Risk Factors Comparison 2024-02-22 to 2023-02-23 Form: 10-K

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Described below are certain risks to our business and the industry in which we operate. You should carefully consider the risks described below, together with the financial and other information contained in this Annual Report on Form 10- K and in our other public disclosures. If any of the following risks actually occurs, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected. As a result, our future results could differ materially from historical results and from guidance we may provide regarding our expectations of our future financial performance, and the trading price of our Class A common stock could decline. Risk Factors Summary The following is a summary of the principal factors that make an investment in our securities speculative or risky, all of which are more fully described below in this section. This summary should be read in conjunction with the full description of" Risk Factors" in this section and should not be relied upon as an exhaustive summary of the material risks facing our business. In addition to the following summary and the information in this section, you should consider the other information contained in this Annual Report on Form 10- K before investing in our securities. Risks Related to Our Business • risks related to the larger automotive ecosystem, including consumer demand, global supply chain challenges, and other macroeconomic issues; • ~~COVID- 19 and other future epidemics and public health crises; •~~ our ability to raise additional capital; • our history of losses and ability to maintain profitability in the future; • our ability to effectively manage our historical rapid growth; • our ability to maintain customer service quality and reputational integrity and enhance our brand; • the seasonal and other fluctuations in our quarterly operating results; • our relationship with DriveTime and its affiliates; • our ability to compete in the highly competitive industry in which we participate; • the changes in prices of new and used vehicles; • our ability to acquire desirable inventory; • our ability to sell our inventory expeditiously; • our ~~access to structured finance, securitization, or derivative markets at competitive rates and in sufficient amounts; • our~~ dependence on the sale of automotive finance receivables for a substantial portion of our gross profits; • our reliance on credit data for the automotive finance receivables we sell; • our ability to successfully market and brand our business; • our reliance on internet searches to drive traffic to our website and mobile application; • our ability to comply with the laws and regulations to which we are subject; • ~~the changes in the laws and regulations to which we are subject; •~~ our ability to comply with the Telephone Consumer Protection Act of 1991; • ~~the evolution of regulation of the internet and e- commerce; •~~ our ability to grow complementary product and service offerings; • the **shift to use of mobile technology** ~~geographic concentration where we provide services and recondition and store vehicle inventory~~ ; • our ability to obtain affordable inventory insurance; • our ability to maintain adequate relationships with the lenders that finance our vehicle inventory purchases; • **errors in contracts with customers; •** our reliance on our proprietary credit scoring model in the forecasting of loss rates; • our reliance on internal and external logistics to transport our vehicle inventory; • ~~risks associated with the construction and operation of our inspection and reconditioning centers, hubs and vending machines, including our dependence on one supplier for construction and maintenance for our vending machines; • our ability to finance inspection and reconditioning centers and vending machines; •~~ our ability to protect the personal information and other data that we collect, process and store; • disruptions in availability and functionality of our **systems,** website **,** and mobile application; • our ability to protect our intellectual property, technology, and confidential information ~~; • our ability to defend against intellectual property disputes~~ ; • our ability to comply with the terms of open source licenses; • conditions affecting vehicle manufacturers, including manufacturer recalls **and strikes** ; • **pandemics, epidemics, disease outbreaks and other public health crises; • risks associated with the construction, financing, and operation of** our ~~reliance on third party technology to complete critical business~~ **inspection and reconditioning centers, hubs, vending machines, and** ~~functions~~ -- **auction sites** ; • our dependence on key personnel to operate our business; • our minority equity investment in Root, Inc. which may result in us receiving or retaining less than the amount of benefit we otherwise expect to receive from such investment; • the diversion of management' s attention and other disruptions associated with ~~potential future~~ acquisitions and strategic initiatives; and • the legal proceedings to which we may be subject in the ordinary course of business. Risks Related to Our Organizational Structure • our corporate structure; • the potential for conflicts of interest between our stockholders and LLC Unitholders; • our status as a" controlled company"; • risks related to payments due to LLC Unitholders under the Tax Receivable Agreement, if we derive benefits from using certain tax attributes; • substantial restrictions in our ability to use our net operating loss carryforwards in the event of an ownership change, as defined in the Internal Revenue Code; and • potential restrictions if we were to be deemed an investment company under the Investment Company Act of 1940. Risks Related to Our Liquidity • our substantial indebtedness; • our ability to generate sufficient cash flow; • changes in capital markets; • **our access to structured finance, securitization, or derivative markets at competitive rates and in sufficient amounts; •** the risks related to our securitizations; and • risk retention rules. Risks Related to Ownership of our Class A Common Stock • the trading price of our Class A common stock is volatile; • risks related to the actions of short sellers of our Class A common stock; • the Garcia Parties control us and their interests may conflict with our or our stockholders' interests in the future; • dilution due to issuance of additional Class A common stock or LLC Units in the future; • **use of the net proceeds from our at- the- market program; •** we could sell substantial blocks of our Class A common stock in the future; • the Company' s Tax Asset Preservation Plan could hinder the market for our Class A common stock; • we have no intention to pay dividends on our Class A common stock **for the foreseeable future** ; • Delaware law and our charter may prevent stockholders from changing decisions made by management; • the Court of Chancery of the State of Delaware is the sole and exclusive forum for certain stockholder litigation matters; and • we may issue shares of preferred stock in the future. ~~Risks Related to the ADESA Acquisition • our ability to successfully integrate the operations of Carvana and the Acquired Business (as defined~~

~~below) in the ADESA Acquisition and to realize the anticipated synergies and cost savings from our combination; • the assumption of unknown liabilities in the ADESA Acquisition; • the continued integration of the Acquired Business presents business uncertainties; • we have and may continue to incur significant expenses in connection with integration of the Acquired Business; and • acquisition accounting adjustments could adversely affect our financial results.~~ General Risk Factors • ~~the resources required~~ **our reliance on third- party technology** to **complete critical business functions** ~~comply with public company obligations~~ ; • our management' s accounting judgments and estimates, as well as changes to accounting policies; • changes in effective tax rates or review of our tax returns; • our internal controls over financial reporting; and • negative research about our business. Our business is subject to risks related to the larger automotive ecosystem, including consumer demand, global supply chain challenges, and other macroeconomic issues. Our business is affected by industry and economic conditions. The current macroeconomic environment is characterized by **uncertain inflation expectations,** heightened ~~inflation, rising~~ interest rates, ~~rising~~ **heightened and unpredictable** vehicle prices, high cost of energy and gasoline, reduced availability and higher cost of credit, reduced business and consumer confidence, stock market volatility, increased regulation, and global and domestic fears of recession. These macroeconomic conditions have and may continue to result in decreased consumer demand **,** adversely affecting the market for used vehicles **. Purchases of new and used vehicles are typically discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy** . Consumer purchases of new and used vehicles generally decline during recessionary periods and other periods in which disposable income is adversely affected. Inflationary **impacts on** ~~cost increases for~~ labor, materials, and services may cause costs to increase, as well as scarcity of certain products, **have caused increased vehicle prices,** which **have adversely affected, and** may ~~also~~ **continue to** adversely affect **,** the market for used vehicles. ~~Purchases of new and used vehicles are typically discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy.~~ In fiscal year ~~2022~~ **2023** , **our focus on driving fundamental operating efficiency and initiatives to bolster unit economics, combined with** industry and economic headwinds **,** ~~increased~~ **decreased** ~~pressure on~~ our sales volume ~~and gross profit per unit~~ **as compared with fiscal year 2022** . The number of vehicles we sold to retail customers decreased by **24** ~~3. 0~~ % to **312, 847, compared to** 412, 296 ~~, compared to 425, 237 in 2021 and gross profit per unit decreased by 33. 4 % to $ 3, 022~~ in 2022 **. Throughout** ~~, as compared to $ 4, 537 in 2021~~ **2023** ~~. To manage the business through this period~~ , we have sought to rapidly decrease expenses while optimizing for volume flexibility to adjust the business to changes in unit sales. In ~~2023~~ **2024** , ~~we expect further impacts to the number of retail units sold as the impacts of~~ reduced used vehicle industry demand, increasing benchmark interest rates, higher used vehicle depreciation rates, and our profitability initiatives **may continue** ~~flow through. Additionally, as a result of increases in our debt and interest rates in 2022, our interest expense increased by $ 310 million~~ to **impact the number** ~~$ 486 million compared to $ 176 million in 2021, primarily as a result~~ of **retail units sold** ~~increased interest incurred on our senior unsecured notes~~ . If economic conditions worsen or a recession occurs, it is highly likely that the used car industry will be further impacted and we may be required to take ~~more strict~~ **stricter** measures ~~than the ones we are taking~~ to protect our business. Those measures, including restructurings and cost savings, could materially adversely affect our business, operations, and financial results. Moreover, ~~the conflict in Ukraine has and may continue to result in increased volatility in~~ global **international conflicts** ~~oil and gas prices. It may also lead to changes in the availability of certain resources~~ , such as ~~nickel~~ **the conflict in Ukraine or the Hamas- Israel war have** and ~~neon~~ **may continue to result in broader macroeconomic uncertainty** , which may affect ~~the supply of new vehicles, thereby affecting~~ the supply chain and market for used vehicles. **Other international uncertainty, such as changes in relations between China and Taiwan may also result in potential disruptions to our operations and business prospects.** This volatility may **, among other things,** change consumer car purchasing behaviors, ~~which could materially and adversely affect our business and results of operations. To the extent the conflict in Ukraine adversely affects our business, it may also have the effect of heightening many other risks disclosed in our Annual Report on Form 10- K, any of~~ which could materially and adversely affect our business and results of operations. Increased environmental regulation has also made, and may in the future make, used vehicles more expensive and less desirable for consumers. Further, ~~the U. S. federal government and some state and local governments provide incentives to purchasers of electric vehicles in the form of rebates, tax credits and other financial incentives, which could contribute to making a used vehicle more expensive and less desirable when compared to a new~~ electric vehicle **adoption could impact the demand for used vehicles, as well as the number of and market for vehicles that flow through traditional wholesale and resale channels** . Our business may also be negatively affected by challenges to the larger automotive ecosystem, including urbanization, global supply chain challenges, military conflicts, and other macroeconomic issues. For example, rideshare services, such as Uber and Lyft, are **a** ~~becoming increasingly~~ popular ~~as a~~ means of transportation and may decrease consumer demand for the used vehicles we sell, particularly if urbanization increases. New technologies such as autonomous driving software also have the potential to change the dynamics of vehicle ownership in the future. Any of the foregoing could have a material adverse effect on our business, results of operations and financial condition. ~~The COVID- 19 pandemic and related regulations have in the past, and a resurgence of Covid- 19 or related regulations could again adversely affect, our business, operating results, financial condition and prospects. Measures implemented by authorities to control the spread of COVID- 19 since late 2019 impacted and may again in the future impact all or portions of our workforce and operations, the behavior of our customers, and the operations of our partners, vendors, and suppliers. In addition to governmental measures, we have and may again face increased operational challenges from the need to protect employee health and safety. These challenges have included, and may in the future include, workplace disruptions and restrictions on the movement of people, social distancing guidelines, increased employee absenteeism due to illness and / or quarantine and contact tracing requirements. Future restrictions on our access to and utilization of our logistics and distribution network, our corporate offices, our inspection and reconditioning centers, our hubs, our vending machines, and / or our support operations or workforce, or similar limitations for our partners, vendors, or suppliers, and restrictions or disruptions of transportation, could limit our ability to conduct our business. The COVID- 19 pandemic and future pandemics or~~

~~epidemics may cause increased economic and demand uncertainty, and lead to disruption and volatility in the global capital markets, which can increase the cost of capital and adversely impact access to capital. Regulations and challenges arising out of the COVID- 19 pandemic or future pandemics could have a material adverse effect on our business, operating results, financial condition and prospects.~~ We may require additional debt and equity capital to pursue our business objectives and respond to business opportunities, challenges, or unforeseen circumstances. If such capital is not available to us, our business, operating results, and financial condition may be harmed. We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances, including to increase our marketing expenditures to improve our brand awareness, build and maintain our inventory of quality used vehicles, develop new products or services (including vehicle- financing services) ~~or~~ **,** further improve existing products and services, enhance our operating infrastructure, ~~and~~ **or** acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional ~~funds~~ **capital** . However, additional ~~funds~~ **capital** may not be available when we need ~~them~~ **it** , on terms that are acceptable to us, or at all. In addition, any debt financing that we secure in the future could involve restrictive covenants which may make it more difficult for us to obtain additional capital and to pursue business opportunities. For example, the indentures governing our **Senior Secured** ~~2025, 2027, 2028, 2029, and 2030~~ Notes **and Senior Unsecured Notes (collectively the" Senior Notes," each as defined in Note 10 — Debt Instruments)** limit our ability and certain of our subsidiaries' ability to, among other things, incur additional debt or issue preferred stock, create liens, **create restrictions on intercompany payments,** pay dividends and make other distributions **, designate unrestricted subsidiaries** , redeem or repurchase stock or prepay subordinated indebtedness, make certain investments or certain other restricted payments, guarantee indebtedness, sell certain kinds of assets, **including assets securing our Senior Secured Notes,** enter into certain types of transactions with affiliates, and effect mergers or consolidations. See **Part II,** Item 7" Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity **and Capital Resources** ~~— Senior Unsecured Notes~~ ." Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected. We have a history of losses and we may not achieve or maintain profitability in the future. ~~We~~ **Since our inception in 2012 we** have ~~not been profitable since our inception in 2012 and had an~~ accumulated **a net** loss of ~~approximately~~ $ ~~3~~ **4** . ~~7~~ **4** billion as of December 31, ~~2022~~ **2023** ~~. We~~ **, and we** incurred net losses of $ ~~462 million, $~~ 287 million ~~,~~ and $ 2. 9 billion in the years ended December 31, ~~2020,~~ 2021 ~~,~~ and 2022, respectively **, and net income of $ 150 million in the year ended December 31, 2023** . ~~We expect to~~ **In the long term, we may also** make ~~significant~~ investments to further develop and expand our business and these investments may not result in increased revenue or growth on a timely basis or at all. In addition, as a public company, we have and will continue to incur significant legal, accounting, and other expenses. As a result of these expenditures, we will have to generate and sustain increased revenue to achieve and maintain profitability. We expect to continue to incur losses as ~~we invest in and strive to grow~~ our business **evolves** . We may incur significant losses in the future for a number of reasons, including investing in growth, slowing demand for used vehicles and our related products and services, increasing competition, higher interest rates, decreased vehicle affordability, weakness in the automotive retail industry generally, a decline in global financial conditions that negatively impacts economic activity and employment, as well as other risks described in this Annual Report on Form 10- K, and we may encounter unforeseen expenses, difficulties, complications, and delays in generating revenue or profitability. If our revenue generation slows, we may not be able to reduce costs in a timely manner because many of our costs are fixed. In addition, if we reduce variable costs to respond to losses, this may limit our ability to acquire customers and grow our revenues. Accordingly, we may not achieve or maintain profitability and we may continue to incur significant losses in the future. Our historical rapid growth may not be indicative of our future growth and, if we resume growing rapidly, we may not be able to manage our growth effectively. ~~In~~ **Although our history has been characterized by rapid growth, in** ~~2020~~ **2023** ~~, 2021, and 2022,~~ our revenue ~~grew~~ **decreased** from ~~approximately~~ $ ~~5~~ **13** . 6 billion ~~,~~ **in 2022** to $ ~~12~~ **10** . 8 billion **in 2023** , **primarily due** to **profitability initiatives and macroeconomic conditions** ~~$ 13. 6 billion, respectively~~ . For our revenues to ~~continue to~~ increase **again** , we need to successfully increase our penetration in existing markets, enter new markets, acquire more customers, gain repeat customers, and expand our brand awareness. The foregoing may not happen at all or may not happen as quickly as we expect. Our failure to successfully accomplish the foregoing could harm our business, financial condition, and results of operations. We expect that, in the future, even if our revenue increases, ~~our~~ **we may not achieve** historical ~~rate~~ **rates** of growth ~~may decline~~ . In any event, we will not be able to grow **quickly** ~~as fast~~ or at all if we do not: • increase the number of unique visitors to our website and mobile application and the number of customers utilizing our website and mobile application; • further improve the quality of our product offering, features, and complementary products and services; • introduce high quality new products, services, and features; or • make sellable sufficient appropriate inventory with high enough quality and low enough cost to meet the increasing demand for our vehicles. There can be no assurance that we will meet these objectives. We have **in the past expended,** and may again expend **,** substantial financial and other resources on: • marketing and advertising, including an increase to our television and streaming video advertising expenditures; • expansion of our inventory; and • general administration, including legal, accounting, internal audit, and other compliance expenses related to being a public company. Our historical rapid growth has placed and may continue to place significant demands on our management and our operational and financial resources. ~~We~~ **Since our inception in 2012, we** have experienced significant growth in the number of users of our website and mobile application as well as the amount of data that we analyze. Our organizational structure continues to become more complex, and we will need to continue improving our operational, financial, and management controls as well as our reporting systems and procedures. We will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture of rapid innovation, teamwork, and attention to the car- buying and car- selling experience for the consumer. If we cannot manage our growth effectively to maintain the quality and efficiency of our customers' car- buying and car- selling experience and the quality of the vehicles we sell, our business could be harmed and our results of operations and financial condition could be materially and adversely affected. Our business has grown rapidly since inception as additional customers have sold us their vehicles and purchased used vehicles and complementary products and services through our website and mobile application. However, our business is relatively new and has operated at substantial scale for only a limited period of time. Given this limited history, it is difficult to predict whether we will be able to maintain or grow our business. We also expect that our business will continue to evolve in ways that may be difficult to predict. For example, over time our investments that are intended to drive new customer traffic to our website and mobile application may be less productive than expected. In the event of this or any other adverse developments, our continued success will depend on our ability to successfully adjust our strategy to meet changing market dynamics. If we are unable to do so, our business could be harmed and our results of operations and financial condition could be materially and adversely affected. Our failure to maintain a reputation of integrity and to otherwise maintain and enhance our customer service quality and brand could adversely affect our business, sales, and results of operations. Our business model is based on our ability to provide customers with a transparent and simplified solution to car buying and selling that will save them time and money. Accordingly, our ability to consistently deliver a high quality experience and our reputation as a company of integrity are critical to our success. If we fail to maintain the high standards on which our reputation is built, or if an actual, or alleged failure of these standards occurs that damages this reputation, it could adversely affect consumer trust and demand and have a material adverse effect on our business, sales, and results of operations. Even the perception of a decrease in the quality of our customer service or brand could impact results. The operationally intensive aspect of our offering and the nature of automotive retail that necessitates the use of third- party vendors and systems to complete certain ancillary parts of the customer transaction (e. g. **,** vehicle inspections, submitting title and registration paperwork to **vendors or** state entities) makes maintaining the quality of our customer experience a particularly difficult challenge. For example, in 2022, we were the subject of various complaints relating to the timely delivery of titles and registration paperwork to certain state entities **, some of which are still active** . While we do not believe these **or any current** claims are material, irrespective of their validity, any claims, complaints, or negative publicity — about our business practices, our marketing, and advertising campaigns, our compliance with applicable laws and regulations, the integrity of the data that we provide to users, our cybersecurity measures and privacy practices and other aspects of our business — could diminish customer confidence in our platform and adversely affect our brand. The use of social media increases the speed with which information, misinformation, and opinions can be shared and thus the speed with which our reputation can be affected. If we fail to correct or mitigate misinformation or negative information about us, the vehicles we offer to sell or purchase, our customer experience, or any aspect of our brand, including information spread through social media or traditional media channels, it could have a material adverse effect on our business, sales, and results of operations. We experience seasonal and other fluctuations in our quarterly operating results, which may not fully reflect the underlying performance of our business. Our quarterly results of operations, including our revenue, gross profit, and profitability, if any, and cash flow vary from quarter to quarter based in part on, among other things, consumers' car- buying patterns. Used vehicle sales exhibit seasonality with sales typically peaking late in the first calendar quarter (coinciding with the time when the federal government issues tax refunds) and diminishing through the rest of the year, with the lowest relative level of sales expected to occur in the fourth calendar quarter. Due to our historical rapid growth, our **overall** sales patterns ~~to date~~ **in the past** have ~~been different from~~ **not always reflected** the general seasonality of the used vehicle industry. However, as our business and markets have and continue to mature, our results have become more reflective of typical market seasonality. Used ~~-~~ vehicle prices also exhibit seasonality, with used vehicles depreciating at a faster rate in the last two quarters of each year and a slower rate in the first two quarters of each year. Historically, this has led our gross profit per unit to be higher on average in the first half of the year than in the second half of the year. Other factors that cause our quarterly results to fluctuate include, without limitation: **• profitability or other initiatives;** • fluctuations in consumer demand, vehicle supply, and labor supply due to macroeconomic conditions; • the timing of our sales of our finance receivables; • our ability to attract new customers; • changes in the competitive dynamics of our industry; • the regulatory environment; • expenses associated with unforeseen quality issues and manufacturer recalls; • the speed, persistence, and aggregate level of inflation; • the pace and level of ~~rising~~ **changes in** benchmark interest rates; and • litigation or other claims against us. In addition, a significant portion of our expenses are fixed and do not vary proportionately with fluctuations in revenues. Accordingly, our results in any quarter may not indicate the results we may achieve in any subsequent quarter or for the full year, and period- to- period comparisons of our operating results may not be meaningful. Through shared service and other agreements not **always** negotiated at arm' s length, there were and are benefits to us from DriveTime' s expertise and economies of scale, and we continue to and may in the future utilize DriveTime and its affiliates for certain services and processes. We were incubated by and may benefit from our relationship and a series of arrangements with DriveTime not **always** negotiated at arm' s length, as DriveTime is controlled by our controlling shareholder who is also the father of our chief executive officer. Currently, many services that DriveTime historically provided to us (including certain accounting, finance, legal, human resources, payroll and benefits, tax, information technology, real estate, and inventory purchasing) are now provided by alternative vendors or have been brought in- house. In addition, DriveTime built certain of our inspection and reconditioning centers (" IRCs") in Georgia, New Jersey, and Texas and is now our landlord at some such sites. Verde Investments, Inc. (" Verde"), an affiliate of DriveTime, formerly leased to us our Arizona IRC and sold it to us in 2020. We have also historically leased certain of our hubs from DriveTime. However, our more recent expansion, including the ~~ADESA Acquisition~~ **acquisition of our wholesale marketplace** , has largely been independent of DriveTime. Consequently, certain of our historical costs and expansion activities may not accurately reflect our future costs and expansion to the extent that DriveTime no longer provides us with such services or refuses to continue doing so at currently contracted- for prices. We continue to periodically engage DriveTime, its affiliates, and other entities controlled by our controlling shareholder to provide us with certain services, including the administration of certain VSCs and other related products sold to our customers. We also continue to utilize DriveTime for certain information technology systems and services. For example, we still partially use ~~an inventory management system~~ **systems** obtained from DriveTime to support our revenue recognition process. Should DriveTime fail to adequately perform any of these services or maintain these systems on terms or at prices consistent with their historical prices, or at all, our financial condition and results of operations may be adversely affected. Additionally, DriveTime has in the past and may in the future purchase or sell certain vehicles or automotive finance receivables from or to us. However, there can be no assurance that they will do so on the same or similar terms, or at all. As a result, our historical results may not be reflected in our future results. Before and after we sell automotive finance receivables originated by us, DriveTime performs ongoing servicing and collections. If DriveTime is unwilling to enter into servicing arrangements for our future automotive finance receivable transactions on terms or at prices consistent with their historical prices or at all, our revenues derived from the sale of those receivables may decline as a result. If DriveTime refuses or becomes unable to continue servicing and collecting on automotive finance receivables originated by us before **or after** we sell them, our ability to adequately prepare such receivables for sale may be adversely affected. We participate in a highly competitive industry; pressure from existing and new companies may adversely affect our business and operating results. We face significant competition from companies that provide listings, information, lead generation, and car- buying and selling services designed to reach businesses and consumers and enable dealers to reach these consumers and inventory sources. Our current and future competitors may include: • traditional used vehicle dealerships such as CarMax that could increase investment in technology and infrastructure to compete directly with our online model; • internet and online automotive sites that could change their models to directly compete with us, such as Amazon, Autobytel. com, AutoTrader. com, Cars. com, CarGurus. com, eBay Motors, Edmunds. com, Google, KBB. com, and TrueCar. com; • providers of offline, membership- based car- buying services such as the Costco Auto Program; • used vehicle dealers or marketplaces with e- commerce business or online platforms ~~such as Shift, Fair, and Vroom~~ **; • marketplaces that could compete with our wholesale marketplace program** ; • automobile manufacturers such as Ford, General Motors, Hyundai, and Volkswagen that could change their sales models through technology and infrastructure investments; and • automobile manufacturers such as Tesla **, Rivian, and VinFast** that market directly to consumers. We also expect that competitors, both new and existing, will continue to enter the online and traditional automotive retail industry with competing brands, business models, products, and services, which could make it difficult to acquire inventory, attract customers, and sell vehicles at a profitable price. For example, **in 2023 Amazon announced its entry into the online vehicle market. Amazon could in the future shift its focus to directly compete with our offerings and other e- commerce businesses may similarly choose to enter the automotive retail space. Additionally,** traditional vehicle dealerships could transition **more of** their selling efforts to the internet, allowing them to more efficiently sell vehicles across state lines and compete directly with our online offering and no- negotiating pricing model. There can be no assurance we will not experience competition from DriveTime, the company from which we were spun off and with which we currently have a number of business relationships. Furthermore, we have a cross- license agreement with DriveTime pursuant to which DriveTime has obtained limited licenses to some of our intellectual property. **Some of these companies** ~~Additionally, existing e- commerce businesses~~ , such as Amazon, ~~could directly enter the online used vehicle market. Some of these companies~~ have significantly greater resources than we do and may be able to provide customers access to a greater inventory of vehicles at lower prices or purchase vehicles from consumers at higher prices while delivering a competitive online experience. Our competitors may also develop and market new technologies that render our existing or future business model, products and services less competitive, unmarketable or obsolete. ~~For example, rideshare services, such as Uber and Lyft, are a popular means of transportation and may decrease consumer demand for the used vehicles we sell, particularly if urbanization increases. Technology is currently being developed to produce automated, driverless vehicles that could reduce the demand for, or replace, traditional vehicles including the used vehicles that we sell.~~ In addition, if our competitors develop business models, products or services with similar or superior functionality to our solutions, it may adversely impact our business. **They** ~~Our competitors~~ may also impede our ability to reach consumers or commence operations in certain jurisdictions. For example, our competitors may increase their search engine optimization efforts and outbid us for search terms on various search engines ~~. Additionally~~ , ~~our~~ - **or** ~~competitors could~~ use their political influence and increase lobbying efforts ~~to hinder our real estate entitlements processes, push for new regulations, or encourage interpretations of existing regulations~~ that ~~would~~ **could harm** ~~inhibit or prevent~~ us ~~from operating in certain jurisdictions. Our current and potential competitors may have significantly greater financial, technical, marketing, and other resources than we have, and the ability to devote greater resources to the development, promotion and support of their products and services. Additionally, they may have more extensive automotive industry relationships, longer operating histories, and greater name recognition than we have. As a result, these competitors may be able to respond more quickly with new technologies and to undertake more extensive marketing or promotional campaigns. If we are unable to compete with these companies, the demand for our used vehicles, products, and services could substantially decline~~ . Private plaintiffs and federal, state, and local regulatory and law enforcement authorities continue to scrutinize advertising, sales, financing, and insurance activities in the purchase, sale, and leasing of used vehicles. If, as a result, other automotive retailers adopt more transparent, consumer- oriented business practices, our differentiation versus those retailers could be reduced. In addition, if one or more of our competitors, or DriveTime, were to merge or partner with another of our competitors, the change in the competitive landscape could adversely affect our ability to compete effectively. Our competitors may also establish or strengthen cooperative relationships with our current or future data providers, technology partners, or other parties with whom we have relationships, thereby limiting our ability to develop, improve, and promote our solutions. We may not be able to compete successfully against current or future competitors, and competitive pressures may harm our revenue, business, and financial results. Our business is sensitive to changes in the prices of new and used vehicles. Any significant changes in prices for new or used vehicles could have a material adverse effect on our revenues and results of operations. For example, an overall increase in prices or monthly payments for used vehicles, including as a result of increased interest rates customers face when financing a vehicle, may make it difficult for certain customers to afford to purchase a vehicle. Similarly, if prices for used vehicles rise relative to prices for new vehicles, it could make buying a new vehicle more attractive to our customers than buying a used vehicle, which could have a material adverse effect on our results of operations and could result in reduced used vehicle sales and lower revenue. Additionally, manufacturer incentives could contribute to narrowing the price gap between new and used vehicles. Further, the U. S. federal government and some state and local governments provide incentives to purchasers of electric vehicles in the form of rebates, tax credits, and other financial incentives, which could contribute to narrowing the price gap between new electric vehicles and used vehicles. Used vehicle prices may also decline due to an increased number of new vehicle lease returns over the next several years. While lower used vehicle prices reduce our cost of acquiring new inventory, lower prices could also lead to reductions in the prices at which we can sell such inventory, which could have a negative impact on gross profit. Furthermore, any significant changes in wholesale prices for used vehicles could have a material adverse effect on our results of operations by reducing wholesale margins. Our business is dependent upon access to desirable vehicle **inventory and parts used to recondition such** inventory. Obstacles to acquiring attractive inventory, whether because of supply, competition, or other factors, could have a material adverse effect on our business, sales, and results of operations. We acquire vehicles for sale through numerous sources, including directly from consumers, from wholesale auctions, **including our wholesale marketplace,** and from other retailers. There can be no assurance that the supply or price of desirable used vehicles will be sufficient to meet our needs. A reduction in the availability of or access to sources of desirable inventory, **including parts necessary to recondition such inventory,** whether due to supply chain constraints, pricing, or otherwise, could have a material adverse effect on our business, sales and results of operations. Additionally, we evaluate ~~hundreds of thousands of~~ **over 100, 000** potential vehicles daily using a proprietary algorithm to predict mechanical soundness, consumer desirability and relative value as prospective inventory. If we fail to adjust appraisal offers to stay in line with broader market trade- in offer trends, to recognize those trends, or to properly assess vehicles before we purchase them, it could adversely affect our ability to acquire desirable inventory. Our ability to source vehicles through our appraisal process could also be affected by competition, both from new and used vehicle dealers directly and through other websites driving appraisal traffic to those dealers. In addition, we remain dependent on others to sell us used vehicles, and there can be no assurance of an adequate supply of such vehicles on terms that are attractive to us. Finally, it is common that commercial suppliers of used vehicles regularly review their relationships with ~~whole~~ **wholesale** car auctions, such as our wholesale marketplace platform, through written requests for proposals. Such suppliers may from time to time require us to make changes to the way we do business as part of the request for proposal process or provide services on less favorable terms. There can be no assurance that our existing agreements will not be canceled or that we will be able to enter into future agreements with these or other suppliers on similar terms, or at all. Our business is dependent upon our ability to expeditiously sell inventory. Failure to expeditiously sell our inventory could have a material adverse effect on our business, sales, and results of operations. Our purchases of used vehicles are based in large part on projected demand. If actual sales are materially less than our forecasts, we have and may again experience an over- supply of used vehicle inventory. An over- supply of used vehicle inventory will generally cause downward pressure on our product sales prices and margins and increase our average days to sale. Due to macroeconomic conditions, we normalized our inventory size ~~in~~ **throughout** 2022 **and 2023** , reducing our nationally pooled inventory ~~by 7, 070 to 63, 992 for the year ended December 31, 2022~~ from 71, 062 **in** ~~for the year ended December 31,~~ 2021 **to 63, 992 in 2022 and 33, 075 in 2023,** in order to better focus on operating efficiencies in the short- term. Used ~~-~~vehicle inventory has typically represented a significant portion of our total assets. Having such a large portion of our total assets in the form of used vehicle inventory for an extended period of time subjects us to depreciation or inflation, and other risks **. We have experienced, and may continue to experience, accelerated depreciation of our vehicle inventory due to changes in economic conditions, which could result in reduced retail and wholesale margins** . Accordingly, if we have excess inventory or our average days to sale increases, we may be unable to liquidate such inventory at prices that allow us to meet margin targets or to recover our costs, which could have a material adverse effect on our results of operations . Our access to structured finance,......- offs and bad- debt expense . We depend on the sale of automotive finance receivables for a substantial portion of our gross profit. In connection with the sale of used vehicles, many of our customers use our financing services to finance a portion of the purchase price of their vehicle. The prices we are able to charge for finance receivables that we sell are based on a variety of factors, including the terms and credit risk associated with automotive finance receivables, the relationship between the interest rates we quoted the customer at the time they priced their financing and market and projected interest rates at the time we sell the finance receivables, the historical credit performance of the finance receivables we sell, demand for assets and related securities of that type in the financial markets, and other factors. If these variables or others were to change, we might be required to reduce our sale prices on finance receivables, sell fewer of them, or both, which could reduce our gains on sales of finance receivables. Any material reduction in our interest rate spread or gains on sale of finance receivables could have a material adverse effect on our business, results, of operations, and financial condition. Furthermore, customers may elect to finance their vehicle purchases through other parties who may be able to offer more attractive terms, in which case we would lose a source of what has historically been a significant portion of our gross profit. Our ability to sell automotive finance receivables is dependent on our ability to originate desirable finance receivables. If customers or other parties provide us incorrect or fraudulent data, we may offer credit terms that do not align with customers' credit profiles, and our operating results may be harmed. We offer financing to our customers to facilitate their purchases of used vehicles. The terms of the financing we offer are dependent in part on our assessment of such customers' credit- worthiness, which is based on data gathered from customers and other parties. If the information we rely on is inaccurate or fraudulent, we may offer inappropriate terms to our customers, resulting in originating automotive finance receivables that do not perform as expected or we are unable to sell because they are based on inaccurate credit profiles. Originating a material amount of receivables with inaccurate or fraudulent credit profiles could have a material adverse effect on our business, results of operations, and financial condition. ~~Our operating history and historical reliance on DriveTime systems and services make it difficult to evaluate our current business and future prospects. We launched our first market in 2013 and do not have a long operating history. In addition, we have only operated independently of DriveTime since November 1, 2014, and, following our spinoff from DriveTime, we remained dependent on DriveTime for a number of important operations, including locations for certain of our IRCs, vehicle inventory purchasing, and a number of administrative services. While many services historically provided by DriveTime are now provided by other vendors or have been brought in house, we continue to utilize DriveTime for certain services. Due to this and other factors, our operating results are not predictable and our historical results may not be indicative of our future results.~~ The success of our business relies heavily on our marketing and branding efforts, and these efforts may not be successful. An important component of our ~~growth~~ **business** is the growth of visitors to our website and mobile application. Because we are a consumer brand, we rely heavily on marketing and advertising to increase brand visibility with potential customers. We currently advertise through a blend of brand and direct advertising channels with the goal of increasing the strength, recognition, and trust in the Carvana brand and driving more unique visitors to our website and mobile application. We recorded expenses of ~~approximately $ 286 million,~~ $ 479 million, ~~and~~ $ 490 **million, and $ 228** million on advertising in the years ended December 31, ~~2020~~ **2021** , December 31, ~~2021~~ **2022** , and December 31, ~~2022~~ **2023** , respectively. Our business model relies on our ability to decrease incremental customer acquisition costs over time as we grow. If we are unable to recover our marketing costs through increases in customer traffic and in the number of transactions by users of our website and mobile application, if **we continue reducing our marketing spend, as we did in 2023 as part of our profitability initiatives, if** our advertising partners refuse to customize their products and services to accommodate our business model, if our advertising partners refuse to work with us at competitive rates or at all, or if our broad marketing campaigns are not successful or are terminated, it could have a material adverse effect on our growth, results of operations, and financial condition. We rely on internet search engines, lead generators, automotive finance providers, social networks, and vehicle listing sites to help drive traffic to our website and mobile application, and if we fail to appear prominently in the search results or fail to drive traffic through paid advertising, our traffic would decline and our business would be adversely affected. We depend in part on internet search engines ~~(such as Google and Bing)~~ , lead generators, automotive finance partners, social networking sites ~~(such as Facebook)~~ , and vehicle listing sites to drive traffic to our website and mobile application. Our ability to maintain and increase the number of visitors directed to our website and mobile application is not entirely within our control. Our competitors may increase their search engine optimization efforts and outbid us for placement on various vehicle listing sites or search terms on various search engines, resulting in their websites receiving a higher search result page ranking than ours. Additionally, internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. If internet search engines modify their search algorithms in ways that are detrimental to us, if vehicle listing sites refuse to display any or all of our inventory in certain geographic markets, or if our competitors' efforts are more successful than ours, overall growth in our customer base could slow or our customer base could decline. Internet search engine providers could provide automotive dealer and pricing information directly in search results, align with our competitors or choose to develop competing services. **Current and future state regulations may also hinder or prohibit targeted advertising efforts.** Our website and mobile application have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our website and mobile application through internet search engines, lead generators, automotive finance providers, social networking sites, or vehicle listing sites, could harm our business and operating results. We operate in several highly regulated industries and are subject to a wide range of federal, state, and local laws and regulations. Changes in these laws and regulations, or our actual or alleged failure to comply with such laws and regulations, could have a material adverse effect on our business, results of operations, and financial condition. We are subject to a wide range of evolving federal, state, and local laws and regulations, many of which may have limited to no interpretation precedent as it relates to our business model. Our sale and purchase of used vehicles and related activities, including **shipping and delivery of vehicles and** the sale of complementary products and services, are subject to state and local licensing requirements, state laws, regulations, and systems and process requirements related to title and registration, state laws regulating the sale of motor vehicles and related products and services, federal and state laws regulating advertising of motor vehicles and related products and services, federal and state consumer protection laws prohibiting unfair, deceptive or misleading practices toward consumers, customer insurance related regulations, and anti- money laundering regulations. Our facilities and business operations are subject to laws and regulations relating to environmental protection and health and safety. The financing we offer to customers is subject to state licensing laws and to federal and state laws regulating the advertising and provision of consumer finance options, the collection of consumer credit and financial information, along with requirements related to online payments and electronic funds transfers. Regulators in jurisdictions where our customers reside but in which we do not have a dealer or financing license could require that we obtain a license or otherwise comply with various state regulations, and may seek to impose punitive fines for operating without a license or demand we seek a license in those jurisdictions, any of which may inhibit our ability to do business in those jurisdictions, increase our operating expenses and adversely affect our financial condition and results of operations. Regulators in jurisdictions in which we have a dealer license have in the past, and may in the future, impose economic fines, suspend or revoke our license, or otherwise preclude us from buying or selling vehicles using our current business model, any of which could have a material adverse effect on our growth, results of operations, and financial condition. In the future, we may engage in different business activities or make changes to our business model that subject us to further state and federal regulation. Our logistics operations, which we depend on to transport vehicles to and from auctions, our IRCs, our vending machines, our hubs and our customers, are subject to regulation by the DOT and by the states through which our vehicles travel. Transport vehicle dimensions and weight, transport vehicle conditions, driver motor vehicle record history, driver alcohol and drug testing, and driver hours of service are also subject to both federal and state regulation. More restrictive limitations on vehicle weight and size, condition, trailer length and configuration, methods of measurement, driver qualifications, or driver hours of service would increase our operating expenses and may adversely affect our financial condition, operating results, and cash flows. **For example, the California Zero Emission Vehicle program may require that we significantly alter our fleet.** If we fail to comply with ~~the~~ **these state and** DOT regulations or if those regulations become more stringent, we could be subject to increased inspections, audits, or compliance burdens. Regulatory authorities could take remedial action including imposing fines, suspending, or shutting down our in- house transportation operations. If any of these events occur, our financial condition, operating results, and cash flows would be adversely affected. In addition to these laws and regulations that apply to our business operations, we are also subject to laws and regulations affecting public companies, including **the Delaware General Corporation Law (" DGCL"),** securities laws and NYSE listing ~~rules~~ **requirements** . The applicability of these regulatory and legal compliance obligations is dependent on the evolving interpretations of these laws and regulations. The violation of any of these laws or regulations could result in administrative, civil, or criminal penalties or in a cease- and- desist order against some or all of our business activities, any of which could damage our reputation and have a material adverse effect on our business, sales, and results of operations. Additionally, even an allegation that we violated these laws, by regulators, competitors, individuals, or consumers, could result in costly litigation with uncertain results. We have incurred and will continue to incur capital and operating expenses and other costs to comply with these laws and regulations. This description of laws and regulations to which we are or may be subject is not exhaustive, and the regulatory framework governing our operations is subject to evolving interpretations and continuous change. For additional information regarding government regulations and compliance matters we are subject to, see **Part I,** Item 1" Business — Government Regulation **.** " ~~.~~ Federal legislative and regulatory initiatives and reforms may result in an increase in the cost of regulatory compliance, a decrease in revenues, or result in changes to business practices that could have a material adverse effect on our results of operations. For example, changes in federal labor policy could lead to increased unionization efforts, which could increase labor costs, disrupt facility operations, and have a material adverse effect on our business, sales, and results of operations. The enactment of new laws and regulations or the interpretation of existing laws and regulations in an unfavorable way may affect the operation of our business, directly or indirectly, which could result in substantial regulatory compliance costs, civil or criminal penalties, including fines, adverse publicity, decreased revenues, and increased expenses. If we fail to comply with the Telephone Consumer Protection Act, we may face significant damages, which could harm our business, financial condition, results of operations, and cash flows. We utilize telephone calls and text messaging as a means of responding to and marketing to consumers interested in purchasing, trading in, selling or financing vehicles and related products and services, including insurance. We generate leads from our website and mobile application by prompting potential customers to provide their phone numbers so that we can contact them in response to their interest in financing terms, trading in or selling vehicles, or purchasing a specific vehicle. We also pay others for leads. A portion of our revenue comes from purchases, sales, and financing that involves a call or text made by our internal call centers, automated communications systems, or vendors we engage to reach out to these potential customers. The Telephone Consumer Protection Act (the" TCPA"), as interpreted and implemented by the FCC and U. S. courts currently imposes significant restrictions on the use of autodialed telephone calls, pre- recorded messages, and text messages to residential and mobile telephone numbers as a means of communication when prior **written** consent of the person being contacted has not been obtained. Violations of the TCPA may be enforced by the FCC or by individuals through litigation, including class actions. Statutory penalties for TCPA violations range from $ 500 to $ 1, 500 per violation, which has been interpreted to mean per phone call or text. In addition, several states have enacted their own version of the TCPA. While we have implemented processes and procedures to comply with the TCPA, if we or those services we rely on ~~for data~~ fail to adhere to or successfully implement appropriate processes and procedures in response to existing or future regulations, it could result in legal and monetary liability, fines, penalties, or damage to our reputation in the marketplace. Additionally, any changes to the TCPA, its interpretation, or enforcement of it by the government, the courts, or private parties that further restrict the way we contact and communicate with our potential customers or generate leads could adversely affect our ability to attract customers ~~. Government regulation of the internet and e- commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business and results of operations. We are subject to general business regulations and laws as well as regulations and laws specifically governing the internet and e- commerce. Existing and future regulations and laws could impede the growth of the internet, e- commerce or mobile commerce. These regulations and laws may involve taxes, online payments and funds transfers, privacy, cybersecurity, anti- spam, pricing, content protection, electronic contracts and communications, mobile communications, consumer protection, information reporting requirements, advertising, unencumbered internet access to our services and the design and operation of our website and mobile application. It is not clear how existing laws governing issues such as property ownership, sales and other taxes and consumer privacy apply to the internet as the vast majority of these laws were adopted prior to the advent of the internet and do not contemplate or address the unique issues raised by the internet or e- commerce. Unfavorable interpretation or enforcement of regulations and laws, or newly promulgated unfavorable regulations and laws, could diminish the demand, including online demand, for used vehicles and complementary products and services and increase our cost of doing business~~ . Our ability to grow our complementary product and service offerings may be limited, which could negatively impact our growth rate, revenues and financial performance. If we introduce new or expand existing offerings for our platform, such as services or products involving other inventory sources, new vehicles, trade- ins, financing, various forms of insurance related to vehicle condition, property and casualty, or other insurance products customarily sold by traditional insurance companies, subscription services, shipping services, deficiency waivers, customized accessories, leasing or maintenance, we may incur losses or otherwise fail to enter these markets successfully **. For example, we have partnered with Root, Inc. (NASDAQ: ROOT, “ Root ”) to offer an integrated auto insurance solution, through which customers in most states may access and purchase auto insurance**

directly from the Carvana e- commerce platform . Our expansion into these markets will place us in competitive and regulatory environments with which we are unfamiliar and involve various risks, including the need to invest significant resources and the possibility that returns on such investments will not be achieved for several years, if at all. In attempting to establish new service or product offerings, we expect to incur significant expenses and face various other challenges, such as expanding our customer advocate and management personnel to cover these markets and complying with complicated regulations that apply to these markets. In addition, we may not successfully demonstrate the value of these complementary products and services to consumers, and failure to do so would compromise our ability to successfully expand into these additional revenue streams. Any of these risks, if realized, could adversely affect our business and results of operations. If we do not adequately address our customers' use of mobile device technology, operating results could be harmed and our growth could be negatively affected. Our success depends in part on our ability to provide adequate functionality for visitors who use mobile devices to shop for used vehicles and the number of transactions with us that are completed by those users. The proportion of U. S. consumers who use mobile devices to access websites has generally increased. Continued use of mobile technology by our users may harm our business in the following ways: • customers visiting our website from a mobile device or accessing our website through a mobile application may not accept mobile technology as a viable long- term platform to buy or sell a vehicle. This may occur for a number of reasons, including our ability to provide the same level of functionality to a mobile device that we provide on a desktop computer, the actual or perceived lack of security of information on a mobile device and possible disruptions of service or connectivity; • we may not continue to innovate and introduce enhanced products that can be suitably conveyed on mobile platforms; • consumers using mobile devices may believe that our competitors offer superior products and features based in part on our inability to provide sufficient functionality to convince a mobile device user to transact with us; or • regulations related to consumer finance disclosures, including the Truth in Lending Act and the Fair Credit Reporting Act, may be interpreted, in the context of mobile devices, in a manner which could expose us to legal liability in the event we are found to have violated applicable laws. If we do not develop suitable functionality for users who access our website using a mobile device, our business and operating results could be harmed. ~~The current geographic concentration where we provide services creates an exposure to severe weather, local economies, regional downturns, or catastrophic occurrences that may materially adversely affect our financial condition and results of operations. As of December 31, 2022, we conduct business through seventeen IRCs located in Alabama, Arizona, Arkansas, California, Florida, Georgia, Indiana, New Jersey, North Carolina, Ohio, Oklahoma, Texas, Utah, and Virginia managing fulfillment to over 300 metropolitan areas across most of the United States. Although we also hold inventory at a variety of other sites, including sites acquired through the ADESA Acquisition (as defined below), we hold the majority of our inventory at these seventeen locations. Our business has been and may continue to be more susceptible to regional conditions than the operations of more geographically diversified competitors, and we are vulnerable to economic downturns and other unforeseen events or circumstances in those regions. Changes in demographies and population or severe weather conditions and other catastrophic occurrences in areas in which we operate or from which we obtain inventory may materially adversely affect our results of operations. Such conditions may result in physical damage to our properties, loss of inventory and delays in the delivery of vehicles to our IRCs, hubs, vending machines, or customers. Any of these factors may disrupt our businesses and materially adversely affect our financial condition and result of operations. Furthermore, there can be no assurance that we will be able to successfully replicate our business model and achieve levels of success as we enter new markets.~~ An inability to obtain affordable insurance on our inventory may materially adversely affect our financial condition and results of operations. We rely on inventory insurance to protect against catastrophic losses of our inventory. There is no guarantee that we will continue to be able to insure our inventory at affordable rates, or at all, through outside insurers. If we are unable to purchase affordable insurance, we may have to self- insure, reducing our ability to make other investments in our business and exposing us to financial risk. In addition, our inability to insure our inventory through an outside insurer, or to adequately self- insure, may adversely impact our ability to finance our inventory purchases **. Additionally, if our inventory is pledged as collateral in any finance agreement, a failure to maintain sufficient insurance to financially protect the collateral assets could be inconsistent with the requirements of such finance agreement** . Our insurance coverage may not be enough to protect us from all claims. Our business exposes us to an inherent risk of potential liability claims. Although we maintain liability insurance for our directors and officers, auto and general liability, loss due to cybersecurity incidents, damage to property, and various other policies, the coverage limits of these policies may not be adequate to cover all future claims. We may be unable to maintain sufficient liability or other commercial insurance on acceptable terms or at reasonable costs, and this insurance may not provide us with adequate coverage against potential liabilities. A successful claim brought against us in excess of, or outside of, our insurance coverage could have a material adverse effect on our financial condition and results of operations. A liability claim, regardless of its merit or eventual outcome, could result in substantial costs to us, a substantial diversion of management attention and adverse publicity. A liability claim could also harm our reputation and result in a decline in revenues and an increase in expenses. We rely on agreements with lenders to finance our vehicle inventory purchases. If we fail to maintain adequate relationships with such lenders, we may be unable to maintain sufficient inventory, which would adversely affect our business and results of operations. We rely on agreements with lenders to finance our vehicle inventory purchases. If we are unable to extend the agreements on favorable terms or at all, or if the agreements expire and are not renewed, our inventory supply may decline, resulting in fewer vehicles available for sale on our website and mobile application. For example, our ~~12- Month~~ **amended and restated vehicle inventory financing and security agreement with Ally Financial (the"** Floor Plan Facility **"** ~~(as defined herein~~) matures in ~~September~~ **April** ~~2023~~ **2025** ~~, and our 18- Month Floor Plan Facility matures March 2024~~ . If we are unable to renew ~~those~~ **that** ~~facilities~~ **facility** or find a satisfactory replacement, whether because of our financial and operating performance **, the availability of capital in the dealer floor plan market,** or for other reasons, our ability to acquire inventory would be adversely affected. New funding arrangements may be at higher interest rates or other less favorable terms. These financing risks, in addition to ~~rising~~

high interest rates and changes in market conditions, if realized, could negatively impact our results of operations and financial condition. Errors in our contracts with our customers could render them unenforceable or ineligible for sale. If we have already sold contracts with errors in them, we could be required to repurchase them. We enter into purchase agreements, buyer' s orders, retail installment contracts, consumer loan contracts, and other contracts with our customers that are generated automatically based upon information the customer enters into our website or mobile application. The contracts are intended to comply with the applicable consumer lending and other commercial and legal requirements of the relevant jurisdictions. **The** ~~We face the risk, however, that the~~ auto- generated forms may **, however,** inadvertently contain errors or omissions or otherwise fail to comply with applicable regulations in a manner that would render such contracts unenforceable. For example, most jurisdictions impose a maximum interest rate cap that we can charge our customers. If we exceed the relevant cap, our retail installment contracts in such jurisdiction may be unenforceable, and in some instances, we may be required to pay damages or repay any financing charges previously collected. If a significant number of our retail installment contracts are rendered unenforceable, our financial condition and results of operations may be adversely affected. We generally seek to sell automotive finance receivables to financing partners or in securitization transactions. The financing partners who agree to buy or fund our ~~loans~~ **finance receivables** , and the ~~documents governing~~ **terms of** our securitizations, require that we make certain customary representations about the eligibility of those ~~contracts~~ **finance receivables** for sale. If these receivables do not meet the specified representations, we have in the past been, and may in the future be, forced to repurchase these receivables. If we sell a significant amount of receivables that do not meet the predetermined representations, we may be required to use cash on hand or to obtain alternative financing in order to repurchase them. Any significant repurchases could have a material adverse effect on our business, results of operations, and financial condition, and may jeopardize our ability to sell contracts to those or other financing partners or purchasers in the future. We rely on our proprietary credit scoring model to forecast automotive finance ~~receivable~~ **receivables** loss rates. If we are unable to effectively forecast loss rates, it may negatively impact our operating results. We rely on our internally developed models to forecast loss rates of the automotive finance receivables we originate. If we rely on a model that fails to effectively forecast loss rates on receivables we originate, those receivables may suffer higher losses than expected. We generally seek to sell these receivables to financing partners or in securitization transactions. If the receivables we sell experience higher loss rates than forecasted, we may obtain less favorable pricing on the receivables we sell to those parties in the future and suffer reputational harm in the marketplace for the receivables we sell and our business, results of operations, and financial condition may be adversely affected. We hold receivables we originate on our balance sheet until we sell them to financing partners or in securitization transactions, and to the extent those receivables fail to perform during our holding period, they may become ineligible for sale. **Similarly, we retain certain of the securities originated in connection with our securitization transactions, which exposes us to the risk of loss resulting from losses on the underlying securitized receivables.** As a result, our business, results of operations, and financial condition may be adversely affected. Because we rely on internal and external logistics to transport our inventory throughout the United States, we are subject to business risks and costs associated with the transportation industry. Many of these risks and costs are out of our control, and any of them could have a material adverse effect on our business, financial condition, and results of operations. We rely on a combination of internal and external logistics to transport vehicles to and from wholesale auctions, IRCs, hubs, vending machines and our customers. As a result, we are exposed to risks associated with the transportation industry such as weather, traffic patterns, gasoline prices, recalls affecting our vehicle fleet, local and federal regulations, vehicular crashes, insufficient internal capacity, rising prices of transportation vendors, fuel prices, taxes, license and registration fees, insurance premiums, self- insurance levels, difficulty in recruiting and retaining qualified drivers, disruption of our technology systems, equipment supply, equipment quality, and increasing equipment and operational costs. Our failure to successfully manage our logistics and fulfillment process could cause a disruption in our inventory supply chain and distribution, which may adversely affect our operating results and financial condition. We face a variety of risks associated with...... of operations and financial condition. We collect, process, store, share **, transmit** , disclose, and use personal information and other data. Our actual or perceived failure to protect such information and data, comply with privacy- related requirements, mitigate data loss, and / or prevent a cybersecurity or other incident could damage our reputation and harm our business and operating results. We collect, process, store, share, **transmit,** disclose, and use sensitive information and other data provided by consumers, employees, and business partners, including ~~personally~~ -- **personal** ~~identifying~~ information ~~. We use encryption and authentication technology licensed from third parties~~ to **support our business operations** ~~securely transmit and store such information~~ . We also share this information with third parties, including third- party service providers ~~as~~ **in a manner designed to be secure. However, third parties may violate applicable laws or our information security policies, which could put our data at risk. We or a third** ~~part~~ **party could also be a victim** of **a cybersecurity incident that impacts** our **data** ~~business operations~~ . We expend significant resources to protect against both internal and external security breaches and may need to expend more resources depending upon, for example, changes in the dynamic cybersecurity ~~climate~~ **landscape** , expected growth of our company, new or changing business ventures or practices **, use of new or changing technologies** , and / or in the event we need to address problems caused by breaches. Any failure or perceived failure to maintain the security of personal and other data that is provided to us by consumers, employees, and vendors could harm our reputation and expose us to a risk of loss or litigation, regulatory scrutiny, and possible liability, any of which could adversely affect ~~our business and operating results. Additionally, concerns about how we collect, protect, store, use, or disclose personal information, or other privacy related matters, even if unfounded, could harm~~ our business and operating results. We are subject to numerous and rapidly evolving federal, state, and local laws regarding privacy, cybersecurity and the collection, use, and disclosure of personal information and other data. The laws are subject to differing interpretations, and both the laws and their interpretations are often inconsistent across jurisdictions **with minimal to no precedent or enforcement history available** . For example, the California Consumer Privacy Act, as amended by the California Privacy Rights Act (the " CCPA ") gives California ~~residents~~ **consumers** expanded rights to manage their personal information, such as rights to: access ~~and~~ **,** delete **, and limit the use of** their personal information, opt out of certain personal information sharing, ~~and~~ receive detailed information regarding the way in which their personal information is used **, correct inaccurate personal information, and will likely soon impose further heightened cybersecurity obligations, related to cybersecurity and automated decision- making practices and technologies. Many other states have also implemented laws similar to the CCPA, adding to the evolving patchwork of U. S. privacy and cyber law** . Regulations such as the CCPA can expose us to investigations and enforcement actions by regulatory authorities and claims from individuals potentially resulting in penalties and significant legal liability, if our data management and information technology security efforts are inadequate or even alleged to be inadequate. In addition, cybersecurity has become a ~~top~~ **high** priority for regulators around the world, and some jurisdictions have enacted laws **setting forth cybersecurity compliance standards and / or** requiring companies to notify ~~individuals~~ **certain parties** of data security breaches involving certain types of personal data. **For example** ~~In the United States~~ , the SEC has ~~proposed~~ **adopted** rules for mandatory disclosure of cybersecurity incidents suffered by public companies and cybersecurity governance and risk management **. Additionally, the Federal Trade Commission and the New York Department of Financial Services have both increased incident reporting and expanded cybersecurity program requirements** . If we fail to comply with the relevant laws and regulations, we could suffer financial loss, a disruption of our business, liability to investors, regulatory intervention or reputational damage. We are also subject to contractual requirements and others' privacy policies that govern how we use and protect personal information and other data. They may be costly to comply with, and may conflict with other contractual obligations, laws, regulations, or rules. These obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules, obligations, or our practices. ~~New regulations could be enacted~~ **Finally, our increased use of artificial intelligence (" AI") technology, such as a chatbot to streamline customer interactions and certain tools to improve internal work efficiencies, may result in cybersecurity and data privacy risk. This includes AI tools and programs offered by and / or used by new or existing vendors** . Any failure or perceived failure by us to comply with our privacy policies, our privacy- or cybersecurity- related obligations to consumers, employees, or other third parties, or our privacy- or cybersecurity- related legal obligations, or any compromise generally of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other customer or employee data, may result in governmental enforcement actions, litigation, provision of required notifications to consumers, regulators, or other authorities, or public statements against us by consumer advocacy groups or others and could cause consumers, employees, commercial partners, securitization or real estate investors, and receivable or real estate financing partners to lose trust in us, which could have an adverse effect on our business. If commercial partners, developers, or other parties that we work with violate applicable laws, contractual assurances with us, or our policies, such violations may also put consumers', employees', commercial partners', or receivable financing partners' information at risk and could in turn harm our reputation, business, and operating results. A significant disruption in service on our website or mobile application on any medium could damage our reputation and result in a loss of consumers, which could harm our business, brand, operating results, and financial condition. Our brand, reputation, and ability to attract consumers depend on the reliable performance of our website and mobile application and the supporting systems, technology, and infrastructure **, such as our logistics network** . We may experience significant interruptions to our systems in the future. Interruptions in these systems, whether due to system failures, programming or configuration errors, computer viruses, or physical or electronic break- ins, including from ransomware or distributed denial of service attacks could limit the availability of our inventory on our website and mobile application and prevent or inhibit consumers from accessing our website or mobile application. Problems with the reliability or security of our systems could harm our reputation, result in a loss of customers and result in additional costs. ~~Substantially all~~ **A significant portion** of ~~the communications~~ **our technology footprint** , ~~network,~~ **including the technology** and **infrastructure that supports** ~~computer hardware used to operate~~ our website and mobile ~~application~~ **applications** ~~are located at co~~ **, is hosted in third** - ~~location~~ **party data center** facilities **that** ~~. Although we have multiple locations, our systems are not fully redundant. In addition,~~ we do not own or control ~~the operation of these facilities~~ . Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break- ins, computer viruses, earthquakes, and similar events. The occurrence of any of these events could damage our systems and hardware or could cause them to fail **which could result in interruptions in the delivery of our services that could negatively impact sales and operating results** . Problems faced by our web- hosting providers could adversely affect the experience of our customers. For example, our web- hosting providers could close their facilities without adequate notice or suffer interruptions in service caused by cyber- attacks, natural disasters or other phenomena. Any financial difficulties, including bankruptcy, faced by our web- hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our web- hosting providers are unable to keep up with our growing capacity needs, our business could be harmed. Any errors, defects, disruptions, or other performance or reliability problems with our network operations could interrupt our customers' physical or electronic access to our inventory and our access to data that drives our inventory purchase operations as well as cause delays and additional expense in arranging access to new facilities and services, any of which could harm our reputation, business, operating results, and financial condition. Failure to adequately protect our intellectual property, technology, and confidential information could reduce our competitiveness and harm our business and operating results. Our business depends on our intellectual property, technology, and confidential information, the protection of which is crucial to the success of our business. For example, we have developed proprietary algorithms to price the vehicles we purchase and sell, to determine the financing terms we offer customers, and to power our in- house logistics network. Our intellectual property also includes, but is not limited to: inventions (whether or not patentable), the content of our website, mobile applications, registered and unregistered trademarks and trade dress rights, registered domain names, our photography technology, artificial intelligence technology, and our vending machine design and technology. We rely on a combination of patents, trademarks, trade secrets, copyrights, and contractual restrictions to protect these algorithms and our other intellectual property, technology, and confidential information. In addition, we attempt to protect our intellectual property, technology, and confidential information by requiring most of our employees and consultants to enter into confidentiality and invention assignment agreements and certain third parties to enter into nondisclosure agreements. These agreements may not effectively grant all necessary rights to any inventions that may have been developed by the employees and consultants. In addition, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property, or technology, and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website or mobile application features, software, and functionality, or to obtain and use information that we consider proprietary. Changes in the law or adverse court rulings may also limit the scope of our rights and inhibit us from preventing others from using our technology. **The introduction of additional AI tools, such as our chatbot, into our business has also increased the risk of inadvertent disclosure of proprietary information and trade secrets. Steps taken to mitigate this risk, including agreements with vendors and policies relating to the safe use of AI tools may not effectively protect proprietary information. Further, the utilization of AI tools beyond our established policies can potentially result in inadvertent leakage of confidential proprietary information. Such incidents could undermine our intellectual property rights.** We ~~attorneys' fees.We~~ may,and occasionally in the ordinary course **of business** do receive communications alleging infringement of patents,trademarks,copyrights,or other intellectual property rights or misappropriation of trade secrets,or offering licenses to such intellectual property.Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights.At any given time,we may be involved as either a plaintiff or a defendant in a number of intellectual property actions,the outcomes of which may not be known for prolonged periods of time. **Finally,we** currently hold rights to the" carvana. com" internet domain name and various other related domain names. The regulation of domain names in the United States is subject to change. Regulatory bodies could establish additional top- level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain all domain names that use the name Carvana or are otherwise important for our business. We may be subject to claims that our employees, consultants, or advisors have wrongfully used or disclosed trade secrets or other intellectual property or proprietary information of their current or former employers, or claims asserting ownership of what we regard as our own intellectual property. Although we try to ensure that our employees, consultants and advisors do not use the proprietary information or know- how of others in their work for us, we may be subject to claims that we or those who work for us have used or disclosed trade secrets or other intellectual property or proprietary information of their current or former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, we may have to pay monetary damages and lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs, harm our reputation, and be a distraction to management. In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who conceives or develops intellectual property that we regard as our own. The assignment of intellectual property may not be self- executing, may not be enforceable in certain jurisdictions or may be breached, and we may be forced to bring claims against third parties or defend claims that they may bring against us to determine the ownership of what we regard as our intellectual property. This could be costly, and if we are unsuccessful, we may not be able to prevent others from using our technology, and may not be able to use it ourselves . We may become involved in lawsuits...... be costly, disruptive, or infeasible . Our platform utilizes open source software, and any failure to comply with the terms of these open source licenses could negatively affect our business. We use open source software in our platform and expect to use open source software in the future. The terms of various open source licenses have not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our platform. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software and to make our proprietary software available under open source licenses if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, to re- engineer all or a portion of our technologies, or otherwise to be limited in the use or licensing of our technologies, each of which could reduce or eliminate the value of our technologies and services. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could negatively affect our business and operating results. Our business is sensitive to conditions affecting automotive manufacturers, including manufacturer recalls **and labor disruptions** . Adverse conditions affecting one or more automotive manufacturers could have a material adverse effect on our sales and results of operations and could impact the supply of vehicles. Manufacturer recalls ~~are a common occurrence that have accelerated in frequency and scope in recent years. Recalls~~ and the increased regulatory scrutiny surrounding selling used vehicles with open safety recalls could adversely affect used vehicle sales or valuations, could cause us to temporarily remove vehicles from inventory, could cause us to sell affected vehicles at a loss, could force us to incur increased costs, and could expose us to litigation and adverse publicity related to the sale of recalled vehicles, which could have a material adverse effect on our business, financial condition, and results of operations. **Further adverse conditions, including labor disruptions at manufacturer facilities, such as the United Auto Workers Union strikes in 2023, may affect the market for new vehicles, thereby affecting the supply and market for used vehicles. Any volatility in auto manufacturers may change consumer car purchasing behaviors, which could materially and adversely affect our business, financial condition, and results of**

operations. Pandemics, epidemics, disease outbreaks and other public health crises have disrupted our business and operations, and future public health crises could materially adversely impact our business, financial condition, liquidity and results of operations. Pandemics, epidemics or disease outbreaks in the U. S. or globally have disrupted, and may in the future disrupt, our business, which could materially affect our results of operations, financial condition, liquidity and future expectations. For example, the COVID- 19 pandemic created increased operational challenges from the need to protect employee health and safety, and measures implemented by authorities to control the spread of COVID- 19 impacted our workforce and operations, the behavior of our customers, and the operations of our partners, vendors, and suppliers. Any similar future events may lead to further challenges, including workplace disruptions and restrictions on the movement of people, social distancing guidelines, increased employee absenteeism due to illness and / or quarantine and contact tracing requirements. Future restrictions on our access to and utilization of our logistics and distribution network, our corporate offices, our inspection and reconditioning centers, our hubs, our vending machines, and / or our support operations or workforce, or similar limitations for our partners, vendors, or suppliers, and restrictions or disruptions of transportation, could limit our ability to conduct our business and could have a material impact on our business, financial condition, and results of operations. We face a variety of risks associated with the construction,financing,and operation of our inspection and reconditioning centers **,auction sites,** and vending machines,any of which could adversely affect our financial condition and results of operations.We are required to obtain approvals,permits,and licenses from state regulators and local municipalities to construct and operate our IRCs **,auction sites,** and vending machines.We may face delays in obtaining the requisite approvals,permits,financing,and licenses to construct and operate our IRCs **,auction sites,** and vending machines,or we may not be able to obtain them at all.If we encounter delays in obtaining or cannot obtain the requisite approvals,permits,financing,and licenses to construct and operate our IRCs **,auction sites,** and vending machines in desirable locations,our financial condition and results of operations may be adversely affected.We lease or finance certain real estate on which we construct and operate some of our IRCs **,auction sites,** and vending machines.Because of potential difficulties finding a replacement tenant due to the uniqueness of our property use,some landlords will have concerns leasing **us** land and allowing the construction of **our** IRCs **,auction sites,** or vending machines,and some lenders will have concerns financing to a tenant like us.Consequently,some landlords or lenders may offer unfavorable leasing or financing terms or may not be willing to lease or finance the sites we pursue.If we are required to enter into inflexible or expensive leases,financing,or purchase agreements to construct and operate our IRCs **,auction sites,** and vending machines,our financial condition and results of operations may be adversely affected. **In addition** ~~We depend on one supplier to construct portions of our vending machines and to provide technical support and maintenance on them.If we are unable to maintain our relationship with our supplier~~ , ~~or~~ **we currently** rely on ~~third- party technology~~ **agreements with lenders or institutional real estate investors** to ~~complete critical business functions~~ **finance certain real estate capital expenditures, including vending machines and IRCs, and may continue to do so in the future** . If ~~that technology fails~~ **we are unable** to ~~adequately serve~~ **enter into new financing agreements for such assets on favorable terms** ~~our~~ **or at all** ~~needs and we cannot find alternatives~~ , ~~it~~ **whether because of our financial and operating performance or for other reasons, our ability to construct and operate additional IRCs and vending machines would be adversely affected. New funding arrangements** may **be at higher interest rates than historical real estate financing or contain other less favorable terms. If realized, these financing risks, in addition to high interest rates and changes in market conditions, could** negatively impact our results of operations **and financial condition** ~~may be adversely affected~~ .We depend on one supplier to construct portions of our vending machines and to provide technical support and maintenance on them.If we are unable to maintain our relationship with our supplier,or our supplier ceases to produce the parts or perform the services we need,or our supplier is unable to effectively deliver services and equipment on timelines and at the price we have negotiated,and we are unable to contract with an alternative supplier,we may not be able to construct new vending machines or continue to operate existing vending machines,and our financial condition **and** operating results **may be adversely affected. Additionally, the durability of our vending machines is unknown and we may be required to incur significant maintenance and other expenses to keep them operating properly. If we are required to incur significant expenses to maintain our vending machines our financial condition and operating results may be adversely affected** . We **also** rely on ~~third- party technology~~ **vendors and suppliers to construct and operate portions of our IRCs. If we are unable to maintain our relationship with our vendors and suppliers,** ~~for~~ **or such vendors** ~~certain of our critical business functions, including supply chain~~ and **suppliers cease to provide** ~~inventory management, customer identity verification, transportation fleet telemetry, network infrastructure for hosting~~ the ~~website and mobile application, inventory data, software libraries, development environments and tools,~~ services **we need, or such vendors and suppliers are unable** to ~~allow customers~~ **effectively deliver our services on timelines and at the price we have negotiated, and we are unable** to ~~digitally sign contracts~~ **contract** ~~, customer service call center management software, automation controls and software for our vending machines, hosted telephony, human resource management, and security. If these technologies fail or we cannot maintain our relationships~~ with ~~the technology providers and we cannot find suitable alternatives~~ **alternative vendors and suppliers** , **our ability to construct new IRCs or continue to operate existing IRCs and** our financial condition and ~~operation~~ **operating** results may be adversely affected. We depend on key personnel to operate our business. If we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed. We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our ability to attract, develop, motivate, and retain highly qualified and skilled employees **, including operations staff onsite at IRCs, vending machines, and auction sites** . Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In addition, the loss **or inhibition** of any of our key employees or senior management, including our Chief Executive Officer, Ernest Garcia III, our Chief Financial Officer, Mark Jenkins, and our Chief Operating Officer, Benjamin Huston, could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. Our executive officers and other employees are at- will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We may not be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well- qualified employees or retaining and motivating existing employees, our business could be materially and adversely affected. Our minority equity investment in Root, Inc. may result in us receiving or retaining less than the amount of benefit we might otherwise expect to receive from such investment, and adversely impact our results of operations and financial condition. We hold a minority equity investment in Root ~~, Inc. (NASDAQ: ROOT," Root")~~ . As a minority equity investor, our influence over Root is limited. As a result, we may be unable to influence Root' s business plan, assure quality control, or set the timing and pace of development. Our inability to control the operations or management of Root may result in us receiving or retaining less than the amount of benefit we might otherwise expect to receive from such investment. We may also be unable to cause Root to effect significant transactions such as large expenditures or contractual commitments, the development of insurance products, or the borrowing of money. We may be limited in our ability to monetize or exit our investment in Root given contractual restrictions on selling our investment and uncertainty in the trading market for Root' s equity securities. **Our investment in Root consists of shares of Series** A **convertible preferred stock and warrants to acquire Root' s Class A common stock. We have in the past recognized, and may again recognize, decreases in fair value in relation to our Root Warrants. Any other** downward adjustment to or impairment of ~~this~~ **our** equity investment could adversely impact our results of operations and financial condition. We have and may continue to acquire other companies or technologies, which could divert our management' s attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results. Our success will depend, in part, on our ability to grow our business in response to the demands of consumers, other constituents within the automotive industry, and competitive pressures. In the past, we have occasionally done so by acquiring complementary businesses and technologies **, including the acquisition of our wholesale marketplace,** rather than through internal development, and we may do so again in the future. The identification of suitable acquisition candidates can be difficult, time- consuming, and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include: • diversion of management time and focus from operating our business to addressing acquisition integration challenges; • coordination of technology, research and development, and sales and marketing functions; • transition of the acquired company' s users to our website and mobile application; • retention of employees from the acquired company; • cultural challenges associated with integrating employees from the acquired company into our organization; • integration of the acquired company' s accounting, management information, human resources, and other administrative systems; • the need to implement or improve controls, policies, and procedures at a business that, prior to the acquisition, may have lacked effective controls, policies, and procedures; • potential write- offs of intangibles or other assets acquired in such transactions that may have an adverse effect on our operating results; • liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, tax liabilities, and other known and unknown liabilities; ~~and~~ • litigation or other claims in connection with the acquired company, including claims from terminated employees, consumers, former investors, or other third parties **; and • incurrence of significant expenses in connection with integration** . Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and otherwise harm our business. **Past and** ~~Future~~ **future** acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, **and** amortization expenses, ~~or the write- off of goodwill,~~ any **one** of which could harm our financial condition ~~on~~ **.Acquisitions generally also create** ~~their~~ -- **the risk** ~~fair values as~~ of ~~the date~~ **future impairments** of **intangible assets such** ~~completion of the ADESA Acquisition and record the excess,if any,of the purchase price over those fair values~~ as goodwill **,and to a lesser extent,tangible assets** . ~~At~~ **For example,for the fiscal year ended** December 31,2022,we recorded a non- cash goodwill impairment charge of $ 847 million.To the extent the value of **other** intangible assets becomes impaired,we may be required to incur further non- cash charges relating to such impairment.Our operating results have been significantly impacted from both the **goodwill** impairment and the underlying trends in the business that triggered the impairment,and there can be no assurance that there will not be further adjustments for impairment in future periods,which could have a further impact on the consolidated and combined financial statements and the Company' s future results of operations and financial position ~~.See~~ . Any of these risks, if realized, could materially and adversely affect our business, financial condition, and results of operations. We are, and may in the future be, subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are unfavorable to us, it could have a material adverse effect on our business, results of operations, and financial condition. We are subject to various litigation matters from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Legal claims could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings or by other entities. These claims could be **and have been** asserted under a variety of laws, including but not limited to consumer finance laws; consumer protection laws; laws governing motor vehicle dealers; laws, regulations, and systems and process requirements related to title and registration; state laws regulating the sale of motor vehicles and related products and services; intellectual property laws; privacy laws; labor and employment laws; securities laws; employee benefit laws; tax laws; contract laws; and tort laws. These actions have in the past and could in the future expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business. Our principal asset is our indirect interest in Carvana Group, and, accordingly, we depend on distributions from Carvana Group to pay our taxes and expenses, including payments under the **Senior** ~~2025, 2027, 2028, 2029, and 2030~~ Notes and Tax Receivable Agreement. Carvana Group' s ability to make such distributions may be subject to various limitations and restrictions. We are a holding company and have no material assets other than our indirect ownership of LLC Units of Carvana Group. As such, we have no independent means of generating revenue or cash flow, and our ability to pay our taxes, debt obligations, and operating expenses depends on the financial results and cash flows of Carvana Group and its subsidiaries and distributions we receive from Carvana Group. These taxes, obligations, and expenses include the following: Taxes. Carvana Group **, LLC** is treated as a partnership for U. S. federal income tax purposes and, as such, is not subject to any entity- level U. S. federal income tax. Instead, taxable income of Carvana Group is allocated to the LLC Unitholders, including Carvana **Co.** Sub **LLC (" Carvana Co. Sub")** , our wholly owned subsidiary. Accordingly, we incur income taxes on our allocable share of any net taxable income of Carvana Group. Under the terms of the LLC Agreement (as defined in Note 1 — Business Organization), Carvana Group is obligated to make tax distributions to LLC Unitholders, including us. Debt obligations. We have payment obligations under our **Senior Secured Notes** ~~2025, 2027, 2028, 2029,~~ and ~~2030~~ **Senior Unsecured** Notes (detailed in **Part II,** Item 7" Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" and Note 10 — Debt Instruments ~~— Long Term Debt~~). Under the terms of the LLC Agreement, Carvana Group is obligated to make distributions to us for the payment of obligations under these notes. Operating expenses and other expenses. We also incur expenses related to our operations, including payments under the Tax Receivable Agreement (as defined in Note 15 — Income Taxes). Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we may realize as a result of LLC Unit exchanges, and the resulting amounts we are likely to pay out to LLC Unitholders pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial. Under the terms of the LLC Agreement, Carvana Group is obligated to make distributions to us for our payment obligations under the Tax Receivable Agreement. While we intend to cause Carvana Group to make distributions to us in an amount sufficient to fund these taxes, obligations, and expenses, Carvana Group' s ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which Carvana Group is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering Carvana Group insolvent. If we do not have sufficient funds to pay taxes, obligations or expenses, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. If we are unable to make payments under the Tax Receivable Agreement, those payments generally will be deferred and will accrue interest until paid. Nonpayment for a specified period, however, may constitute a breach of a material obligation under the Tax Receivable Agreement and therefore accelerate payments due under the Tax Receivable Agreement, unless, generally, such nonpayment is due to a lack of sufficient funds. Conflicts of interest could arise between our stockholders and the LLC Unitholders, which may impede business decisions that could benefit our stockholders. Holders of LLC Units have the right to consent to certain amendments to the LLC Agreement, as well as to certain other matters, including the revaluation of partnership interests in Carvana Group. Holders of these voting rights may exercise them in a manner that conflicts with the interests of our stockholders. Circumstances may arise in the future when the interests of the LLC Unitholders conflict with the interests of our stockholders. As we control Carvana Group, we have certain obligations to the LLC Unitholders that may conflict with fiduciary duties our officers and directors owe to our stockholders. These conflicts may result in decisions that are not in the best interests of stockholders. We are a" controlled company" within the meaning of the rules of the NYSE and, as a result, we qualify for exemptions from certain corporate governance requirements. Our stockholders do not have the same protections afforded to stockholders of companies that are subject to such requirements. The Garcia Parties continue to control a majority of the combined voting power of Carvana Co. As a result, we continue to be a controlled company within the meaning of the NYSE corporate governance standards. Under the NYSE ~~rules~~ **listing requirements** , a company of which more than 50 % of the voting power is held by an individual, group or another company is a" controlled company" and need not comply with certain requirements, including the requirement that a majority of **our board of directors (** the **"** Board **")** consist of independent directors and the requirements that our compensation and nominating and governance committees be composed entirely of independent directors. We do not intend to utilize these exemptions; however, for so long as we qualify as a controlled company, we will maintain the option to utilize some or all of these exemptions. If we utilize these exemptions, we may not have a majority of independent directors and our compensation and nominating and governance committees may not consist entirely of independent directors, and such committees will not be subject to annual performance evaluations. Accordingly, in the event we rely on these exemptions in the future, our stockholders would not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of the NYSE. The Tax Receivable Agreement with the LLC Unitholders requires us to make cash payments to them in respect of certain tax benefits to which we may become entitled, and we expect that the payments we will be required to make will be substantial. In connection with the consummation of our IPO, we entered into a Tax Receivable Agreement with the LLC Unitholders ~~.~~ **,** ~~Pursuant~~ **pursuant** to **which** ~~the Tax Receivable Agreement~~ , we will be required to make cash payments to such LLC Unitholders equal to 85 % of the tax benefits, if any, that we actually realize, or, in some circumstances, are deemed to realize, as a result of (1) the increase in our wholly owned subsidiary' s proportionate share of the existing tax basis of the assets of Carvana Group and an adjustment in the tax basis of the assets of Carvana Group reflected in that proportionate share as a result of any future exchanges of LLC Units held by the LLC Unitholders for shares of our Class A common stock or cash, and (2) certain other tax benefits related to payments we make under the Tax Receivable Agreement. Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we will realize as a result of LLC Unit exchanges, and the resulting amounts we are likely to pay out to LLC Unitholders pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial. Payments under the Tax Receivable Agreement will be based on the tax reporting positions that we determine, which tax reporting positions will be based on the advice of our tax advisors **. As described in Note 10 — Debt Instruments, in the fiscal year ended December 31, 2023, we completed the Exchange Offers, whereby we exchanged validly tendered Senior Unsecured Notes for newly issued Senior Secured Notes. For U. S. tax purposes we are required to recognize**

cancellation of debt income (“ CODI ”) on the difference between the adjusted issue price of the debt exchanged and the fair market value of the new debt issued. As of December 31, 2023, the Company recorded a $ 14 million Tax Receivable Agreement liability related to the estimated cash savings in U. S. federal, state or local tax related to the tax benefits utilized to offset recognized CODI . Any payments made by us to the LLC Unitholders under the Tax Receivable Agreement will generally reduce the amount of overall cash flow that might have otherwise been available to us. To the extent that we are unable to make payments under the Tax Receivable Agreement, such payments generally will be deferred and will accrue interest until paid. Nonpayment for a specified period, however, may constitute a breach of a material obligation under the Tax Receivable Agreement and therefore accelerate payments due under the Tax Receivable Agreement, unless, generally, such nonpayment is due to a lack of sufficient funds. Furthermore, our future obligation to make payments under the Tax Receivable Agreement could make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that may be deemed realized under the Tax Receivable Agreement. The payments under the Tax Receivable Agreement are also not conditioned upon the LLC Unitholders maintaining a continued ownership interest in Carvana Group. The actual amount and timing of any payments under the Tax Receivable Agreement will vary depending upon a number of factors, including the timing of exchanges by the LLC Unitholders, the amount of gain recognized by such LLC Unitholders, the amount and timing of the taxable income we generate in the future and the federal tax rates then applicable. The amounts that we may be required to pay to the LLC Unitholders under the Tax Receivable Agreement may be accelerated in certain circumstances and may also significantly exceed the actual tax benefits that we ultimately realize. The Tax Receivable Agreement provides that if (1) certain mergers, asset sales, other forms of business combination, or other changes of control were to occur, (2) we breach any of our material obligations under the Tax Receivable Agreement or (3) we elect an early termination of the Tax Receivable Agreement, then the Tax Receivable Agreement will terminate and our obligations, or our successor’ s obligations, to make payments under the Tax Receivable Agreement would accelerate and become immediately due and payable. The amount due and payable in that circumstance is based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the Tax Receivable Agreement. We may need to incur debt to finance payments under the Tax Receivable Agreement to the extent our cash resources are insufficient to meet our obligations under the Tax Receivable Agreement as a result of timing discrepancies or otherwise. As a result of a change in control or our election to terminate the Tax Receivable Agreement early, (1) we could be required to make cash payments to the LLC Unitholders that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the Tax Receivable Agreement and (2) we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the Tax Receivable Agreement, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the Tax Receivable Agreement could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring, or preventing certain mergers, asset sales, other forms of business combination, or other changes of control. There can be no assurance that we will be able to finance our obligations under the Tax Receivable Agreement. Certain benefits from our organizational structure, including the Tax Receivable Agreement, will not benefit Class A common stockholders to the same extent as they will benefit the LLC Unitholders. Certain benefits from our organizational structure, including the Tax Receivable Agreement, will not benefit the holders of our Class A common stock to the same extent as LLC Unitholders. We entered into a Tax Receivable Agreement with the LLC Unitholders, which will provide for the payment by us to the LLC Unitholders of 85 % of the amount of tax benefits, if any, that we actually realize, or in some circumstances are deemed to realize, as a result of (1) the increase in our wholly owned subsidiary’ s proportionate share of the existing tax basis of the assets of Carvana Group and an adjustment in the tax basis of the assets of Carvana Group reflected in that proportionate share as a result of any future exchanges of LLC Units held by an LLC Unitholder for shares of our Class A common stock or cash and (2) certain other tax benefits related to our making payments under the Tax Receivable Agreement. Due to the uncertainty of various factors, we cannot estimate the likely tax benefits we will realize as a result of LLC Unit exchanges, and the resulting amounts we are likely to pay out to LLC Unitholders pursuant to the Tax Receivable Agreement; however, we estimate that such payments may be substantial. Although we will retain 15 % of the amount of such tax benefits, this and other aspects of our organizational structure may adversely impact the trading market for the Class A common stock. We will not be reimbursed for any payments made to the LLC Unitholders under the Tax Receivable Agreement in the event that any tax benefits are disallowed. We will not be reimbursed for any cash payments previously made to the LLC Unitholders pursuant to the Tax Receivable Agreement if any tax benefits initially claimed by us are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to an LLC Unitholder will be netted against any future cash payments that we might otherwise be required to make under the terms of the Tax Receivable Agreement. However, a challenge to any tax benefits initially claimed by us may not arise for a number of years following the initial time of such payment or, even if challenged early, such excess cash payment may be greater than the amount of future cash payments that we are required to make under the terms of the Tax Receivable Agreement and, as a result, there may not be future cash payments to net against. The applicable U. S. federal income tax rules are complex and factual in nature, and there can be no assurance that the IRS or a court will agree with our tax reporting positions. As a result, it is possible that we could make cash payments under the Tax Receivable Agreement that are substantially greater than our actual cash tax savings. We may not be able to realize all or a portion of the tax benefits that are currently expected to result from future exchanges of LLC Units for our Class A common stock and from payments made under the Tax Receivable Agreement. Our ability to realize the tax benefits that we currently expect to be available as a result of the increases in tax basis created by any future exchanges of LLC Units (together with shares of our Class B common stock in the case of certain Class A Units) for our Class A common stock, the payments made pursuant to the Tax Receivable Agreement, and the interest deductions imputed under the Tax Receivable Agreement all depend on a number of assumptions, including that we earn sufficient taxable income each year during the period over which such deductions are available and that there are no changes in applicable law or regulations. For example, the reduction in corporate tax rates pursuant to the 2017 changes in U. S. federal income tax law has the effect of reducing the expected value of the tax benefits we realize as a result of the increase in our proportionate share of the existing tax basis of the assets of Carvana Group arising from future exchanges of LLC Units held by an LLC Unitholder for shares of our Class A common stock or cash. The reduction in the value of such tax benefits is expected to have two primary consequences — it reduces the cash payments we expect to be required to make pursuant to the Tax Receivable Agreement and it reduces the expected value to us of the 15 % of the amount of such tax benefits that we will retain pursuant to the Tax Receivable Agreement. Additionally, if our actual taxable income were insufficient or there were additional adverse changes in applicable laws or regulations, we may be further unable to realize all or a portion of the expected tax benefits and our cash flows and stockholders' equity (deficit) could be negatively affected. Our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code. Based on our historical financial performance, we have generated a federal **and state** net operating loss (" NOL") carryforward of $ 1. ~~8~~ **2** billion through the year ended December 31, ~~2022~~ **2023** , and we may generate NOL carryforwards in future years. Section 382 of the United States Internal Revenue Code of 1986, as amended (the " Code "), contains rules that limit the ability of a company that undergoes an" ownership change" to utilize its NOL carryforwards and certain built- in losses recognized in years after the ownership change. A company generally experiences an ownership change if the percentage of the value of its stock owned by certain " 5- percent shareholders, " as such term is defined in Section 382 of the Code, increases by more than 50 percentage points over a rolling three- year period. These rules generally operate by focusing on ownership shifts among stockholders owning directly or indirectly 5 % or more of the stock of a company and any change in ownership arising from a new issuance of stock by the company. If we undergo an ownership change for purposes of Section 382 of the Code as a result of future transactions involving our stock, including purchases or sales of stock by current or future 5 % shareholders or new issuance of stock by the Company, our ability to use our NOL carryforwards and to recognize certain built- in losses would be subject to the limitations of Section 382 of the Code. Depending on the resulting limitation, a significant portion of our NOL carryforwards could ~~expire before we would be able to use them or could~~ be significantly delayed in their application to offsetting income. A limitation imposed under Section 382 of the Code on our ability to utilize our NOL carryforwards could have a negative impact on our financial position and results of operations. We have entered into a Section 382 Rights Agreement (the " Tax Asset Preservation Plan ") designed to preserve shareholder value and the value of certain tax assets primarily associated with NOL carryforwards and built- in losses under Section 382 of the Code. See" The Tax Asset Preservation Plan the Company implemented to protect our tax attributes could hinder the market for our Class A common stock." In certain circumstances, Carvana Group will be required to make distributions to us and the LLC Unitholders and the distributions may be substantial. Carvana Group **, LLC** is treated as a partnership for U. S. federal income tax purposes and, as such, is not subject to U. S. federal income tax. Instead, taxable income is allocated to its members, including us. We intend to cause Carvana Group to make tax distributions quarterly to the holders of Class A Units (including us) on a pro rata basis based on Carvana Group' s net taxable income and to the holders of Class B Units based on such holder' s allocable share of Carvana Group' s net taxable income (rather than on a pro rata basis). Funds used by Carvana Group to satisfy its tax distribution obligations will not be available for reinvestment in our business. Moreover, these tax distributions may be substantial, and will likely exceed (as a percentage of Carvana Group' s income) the overall effective tax rate applicable to a similarly situated corporate taxpayer. As a result of the potential differences in the amount of net taxable income allocable to us and the LLC Unitholders, particularly in light of the reduction in corporate tax rates passed in 2017, it is possible that we will receive distributions significantly in excess of our tax liabilities and obligations to make payments under the Tax Receivable Agreement. To the extent we do not distribute such cash balances as dividends on our Class A common stock and instead, for example, hold such cash balances or lend them to Carvana Group, the LLC Unitholders would benefit from any value attributable to such accumulated cash balances as a result of its ownership of Class A common stock following an exchange of its LLC Units (including any exchange upon an acquisition of us). If we were deemed to be an investment company under the Investment Company Act of 1940, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition and results of operations. Under Sections 3 (a) (1) (A) and (C) of the 1940 Act, a company generally will be deemed to be an" investment company" for purposes of the 1940 Act if it (1) is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (2) is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding, or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40 % of the value of its total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an investment company, as such term is defined in either of those sections of the 1940 Act. As the sole managing- member of Carvana **Co.** Sub, we control and manage Carvana **Co.** Sub, which, by virtue of being the sole managing- member of Carvana Group, in turn, controls and manages Carvana Group. On that basis, we believe that neither our interest in Carvana **Co.** Sub nor Carvana **Co.** Sub' s interest in Carvana Group are" investment securities" under the 1940 Act. Therefore, we have less than 40 % of the value of our total assets (exclusive of U. S. government securities and cash items) in" investment securities." However, if we were to lose the right to manage and control Carvana **Co.** Sub or if Carvana **Co.** Sub were to lose the right to manage and control Carvana Group, interests in Carvana Group or Carvana **Co.** Sub could be deemed to be" investment securities" under the 1940 Act. We intend to conduct our operations so that we will not be deemed to be an investment company. However, if we were deemed to be an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition, and results of operations. Our substantial indebtedness could adversely affect our financial flexibility **, ability to incur additional debt,** and our competitive position and prevent us from fulfilling our obligations under our credit agreement. As of December 31, ~~2022~~ **2023**, we had outstanding, on a consolidated basis (1) $ ~~5~~ **205 million aggregate principal amount of our Senior Unsecured Notes, (2) $ 4**. ~~7~~ **4** billion aggregate principal amount of our **Senior Secured** ~~2025, 2027, 2028, 2029, and 2030~~ Notes, **which includes $ 185 million of accrued payment-in- kind interest,** (~~2~~ **3**) $ **668** ~~1. 5 billion~~ **million** aggregate principal amount of borrowings under our ~~amended and restated vehicle inventory financing and security agreement with Ally Financial, effective September 22, 2022 (the" 12- Month~~ Floor Plan Facility ~~")~~ and the Finance Receivable Facilities (as defined below), (~~3~~ **4**) $ ~~374~~ **267** million aggregate principal amount of indebtedness represented by our finance lease agreements between us and providers of equipment financing, (~~4) $ 3 million aggregate principal amount of indebtedness represented by our promissory note agreements between us and providers of equipment financing, and (~~ 5) **and** an outstanding balance of $ ~~268~~ **293** million relating to secured borrowing facility through which we finance certain retained beneficial interests in our securitizations. Also, as of December 31, ~~2022~~ **2023**, we had, on a consolidated basis, $ ~~486~~ **485** million of other long- term debt related to our sale leaseback transactions. Our substantial indebtedness could have significant effects on our business. For example, it could: • make it more difficult for us to satisfy our obligations with respect to our current and future indebtedness, including our **Senior** ~~2025, 2027, 2028, 2029, and 2030~~ Notes and the Floor Plan ~~Facilities~~ **Facility**; • increase our vulnerability to adverse changes in prevailing economic, industry, and competitive conditions; • require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow **, or limit our ability to incur additional debt,** to fund working capital, capital expenditures, acquisitions, the execution of our business strategy, and other general corporate purposes; • limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • increase our cost of borrowing; • restrict us from exploiting business opportunities; **and** • place us at a disadvantage compared to our competitors that have fewer debt obligations ~~; and • limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy, and other general corporate purposes~~. We expect to use cash flow from operations to meet current and future financial obligations, including funding our operations, debt service requirements, and capital expenditures. The ability to make these payments depends on our financial and operating performance, which is subject to prevailing economic, industry, and competitive conditions, including the interest rate environment, and to certain financial, business, economic, and other factors beyond our control. Despite current indebtedness levels, we may incur substantially more indebtedness, which could further exacerbate the risks associated with our substantial indebtedness. We may incur significant additional indebtedness in the future **, subject to the restrictions in the indentures to the Senior Notes**. We may also ~~consider~~ **pursue** investments in joint ventures or acquisitions, which may increase our indebtedness. If new debt is added to our currently anticipated indebtedness levels, the related risks that we face could intensify. We may not be able to generate sufficient cash flow to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful, or may harm our business. Our ability to make scheduled payments or to refinance outstanding debt obligations depends on our financial and operating performance, which will be affected by prevailing economic, industry, and competitive conditions and by financial, business, and other factors beyond our control. Additionally, some of our debt accrues interest at a variable rate that is based on ~~LIBOR~~ **SOFR** or other market rates; if those market rates rise, so too will the amount we need to pay to satisfy our debt obligations. **Further, we have and may again be required to enter into hedging agreements, which requirement may be associated with increases in SOFR** We may not be able to maintain a sufficient level of cash flow from operating activities to permit us to pay the principal, premium, if any, and interest on our indebtedness. Any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which would also adversely affect our ability to incur additional indebtedness. We may not be able to refinance any of our indebtedness on commercially reasonable terms or at all. Additionally, in the future we may need to obtain additional financing from banks or other lenders, through public offerings or private placements of debt or equity, through strategic relationships or other arrangements, or from a combination of these sources. If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, sell assets, seek additional capital or seek to restructure or refinance our indebtedness. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants. These alternative measures may not be successful, and we may be unable to meet our scheduled debt service obligations. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service obligations. We may not be able to consummate these asset sales to raise capital or sell assets at prices and on terms that we believe are fair, and any proceeds that we do receive may not be adequate to meet any debt service obligations then due. If we cannot meet our debt service obligations, the holders of our indebtedness may accelerate such indebtedness and, to the extent such indebtedness is secured, foreclose on our assets. In such an event, we may not have sufficient assets to repay our indebtedness. If any of these risks are realized, our business and financial condition would be adversely affected. **Further** ~~The phase- out of the London Interbank Offered Rate (LIBOR)~~, **in the event of** ~~or~~ **our bankruptcy** ~~the replacement of LIBOR with a different reference rate~~, **dissolution** ~~may adversely affect interest rates. On March 5~~, ~~2021, the administrator for~~ - **or liquidation** ~~LIBOR announced that it will permanently cease to publish most LIBOR settings beginning on January 1~~, ~~2022 and cease to publish the overnight, one- month, three~~ -- **the holders** ~~- month, six- month, and 12- month LIBOR settings on July 1, 2023. On December 16, 2022, the Federal Reserve Board announced the adoption of a final rule that implements the Adjustable Interest Rate (LIBOR) Act by identifying benchmark rates based on SOFR that will replace LIBOR automatically on July 2, 2023 in financial contracts where a specific benchmark replacement has not already been determined. The replacement of LIBOR with SOFR may adversely affect interest rates and result in higher borrowing costs. This could materially and adversely affect our results of operations, cash flows, and liquidity. We cannot predict the effect of the discontinuance of LIBOR or~~ **our Senior Notes** ~~the use of SOFR. We have been amending contracts and may need to amend~~ -- **and our** other **indebtedness would be paid** ~~contracts or enter into new ones to reflect this change, which may result~~ in **full**

before ~~an~~ **any** ~~increase~~ **distribution can be made** to **the holders of** our ~~interest expense~~ **Class A common stock** . Changes in capital markets could adversely affect our business, sales, results of operations, and financial condition. Changes in the availability or cost of the financing to support the origination and sale of automotive finance receivables could adversely affect sales and results of operations. Among other programs, we may use securitization programs to fund many automotive finance receivables we originate. Changes in the condition of the securitization market could lead us to incur higher costs to access funds in this market or **lose access to the market,** ~~require~~ **requiring** us to seek alternative means to finance those originations that could be more expensive, **or retain residual certificates in excess of those required under the Risk Retention Rules (as defined below),** which could have a material adverse effect on our business, sales, and results of operations. **.** Our access to structured finance,securitization,or derivative markets at competitive rates and in sufficient amounts may decline in the future;any material reduction could harm our business,results of operations,and financial condition.We provide financing to customers and typically sell the receivables related to the financing contract.For example,we have entered into various arrangements to pledge or sell automotive finance receivables that we originate,including through committed structured finance arrangements,term securitizations and fixed pool loan sales to financing partners,and plan to enter into new arrangements in the future.Our ability to obtain funding through those channels is subject to having sufficient assets eligible for use as collateral for the related programs and our ability to obtain derivatives to manage interest rate risk among other considerations.If we are unable to continue obtaining funding through those channels,including because we reached our capacity under these or future arrangements,our financing partners exercised constructive or other termination rights before we reached capacity or we reached the scheduled expiration date of the commitment,or ~~because of changes in the condition of the securitization market that result in higher costs to access funds in the market or loss of access to the market,or if~~ we are unable to enter into new arrangements on similar terms,we may not have adequate liquidity and our business,financial condition,and results of operations may be adversely affected.Furthermore,if our financing partners cease to purchase these receivables,we could be **subject to the risk that some of these receivables are not paid when due and we are forced to incur unexpected asset write- offs and bad-debt expense** We may experience greater credit losses or prepayments in any interests we hold in automotive finance receivables than we anticipate. Until we sell automotive finance receivables, and to the extent we retain interests in automotive finance receivables, including as a result of economic slowdown or recession, after we sell them, whether pursuant to securitization transactions or otherwise, we are exposed to the risk that applicable customers will be unable or unwilling to repay their loans according to their terms and that the vehicle collateral securing the payment of their loans may not be sufficient to ensure full repayment. Credit losses are inherent in the automotive finance receivables business and could have a material adverse effect on our results of operations. We make various assumptions and judgments about the automotive finance receivables we originate and may provide an allowance for loan losses, value beneficial ownership interests, and estimate prepayment rates based on a number of factors. Although management may establish an allowance for loan losses, value beneficial ownership interests, and estimate prepayment rates based on analysis it believes is appropriate, this may not be adequate. For example, if economic conditions were to deteriorate unexpectedly, additional loan losses not incorporated in the existing allowance or valuation may occur. Losses or prepayments in excess of expectations could have a material adverse effect on our business, results of operations, and financial condition. ~~Our securitizations may expose us to financing and other risks, and there can be no assurance that we will be able to access the securitization market in the future, which may require us to seek more costly financing. We have securitized, and may in the future securitize, certain of our automotive finance receivables to generate cash. In such transactions, we convey a pool of automotive finance receivables to a special purpose vehicle, typically a trust that, in turn, issues certain securities. The securities issued by the special purpose vehicle are collateralized by the pool of automotive finance receivables. In exchange for the transfer of finance receivables to the special purpose vehicle, we typically receive the cash proceeds from the sale of the securities. Although we have a demonstrated history of securitizing since 2019, we can give no assurances that we will be able to complete additional securitizations if the securitization markets become constrained. In addition, the value of any securities that we may retain in our securitizations, including securities retained to comply with the Risk Retention Rules (defined below), might be reduced or, in some cases, eliminated as a result of an adverse change in economic conditions or the financial markets. If it is not possible or economical for us to securitize our automobile finance receivables in the future, we would need to seek alternative financing to support our operations and to meet our existing debt obligations, which may be less efficient and more expensive than raising capital via securitizations and may have a material adverse effect on our results of operations, financial condition, and liquidity.~~ Risk retention rules may increase our compliance costs, limit our liquidity and otherwise adversely affect our operating results. Effective as of December 24, 2016," risk retention" rules promulgated by U. S. federal regulators under the Dodd- Frank Act (the" Risk Retention Rules") require a" securitizer" or" sponsor" of a securitization transaction to retain, directly or through a" majority- owned affiliate" (each defined in the Risk Retention Rules), in one or more prescribed forms, at least 5 % of the credit risk of the securitized assets. For the securitization transactions for which we have acted as" sponsor," we have sought and will likely continue to seek to satisfy the Risk Retention Rules by retaining a" vertical interest" (as defined in the Risk Retention Rules) through either a majority- owned affiliate (MOA) or directly on our balance sheet. In addition, we have and will likely continue to enter into arrangements to finance ~~or monetize~~ a portion of the retained credit risk in one or more prescribed forms under the Risk Retention Rules. In addition to the discussion in this section, see Note 2 — Summary of Significant Accounting Policies and Note 9 — Securitizations and Variable Interest Entities. We have also participated in other structured finance transactions that we have determined are not securitizations requiring risk retention, and accordingly, we have not sought to comply with any Risk Retention Rules that would be applicable to securitization transactions. The Risk Retention Rules are subject to varying interpretations, and one or more regulatory or governmental authorities could take positions with respect to the Risk Retention Rules that conflict with, or are inconsistent with, the Risk Retention Rules as understood by or interpreted by us, the securitization industry generally, or past or current regulatory or governmental authorities. There can be no assurance that applicable regulatory or governmental authorities will agree with any of our determinations described above, and if such authorities disagree with such determinations, we may be exposed to additional costs and expenses, in addition to potential liability. We have implemented procedures to comply with the Risk Retention Rules (and other related laws and regulations), as currently understood by us. Maintenance and adherence to these procedures may be costly and may adversely affect our operating results. In addition to the costs generated by our efforts to comply with applicable Risk Retention Rules, which may be significant, compliance with any applicable Risk Retention Rules may require capital, which could potentially have been deployed in other ways that could have generated better value. Holding risk retention interests or ~~loans~~ **finance receivables** in contemplation of structured financing increases our exposure to the performance of the ~~loans~~ **finance receivables** that underlie or are expected to underlie those transactions. Accordingly, although compliance with applicable Risk Retention Rules would be expected to more closely align our incentives with those of the investors in our ~~loans~~ **finance receivables** , it is also expected that poor ~~loan~~ performance may have a heightened adverse effect on ~~the value of our shares. This may exacerbate the negative effects of poor loan performance on the value of our shares. On October 10, 2022, the Commission to the European Parliament and the Council issued a report on the functioning of the European Union Securitisation Regulation. Among other things, the report clarified that EU institutional investors are required to obtain full and detailed information prescribed by the EU Securitisation Regulation even in relation to third- country securitisations. Although our securitizations are not regulated by the EU, there is a risk that our financing partners who are, or~~ **our** ~~may be~~ **results of operations** , ~~subject to EU oversight may not be able to continue or renew certain financing~~ **financial condition** ~~facilities or purchasing of securitization interests we sponsor until we can provide the required information~~ , ~~which would require time~~ and **liquidity** ~~may come at substantial expense~~ . Our Class A common stock price has been and may continue to be volatile or may decline regardless of our operating performance. Volatility in the market price of our Class A common stock may prevent our stockholders from being able to sell their shares at or above the price they paid for them. The market price of our Class A common stock has fluctuated, and may continue to fluctuate widely due to many factors, some of which may be beyond our control. The closing price of our Class A common stock between January 1, ~~2022~~ **2023** and January 1, ~~2023~~ **2024** has ranged from a low of $ ~~3~~ **4** . ~~72~~ **41** to a high of $ ~~239~~ **59** . ~~63~~ **80** . Many factors may cause the market price of our Class A common stock to fluctuate significantly, including those described elsewhere in this" Risk Factors" section and this Annual Report on Form 10- K, as well as the following: • adverse impacts to the larger automotive ecosystem, including consumer demand, global supply chain challenges, and other macroeconomic issues; •" short squeezes"; • ~~pandemics, including COVID- 19, and other crises or disasters; •~~ our operating and financial performance and prospects; • our quarterly or annual earnings or those of other companies in our industry compared to market; • future announcements or press coverage concerning our business or our competitors' businesses; • the public' s reaction to our press releases, other public announcements, and filings with the SEC; • the size of our public float **; • trading volume** ; • coverage by or changes in financial estimates by securities analysts or failure to meet their expectations; • market and industry perception of our success, or lack thereof, in pursuing our growth strategy; • strategic actions by us or our competitors, such as acquisitions or restructurings; • changes in laws or regulations which adversely affect our industry or us; • changes in accounting standards, policies, guidance, interpretations, or principles; • changes in senior management or key personnel; • issuances, exchanges or sales, or expected issuances, exchanges, or sales of our capital stock; • **pandemics and other crises or disasters; •** adverse resolution of new or pending litigation against us; and • changes in general market, economic, and political conditions in the United States and global economies or financial markets, including those resulting from natural disasters, terrorist attacks, acts of war, and responses to such events. As a result, volatility in the market price of our Class A common stock may prevent investors from being able to sell their Class A common stock at or above their purchase price or at all. These broad market and industry factors may materially reduce the market price of our Class A common stock, regardless of our operating performance. In addition, price volatility may be greater if the public float and trading volume of our Class A common stock is low. Short sellers of our stock may be manipulative and may have driven **down and may again drive** down the market price of our common stock. Short selling is the practice of selling securities that the seller does not own but rather has borrowed or intends to borrow from a third party with the intention of buying identical securities at a later date to return to the lender. A short seller hopes to profit from a decline in the value of the securities, as the short seller expects to pay less in the covering purchase than it received in the sale. It is therefore in the short seller' s interest for the price of the stock to decline, and some short sellers publish, or arrange for the publication of, opinions or characterizations regarding the relevant issuer, often involving deliberate misrepresentations of the issuer' s business prospects and similar matters calculated to create negative market momentum. As a public entity in a highly digital world, we have been and in the future may be the subject of concerted efforts by profiteering short sellers to spread misinformation and misrepresentations in order to gain an illegal market advantage. In the past, the publication of intentional misinformation concerning Carvana by a disclosed short seller could be associated with the selling of shares of our common stock in the market on a large scale, resulting in a precipitous decline in the market price per share of our common stock. In addition, the publication of intentional misinformation may also result in lawsuits, the uncertainty and expense of which could adversely impact our business, financial condition, and reputation. While utilizing all available tools to defend ourselves and our assets against these short seller efforts, there is limited regulatory control, making such efforts an ongoing concern for any public company. While we move forward in our business development strategies in good faith, there are no assurances that we will not face more of these short sellers' efforts or similar tactics by adverse actors in the future, and the market price of our common stock may decline as a result of their actions or the action of other short sellers. A " short squeeze " due to a sudden increase in demand for shares of our Class A common stock that largely exceeds supply has led to, and may continue to lead to, extreme price volatility in shares of our Class A common stock. Speculation on the price of our Class A common stock may involve long and short exposures. To the extent aggregate short exposure exceeds the number of shares of our Class A common stock available for purchase on the open market, investors with short exposure may have to pay a premium to repurchase shares of our Class A common stock for delivery to lenders of our Class A common stock. Those repurchases may in turn, dramatically increase the price of shares of our Class A common stock until additional shares of our Class A common stock are available for trading or borrowing. This is often referred to as a " short squeeze. " A large proportion of our Class A common stock has been and may ~~continue~~ **again** to be traded by short sellers which may increase the likelihood that our Class A common stock will be the target of a short squeeze. A short squeeze has led and could continue to lead to volatile price movements in shares of our Class A common stock that are unrelated or disproportionate to our operating performance or prospects and, once investors purchase the shares of our Class A common stock necessary to cover their short positions, the price of our Class A common stock may rapidly decline. Investors that purchase shares of our Class A common stock during a short squeeze may lose a significant portion of their investment. The Garcia Parties control us and their interests may conflict with our or our stockholders' interests in the future. The Garcia Parties together hold approximately ~~88~~ **87** % of the voting power of our outstanding capital stock through their beneficial ownership of our Class A and Class B common stock as of December 31, ~~2022~~ **2023** . The Garcia Parties are entitled to ten votes per share of Class B common stock they beneficially own, for so long as the Garcia Parties maintain, in the aggregate, direct or indirect beneficial ownership of at least 25 % of the outstanding shares of Class A common stock (determined on an as- exchanged basis assuming that all of the Class A Units were exchanged for Class A common stock). Our Class A common stock has one vote per share. So long as the Garcia Parties continue to beneficially own a sufficient number of shares of Class B common stock, even if they beneficially own significantly less than 50 % of the shares of our outstanding capital stock, the Garcia Parties will continue to be able to effectively control our decisions. For example, if the Garcia Parties hold Class B common stock amounting to 25 % of our outstanding capital stock, they would collectively control 72 % of the voting power of our capital stock. As a result, the Garcia Parties have the ability to elect all of the members of our Board and thereby effectively control our policies and operations, including the appointment of management, future issuances of our Class A common stock or other securities, the payment of dividends, if any, on our Class A common stock, the incurrence of debt by us, amendments to our amended and restated certificate of incorporation and amended and restated bylaws, and the entering into of extraordinary transactions. The interests of the Garcia Parties may not in all cases be aligned with our **other** stockholders' interests. In addition, the Garcia Parties can determine the outcome of all matters requiring stockholder approval, cause or prevent a change of control of our company or a change in the composition of our Board, and preclude any acquisition of our company. This concentration of voting control could deprive our stockholders of an opportunity to receive a premium for their shares of Class A common stock as part of a sale of our company and ultimately might affect the market price of our Class A common stock. In addition, the Garcia Parties may have an interest in pursuing acquisitions, divestitures, and other transactions that, in their judgment, could enhance their investment, even though such transactions might involve risks. For example, the Garcia Parties could cause us to make acquisitions that increase our indebtedness or cause us to sell revenue- generating assets. The Garcia Parties may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. The Garcia Parties control and own substantially all interest in DriveTime, which could compete more directly with us in the future. Our amended and restated certificate of incorporation provides that none of the Garcia Parties or any director who is not employed by us (including any non- employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates has any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. The Garcia Parties also may pursue acquisition opportunities that may otherwise be complementary to our business, and, as a result, those acquisition opportunities may not be available to us. Our stock may be diluted by future issuances of additional Class A common stock or LLC Units in connection with our incentive plans, acquisitions or otherwise; future sales of such shares in the public market or the expectations that such sales may occur could lower our stock price. We may issue additional shares of Class A common stock in several ways: By the Board. Our amended and restated certificate of incorporation authorizes us to issue shares of our Class A common stock and options, rights, warrants and appreciation rights relating to our Class A common stock or the consideration of and on the terms and conditions established by our Board in its sole discretion, whether in connection with acquisitions or otherwise. **In 2023, in connection with offerings of Class A common stock to other investors, we issued additional Class A Units to the Garcia Parties, which are exchangeable for shares of our Class A common stock, as discussed in Note 11 — Stockholders' Equity (Deficit).** Under the Exchange Agreement. LLC Unitholders may require Carvana Group to redeem all or a portion of their LLC Units in exchange for, at our election, (1) a cash payment by Carvana Group or (2) newly issued shares of Class A common stock, in each case in accordance with the terms and conditions of the Exchange Agreement. The LLC Agreement authorizes Carvana Group to issue additional LLC Units whether in connection with an acquisition or otherwise. We have entered into a Registration Rights Agreement with certain LLC Unitholders that would require us to register shares issued to them, and we may enter into similar agreements in the future. Under the 2017 Omnibus Incentive Plan. As of December 31, ~~2022~~ **2023** , we had ~~reserved 14~~ **remaining 17** million shares of Class A common stock **available** for issuance under our 2017 Omnibus Incentive Plan (the" 2017 Incentive Plan"), as adjusted pursuant to the terms of the 2017 Incentive Plan (as defined in Note 13 — Equity- Based Compensation). As of December 31, ~~2022~~ **2023** we have granted ~~5~~ **14** million restricted stock awards and units and options to purchase ~~2~~ **4** million shares of Class A common stock to certain consultants, directors, and employees, net of forfeitures, expirations, and exercises. **Under the Carvana Co. 2021 Employee Stock Purchase Plan.** We have ~~7 million~~ **reserved 500, 000 shares of Class A common stock for issuance under our ESPP (as defined in Note 13 — Equity- Based Compensation). As of December 31, 2023, we have issued 121, 636 shares of Class A common stock to certain employees. We have 378, 364** shares of Class A common stock available for future issuance under our **ESPP** ~~2017 Incentive Plan~~ as of December 31, ~~2022~~ **2023** . Any stock that we issue or...... ESPP as of December 31, 2022 . Pursuant to the Tax Asset Preservation Plan. As discussed below, we adopted a Tax Asset Preservation Plan in order to preserve our NOL carryforwards. If the Rights under the Tax Asset Preservation Plan become exercisable, our stock may be diluted, though only the interests of the Acquiring Person (as defined below) would be diluted ~~We will have discretion,subject to market demand,to vary the timing,prices,and number of shares sold under the~~

~~Distribution Agreement~~ .Any stock that we issue or exchange would dilute the percentage ownership held by the investors who purchase Class A common stock.The market price of shares of our Class A common stock could decline as a result of newly issued or exchanged stock,or the perception that we might issue or exchange stock.A decline in the price of our Class A common stock might impede our ability to raise capital through the issuance of additional shares of Class A common stock or other equity securities. ~~In addition~~ **Under the Carvana Co.2021 Employee Stock Purchase Plan.We have reserved 500** , **000** ~~in order to raise additional capital,we may in the future offer additional~~ shares of ~~our~~ Class A common stock ~~or other securities convertible into or exchangeable~~ for **issuance under** our **ESPP (as defined in Note 13 – Equity- Based Compensation).As of December 31,2022,we have issued 88,846 shares of** Class A common stock ~~at various prices~~ **to certain employees** . ~~Investors purchasing~~ **We have 411,154** shares **of Class A common stock available** ~~or~~ **for** ~~other securities in the~~ future ~~could have rights superior to existing stockholders~~ **issuance under our ESPP as of December 31** , **2022** ~~and any future equity~~ . Substantial blocks of our total outstanding shares may be sold into the market. If there are substantial sales of shares of our Class A common stock, the price of our Class A common stock could decline. The price of our Class A common stock could decline if there are substantial sales of our Class A common stock (including sales of Class A common stock issuable upon exchange of LLC Units), particularly sales by our directors, executive officers, and significant stockholders, or if there is a large number of shares of our Class A common stock available for sale. As of December 31, ~~2022~~ **2023** , we ~~have 106~~ **had 114** million shares of our Class A common stock outstanding. All the shares of Class A common stock sold in our IPO and various follow- on offerings are available for sale in the public market. Shares held by directors, executive officers and other affiliates are subject to volume limitations under Rule 144 under the Securities Act of 1933, as amended, ~~or~~ **(** the **"** Securities Act **")** , and various vesting agreements. Certain of our LLC Unitholders have rights, subject to conditions, to require us to file registration statements covering Class A common stock issuable to them upon exchange of their LLC Units. We would be required to include certain Class A common shares in registration statements that we may file for ourselves or our stockholders, subject to market standoff and lockup agreements. These registration rights would facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of our Class A common stock available for public trading. We also intend to register shares of common stock that we have issued and may issue under our employee equity incentive plans. Once we register these shares, they will be able to be sold freely in the public market upon issuance, subject to existing market standoff or lock- up agreements. The market price of the shares of our Class A common stock could decline as a result of the sale of a substantial number of our shares of Class A common stock in the public market or the perception in the market that the holders of a large number of such shares intend to sell their shares. We have entered into a Tax Asset Preservation Plan designed to preserve shareholder value and the value of certain tax assets primarily associated with NOL carryforwards and built- in losses under Section 382 of the Code. The Tax Asset Preservation Plan is intended to act as a deterrent to any person or group acquiring 4. 9 % or more of our outstanding Class A common stock (any such person an " Acquiring Person "), without the approval of our Board, until the Board determines that the risks associated with Section 382 of the Code have sufficiently decreased to withdraw the Tax Asset Preservation Plan. In connection therewith, on January 16, 2023, the Board declared a dividend of one preferred share purchase right (a " Right ") for each share of Class A common stock of the Company. Each Right entitles the registered holder to purchase from the Company one one- thousandth of a share of Series B Preferred Stock, par value $ 0. 01 per share, of the Company (the " Preferred Shares ") at a price of $ 50. 00 per one one- thousandth of a Preferred Share represented by a Right (the " Purchase Price "), subject to adjustment. The Rights will separate and begin trading separately from the Class A common stock, and right certificates will be caused to evidence the Rights, on the earlier to occur of (i) the close of business on the tenth day following a public announcement, or the public disclosure of facts indicating, that a person **becomes** ~~or group of affiliated or associated persons has acquired beneficial ownership of 4. 9 % or more of the outstanding Class A common stock (~~ an " Acquiring Person " ~~)~~ (or, in the event that the Board determines to effect an exchange in accordance with Section 24 of the Tax Asset Preservation Plan and the Board determines that a later date is advisable, then such later date) and (ii) the close of business on the tenth business day (or such later date as may be determined by action of the Board prior to such time as any person becomes an Acquiring Person) following the commencement of a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 4. 9 % or more of the outstanding Class A common stock. If issued, each Right, other than Rights beneficially owned by the Acquiring Person (which will thereupon become void) will become exercisable for Class A common stock having a value equal to two times the exercise price of the Right. However, prior to exercise, a Right does not give its holder any rights as a stockholder of the Company, including without limitation, any dividend, voting or liquidation rights. Although our Tax Asset Preservation Plan is intended to prevent an" ownership change" as defined by Section 382 of the Code, we cannot provide any assurance that we will not experience such an ownership change or that we will otherwise be able to use, in full or in part, our NOLs. Additionally, the Tax Asset Preservation Plan may make our Class A common stock less attractive to large institutional holders, discourage potential acquirers from attempting to take over our company, limit the price that investors might be willing to pay for shares of our Class A common stock and otherwise hinder the market for our Class A common stock. We do not intend to pay dividends on our Class A common stock for the foreseeable future. We currently have no intention to pay dividends on our Class A common stock at any time in the foreseeable future. Any decision to declare and pay dividends in the future will be made at the discretion of our Board and will depend on, among other things, our results of operations, financial condition, cash requirements, contractual restrictions, and other factors that our Board may deem relevant. Certain of our debt instruments contain covenants that restrict our ability and the ability of our subsidiaries to pay dividends and in the future we may enter into new instruments with similar covenants. In addition, despite our current indebtedness, we may still be able to incur additional debt in the future, and such indebtedness may restrict or prevent us from paying dividends on our Class A common stock. Delaware law and certain provisions in our certificate of incorporation may prevent efforts by our stockholders to change the direction or management of our company. We are a Delaware corporation, and the anti- takeover provisions of Delaware law impose various impediments to the ability of a third party to acquire control of us, even if a change of control would be beneficial to our existing stockholders. In addition, our certificate of incorporation and our amended and restated by- laws contain provisions that may make the acquisition of our company more difficult without the approval of our Board, including, but not limited to, the following: • the Garcia Parties are entitled to ten votes for each share of our Class B common stock they hold of record on all matters submitted to a vote of stockholders for so long as the Garcia Parties maintain direct or indirect beneficial ownership of at least 25 % of the outstanding shares of Class A common stock (determined on an as- exchanged basis assuming that all of the Class A Units were exchanged for Class A common stock); • at such time as there are no outstanding shares of Class B common stock, only our Board may call special meetings of our stockholders; • we have authorized undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval; and • we require advance notice and duration of ownership requirements for stockholder proposals. Our amended and restated certificate of incorporation also contains a provision that provides us with protections similar to Section 203 of the ~~Delaware General Corporation Law (the"~~ DGCL ~~")~~ , and prevents us from engaging in a business combination with a person (excluding the Garcia Parties and their transferees) who acquires at least 15 % of our common stock for a period of three years from the date such person acquired such common stock, unless board or stockholder approval is obtained prior to the acquisition. These provisions could discourage, delay, or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for our stockholders to elect directors of their choosing and cause us to take other corporate actions our stockholders desire, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our Class A common stock. In addition, because our Board is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. These and other provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our Board or to initiate actions that are opposed by our then- current Board, a merger, tender offer or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for our stockholders to realize value in a corporate transaction. With limited exceptions, the Court of Chancery of the State of Delaware is the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or stockholders. Pursuant to our certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (3) any action asserting a claim against us arising pursuant to any provision of the DGCL, our certificate or our bylaws or (4) any other action asserting a claim against us that is governed by the internal affairs doctrine. The forum selection clause in our certificate may have the effect of discouraging lawsuits against us or our directors and officers and may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees, or stockholders. We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the price of our Class A common stock. Our certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock could be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discouraging bids for our Class A common stock at a premium to the market price, and materially adversely affect the market price and the voting and other rights of the holders of our Class A common stock. We ~~may be unable~~ **rely on third- party technology** to **complete critical** ~~successfully integrate the operations of Carvana and the Acquired Business~~ **business functions** ~~and we may not realize the anticipated synergies and cost savings from our combination~~ . If ~~the ADESA Acquisition does not achieve~~ **that technology fails to adequately serve our needs and we cannot find alternatives,** ~~its~~ **it** ~~intended~~ **may negatively impact our operating** results ~~,~~ **. We rely on third- party technology for certain of** our **critical** business **functions** , **including supply chain management, customer identity verification, transportation fleet telemetry, network infrastructure for hosting the website and mobile application, inventory data, software libraries, development environments and tools, services to allow customers to digitally sign contracts, customer service call center management software, automation controls and software for our vending machines, hosted telephony, human resource management, e- mail, instant messaging, artificial intelligence, data reporting, and security. If these technologies fail or we cannot maintain our relationships with the technology providers and we cannot find suitable alternatives, our** financial condition and **operation** results **may** ~~of operations could be materially and adversely affected. On May 9, 2022, Carvana Group completed the acquisition of the U. S. based physical auction business of ADESA U. S. Auction, LLC (the " Acquired Business ") from KAR in a carve- out transaction, for approximately $ 2. 2 billion in cash, subject to customary adjustments (the " ADESA Acquisition "). The acquisition of the Acquired Business by Carvana involved the integration of two businesses that previously operated independently, and there can be no assurance that the unique business cultures of the two businesses will prove to be compatible. The ongoing integration of the Acquired Business into the operations of Carvana is a significant undertaking and requires significant attention from our management team. It is possible that the ongoing integration process could take longer than anticipated and could result in the loss of valuable employees, customer and supplier relationships, the disruption of each party' s ongoing businesses, processes, and systems, or inconsistencies in standards, controls, procedures, practices, policies, and compensation arrangements, any of which could adversely affect our ability to realize the anticipated benefits of the ADESA Acquisition. Our results of operations could also~~ be adversely affected by any issues attributable to the Acquired...... financial condition, and results of operations . Our results of operations and financial condition are subject to management' s accounting judgments, estimates, and changes in accounting policies. The preparation of our financial statements requires us to make estimates and assumptions affecting the reported amounts of our assets, liabilities, revenues, and expenses. If these estimates or assumptions are incorrect, it could have a material adverse effect on our results of operations or financial condition. We have identified several accounting policies as being" critical" to the fair presentation of our financial condition and results of operations because they involve major aspects of our business and require us to make judgments about matters that are inherently uncertain. These policies are described in" Management' s Discussion and Analysis of Financial Condition and Results of Operations" and the notes to consolidated financial statements included in this Annual Report on Form 10- K. The implementation of new accounting requirements or other changes to U. S. generally accepted accounting principles could have a material adverse effect on our reported results of operations and financial condition. Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition. We are subject to income taxes in the United States, and our tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: • changes in the valuation of our deferred tax assets and liabilities; • expected timing and amount of the release of any tax valuation allowances; • expiration of or detrimental changes in research and development tax credit laws; or • changes in tax laws, regulations, or interpretations thereof. In addition, we may be subject to audits of our income, sales and other transaction taxes by U. S. federal and state authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition. We are subject to SEC rules and regulations regarding our internal control over financial reporting. If we fail to remediate material weaknesses in our internal control over financial reporting or otherwise establish and maintain effective internal control over financial reporting and disclosure controls and procedures, we may not be able to accurately report our financial results, or report them in a timely manner. As a public reporting company, we are subject to the rules and regulations established from time to time by the SEC and the NYSE. These rules and regulations require that, among other things, we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. Our management team, including our chief executive officer and chief financial officer, has limited experience managing a publicly traded company, and limited experience complying with the increasingly complex and changing laws pertaining to public companies. In addition, as a public company we are required to document and test our internal control over financial reporting pursuant to Section 404 of the Sarbanes – Oxley Act so that our independent registered public accounting firm can attest in this Annual Report on Form 10- K as to the effectiveness of our internal control over financial reporting, and in future annual reports. Under this law, we have been required and will continue to be required to document and make significant changes to our internal control over financial reporting. If our senior management is unable to conclude that we have effective internal control over financial reporting or to certify the effectiveness of such controls; if our independent registered public accounting firm cannot render an unqualified opinion on management' s assessment and the effectiveness of our internal control over financial reporting; or if material weaknesses in our internal control over financial reporting is identified, we could be subject to regulatory scrutiny, a loss of public and investor confidence, and to litigation from investors and stockholders, which could have a material adverse effect on our business and our stock price. In addition, if we do not maintain adequate financial and management personnel, processes and controls, we may not be able to manage our business effectively or accurately report our financial performance on a timely basis, which could cause a decline in our common stock price and adversely affect our results of operations and financial condition. Negative research about our business published by analysts or journalists could cause our stock price to decline. A lack of regularly published research about our business could cause trading volume or our stock price to decline. The trading market for our Class A common stock depends in part on the research and reports that analysts and journalists publish about us or our business. If analysts or journalists publish inaccurate or unfavorable research about our business, our stock price would likely decline. If we fail to meet the expectations of analysts for our operating results, or if the analysts who ~~covers~~ **cover** us downgrade our stock, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline. **45**