	3,915	***
Depreciation and amortization	30,961	28,125	2,836	10%
Goodwill and intangible asset impairment	905,885	—	905,885	***
Total operating expenses	1,053,157	158,252	894,905	***
Operating loss	(905,063)	(4,054)	(901,009)	***
<b>Nonoperating expense:</b>				
Interest expense, net	(7,526)	(7,566)	40	(1)%
Other (expense) income, net	(9,501)	119	(9,620)	***
Total nonoperating expense, net	(17,027)	(7,447)	(9,580)	***
Loss before income taxes	(922,090)	(11,501)	(910,589)	***
Income tax benefit	(134,656)	(2,470)	(132,186)	***
Net loss	\$ (787,434)	\$ (9,031)	\$ (778,403)	***

\*\*\* Not meaningful

**Retail Revenue—Direct.** Direct revenue consists of marketplace and digital solutions sold to dealer customers. Direct revenue is our largest revenue stream, representing 84.6% and 74.6% of total revenue for the three months ended March 31, 2020 and 2019, respectively.

As of October 1, 2019, we have successfully converted all affiliates to our direct control, and no longer have Wholesale revenue. We now have a direct relationship with all dealer customers and recognize the revenue associated with converted dealer customers as Retail revenue, rather than Wholesale revenue, in the Consolidated Statements of Loss. During the three months ended March 31, 2020, the affiliate market conversions contributed an incremental \$17.4 million to Direct revenue. For information related to the affiliate market conversions, see Note 7 (Unfavorable Contracts Liability) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

These increases were partially offset by a 2% decline in Dealer Customers and a 6% decline in ARPD from March 31, 2019.

**Retail Revenue—National Advertising.** National advertising revenue consists of display advertising and other solutions sold to OEMs, advertising agencies and automotive dealer customers. National advertising revenue represents 13.1% and 13.2% of total revenue for the three months ended March 31, 2020 and 2019, respectively. National advertising revenue declined 4%, representing a stabilization of the business driven by OEMs 2020 upfront commitments in line with prior year.

**Wholesale Revenue.** Wholesale revenue represented the fees we charged for marketplace and digital solutions sold to dealers by affiliates. The fees represented approximately 60% of the retail value for the same online subscription products sold by our direct sales team. Wholesale revenue represented 9.6% of total revenue for the three months ended March 31, 2019. As of October 1, 2019, we successfully converted all affiliates to our direct control, and no longer have Wholesale revenue. For information related to the affiliate market conversions, see Note 7 (Unfavorable Contracts Liability) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

**Cost of revenue and operations.** Cost of revenue and operations expense primarily consists of expenses related to our pay-per-lead products, third-party costs for processing dealer vehicle inventory, product fulfillment, customer service and compensation costs. Cost of revenue and operations expense represents 17.6% and 16.6% of total revenue for the three months ended March 31, 2020 and 2019, respectively. Cost of revenue and operations expense increased \$0.5 million, primarily due to higher compensation costs, partially offset by lower third party costs.

**Product and technology.** The product team creates and manages consumer and dealer-facing innovation, manages consumer user experience and includes the costs associated with our editorial and data strategy teams. The technology team develops and supports our products and websites. Product and technology expense includes compensation costs, as well as license fees for vehicle specifications, search engine optimization, hardware/software maintenance, software licenses, data center and other infrastructure costs. Product and technology expense represents 10.0% and 11.6% of total revenue for the three months ended March 31, 2020 and 2019, respectively. Product and technology expense decreased primarily due to cost efficiencies as a result of the Technology Transformation.

**Marketing and sales.** Marketing and sales expense primarily consists of traffic and lead acquisition costs (including search engine and other online marketing), TV and digital display/video advertising and creative production, market research, trade events and compensation costs for the marketing, sales and sales support teams. Marketing and sales expenses represent 37.1% and 39.1% of total revenue for the three months ended March 31, 2020 and 2019, respectively. Marketing and sales expense decreased due to a reduction of our marketing expense by aligning our variable marketing spend with shopper demand, while carefully maintaining consumer engagement as evidenced by our strong organic traffic.

**General and administrative.** General and administrative expense primarily consists of compensation costs for the executive, finance, legal, human resources, facilities and other administrative employees. In addition, general and administrative expense includes office space rent, legal and accounting services, other professional services, transaction-related costs and costs related to the write-off and loss on assets, excluding the goodwill and intangible asset impairment discussed below. General and administrative expense represents 9.5% and 15.5% of total revenue for the three months ended March 31, 2020 and 2019, respectively. During the three months ended March 31, 2020 and 2019, General and administrative expense included the following costs (in thousands):

	Three Months Ended March 31,	
	2020	2019
Severance, transformation and other exit costs	\$ 1,404	\$ 6,453
Transaction-related costs (1)	97	2,044
Costs associated with stockholder activist campaign	—	2,695
Total	<u>\$ 1,501</u>	<u>\$ 11,192</u>

(1) Transaction-related costs are certain expense items resulting from actual or potential transactions such as business combinations, mergers, acquisitions, dispositions, spin-offs, financing transactions, and other strategic transactions, including, without limitation, (a) transaction-related bonuses and (b) expenses for advisors and representatives such as investment bankers, consultants, attorneys and accounting firms. Transaction-related costs may also include, without limitation, transition and integration costs such as retention bonuses and acquisition-related milestone payments to acquired employees, in addition to consulting, compensation and other incremental costs associated with integration projects.

Excluding these costs, general and administrative expense was flat compared to the prior year.

**Depreciation and amortization.** Depreciation and amortization expense increased primarily due to depreciation and amortization on additional assets acquired.

**Affiliate revenue share.** Affiliate revenue share expense represents payments made to affiliates pursuant to our affiliate agreements and amortization of the Unfavorable contracts liability related to converted markets. Affiliate revenue share expense increased, primarily due to the additional markets converted during the last twelve months, partially offset by the expiration of certain affiliate agreements. A summary of Affiliate revenue share expense is as follows (in thousands):

	Three Months Ended March 31,	
	2020	2019
Affiliate revenue share expense, gross	\$ 6,369	\$ 8,288
Less: Amortization of the Unfavorable contracts liability	—	(5,834)
Affiliate revenue share expense, as reported	\$ 6,369	\$ 2,454

For information related to the Unfavorable contracts liability, see Note 7 (Unfavorable Contracts Liability) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

**Goodwill and intangible asset impairment.** We determined there was a triggering event, caused by the economic impacts of the COVID-19 pandemic and related restrictions. We performed interim quantitative impairment tests as of March 31, 2020. The results of the goodwill and indefinite-lived intangible asset impairment tests indicated that the carrying values exceeded the estimated fair values and thus, we recorded an impairment of \$505.9 million and \$400.0 million, respectively. For information related to the impairment, see Note 4 (Goodwill and Indefinite-lived Intangible Asset) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

**Interest expense, net.** Interest expense, net was flat compared to the prior year. For information related to our interest rate swap, see Note 5 (Debt) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

**Other (expense) income, net.** Other income, net decreased, primarily due to an impairment of \$9.4 million of non-marketable investment, triggered by the COVID-19 pandemic and the related restrictions. This investment had been recorded within Investments and other assets on the Consolidated Balance Sheets.

**Income tax benefit.** The effective income tax rate, expressed by calculating the income tax benefit as a percentage of Loss before income tax, was 15% for the three months ended March 31, 2020 and differed from the U.S. federal statutory rate of 21%, primarily due to the tax impact of the goodwill and intangible asset impairments and a full valuation allowance on the U.S. company’s net deferred tax asset position.

### Liquidity and Capital Resources

**Overview.** Our primary sources of liquidity are cash flows from operations, available cash reserves and debt capacity available under our credit facilities. Our operations have generated positive operating cash flows in 2020 and 2019 which, along with our Term and Revolving Loans described below, provides adequate liquidity to meet our business needs, including those for investments and strategic acquisitions. In addition, we may raise additional funds through other public or private debt or equity financings. At this time, we do not expect the impact of the COVID-19 pandemic and related restrictions to impact our ability to meet our business needs for the foreseeable future. However, our ability to maintain adequate liquidity for our operations in the future is dependent upon a number of factors, including our revenue, macroeconomic conditions, the duration and severity of the economic and operational impacts caused by the COVID-19 pandemic and related restrictions, our ability to contain costs, including capital expenditures, and to collect accounts receivable, and various other factors, many of which are beyond our direct control. We are subject to certain financial and other covenants contained in our Credit Agreement. The impact of the COVID-19 pandemic and related restrictions may affect our ability to comply with such covenants. We will continue to monitor our liquidity position and covenant obligations and are in active conversations with our Lenders. We may seek to amend our Credit Agreement to provide greater comfort that we will be able to remain in compliance with our obligations but we may not be able to do so on terms that are acceptable or to the extent necessary to avoid a default, depending upon conditions in the credit markets, the length and depth of the market reaction to the pandemic and our ability to compete in this environment. We may also seek to raise funds through debt or equity financing in the future to fund operations, significant investments or acquisitions that are consistent with our strategy. If we need to access the capital markets, there can be no assurance that financing may be available on attractive terms, if at all. See Part II, Item 1A., “Risk Factors” of this Quarterly Report on Form 10-Q. As of March 31, 2020, Cash and cash equivalents were \$187.3 million.

**Term Loan and Revolving Loan.** As of March 31, 2020, the outstanding principal amount under the Term Loan was \$379.7 million, with an interest rate of 4.3%, including the impact of the interest rate swap. The outstanding borrowings under the Revolving Loan were \$420.0 million, with an interest rate of 2.7%. During the three months ended March 31, 2020, we made \$8.4 million in mandatory Term Loan payments and \$5.0 million in voluntary Revolving Loan payments. In March 2020, we drew down \$165.0 million on our Revolving Loan for additional liquidity and flexibility due to the uncertainty related to the COVID-19 pandemic and related restrictions, ending the quarter with \$187.3 million in available cash. As of March 31, 2020, \$30.0 million was available to borrow under the Revolving Loan. As of April 30, 2020, Cash and cash equivalents were approximately \$190.0 million. Our borrowings are limited by our total net leverage ratio, which is calculated in accordance with our Credit Agreement, and was 4.1 to 1.0

as of March 31, 2020. In October 2019, we entered into an amendment to our Credit Agreement to increase the total net leverage covenant during the remaining term of the Credit Agreement while preserving the favorable pricing structure from the original agreement. The amendment increased our maximum total net leverage ratio from 3.75x to 4.50x with incremental step downs through the maturities of the Term Loan and the Revolving Loan on May 31, 2022.

**Interest Rate Swap.** The interest rate on borrowings under our Term Loan is floating and, therefore, subject to fluctuations. In order to manage the risk associated with changes in interest rates on our borrowing, we entered into an interest rate swap agreement (the “Swap”) effective December 31, 2018. Under the terms of the Swap, we are locked into a fixed rate of interest of 2.96% plus an applicable margin, as defined in our Credit Agreement, on a notional amount of \$300 million. As of March 31, 2020, the fair value of the Swap was an unrealized loss of \$17.0 million. The Swap is designated as a cash flow hedge of interest rate risk and recorded at fair value in Other accrued liabilities and Other noncurrent liabilities on the Consolidated Balance Sheets. Any gains or losses on the Swap will be reported as a component of Accumulated other comprehensive (loss) income until reclassified to Interest expense, net in the same period the hedge transaction impacts earnings.

**Share Repurchase Program.** In March 2018, our Board of Directors authorized a stock repurchase program to acquire up to \$200 million of our common stock over a two-year period. We were allowed to repurchase stock from time to time in open market transactions or through privately negotiated transactions in accordance with applicable federal securities laws. The timing and amounts of any purchases under the stock repurchase program will be based on market conditions and other factors including price. The repurchase program did not require the purchase of any minimum number of shares and may be suspended, modified or discontinued at any time without prior notice. The Company repurchased and subsequently retired 0.9 million shares for \$20.0 million for the three months ended March 31, 2019 and did not repurchase any shares for the three months ended March 31, 2020. As of March 31, 2020, the repurchase program is expired.

**Cash Flows.** Details of our cash flows are as follows (in thousands):

	Three Months Ended March 31,			Change		
	2020		2019			
Net cash provided by (used in):						
Operating activities	\$	28,892	\$	38,389	\$	(9,497)
Investing activities		(5,755)		(3,963)		(1,792)
Financing activities		150,658		(31,549)		182,207
Net change in cash and cash equivalents	\$	173,795	\$	2,877	\$	170,918

**Operating Activities.** The decrease in cash provided by operating activities was primarily related to changes in operating assets and liabilities, partially offset by the reduction of net loss, excluding the impact of non-cash items. In addition, the net loss for the three months ended March 31, 2020 and 2019 was impacted by the following costs (in thousands):

	Three Months Ended March 31,			
	2020		2019	
Severance, transformation and other exit costs	\$	1,404	\$	6,453
Transaction-related costs (1)		97		2,044
Costs associated with stockholder activist campaign		—		2,695
Total	\$	1,501	\$	11,192

(1) Transaction-related costs are certain expense items resulting from actual or potential transactions such as business combinations, mergers, acquisitions, dispositions, spin-offs, financing transactions, and other strategic transactions, including, without limitation, (a) transaction-related bonuses and (b) expenses for advisors and representatives such as investment bankers, consultants, attorneys and accounting firms. Transaction-related costs may also include, without limitation, transition and integration costs such as retention bonuses and acquisition-related milestone payments to acquired employees, in addition to consulting, compensation and other incremental costs associated with integration projects.

**Investing Activities.** The increase in cash used in investing activities is primarily due to an increase in purchases of property and equipment.

**Financing Activities.** During the three months ended March 31, 2020, cash used in financing activities is primarily related to \$165.0 million in proceeds related to the draw on our revolver, partially offset by \$13.4 million in debt repayments, of which \$5.0 million was voluntarily paid. For information related to our Term and Revolving Loans, see Note 5 (Debt) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

**Commitments and Contingencies.** For information related to commitments and contingencies, see Note 8 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

**Off-Balance Sheet Arrangements.** We do not have any material off-balance sheet arrangements.

**Critical Accounting Policies.** For information related to critical accounting policies, see “Critical Accounting Policies and Estimates” in Part II, Item 7., “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, of the Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the SEC on February 26, 2020 and see Note 1 (Description of Business, Company History and Summary of Significant Accounting Policies) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q. During the three months ended March 31, 2020, there have been no changes to our critical accounting policies.

**Recent Accounting Pronouncements.** For information related to recent accounting pronouncements, see Note 2 (New Accounting Pronouncements) to the accompanying Consolidated Financial Statements included in Part I, Item 1., “Financial Statements” of this Quarterly Report on Form 10-Q.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

For quantitative and qualitative disclosures about market risk, see “Quantitative and Qualitative Disclosures About Market Risk,” in Part II, Item 7A., of the Annual Report on Form 10-K for the year ended December 31, 2019, as filed with the Securities and Exchange Commission (“SEC”) on February 26, 2020. Our exposures to market risk have not changed materially since December 31, 2019.

### Item 4. Controls and Procedures

**Disclosure Controls and Procedures.** Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

**Changes in Internal Control Over Financial Reporting.** During the period covered by this Quarterly Report on Form 10-Q, there were no changes in our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). We have not experienced any material impact to our internal controls over financial reporting despite the fact that most of our employees are working remotely due to the Coronavirus disease 2019 (“COVID-19”) pandemic and related restrictions. We are continually monitoring and assessing the COVID-19 pandemic and related restrictions on our internal controls to minimize the effect on their design and operating effectiveness.

## PART II—OTHER INFORMATION

### Item 1. Legal Proceedings

For information relating to legal proceedings, see Note 8 (Commitments and Contingencies) to the accompanying Consolidated Financial Statements included in Part I, Item 1, “Financial Statements” of this Quarterly Report on Form 10-Q.

### Item 1A. Risk Factors

Our business and the ownership of our common stock are subject to a number of risks and uncertainties, including those described in Part I, Item 1A., “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission (“SEC”) on February 26, 2020, which could materially affect our business, financial condition, results of operations and future results. Other than as set forth below, there have been no material changes from the risk factors described in our Annual Report on Form 10-K.

*The COVID-19 pandemic and related restrictions have adversely affected, and could continue to adversely affect, our business, financial condition, liquidity and results of operations.*

The novel coronavirus disease 2019 (“COVID-19”) pandemic and related restrictions have resulted in a widespread health crisis that have adversely affected businesses, economies and financial markets worldwide, and have caused significant volatility in U.S. and international debt and equity markets.

Our business, financial condition, liquidity and operating results have been, and will continue to be, adversely affected by COVID-19 and related restrictions. For example, the COVID-19 pandemic and related restrictions have caused a widespread increase in unemployment and are expected to result in reduced consumer spending and an economic slowdown or recession. Substantially all of our revenue is generated from subscription services offered to automotive dealers and our national advertising offerings to original equipment manufacturers (“OEMs”) and other advertisers in or endemic to the automotive industry and our business may be negatively affected during times of low automobile sales and high unemployment. To the extent that such a weakened economy impacts our customers’ ability or willingness to pay for our services or our vendors’ ability to provide services to us, we could see our operations, liquidity and financial condition negatively impacted.

Dealers operate in a highly competitive market and are vulnerable to both decreased demand for new and used vehicles and periods of economic slowdown or recession. Furthermore, dealerships have temporarily or permanently closed and more may close in the near future in light of the COVID-19 pandemic and related restrictions. Negative changes in the financial condition of dealers has resulted and may continue to result in decreased subscription revenue and reduced demand for our services. Moreover, the impact of the COVID-19 pandemic and related restrictions on dealers may materially reduce our number of dealer customers in the future. Additionally, OEMs may reduce their advertising spend on our platforms due to the impact of the COVID-19 pandemic and related restrictions on the automotive industry. All of these factors could adversely impact our profitability and financial results.

In an effort to assist our dealer customers impacted by the COVID-19 pandemic and related restrictions, we have announced, among other measures, financial relief in the form of certain invoice credits of 50% for April 2020 and 30% for May and June 2020. These discounts and reduced consumer spending will negatively impact our revenue in the near term and may negatively impact other results of operations in the near term and, if not effective in mitigating the effect of the COVID-19 pandemic and related restrictions on our dealer customers, may adversely affect our business and results of operations more substantially over a longer period of time.

With respect to managing our expenses, we have multiple initiatives underway to adjust our expenses with changes in revenue. These steps have included an employee furlough, reduction in force, salary reductions, freezes on hiring and temporary labor, deferral of merit and promotion increases; a reduction of our marketing expense by aligning our variable marketing spend with shopper demand, while carefully maintaining consumer engagement as evidenced by our strong organic traffic; partnering with vendors to reduce cost; and significant reductions of non-essential spending. However, we cannot currently predict whether these measures will be effective in mitigating the impact of the COVID-19 pandemic and related restrictions on our operations, liquidity and financial condition or whether these measures will affect the productivity of our workforce, reduce consumer traffic to our websites or otherwise affect our operations. We may be required to implement additional expense-reduction measures or amend our debt instruments in the future if the COVID-19 pandemic and related restrictions persist over a longer period, which could further adversely impact our operations, liquidity and financial condition.

The extent to which the COVID-19 pandemic and responses to it impact our results will depend on future developments, which are highly uncertain and cannot be predicted, including: the duration and scope of the pandemic; actions that have been and continue to be taken in response to the pandemic; the availability and cost to access the capital markets; the effect on our dealer customers’ demand

for and ability to pay for our services; the effect on consumer demand for our services; disruptions or restrictions on our employees' ability to work and travel; and impacts on employee health and responses to it. During the period of the COVID-19 pandemic and related restrictions, we may not be able to provide the same level of customer service and product features that our dealer customers and consumers are used to, which could negatively impact their perception of our service resulting in an increase in cancellations or reduction in traffic to our website.

We are subject to certain financial and other covenants contained in our Credit Agreement. The impact of the COVID-19 pandemic and related restrictions may affect our ability to comply with such covenants. We will continue to monitor our liquidity position and covenant obligations and are in active conversations with our Lenders. We may seek to amend our Credit Agreement to provide greater comfort that we will be able to remain in compliance with our obligations but we may not be able to do so on terms that are acceptable or to the extent necessary to avoid a default, depending upon conditions in the credit markets, the length and depth of the market reaction to the pandemic and our ability to compete in this environment. We may also seek to raise funds through debt or equity financing in the future to fund operations, significant investments or acquisitions that are consistent with our strategy. If we need to access the capital markets, there can be no assurance that financing may be available on attractive terms, if at all.

We will continue to actively monitor the issues raised by the COVID-19 pandemic and related restrictions and may take further actions that alter our business operations, as may be required by federal, state, or local authorities, or that we determine are in the best interests of our employees, customers, partners and stockholders. It is not clear what the potential effects any such alterations or modifications may have on our business, including the effects on our OEM and dealer customers, suppliers or vendors, consumers or on our financial results. The impact of the COVID-19 pandemic and related restrictions may also heighten other risks discussed in our Annual Report on Form 10-K, which could adversely affect our business, financial condition, liquidity and results of operations.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

**Exhibit Index**

Exhibit Number	Description
10.1*^	<a href="#">Form of Employee Restricted Stock Unit Award Agreement (2020) issued under the Cars.com Inc. Omnibus Incentive Compensation Plan</a>
10.2*^	<a href="#">Form of Employee Option Award Agreement issued under the Cars.com Inc. Omnibus Incentive Compensation Plan</a>
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
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>
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>

Exhibit Number	Description
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	The cover page from this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, formatted in Inline XBRL (included with Exhibit 101 attachments)
* ^	Filed herewith. Management contract or compensatory plan or arrangement.



**RESTRICTED STOCK UNIT  
AWARD AGREEMENT  
Under the  
Cars.com Inc.  
Omnibus Incentive Compensation Plan**

This Award Agreement governs the grant of Restricted Stock Units (referred to herein as “Stock Units”) to the employee (the “Employee”) designated in the Notice of Grant dated coincident with this Award Agreement. The Stock Units are granted under, and are subject to, the Cars.com Inc. (the “Company”) Omnibus Incentive Compensation Plan, as amended (the “Plan”). Terms used herein that are defined in the Plan shall have the meaning ascribed to them in the Plan or, to the extent applicable, the Notice of Grant. If there is any inconsistency between this Award Agreement and the terms of the Plan, the Plan’s terms shall supersede and replace the conflicting terms herein.

1. Grant of Stock Units. Pursuant to the provisions of (i) the Plan, (ii) the individual Notice of Grant governing the grant, and (iii) this Award Agreement, the Company has granted to the Employee the number of Stock Units set forth on the applicable Notice of Grant. Each vested Stock Unit shall entitle the Employee to receive from the Company one share of the Company’s common stock (“Common Stock”) upon the earliest of the Employee’s termination of employment (but only to the extent provided in Section 14), a Change in Control (but only to the extent provided in Section 13) or the Vesting Date, as defined below. The Employee shall not be entitled to receive any shares of Common Stock with respect to unvested Stock Units, and the Employee shall have no further rights with regard to a Stock Unit once the underlying share of Common Stock has been delivered with respect to that Stock Unit.

2. Vesting Schedule. Subject to the special vesting rules set forth in Sections 6, 13 and 14, the Stock Units shall vest in accordance with the Vesting Schedule specified in the Notice of Grant to the extent that the Employee is continuously employed by the Company or its Subsidiaries until the vesting date (“Vesting Date”) and has not terminated employment on or before such date. An Employee will not be treated as remaining in continuous employment if the Employee’s employer ceases to be a Subsidiary of the Company.

3. No Dividend Equivalents. No dividend equivalents shall be paid to the Employee with regard to the Stock Units.

4. Delivery of Shares. The Company shall deliver to the Employee a certificate or certificates, or at the election of the Company make an appropriate book-entry, for the number of shares of Common Stock equal to the number of vested Stock Units as soon as administratively practicable (but always by the 30th day) after the earliest of the Employee’s termination of employment (but only to the extent provided in Section 14), a Change in Control (but only to the extent provided in Section 13) or the Vesting Date. The Employee shall not be entitled to receive any shares of Common Stock with respect to unvested Stock Units, and the Employee shall have no further rights with regard to a Stock Unit once the underlying share of Common Stock has been delivered with respect to that Stock Unit.

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5. Cancellation of Stock Units.

(a) Termination of Employment. Subject to Sections 6, 13 and 14, all Stock Units granted to the Employee that have not vested as of the date of the Employee's termination of employment shall automatically be cancelled upon the Employee's termination of employment. Unvested Stock Units shall also be cancelled in connection with an event that results in the Employee's employer ceasing to be a Subsidiary of the Company.

(b) Forfeiture of Stock Units/Recovery of Common Stock. Pursuant to any recoupment policy the Company establishes, the Company may forfeit an Employee's Stock Units or recover shares of Common Stock issued in connection with a Stock Unit. In addition, the Company may assert any other remedies that may be available to the Company, including, without limitation, those available under Section 304 of the Sarbanes-Oxley Act of 2002.

6. Death and Disability. In lieu of the Vesting Schedule set forth in the Notice of Grant, in the event that the Employee's employment terminates on or prior to the Stock Unit Lapse Date by reason of death or permanent disability (as determined under the Company's Long Term Disability Plan), the Employee (or in the case of the Employee's death, the Employee's estate or designated beneficiary) shall become vested in a number of Stock Units equal to the product of (i) the total number of Stock Units in which the Employee would have become vested upon the Stock Unit Lapse Date had the Employee's employment not terminated, and (ii) a fraction, the numerator of which shall be the number of full calendar months between the Grant Date and the date that employment terminated, and the denominator of which shall be the number of full calendar months from the Grant Date to the Stock Unit Lapse Date; provided such number of Stock Units so vested shall be reduced by the number of Stock Units that had previously become vested.

7. Non-Assignability. Stock Units may not be transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, nor may the Stock Units be made subject to execution, attachment or similar process.

8. Rights as a Shareholder. The Employee shall have no rights as a shareholder by reason of the Stock Units.

9. Discretionary Plan; Employment. The Plan is discretionary in nature and may be suspended or terminated by the Company at any time. With respect to the Plan, (a) each grant of Stock Units is a one-time benefit which does not create any contractual or other right to receive future grants of Stock Units, or benefits in lieu of Stock Units; (b) all determinations with respect to any such future grants, including, but not limited to, the times when the Stock Units shall be granted, the number of Stock Units and the Vesting Dates, will be at the sole discretion of the Company; (c) the Employee's participation in the Plan shall not create a right to further employment with the Employee's employer and shall not interfere with the ability of the Employee's employer to terminate the Employee's employment relationship at any time with or without cause; (d) the Employee's participation in the Plan is voluntary; (e) the Stock Units are not part of normal and expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payment, bonuses, long-service awards, pension or

retirement benefits, or similar payments; and (f) the future value of the Stock Units is unknown and cannot be predicted with certainty.

10. Effect of Plan and these Terms and Conditions. The Plan is hereby incorporated by reference into this Award Agreement, and this Award Agreement is subject in all respects to the provisions of the Plan, including without limitation the authority of the Committee in its sole discretion to adjust awards and to make interpretations and other determinations with respect to all matters relating to the applicable Notice of Grant, Award Agreements, the Plan and awards made pursuant thereto. This Award Agreement shall apply to the grant of Stock Units made to the Employee on the date hereof and shall not apply to any future grants of Stock Units made to the Employee.

11. Notices. Notices hereunder shall be in writing and if to the Company shall be addressed to the Secretary of the Company at 300 S Riverside Plaza, Suite 1000, Chicago, Illinois 60606, and, if to the Employee, shall be addressed to the Employee at his or her address as it appears on the Company's records.

12. Successors and Assigns. The applicable Notice of Grant and Award Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company and, to the extent provided in Section 6 hereof, to the estate or designated beneficiary of the Employee.

13. Change in Control Provisions.

Notwithstanding anything to the contrary in this Award Agreement, the following provisions shall apply to all Stock Units granted under the Notice of Grant.

(a) Definitions.

As a modification to the definition set forth in Article 15 of the Plan and as used in this Award Agreement, a "Change in Control" shall mean the first to occur of the following:

(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or one of its affiliates or (iv) any acquisition pursuant to a transaction that complies with Sections 13(a)(iii)(A), 13(a)(iii)(B) and 13(a)(iii)(C);

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or

nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a "Business Combination"), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or entity resulting from such Business Combination (including, without limitation, a corporation or entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or any corporation or entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation or entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation or entity, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation or entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) Acceleration Provisions. (i) In the event of the occurrence of a Change in Control in which the Stock Units are not continued or assumed (i.e., the Stock Units are not equitably converted into, or substituted for, a right to receive cash and/or equity of a successor entity or its affiliate), the Stock Units that have not been cancelled or paid out shall become fully vested. The vested Stock Units shall be paid out to the Employee as soon as administratively practicable on or following the effective date of the Change in Control (but in no event later than 30 days after such event); provided that the Change in Control also constitutes a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A, and such payout will not result in additional taxes under Section 409A. Otherwise, the vested Stock Units shall be paid out as soon as administratively practicable after the earlier of the Employee's termination of employment or

the applicable Vesting Date for such Stock Units (but in no event later than 30 days after such events).

(ii) In the event of the occurrence of a Change in Control in which the Stock Units are continued or assumed (i.e., the Stock Units are equitably converted into, or substituted for, a right to receive cash and/or equity of a successor entity or its affiliate), the Stock Units shall not vest upon the Change in Control, provided that the Stock Units that are not subsequently vested and paid under the other provisions of this Award shall become fully vested in the event that the Employee has a “qualifying termination of employment” within two years following the date of the Change in Control. In the event of the occurrence of a Change in Control in which the Stock Units are continued or assumed, vested Stock Units shall be paid out as soon as administratively practicable after the earlier of the Employee’s termination of employment or the applicable Vesting Date for such Stock Units (but in no event later than 30 days after such events).

A “qualifying termination of employment” shall occur if the Company involuntarily terminates the Employee without “Cause” or the Employee is otherwise entitled to severance benefits under a severance plan or arrangement. For this purpose, “Cause” shall mean:

- any material misappropriation of funds or property of the Company or its affiliate by the Employee;
- unreasonable and persistent neglect or refusal by the Employee to perform his or her duties which is not remedied within thirty (30) days after receipt of written notice from the Company;
- or conviction, including a plea of guilty or of nolo contendere, of the Employee of a securities law violation or a felony.

(iii) If in connection with a Change in Control, the Stock Units are assumed (i.e., the Stock Units are equitably converted into, or substituted for, a right to receive cash and/or equity of a successor entity or its affiliate), the Stock Units shall refer to the right to receive such cash and/or equity. An assumption of this Stock Unit award must satisfy the following requirements:

- The converted or substituted award must be a right to receive an amount of cash and/or equity that has a value, measured at the time of such conversion or substitution, that is equal to the value of this Award as of the date of the Change in Control;
- Any equity payable in connection with a converted or substituted award must be publicly traded equity securities of the Company, a successor company or their direct or indirect parent company, and such equity issuable with respect to a converted or substituted award must be covered by a registration statement filed with the Securities Exchange Commission that permits the immediate sale of such shares on a national exchange;

- The vesting terms of any converted or substituted award must be substantially identical to the terms of this Award; and
- The other terms and conditions of any converted or substituted award must be no less favorable to the Employee than the terms of this Award are as of the date of the Change in Control (including the provisions that would apply in the event of a subsequent Change in Control).
- The determination of whether the conditions of this Section 13(b)(iii) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

(c) Legal Fees. The Company shall pay all legal fees, court costs, fees of experts and other costs and expenses when incurred by Employee in connection with any actual, threatened or contemplated litigation or legal, administrative or other proceedings involving the provisions of this Section 13, whether or not initiated by the Employee. The Company agrees to pay such amounts within 10 days following the Company's receipt of an invoice from the Employee, provided that the Employee shall have submitted an invoice for such amounts at least 30 days before the end of the calendar year next following the calendar year in which such fees and disbursements were incurred.

14. Employment or Similar Agreements. The provisions of Sections 1, 2, 4, 5, 6 and 13 of this Award Agreement shall not be applied to or interpreted in a manner which would decrease the rights held by, or the payments owing to, an Employee under an employment agreement, termination benefits plan or agreement or similar plan or agreement with the Company and contains specific provisions applying to Plan awards in the case of any change in control or similar event or termination of employment, and if there is any conflict between the terms of such employment agreement, termination benefits plan or agreement or similar plan or agreement and the terms of Sections 1, 2, 4, 5, 6 and 13, the employment agreement, termination benefits plan or agreement or similar plan or agreement shall control.

15. Grant Subject to Applicable Regulatory Approvals. Any grant of Stock Units under the Plan is specifically conditioned on, and subject to, any regulatory approvals required in the Employee's country. These approvals cannot be assured. If necessary approvals for grant or payment are not obtained, the Stock Units may be cancelled or rescinded, or they may expire, as determined by the Company in its sole and absolute discretion.

16. Applicable Laws and Consent to Jurisdiction. The validity, construction, interpretation and enforceability of this Agreement shall be determined and governed by the laws of the State of Delaware without giving effect to the principles of conflicts of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in Illinois and agree that such litigation shall be conducted in the courts of Cook County, Illinois or the federal courts of the United States for the Northern District of Illinois.

17. Compliance with Section 409A. This Award is intended to comply with the requirements of Section 409A so that no taxes under Section 409A are triggered, and shall be

interpreted and administered in accordance with that intent (e.g., the definition of “termination of employment” (or similar term used herein) shall have the meaning ascribed to “separation from service” under Section 409A). If any provision of this Award Agreement would otherwise conflict with or frustrate this intent, the provision shall not apply. Notwithstanding any provision in this Award Agreement to the contrary and solely to the extent required by Section 409A, if the Employee is a “specified employee” within the meaning of Code Section 409A and if delivery of shares is being made in connection with the Employee’s separation from service other than by reason of the Employee’s death, delivery of the shares shall be delayed until six months and one day after the Employee’s separation from service with the Company (or, if earlier than the end of the six-month period, the date of the Employee’s death). The Company shall not be responsible or liable for the consequences of any failure of the Award to avoid taxation under Section 409A.

**STOCK OPTION AWARD AGREEMENT**  
**Under the Cars.com Inc.**  
**Omnibus Incentive Compensation Plan**

This Stock Option Award Agreement (“Award Agreement”), dated March 18, 2020, governs the grant of options to purchase Cars.com Inc. common stock (“Common Stock”) under the Cars.com Inc. Omnibus Incentive Compensation Plan, as amended (the “Plan”), to the employee (the “Option Holder”) as designated in the Notice of Grant (“Notice of Grant”) attached to this Award Agreement. The Option is granted under, and is subject to, the Plan. Terms used herein that are defined in the Plan shall have the meaning ascribed to them in the Plan or, to the extent applicable, the Notice of Grant. If there is any inconsistency between this Award Agreement and the terms of the Plan, the Plan’s terms shall supersede and replace the conflicting terms herein.

1. Grant of Options. Pursuant to the provisions of (i) the Plan, (ii) the individual Notice of Grant governing the grant, and (iii) this Award Agreement, the Company has granted to the Option Holder the option to purchase the number of shares of Common Stock set forth on the applicable Notice of Grant (the “Options”), at the exercise price per share stated in such Notice of Grant (the “Option Price”).

2. Exercisability. Except as otherwise provided in Sections 6 and 13 below, the Options shall become exercisable as specified in the relevant Notice of Grant. In no event shall the Options be exercisable in whole or in part after the Option Expiration Date specified in the relevant Notice of Grant (the “Expiration Date”). Upon an Option Holder’s termination of employment with the Company following the Option Holder’s (a) death, (b) permanent disability (as determined under the Company’s Long Term Disability Plan), (c) a Change in Control (but only to the extent provided in Section 13), or (d) terminations without Cause (as defined in the Company’s Executive Severance Plan) (but only to the extent provided in Section 6), those Options awarded to the Option Holder may be exercised to the extent and as described in Sections 6 and 13 below. Upon any other termination of employment, the unvested Options will be automatically canceled, and vested Options will be exercisable in accordance with the terms of this Award Agreement. The Option Holder shall not be entitled to receive any shares of Common Stock with respect to unvested Options, and the Option Holder shall have no further rights with regard to an Option once the underlying share of Common Stock has been delivered with respect to that Option.

3. Method of Exercising Options. The Options may be exercised from time to time by written or electronic notice (in the form prescribed by the Company) delivered to and received by the Company, which notice shall be signed by the Option Holder and shall state the election to exercise the Options and the number of whole shares of Common Stock with respect to which the Options are being exercised. Such notice must be accompanied by a check payable to the Company, or such other consideration allowed pursuant to the Plan, in payment of the full Option Price for the number of shares purchased. Options may also be exercised by the delivery of shares in payment of the Option Price or pursuant to a “cashless” exercise procedure, subject to securities law restrictions, or by any other means the Compensation Committee of the Company (the “Committee”), in its sole discretion, determines is consistent with the Plan’s purpose and applicable law. The delivery of previously acquired shares may be made by attestation. Payment of any withholding taxes due upon exercise of Options may be made by withholding shares.

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4. Reduction in Number of Shares Subject to Options. Upon the exercise of one or more Options, the number of shares of Common Stock subject to the Options shall be reduced one-for-one.

5. Forfeiture and Cancellation of Options.

(a) Expiration of Term. On the Expiration Date, the unexercised Options shall be canceled automatically.

(b) Termination of Employment. Except as provided in Sections 6 and 13 below, or except as otherwise extended by the Committee in its sole discretion, the Options shall automatically be canceled on the earlier of the Option Exercise Date or 90 days after termination of the Option Holder's employment with the Company or any of its subsidiaries for any reason other than for Cause, which includes an event that results in the Option Holder's employer ceasing to be a subsidiary of the Company. All Options shall automatically be canceled immediately upon termination of the Option Holder's employment with the Company or any of its subsidiaries for Cause. A change in status from employee to Director, or from Director to employee, shall not result in the cancellation of the Options or have an effect on the vesting schedule.

(c) Forfeiture of Options/Recovery of Options Gains. Pursuant to any recoupment policy the Company establishes as in effect from time to time, the Company may forfeit an Option Holder's Options, recover shares of Common Stock issued in connection with an Option, or recover any option gain realized or obtained by the Option Holder or any transferee resulting from the exercise of any Options. In addition, the Company may assert any other remedies that may be available to the Company, including, without limitation, those available under Section 304 of the Sarbanes-Oxley Act of 2002.

6. Death, Disability and Termination without Cause. In lieu of the Vesting Schedule set forth in the Notice of Grant, in the event that the Option Holder's employment terminates on or prior to Vesting Date by reason of death or permanent disability (as determined under the Company's Long Term Disability Plan) or by the Company without Cause, the Option Holder (or in the case of the Option Holder's death, the Option Holder's estate or designated beneficiary) shall become vested in a number of Options equal to the product of (i) the total number of Options in which the Option Holder would have become vested upon the Vesting Date had the Option Holder's employment not terminated, and (ii) a fraction, the numerator of which shall be the number of full calendar months between the Grant Date and the date that employment terminated, and the denominator of which shall be the number of full calendar months from the Grant Date to the Vesting Date; provided such number of Options so vested shall be reduced by the number of Options that had previously become vested. Except as provided in Section 13 below, upon termination of the Option Holder's employment by reason of death, permanent disability or by the Company without Cause, the Options vested at the time of such termination may be exercised by the Option Holder (or in the case of the Option Holder's death, the Option Holder's estate or designated beneficiary), provided that such exercise occurs both before the Option Expiration Date and within 90 days after the Option Holder's termination. All unvested Options will be canceled immediately upon termination of the Options Holder's employment and all unexercised vested Options shall be canceled upon the expiration of such post-termination exercise period. For avoidance of doubt, the treatment of stock-based awards upon a Qualifying Termination under the Company's Executive Severance Plan does not apply to this Option.

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7. Non-Assignability. Options may not be sold, transferred, assigned, pledged or hypothecated, whether by operation of law or otherwise, except by will or by the laws of descent and distribution nor may the Options be made subject to execution, attachment or similar process.

8. Rights as a Shareholder. The Option Holder shall have no rights as a shareholder by reason of the Options unless and until shares of Common Stock are issued to him or her pursuant to such Options. No dividends or dividend equivalents shall be paid to the Option Holder with regard to the Options.

9. Discretionary Plan; Employment. The Plan is discretionary in nature and may be suspended or terminated by the Company at any time. With respect to the Plan, (a) each grant of an Option is a one-time benefit which does not create any contractual or other right to receive future grants of Options, or benefits in lieu of Options; (b) all determinations with respect to any such future grants, including, but not limited to, the times when the Option shall be granted, the number of shares subject to each Option, the Option Price, and the times when each Option shall be exercisable, will be at the sole discretion of the Company; (c) the Option Holder's participation in the Plan shall not create a right to further employment with the Option Holder's employer and shall not interfere with the ability of the Option Holder's employer to terminate the Option Holder's employment relationship at any time with or without cause; (d) the Option Holder's participation in the Plan is voluntary; (e) the Options are not part of normal and expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payment, bonuses, long-service awards, pension or retirement benefits, or similar payments; (f) the future value of the shares underlying the Options is unknown and cannot be predicted with certainty; and (g) if the underlying shares do not increase in value, the Options will have no value.

10. Effect of Plan. The Plan is hereby incorporated by reference into this Award Agreement, and this Award Agreement is subject in all respects to the provisions of the Plan, including without limitation the authority of the Committee to adjust awards and to make interpretations and other determinations with respect to all matters relating to this Award Agreement, the applicable Notice of Grant, the Plan, and awards made pursuant thereto. This Award Agreement shall apply to the grant of Options made to the Option Holder on the date hereof and shall not apply to any future grants of Stock Units made to the Option Holder.

11. Notices. Notices hereunder shall be in writing and if to the Company shall be addressed to the Chief Legal Officer of the Company at 300 S. Riverside Plaza, Suite 1000, Chicago, Illinois 60606 and if to the Option Holder shall be addressed to the Option Holder at the Option Holder's address as it appears on the Company's records.

12. Successors and Assigns. The applicable Notice of Grant and this Award Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company and, to the extent provided in Sections 6, to the estate or designated beneficiary of the Option Holder.

13. Change in Control Provisions. Notwithstanding anything to the contrary in this Award Agreement, the following provisions shall apply to all Options granted under the Notice of Grant:

(a) Definitions. As used in Article 15 of the Plan and in this Award Agreement, a "Change in Control" shall mean the first to occur of the following:

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(i) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (A) the then-outstanding shares of common stock of the Company (the “Outstanding Company Common Stock”) or (B) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the “Outstanding Company Voting Securities”); provided, however, that, for purposes of this Section, the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or one of its affiliates or (iv) any acquisition pursuant to a transaction that complies with Sections 13(a)(iii)(A), 13(a)(iii)(B) and 13(a)(iii)(C);

(ii) individuals who, as of the date hereof, constitute the Board (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election or nomination for election by the Company’s stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board;

(iii) consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any of its subsidiaries, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case, unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or entity resulting from such Business Combination (including, without limitation, a corporation or entity that, as a result of such transaction, owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership immediately prior to such Business Combination of the Outstanding Company Common Stock and the Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or any corporation or entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then-outstanding shares of common stock of the corporation or entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such corporation or entity, except to the extent that such ownership existed prior to the Business Combination, and (C) at least a majority of the members of the board of directors of the corporation or entity resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

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(iv) approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) (i) In the event of the occurrence of a Change in Control in which the Options are not continued or assumed (i.e., the Options are not equitably converted into, or substituted for, a right to receive cash and/or equity of a successor entity or its affiliate), the Options that have not been cancelled or exercised shall become fully vested. The vested Options shall be paid out to the Options Holder as soon as administratively practicable on or following the effective date of the Change in Control (but in no event later than 60 days after such event); provided that the Change in Control also constitutes a change in ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A, and such payout will not result in additional taxes under Section 409A. Otherwise, the vested Options shall be paid out as soon as administratively practicable after the earlier of the Option Holder's termination of employment or the applicable Vesting Date for such Options (but in no event later than 60 days after such events).

(ii) In the event of the occurrence of a Change in Control in which the Options are continued or assumed (i.e., the Options are equitably converted into, or substituted for, a right to receive cash and/or equity of a successor entity or its affiliate), the Options shall not vest upon the Change in Control, provided that the Options that are not subsequently vested and paid under the other provisions of this Award Agreement shall become fully vested in the event that the Options Holder has a "qualifying termination of employment" within two years following the date of the Change in Control. In the event of the occurrence of a Change in Control in which the Options are continued or assumed, vested Options shall be exercisable as soon as administratively practicable after the earlier of the Option Holder's termination of employment or the applicable Vesting Date for such Options (but in no event later than 60 days after such events).

A "qualifying termination of employment" shall occur if the Company involuntarily terminates the Options Holder without "Cause" or the Option Holder is otherwise entitled to severance benefits under a severance plan or arrangement. Solely for this purpose in this Section 13, "Cause" shall mean:

- any material misappropriation of funds or property of the Company or its affiliate by the Option Holder;
- unreasonable and persistent neglect or refusal by the Option Holder to perform his or her duties which is not remedied within thirty (30) days after receipt of written notice from the Company; or
- conviction, including a plea of guilty or of nolo contendere, of the Option Holder of a securities law violation or a felony.

(iii) If in connection with a Change in Control, the Options are assumed (i.e., the Options are equitably converted into, or substituted for, a right to receive cash and/or equity of a successor entity or its affiliate), the Options shall refer to the right to receive such cash and/or equity. An assumption of the Options must satisfy the following requirements:

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- The converted or substituted award must be a right to receive an amount of cash and/or equity that has a value, measured at the time of such conversion or substitution, that is equal to the value of the Options as of the date of the Change in Control;
- Any equity payable in connection with a converted or substituted award must be publicly traded equity securities of the Company, a successor company or their direct or indirect parent company, and such equity issuable with respect to a converted or substituted award must be covered by a registration statement filed with the Securities Exchange Commission that permits the immediate sale of such shares on a national exchange;
- The vesting terms of any converted or substituted award must be substantially identical to the terms of in the Notice of Grant and this Award Agreement;
- The other terms and conditions of any converted or substituted award must be no less favorable to the Option Holder than the terms of this Award Agreement are as of the date of the Change in Control (including the provisions that would apply in the event of a subsequent Change in Control); and
- The determination of whether the conditions of this Section 13(b)(iii) are satisfied shall be made by the Committee, as constituted immediately before the Change in Control, in its sole discretion.

(c) Notwithstanding the foregoing in connection with a Change of Control, the Company may cancel the Options for no consideration if at the time of the Change in Control such Option has an exercise price higher than the fair market value of the underlying Share.

(d) The Company shall pay all legal fees, court costs, fees of experts and other costs and expenses when incurred by the Option Holder in connection with any actual, threatened or contemplated litigation or legal, administrative or other proceedings involving the provisions of this Section 13, whether or not initiated by the Option Holder. The Company agrees to pay such amounts within 10 days following the Company's receipt of an invoice from the Option Holder, provided that the Option Holder must submit an invoice for such amounts at least 30 days before the end of the calendar year next following the calendar year in which such fees and disbursements were incurred.

14. Grant Subject to Applicable Regulatory Approvals. Any grant of Options under the Plan is specifically conditioned on, and subject to, any regulatory approvals required in the Option Holder's country. These approvals cannot be assured. If necessary approvals for grant or exercise are not obtained, the Options may be canceled or rescinded, or they may expire, as determined by the Company in its sole and absolute discretion.

15. Applicable Laws and Consent to Jurisdiction. The validity, construction, interpretation and enforceability of this Award Agreement shall be determined and governed by the laws of the State of Delaware without giving effect to the principles of conflicts of law. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in Illinois and agree that such litigation shall be conducted in the courts of Cook County, Illinois or the federal courts of the United States for the Northern District of Illinois.

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16. Compliance with Section 409A. This Award Agreement is intended to comply with the requirements of Section 409A so that no taxes under Section 409A are triggered, and shall be interpreted and administered in accordance with that intent (e.g., the definition of “termination of employment” (or similar term used herein) shall have the meaning ascribed to “separation from service” under Section 409A). If any provision of this Award Agreement would otherwise conflict with or frustrate this intent, the provision shall not apply. Notwithstanding any provision in this Award Agreement to the contrary and solely to the extent required by Section 409A, if the Option Holder is a “specified employee” within the meaning of Code Section 409A and if delivery of shares is being made in connection with the Option Holder’s separation from service other than by reason of the Option Holder’s death, delivery of the shares shall be delayed until six months and one day after the Option Holder’s separation from service with the Company (or, if earlier than the end of the six-month period, the date of the Option Holder’s death). The Company shall not be responsible or liable for the consequences of any failure of the Options to avoid taxation under Section 409A.

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, T. Alex Vetter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cars.com 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: May 6, 2020

By: /s/ T. Alex Vetter  
T. Alex Vetter  
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeanette Tomy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cars.com 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: May 6, 2020

By: /s/ Jeanette Tomy  
Jeanette Tomy  
Chief Financial Officer

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

In connection with the Quarterly Report of Cars.com Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2020 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, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2020

By: /s/ T. Alex Vetter  
T. Alex Vetter  
President and Chief Executive Officer

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

In connection with the Quarterly Report of Cars.com Inc. (the "Company") on Form 10-Q for the quarterly period ended March 31, 2020 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, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 6, 2020

By: /s/ Jeanette Tomy  
Jeanette Tomy  
Chief Financial Officer