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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 8, 2022 (November 8, 2022)**

SHIFT TECHNOLOGIES, INC.

(Exact name of registrant as specified in charter)

Delaware	**001-38839**	**82-5325852**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

290 Division Street, Suite 400, San Francisco, CA	**94103**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: **(855) 575-6739**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A common stock, par value $0.0001 per share	SFT	Nasdaq Capital Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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. ☐

Item 2.02. Results of Operations and Financial Condition.

On November 8, 2022, Shift Technologies, Inc. (the "Company") announced its financial results for the fiscal quarter ended September 30, 2022 by issuing a press release. The full text of the Company's press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information "furnished" pursuant to this Item 2.02 (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

The following exhibit relating to Item 2.02 shall be deemed to be furnished, and not filed:

Exhibit Number	Description
99.1	Press release dated November 8, 2022
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 Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURE

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

SHIFT TECHNOLOGIES, INC.

Dated: November 8, 2022

By: /s/ Oded Shein
Name: Oded Shein
Title: Chief Financial Officer

Exhibit 99.1

Shift Announces Third Quarter Results

- Sold 4,855 ecommerce units and achieved $161.9 million in revenue
- Achieved strong Adjusted gross profit per unit of $1,925, despite macroeconomic headwinds and lower ASP vehicles
- Successfully executed restructuring plan as outlined in last quarter's earnings call

SAN FRANCISCO, November 8, 2022 — Shift Technologies, Inc. (Nasdaq: SFT), a leading end-to-end ecommerce platform for buying and selling used cars, today reported third quarter financial results for the period ended September 30, 2022. Management's commentary on third quarter financial results and outlook for the fourth quarter and full year 2022 can be found by accessing the Company's prepared remarks on investors.shift.com, or by listening to today's conference call. A live audio webcast will also be available on Shift's Investor Relations website.

"The third quarter represented a period of transition as we executed upon our revised business plan, which focuses on growing unit economics and driving SG&A costs lower," said CEO Jeff Clementz. "Despite the transition period, we introduced several exciting product updates and evolve our eCommerce capabilities. I'm extremely proud of how our team has continued to operate at the highest level through this challenging macro environment and the changes in the business."

Third Quarter 2022 Operating Results

All comparisons for the quarter are year-over-year unless otherwise specified.

- Total revenue for the quarter declined 10% year-over-year to $161.9 million.
- Total ecommerce units sold were 4,855, a decrease of 25%.
- Gross profit per unit was $84; Adjusted gross profit per unit[1] ("Adjusted GPU") was $1,925.
- Net loss was $75.8 million or 47% of revenue, compared to $52.2 million or 23% of revenue in the second quarter of 2022. Adjusted EBITDA[1] loss was $30.0 million or 18.5% of revenue, compared to $36.9 million or 16.5% of revenue in the second quarter of 2022.
- SG&A expenses were $49.8 million, or 30.8% of revenue, versus $57.9 million or 32.2% of revenue last year and $58.7 million, or 26.3% of revenue in the second quarter of 2022.

Fourth Quarter Outlook

We are providing guidance for the remainder of fiscal year 2022 as follows:

- Revenue in the range of $60 - $70 million,
- Adjusted GPU[1,2] in the range of $1,800 - $1,900
- Adjusted EBITDA[1,2] loss of $20 - $25 million

Fiscal Year 2022 Outlook

We are providing guidance for the year ending December 31, 2022 as follows:

- Revenue in the range of $665 - $675 million
- Adjusted GPU[1,2] of $1,700 - $1,800 per ecommerce unit
- Adjusted EBITDA[1,2] loss of $133.0 - $138.0 million

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[1]Adjusted Gross Profit, Adjusted Gross Profit per Unit (GPU), Adjusted EBITDA, and Adjusted EBITDA Margin are non-GAAP financial measures. Please see the discussion in the section "Explanation of Non-GAAP Measures" and the reconciliations included at the end of this press release.

[2]Specific quantifications of the amounts that would be required to reconcile these items are not available. The Company believes that because of the forward looking nature of the adjusted EBITDA loss and adjusted gross profit guidance, there is uncertainty and unpredictability with respect to certain of its GAAP measures which preclude the Company from providing accurate guidance on certain forward-looking GAAP to non-GAAP reconciliations. The Company believes that providing estimates of the amounts that would be required to reconcile the range of the Company's adjusted EBITDA and adjusted gross profit would imply a degree of precision that would be confusing or misleading to investors for the reasons identified above.

Shift Third Quarter 2022 Results Summary

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change (%)	2022	2021	Change (%)
	(in thousands, except per unit and per share amounts)					
Revenue	$ 161,869	$ 179,800	(10)%	$ 605,182	$ 440,653	37%
Gross profit	409	12,952	(97)%	23,075	36,647	(37)%
Adjusted gross profit	9,347	13,338	(30)%	33,149	37,525	(12)%
Net loss	(75,810)	(37,389)	103%	(185,057)	(111,805)	66%
Net loss per share, basic and diluted	(0.92)	(0.48)	92%	(2.29)	(1.43)	60%
Adjusted EBITDA loss	(30,019)	(33,301)	(10)%	(113,418)	(93,836)	21%
Gross profit per unit	$ 84	$ 1,997	(96)%	$ 1,252	$ 2,181	(43)%
Adjusted gross profit per unit	$ 1,925	$ 2,056	(6)%	$ 1,798	$ 2,232	(19)%
Ecommerce average selling price per unit	$ 24,692	$ 24,086	3%	$ 27,002	$ 22,302	21%
Ecommerce units sold	4,855	6,487	(25)%	18,441	16,810	10%

Conference Call Information

Shift senior management will host a conference call today to discuss the Company’s Q3'2022 financial results. This call is scheduled to begin at 2:00 pm PT / 5:00 pm ET and can be accessed by dialing (833) 634-1255 or (412) 317-6015. To listen to a live audio webcast, please visit Shift’s Investor Relations website at investors.shift.com. A telephonic replay of the conference call will be available until Tuesday, November 15, 2022, and can be accessed by dialing (877) 344-7529 or (412) 317-0088 and entering the passcode 5809211.

About Shift

Shift is a leading end-to-end auto ecommerce platform transforming the used car industry with a technology-driven, hassle-free customer experience. Shift’s mission is to make car purchase and ownership simple — to make buying or selling a used car fun, fair, and accessible to everyone. Shift provides comprehensive, digital solutions throughout the car ownership lifecycle: finding the right car, a seamless digitally-driven purchase transaction including financing and vehicle protection products, an efficient, digital trade-in/sale transaction, and a vision to provide high-value support services during car ownership. For more information, visit www.shift.com. The contents of our website are not incorporated into this press release.

Important Additional Information

In connection with the proposed transaction, the Company filed a registration statement on Form S-4 with the Securities and Exchange Commission (the “SEC”), which includes a joint proxy statement of the Company and CarLotz, that also constitutes a prospectus of the Company (the “joint proxy statement/prospectus”). Security holders of the Company and CarLotz are urged to carefully read the entire registration statement and joint proxy statement/prospectus because they contain important information. Security holders of the Company and CarLotz are also urged to carefully read other relevant documents filed with the SEC when they become available, including any amendments or supplements to the registration statement and joint proxy statement/prospectus, because they will contain important information. A definitive joint proxy statement/prospectus will be sent to the Company’s stockholders and to CarLotz’s stockholders. Security holders will be able to obtain the registration statement and the joint proxy statement/prospectus from the SEC’s website or from the Company or CarLotz as described in the paragraph below.

The documents filed by the Company with the SEC may be obtained free of charge at the SEC’s website at www.sec.gov. These documents may also be obtained free of charge from the Company by requesting them by mail at 290 Division Street, Suite 400, San Francisco, California 94103. The documents filed by CarLotz with the SEC may be obtained free of charge at the SEC’s website at www.sec.gov. These documents may also be obtained free of charge from CarLotz by requesting them by mail at 3301 W. Moore St., Richmond, Virginia 23230.

Participants in the Solicitation

The Company, CarLotz and certain of their directors, executive officers and employees may be deemed participants in the solicitation of proxies in connection with the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of proxies in connection with the proposed transaction, including a description of their direct or indirect interests, by security holdings or otherwise, is set forth in the Registration Statement. Information about the directors and executive officers of CarLotz is set forth in the definitive proxy statement for CarLotz's 2022 annual meeting of stockholders, filed with the SEC on April 29, 2022 and in CarLotz's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on March 15, 2022, as supplemented by CarLotz's subsequent filings with the SEC. Information about the directors and executive officers of the Company and their ownership of the Company's shares is set forth in the definitive proxy statement for the Company's 2022 annual meeting of stockholders, filed with the SEC on June 26, 2022. Free copies of these documents may be obtained as described in the paragraph above.

No Offer or Solicitation

This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended, and otherwise in accordance with applicable law.

Forward-Looking Statements

This document includes "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of words such as "forecast," "intend," "seek," "target," "anticipate," "believe," "expect," "estimate," "plan," "outlook," and "project" and other similar expressions that predict or indicate future events or trends or that are not statements of historical matters. Such forward looking statements include estimated financial information. Such forward looking statements with respect to revenues, earnings, performance, strategies, prospects and other aspects of Shift's business are based on current expectations that are subject to risks and uncertainties. A number of factors could cause actual results or outcomes to differ materially from those indicated by such forward looking statements. These factors include, but are not limited to: (1) Shift's ability to sustain its current growth, which may be affected by, among other things, competition, Shift's ability to grow and manage growth profitably, maintain relationships with customers and suppliers and retain its management and key employees; (2) changes in applicable laws or regulations; (3) the possibility that Shift may be adversely affected by other economic, business, and/or competitive factors; (4) the operational and financial outlook of Shift; (5) the ability for Shift to execute its growth strategy; (6) Shift's ability to purchase sufficient quantities of vehicles at attractive prices; (7) the risk that the conditions to the closing of the transaction are not satisfied, including the risk that required approvals from the stockholders of Shift or CarLotz for the transaction are not obtained; (8) litigation relating to the transaction; (9) uncertainties as to the timing of the consummation of the transaction and the ability of each party to consummate the transaction; (10) risks that the proposed transaction disrupts the current plans and operations of Shift or CarLotz; (11) the ability of Shift and CarLotz to retain and hire key personnel; (12) competitive responses to the proposed transaction; (13) unexpected costs, charges or expenses resulting from the transaction; (14) potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transaction; (15) the combined companies' ability to achieve the synergies expected from the transaction, as well as delays, challenges and expenses associated with integrating the combined companies' existing businesses; and (16) legislative, regulatory and economic developments and (17) other risks and uncertainties indicated from time to time in other documents filed or to be filed with the SEC by Shift. You are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. Shift undertakes no commitment to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Key Operating Metrics

Ecommerce Units Sold

We define ecommerce units sold as the number of vehicles sold to customers in a given period, net of returns. We currently have a seven-day, 200 mile return policy. The number of ecommerce units sold is the primary driver of our revenues and, indirectly, gross profit, since ecommerce unit sales enable multiple complementary revenue streams, including all financing and protection products. We view ecommerce units sold as a key measure of our growth, as growth in this metric is an indicator of our ability to successfully scale our operations while maintaining product integrity and customer satisfaction.

Wholesale Units Sold

We define wholesale units sold as the number of vehicles sold through wholesale channels in a given period. While wholesale units are not the primary driver of revenue or gross profit, wholesale is a valuable channel as it allows us to be able to purchase vehicles regardless of condition, which is important for the purpose of accepting a trade-in from a customer making a vehicle purchase from us, and as an online destination for consumers to sell their cars even if not selling us a car that meets our retail standards.

Ecommerce Average Sale Price

We define ecommerce average sale price ("ASP") as the average price paid by a customer for an ecommerce vehicle, calculated as ecommerce revenue divided by ecommerce units. Ecommerce average sale price helps us gauge market demand in real-time and allows us to maintain a range of inventory that most accurately reflects the overall price spectrum of used vehicle sales in the market.

Wholesale Average Sale Price

We define wholesale average sale price as the average price paid by a customer for a wholesale vehicle, calculated as wholesale revenue divided by wholesale units. We believe this metric provides transparency and is comparable to our peers.

Average Monthly Unique Visitors

We define a monthly unique visitor as an individual who has visited our website within a calendar month, based on data collected on our website. We calculate average monthly unique visitors as the sum of monthly unique visitors in a given period, divided by the number of months in that period. To classify whether a visitor is "unique", we dedupe (a technique for eliminating duplicate copies of repeating data) each visitor based on email address and phone number, if available, and if not, we use the anonymous ID which lives in each user's internet cookies. This practice ensures that we do not double-count individuals who visit our website multiple times within any given month. We view average monthly unique visitors as a key indicator of the strength of our brand, the effectiveness of our advertising and merchandising campaigns and consumer awareness.

Average Days to Sale

We define average days to sale as the number of days between Shift's acquisition of a vehicle and sale of that vehicle to a customer, averaged across all ecommerce units sold in a period. We view average days to sale as a useful metric in understanding the health of our inventory.

Ecommerce Vehicles Available for Sale

We define ecommerce vehicles available for sale as the number of ecommerce vehicles in inventory on the last day of a given reporting period. Until we reach an optimal pooled inventory level, we view ecommerce vehicles available for sale as a key measure of our growth. Growth in ecommerce vehicles available for sale increases the selection of vehicles available to consumers, which we believe will allow us to increase the number of vehicles we sell. Moreover, growth in ecommerce vehicles available for sale is an indicator of our ability to scale our vehicle purchasing, inspection and reconditioning operations.

Explanation Of Non-GAAP Measures

In addition to our GAAP results, we review certain non-GAAP financial measures to help us evaluate our business, measure our performance, identify trends affecting our business, establish budgets, measure the effectiveness of investments in our technology and sales and marketing, and assess our operational efficiencies. These non-GAAP measures include Adjusted Gross Profit, Adjusted gross profit per unit (“Adjusted GPU”), and Adjusted EBITDA, each of which is discussed below.

These non-GAAP financial measures are not intended to be considered in isolation from, as substitutes for, or as superior to, the corresponding financial measures prepared in accordance with GAAP. You are encouraged to evaluate these adjustments, and review the reconciliation of these non-GAAP financial measures to their most comparable GAAP measures, and the reasons we consider them appropriate. It is important to note that the particular items we exclude from, or include in, our non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies. See “Reconciliation of gross profit to Adjusted Gross Profit,” “Reconciliation of gross profit per unit to Adjusted gross profit per unit” and “Reconciliation of net loss to Adjusted EBITDA” included as part of this shareholder letter.

Adjusted Gross Profit

Management evaluates our business based on an adjusted gross profit calculation that removes the financial impact associated with milestones achieved under our Lithia warrant arrangement and depreciation related to reconditioning facilities that is included in cost of sales. These items resulted in reductions in gross profit in our consolidated financial statements as applicable to the periods presented. These are non-cash adjustments, and we do not expect any material future non-cash gross profit adjustments related to the Lithia warrant agreement. We also excluded non-recurring losses incurred to liquidate inventories as part of the Project Focus Restructuring Plan. We examine adjusted gross profit in aggregate as well as for each of our revenue streams: ecommerce, other, and wholesale.

Adjusted Gross Profit per Unit

We define adjusted gross profit per unit (“Adjusted GPU”) as the adjusted gross profit for ecommerce, other and wholesale, each of which divided by the total number of ecommerce units sold in the period. Adjusted GPU is driven by ecommerce vehicle revenue, which generates additional revenue through attachment of our financing and protection products, and gross profit generated from wholesale vehicle sales. We present Adjusted GPU from our three revenues streams, as ecommerce Adjusted GPU, Wholesale Adjusted GPU and Other Adjusted GPU. We believe Adjusted GPU is a key measure of our growth and long-term profitability.

Adjusted EBITDA and Adjusted EBITDA Margin

We define Adjusted EBITDA as net loss adjusted to exclude stock-based compensation expense, depreciation and amortization, net interest income or expense, impact of warrant remeasurement, warrant milestone impact, and other cash and non-cash based income or expenses that we do not consider indicative of our core operating performance. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by revenue. We believe Adjusted EBITDA is useful to investors in evaluating our performance for the following reasons:

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company’s performance without regard to items such as those we exclude in calculating this measure, which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired.

- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors concerning our performance.

- Adjusted EBITDA provides a measure of consistency and comparability with our past performance that many investors find useful, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, Adjusted EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include but are not limited to:

- Stock-based compensation is a non-cash charge and will remain an element of our long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period.

- Depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future, but Adjusted EBITDA does not reflect any cash requirements for these replacements.
- Change in fair value of financial instruments is a non-cash gain or loss. Liability-classified financial instruments represent potential future obligations to settle liabilities by issuing the Company's common stock. Adjusted EBITDA does not reflect changes in the fair value of these obligations.
- Adjusted EBITDA does not reflect changes in our working capital needs, capital expenditures, or contractual commitments.
- Adjusted EBITDA does not reflect cash requirements for income taxes and the cash impact of other income or expense.
- Other companies may calculate Adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

Our Adjusted EBITDA is influenced by fluctuations in our revenue and the timing and amounts of our investments in our operations. Adjusted EBITDA should not be considered as an alternative to net income (loss), income (loss) from operations, or any other measure of financial performance calculated and presented in accordance with GAAP.

Adjusted Selling, General and Administrative Expenses

We define Adjusted selling, general and administrative expenses ("Adjusted SG&A") as Selling, General and Administrative Expenses ("SG&A") adjusted to exclude those SG&A items that are excluded from Adjusted EBITDA. These items included but are not limited to stock-based compensation expense, transaction costs, and other cash and non-cash based expenses that we do not consider indicative of our core operating performance. We believe Adjusted SG&A is useful to investors in evaluating our performance for the following reasons:

- Adjusted SG&A is widely used by investors and securities analysts to measure a company's performance without regard to items such as those we exclude in calculating this measure, which can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired.
- Our management uses Adjusted SG&A in conjunction with GAAP financial measures for planning purposes, including the preparation of our annual operating budget, as a measure of performance and the effectiveness of our business strategies, and in communications with our board of directors concerning our performance.
- Adjusted SG&A provides a measure of consistency and comparability with our past performance that many investors find useful, facilitates period-to-period comparisons of operations, and also facilitates comparisons with other peer companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

Although Adjusted SG&A is frequently used by investors and securities analysts in their evaluations of companies, Adjusted SG&A has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of our results of operations as reported under GAAP. These limitations include but are not limited to:

- Stock-based compensation is a non-cash charge and will remain an element of our long-term incentive compensation package, although we exclude it as an expense when evaluating our ongoing operating performance for a particular period.
- Adjusted SG&A does not reflect changes in our working capital needs, capital expenditures, or contractual commitments.
- Other companies may calculate Adjusted SG&A differently than we do, limiting its usefulness as a comparative measure.

Our Adjusted SG&A is influenced by fluctuations in the timing and amounts of our investments in our operations. Adjusted SG&A should not be considered as an alternative to SG&A or any other measure of financial performance calculated and presented in accordance with GAAP.

Investor Relations Contact:
IR@shift.com

Media Contact:
press@shift.com

Source: Shift Technologies, Inc.

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except share and per share amounts)
(unaudited)

	As of September 30, 2022	As of December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,093	$ 182,616
Accounts receivable, net of allowance for doubtful accounts of $195 and $304	15,360	20,084
Inventory	48,665	122,743
Prepaid expenses and other current assets	5,139	7,392
Total current assets	113,257	332,835
Property and equipment, net	7,361	7,940
Operating lease right-of-use assets	33,363	—
Capitalized website and internal use software costs, net	17,953	9,262
Restricted cash, non-current	11,750	11,725
Goodwill	2,524	—
Deferred borrowing costs	341	564
Other non-current assets	2,816	3,414
Total assets	$ 189,365	$ 365,740
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 10,255	$ 15,175
Accrued expenses and other current liabilities	30,188	43,944
Current maturities of operating lease liabilities	6,435	—
Flooring line of credit	41,760	83,252
Total current liabilities	88,638	142,371
Long-term debt, net	162,849	144,335
Non-current operating lease liabilities	31,866	—
Other non-current liabilities	1,624	3,762
Total liabilities	284,977	290,468
Stockholders' equity (deficit):		
Preferred stock – par value $0.0001 per share; 1,000,000 shares authorized at September 30, 2022 and December 31, 2021, respectively	—	—
Common stock – par value $0.0001 per share; 500,000,000 shares authorized at September 30, 2022 and December 31, 2021, respectively; 85,577,678 and 81,369,311 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	9	8
Additional paid-in capital	530,146	515,975
Accumulated deficit	(625,767)	(440,711)
Total stockholders' equity (deficit)	(95,612)	75,272
Total liabilities and stockholders' equity (deficit)	$ 189,365	$ 365,740

SHIFT TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Revenue				
Ecommerce revenue, net	$ 119,881	$ 156,248	$ 497,943	$ 374,889
Other revenue, net	5,874	6,215	23,805	15,309
Wholesale vehicle revenue	36,114	17,337	83,434	50,455
Total revenue	161,869	179,800	605,182	440,653
Cost of sales	161,460	166,848	582,107	404,006
Gross profit	409	12,952	23,075	36,647
Operating expenses:				
Selling, general and administrative expenses	49,805	57,886	172,086	156,264
Restructuring expenses	20,649	—	20,649	—
Depreciation and amortization	2,958	1,375	7,097	4,037
Total operating expenses	73,412	59,261	199,832	160,301
Loss from operations	(73,003)	(46,309)	(176,757)	(123,654)
Change in fair value of financial instruments	—	11,967	—	17,591
Interest and other expense, net	(2,789)	(3,047)	(8,214)	(5,742)
Net loss before income taxes	(75,792)	(37,389)	(184,971)	(111,805)
Provision for income taxes	18	—	86	—
Net loss and comprehensive loss attributable to common stockholders	$ (75,810)	$ (37,389)	$ (185,057)	$ (111,805)
Net loss and comprehensive loss per share attributable to common stockholders, basic and diluted	$ (0.92)	$ (0.48)	$ (2.29)	$ (1.43)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	82,287,073	78,096,901	80,752,333	78,052,624

SHIFT TECHNOLOGIES INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (185,057)	$ (111,805)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	17,046	4,489
Stock-based compensation expense	13,300	18,944
Change in fair value of financial instruments	—	(17,591)
Amortization of operating lease right-of-use assets	11,434	—
Contra-revenue associated with milestones	478	478
Amortization of debt discounts	1,424	2,429
Changes in operating assets and liabilities:		
Accounts receivable	4,724	(4,363)
Inventory	73,846	(39,799)
Prepaid expenses and other current assets	785	255
Other non-current assets	227	44
Accounts payable	(5,308)	867
Accrued expenses and other current liabilities	(11,590)	17,497
Operating lease liabilities	(7,275)	—
Other non-current liabilities	(1,662)	391
Net cash, cash equivalents, and restricted cash used in operating activities	(87,628)	(128,164)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,786)	(5,094)
Proceeds from sale of property and equipment	316	—
Capitalized website internal-use software costs	(7,552)	(4,604)
Business acquisition	(15,000)	—
Net cash, cash equivalents, and restricted cash used in investing activities	(26,022)	(9,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from flooring line of credit facility	338,454	227,662
Repayment of flooring line of credit facility	(379,946)	(191,363)
Exchange of warrants for cash	—	(497)
Proceeds from Senior Unsecured Notes, net of discounts	19,591	—
Payment of debt issuance costs	(175)	—
Proceeds from issuance of convertible notes	—	143,768
Premiums paid for Capped Call Transactions	—	(28,391)
Proceeds from stock option exercises, including from early exercised options	3	366
Payment of tax withheld for common stock issued under stock-based compensation plans	(2,705)	—
Repurchase of shares related to early exercised options	(70)	(67)
Net cash, cash equivalents, and restricted cash provided by (used in) financing activities	(24,848)	151,478
Net increase (decrease) in cash, cash equivalents and restricted cash	(138,498)	13,616
Cash, cash equivalents and restricted cash, beginning of period	194,341	235,541
Cash, cash equivalents and restricted cash, end of period	$ 55,843	$ 249,157

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Key Operating Metrics
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Units:				
Ecommerce units	4,855	6,487	18,441	16,810
Wholesale units	1,854	1,624	4,990	5,095
Total units sold	6,709	8,111	23,431	21,905
Ecommerce ASP	$ 24,692	$ 24,086	$ 27,002	$ 22,302
Wholesale ASP	$ 19,479	$ 10,675	$ 16,720	$ 9,903
Gross Profit per Unit				
Ecommerce gross profit per unit	$ 529	$ 1,150	$ 438	$ 1,284
Other gross profit per unit	1,210	958	1,291	911
Wholesale gross profit per unit	(1,655)	(111)	(477)	(14)
Total gross profit per unit	$ 84	$ 1,997	$ 1,252	$ 2,181
Average monthly unique visitors	765,145	534,681	800,561	602,529
Average days to sale	76	60	66	53
Ecommerce vehicles available for sale	1,895	3,593	1,895	3,593

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Reconciliation of Gross Profit to Adjusted Gross Profit
(In thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total gross profit:				
GAAP total gross profit	$ 409	$ 12,952	$ 23,075	$ 36,647
Warrant impact adjustment (1)	159	159	478	478
Restructuring - Inventory liquidation (2)	8,545	—	8,545	—
Depreciation in cost of sales (3)	233	227	1,051	400
Adjusted total gross profit	$ 9,347	$ 13,338	$ 33,149	$ 37,525
Ecommerce gross profit:				
GAAP ecommerce gross profit	$ 2,569	$ 7,458	$ 8,071	$ 21,579
Warrant impact adjustment (1)	—	—	—	—
Restructuring - Inventory liquidation (2)	645	—	645	—
Depreciation in cost of sales (3)	233	227	1,051	400
Adjusted ecommerce gross profit	$ 3,447	$ 7,685	$ 9,767	$ 21,979
Other gross profit:				
GAAP other gross profit	$ 5,874	$ 6,215	$ 23,805	$ 15,309
Warrant impact adjustment (1)	159	159	478	478
Restructuring - Inventory liquidation (2)				
Depreciation in cost of sales (3)	—	—	—	—
Adjusted other gross profit	$ 6,033	$ 6,374	$ 24,283	$ 15,787
Wholesale gross profit:				
GAAP wholesale gross profit	$ (8,034)	$ (721)	$ (8,801)	$ (241)
Warrant impact adjustment (1)	—	—	—	—
Restructuring - Inventory liquidation (2)	7,901	—	7,901	—
Depreciation in cost of sales (3)	—	—	—	—
Adjusted wholesale gross profit	$ (133)	$ (721)	$ (8,801)	$ (241)

(1) Includes non-cash charges related to the Lithia warrants and recorded as contra-revenue on the condensed consolidated statements of operations and comprehensive loss.

(2) Includes non-recurring losses on inventory liquidation incurred as part of the previously announced Restructuring Plan.

(3) Includes depreciation expense attributed to reconditioning facilities included in cost of sales on the condensed consolidated statements of operations and comprehensive loss.

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Reconciliation of Gross Profit Per Unit To Adjusted Gross Profit Per Unit
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total gross profit per unit:				
GAAP total gross profit per unit	$ 84	$ 1,997	$ 1,252	$ 2,181
Warrant impact adjustment per unit (1)	33	24	26	28
Restructuring - Inventory liquidation (2)	1,760	—	463	—
Depreciation adjustment per unit (3)	48	35	57	23
Adjusted total gross profit per unit	$ 1,925	$ 2,056	$ 1,798	$ 2,232
Ecommerce gross profit per unit:				
GAAP ecommerce gross profit per unit	$ 529	$ 1,150	$ 438	$ 1,284
Warrant impact adjustment per unit (1)	—	—	—	—
Restructuring - Inventory liquidation (2)	133	—	35	—
Depreciation adjustment per unit (3)	48	35	57	23
Adjusted ecommerce gross profit per unit	$ 710	$ 1,185	$ 530	$ 1,307
Other gross profit per unit:				
GAAP other gross profit per unit	$ 1,210	$ 958	$ 1,291	$ 911
Warrant impact adjustment per unit (1)	33	24	26	28
Restructuring - Inventory liquidation (2)	—	—	—	—
Depreciation adjustment per unit (3)	—	—	—	—
Adjusted other gross profit per unit	$ 1,243	$ 982	$ 1,317	$ 939
Wholesale gross profit per unit:				
GAAP wholesale gross profit per unit	$ (1,655)	$ (111)	$ (477)	$ (14)
Warrant impact adjustment per unit (1)	—	—	—	—
Restructuring - Inventory liquidation (2)	1,627	—	428	—
Depreciation adjustment per unit (3)	—	—	—	—
Adjusted wholesale gross profit (loss) per unit	$ (28)	$ (111)	$ (49)	$ (14)

(1) Includes non-cash charges related to the Lithia warrants and recorded as contra-revenue on the condensed consolidated statements of operations and comprehensive loss.

(2) Includes non-recurring losses on inventory liquidation incurred as part of the previously announced Restructuring Plan.

(3) Includes depreciation expense attributed to reconditioning facilities included in cost of sales on the condensed consolidated statements of operations and comprehensive loss.

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Reconciliation of Gross Profit To Adjusted Gross Profit (Historical)
(In thousands)
(unaudited)

	Three Months Ended		Nine Months Ended
	September 30, 2021	December 31, 2021	September 30, 2021
Total gross profit:			
GAAP total gross profit	$ 12,952	$ 12,141	$ 36,647
Warrant impact adjustment (1)	159	159	478
Depreciation in cost of revenue (2)	227	267	400
Adjusted total gross profit	$ 13,338	$ 12,567	$ 37,525
			10.7 %
Ecommerce gross profit:			
GAAP ecommerce gross profit	$ 7,458	$ 3,683	$ 21,579
Warrant impact adjustment (1)	—	—	—
Depreciation in cost of revenue (2)	227	267	400
Adjusted ecommerce gross profit	$ 7,685	$ 3,950	$ 21,979
Other gross profit:			
GAAP other gross profit	$ 6,215	$ 7,324	$ 15,309
Warrant impact adjustment (1)	159	159	478
Depreciation in cost of revenue (2)	—	—	—
Adjusted other gross profit	$ 6,374	$ 7,483	$ 15,787
Wholesale gross profit:			
GAAP wholesale gross profit	$ (721)	$ 1,134	$ (241)
Warrant impact adjustment (1)	—	—	—
Depreciation in cost of revenue (2)	—	—	—
Adjusted wholesale gross profit	$ (721)	$ 1,134	$ (241)

(1) Includes non-cash charges related to the Lithia warrants and recorded as contra-revenue on the condensed consolidated statements of operations and comprehensive loss.

(2) Includes depreciation expense attributed to reconditioning facilities included in cost of sales on the condensed consolidated statements of operations and comprehensive loss.

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Reconciliation of Gross Profit Per Unit To Adjusted Gross Profit Per Unit (Historical)
(unaudited)

	Three Months Ended		Nine Months Ended
	September 30, 2021	December 31, 2021	September 30, 2021
Total gross profit per unit:			
GAAP total gross profit per unit	$ 1,997	$ 1,885	$ 2,180
Warrant impact adjustment per unit (1)	24	25	28
Depreciation adjustment per unit (2)	35	41	24
Adjusted total gross profit per unit	$ 2,056	$ 1,951	$ 2,232
			$ —
Ecommerce gross profit per unit:			
GAAP ecommerce gross profit per unit	$ 1,150	$ 572	$ 1,284
Warrant impact adjustment per unit (1)	—	—	—
Depreciation adjustment per unit (2)	35	41	24
Adjusted ecommerce gross profit per unit	$ 1,185	$ 613	$ 1,308
Other gross profit per unit:			
GAAP other gross profit per unit	$ 958	$ 1,137	$ 911
Warrant impact adjustment per unit (1)	24	25	28
Depreciation adjustment per unit (2)	—	—	—
Adjusted other gross profit per unit	$ 982	$ 1,162	$ 939
Wholesale gross profit per unit:			
GAAP wholesale gross profit per unit	$ (111)	$ 176	$ (14)
Warrant impact adjustment per unit (1)	—	—	—
Depreciation adjustment per unit (2)	—	—	—
Adjusted wholesale gross profit per unit	$ (111)	$ 176	$ (14)

(1) Includes non-cash charges related to the Lithia warrants and recorded as contra-revenue on the condensed consolidated statements of operations and comprehensive loss.

(2) Includes depreciation expense attributed to reconditioning facilities included in cost of sales on the condensed consolidated statements of operations and comprehensive loss.

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Reconciliation of Net Loss to Adjusted EBITDA
(In thousands)
(unaudited)

Adjusted EBITDA Reconciliation	**Three Months Ended September 30, 2022**	**Three Months Ended September 30, 2021**	**Nine Months Ended September 30, 2022**	**Nine Months Ended September 30, 2021**
Net Loss	$ (75,810)	$ (37,389)	$ (185,057)	$ (111,805)
(+) Interest and other expense, net	2,789	3,047	8,214	5,742
(+) Stock-based compensation	4,184	5,336	13,319	18,944
(+) Change in fair value of financial instruments	—	(11,967)	—	(17,591)
(+) Depreciation & amortization	3,191	1,605	8,148	4,488
(+) Warrant impact adjustment - contra-revenue (1)	159	159	478	478
(+) Fair transaction costs	—	—	3,071	—
(+) Facility closure costs (2)	—	—	1,766	—
(+) Sales tax penalty accrual (recovery)	—	5,431	(931)	5,431
(+) At-the-market sales agreement costs	—	—	266	—
(+) Provision for income taxes	18	—	86	—
(+) Severance and transaction bonuses	1,911	477	3,683	477
(+) Losses on sales of inventory associated with restructuring (3)	8,545	—	8,545	—
(+) Restructuring costs related to operating leases (4)	3,216	—	3,216	—
(+) Losses on sale or disposal of property and equipment (5)	2,367	—	2,367	—
(+) Losses on early decommissioning of capitalized internal-use software (6)	6,498	—	6,498	—
(+) Severance, retention, and CEO transition (7)	3,667	—	3,667	—
(+) Labor and other costs incurred to close hubs (8)	4,901	—	4,901	—
(+) CarLotz transaction costs	4,345	—	4,345	—
Adjusted EBITDA	$ (30,019)	$ (33,301)	$ (113,418)	$ (93,836)
EBITDA Margin (%)	*(18.5)%*	*(18.5)%*	*(18.7)%*	*(21.3)%*

(1) Includes non-cash charges related to the Lithia warrants and recorded as contra-revenue on the condensed consolidated statements of operations and comprehensive loss.
(2) Includes non-cash lease charges related to the closure of the Company's facilities in Miami and Las Vegas.
(3) Includes net losses on inventory liquidated as part of the previously announced Restructuring Plan.
(4) Includes termination fees and non-cash lease expense related to leases of closing hubs due to the Restructuring Plan.
(5) Includes losses on property sold or disposed from closing hubs due to the Restructuring Plan.
(6) Includes non-cash charges related to the early decommissioning of capitalized internal use software costs due to changes in business strategy arising from the Restructuring Plan
(7) Includes severance amounts related to the Restructuring Plan and the CEO transition.
(8) Includes fulfillment, lease, payroll, facilities, and other operating expenses related to the process of closing various hubs due to the Restructuring Plan.

SHIFT TECHNOLOGIES, INC. AND SUBSIDIARIES
Reconciliation of Selling, General and Administrative Expenses to Adjusted Selling, General and Administrative Expenses
(In thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
Adjusted Selling, General and Administrative Expenses Reconciliation	**2022**	**2021**	**2022**	**2021**
Selling, general and administrative expenses	$ 49,805	$ 57,886	$ 172,086	$ 156,264
(-) Stock-based compensation	(4,184)	(5,336)	(13,319)	(18,944)
(-) Fair transaction costs	—	—	(3,071)	—
(-) Facility closure costs	—	—	(1,766)	—
(-) Sales tax penalty accrual (recovery)	—	(5,431)	931	(5,431)
(-) At-the-market sales agreement costs	—	—	(266)	—
(-) Severance and transaction bonuses	(1,911)	(477)	(3,683)	(477)
(-) Carlotz transaction costs	(4,345)	—	(4,345)	—
Adjusted selling, general and administrative expenses	$ 39,365	$ 46,642	$ 146,567	$ 131,412