

Shift 1Q 2023 Earnings Conference Call Prepared Remarks May 11, 2023

Susan Lewis, Vice President Investor Relations

Good afternoon and welcome to the Shift Technologies First Quarter 2023 earnings call. Joining me on the call today is CEO, Jeff Clementz, and CFO, Oded Shein.

During our remarks, we will make some forward-looking statements, which represent our current judgment on what the future may hold. And while we believe these judgments are reasonable, these forward-looking statements are not guarantees of future performance and involve certain assumptions, risks and uncertainties.

Actual outcomes and results may differ materially from what is expressed or implied in any forward-looking statement. Please refer to our filings with the SEC for a full discussion of the factors that may affect any forward-looking statements. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise after this conference call.

During the course of the call, we will be referring to non-GAAP measures, as defined and reconciled in our earnings materials.

With that said, I will now turn the call over to Jeff.

Jeff Clementz, Chief Executive Officer

Thank you, Susan, and good afternoon, everyone. Thank you for joining us on our first quarter 2023 earnings call.

During our fourth quarter call six weeks ago, we gave a comprehensive update on our strategy and operations. Today we have a few key updates to provide.

First, our quarterly results came in near the top end of the guidance ranges we provided. The first quarter was still a transition period as we integrated the CarLotz transaction, executed strategic decisions regarding our footprint, and evolved to our technology-forward omnichannel sales model, which allows our customers to choose how and when they want to shop. We have made changes to our sales organization, as well as optimized our marketing strategy and reconditioning processes to improve performance and increase efficiency. We continue to refine the model and, as operations have begun to normalize, we are encouraged by sequential improvement in our GPU in Q1 and second quarter to date. With these changes behind us, we believe we are positioned to expand GPU, especially F&I, and leverage SG&A going forward which should translate into lower cash usage in future quarters.

Second, our tech and ops teams continue to work together to build and optimize our dealer marketplace platform, which we expect to re-launch in Q3 of this year. We see a future where Shift is the platform for customers to shop and purchase the greatest selection of used and new

cars, with the same customer satisfaction and seamless e-commerce experience that we've been delivering over the past 10 years. Our partner dealers will be able to reach millions of digital customers, with no upfront fees, and build new lifetime customer relationships. For Shift, the marketplace not only introduces a high-margin, asset-lite revenue stream, but will also expand our inventory assortment and organically drive more traffic to the site, while providing further leverage on marketing and G&A costs.

Finally, our Board of Directors and management team are committed to doing what is best for all of our stakeholders, including our customers, employees, business partners, debtholders, and shareholders. In that spirit, as stated in our press release, the company is evaluating a wide range of strategic alternatives to maximize stakeholder value.

I will now hand the call over to Oded to review our first quarter financial results. Oded?

Oded Shein, Chief Financial Officer

Thank you, Jeff, and good afternoon everyone.

Total revenue was \$57.7 million in the first quarter. We sold 2,396 retail units and 344 wholesale units.

Adjusted GPU was \$1,777. F&I and other adjusted GPU was \$846 per unit sold, primarily impacted by a difficult financing environment and high interest rates. In our continuing effort to drive higher F&I attachment rates, we have recently added additional sub-prime financing partners and continue to train our in-store associates to offer the best experience for customers.

Adjusted SG&A was \$28.3 million, approximately flat with the previous quarter, while Adjusted EBITDA loss was \$24.0 million.

We ended the quarter with \$67.7 million of total cash and cash equivalents. Other uses of cash during the quarter, not included in adjusted EBITDA, were transaction costs, costs associated with hub closures, and timing of accounts payable.

I will now turn the call back to Jeff for closing comments. Jeff?

Jeff Clementz, Chief Executive Officer

Thank you, Oded.

We have an incredible team who is focused on driving significant operational and financial improvement across the business. I would like to thank them for their continued hard work and focus.

Thank you for joining us today and for your interest in Shift. We look forward to speaking to you again soon.

Due to our strategic alternatives review process, there will not be a Q&A session following this call. Have a good evening.