

TrueCar, Inc.  
Form 10-K  
March 10, 2016  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

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

Commission File Number: 001-36449

TRUECAR, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
120 Broadway, Suite 200  
Santa Monica, California 90401  
(Address of principal executive offices and Zip Code)  
(800) 200 2000  
(Registrant's telephone number, including area code)

04 3807511  
(I.R.S. Employer  
Identification Number)

Securities registered pursuant to Section 12(b) of the Act:  
Common Stock, par value \$0.0001 per  
share

The Nasdaq Global Select Market

(Title of each class)

(Name of each exchange on which  
registered)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the  
Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>	Non accelerated filer <input type="checkbox"/> (do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, was \$499,467,430 based upon the closing price reported for such date on the NASDAQ Global Select Market.

As of March 3, 2016, the registrant had 83,518,958 shares of common stock outstanding.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for the 2016 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2015. Except with respect to information specifically incorporated by reference in this Form 10-K, the Definitive Proxy Statement is not deemed to be filed as part of this Form 10-K.

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FORM 10-K

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As used in this Annual Report on Form 10-K, the terms “TrueCar”, “the Company,” “we,” “us” and “our” refer to TrueCar, Inc. and its wholly owned subsidiaries, TrueCar.com, Inc. and ALG, Inc., unless the context indicates otherwise. TrueCar.com, Inc. is referred to as “TrueCar.com” and ALG, Inc. is referred to as “ALG”.

Special Note Regarding Forward Looking Statements and Industry and Market Data

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases you can identify forward-looking statements because they contain words such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “likely,” “plans,” “potential,” “predicts,” or similar expressions and the negatives of those terms. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- our future financial performance and our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses, ability to generate cash flow, and ability to achieve, and maintain, future profitability;
- our relationship with key industry participants, including car dealers and automobile manufacturers;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate;
- our ability to anticipate market needs and develop new and enhanced products and services to meet those needs, and our ability to successfully monetize them;
- maintaining and expanding our customer base, including our ability to increase the number of high volume brand dealers in our network generally and in key geographies;
- the impact of competition in our industry and innovation by our competitors;
- our anticipated growth and growth strategies, including our ability to increase the rate at which site visitors obtain Guaranteed Savings Certificates and close rates;
- our failure to anticipate or adapt to future changes in our industry;
- the impact of seasonality on our business;
- our ability to hire and retain necessary qualified employees, including anticipated additions to our dealer, product and technology teams;
- our ability to integrate newly hired members of management;
- the impact of any failure of our solutions or solution innovations;
- our reliance on our third-party service providers;
- the evolution of technology affecting our products, services and markets;
- our ability to adequately protect our intellectual property;
- the anticipated effect on our business of litigation to which we are a party;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business;
- the expense and administrative workload associated with being a public company;
- failure to maintain an effective system of internal controls necessary to accurately report our financial results and prevent fraud;
- our liquidity and working capital requirements;
- the estimates and estimate methodologies used in preparing our consolidated financial statements;
- the future trading prices of our common stock and the impact of securities analysts’ reports on these prices;
- the preceding and other factors discussed in Part I, Item 1A, “Risk Factors,” and in other reports we may file with the Securities and Exchange Commission from time to time; and
- the factors set forth in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks in greater detail in the section entitled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Forward-looking statements speak only as of the date the statements are made. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

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### PART I

#### Item 1. Business Overview

Our mission is to deliver the best car-buying experience for consumers and provide dealers and automakers with an excellent return on their marketing dollars. We have established a diverse software ecosystem on a common technology infrastructure, powered by proprietary data and analytics. We operate our company-branded platform on the TrueCar website and our branded mobile experience. In addition, we customize and operate our platform on a co-branded basis for our many affinity group marketing partners, including financial institutions like USAA and American Express, membership-based organizations like Consumer Reports, AARP, Sam's Club, and AAA, and employee buying programs for large enterprises such as IBM and Walmart. We enable users to obtain market-based pricing data on new and used cars, and to connect with our network of TrueCar Certified Dealers. We also allow automobile manufacturers, known in the industry as OEMs, to connect with TrueCar users in the purchase process and efficiently deliver targeted incentives to consumers.

We benefit consumers by providing information related to what others have paid for a make and model of car in their area and, where available, estimated prices for that make and model, which we refer to as upfront pricing information, from our network of TrueCar Certified Dealers. This upfront pricing information generally includes guaranteed savings off MSRP which the consumer may then take to the dealer in the form of a Guaranteed Savings Certificate and apply toward the purchase of the specified make and model of car. We benefit our network of TrueCar Certified Dealers by enabling them to attract these informed, in-market consumers in a cost-effective, accountable manner, which we believe helps them to sell more cars profitably. We benefit OEMs by allowing them to more effectively target their incentive spending at deep-in-market consumers during their purchase process.

Our network of over 11,000 TrueCar Certified Dealers consists primarily of new car franchises, representing all major makes of cars, as well as independent dealers selling used vehicles. TrueCar Certified Dealers operate in all 50 states and the District of Columbia.

Our subsidiary, ALG, Inc., provides forecasts and consulting services regarding determination of the residual value of an automobile at given future points in time. These residual values are used to underwrite automotive loans and leases to determine payments by consumers. In addition, financial institutions use this information to measure exposure and risk across loan, lease, and fleet portfolios. We also obtain automobile purchase data from a variety of sources and use this data to provide consumers and dealers with highly accurate, geographically specific, real-time pricing information.

#### Products and Services

##### Consumer

Consumers interface with us via our website and our TrueCar branded mobile applications and affinity group marketing partner websites.

The following are key elements of our consumer experience:

**Market pricing data.** Through our websites and mobile applications, a consumer selects a vehicle, adds desired options and inputs a ZIP code. In most instances, we then present the consumer with the TrueCar Curve, a graphical distribution of what others paid for the same make and model of car. Within this distribution, we include MSRP, factory invoice, and average price paid for that make and model in the consumer's local market. We generally provide consumers with our TrueCar Estimate, which is based on data relevant to the consumer's configured vehicle. This information enables the consumer to evaluate a potential price in the context of broader market data.

**In-Stock Offers.** In most instances, after reviewing the report with the Estimated Price stating the available Guaranteed Savings off MSRP provided by dealers, the consumer may elect to receive offers on in-stock vehicles

from each of the selected dealers; they do so by providing contact information to said dealers. These offers entitle the consumer to receive the stated amount of Guaranteed Savings off MSRP for the consumer's selected make and model. While the offer presents the Estimated Price for the in-stock offers, it also entitles the consumer to receive a Guaranteed Savings off MSRP on any vehicle of that particular make and model that the dealer has available for sale. Consumers typically present the offer to the dealer at the time of purchase.

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### Dealer

Our network of TrueCar Certified Dealers interfaces with our platform primarily through our Dealer Portal, an application that can be accessed online or using a mobile device. The Dealer Portal is considered a sales enhancement tool, and it enables dealers to access unique information on their prospects unavailable to them in their standard customer relationship management (CRM) software. The Portal allows dealers to assess the competitiveness of their vehicle pricing relative to their market, create vehicle pricing rules, access details on potential buyers wants and needs, create custom detailed offers based on vehicles in stock, manage how their dealership profile appears on the network, assess their competitive market performance on vehicles sold through their dealership, as well a number of administrative and other management tools. With the mobile application for iOS and Android, dealers also have the ability to provide a price quote on a vehicle relative to the local market, regardless of whether the potential buyer was sourced via the TrueCar network or not.

Pricing tools. The Pricing Manager provides dealers with a single interface to assess the competitiveness of their vehicle pricing relative to their market and set pricing on all makes and models they offer for sale. The Sales Analyzer helps dealers better understand how their pricing for recently sold vehicles compares to the market, whether or not the customer transaction was with one of our users.

Sales closing tools. The Offer Tool helps dealers create custom detailed offers based on vehicles in stock. The Dealership Profile enables dealers to identify their selling benefits to customers, including salesperson names and pictures, dealership makes, hours of operation and website and social media links.

### Manufacturers

We enable manufacturers to target consumers based on membership in an affinity group and other criteria. By integrating this process into our platform, manufacturers provide consumers the ability to generate a unique coupon that can be redeemed and validated at any dealership across the country in connection with the purchase of a new car. By tracking these incentives in their own reporting systems, manufacturers can account directly for this method of reaching consumers. These manufacturers pay a per-vehicle fee to us for this service.

### Used car listings

For consumers looking to purchase a used car, we provide an aggregated listing of used vehicles in their local marketplace. These listings are consolidated from a variety of sources, including members of our network of TrueCar Certified Dealers which sell used cars in addition to new cars, and dedicated non-franchise or independent dealers that do not sell new cars. In addition to displaying stated information made available by the seller about the pricing and condition of car, we provide consumers with information related to the value of other cars of the same make, model, year and stated condition in the market. At our website, the user can contact the seller, identifying herself as a TrueCar user, to initiate communications that may ultimately result in a completed transaction.

### ALG

We forecast data on residual values of cars and provide this information on a subscription and consultative basis via ALG, our wholly-owned subsidiary. Automotive manufacturers, lenders, lessors, dealers, and software providers use information from ALG to determine the residual value of an automobile at given points in time in the future. These residual values are used to underwrite automotive loans and leases to determine payments by consumers. In addition, financial institutions use this information to measure exposure and risk across loan, lease, and fleet portfolios.

### Insurance



We offer insurers FastTrack, a toolset that allows claims representatives to refer consumers who have experienced a vehicle total loss event, when the insurer estimates the repair cost to exceed the replacement value of the vehicle, to our car-buying program. We first introduced this service in 2008.

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### Sales and Marketing

#### Consumer marketing

We reach consumers through the TrueCar website and our branded mobile applications and websites we maintain for our affinity group marketing partners. Our marketing is focused on building the TrueCar brand. The key tenets of our brand are providing transparent market price information and enhancing the car-buying experience for both consumers and dealers. We divide our marketing spend between traditional media sources, such as television and radio, and digital media. Our consumer brand awareness efforts are aided by the fact that we are quoted in various media outlets from time to time as a recognized industry authority on automotive retail and online data forecasting.

We also support initiatives for our affinity group marketing partners, including USAA, Consumer Reports, AAA, American Express, and PenFed. These initiatives are designed to promote awareness of the organizations' car-buying programs among their memberships through a variety of media, including television, email, direct mail, website development, print, online advertising, Internet search engine marketing, Internet search engine optimization, and social networking.

#### Dealer engagement and industry relations

Our dealer sales force is responsible for supporting our network of TrueCar Certified Dealers, optimizing our TrueCar Certified Dealer coverage across brands and geographies and for providing onboarding and dealer support. Our sales force helps dealers grow their businesses by regularly providing data-driven insights on inventory management and pricing.

Our ability to understand the needs of, actively listen to, and collaborate with our network of TrueCar Certified Dealers is crucial to our success. Many of our dealer sales force employees have worked at dealerships or OEMs. In response to feedback from our dealer network, in 2012 we formed an advisory panel of influential dealers to regularly meet with our senior management team to provide updates and opinions on how to improve our role in the car selling experience for dealers.

#### Competition

The automotive retail industry is highly competitive and fragmented. Consumers use a variety of online and offline sources to research vehicle information, obtain vehicle pricing information and identify dealers. In addition, dealers use a variety of marketing channels to promote themselves to consumers.

#### Competition for consumer awareness

We compete to attract consumers directly to our TrueCar.com website and mobile applications primarily on the basis of the quality of the consumer experience; the breadth, depth and accuracy of information; brand awareness and reputation.

Our principal competitors for consumer awareness include:

- online automotive classified listings sites such as AutoTrader.com, Cars.com, CarGurus.com, and eBay Motors;
- online automotive content publishers such as Edmunds.com, KBB.com, and Autobytel.com;
- Internet search engines such as Google, Bing, and Yahoo;
- online sites operated by automobile manufacturers, such as General Motors and Ford;

membership-based car-buying services, such as the Costco Auto Program, enabling members to purchase cars from affiliated dealers at preferential terms; and  
• offline automotive classified listings, such as trade periodicals and local newspapers.

#### Competition for car dealer marketing spend

We compete for a share of car dealers' overall marketing expenditures within online and offline media marketing channels. We compete primarily on the basis of the transaction-readiness of our users; the efficiency of customer acquisition as compared to alternative methods; the accountability and measurability of our service; product features, analytics and tools; dealer support; and the size of our prospective car buyer audience. Other businesses also derive a majority of their revenue by offering consumer marketing services to dealers. These companies include listings, information, lead generation and car-buying services, and compete with us for dealer marketing spend.

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Our principal competitors for car dealer marketing spend include:

online automotive content publishers such as Edmunds.com and KBB.com selling impression-based display advertising, and online automotive classified listing sites such as AutoTrader.com and Cars.com selling inventory-based subscription billing;

lead generators such as Autobytel.com selling pay-per-lead advertising;

Internet search engines such as Google selling cost-per-click advertising; and

offline media, including newspaper, outdoor advertising, radio, television and direct mail.

## Technology

We have designed our technology platform, website and products to provide consumers, dealers and other parties with the information they need to effect a successful car purchase. This platform is accessed by consumers through the TrueCar website and our branded mobile applications and affinity group marketing partner websites and by dealers through our software tools available on our Dealer Portal. Supporting each of these user interfaces are advanced systems for processing and analyzing automotive data, including features such as vehicle configurators and predictive consumer behavior modeling, as well as our proprietary matching algorithm to compare our transaction-based data sources with our record of online users for processing and billing. We use a combination of open source and licensed software running on optimized hardware.

Our data is housed in co-location facilities in Los Angeles and Chicago. We have adopted a centralized approach to quality assurance and testing for our platform and all products aimed at enhancing consumer and dealer experiences while seeking to optimize availability, scalability, security and performance.

## Intellectual Property

We protect our intellectual property through a combination of patents, copyrights, trademarks, service marks, domain names, trade secret laws, confidentiality procedures and contractual restrictions.

At December 31, 2015, we had 22 U.S. issued patents, 33 pending U.S. patent applications, 2 issued foreign patents, and 19 pending foreign patent applications. The issued and allowed patents begin expiring in 2029 through 2033. We intend to pursue additional patent protection to the extent we believe it would be beneficial to our competitive position.

We have a number of registered and unregistered trademarks. We registered “TrueCar,” the TrueCar logo, various TRUE marks and other marks as trademarks in the U.S. and several other jurisdictions. We also have filed trademark applications for ALG and others in the U.S. and other jurisdictions, and will pursue additional trademark registrations to the extent we believe it would be beneficial to our competitive position.

In addition to the protection provided by our intellectual property rights, we enter into confidentiality and proprietary rights agreements with our employees, consultants, contractors, and business partners. Our employees and contractors are also subject to invention assignment agreements. We further control the use of our proprietary technology and intellectual property through provisions in both our general and product-specific terms of use on our website.

## Regulatory Matters

Various aspects of our business are or may be subject to U.S. federal and state regulation. In particular, the advertising and sale of new or used motor vehicles is highly regulated by the states in which we do business. Although we do not sell motor vehicles, the dealers from which we derive a significant portion of our revenues do sell motor vehicles.

Moreover, state regulatory authorities or other third parties could take and, on some occasions, have taken the position that some of the regulations applicable to dealers or to the manner in which motor vehicles are advertised and sold generally are directly applicable to our business model.

In May 2015, we were named as a defendant in a lawsuit filed by the California New Car Dealers Association in the Superior Court for the County of Los Angeles (the "CNCDA Litigation"). The complaint, both as originally filed and as subsequently amended, seeks declaratory and injunctive relief based on allegations that we are operating in the State of California as an unlicensed automobile dealer and autobroker. On December 7, 2015, the court dismissed this lawsuit "without prejudice," meaning that the complaint could be amended and re-filed. On January 4, 2016, the plaintiff amended and re-filed the complaint. On February 3, 2016, the Company filed a "demurrer" to the amended complaint, which is a pleading that requests the court to dismiss the case. We believe the amended complaint is without merit and intend to vigorously defend the Company in this matter.

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In July 2015, we were named as a defendant in a lawsuit filed in the California Superior Court for the County of Los Angeles (the “Participating Dealer Litigation”). The complaint, filed by numerous dealers participating on the TrueCar Platform, and as subsequently amended, sought declaratory and injunctive relief based on allegations that the Company is engaging in unfairly competitive practices and is operating as an unlicensed automobile dealer and autobroker in contravention of various state laws. On September 29, 2015, the plaintiffs voluntarily dismissed this lawsuit “without prejudice.” There have been no further pleadings in this action.

In September 2015, we received a letter from the Texas Department of Motor Vehicles (the “Texas DMV Notice”) asserting that certain aspects of our advertising in Texas constitute false, deceptive, unfair, or misleading advertising within the meaning of applicable Texas law. On September 24, 2015, we responded to the Texas DMV Notice in an effort to resolve the concerns raised by the Texas DMV Notice without making material, unfavorable adjustments to our business practices or user experience in Texas.

In December 2015, the Company was named as a defendant in a putative class action lawsuit filed by Gordon Rose in the California Superior Court for the County of Los Angeles. The complaint asserts claims for unjust enrichment, violation of the California Consumer Legal Remedies Act, and violation of the California Business and Professions Code, based in part on allegations that we are operating in the State of California as an unlicensed automobile dealer and autobroker. The plaintiff seeks to represent a class of California consumers defined as “[a]ll California consumers who purchased an automobile by using TrueCar, Inc.’s price certificate during the applicable statute of limitations.” On January 12, 2016, the Court entered an order staying all proceedings in the case pending an initial status conference, which is presently scheduled for April 13, 2016. We believe the complaint is without merit and intend to vigorously defend the Company in this matter.

In order to operate in this highly regulated environment, we have developed our products and services with a view toward appropriately managing the risk that our regulatory compliance or the regulatory compliance of the dealers in our dealer network could be challenged. If, and to the extent that, our products and services fail to satisfy relevant regulatory requirements, our business or our TrueCar Certified Dealers could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation, as well as orders interfering with our ability to continue providing our products and services in certain states.

Given the regulatory environment in which we and our participating dealers operate, in designing our products and services, we have focused considerable attention on two areas of state regulation: state advertising regulations and state brokering or “bird-dogging” regulations. With respect to advertising, we believe that most of the content displayed on the websites we operate does not constitute advertising for the sale of new motor vehicles. Nevertheless, we endeavor to design the content such that it would comply insofar as practicable with state advertising regulations if and to the extent that the content is considered to be new vehicle sales advertising. With respect to state brokering or “bird-dogging” regulations, we have designed our products and services in a manner that aims to avoid the applicability of those regulations.

Our efforts to design products and services in a manner that appropriately manages the regulatory compliance risk for our business and our participating dealers are complicated by the fact that the related automotive sales and marketing laws vary from state to state, and even within a given state, are frequently susceptible to multiple interpretations. These laws were generally developed decades before the emergence of the Internet, are subject to significant revision or modification, and the manner in which they should be applied to our business model is frequently open to question. As a practical matter, state automobile dealer associations often have considerable influence over the construction of these laws by the relevant state regulatory authorities. Accordingly, in addition to our dialogues with relevant state agencies, we interface on a regular basis with representatives from automobile dealer associations in order to take their views into account as we continually update our products and services. The specific manner in which we have designed our products and services in an effort to manage state regulatory compliance concerns for us and our network of TrueCar Certified Dealers is the result of extensive analysis, which has required the investment of substantial resources that we believe represents a valuable asset of our business. However, we cannot assure you that we will be able to successfully comply with current or future regulations to which our business may be subject.

Employees

At December 31, 2015, we had 574 full-time employees at locations in Santa Monica, Austin, Denver, and San Francisco. We also engage a number of temporary employees and consultants to support our operations. None of our employees are represented by a labor union or subject to a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

#### Corporate Information

We were incorporated in Delaware in February 2005 under our then corporate name Zag.com Inc. and began business operations in April 2005. We completed our initial public offering in May 2014 and our common stock is listed on The NASDAQ Global Select Market under the symbol "TRUE."

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Available Information

Our internet address is [www.true.com](http://www.true.com). Our investor relations website is located at <http://ir.true.com/>. We make our Securities and Exchange Commission (“SEC”) periodic reports (Form 10-Q and Forms 10-K) and current reports (Forms 8-K), and amendments to these reports, available free of charge through our website as soon as reasonably practicable after they are filed electronically with the SEC. We may from time to time provide important disclosures to investors by posting them in the investor relations section of our website, as allowed by SEC rules.

Materials we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding our company that we file electronically with the SEC.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this report, including our consolidated financial statements and related notes, and Part II, Item 7, “Management's Discussion and Analysis of Financial Condition and Results of Operations” before making an investment in our common stock. If any of the following risks is realized, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not presently known to us or not believed by us to be material could also impact us.

Risks Related to Our Business and Industry

The growth of our business relies significantly on our ability to increase the number of dealers in our network of TrueCar Certified Dealers, including increasing representation of high volume brands and optimizing geographic coverage, such that we are able to increase the number of transactions between our users and TrueCar Certified Dealers. Failure to do so would limit our growth.

Some automotive brands consistently achieve higher than average sales volume per dealer. As a consequence, dealers representing those brands make a disproportionately greater contribution to our unit volume. Our ability to grow the number of dealers in our network of TrueCar Certified Dealers, including dealers representing high volume brands, both on an overall basis and in important geographies, is an important factor in growing our business. As described elsewhere in this “Risk Factors” section, we are a relatively new participant in the automobile retail industry and our business has sometimes been viewed in a negative light by car dealerships. There can be no assurance that we will be able to improve our relationships with, and image among, car dealerships, maintain or grow the number of car dealers in our network or increase the proportion of dealers in our network representing high volume brands. During the second half of 2015, we experienced both a decline in the proportion of such high volume dealers in our network and slowed quarter over quarter revenue growth. There can be no assurance we will be successful in reversing these declines. Failure to do so could have a material adverse effect on our business, growth, financial condition, results of operations and cash flows.

In addition, our ability to increase the number of TrueCar Certified Dealers in an optimized manner depends on strong relationships with other constituents, including car manufacturers and state dealership associations. From time to time,



car manufacturers have communicated concerns about our business to the dealers in our network. For example, some car manufacturers maintain guidelines that prohibit dealers from advertising a car at a price that is below an established floor. If a TrueCar Certified Dealer submits pricing information to our users that falls below pricing guidelines established by the applicable manufacturer, the manufacturer may discourage that dealer from remaining in the network and may discourage other dealers within its brand from joining the network. For example, in late 2011, Honda publicly announced that it would not provide advertising allowances to dealers that remained in our network of TrueCar Certified Dealers. While we subsequently addressed Honda's concerns and it ceased withholding advertising allowances from our TrueCar Certified Dealers, discord with specific car manufacturers impedes our ability to grow our dealer network. More recently, in January 2016, Toyota modified its marketing covenant to include guidelines on minimum allowable advertised pricing. If we are unable to accommodate these guidelines without making material, unfavorable adjustments to our business practices or user experience, it could have a material adverse effect on our business, growth, financial condition, results of operations and cash flows.

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In addition, state dealership associations maintain significant influence over the dealerships in their state as lobbying groups and as thought leaders. To the extent that these associations view us in a negative light, our reputation with car dealers in the corresponding state may be negatively affected. If our relationships with car manufacturers or state dealership associations suffer, our ability to maintain and grow the number of car dealers in our network will be harmed.

We cannot assure you that we will expand our network of TrueCar Certified Dealers in a manner that provides a sufficient number of dealers by brand and geography for our unique visitors and failure to do so would limit our growth.

If key industry participants, including car dealers and automobile manufacturers, perceive us in a negative light or our relationships with them suffer harm, our ability to grow and our financial performance may be damaged.

Our primary source of revenue consists of fees paid by TrueCar Certified Dealers to us in connection with the sales of automobiles to our users. In addition, our value proposition to consumers depends on our ability to provide pricing information on automobiles from a sufficient number of automobile dealers by brand and in a given consumer's geographic area. If our relationships with our network of TrueCar Certified Dealers suffer harm in a manner that leads to the departure of these dealers from our network, then our revenue and ability to maintain and grow unique visitor traffic will be adversely affected.

At the end of 2011 and the beginning of 2012, due to certain regulatory and publicity-related challenges, many dealers canceled their agreements with us and our franchise dealer count fell from 5,571 at November 30, 2011 to 3,599 at February 28, 2012. More recently, 279 franchise dealers became inactive as the result of a contractual dispute with a large dealer group, and our franchise dealer count decreased from 9,300 at June 30, 2015 to 8,702 at September 30, 2015. At December 31, 2015, our franchise dealer count was 9,094.

TrueCar Certified Dealers have no contractual obligation to maintain their relationship with us. Accordingly, these dealers may leave our network at any time or may develop or use other products or services in lieu of ours. Further, while we believe that our service provides a lower cost, accountable customer acquisition channel, dealers may have difficulty rationalizing their marketing spend across TrueCar and other channels, which potentially has the effect of diluting our dealer value proposition. If we are unable to create and maintain a compelling value proposition for dealers to become and remain TrueCar Certified Dealers, our dealer network would not grow and could decline.

In addition, although the automobile dealership industry is fragmented, a small number of groups have significant influence over the industry. These groups include state and national dealership associations, state regulators, car manufacturers, consumer groups, individual dealers and consolidated dealer groups. To the extent that these groups believe that automobile dealerships should not do business with us, this belief may become quickly and widely shared by automobile dealerships and we may lose a significant number of dealers in our network. In May 2015, the California New Car Dealers Association filed a lawsuit alleged that we are operating in the State of California as an unlicensed automobile dealer and autobroker. For more information concerning this lawsuit, refer to the risk factor below, "We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows." A significant number of automobile dealerships are also members of larger dealer groups, and to the extent that a group decides to leave our network, this decision would typically apply to all dealerships within the group.

Furthermore, automobile manufacturers may provide their franchise dealers with financial or other marketing support, provided that such dealers adhere to certain marketing guidelines. Automobile manufacturers may determine that the manner in which certain of their franchise dealers use our platform is inconsistent with the terms of such marketing guidelines, which determination could result in potential or actual loss of the manufacturers' financial or other

marketing support to the dealers whose use of the platform is deemed objectionable. The potential or actual loss of such marketing support may cause such dealers to cease being members of our TrueCar Certified Dealer network, which may adversely affect our ability to maintain or grow the number and productivity of dealers in our network or the revenue derived from those dealers.

We cannot assure you that we will maintain strong relationships with the dealers in our network of TrueCar Certified Dealers or that we will not suffer dealer attrition in the future. We may also have disputes with dealers from time to time, including relating to the collection of fees from them and other matters. We may need to modify our products, change pricing or take other actions to address dealer concerns in the future. If a significant number of these automobile dealerships decided to leave our network or change their financial or business relationship with us, then our business, growth, operating results, financial condition and prospects would suffer.

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If we are unable to provide a compelling car-buying experience to our users, the number of transactions between our users and TrueCar Certified Dealers will decline and our revenue and results of operations will suffer harm.

The user experience on our company-branded platform on the TrueCar website has evolved since its launch in 2010, but has not changed dramatically. We cannot assure you that we are able to provide a compelling car-buying experience to our users, and our failure to do so could mean that the number of transactions between our users and TrueCar Certified Dealers may decline and we would be unable to effectively monetize our user traffic. We believe that our ability to provide a compelling car-buying experience is subject to a number of factors, including:

- our ability to launch new products that are effective and have a high degree of consumer engagement;
- our ability to constantly innovate and improve our existing products;
- compliance of the dealers within our network of TrueCar Certified Dealers with applicable laws, regulations and the rules of our platform, including honoring the TrueCar certificates submitted by our users; and
- our access to a sufficient amount of data to enable us to provide relevant pricing information to consumers.

Changes to management, including continued turnover of our top executives, or an inability to retain, attract and integrate qualified personnel, could harm our ability to develop and successfully grow our business.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. In order to attract and retain executives and other key employees in a competitive marketplace, we must provide competitive compensation packages, including cash and stock-based compensation. Our primary forms of stock-based incentive awards are stock options and restricted stock units. If the anticipated value of such stock-based incentive awards does not materialize, if our stock-based compensation otherwise ceases to be viewed as a valuable benefit, or if our total compensation package is not viewed as being competitive, our ability to attract, retain and motivate executives and key employees could be weakened.

The loss of any of our senior management or key employees 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. Recently, we have experienced increased turnover in key executive positions, including our chief executive officer and president. Recently hired executives may view the business differently than prior members of management, and over time may make changes to our strategic focus, operations or business plans with corresponding changes in how we report our results of operations. We can make no assurances that our new executives will be able to properly manage any such shift in focus or that any changes to our business would ultimately prove successful. We cannot ensure that we will 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, retaining and motivating existing employees or integrating new executives and employees, our business could be materially and adversely affected.

Our recent growth may not be indicative of our future growth and, we may not be able to manage future growth effectively.

Our revenue grew from \$38.1 million in 2010 to \$259.8 million in 2015. We expect that, in the future, as our revenue increases, our rate of growth may decline. In addition, we may not be able to grow as fast or at all if we do not accomplish the following:

- Expand our dealer network, including increasing dealers in our network representing high volume brands and optimizing our network in important geographies;

- increase the number of transactions between our users and TrueCar Certified Dealers;
- maintain and grow our affinity group marketing partner relationships and increase the productivity of our current affinity group marketing partners;
- increase the number of users of our products and services, and in particular the number of unique visitors to the TrueCar website and our TrueCar branded mobile applications;

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further improve the quality of our existing products and services, and introduce high quality new products and services; and  
introduce third party ancillary products and services.

We may not successfully accomplish any of these objectives. We plan to continue our investment in future growth. We expect to continue to expend substantial financial and other resources on:

- marketing and advertising;
- dealer outreach and training, including the hiring of significant additional personnel in our dealer team;
- technology and product development, including the hiring of additional personnel in our product development and technical teams, harmonization of our software infrastructure, and the development of new products and new features for existing products; and
- general administration, including legal, accounting and other compliance expenses related to being a public company.

In addition, our historical growth has placed and may continue to place significant demands on our management and our operational and financial resources. We have also experienced significant growth in the number of users of our platform as well as the amount of data that we analyze. We expect to hire additional personnel, particularly in our dealer and technology teams. The additional personnel in our dealer team are intended to enhance the service experience and the productivity of our dealer network while the additional personnel in our technology team will focus on delivering a better experience to consumers and dealers. Finally, our organizational structure is becoming more complex as we add additional staff, and we will need to improve 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 experience for the consumer and the economics of the dealer.

If we suffer a significant interruption in our ability to gain access to third-party data, we may be unable to maintain key aspects of our user experience, including the TrueCar Curve, and our business and operating results will suffer.

Our business relies on our ability to analyze data for the benefit of our users and the TrueCar Certified Dealers in our network. We use data obtained pursuant to agreements with third parties to power certain aspects of the user experience on our platform, including the TrueCar Curve, a graphical distribution of what others paid for the same make and model of car. In addition, the effectiveness of our user acquisition efforts depends in part on the availability of data relating to existing and potential users of our platform. If we are unable to renew data agreements as they expire or if third-party data providers terminate their relationship with us and we experience a material disruption in the data provided to us, the information that we provide to our users and TrueCar Certified Dealers may be limited, the quality of this information may suffer, the user experience may be negatively affected and certain functionality on our platform may be disabled, and our business, financial condition, results of operations and cash flows could be materially and adversely affected.

We may be unable to maintain or grow relationships with information data providers or may experience interruptions in the data feeds they provide, which may limit the information that we are able to provide to our users and dealers as well as the timeliness of such information and may impair our ability to attract or retain consumers and TrueCar Certified Dealers and to timely invoice our dealers.

We receive automobile purchase data from many third-party data providers, including our network of TrueCar Certified Dealers, dealer management system, or DMS, data feed providers, data aggregators and integrators, survey companies, purveyors of registration data and our affinity group marketing partners. In the states in which we employ a pay-per-sale billing model, we use this data to match purchases with users that obtained a Guaranteed Savings Certificate from a TrueCar Certified Dealer so that we may collect a transaction fee from those dealers and recognize

revenue from the related transactions.

From time to time, we experience interruptions in one or more data feeds that we receive from third-party data providers, particularly DMS system data feed providers, in a manner that affects our ability to timely invoice the dealers in our network. These interruptions may occur for a number of reasons, including changes to the software used by these data feed providers and difficulties in renewing our agreements with third-party data feed providers. In the states in which we employ a pay-per-sale billing model, an interruption in the data feeds that we receive may affect our ability to match automobile purchases with users that obtained a Guaranteed Savings Certificate from a TrueCar Certified Dealer, thereby delaying our submission of an invoice to an automobile dealer in our network for a given transaction and delaying the timing of cash receipts from the dealer. The redundancies of data feeds received from multiple providers may not result in sufficient data to match automobile purchases with users that obtained a Guaranteed Savings Certificate from a TrueCar Certified Dealer. In the case of an interruption in our data feeds, our billing structure

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may transition to a subscription model for automobile dealers in our network until the interruption ceases. However, our subscription billing model may result in lower revenues during an interruption and, when an interruption ceases, we are not always able to retroactively match a transaction and collect a fee. In addition, our likelihood of collection of the fee owed to us for a given transaction decreases for those periods in which we are unable to submit an invoice to automobile dealers. Interruptions which occur in close proximity to the end of a given reporting period could result in delays in our ability to recognize those transaction revenues in that reporting period and these shortfalls in transaction revenue could be material to our operating results.

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

We have not been profitable since inception and had an accumulated deficit of \$275.9 million at December 31, 2015. From time to time in the past, we have made significant investments in our operations which have not resulted in corresponding revenue growth and, as a result, increased our losses. We expect to make significant future investments to support the further development and expansion of our business and these investments may not result in increased revenue or growth on a timely basis or at all. Our revenue growth has been highly influenced by marketing expenditures. Incremental marketing expenditures in certain situations do not result in sufficient incremental revenue to cover their cost. This limits the growth in revenue that can be achieved through marketing expenditures. In addition, as a public company, we have and will continue to incur significant legal, accounting and other expenses that we did not incur as a private company. As a result of these increased expenditures, we have to generate and sustain increased revenue to achieve and maintain profitability.

We may incur significant losses in the future for a number of reasons, including slowing demand for our products and services, increasing competition, weakness in the automobile industry generally, as well as other risks described in this report, and we may encounter unforeseen expenses, difficulties, complications and delays, and other unknown factors. If we incur losses in the future, we may not be able to reduce costs effectively because many of our costs are fixed. In addition, to the extent that we reduce variable costs to respond to losses, this may affect our ability to acquire consumers and dealers and grow our revenues. Accordingly, we may not be able to achieve or maintain profitability and we may continue to incur significant losses in the future, and this could cause the price of our common stock to decline.

We have operated our business at scale for a limited period of time and we cannot predict whether we will continue to grow. If we are unable to successfully respond to changes in the market, our business could be harmed.

Our business has grown as users and automobile dealers have increasingly used our products and services. However, our business is relatively new and has operated at a 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 expect that our business will evolve in ways which may be difficult to predict. For example, marketing expenditures in certain situations become inefficient, particularly with respect to the TrueCar website and our branded mobile applications. Continued revenue growth will require more focus on increasing the number of transactions from which we derive revenue by growing our network of TrueCar Certified Dealers, including dealers representing high volume brands, both on an overall basis and in important geographies. It is also possible that car dealers could broadly determine that they no longer believe in the value of our services. In the event of these or any other developments, our continued success will depend on our ability to successfully adjust our strategy to meet the 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.

The loss of a significant affinity group marketing partner or a significant reduction in the number of cars purchased from our TrueCar Certified Dealers by members of our affinity group marketing partners would reduce our revenue and harm our operating results.



Our financial performance is substantially dependent upon the number of automobiles purchased from TrueCar Certified Dealers by users of the TrueCar website, our branded mobile applications and the car-buying sites we maintain for our affinity group marketing partners. Currently, a majority of the automobiles purchased by our users were matched to the car-buying sites we maintain for our affinity group marketing partners. As a result, our relationships with our affinity group marketing partners are critical to our business and financial performance. However, several aspects of our relationship with affinity groups might change in a manner that harms our business and financial performance, including:

- affinity group marketing partners might terminate their relationship with us or make such relationship non-exclusive, resulting in a reduction in the number of transactions between users of our platform and TrueCar Certified Dealers;
- affinity group marketing partners might de-emphasize the automobile buying programs within their offerings, resulting in a decrease in the number of transactions between their members and our TrueCar Certified Dealers; or

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the economic structure of our agreements with affinity group marketing partners might change, resulting in a decrease in our operating margins on transactions by their members.

A significant change to our relationships with affinity group marketing partners may have a negative effect on our business in other ways. For example, the termination by an affinity group marketing partner of our relationship may create the perception that our products and services are no longer beneficial to the members of affinity groups or a more general negative association with our business. In addition, a termination by an affinity group marketing partner may result in the loss of the data provided to us by them with respect to automobile transactions. This loss of data may decrease the quantity and quality of the information that we provide to consumers and may also reduce our ability to identify transactions for which we can invoice dealers. If our relationships with affinity group marketing partners change our business, revenue, operating results and prospects may be harmed.

Any adverse change in our relationship with United Services Automobile Association, or USAA, could harm our business.

The single largest source of user traffic from our affinity group marketing partners comes from the site we maintain for USAA, and USAA is our largest stockholder. At December 31, 2015, USAA beneficially owned 13,764,669 shares, which represented 16.5% of our outstanding common stock. In 2015, nearly 234,233 units, or 31% of all units purchased by users from TrueCar Certified Dealers, were matched to users of the car-buying site we maintain for USAA. We define units as the number of automobiles purchased by our users from TrueCar Certified Dealers through the TrueCar website and our branded mobile applications or the car buying sites we maintain for our affinity group marketing partners. As such, USAA has a significant influence on our operating results.

In May 2014, we entered into an extension of our affinity group marketing agreement with USAA that extends through February 13, 2020, but we cannot assure you that our agreement with USAA will be extended at the expiration of the current agreement on terms satisfactory to us, or at all. In addition, USAA has broad discretion in how the car-buying site we maintain for USAA is promoted and marketed on its own website. Changes in this promotion and marketing have in the past and may in the future adversely affect the volume of user traffic we receive from USAA. Changes in our relationship with USAA or its promotion and marketing of our platform could adversely affect our business and operating results in the future.

The success of our business relies heavily on our marketing and branding efforts, especially with respect to the TrueCar website and our branded mobile applications, as well as those efforts of the affinity group marketing partners whose websites we power, and these efforts may not be successful.

We believe that an important component of our growth will be the growth of our business derived from the TrueCar website and our TrueCar branded mobile applications. Because TrueCar.com is a consumer brand, we rely heavily on marketing and advertising to increase the visibility of this brand with potential users of our products and services. We currently advertise through television and radio marketing campaigns, digital and online media, sponsorship programs and other means, the goal of which is to increase the strength, recognition and trust in the TrueCar brand and drive more unique visitors to our website and mobile applications. We incurred expenses of \$151.0 million on sales and marketing during 2015.

Our business model relies on our ability to scale rapidly and to decrease incremental user acquisition costs as we grow. Our revenue growth has been highly influenced by marketing expenditures. Incremental marketing expenditures in certain situations do not result in the acquisition of sufficient users visiting our website and mobile applications to permit recovery of such costs through revenue growth. This limits the growth in revenue that can be achieved through marketing expenditures. If we are unable to recover our marketing costs through increases in user traffic and in the number of transactions by users of our platform it could have a material adverse effect on our growth, results of

operations and financial condition.

Additionally, to the extent that we discontinue our broad marketing campaigns or elect to reduce our sales and marketing costs to decrease our losses, this may affect our ability to acquire consumers and dealers and grow our revenues. Our current and potential competitors may have significantly more financial, marketing and other resources than we have and the ability to devote greater resources to the promotion and support of their products and services. The realities of competing for users and brand visibility, as well as ensuring the satisfaction of our dealers, may limit our ability to reduce our own marketing expenditures, potentially negatively impacting our operating margins and financial results.

In addition, the number of transactions generated by the members of our affinity group marketing partners depends in part on the emphasis that these affinity group marketing partners place on marketing the purchase of cars within their platforms. For example, USAA is a large diversified financial services group of companies serving the United States military community with hundreds of highly competitive product and service offerings. At any given time, USAA's car-buying service may or may not be a priority relative to its other offerings. Consequently, changes in how USAA promotes and markets the car buying site we maintain for them can and has, from time to time in the past, affected the volume of purchases generated by USAA members. For example, in the past USAA adjusted the location and prominence of the links to our platform on its web pages, adversely affecting the volume of traffic to our

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platform. Should USAA or one or more of our other affinity group marketing partners decide to de-emphasize the marketing of our platform, or if their marketing efforts are otherwise unsuccessful, our revenue, business and financial results will be harmed.

Failure to increase our revenue or reduce our sales and marketing expense as a percentage of revenue would adversely affect our financial condition and profitability.

We expect to make significant future investments to support the further development and expansion of our business and these investments may not result in increased revenue or growth on a timely basis or at all. Furthermore, these investments may not decrease as a percentage of revenue if our business grows. In particular, we intend to increase expenditures to grow our network of TrueCar Certified Dealers and to improve the satisfaction of the dealers in this network. We also intend to continue investing to increase awareness of our brand, including via television and radio advertisements. There can be no assurance that these investments will increase revenue or that we will eventually be able to decrease our sales and marketing expense as a percentage of revenue, and failure to do so would adversely affect our financial condition and profitability.

We are subject to a complex framework of federal and state laws and regulations primarily concerning vehicle sales, advertising and brokering, many of which are unsettled, still developing and contradictory, which have in the past, and could in the future, subject us to claims, challenge our business model or otherwise harm our business.

Various aspects of our business are or may be subject, directly or indirectly, to U.S. federal and state laws and regulations. Failure to comply with such laws or regulations may result in the suspension or termination of our ability to do business in affected jurisdictions or the imposition of significant civil and criminal penalties, including fines or the award of significant damages against us and our TrueCar Certified Dealers in class action or other civil litigation.

### State Motor Vehicle Sales, Advertising and Brokering Laws

The advertising and sale of new or used motor vehicles is highly regulated by the states in which we do business. Although we do not sell motor vehicles, state regulatory authorities or third parties could take the position that some of the regulations applicable to dealers or to the manner in which motor vehicles are advertised and sold generally are directly applicable to our business. If our products and services are determined to not comply with relevant regulatory requirements, we or our TrueCar Certified Dealers could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation as well as orders interfering with our ability to continue providing our products and services in certain states. In addition, even absent such a determination, to the extent dealers are uncertain about the applicability of such laws and regulations to our business, we may lose, or have difficulty increasing the number of, TrueCar Certified Dealers in our network, which would affect our future growth.

Several states in which we do business have laws and regulations that strictly regulate or prohibit the brokering of motor vehicles or the making of so-called “bird-dog” payments by dealers to third parties in connection with the sale of motor vehicles through persons other than licensed salespersons. If our products or services are determined to fall within the scope of such laws or regulations, we may be forced to implement new measures, which could be costly, to reduce our exposure to those obligations, including the discontinuation of certain products or services in affected jurisdictions. Additionally, such a determination could subject us or our TrueCar Certified Dealers to significant civil or criminal penalties, including fines, or the award of significant damages in class action or other civil litigation.

In addition to generally applicable consumer protection laws, many states in which we do business have laws and regulations that specifically regulate the advertising for sale of new or used motor vehicles. These state advertising laws and regulations are frequently subject to multiple interpretations and are not uniform from state to state,

sometimes imposing inconsistent requirements on the advertiser of a new or used motor vehicle. If the content displayed on the websites we operate is determined or alleged to be inaccurate or misleading, under motor vehicle advertising laws, generally applicable consumer protection laws, or otherwise, we could be subject to significant civil and criminal penalties, including fines, or the award of significant damages in class action or other civil litigation. Moreover, such allegations, even if unfounded or decided in our favor, could be extremely costly to defend, could require us to pay significant sums in settlements, and could interfere with our ability to continue providing our products and services in certain states.

From time to time, certain state authorities, dealer associations, and others have taken the position that aspects of our products and services violate state brokering, bird-dog, or advertising laws. When such allegations have arisen, we have endeavored to resolve the identified concerns on a consensual and expeditious basis, through negotiation and education efforts, without resorting to the judicial process. In certain instances, we have nevertheless been obligated to suspend all or certain aspects of our business operations in a state pending the resolution of such issues, the resolution of which included the payment of fines in 2011 and 2012 in the aggregate amount of approximately \$26,000. For example, in the beginning of 2012, following implementation of our first nationwide television advertising campaign, state regulatory inquiries with respect to the compliance of our products and services with

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state brokering, bird-dog, and advertising laws intensified to a degree not previously experienced by us. Responding to and resolving these inquiries, as well as our efforts to ameliorate the related adverse publicity and loss of TrueCar Certified Dealers from our network, resulted in decreased revenues and increased expenses and, accordingly, increased our losses during much of 2012.

In October 2013, we received an Investigative Demand from the Oregon Attorney General (the “Oregon Inquiry”) requesting information regarding potential noncompliance with the Oregon Unlawful Trade Practices Act. We cooperated with the Oregon Department of Justice in an effort to reach consensual resolution of the issues raised by the Oregon Inquiry without making material, unfavorable adjustments to our business practices or user experience in Oregon. We believe we have responded fully to all information requests received in connection with the Oregon Inquiry. No material, unfavorable adjustments to our business practices or user experience in Oregon have been requested or made in connection with the Oregon Inquiry. We currently consider the Oregon Inquiry to be informally resolved, but we cannot assure you that matters related to the Oregon Inquiry will not reemerge in the future.

In May 2014, we received a letter from the Consumer Protection Division of the Mississippi Attorney General's Office (the “Mississippi AG Inquiry”) suggesting that we may be acting unlawfully as an auto broker in Mississippi. We cooperated with the Mississippi Attorney General's office in an effort to reach consensual resolution of the issues raised by the Mississippi AG Inquiry without making material unfavorable adjustments to our business practices or user experience in Mississippi. We believe we have responded fully to all information requests received in connection with the Mississippi AG Inquiry. No material, unfavorable adjustments to our business practices or user experience in Mississippi have been requested or made in connection with the Mississippi AG Inquiry. We currently consider the Mississippi AG Inquiry to be informally resolved, but we cannot assure you that matters related to the Mississippi AG Inquiry will not reemerge in the future.

In November 2014, we learned that, on or around November 17, 2014, the Mississippi Motor Vehicle Commission (the “MMVC”) sent a letter to Mississippi dealers suggesting that we may be acting unlawfully as an auto broker in Mississippi (the “MMVC Letter”). We undertook a dialogue with the MMVC in an effort to reach consensual resolution of the issues raised by the MMVC Letter. Through that dialogue, we were able to achieve such a consensual resolution without making material, unfavorable adjustments to our business practices or user experience in Mississippi. We currently consider the issues raised by the MMVC Letter to be informally resolved, but we cannot assure you that matters related to the MMVC Letter will not reemerge in the future.

In May 2015, we were named as a defendant in a lawsuit filed in the Superior Court for the County of Los Angeles (the “CNCDA Litigation”). The complaint, filed by the California New Car Dealers Association, seeks declaratory and injunctive relief based on allegations that we are operating in the State of California as an unlicensed automobile dealer and autobroker. For more information concerning the CNCDA Litigation, refer to the risk factor below, “We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.”

In July 2015, we were named as a defendant in a lawsuit filed in the California Superior Court for the County of Los Angeles (the “Participating Dealer Litigation”). The complaint, filed by numerous dealers participating on the TrueCar Platform, and as subsequently amended, sought declaratory and injunctive relief based on allegations that the Company is engaging in unfairly competitive practices and is operating as an unlicensed automobile dealer and autobroker in contravention of various state laws. On September 29, 2015, the plaintiffs voluntarily dismissed this lawsuit “without prejudice,” which means that the Participating Dealer Litigation is currently resolved, but that it could be re-filed at a later date. For more information concerning this lawsuit, refer to the risk factor below, “We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.”

In September 2015, we received a letter from the Texas Department of Motor Vehicles (the “Texas DMV Notice”) asserting that certain aspects of our advertising in Texas constitute false, deceptive, unfair, or misleading advertising within the meaning of applicable Texas law. On September 24, 2015, we responded to the Texas DMV Notice in an effort to resolve the concerns raised by the Texas DMV Notice without making material, unfavorable adjustments to our business practices or user experience in Texas, but we cannot assure you that this effort will be successful.

In December 2015, we were named as a defendant in a putative class action lawsuit filed by Gordon Rose in the California Superior Court for the County of Los Angeles (the “California Consumer Class Action”). The complaint asserts claims for unjust enrichment, violation of the California Consumer Legal Remedies Act, and violation of the California Business and Professions Code, based in part on allegations that we are operating in the State of California as an unlicensed automobile dealer and autobroker. The plaintiff seeks to represent a class of California consumers defined as “[a]ll California consumers who purchased an automobile by using TrueCar, Inc.’s price certificate during the applicable statute of limitations.” For more information concerning this lawsuit, refer to the risk factor below, “We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.”

If state regulators or other third parties take the position in the future that our products or services violate applicable brokering, bird-dog, or advertising laws or regulations, responding to such allegations could be costly, could require us to pay

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significant sums in settlements, could require us to pay civil and criminal penalties, including fines, could interfere with our ability to continue providing our products and services in certain states, or could require us to make adjustments to our products and services or the manner in which we derive revenue from our participating dealers, any or all of which could result in substantial adverse publicity, loss of TrueCar Certified Dealers from our network, decreased revenues, increased expenses, and decreased profitability.

### Federal Advertising Regulations

The Federal Trade Commission, or the FTC, has authority to take actions to remedy or prevent advertising practices that it considers to be unfair or deceptive and that affect commerce in the United States. If the FTC takes the position in the future that any aspect of our business constitutes an unfair or deceptive advertising practice, responding to such allegations could require us to pay significant damages, settlements, and civil penalties, or could require us to make adjustments to our products and services, any or all of which could result in substantial adverse publicity, loss of participating dealers, lost revenues, increased expenses, and decreased profitability.

In March 2015, we were named as a defendant in a lawsuit filed in the U.S. District Court in the Southern District of New York (the “NY Lanham Act Litigation”). The complaint, purportedly filed on behalf of numerous automotive dealers who are not on the TrueCar platform, seeks injunctive relief in addition to over \$250 million in damages based on allegations that we violated the Lanham Act as well as various state laws prohibiting unfair competition and deceptive acts or practices related to our advertising and promotional activities. For more information concerning the NY Lanham Act Litigation, refer to the risk factor below, “We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.”

### Federal Antitrust Laws

The antitrust laws prohibit, among other things, any joint conduct among competitors that would lessen competition in the marketplace. Some of the information that we obtain from dealers is competitively sensitive and, if disclosed inappropriately, could potentially be used by dealers to impede competition or otherwise diminish independent pricing activity. A governmental or private civil action alleging the improper exchange of information, or unlawful participation in price maintenance or other unlawful or anticompetitive activity, even if unfounded, could be costly to defend and adversely impact our ability to maintain and grow our dealer network. For example, we were informed of an investigation by the FTC’s Bureau of Competition to determine whether firms in the retail automotive industry may have violated Section 5 of the Federal Trade Commission Act by agreeing to refuse to deal with us. We received a Civil Investigative Demand dated February 11, 2014 requesting that we produce certain documents and information to the FTC related to the matters under investigation by it. We responded to the request and consider the matter to be closed.

In addition, governmental or private civil actions related to the antitrust laws could result in orders suspending or terminating our ability to do business or otherwise altering or limiting certain of our business practices, including the manner in which we handle or disclose dealer pricing information, or the imposition of significant civil or criminal penalties, including fines or the award of significant damages against us and our TrueCar Certified Dealers in class action or other civil litigation.

### Other

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



penalties, including fines, adverse publicity, loss of participating dealers, lost revenues, increased expenses, and decreased profitability. Further, investigations by government agencies, including the FTC, into allegedly anticompetitive, unfair, deceptive or other business practices by us or our TrueCar Certified Dealers, could cause us to incur additional expenses and, if adversely concluded, could result in substantial civil or criminal penalties and significant legal liability.

We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In March 2015, we were named as a defendant in the NY Lanham Act Litigation. The complaint in the NY Lanham Act Litigation, purportedly filed on behalf of numerous automotive dealers who are not on the TrueCar platform, alleges that we violated the Lanham Act as well as various state laws prohibiting unfair competition and deceptive acts or practices related to our advertising and promotional activities. The complaint seeks injunctive relief in addition to over \$250 million in damages as a result of the alleged diversion of customers from the plaintiffs' dealerships to TrueCar Certified Dealers. On April 7, 2015, we filed an answer to the complaint. Thereafter, the plaintiffs amended their complaint, and on July 13, 2015, we filed a motion to dismiss the amended complaint. On January 6, 2016, the Court granted in part and denied in part the Company's motion to dismiss. We believe that the

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complaint is without merit, and we intend to vigorously defend ourselves in this matter. Based on the preliminary nature of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In May 2015, we were named as a defendant in the CNCDA Litigation. The complaint in the CNCDA Litigation seeks declaratory and injunctive relief based on allegations that we are operating in the State of California as an unlicensed automobile dealer and autobroker. On July 20, 2015, we filed a "demurrer" to the complaint, which is a pleading that requests the court to dismiss the case. The plaintiffs subsequently amended their complaint, and on September 11, 2015, we filed a demurrer to the amended complaint. On December 7, 2015, the Court granted our demurrer in its entirety, but afforded the CNCDA the opportunity to file a second amended complaint. The CNCDA filed a second amended complaint on January 4, 2016. On February 3, 2016, we filed a demurrer to the second amended complaint. The second amended complaint reiterates the claims in the prior complaints and adds claims under theories based on the federal Lanham Act and California unfair competition law. We believe that the second amended complaint is without merit, and we intend to vigorously defend ourselves in this matter. Based on the preliminary nature of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In July 2015, we were named as a defendant in the Participating Dealer Litigation. Both as originally filed and as subsequently amended, the complaint in the Participating Dealer Litigation sought declaratory and injunctive relief based on allegations that the Company is engaging in unfairly competitive practices and is operating as an unlicensed automobile dealer and autobroker in contravention of various state laws. Neither the original nor amended complaint sought an award of money damages. On September 29, 2015, the plaintiffs voluntarily dismissed this lawsuit "without prejudice," which means that the Participating Dealer Litigation is currently resolved, but that it could be re-filed at a later date. If the Participating Dealer Litigation is re-filed at a later date or if similar litigation is filed against us, we may incur significant legal fees, adverse changes in our dealer network, settlements or damage awards as a result. If any such matters are not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs or adverse changes in our dealer network, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In May 2015, a purported securities class action complaint was filed in the U.S. District Court for the Central District of California (the "Federal Securities Litigation") by Satyabrata Mahapatra naming TrueCar and two other individuals not affiliated with TrueCar as defendants. On June 15, 2015, the plaintiff filed a Notice of Errata and Correction purporting to name Scott Painter and Michael Guthrie as individual defendants in lieu of the two individual defendants named in the complaint. On October 5, 2015, the plaintiffs amended their complaint. As amended, the complaint in the Federal Securities Litigation seeks an award of unspecified damages, interest and attorneys' fees based on allegations that the defendants made false and/or misleading statements, and failed to disclose material adverse facts about TrueCar's business, operations, prospects and performance. Specifically, the amended complaint alleges that during the putative class period, the defendants made false and/or misleading statements and/or failed to disclose that: (i) TrueCar's business practices violated unfair competition and deceptive trade practice laws (i.e., the issues raised in the NY Lanham Act Litigation); (ii) TrueCar acts as a dealer and broker in car sales transactions without proper licensing, in violation of various states' laws that govern car sales (i.e., the issues raised in the CNCDA Litigation); and (iii) as a result of the above, TrueCar's registration statements, prospectuses, quarterly and annual reports, financial statements, SEC filings, press releases, and other statements and documents were materially false and misleading at

times relevant to the amended complaint and putative class period. The amended complaint asserts a putative class period stemming from May 16, 2014 to July 23, 2015. On October 19, 2015, we filed a motion to dismiss the amended complaint. On December 9, 2015, the Court granted our motion to dismiss and dismissed the case in its entirety. On January 8, 2016, the plaintiff filed a notice of appeal. We believe that the amended complaint is without merit and we intend to vigorously defend ourselves in this matter. Based on the current status of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In August 2015, the Company, certain of its executives and directors, and the underwriters of the Company's initial public offering and secondary offering were named as defendants in a putative class action lawsuit filed by Ning Shen and William Fitzpatrick in California Superior Court under the federal securities laws (the "California State Court Securities Litigation"). The complaint alleged that TrueCar's registration statements in connection with the offerings contained false or misleading statements of material facts, and failed to disclose material adverse facts about the Company's business, operations, prospects, and performance. On September 2, 2015, following our removal of the action from California state court to the U.S. District Court for the Central District of California, the plaintiffs voluntarily dismissed this lawsuit "without prejudice," which means that the California State Court Securities

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Litigation is currently resolved, but that it could be re-filed at a later date. If the California State Court Securities Litigation is re-filed at a later date or if additional similar litigation, such as the Federal Securities Litigation, is filed against us, we may incur significant legal fees, settlements or damage awards as a result. If any such matters are not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In December 2015, we were named as a defendant in a putative class action lawsuit filed by Gordon Rose in the California Superior Court for the County of Los Angeles (the "California Consumer Class Action"). The complaint asserts claims for unjust enrichment, violation of the California Consumer Legal Remedies Act, and violation of the California Business and Professions Code, based principally on factual allegations similar to those asserted in the NY Lanham Act Litigation and the CNCDA Litigation. The plaintiff seeks to represent a class of California consumers defined as "[a]ll California consumers who purchased an automobile by using TrueCar, Inc.'s price certificate during the applicable statute of limitations." On January 12, 2016, the Court entered an order staying all proceedings in the case pending an initial status conference, which is currently scheduled for April 13, 2016. We believe that the complaint is without merit, and we intend to vigorously defend ourselves in this matter. Based on the preliminary nature of the proceedings in this case, the outcome of this legal proceeding, including the anticipated legal defense costs, remains uncertain; however, we may incur significant legal fees, settlements or damage awards resulting from this or other civil litigation. If this matter is not resolved in our favor, losses arising from the results of litigation or settlements, as well as ongoing defense costs, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

As a public company, we face the risk of shareholder lawsuits, particularly if we experience declines in the price of our common stock. In the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action lawsuits have often been instituted against affected companies, and as noted immediately above, such lawsuits have been instituted against us in the form of the Federal Securities Litigation and the California State Court Securities Litigation. Additional lawsuits of this type or similar types, if instituted against us or one or more of our officers or directors, whether arising from alleged facts the same as, similar to, or different from those alleged in the Federal Securities Litigation or the California State Court Securities Litigation, could result in significant legal fees, settlements, or damage awards, as well as the diversion of our management's attention and resources, and thus could have a material adverse effect on our business, financial condition, results of operations and cash flows.

In August 2013, we filed a complaint against Sonic Automotive and Sonic Divisional Operations (collectively "Sonic") in the U.S. District Court for the Central District of California. The litigation concerned Sonic's commercial use of the "True Price" mark. In the litigation, we sought an injunction prohibiting Sonic from using the "True Price" mark, as well as monetary damages incurred by TrueCar due to Sonic's unlawful infringement. On July 29, 2015, we reached an agreement in principle with Sonic to settle the litigation and entered into a "Term Sheet" reflecting the material terms of settlement. On August 4, 2015, we entered into a settlement agreement with Sonic. Pursuant to the settlement agreement, Sonic is required to discontinue use of the "True Price" mark and has transferred all of its rights to that mark to TrueCar, and the lawsuit has been dismissed.

We will incur significant legal fees in our defense of the NY Lanham Act Litigation, the CNCDA Litigation, the Federal Securities Litigation, and the California Consumer Class Action, and we may incur fees associated with additional lawsuits that may be filed against us or one or more of our officers or directors hereafter. The legal fees arising from any or all of these matters could have a material adverse effect on our financial condition, results of operations and cash flows

We participate in a highly competitive market, and 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 services designed to reach consumers and enable dealers to reach these consumers.

Our competitors offer various products and services that compete with us. Some of these competitors include:

- Internet search engines and online automotive sites such as Google, AutoTrader.com and eBay;
- eBay Motors, Edmunds.com, KBB.com, Autobytel.com and Cars.com;
- sites operated by automobile manufacturers such as General Motors and Ford;
- providers of offline, membership-based car-buying services such as the Costco Auto Program; and
- offline automotive classified listings, such as trade periodicals and local newspapers.

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We compete with many of the above-mentioned companies and other companies for a share of car dealers' overall marketing budget for online and offline media marketing spend. To the extent that car dealers view alternative marketing and media strategies to be superior to TrueCar, we may not be able to maintain or grow the number of TrueCar Certified Dealers and our TrueCar Certified Dealers may sell fewer cars to users of our platform, and our business, operating results and financial condition will be harmed.

We also expect that new competitors will continue to enter the online automotive retail industry with competing products and services, which could have an adverse effect on our revenue, business and financial results.

Our competitors could significantly impede our ability to expand and optimize our network of TrueCar Certified Dealers and to reach consumers. Our competitors may also develop and market new technologies that render our existing or future products and services less competitive, unmarketable or obsolete. In addition, if our competitors develop products or services with similar or superior functionality to our solutions, we may need to decrease the prices for our solutions in order to remain competitive. If we are unable to maintain our current pricing structure due to competitive pressures, our revenue will be reduced and our operating results will be negatively affected.

Our current and potential competitors may have significantly more 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 than we have, longer operating histories and greater name recognition. As a result, these competitors may be better able to respond more quickly with new technologies and to undertake more extensive marketing or promotional campaigns. In addition, to the extent any of our competitors have existing relationships with dealers or automobile manufacturers for marketing or data analytics solutions, those dealers and automobile manufacturers may be unwilling to continue to partner with us. If we are unable to compete with these companies, the demand for our products and services could substantially decline.

In addition, if one or more of our competitors 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 third-party 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.

If our mobile products do not adequately address the shift to mobile technology by our users, the number of transactions between our users and TrueCar Certified Dealers may not grow as quickly and our operating results could be harmed and our growth could be negatively affected.

Our future success depends in part on the continued growth in the use of our mobile products by our users and the number of transactions with TrueCar Certified Dealers that are completed by those users. In the year ended December 31, 2015, approximately 50% of unique visitors to our TrueCar.com website and the car buying sites we maintain for our affinity group marketing partners were attributable to mobile devices. The shift to mobile technology by our users may harm our business in the following ways:

- the use of mobile technology may not continue to grow at historical rates, and consumers may not continue to use mobile technology for automobile research;
- mobile technology may not be accepted as a viable long-term platform for a number of reasons, including actual or perceived lack of security of information and possible disruptions of service or connectivity;
- we may not continue to innovate and introduce enhanced products on mobile platforms;
- consumers may believe that our competitors offer superior mobile products; or

our mobile applications may become incompatible with operating systems such as iOS or Android or the devices they support.

If use of our mobile products does not continue to grow, our business and operating results could be harmed.

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We rely, in part, on Internet search engines to drive traffic to our website, and if we fail to appear prominently in the search results, our traffic would decline and our business would be adversely affected.

We depend in part on Internet search engines such as Google, Bing, and Yahoo! to drive traffic to our website. For example, when a user types an automobile into an Internet search engine, we rely on a high organic search ranking of our webpages in these search results to refer the user to our website. However, our ability to maintain high, non-paid search result rankings is not within our control. Our competitors' Internet search engine optimization efforts may result in their websites receiving a higher search result page ranking than ours, or 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, or if our competitors' efforts are more successful than ours, overall growth in our user base could slow or our user base could decline. Internet search engine providers could provide automobile dealer and pricing information directly in search results, align with our competitors or choose to develop competing services. Our website has 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 through Internet search engines could harm our business and operating results.

The failure to maintain our brand would harm our ability to grow unique visitor traffic and to expand our dealer network.

Maintaining and enhancing the TrueCar brand largely depends on the success of our efforts to maintain the trust of our users and TrueCar Certified Dealers and to deliver value to each of our users and TrueCar Certified Dealers. If our existing or potential users perceive that we are not focused primarily on providing them with a better car-buying experience, our reputation and the strength of our brand will be adversely affected.

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, data privacy and security issues, and other aspects of our business, irrespective of their validity, could diminish users' and dealers' confidence in and use of our products and services and adversely affect our brand. These concerns could also diminish the trust of existing and potential affinity group marketing partners. There can be no assurance that we will be able to maintain or enhance our brand, and failure to do so would harm our business growth prospects and operating results.

Our ability to grow our complementary product offerings may be limited, which could negatively impact our growth rate, revenues and financial performance.

As we introduce or expand additional offerings for our platform we may incur losses or otherwise fail to enter these markets successfully. Our expansion into these markets will place us in competitive and regulatory environments with which we are unfamiliar and involves 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 our new product offerings we expect to incur significant expenses and face various other challenges, such as expanding our sales force 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 ancillary products to consumers, and failure to do so would compromise our ability to successfully expand into these additional revenue streams.

Moreover, our affinity group marketing partners already offer products in many of these adjacent markets. For those affinity group marketing partners that offer products in adjacent markets that we seek to enter, our ability to offer products in these markets to their members will be limited. If we are unable to successfully expand our ancillary product offerings, our growth rate, revenue and operating performance may be harmed.



Our business is subject to risks related to the larger automotive ecosystem, including consumer demand, global supply chain challenges and other macroeconomic issues.

Decreases in consumer demand could adversely affect the market for automobile purchases and, as a result, reduce the number of consumers using our platform. Consumer purchases of new and used automobiles generally decline during recessionary periods and other periods in which disposable income is adversely affected. For example, the number of new vehicle sales in the United States decreased from approximately 16.1 million in 2007 to approximately 10.4 million in 2009, according to the Bureau of Economic Analysis. Various economic uncertainty in the start of 2016, including stock market and commodity pricing volatility, lead to such a downturn that may impact our business. Purchases of new and used automobiles are typically discretionary for consumers and have been, and may continue to be, affected by negative trends in the economy, including the cost of energy and gasoline, the availability and cost of credit, reductions in business and consumer confidence, stock market volatility and increased unemployment. A reduction in the number of automobiles purchased by consumers could adversely affect automobile dealers and car manufacturers and lead to a reduction in other spending by these constituents, including targeted incentive programs. In addition, our business may be negatively affected by challenges to the larger automotive ecosystem, including global supply chain challenges, such as those

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resulting from the Japanese tsunami in 2011 and other macroeconomic issues. The foregoing could have a material adverse effect on our business, results of operations and financial condition.

Our unique visitors, revenue and operating results fluctuate due to seasonality.

Our revenue trends are a reflection of consumers' car buying patterns. Across the automotive industry, consumers tend to purchase a higher volume of cars in the second and third quarters of each year, due in part to the introduction of new vehicle models from manufacturers. In the past, these seasonal trends have not been pronounced due the overall growth of our business, but we expect that in the future our revenues will be affected by these seasonal trends. Our business will also be impacted by cyclical trends affecting the overall economy, specifically the retail automobile industry, as well as by actual or threatened severe weather events.

We may require additional capital to pursue our business objectives and respond to business opportunities, challenges or unforeseen circumstances. If capital is not available to us, our business, operating results and financial condition may be harmed.

Since our founding, we have raised substantial equity and debt financing to support the growth of our business. Because we intend to continue to make investments to support the growth of our business, 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, develop new products or services or further improve existing products and services, enhance our operating infrastructure and acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. However, additional funds may not be available when we need them, on terms that are acceptable to us, or at all. In addition, our current revolving credit facility contains restrictive covenants relating to our capital raising activities and other financial and operational matters, and any debt financing that we secure in the future could involve further restrictive covenants which may make it more difficult for us to obtain additional capital and to pursue business opportunities. Volatility in the credit markets may also have an adverse effect on our ability to obtain debt financing.

If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we 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 collect, process, store, share, disclose and use personal information and other data, and our actual or perceived failure to protect such information and data could damage our reputation and brand and harm our business and operating results.

We collect, process, store, share, disclose and use personal information and other data provided by consumers and dealers. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of such information. We may need to expend significant resources to protect against security breaches or 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 and dealers could harm our reputation and brand and expose us to a risk of loss or litigation and possible liability, any of which could harm our business and operating results.

In addition, from time to time, concerns have been expressed about whether our products, services, or processes compromise the privacy of our users. Concerns about our practices with regard to the collection, use or disclosure of personal information or other privacy related matters, even if unfounded, could harm our business and operating results.

There are numerous federal, state and local laws around the world regarding privacy and the collection, processing, storing, sharing, disclosing, using and protecting of personal information and other data, the scope of which are changing, subject to differing interpretations, and which may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. However, it is possible that these obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices or that new regulations could be enacted. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to consumers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause consumers and automobile dealers to lose trust in us, which could have a material adverse effect on our business. Additionally, if vendors, developers or other third parties that we work with violate applicable laws or our policies, such violations may also put consumer or dealer information at risk and could in turn harm our reputation, business and operating results.

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A significant disruption in service on our website or of our mobile applications 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, affinity groups and advertisers depend on the reliable performance of our technology platform and content delivery. We may experience significant interruptions with our systems in the future. Although we intend to develop a unified architecture in the future, our systems currently employ multiple software platforms. Interruptions in these systems, whether due to system failures, computer viruses, or physical or electronic break-ins, could affect the security or availability of our products on our website and mobile application, and prevent or inhibit the ability of consumers to access our products. Problems with the reliability or security of our systems or with the upgrading and architectural unification of those system could harm our reputation, result in a loss of consumers, dealers and affinity group marketing partners, and result in additional costs. In addition, a significant disruption in our billing systems could affect our ability to match automobile purchases with users that obtained a Guaranteed Savings Certificate and delay or prevent us from submitting invoices to TrueCar Certified Dealers, receiving payment for such invoices and recognizing revenue related to such purchases.

Substantially the entire computer hardware and communications and network infrastructure used to operate our website, mobile applications and billing systems is located at co-location facilities in Los Angeles and Chicago. Although we have two 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 result in damage to our systems and hardware or could cause them to fail.

Problems faced by our third-party web hosting providers could adversely affect the experience of our consumers. Our third-party web hosting providers could close their facilities without adequate notice. Any financial difficulties, up to and including bankruptcy, faced by our third-party web hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party 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 cause interruptions in access to our products as well as delays and additional expense in arranging new facilities and services and could harm our reputation, business, operating results, and financial condition.

Failure to adequately protect our intellectual property could harm our business and operating results.

Our business depends on our intellectual property, the protection of which is crucial to the success of our business. We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. In addition, we attempt to protect our intellectual property, technology, and confidential information by requiring our employees and consultants to enter into confidentiality and assignment of inventions agreements and third parties to enter into nondisclosure agreements. 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 features, software, and functionality or obtain and use information that we consider proprietary.

Competitors may adopt service names similar to ours, thereby harming our ability to build brand identity and possibly leading to user confusion. In addition, there could be potential trade name or trademark infringement claims brought

by owners of other registered trademarks or trademarks that incorporate variations of the term “TrueCar.”

We currently hold the “TrueCar.com” and “True.com” Internet domain names as well as 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 TrueCar.

We may in the future be subject to intellectual property disputes, which are costly to defend and could harm our business and operating results.

We may from time to time face allegations that we have infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from our competitors or non-practicing entities.

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Patent and other intellectual property litigation may be protracted and expensive, and the results are difficult to predict and may require us to stop offering some features, purchase licenses or modify our products and features while we develop non-infringing substitutes or may result in significant settlement costs.

In addition, we use open source software in our products and will use open source software in the future. From time to time, we may face claims against companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our platform or services, any of which would have a negative effect on our business and operating results.

Even if these matters do not result in litigation or are resolved in our favor or without significant cash settlements, these matters, and the time and resources necessary to litigate or resolve them, could harm our business, our operating results and our reputation.

Complying with the laws and regulations affecting public companies has increased our costs and the demands on management and could harm our operating results.

As a public company, we incur significant legal, accounting, and other expenses that we did not incur as a private company and these expenses will increase after we cease to be an “emerging growth company.” In addition, the Sarbanes-Oxley Act and rules implemented by the SEC and NASDAQ impose various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased and will continue to increase our legal, accounting, and financial compliance costs and have made and will continue to make some activities more time consuming and costly. For example, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or to incur substantial costs to maintain the same or similar coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors or our board committees or as executive officers.

As an “emerging growth company” we are currently exempt from the requirement to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act (“Section 404”). When our independent registered public accounting firm is required to undertake an assessment of our internal control over financial reporting, the cost of our compliance with Section 404 will correspondingly increase. Our compliance with applicable provisions of Section 404 requires that we incur substantial accounting expense and expend significant management time on compliance-related issues as we implement additional corporate governance practices and comply with reporting requirements. Moreover, if we or our independent registered public accounting firm identifies deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the SEC or other regulatory authorities, which would require additional financial and management resources.

Furthermore, investor perceptions of our company may suffer if, in the future, material weaknesses are found, and this could cause a decline in the market price of our stock. Irrespective of compliance with Section 404, any failure of our internal control over financial reporting could have a material adverse effect on our stated operating results and harm our reputation. If we are unable to implement these changes effectively or efficiently, it could harm our operations, financial reporting, or financial results and could result in an adverse opinion on internal control from our independent registered public accounting firm.

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

Our success will depend, in part, on our ability to grow our business in response to the demands of consumers, dealers and other constituents within the automotive industry as well as competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development, such as our acquisition of ALG in 2011. 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 applications;
- retention of employees from the acquired company;

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• 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, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures, and policies;
- potential write-offs of intangibles or other assets acquired in such transactions that may have an adverse effect on our operating results in a given period;

• 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 stockholders, or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or the write-off of goodwill, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions may not materialize.

If our intangible assets and goodwill become impaired we may be required to record a significant non-cash charge to earnings which would materially and adversely affect our results of operations.

We had goodwill and intangible assets of \$77.1 million at December 31, 2015. Under accounting principles generally accepted in the United States, we review our goodwill for impairment annually in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate the carrying value may not be fully recoverable. We review our intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. While we have not recognized any impairment charges since our inception, we may recognize impairment charges in future periods in connection with our acquisitions or from other businesses we may seek to acquire in the future. The carrying value of our goodwill and intangible assets may not be recoverable due to factors such as a decline in our stock price and market capitalization, reduced estimates of future revenues or cash flows or slower growth rates in our industry. Estimates of future revenues and cash flows are based on a long-term financial outlook of our operations. Actual performance in the near-term or long-term could be materially different from these forecasts, which could impact future estimates and the recorded value of the intangibles. For example, a significant, sustained decline in our stock price and market capitalization may result in impairment of our intangible assets, including goodwill, and a significant charge to earnings in our consolidated financial statements during the period in which an impairment is determined to exist. In the event we had to reduce the carrying value of our goodwill or intangible assets, any such impairment charge could materially and adversely affect our results of operations.

If our ability to use our net operating loss carryforwards and other tax attributes is limited, we may not receive the benefit of those assets.

We had federal net operating loss carryforwards of approximately \$221.2 million and state net operating loss carryforwards of approximately \$156.5 million at December 31, 2015. The federal and state net operating loss carryforwards begin to expire in the years ending December 31, 2025 and 2016, respectively. At December 31, 2015, we had federal and state research and development credit carryforwards of approximately \$0.8 million and \$0.4 million, respectively. The federal credit carryforwards begin to expire in the year ending December 31, 2028. The state credit carryforwards can be carried forward indefinitely.



The Internal Revenue Code of 1986, as amended, imposes substantial restrictions on the utilization of net operating losses and other tax attributes in the event of an “ownership change” of a corporation. Accordingly, our ability to use pre-change net operating loss and research tax credits may be limited as prescribed under Internal Revenue Code, or IRC, Sections 382 and 383. Therefore, if we generate taxable income in the future, our ability to reduce our Federal income tax liability may be subject to limitation.

Events which may cause limitation in the amount of the net operating losses and credits that we utilize in any one year include, but are not limited to, a cumulative ownership change of more than 50% over a three-year period. As a result of historical equity issuances, we have determined that the annual utilization of our net operating losses and credits and tax credits may be limited pursuant to IRC Sections 382 and 383. Future changes in our stock ownership, including future equity offerings, as well as other changes that may be outside our control could potentially result in further limitations on our ability to utilize our net operating loss and credit carryforwards.

## Risks Related to Ownership of Our Common Stock

We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.

We have provided and may continue to provide guidance about our business and future operating results, including financial results for the quarter ended March 31, 2016 as well as the year ending December 31, 2016, as part of our press releases, investor conference calls or otherwise. In developing this guidance, our management must make certain assumptions and judgments about our future performance. For example, in the second quarter of 2015, our business results varied significantly from guidance for the quarter and the price of our common stock declined. Our future business results may vary significantly from management's guidance due to a number of factors, many of which are outside of our control, and which could materially and adversely affect our operations, financial condition and operating results. If our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors or other interested parties, the price of our common stock could decline.

Concentration of ownership among our existing executive officers, directors, their affiliates, and holders of 5% or more of our outstanding common stock may prevent new investors from influencing significant corporate decisions.

As of December 31, 2015, our executive officers, directors, and holders of 5% or more of our outstanding common stock beneficially own, in the aggregate, approximately 79% of our outstanding shares of common stock. Some of these persons or entities may have interests that are different from yours. For example, these stockholders may support proposals and actions with which you may disagree or which are not in your interests. These stockholders are able to exercise a significant level of control over all matters requiring stockholder approval, including the election of directors, amendment of our certificate of incorporation, and approval of significant corporate transactions. This control could have the effect of delaying or preventing a change of control of our company or changes in management and will make the approval of certain transactions difficult or impossible without the support of these stockholders, which in turn could reduce the price of our common stock.

The price of our common stock has been and may continue to be volatile, and the value of your investment could decline.

The trading price of our common stock has been volatile since our initial public offering and is likely to continue to fluctuate substantially. The trading price of our common stock depends on a number of factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid. Factors that could cause fluctuations in the trading price of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the market prices and trading volumes of high technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of new products;
- the public's reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our operating results or fluctuations in our operating results;

actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally;

our ability to control costs, including our operating expenses;

litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;

developments or disputes concerning our intellectual property or other proprietary rights;

announced or completed acquisitions of businesses or technologies by us or our competitors;

new laws or regulations or new interpretations of existing laws or regulations applicable to our business;

changes in accounting standards, policies, guidelines, interpretations, or principles;

any significant change in our management;  
conditions in the automobile industry; and  
general economic conditions and slow or negative growth of our markets.

The effect of such factors on the trading market for our stock may be enhanced by the lack of a large and established trading market for our stock. In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors may seriously affect the market price of our common stock, regardless of our actual operating performance. Additionally, as a public company, we face the risk of shareholder lawsuits, particularly if we experience declines in the price of our common stock. In the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action lawsuits have often been instituted against affected companies. As described in the risk factor above entitled "We face litigation and are party to legal proceedings that could have a material adverse effect on our business, financial condition, results of operations and cash flows," two such lawsuits were instituted against us in the form of the Federal Securities Litigation and the California State Court Securities Litigation. Additional lawsuits of this type or similar types, if instituted against us or one or more of our officers or directors, whether arising from alleged facts the same as, similar to, or different from those alleged in the Federal Securities Litigation and the California State Court Securities Litigation, could result in significant legal fees, settlements, or damage awards, as well as the diversion of our management's attention and resources, and thus could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Sales of substantial amounts of our common stock in the public markets, or the perception that such sales might occur, could depress the market price of our common stock.

The market price for our common stock could decline as a result of the sale of substantial amounts of our common stock, particularly sales by our directors, executive officers and significant stockholders, a large number of shares of our common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares. At December 31, 2015, approximately 83.0 million shares of our common stock were outstanding. In addition, as of December 31, 2015, there were 24.3 million shares underlying options and 3.7 million shares underlying restricted stock units. If these additional shares are sold, or if it is perceived that they will be sold in the public market, the trading price of our stock could decline. Under Rule 144, shares held by non-affiliates for more than six months may generally be sold without restriction, other than a current public information requirement, and may be sold freely without any restrictions after one year. Shares held by affiliates may also be sold under Rule 144, subject to applicable restrictions, including volume and manner of sale limitations.

Stockholders owning a substantial portion of our total outstanding shares are entitled, under contracts providing for registration rights and subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders.

Anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our certificate of incorporation, bylaws, and Delaware law contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors. Our corporate governance documents include provisions:

- creating a classified board of directors whose members serve staggered three year terms;
- authorizing "blank check" preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend, and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;

limiting the ability of our stockholders to call and bring business before special meetings;  
requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;  
controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings; and  
providing our board of directors with the express power to postpone previously scheduled annual meetings and to cancel previously scheduled special meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation law, which prevents some stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of substantially all of our outstanding common stock.

Any provision of our certificate of incorporation, bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

If securities or industry analysts do not publish or cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that industry or securities analysts may publish about us, our business, our market, or our competitors. If any of the analysts who may cover us change their recommendation regarding our stock adversely, or provide more favorable relative recommendations about our competitors, our stock price would likely decline. If any analyst who may cover us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We do not expect to declare any dividends in the foreseeable future.

We do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. In addition, the terms of our credit facility currently prohibit us from paying cash dividends on our capital stock. Consequently, investors may need to rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

#### Item 1B. Unresolved Staff Comments

None.

#### Item 2. Properties

We maintain our principal offices in Santa Monica, California. We currently lease approximately 38,000 square feet at 120 Broadway in Santa Monica, under a lease that expires in December 2025, and approximately 34,000 square feet at 1401 Ocean Avenue in Santa Monica that expires in 2029. We maintain additional leased spaces in several other Santa Monica locations as well as spaces in San Francisco, California, Austin, Texas, and Denver, Colorado. We believe that our facilities are adequate to meet our needs for the immediate future, and that should it be needed, we will be able to secure additional space to accommodate any such expansion of our operations.

#### Item 3. Legal Proceedings

Refer to the disclosure under the heading “Legal Proceedings” in Note 7 “Commitments and Contingencies” to our annual consolidated financial statements included in Part II, Item 8 of this report for legal proceedings, which disclosure is incorporated by reference into this Item 3 of Part I.

#### Item 4. Mine Safety Disclosures

Not applicable.



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## PART II

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

## Market Information for Common Stock

Our common stock has been listed on The NASDAQ Global Select Market under the symbol "TRUE" since May 16, 2014. Our initial public offering was priced at \$9.00 per share. Prior to that date, there was no public trading market for our common stock. The following table sets forth for the periods indicated the high and low sale prices per share of our common stock as reported on The NASDAQ Global Select Market:

	Year Ended December 31, 2015		Year Ended December 31, 2014	
	High	Low	High	Low
First Quarter	\$23.10	\$15.92	\$—	\$—
Second Quarter (2014 from May 16, 2014)	\$17.99	\$11.85	\$15.85	\$9.05
Third Quarter	\$12.12	\$4.01	\$25.00	\$11.93
Fourth Quarter	\$9.88	\$4.97	\$24.71	\$15.71

## Holders of Record

As of March 3, 2016, there were 192 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders and includes stockholders who are beneficial owners but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

## Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our common stock in the foreseeable future. Any future determination to declare dividends will be made at the discretion of our board of directors and will depend on our financial condition, operating results, capital requirements, general business conditions, any restrictions on paying dividends, including the current restriction on our ability to pay dividends under our credit facility, and other factors that our board of directors may deem relevant.

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

## Securities Authorized for Issuance Under Equity Compensation Plans

See Note 9 of the consolidated financial statements herein regarding information about securities authorized for issuance under our equity compensation plans.

## Sales of Unregistered Securities

In March 2015, we issued 959,676 shares of our common stock to an investor upon the exercise of a warrant to purchase common stock at an exercise price of \$6.02 per share. The exercise was pursuant to a cashless exercise



provision and resulted in no proceeds to the Company. The shares were offered and sold in reliance on the exemption from registration provided by Section 4(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder.

#### Use of Proceeds from Public Offerings of Common Stock

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-195036), which was declared or became effective on May 15, 2014. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on May 15, 2014 pursuant to Rule 424(b) of the Securities Act and other periodic reports previously filed with the SEC.

On November 17, 2014, we closed a follow-on public offering of 7,362,991 shares of common stock, which included 1,960,390 shares of common stock sold by us and 5,402,601 shares of common stock sold by selling stockholders. The public offering

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price of the shares sold in the follow-on offering was \$17.00 per share. We received net proceeds of \$30.8 million, after deducting underwriting discounts and commissions and offering expenses payable by us, from the sales of our shares. We did not receive any proceeds from the sale of shares by the selling stockholders. The offer and sale of all of the shares in the follow-on offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-199650). J.P. Morgan, Goldman, Sachs & Co., Morgan Stanley, RBC Capital Markets, JMP Securities, and Cowen and Company acted as the underwriters. There has been no material change in the planned use of proceeds from the follow-on offering as described in our final prospectus filed with the SEC on November 11, 2014 pursuant to Rule 424(b).

Stock Performance Graph

The following shall not be deemed “soliciting material” or to be “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing. The following graph shows a comparison from May 16, 2014 (the date our common stock commenced trading on the NASDAQ Global Select Market) through December 31, 2015 of the cumulative total return for our common stock, the Nasdaq Composite Index (NASDAQ Composite), and the RDG Internet Composite. The graph assumes that \$100 was invested at the market close on May 16, 2014 in our common stock, the NASDAQ Composite and the RDG Internet Composite, and the data for the NASDAQ Composite and the RDG Internet Composite assumes reinvestments of dividends. As discussed above, we have never declared or paid a cash dividend on our common stock and do not anticipate declaring or paying a cash dividend in the foreseeable future. The stock price performance of the following graph is not necessarily indicative of future stock price performance.

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## Item 6. Selected Financial Data

We have derived the following selected consolidated statement of operations data for the years ended December 31, 2015, 2014, and 2013 and the selected consolidated balance sheet data at December 31, 2015 and 2014 from our audited consolidated financial statements included elsewhere herein. We have derived the selected consolidated statement of operations data for the years ended December 31, 2012 and 2011, and the consolidated balance sheet data at December 31, 2013, 2012 and 2011 from our audited consolidated financial statements which are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected in the future.

You should read the following selected consolidated financial and other data together with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report on Form 10 K. The selected consolidated financial data in this section is not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

## Consolidated Statements of Operations Data:

	Year Ended December 31,				
	2015	2014	2013	2012	2011(1)(2)
	(in thousands, except share and per share amounts)				
Revenues	\$259,838	\$206,649	\$133,958	\$79,889	\$76,330
Cost and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization presented separately below)(3):	23,657	17,513	15,295	13,559	7,660
Sales and marketing(3)	151,002	128,569	75,180	70,327	41,992
Technology and development(3)	48,021	36,563	23,685	21,960	18,457
General and administrative(3)	83,494	58,296	30,857	34,228	21,912
Depreciation and amortization	17,646	13,213	11,569	11,768	4,148
Total costs and operating expenses	323,820	254,154	156,586	151,842	94,169
Loss from operations	(63,982 )	(47,505 )	(22,628 )	(71,953 )	(17,839 )
Interest income	107	59	121	229	199
Interest expense	(443 )	(380 )	(1,988 )	(3,359 )	(66 )
Other income (expense)	13	37	18	(18)	(20 )
Change in fair value of preferred stock warrant liability	—	—	—	—	(1,882 )
Loss before (provision) benefit for income taxes	(64,305 )	(47,789 )	(24,477 )	(75,101 )	(19,608 )
Benefit (provision) for income taxes	(606 )	(640 )	(579 )	606	10,690
Net loss	\$(64,911 )	\$(48,429 )	\$(25,056 )	\$(74,495 )	\$(8,918 )
Cumulative dividends on Series B, Series C, and Series D preferred stock	—	—	—	—	(2,370 )
Net loss attributable to common stockholders of TrueCar, Inc.	\$(64,911 )	\$(48,429 )	\$(25,056 )	\$(74,495 )	\$(11,288 )
Net loss per share attributable to common stockholders:					
Basic and diluted(4)(5)	\$(0.79 )	\$(0.68 )	\$(0.43 )	\$(1.33 )	\$(0.49 )
Weighted average shares of common shares outstanding used in computing net loss per share attributable to common stockholders:					

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Basic and diluted(4)(5)	81,914	70,837	58,540	55,828	22,823
Other Financial Information:					
Adjusted EBITDA(6)	\$7,572	\$10,884	\$2,140	\$(46,523)	\$(3,538)
Non-GAAP net (loss) income(7)	\$(11,016)	\$(3,290)	\$(11,875)	\$(60,815)	\$3,137

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During the preparation of the consolidated financial statements for the year ended December 31, 2011, we identified adjustments relating to timing of revenue recognition, accrued sales taxes and expenses on related party loans affecting 2010 and prior periods. The aggregate amount of these adjustments would have reduced net loss by (1) \$360,000 for 2009 and \$420,000 for 2010. We concluded these adjustments were not material individually or in the aggregate to any prior reporting period. We also concluded that recording the cumulative effect of these adjustments of \$780,000 during the year ended December 31, 2011 was not material to the 2011 financial statements and accordingly, we recorded these adjustments during the year ended December 31, 2011.

(2) In 2011, we completed the acquisitions of Carperks, Honk, and ALG.

(3) The following table presents stock-based compensation expense included in each respective expense category:

	Year Ended				
	December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Cost of revenue	\$792	\$454	\$141	\$122	\$47
Sales and marketing	4,493	4,743	2,561	1,571	1,076
Technology and development	4,294	5,013	1,762	1,428	1,096
General and administrative	32,984	19,123	4,882	7,199	3,989
Total stock-based compensation expense	\$42,563	\$29,333	\$9,346	\$10,320	\$6,208

(4) See Note 11 to our audited consolidated financial statements for an explanation of the calculations of our basic and diluted net loss per share attributable to common stockholders.

(5) All share, per-share and related information has been retroactively adjusted, where applicable, to reflect the impact of a 2-for-3 reverse stock split, which was effected on May 2, 2014.

(6) Adjusted EBITDA is not a measure of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with GAAP. For a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net loss, see “Non-GAAP Financial Measures.”

(7) Non-GAAP net (loss) income is not a measure of our financial performance under GAAP and should not be considered as an alternative to net (loss) income, operating (loss) income or any other measures derived in accordance with GAAP. For a definition of Non-GAAP net (loss) income and a reconciliation of Non-GAAP net (loss) income, see “Non-GAAP Financial Measures.”

	At December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Selected Consolidated Balance Sheet Data					
Cash and cash equivalents and short term investments	\$112,371	\$147,539	\$43,819	\$22,062	\$42,881
Working capital (deficit), excluding restricted cash	113,855	145,666	36,637	(9,290)	39,118
Property and equipment, net	71,390	30,731	15,238	12,842	13,720
Total assets	302,374	296,952	174,750	145,244	180,165
Total indebtedness	—	—	4,764	23,696	—
Lease financing obligation	26,987	6,093	—	—	—
Convertible preferred stock	—	—	29,224	—	—
Contingently redeemable common stock	—	—	—	1,000	—
Total stockholders' equity	232,692	249,198	112,180	98,196	158,769

## Non-GAAP Financial Measures

Adjusted EBITDA and Non-GAAP net (loss) income are financial measures that are not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define Adjusted EBITDA as net loss adjusted to exclude interest income, interest expense, depreciation and amortization, change in the fair value of preferred stock warrant liability, non-cash

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warrant expense, transaction costs from acquisitions, change in fair value of contingent consideration, stock-based compensation, IPO-related expenses, ticker symbol acquisition costs, certain litigation costs and legal settlements, severance charges, real estate exit costs, and income taxes. We define Non-GAAP net (loss) as net loss adjusted to exclude stock-based compensation, change in fair value of preferred stock warrant liability, non-cash warrant expense, transaction costs from acquisitions, change in the fair value of contingent consideration, IPO-related expenses, ticker symbol acquisition costs, certain litigation costs and legal settlements, severance charges, and real estate exit costs. We have provided below a reconciliation of each of Adjusted EBITDA and Non-GAAP net (loss) income to net loss, the most directly comparable GAAP financial measure. Neither Adjusted EBITDA nor Non-GAAP net (loss) income should be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP. In addition, our Adjusted EBITDA and Non-GAAP net (loss) income measures may not be comparable to similarly titled measures of other organizations as they may not calculate Adjusted EBITDA or Non-GAAP net (loss) income in the same manner as we calculate these measures.

We have included Adjusted EBITDA and Non-GAAP net (loss) income herein as they are important measures used by our management and board of directors to assess our operating performance. We believe that using Adjusted EBITDA and Non-GAAP net (loss) income facilitates operating performance comparisons on a period-to-period basis because these measures exclude variations primarily caused by changes in the excluded items noted above. In addition, we believe that Adjusted EBITDA, Non-GAAP net (loss) income and similar measures are widely used by investors, securities analysts, rating agencies and other parties in evaluating companies as a measure of financial performance and debt service capabilities.

Our use of each of Adjusted EBITDA and Non-GAAP net (loss) income has limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect the payment or receipt of interest or the payment of income taxes;
- neither Adjusted EBITDA nor Non-GAAP net (loss) income reflects changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or any other contractual commitments;
- neither Adjusted EBITDA nor Non-GAAP net (loss) income reflects the cash costs to advance our claims in respect of certain litigation or the costs to defend ourselves in various complaints filed against us;
- neither Adjusted EBITDA nor Non-GAAP net (loss) income reflect a non-recurring legal settlement in favor of the Company;
- neither Adjusted EBITDA nor Non-GAAP net (loss) income reflects the cash severance costs due to certain former executives upon separation;
- neither Adjusted EBITDA nor Non-GAAP net (loss) income reflects the real estate exit costs associated with consolidation of the Company's office locations in Santa Monica, California.
- neither Adjusted EBITDA nor Non-GAAP net (loss) income consider the potentially dilutive impact of shares issued or to be issued in connection with share-based compensation or warrant issuances; and
- other companies, including companies in our own industry, may calculate Adjusted EBITDA and Non-GAAP net (loss) income differently from how we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA and Non-GAAP net (loss) income alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results. In addition, in evaluating Adjusted EBITDA and Non-GAAP net (loss) income you should be aware that in the future we will incur expenses such as those that are the subject of adjustments in deriving Adjusted EBITDA and Non-GAAP net (loss) income, and you should not infer from our presentation of Adjusted EBITDA and Non-GAAP net (loss) income that our future results will not be affected by these expenses or any unusual or non-recurring items.





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The following table presents a reconciliation of net loss to Adjusted EBITDA for each of the periods presented:

	Year Ended				
	December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Reconciliation of Net Loss to Adjusted EBITDA:					
Net loss	\$(64,911 )	\$(48,429 )	\$(25,056 )	\$(74,495 )	\$(8,918 )
Non-GAAP adjustments:					
Interest income	(107 )	(59 )	(121 )	(229 )	(199 )
Interest expense	443	380	1,988	3,359	66
Depreciation and amortization	17,646	13,213	11,569	11,768	4,148
Stock-based compensation (1)	42,563	29,333	9,346	10,320	6,208
Warrant (reduction) expense	(803 )	9,808	3,740	1,990	2,112
Change in fair value of preferred stock warrant liability	—	—	—	—	1,882
Transaction costs from acquisitions	—	—	—	—	1,853
Change in fair value of contingent consideration	—	—	95	1,370	—
IPO-related expenses	—	3,717	—	—	—
Ticker symbol acquisition costs	—	803	—	—	—
Certain litigation costs(2)	6,171	2,270	—	—	—
Legal settlement (3)	—	(792 )	—	—	—
Severance charges (4)	3,732	—	—	—	—
Lease exit costs (5)	2,232	—	—	—	—
Provision (benefit) for income taxes	606	640	579	(606 )	(10,690 )
Adjusted EBITDA	\$7,572	\$10,884	\$2,140	\$(46,523 )	\$(3,538 )

(1) Includes stock-based compensation of \$10.7 million incurred in the fourth quarter of 2015 related to the departure of certain executives.

The excluded amounts relate to legal costs incurred in connection with a claim we filed against Sonic Automotive Holdings, Inc., complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar and securities class action lawsuits. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

(2) Represents a non-recurring legal settlement in favor of the Company. We believe excluding the impact of this non-recurring legal settlement is appropriate to facilitate period-to-period operating performance comparisons. We incurred severance costs of \$3.4 million for executive-level employees who terminated during the second half of the year ended December 31, 2015. In addition, we also incurred \$0.3 million of related recruiting fees for the placement of our new CEO in the fourth quarter of 2015. We believe excluding the impact of these terminations from 2015 is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of ongoing operating results.

(3) Represents lease termination costs associated with the consolidation of the Company's office locations in Santa Monica, California. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

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The following table presents a reconciliation of net loss to Non-GAAP net (loss) income for each of the periods presented:

	Year Ended				
	December 31,				
	2015	2014	2013	2012	2011
	(in thousands)				
Reconciliation of Net Loss to Non-GAAP Net (Loss):					
Net loss	\$(64,911 )	\$(48,429 )	\$(25,056 )	\$(74,495 )	\$(8,918 )
Non-GAAP adjustments:					
Stock-based compensation (1)	42,563	29,333	9,346	10,320	6,208
Warrant (reduction) expense	(803 )	9,808	3,740	1,990	2,112
Change in fair value of preferred stock warrant liability	—	—	—	—	1,882
Transaction costs from acquisitions	—	—	—	—	1,853
Change in fair value of contingent consideration	—	—	95	1,370	—
IPO-related expenses	—	3,717	—	—	—
Ticker symbol acquisition costs	—	803	—	—	—
Certain litigation costs (2)	6,171	2,270	—	—	—
Legal settlement (3)	—	(792 )	—	—	—
Severance charges (4)	3,732	—	—	—	—
Lease exit costs (5)	2,232	—	—	—	—
Non-GAAP net (loss) income	\$(11,016 )	\$(3,290 )	\$(11,875 )	\$(60,815 )	\$3,137

(1) Includes stock-based compensation of \$10.7 million incurred in the fourth quarter of 2015 related to the departure of certain executives.

The excluded amounts relate to legal costs incurred in connection with a claim we filed against Sonic Automotive Holdings, Inc., complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar and securities class action lawsuits. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

(3) Represents a non-recurring legal settlement in favor of the Company. We believe excluding the impact of this non-recurring legal settlement is appropriate to facilitate period-to-period operating performance comparisons.

We incurred severance costs of \$3.4 million for executive-level employees who terminated during the second half of the year ended December 31, 2015. In addition, we also incurred \$0.3 million of related recruiting fees for the placement of our new CEO in the fourth quarter of 2015. We believe excluding the impact of these terminations from 2015 is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of ongoing operating results.

(5) Represents lease termination costs associated with the consolidation of the Company's office locations in Santa Monica, California. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes to those statements included herein. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results and timing of selected events may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under "Risk Factors" and elsewhere herein. See "Special Note Regarding Forward-Looking Statements."

#### Overview

Our mission is to deliver the best car-buying experience for consumers and provide dealers and automakers with an excellent return on their marketing dollars. We have established an intelligent, data-driven online platform operating on a common technology infrastructure, powered by proprietary data and analytics. We operate our company-branded platform on the TrueCar website and our branded mobile experience. In addition, we customize and operate our platform on a co-branded basis for our many affinity group marketing partners, including financial institutions like USAA and American Express, membership-based organizations like Consumer Reports, AARP, Sam's Club, and AAA, and employee buying programs for large enterprises such as IBM and Walmart. We enable users to obtain market-based pricing data on new and used cars, and to connect with our network of TrueCar Certified Dealers. We also allow automobile manufacturers, known in the industry as OEMs, to connect with TrueCar users in the purchase process and efficiently deliver targeted incentives to consumers.

We benefit consumers by providing information related to what others have paid for a make and model of car in their area and, where available, estimated prices for that make and model, which we refer to as upfront pricing information, from our network of TrueCar Certified Dealers. This upfront pricing information generally includes guaranteed savings off MSRP which the consumer may then take to the dealer in the form of a Guaranteed Savings Certificate and apply toward the purchase of the specified make and model of car. We benefit our network of TrueCar Certified Dealers by enabling them to attract these informed, in-market consumers in a cost-effective, accountable manner, which we believe helps them to sell more cars profitably. We benefit OEMs by allowing them to more effectively target their incentive spending at deep-in-market consumers during their purchase process.

Our subsidiary, ALG, Inc., provides forecasts and consulting services regarding determination of the residual value of an automobile at given future points in time. These residual values are used to underwrite automotive loans and leases to determine payments by consumers. In addition, financial institutions use this information to measure exposure and risk across loan, lease, and fleet portfolios. We also obtain automobile purchase data from a variety of sources and use this data to provide consumers and dealers with highly accurate, geographically specific, real-time pricing information.

During the year ended December 31, 2015, we generated revenues of \$259.8 million and recorded a net loss of \$64.9 million. Of the \$259.8 million in revenues, 92.9% consisted of transaction revenues with the remaining 7.1% derived primarily from the sale of forecasts, consulting and other services to the automotive and financial services industries. Revenues from the sale of forecasts, consulting and other services are derived primarily from the operations of our ALG subsidiary. Transaction revenues primarily consist of fees paid to us by our network of TrueCar Certified Dealers under our pay-for-performance business model where we generally earn a fee only when a TrueCar user purchases a car from them.

#### Key Metrics

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We regularly review a number of key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make operating and strategic decisions.

	Year Ended		
	December 31,		
	2015	2014	2013
Average Monthly Unique Visitors	5,999,606	4,296,650	2,780,849
Units(1)	750,108	610,620	399,919
Monetization	\$322	\$310	\$297
Franchise Dealer Count	9,094	8,501	6,651
Transaction Revenue Per Franchise Dealer	\$27,439	\$24,994	\$19,857

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- (1) We issued full credits of the amount originally invoiced with respect to 12,484, 8,779, and 17,664 units during the years ended December 31, 2015, 2014 and 2013, respectively. The number of units has not been adjusted downwards related to units credited as discussed in the description of the unit metric below.

### Average Monthly Unique Visitors

We define a monthly unique visitor as an individual who has visited our website, our landing page on our affinity group marketing partner sites, or our mobile applications within a calendar month. We identify unique visitors through cookies for browser-based visits on either a desktop computer or mobile device and through device IDs for mobile application visits. In addition, if a TrueCar.com user logs-in, we supplement their identification with their log-in credentials to attempt to avoid double counting on TrueCar.com across devices, browsers and mobile applications. If an individual accesses our service using different devices or different browsers on the same device within a given month, the first access through each such device or browser is counted as a separate monthly unique visitor, except where adjusted based upon TrueCar.com log-in information. We calculate average monthly unique visitors as the sum of the monthly unique visitors in a given period, divided by the number of months in that period. We view our average monthly unique visitors as a key indicator of the growth in our business and audience reach, the strength of our brand, and the visibility of car buying services to the member base of our affinity group marketing partners.

The number of average monthly unique visitors increased 39.6% to approximately 6.0 million for the year ended December 31, 2015 from approximately 4.3 million for the year ended December 31, 2014. We attribute the growth in our average monthly unique visitors principally to increased television and digital marketing advertising campaigns that have led to increased brand awareness, as well as increased traffic from our affinity group marketing partners.

### Units

We define units as the number of automobiles purchased by our users from TrueCar Certified Dealers through TrueCar.com, our TrueCar branded mobile applications or the car buying sites we maintain for our affinity group marketing partners. A unit is counted following such time as we have matched the sale to a TrueCar user with one of TrueCar Certified Dealers. We view units as a key indicator of the growth of our business, the effectiveness of our product and the size and geographic coverage of our network of TrueCar Certified Dealers.

On occasion we issue credits to our TrueCar Certified Dealers with respect to units sold. However, we do not adjust our unit metric for these credits as we believe that in substantially all cases a vehicle has in fact been purchased through our platform given the high degree of accuracy of our sales matching process. Credits are most frequently issued to a dealer that claims it had a pre-existing relationship with a purchaser of a vehicle, and we determine whether to issue a credit based on a number of factors, including the facts and circumstances related to the dealer claim and the level of claim activity at the dealership. In most cases, we issue credits in order to maintain strong business relations with the dealer and not because we have made an erroneous sales match or billing error.

The number of units increased 22.8% to 750,108 for the year ended December 31, 2015 from 610,620 for the year ended December 31, 2014. We attribute this growth in units to the effectiveness of our increased marketing activities, product enhancements, the growing number and geographic coverage of TrueCar Certified Dealers in our network, and the overall growth in new car sales in the automotive industry.

### Monetization

We define monetization as the average transaction revenue per unit, which we calculate by dividing all of our transaction revenue in a given period by the number of units in that period. For the year ended December 31, 2015, our monetization increased 3.9% to \$322 from \$310 for the year ended December 31, 2014. The increase in

monetization is primarily a result of improved subscription pricing optimization and growth in used vs new mix, the independent dealer channel, and in revenue from automobile manufacturers, known in the industry as OEMs. We expect our monetization to be affected in the future by changes in our pricing structure, the unit mix between new and used cars, with used cars providing higher monetization, and by the introduction of new products and services.

#### Franchise Dealer Count

We define franchise dealer count as the number of franchise dealers in the network of TrueCar Certified Dealers at the end of a given period. This number is calculated by counting the number of brands of new cars sold by dealers in the TrueCar Certified Dealer network at their locations, and includes both single-location proprietorships as well as large consolidated dealer groups. The network comprises dealers with a range of unit sales volume per dealer, with dealers representing certain brands consistently achieving higher than average unit sales volume. We view our ability to increase our franchise dealer count, particularly dealers representing high volume brands, as an indicator of our market penetration and the likelihood of converting users of our platform into unit sales.

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Our TrueCar Certified Dealer network includes non-franchised dealers that primarily sell used cars and are not included in franchise dealer count. Our franchise dealer count increased to 9,094 at December 31, 2015 from 8,501 at December 31, 2014 and 6,651 at December 31, 2013. A disproportionate number of the net franchise dealer additions in the second half of 2015 represented relatively lower unit volume dealers. We intend to increase the number of dealers representing high volume brands in our dealer network generally, and in key geographies, by investing to improve the dealer experience and increasing dealer satisfaction.

### Transaction Revenue per Franchise Dealer

We define transaction revenue per franchise dealer as the aggregate transaction revenue we receive in a given period divided by the average franchise dealer count in that period. We calculate average franchise dealer count in a given period as the average of the franchise dealer count at the beginning of the period and the franchise dealer count at the end of the period. Our transaction revenue per franchise dealer increased 9.8% to \$27,439 during the year ended December 31, 2015 from \$24,994 for the year ended December 31, 2014. These increases primarily reflect an increase in units which was attributable to an increase in marketing spend and an increase in the number of TrueCar Certified Dealers, platform and product enhancements, and the overall growth in sales of the automotive industry.

### Presentation of Financial Statements

Our consolidated financial statements include the accounts of our wholly owned subsidiaries in accordance with FASB ASC 810 — Consolidation. Business acquisitions are included in our consolidated financial statements from the date of the acquisition. Our purchase accounting resulted in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. All intercompany balances and transactions have been eliminated in consolidation.

We report our financial results as one operating segment, with two distinct service offerings: transactions, and forecasts, consulting and other. Our operating results are regularly reviewed by our chief operating decision maker on a consolidated basis, principally to make decisions about how we allocate our resources and to measure our consolidated operating performance. Our chief operating decision maker regularly reviews revenue for each of our transaction and data and other offerings in order to gain more depth and understanding of the factors driving our business.

### Components of Operating Results

#### Revenues

Our revenues are comprised of transaction revenues, and forecasts, consulting and other revenue.

**Transaction Revenue.** Revenue consists of fees paid by dealers participating in our network of TrueCar Certified Dealers. Dealers pay us these fees either on a per vehicle basis for sales to our users or in the form of a subscription arrangement. Subscription arrangements fall into three types: flat rate subscriptions, subscriptions subject to downward adjustment based on a minimum number of vehicle sales (“guaranteed sales”) and subscriptions subject to downward adjustment based on a minimum number of introductions (“guaranteed introductions”). Under flat rate subscription arrangements, fees are charged at a monthly flat rate regardless of the number of sales made to users of our platform by the dealer. For flat rate subscription arrangements, we recognize the fees as revenue over the subscription period on a straight line basis which corresponds to the period that we are providing the dealer with access to our platform. Under guaranteed sales subscription arrangements, fees are charged based on the number of guaranteed sales multiplied by a fixed amount per vehicle. To the extent that the actual number of vehicles sold by the dealers to users of our platform is less than the number of guaranteed sales, we provide a credit to the dealer. To the

extent that the actual number of vehicles sold exceeds the number of guaranteed sales, we are not entitled to any additional fees. Under guaranteed introductions subscription arrangements, fees are charged based on a periodically-updated formula that considers, among other things, the introductions anticipated to be provided to the dealer. To the extent that the number of actual introductions is less than the number of guaranteed introductions, we provide a credit to the dealer. To the extent that the actual number of introductions provided exceeds the number guaranteed, we are not entitled to any additional fees. For guaranteed sales and guaranteed introductions subscription arrangements, we recognize revenue based on the lesser of (i) the actual number of sales generated or introductions delivered through our platform during the subscription period multiplied by the contracted price per sale/introduction or (ii) the guaranteed number of sales or introductions multiplied by the contracted price per sale/introduction.

In addition, we enter into arrangements with automobile manufacturers to promote the sale of their vehicles through the offering of additional consumer incentives to members of our affinity group marketing partners. These manufacturers pay us a per-vehicle fee for promotion of the incentive and we recognize the per-vehicle incentive fee when the vehicle sale has occurred between the member of our affinity group marketing partner and the dealer.



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Forecasts, Consulting and Other Revenue. "Data and other revenue" as disclosed in periods prior to 2015 is now referred to as "forecasts, consulting and other revenue" as we believe this description is more accurate and reflective of the actual service offerings that we provide. We derive this type of revenue primarily from the provision of forecasts and consulting services to the automotive and financial services industries through our ALG subsidiary. The forecasts and consulting services that ALG provides typically relate to the determination of the residual value of an automobile at given future points in time. These residual values are used to underwrite automotive loans and leases to determine payments by consumers. In addition, financial institutions use this information to measure exposure and risk across loan, lease and fleet portfolios. Our customers generally pay us for these services as information is delivered to them.

For a description of our revenue accounting policies, see "Critical Accounting Policies and Estimates" below.

## Costs and Operating Expenses

Cost of Revenue (exclusive of depreciation and amortization). Cost of revenue includes expenses related to the fulfillment of our services, consisting primarily of data costs and licensing fees paid to third party service providers and expenses related to operating our website and mobile applications, including those associated with our data centers, hosting fees, data processing costs required to deliver introductions to our network of TrueCar Certified Dealers, employee costs related to dealer operations, sales matching, and employee and consulting costs related to delivering data and consulting services to our customers. Cost of revenue excludes depreciation and amortization of software costs and other hosting and data infrastructure equipment used to operate our platforms, which are included in the depreciation and amortization line item on our statement of comprehensive loss.

Sales and Marketing. Sales and marketing expenses consist primarily of: television and radio advertising; affinity group partner marketing fees, which also includes loan subvention costs where we pay certain affinity group marketing partners a portion of consumers' borrowing costs for car loan products offered by these affinity group marketing partners, and common stock warrants issued to USAA; marketing sponsorship programs; and digital customer acquisition. See Part III, Item 13 "Certain Relationships, Related Party and Other Transactions — Strategic Partnerships — United Services Automobile Association" for a description of our arrangements with USAA. In addition, sales and marketing expenses include employee related expenses for sales, customer support, marketing and public relations employees, including salaries, bonuses, benefits, severance, and stock-based compensation expenses; third-party contractor fees; and allocated overhead. Sales and marketing expenses also include costs related to common stock warrants issued to a third-party marketing firm and a service provider as part of our commercial arrangements with them. Marketing and advertising costs promote our services and are expensed as incurred, except for media production costs which are expensed the first time the advertisement is aired.

Technology and Development. Technology and development expenses consist primarily of employee related expenses including salaries, bonuses, benefits, severance and stock-based compensation expenses, third-party contractor fees, and allocated overhead primarily associated with development of our platform, as well as our product development, product management, research and analytics and internal IT functions.

General and Administrative. General and administrative expenses consist primarily of employee related expenses including salaries, bonuses, benefits, severance, and stock-based compensation expenses for executive, finance, accounting, legal, human resources, and business intelligence personnel. General and administrative expenses also include legal, accounting, and other third-party professional service fees, bad debt, lease exit costs, and allocated overhead.

Depreciation and Amortization. Depreciation consists primarily of depreciation expense recorded on property and equipment. Amortization expense consists primarily of amortization recorded on intangible assets, capitalized

software costs and leasehold improvements.

**Interest Income.** Interest income consists of interest earned on our cash and cash equivalents and short-term investment balances.

**Interest Expense.** Interest expense consists of interest on our built-to-suit lease financing obligation, on our outstanding short-term debt obligations, and for the period from May 2012 to May 2013, accretion of debt discount resulting from a beneficial conversion feature on our convertible debt, which converted to equity in May 2013. In addition, beginning in August 2013, interest expense includes interest on our credit facility and the amortization of the discount on our line of credit. See Notes 5 and 6 of our consolidated financial statements included herein for more information about our debt obligations.

**Benefit (Provision) for Income Taxes.** We are subject to federal and state income taxes in the United States. We provided a full valuation allowance against our net deferred tax assets as of December 31, 2015 and December 31, 2014 as it is more likely than not that some or all of our deferred tax assets will not be realized. As a result of the valuation allowance, our income tax benefit (or expense) is significantly less than the federal statutory rate of 34%. Our provision for income taxes in 2015, 2014, and 2013 primarily

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reflect a tax expense associated with the amortization of tax deductible goodwill that is not an available source of income to realize deferred tax assets.

We have accumulated federal net operating loss carryforwards of approximately \$221.2 million and state net operating loss carryforwards of approximately \$156.5 million at December 31, 2015.

See Note 10 of our consolidated financial statements included herein for more information about our provision for income taxes.

## Results of Operations

The following table sets forth our selected consolidated statements of operations data for each of the periods indicated.

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenues	\$259,838	\$206,649	\$133,958
Costs and operating expenses:			
Cost of revenue (exclusive of depreciation and amortization presented separately below)	23,657	17,513	15,295
Sales and marketing	151,002	128,569	75,180
Technology and development	48,021	36,563	23,685
General and administrative	83,494	58,296	30,857
Depreciation and amortization	17,646	13,213	11,569
Total costs and operating expenses	323,820	254,154	156,586
Loss from operations	(63,982)	(47,505)	(22,628)
Interest income	107	59	121
Interest expense	(443)	(380)	(1,988)
Other income	13	37	18
Loss before provision for income taxes	(64,305)	(47,789)	(24,477)
Provision for income taxes	606	640	579
Net loss	\$(64,911)	\$(48,429)	\$(25,056)

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The following table sets forth our selected consolidated statements of operations data as a percentage of revenues for each of the periods indicated.

	Year Ended					
	December 31,		2014		2013	
	2015	%	100	%	100	%
Revenues	100		100		100	
Costs and operating expenses:						
Cost of revenue (exclusive of depreciation and amortization presented separately below)	9		8		11	
Sales and marketing	58		62		56	
Technology and development	18		18		18	
General and administrative	32		28		23	
Depreciation and amortization	7		6		9	
Loss from operations	(25	)	(23	)	(17	)
Interest income	*		*		*	
Interest expense	*		*		(1	)
Other income	*		*		*	
Change in fair value of preferred stock warranty liability	*		*		*	
Loss before provision for income taxes	(25	)	(23	)	(18	)
Provision for income taxes	*		*		*	
Net loss	(25	)%	(23	)%	(19	)%

\* Less than 0.5% of revenues

## Comparison of Years Ended December 31, 2015, 2014, and 2013

Revenues	Years Ended December 31,			% Change		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	
	(dollars in thousands)					
Revenues						
Transaction revenue	\$241,395	\$189,353	\$118,713	27.5	% 59.5	%
Forecasts, consulting and other revenue	18,443	17,296	15,245	6.6	% 13.5	%
Total revenues	\$259,838	\$206,649	\$133,958	25.7	% 54.3	%

Year ended December 31, 2015 compared to year ended December 31, 2014. The increase in our revenues of \$53.2 million or 25.7%, for 2015 as compared to 2014 primarily reflected the increase in our transaction revenue. Transaction revenue and forecasts, consulting and other revenue comprised 92.9% and 7.1%, respectively, of revenues for 2015 as compared to 91.6% and 8.4%, respectively, for 2014. The increase in transaction revenue for 2015 primarily reflected a 22.8% increase in units due to an increase in marketing spend and an increase in the number of TrueCar Certified Dealers, platform and product enhancements, and the overall growth in sales of the automotive industry. Our average monthly unique visitors grew 39.6% to 6.0 million during 2015 from 4.3 million during 2014, reflecting our increased advertising expenses which improved brand awareness and the visibility of our car buying services to our users. Our monetization increased 3.9% to \$322 during 2015 from \$310 for 2014, primarily as a result of improved subscription pricing optimization and growth in used vehicle vs. new vehicle mix, the independent dealer channel, and in revenue from OEMs. Monetization may fluctuate from period to period as a result of changes in our estimated sales allowance, pricing and the unit mix between new and used cars. The 6.6% increase in forecasts, consulting and other revenue for 2015 as compared to 2014 primarily reflected an increase in volume of portfolio risk

analyses and residual value forecasts provided to customers. We expect revenues to grow modestly in 2016.

During the second half of 2015, we experienced a decline in the proportion of dealers representing high volume brands in our network and slowed quarter over quarter revenue growth. A disproportionate number of the net franchise dealer additions in the second half of 2015 represented relatively lower unit volume dealers. As a result, our close rates fell in the fourth quarter of 2015, and we were unable to generate unit growth commensurate with the growth in traffic. To increase growth rates, we intend to: (i) increase

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the rate at which visitors to our website and our affinity group marketing partner sites, and users of our mobile applications, obtain a Guaranteed Savings Certificate by investing in delivering a better experience to consumers and dealers; and (ii) improve close rates by investing in additional dealer support personnel. By doing so, we will be re-allocating dollars from marketing and advertising, which in the past has driven revenue growth, to make investments in our dealer, product, technology, and research efforts in order to make the changes that will improve the consumer and dealer experiences and drive revenue growth in the future.

Year ended December 31, 2014 compared to year ended December 31, 2013. The increase in our revenues of \$72.7 million for 2014 as compared to 2013 primarily reflected the substantial increase in our transaction revenue. Transaction revenue and forecasts, consulting and other revenue comprised 91.6% and 8.4%, respectively, of revenues for 2014 as compared to 88.6% and 11.4%, respectively, for 2013. The increase in transaction revenue for 2014 primarily reflected the 52.7% increase in units due to the level of marketing spend and the increase in the number of Certified TrueCar Dealers, platform and product enhancements, and the overall growth in sales of the automotive industry. Our average monthly unique visitors grew 54.5% to 4.3 million during 2014 from 2.8 million during 2013, reflecting our increased advertising expenses which improved brand awareness and the visibility of our car buying services to our users. Our monetization increased 4.4% to \$310 during 2014 from \$297 for 2013, and primarily reflected improved pricing with our TrueCar Certified Dealers and lower sales credits charged against revenue resulting from improved collection efforts. The 13.5% increase in forecasts, consulting, and other for 2014 as compared to 2013 primarily reflected improved pricing of our renewal forecasts and consulting service contracts and lead referral fees.

## Costs and Operating Expenses

## Cost of Revenue (exclusive of depreciation and amortization)

	Years Ended December 31,			% Change		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	
	(dollars in thousands)					
Cost of revenue (exclusive of depreciation and amortization)	\$23,657	\$17,513	\$15,295	35.1	% 14.5	%
Cost of revenue (exclusive of depreciation and amortization) as a percentage of revenues	9.1	% 8.5	% 11.4	%		

Year ended December 31, 2015 compared to year ended December 31, 2014. The increase in cost of revenue of \$6.1 million or 35.1% for 2015 as compared to 2014 was primarily due to a \$4.4 million increase in data costs and licensing fees to support the growth of our business and a \$1.1 million increase in employee related costs primarily due to increases in headcount. Although we expect our cost of revenue to increase in dollar amount as we add additional data sources in the near term, we believe that the nature of our cost structure will enable us to realize operating leverage in our business over time.

Year ended December 31, 2014 compared to year ended December 31, 2013. The increase in cost of revenue of \$2.2 million or 14.5% for 2014 as compared to 2013 was primarily due to a \$1.8 million increase in data costs and licensing fees to support the growth of our business and a \$0.7 million increase in employee related costs primarily due to increases in headcount partially offset by a decrease of \$0.2 million in consulting costs. The decrease in cost of revenues as a percentage of revenues during 2014 from 2013 reflected operating leverage due to our increased level of transaction revenues during 2014 as compared to the prior year.

## Sales and Marketing Expenses

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	Years Ended December 31,			% Change		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	
	(dollars in thousands)					
Sales and marketing expense	\$151,002	\$128,569	\$75,180	17.4	% 71.0	%
Sales and marketing expense as a percentage of revenues	58.1	% 62.2	% 56.1	%		

Year ended December 31, 2015 compared to year ended December 31, 2014. The increase in sales and marketing expenses of \$22.4 million or 17.4% for 2015 as compared to 2014 reflected a \$19.3 million increase in advertising and promotional activities primarily due to increased television, radio and online marketing spend, and a \$3.4 million increase in affinity partner marketing fees as a result of our increased level of unit sales and increased promotional activities, such as loan subvention, where we pay certain affinity group marketing partners a portion of customers' borrowing costs for car loan products offered by these affinity group marketing partners to incentivize their customers to use our platform. The increase in sales and marketing expenses for 2015 also reflected a \$7.2 million increase in salaries and related expenses primarily due to our increased headcount. These increases in sales and marketing expenses were partially offset by a decrease of \$5.1 million in warrant expense related to warrants issued to a

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third-party marketing firm and a service provider and a decrease of \$1.9 million in consulting fees as we have brought some services in-house that were previously performed by third parties. Although we plan to re-allocate a portion of our sales and marketing expenditures from advertising to make investments in improving our dealer relationships, we expect sales and marketing expenses to continue to increase in total due to increased headcount to better serve our existing dealers as well as television and radio advertising, digital customer acquisition costs, affinity group marketing partner fees, and other marketing programs as we grow our business.

Year ended December 31, 2014 compared to year ended December 31, 2013. The increase in sales and marketing expenses of \$53.4 million or 71.0% for 2014 as compared to 2013 reflected a \$35.9 million increase in advertising and promotional activities primarily due to increased television, radio and online marketing spend to grow the TrueCar.com brand, and a \$13.1 million increase in affinity partner marketing fees as a result of our increased level of unit sales and increased promotional activities, such as loan subvention, where we pay certain affinity group marketing partners a portion of customers' borrowing costs for car loan products offered by these affinity group marketing partners to incentivize their customers to use our platform. The increase in sales and marketing expenses for 2014 also reflected a \$4.9 million increase in salaries and related expenses primarily due to our increased headcount, an increase of \$2.2 million in stock-based compensation due to additional stock-based awards, an increase of \$1.6 million in warrant expense related to warrants issued to our third-party marketing firm and service provider, a \$0.8 million increase associated with the purchase of our ticker symbol "TRUE", and an increase of \$0.6 million associated with a liquidity bonus paid to a sales executive in connection with our IPO. These increases in sales and marketing expenses were partially offset by a decrease of \$5.6 million in our corporate sponsorship expense as a result of terminating certain sponsorship agreements that we determined to be ineffective.

## Technology and Development Expenses

	Years Ended December 31,			% Change		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	
	(dollars in thousands)					
Technology and development expenses	\$48,021	\$36,563	\$23,685	31.3	% 54.4	%
Technology and development expenses as a percentage of revenues	18.5	% 17.7	% 17.7	%		
Capitalized software costs	\$15,645	\$13,818	\$6,692	13.2	% 106.5	%

Year ended December 31, 2015 compared to year ended December 31, 2014. The increase in technology and development expenses of \$11.5 million or 31.3% for 2015 as compared to 2014 reflected an increase of \$10.6 million in increased salaries and related expenses due to our increased headcount, a \$1.6 million increase in software license and hosting expenses, a \$1.4 million increase in overhead related to facilities, reflecting extra space needed to accommodate increased headcount, and a \$1.2 million increase in write-offs of capitalized software that we determined not to place in service. These increases were partially offset by a \$2.8 million increase in the amount of salaries capitalized for the development of internal use software costs which reduced technology and development expenses during the period. Capitalized software costs increased \$1.8 million for 2015 as compared to 2014 primarily due to the increase in the amount of salaries capitalized for the development of internal use software of \$2.8 million, which was partially offset by a decrease in capitalized third-party software costs of \$1.0 million. We expect our technology and development expenses to increase in dollar amount as we continue to increase our developer headcount to upgrade and enhance our technology infrastructure, invest in our products, expand the functionality of our platform and provide new product offerings. We also expect technology and development expenses to continue to be affected by variations in the amount of capitalized internally developed software.

Year ended December 31, 2014 compared to year ended December 31, 2013. The increase in technology and development expenses of \$12.9 million or 54.4% for 2014 as compared to 2013 reflected an increase of \$7.9 million in increased salaries and related expenses due to our increased headcount, an increase in stock-based compensation



due to additional stock-based awards of \$3.9 million, a \$1.8 million increase in software license and hosting expenses, and a \$0.7 million increase in overhead related to facilities, reflecting extra space needed to accommodate increased headcount. These increases were partially offset by a \$1.4 million increase in the amount of salaries capitalized for the development of internal use software costs which reduced technology and development expenses during the period. Capitalized software costs increased \$7.1 million for 2014 as compared to 2013 primarily due to the costs for a perpetual software license of \$5.0 million during 2014, an increase in the amount of salaries capitalized for the development of internal use software of \$1.4 million, and increases in other third-party software costs of \$0.7 million.

General and Administrative Expenses

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	Years Ended December 31,			% Change		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	
	(dollars in thousands)					
General and administrative expense	\$83,494	\$58,296	\$30,857	43.2	% 88.9	%
General and administrative expense as a percentage of revenues	32.1	% 28.2	% 23.0	%		

Year ended December 31, 2015 compared to year ended December 31, 2014. General and administrative expenses increased \$25.2 million or 43.2% for 2015 as compared to 2014. The increase reflected \$13.9 million in increased stock-based compensation due primarily to the acceleration and modification of equity awards related to certain terminated executives of \$10.7 million, additional stock-based compensation expense of \$2.1 million associated with the surrender and forfeiture of unvested options held by our former president and additional stock-based compensation of \$1.1 million primarily related to awards granted in 2015. Other increases in general and administrative expenses include an increase of \$5.3 million in professional fees, which includes an increase of \$4.5 million in legal fees related to ongoing litigation, an increase of \$3.6 million in overhead related to facilities, which includes \$2.2 million in real estate exit costs associated with certain leased facilities that we exited in the fourth quarter of 2015, and an increase of \$2.1 million in salaries and related expenses, primarily due to executive severance. For further discussion of executive severance, refer to Note 7 to our consolidated financial statements contained herein. We expect to continue to incur significant legal fees related to ongoing litigation.

Year ended December 31, 2014 compared to year ended December 31, 2013. The increase in general and administrative expenses of \$27.4 million or 88.9% for 2014 as compared to 2013 reflected \$14.2 million in increased stock-based compensation due to additional stock-based awards, \$7.6 million in increased salaries and related expenses due to our increased headcount, and \$2.8 million in increased professional fees, comprised primarily of \$2.3 million in legal fees related to a claim we filed against Sonic Automotive Holdings, Inc. (“Sonic”). The remaining increase related to a \$2.0 million liquidity bonus paid to an executive in connection with our IPO and \$0.6 million increased insurance costs.

## Depreciation and Amortization Expenses

	Years Ended December 31,			% Change		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	
	(dollars in thousands)					
Depreciation and amortization expenses	\$17,646	\$13,213	\$11,569	33.6	% 14.2	%

Year ended December 31, 2015 compared to year ended December 31, 2014. The increase in depreciation and amortization expenses of \$4.4 million or 33.6% for 2015 as compared to 2014 reflected a growth in capitalized software costs and higher investments in property and equipment. We expect our depreciation and amortization expenses to continue to be affected by the amount of capitalized internally developed software costs, property and equipment and the timing of placing projects in service. Further, as we invest in and upgrade our technology infrastructure, depending on the timing of these upgrades, we may shorten the useful lives of some of our existing assets and accelerate related amortization expense.

Year ended December 31, 2014 compared to year ended December 31, 2013. The increase in depreciation and amortization expenses of \$1.6 million or 14.2% for 2014 as compared to 2013 reflected a growth in capitalized software costs and higher investments in property and equipment.

## Interest Expense

	Years Ended December 31,			% Change		
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	

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	(dollars in thousands)					
Interest expense	\$443	\$380	\$1,988	16.6	% (80.9	)%

Year ended December 31, 2015 compared to year ended December 31, 2014. The increase in interest expense of \$0.1 million or 16.6% for 2015 as compared to 2014 primarily reflect the interest expense incurred on our lease financing obligation in 2015, partially offset by a decrease in the interest on our outstanding balance of our short-term borrowings in 2014.

Year ended December 31, 2014 compared to year ended December 31, 2013. The decrease in interest expense of \$1.6 million or 80.9% for 2014 as compared to 2013 primarily reflected a decrease in interest on our convertible debt and a decrease in the accretion of debt discount resulting from a beneficial conversion feature on our convertible debt, which converted to equity in May 2013.

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## Provision for Income Taxes

	Years Ended December 31,			% Change	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013
	(dollars in thousands)				
Provision for income taxes	\$606	\$640	\$579	(5.3	)% 10.5
					%

Years ended December 31, 2015, December 31, 2014 and December 31, 2013. Our provision for income taxes for 2015 2014, and 2013 primarily reflected tax expense due to amortization of tax deductible goodwill that is not an available source of income to realize our deferred tax assets.

## Quarterly Key Metrics and Results of Operations

The following tables set forth selected key metrics and unaudited quarterly consolidated statements of comprehensive loss data for each of the quarters indicated. The consolidated financial statements for each of these quarters have been prepared on the same basis as the audited consolidated financial statements included herein and, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the consolidated results of operations for these periods. You should read this information together with our consolidated financial statements and related notes included herein. These quarterly operating results are not necessarily indicative of the results for any future period.

	Three Months Ended							
	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
Average Monthly Unique Visitors	5,897,417	6,634,659	5,953,061	5,520,235	4,428,721	4,632,183	4,189,926	3,935,770
Units(1)	183,157	208,034	190,358	168,559	163,338	171,775	149,527	125,980
Monetization	\$324	\$324	\$317	\$322	\$314	\$303	\$308	\$317
Franchise Dealer Count (Ending)	9,094	8,702	9,300	9,108	8,501	8,149	7,682	7,210
Transaction Revenue Per Franchise Dealer	\$6,662	\$7,493	\$6,563	\$6,164	\$6,156	\$6,567	\$6,195	\$5,770

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	Three Months Ended							
	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
	(in thousands)							
Revenues:								
Transaction revenues	\$59,278	\$67,441	\$60,408	\$54,268	\$51,249	\$51,985	\$46,127	\$39,992
Forecasts, consulting, and other revenues	4,310	4,964	4,883	4,286	4,222	4,766	4,370	3,938
Total revenues	63,588	72,405	65,291	58,554	55,471	56,751	50,497	43,930
Costs and operating expenses:								
Cost of revenue (exclusive of depreciation and amortization presented separately below)	5,987	5,952	5,927	5,791	4,989	4,666	4,138	3,720
Sales and marketing	34,867	43,969	40,457	31,709	31,111	36,399	33,292	27,767
Technology and development	14,942	12,340	10,979	9,760	9,814	10,906	8,513	7,330
General and administrative	29,851	16,467	18,407	18,769	15,422	14,919	16,438	11,517
Depreciation and amortization	5,125	4,477	4,119	3,925	3,739	3,388	2,972	3,114
Total costs and expenses	90,772	83,205	79,889	69,954	65,075	70,278	65,353	53,448
Loss from operations	(27,184 )	(10,800 )	(14,598 )	(11,400 )	(9,604 )	(13,527 )	(14,856 )	(9,518 )
Interest income	36	27	24	20	18	14	10	17
Interest expense	(121 )	(159 )	(118 )	(45 )	(52 )	(27 )	(131 )	(170 )
Other income(expense)	(1 )	—	3	11	7	20	10	—
Loss before provision for income taxes	(27,270 )	(10,932 )	(14,689 )	(11,414 )	(9,631 )	(13,520 )	(14,967 )	(9,671 )
Provision for income taxes	174	173	50	209	203	120	67	250
Net loss	\$(27,444)	\$(11,105)	\$(14,739)	\$(11,623)	\$(9,834)	\$(13,640)	\$(15,034)	\$(9,921)
Net loss per share:								
Basic and diluted	\$(0.33 )	\$(0.13 )	\$(0.18 )	\$(0.14 )	\$(0.13 )	\$(0.18 )	\$(0.22 )	\$(0.17 )
Other Financial Information (2):								
Adjusted EBITDA	\$159	\$2,651	\$477	\$4,285	\$4,253	\$3,860	\$1,773	\$998
Non-GAAP net income (loss)	\$(5,225 )	\$(2,131 )	\$(3,786 )	\$126	\$277	\$339	\$(1,387 )	\$(2,519 )

(1) We issued full credits of the amount originally invoiced with respect to 3,604, 3,319, 2,802, 2,759, 2,507, 2,074, 2,054, and 2,145, units during the three months ended December 31, 2015, September 30, 2015, June 30, 2015, March 31, 2015, December 31, 2014, September 30, 2014, June 30, 2014, and March 31, 2014, respectively. The number of units has not been adjusted downwards related to units credited.

(2) Adjusted EBITDA and Non-GAAP net income (loss) are not measures of our financial performance under GAAP and should not be considered as alternatives to net income, operating income or any other measures derived in accordance with GAAP. For definitions of Adjusted EBITDA and Non-GAAP net income (loss) and a reconciliation of net loss to Adjusted EBITDA and Non-GAAP net income (loss), see “Non-GAAP Financial Measures.”



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The following table presents a reconciliation of net loss to Adjusted EBITDA for each of the periods presented:

	Three Months Ended							
	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
	(in thousands)							
Reconciliation of Net Loss to Adjusted EBITDA								
Net loss	\$(27,444 )	\$(11,105 )	\$(14,739 )	\$(11,623 )	\$(9,834 )	\$(13,640 )	\$(15,034 )	\$(9,921 )
Non-GAAP Adjustments:								
Interest income	(36 )	(27 )	(24 )	(20 )	(18 )	(14 )	(10 )	(17 )
Interest expense	121	159	118	45	52	27	131	170
Depreciation and amortization	5,125	4,477	4,119	3,925	3,739	3,388	2,972	3,114
Stock-based compensation (1)	16,412	7,531	9,167	9,453	8,353	9,440	7,396	4,144
Warrant (reduction) expense	(15 )	(308 )	(333 )	(147 )	1,518	3,675	2,280	2,335
IPO-related expenses	—	—	—	—	—	—	3,717	—
Ticker symbol acquisition costs	—	—	—	—	—	—	—	803
Certain litigation costs (2)	429	1,180	2,119	2,443	1,032	864	254	120
Legal Settlement (3)	—	—	—	—	(792 )	—	—	—
Severance charges (4)	3,161	571	—	—	—	—	—	—
Lease exit charges (5)	2,232	—	—	—	—	—	—	—
Provision for income taxes.	174	173	50	209	203	120	67	250
Adjusted EBITDA (6)	\$ 159	\$ 2,651	\$ 477	\$ 4,285	\$ 4,253	\$ 3,860	\$ 1,773	\$ 998

(1) Includes stock-based compensation of \$10.7 million incurred in the fourth quarter of 2015 related to the departure of certain executives.

The excluded amounts relate to legal costs incurred in connection with a claim we filed against Sonic Automotive Holdings, Inc., complaints filed by non-TrueCar dealers and the California New Car Dealers Association against

(2) TrueCar and securities class action lawsuits. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

(3) Represents a non-recurring legal settlement in favor of the Company. We believe excluding the impact of this non-recurring legal settlement is appropriate to facilitate period-to-period operating performance comparisons.

We incurred severance costs of \$0.6 million and \$2.8 million for executive-level employees who terminated during the quarters ended September 30, 2015 and December 31, 2015, respectively. In addition, we also incurred \$0.3

(4) million of related recruiting fees for the placement of our new CEO in the fourth quarter of 2015. We believe excluding the impact of these terminations from 2015 is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of ongoing operating results.

Represents lease termination costs associated with the consolidation of the Company's office locations in Santa

(5) Monica, California. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

(6)

Adjusted EBITDA is not a measure of our financial performance under GAAP and should not be considered as an alternative to net income, operating income or any other measures derived in accordance with GAAP. For a definition of Adjusted EBITDA, see “Non-GAAP Financial Measures.”



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The following table presents a reconciliation of net loss to Non-GAAP net (loss) income for each of the periods presented:

	Three Months Ended							
	Dec. 31, 2015	Sept. 30, 2015	Jun. 30, 2015	Mar. 31, 2015	Dec. 31, 2014	Sept. 30, 2014	Jun. 30, 2014	Mar. 31, 2014
	(in thousands)							
Reconciliation of Net Loss to Non-GAAP Net (Loss) Income								
Net loss	\$ (27,444 )	\$ (11,105 )	\$ (14,739 )	\$ (11,623 )	\$ (9,834 )	\$ (13,640 )	\$ (15,034 )	\$ (9,921 )
Non-GAAP Adjustments:								
Stock-based compensation (1)	16,412	7,531	9,167	9,453	8,353	9,440	7,396	4,144
Warrant (reduction) expense	(15 )	(308 )	(333 )	(147 )	1,518	3,675	2,280	2,335
IPO-related expenses	—	—	—	—	—	—	3,717	—
Ticker symbol acquisition costs	—	—	—	—	—	—	—	803
Certain litigation costs (2)	429	1,180	2,119	2,443	1,032	864	254	120
Legal Settlement (3)	—	—	—	—	(792 )	—	—	—
Severance charges (4)	3,161	571	—	—	—	—	—	—
Lease exit charges (5)	2,232	—	—	—	—	—	—	—
Non-GAAP net (loss) income (6)	\$ (5,225 )	\$ (2,131 )	\$ (3,786 )	\$ 126	\$ 277	\$ 339	\$ (1,387 )	\$ (2,519 )

(1) Includes stock-based compensation of \$10.7 million incurred in the fourth quarter of 2015 related to the departure of certain executives.

The excluded amounts relate to legal costs incurred in connection with a claim we filed against Sonic Automotive Holdings, Inc., complaints filed by non-TrueCar dealers and the California New Car Dealers Association against TrueCar and securities class action lawsuits. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

(2) Represents a non-recurring legal settlement in favor of the Company. We believe excluding the impact of this non-recurring legal settlement is appropriate to facilitate period-to-period operating performance comparisons. We incurred severance costs of \$0.6 million and \$2.8 million for executive-level employees who terminated during the quarters ended September 30, 2015 and December 31, 2015, respectively. In addition, we also incurred \$0.3

(4) million of related recruiting fees for the placement of our new CEO in the fourth quarter of 2015. We believe excluding the impact of these costs from 2015 is consistent with our use of these non-GAAP measures as we do not believe they are a useful indicator of ongoing operating results.

(5) Represents lease termination costs associated with the consolidation of the Company's office locations in Santa Monica, California. We believe that their exclusion is appropriate to facilitate period-to-period operating performance comparisons.

Non-GAAP net income (loss) is not a measure of our financial performance under GAAP and should not be (6) considered as an alternative to net income, operating income or any other measures derived in accordance with GAAP. For a definition of Non-GAAP net income (loss) see "Non-GAAP Financial Measures."

## Liquidity and Capital Resources

At December 31, 2015, our principal sources of liquidity were cash and cash equivalents totaling \$112.4 million. Since inception, our operations have been financed primarily by net proceeds from the sales of shares of our capital stock and proceeds from the issuance of indebtedness.

We have incurred cumulative losses of \$275.9 million from our operations through December 31, 2015, and expect to incur additional losses in the future. We believe that our existing sources of liquidity will be sufficient to fund our operations for at least the next 12 months. However, our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, and the timing and extent of our spending to support our technology and development efforts. To the extent that existing cash and cash equivalents, and cash from operations are insufficient to fund our future activities, we may need to raise additional funds through public or private equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

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## Credit Facility

We previously entered into a credit facility with a financial institution that provided for advances under a formula-based revolving line of credit and had no amounts outstanding at December 31, 2015.

On February 18, 2015, we amended our credit facility to provide advances of up to \$35.0 million. This amended credit facility provides a \$10.0 million subfacility for the issuance of letters of credit and contains an increase option permitting us, subject to the lenders consent, to increase the revolving credit facility by up to \$15.0 million, to an aggregate maximum of \$50 million. The credit facility has a three-year term and matures on February 18, 2018. See Note 6 of our consolidated financial statements herein for more information about our amended credit facility.

## Cash Flows

The following table summarizes our cash flows:

	Year Ended December 31,		
	2015	2014	2013
	(in thousands)		
Consolidated Cash Flow Data:			
Net cash (used in) provided by operating activities	\$(11,369 )	\$3,104	\$(3,911 )
Net cash used in investing activities	(29,836 )	(9,823 )	(5,483 )
Net cash provided by financing activities	6,037	110,439	31,151
Net (decrease) increase in cash and cash equivalents	\$(35,168 )	\$103,720	\$21,757

## Operating Activities

Our net loss and cash flows used in operating activities are significantly influenced by our investments in headcount and infrastructure to support our growth, and marketing, advertising and sponsorship expenses. Our net loss has been significantly greater than cash used in or provided by operating activities due to the inclusion of non-cash expenses and charges.

Cash used in operating activities in 2015 was \$11.4 million. This was primarily due to our net loss of \$64.9 million, which, adjusted for non-cash items, including depreciation and amortization expense of \$17.3 million, stock-based compensation expense of \$42.6 million, and loss on disposal of fixed assets of \$1.6 million, resulted in \$2.7 million in cash used in operations. This use of cash was also due to \$8.6 million in changes to operating assets and liabilities, which primarily reflected a decrease of \$6.5 million in accrued employee expenses primarily related to lower accrued bonuses, an increase of \$5.9 million in accounts receivable primarily related to increased revenues, a decrease of \$1.8 million in accrued expenses and other current liabilities primarily due to decreased marketing fees. These were partially offset by a \$5.3 million increase in accounts payable primarily due to increased affinity group marketing fees and growth in our business and a decrease of \$1.1 million in other current assets primarily due to a decrease in a receivable from a legal settlement in our favor.

Cash provided by operating activities in 2014 was \$3.1 million. This was primarily due to our net loss of \$48.4 million, which, adjusted for non-cash items, including depreciation and amortization expense of \$13.0 million, stock-based compensation expense of \$29.3 million, common stock warrant expense of \$9.9 million, and other non-cash adjustments of \$1.3 million, resulted in \$5.1 million in cash provided by operations. This was offset by a decrease of \$2.0 million in changes to operating assets and liabilities, which reflected a decrease in accrued expenses and other liabilities of \$4.3 million, primarily related to increases in accrued marketing expenses, legal costs, and construction costs; a decrease in accrued employee expenses of \$3.9 million related to increased accrued bonuses

driven by growth in headcount; and a decrease in accounts payable of \$3.4 million, primarily related to affinity group marketing fees. These were partially offset by a \$10.4 million increase in accounts receivable as a result of our increased revenues, \$1.7 million increase in prepaid expenses related to media production, insurance, and software costs, and a \$1.3 million increase in other assets related to amounts receivable from a legal settlement in our favor.

Cash used in operating activities in 2013 was \$3.9 million, primarily as a result of our net loss of \$25.1 million and a \$6.7 million use of cash as a result of changes in operating assets and liabilities, which was largely offset by \$27.9 million of non-cash operating expenses. The \$6.7 million use of cash as a result of changes in operating assets and liabilities reflected an \$8.2 million increase in accounts receivable as a result of our increased revenues, a \$2.0 million increase in prepaid expenses primarily associated with our increased media advertising spend, a decrease of \$1.2 million in accrued expenses primarily associated with the modification of the marketing arrangement with Yahoo! in 2012, partially offset by a \$4.0 million increase in accrued employee expenses due to an increase in accrued bonuses driven by our improved financial results, and a \$1.4 million increase in accounts payable associated with the growth in our business.

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### Investing Activities

Our investing activities consist primarily of capital expenditures for capitalized software development costs and property and equipment and changes in restricted cash requirements associated with our modified marketing arrangement with Yahoo!.

Cash used in investing activities of \$29.8 million for 2015 resulted primarily from \$13.8 million of investments in software, \$12.7 million of investments in furniture, leasehold, and facility improvements primarily associated with our San Francisco and Santa Monica office spaces, and \$3.3 million of investment in computer hardware.

Cash used in investing activities of \$9.8 million for 2014 primarily resulted from investments in capitalized software development and property and equipment of \$15.5 million and a purchase of \$0.4 million related to the True.com domain name, which was partially offset by \$4.1 million of repayments on notes receivable from related parties and the release of \$2.0 million of restricted cash under our modified marketing arrangement with Yahoo!.

Cash used in investing activities of \$5.5 million in 2013 primarily resulted from the investment in capitalized software development and property and equipment of \$8.4 million which was partially offset by the release of \$2.5 million in restricted cash under our modified marketing arrangement with Yahoo!, and \$0.4 million of payments on notes receivable from related parties.

### Financing Activities

Cash provided by financing activities of \$6.0 million for 2015 primarily reflects \$5.4 million of proceeds from the exercise of stock options, net of taxes paid for the net share settlement of certain equity awards, and a \$0.6 million tenant improvement reimbursement related to a build-to-suit capitalized lease.

Cash provided by financing activities of \$110.4 million for 2014 reflects \$69.7 million of proceeds from our initial public offering, \$30.9 million of proceeds from our follow-on offering, approximately \$9.4 million of proceeds from the exercise of warrants, \$5.3 million of proceeds from the exercise of stock options, net of taxes paid for the net share settlement of certain equity awards, and \$5.0 million of proceeds from borrowings under our credit facility, which was partially offset by repayment of \$10.0 million under our credit facility.

Cash provided by financing activities of \$31.2 million in 2013 reflects net proceeds of \$29.9 million from the issuance of 2,857,143 shares of Series A Preferred Stock in a private placement, and \$5.0 million from a draw down under our Credit Facility. These increases were partially offset by a \$2.0 million repurchase of vested option awards pursuant to a settlement agreement entered into with a former executive, a \$1.0 million repurchase of outstanding common stock pursuant to an employment agreement with our Chief Executive Officer, \$0.6 million for payments of costs related to our initial public offering, and \$0.4 million of payments of contingent consideration related to the Carperks acquisition. The remaining contingent consideration related to the Carperks acquisition of \$1.9 million was paid in 2014. Of this total, \$0.4 million was part of the estimated purchase price and has been classified as a financing cash out flow. The additional \$1.5 million has been classified as an operating cash outflow.

### Contractual Obligations and Known Future Cash Requirements

#### Contractual Obligations

Set forth below is information concerning our known contractual obligations at December 31, 2015 that are fixed and determinable.

Edgar Filing: TrueCar, Inc. - Form 10-K

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
	(in thousands)				
Lease obligations	\$85,394	\$8,399	\$27,513	\$22,335	\$27,147
Purchase obligations	5,543	3,655	1,886	2	—
Total	\$90,937	\$12,054	\$29,399	\$22,337	\$27,147

Our lease obligations consist of various leases for office space. We also have purchase obligations for data information, software related licenses and support services. For further discussion, see Note 7 of our consolidated financial statements included herein. Contingent obligations arising from unrecognized tax benefits are not included in the contractual obligations because it is expected that the unrecognized benefits would only result in an insignificant amount of cash payments.

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### Off-Balance Sheet Arrangements

We do not engage in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, as part of our ongoing business. Accordingly, our operating results, financial condition, and cash flows are not subject to off-balance sheet risks.

### Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions on an ongoing basis and that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, sales allowances and allowances for doubtful accounts, the fair value of assets and liabilities assumed in business combinations, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, the expensing and capitalization of software and website development costs, and the valuation and assumptions underlying stock-based compensation and other equity instruments have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 2 of our consolidated financial statements included herein.

### Revenue Recognition

We recognize revenue when all of the following criteria have been met:

• Persuasive evidence of an arrangement exists.

• Delivery has occurred or services have been rendered.

• The fees are fixed or determinable.

• Collectability is reasonably assured. We assess collectability based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history.

Deferred revenue is recognized on the accompanying consolidated balance sheets when payments are received in advance of us meeting all of the revenue recognition criteria described above.

### Transaction Revenue

We recognize revenue for fee arrangements based on a per vehicle basis when the vehicle sale has occurred between the automotive buying website program user and dealer. Under the contractual terms and conditions with our network of TrueCar Certified Dealers, the dealer is required to pay us upon the sale of a vehicle to a user that has been provided to the dealer by us. Revenue recognition is not contingent on verification or acceptance of the transaction by the dealer.

Upon a user deciding to proceed with the user's vehicle purchase through us, the user provides his or her name, address, e-mail, and phone number during the process of obtaining a Guaranteed Savings Certificate, which gives us the identity and source of a TrueCar lead provided to a specific dealer prior to an actual sale occurring. After a sale occurs, we receive real-time information regarding the sale, including the identity of the purchaser, via the Dealer Management System, "DMS", used by the dealer that made the sale. To the extent that a sale is not matched via comparison of user information we have to sale information provided by the DMS, we also establish matches via one

or more of the over 20 different data feeds provided to the Company by third party data aggregators, loan and insurance files provided by our affinity group marketing partners and other publicly available sources. This process often results in overlapping sales matches between the DMS and multiple data feeds, resulting in a high degree of certainty with respect to our ability to identify user leads that we provide to the dealers. This data is also used to invoice dealers shortly after the completion of the sales transactions. As a result of the various data sources available to us, it is unusual for us to have difficulty in reconciling introductions provided to our network of dealers to actual vehicle sales under our platform.

Revenue is recognized net of estimated sales allowances. We establish sales allowances at the time of revenue recognition based on our history of adjustments and credits provided to our TrueCar Certified Dealers. Sales allowances relate primarily to credits issued where a dealer claims that an introduction was previously identified by the dealer from a source other than us. While the dealer is contractually obligated to pay the invoice, we may issue a credit against the invoice to maintain overall dealer relations. In assessing



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the adequacy of the sales allowance, we evaluate our history of adjustments and credits made through the date of the issuance of the financial statements. While estimated sales adjustments and credits and ultimate losses may vary from actual results, and could be material to the financial statements, actual sales allowances have been materially consistent with our estimates.

We also recognize revenue from dealers under subscription arrangements. Subscription fee arrangements are short-term in nature with terms ranging from one to six months and are cancellable by the dealer or us at any time. Subscription arrangements fall into three types: flat rate subscriptions, subscriptions subject to downward adjustment based on a minimum number of vehicle sales (“guaranteed sales”) and subscriptions subject to downward adjustment based on a minimum number of introductions (“guaranteed introductions”). Under flat rate subscription arrangements, fees are charged at a monthly flat rate regardless of the number of sales made to users of our platform by the dealer. For flat rate subscription arrangements, we recognize the fees as revenue over the subscription period on a straight line basis which corresponds to the period that we are providing the dealer with access to our platform. Under guaranteed sales subscription arrangements fees are charged based on the number of guaranteed sales multiplied by a fixed amount per vehicle. To the extent that the actual number of vehicles sold by the dealers to users of our platform is less than the number of guaranteed sales, we provide a credit to the dealer. To the extent that the actual number of vehicles sold exceeds the number of guaranteed sales, we are not entitled to any additional fees. Under guaranteed introductions subscription arrangements, fees are charged based on a periodically-updated formula that considers, among other things, the introductions anticipated to be provided to the dealer. To the extent that the number of actual introductions is less than the number of guaranteed introductions, we provide a credit to the dealer. To the extent that the actual number of introductions provided exceeds the number guaranteed, we are not entitled to any additional fees. For guaranteed sales and guaranteed introductions subscription arrangements, we recognize revenue based on the lesser of (i) the actual number of sales generated or introductions delivered through our platform during the subscription period multiplied by the contracted price per sale/introduction or (ii) the guaranteed number of sales or introductions multiplied by the contracted price per sale/introduction.

In addition, some automobile manufacturers promote the sale of their vehicles through the offering of additional consumer incentives to members of our affinity group marketing partners. These manufacturers pay a per-vehicle fee to us for promotion of the incentive and we recognize as revenue the per-vehicle incentive fee at the time the sale of the vehicle has occurred between the Automotive Website Program user and the dealer.

### Forecasts, Consulting and Other Revenue

We also derive revenue from providing forecasts, consulting and other services to the automotive and financial services industries. Additional revenue sources include lead referral fees, advertising fees earned from display advertisements on the TrueCar.com website, and data licensing fees earned for licensing certain proprietary data to third parties. We generally recognize revenue upon delivery of such services.

Sales of forecasts, consulting and other services may include multiple deliverables including sale of lease residual data, guidebooks and consulting services. We therefore recognize revenues for these arrangements in accordance with FASB ASC 605-25, Revenue Recognition — Multiple-Element Arrangements (“ASC 605-25”). ASC 605-25 was updated by Accounting Standards Update (“ASU”) 2009-13, Revenue Recognition (Topic 605) — Multiple-Deliverable Revenue Arrangements — a Consensus of the Emerging Issues Task Force (“ASU 2009-13”).

For multiple deliverable revenue arrangements, we first assess whether each deliverable has value to the customer on a standalone basis and performance is considered probable and substantially in our control. Forecasts and consulting services are sold both on a standalone basis and as part of multiple deliverable arrangements. Accordingly, the services have standalone value to the customer. Based on that standalone value of the deliverables, we allocate our revenues among the separate deliverables in the arrangement using the relative selling price method hierarchy

established in ASU 2009-13. This hierarchy requires the selling price of each deliverable in a multiple deliverable revenue arrangement to be based on, in descending order: (i) vendor-specific objective evidence, or VSOE, (ii) third-party evidence of selling price, or TPE, or (iii) management's best estimated selling price, or BESP.

We have not established VSOE or TPE for our forecasts, consulting and other services because the deliverables are not sold separately within a sufficiently narrow price range or third party pricing for comparable services is not available; therefore, we apply judgment to determine BESP. The objective of BESP is to determine the price at which we would transact a sale if the service were sold on a stand-alone basis. The determination of BESP requires us to make significant estimates and judgments and we consider numerous factors in this determination, including the nature of the deliverables, market conditions and our competitive landscape, internal costs, and our pricing and discounting practices associated with actual transactions. We update our estimates of BESP on a periodic basis as events and as circumstances may require.

Revenue from the sale of lease residual value data and guidebooks is recognized in the period that the data or report is delivered. Revenue in connection with consulting services is recognized in the period the report is completed and delivered to the customer.

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### Allowances for Doubtful Accounts

We determine our allowance for doubtful accounts based on our historical write-off experience and when specific circumstances make it likely that recovery will not occur. We review the allowance for doubtful accounts periodically and assesses the aging of account balances, with an emphasis on those that are past due over ninety days. Account balances are charged off against the allowance when we determine that it is probable the receivable will not be recovered.

### Business Combinations

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed for an acquisition and allocate the purchase price to the respective net tangible and intangible assets. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates including the selection of valuation methodologies, estimates of future revenues and cash flows and discount rates. We engage the assistance of valuation specialists in arriving at fair value measurements in connection with fair values of assets and liabilities assumed in a business combination.

Transaction costs associated with business combinations are expensed as incurred, and are included in general and administrative expenses in our consolidated statement of comprehensive loss.

### Goodwill

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the identifiable assets and liabilities acquired in our business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances which could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations.

We have the option to assess goodwill for possible impairment by performing a qualitative analysis to determine it is more likely than not that the fair value of a reporting unit is less than its carrying amount or perform the first step in an impairment test.

The first step ("Step 1") involves comparing the estimated fair value of a reporting unit with its respective book value, including goodwill. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. If, however, the fair value of the reporting unit is less than book value, then the second step is to compare the carrying amount of the goodwill to its implied fair value. The estimate of implied fair value of goodwill may require valuations of certain internally generated and unrecognized intangible assets. If the carrying amount of goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

We test for goodwill impairment annually at December 31. During the years ended December 31, 2015, 2014 and 2013, there were no impairment charges recorded on our goodwill. We elected to conduct a quantitative goodwill assessment of our reporting units at December 31, 2015. The fair value of the reporting units significantly exceeded their carrying value and accordingly, we concluded that there was no impairment of goodwill.

#### Impairment of Long-Lived Assets

We assess the impairment of long-lived assets, consisting primarily of property and equipment and intangible assets resulting from business combinations, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured first by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. When measuring the recoverability of these assets, we make assumptions regarding our estimated future cash flows expected to be generated by the assets. If our estimates or related assumptions change in the future, we may be required to impair these assets. We have not recognized any impairment of long-lived assets to date.

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### Software and Website Development Costs

Costs incurred in the preliminary project and post-implementation stages of development and maintenance of our platform are expensed as incurred. Certain costs incurred in the application development stage of a new product or projects to provide significant additional functionality to existing products are capitalized if certain criteria are met. Maintenance and enhancement costs are typically expensed as incurred. Such costs are amortized on a straight-line basis over the estimated useful lives of the related assets, which are estimated to be three years. Amortization expense is included in depreciation and amortization in the statements of comprehensive loss.

### Stock-Based Compensation

We recognize stock-based compensation expense for stock-based compensation awards granted to our employees, consultants and other service providers that can be settled in shares of our common stock. We estimate the grant date fair value of option grants, and the resulting stock-based compensation using the Black-Scholes option-pricing model. For restricted stock awards and restricted stock units, we use the market value of the Company's common stock on the date of grant to determine the fair value of the award. Stock-based compensation for employee awards is recognized on a straight-line basis over the requisite period, except for performance-based awards, which are recognized using the graded-vesting model. As stock-based compensation expense recognized is based on awards ultimately expected to vest, such expense is reduced for estimated forfeitures.

Determining the fair value of awards using the Black-Scholes option-pricing model requires the use of highly subjective assumptions, including the expected term and the price volatility of the underlying stock, which are key inputs in the determination of the fair value of stock-based awards. These assumptions include:

- Risk-free interest rate. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant with maturities approximately equal to the expected term of the options;
- Expected term. We use the simplified method under the SEC's Staff Accounting Bulletin No. 107, Share-Based Payment, to calculate expected term for plain vanilla share options. For performance-based option awards and out-of-the money option grants, we determine the expected term based upon historical exercise and post-vesting cancellations, adjusted for expected future exercise behavior;
- Expected volatility. As we do not have a significant trading history for our common stock, expected volatility is derived from the historical stock volatilities of several comparable publicly listed peers over a period approximately equal to the expected term of the options. When making the selections of our comparable industry peers to be used in the volatility calculation, we considered the size, operational and economic similarities to our principal business operations; and
- Dividend yield. The expected dividend yield is assumed to be zero as we have never paid dividends and have no current plans to pay any dividends on our common stock.

In addition to the assumptions used in the Black-Scholes option-pricing model, we must also estimate a forfeiture rate to calculate the stock-based compensation for our awards. Our forfeiture rate is based upon an analysis of our actual forfeitures. We will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Quarterly changes in the estimated forfeiture rate can have a significant impact on our stock-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate changed. If a revised forfeiture rate is higher than the previously estimated forfeiture rate, an adjustment is made that will result in a decrease to the stock-based compensation expense recognized in our financial statements. If a revised forfeiture rate is lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase to the stock-based compensation expense recognized in our financial statements.

We will continue to use judgment in evaluating the expected volatility, expected terms, and forfeiture rates utilized for our stock-based compensation calculations on a prospective basis. As we continue to accumulate additional data related to our common stock, we may have refinements to the estimates of our expected volatility, expected term, and forfeiture rate assumptions, which could materially impact our future stock-based compensation expense.

At December 31, 2015 total remaining stock-based compensation expense for unvested awards was \$56.6 million, which is expected to be recognized over a weighted-average period of 3.13 years.

Prior to the date our common stock began trading on The NASDAQ Global Select Market, the fair value of our common stock had been approved by the board of directors at each grant date based on a variety of factors, including periodic valuations of our common stock, our financial position, historical financial performance, projected financial performance, valuations of publicly traded peer companies arm's-length sales of our common stock, and the illiquid nature of common stock. Since our initial public offering, we

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determine the fair value of our common stock based on the closing price as quoted on The NASDAQ Global Select Market of our common stock on the grant date.

### Income Taxes

We use the liability method of accounting for income taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect when such assets and liabilities are recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the year that includes the enactment date. We determine deferred tax assets including net operating losses and liabilities, based on temporary differences between the book and tax bases of assets and liabilities. A valuation allowance is established to reduce net deferred tax assets to amounts that are more likely than not to be realized. We consider all available evidence, both positive and negative, in assessing the need for a valuation allowance. We have a full valuation allowance, and have concluded, based on the weight of all available evidence, that it is more likely than not that our net deferred tax assets will not be realized, primarily due to our historical net operating losses.

We utilize a two-step approach for evaluating uncertain tax positions. Step one, recognition, requires us to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. If a tax position is not considered “more likely than not” to be sustained, no benefits of the position are recognized. If we determine that a position is “more likely than not” to be sustained, then we proceed to step two, measurement, which is based on the largest amount of benefit which is more likely than not to be realized on effective settlement. This process involves estimating our actual current tax exposure, including assessing the risks associated with tax audits, together with assessing temporary differences resulting from the different treatment of items for tax and financial reporting purposes. If actual results differ from our estimates, our net operating loss and credit carryforwards could be materially impacted.

### Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included herein.

### Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may affect our financial position due to adverse changes in financial market prices and rates. We are exposed to market risks related to changes in interest rates.

#### Interest Rate Risk

We had cash and cash equivalents of \$112.4 million at December 31, 2015, which consists entirely of bank deposits and short-term money market funds. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

To the extent we borrow funds under our credit facility, we would be subject to fluctuations in interest rates. See Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.” As of December 31, 2015, we had no borrowings under the credit facility. We believe that we do not have a material exposure to changes in the fair value as a result of changes in interest rates.

### Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, operating results and financial condition.

### Foreign Currency Exchange Risk

Historically, as our operations and sales have been primarily in the United States, we have not faced any significant foreign currency risk. If we plan for international expansion, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk.

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Item 8. Financial Statements and Supplementary Data

The information required by this item appears in a separate section of this annual report on Form 10-K beginning on page F-1 and is incorporated herein by reference.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The phrase “disclosure controls and procedures” refers to controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act, such as this Annual Report on Form 10-K, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission, or SEC. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including our chief executive officer, or CEO, and chief financial officer, or CFO, as appropriate to allow timely decision regarding required disclosure.

Our management, with the participation of our CEO and CFO has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a- 5(e) and 15d- 15(e) under the Exchange Act), as of December 31, 2015, the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our CEO and CFO have concluded that as of December 31, 2015, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with accounting principles generally accepted in the United States of America. Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria for effective control over financial reporting described in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that, as of December 31, 2015, the Company’s internal control over financial reporting was effective. Management has reviewed its assessment with the Audit Committee.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the fourth quarter of 2015 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### Limitations on Effectiveness of Controls and Procedures

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

Item 9B. Other Information

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On March 7, 2016, the Compensation Committee of the Company's Board of Directors approved discretionary bonuses to certain of the Company's executive officers, including Mike Guthrie, Chief Financial Officer, and John E. Stephenson, Chief Risk Officer. Messrs. Guthrie and Stephenson were granted bonuses of \$74,372 and \$50,000, respectively.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item is incorporated by reference from our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

Our board of directors has adopted a Code of Business Conduct and Ethics applicable to all officers, directors, and employees, which is available on our website (ir.true.com) under "Corporate Governance – Documents and Charters." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics and by posting such information on the website address and location specified above.

Item 11. Executive Compensation

The information required by this Item is incorporated by reference from our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

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

The information required by this Item is incorporated by reference from our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

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

The information required by this Item is incorporated by reference from our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

Item 14. Principal Accounting Fees and Services

The information required by this Item is incorporated by reference from our definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2015.

## PART IV

## Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as part of this report:

## 1. Financial Statements:

Index:

<u>Report of Independent Registered Public Accounting Firm</u>	<u>F-1</u>
<u>Consolidated Balance Sheets at December 31, 2015 and December 31, 2014</u>	<u>F-2</u>
<u>Consolidated Statements of Comprehensive Loss for each of the years in the three-year period ended December 31, 2015</u>	<u>F-3</u>
<u>Consolidated Statements of Stockholders Equity for each of the years in the three-year period ended December 31, 2015</u>	<u>F-4</u>
<u>Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2015</u>	<u>F-5</u>
<u>Notes to the Consolidated Financial Statements</u>	<u>F-6</u>
	<u>F-8</u>

## 2. Financial Statements Schedule

All schedules have been omitted because they are not required, not applicable, not present in amounts sufficient to require submission of the schedule, or the required information is otherwise included in our consolidated financial statements and related notes.

## 3. Exhibits

The following exhibits are filed as part of, or are incorporated by reference in, this annual report on Form 10-K:

Exhibit	Exhibit Title	Filed Herewith	Incorp-orated by Reference	Form	Exhibit No.	Date Filed
3.1	Amended and Restated Certificate of Incorporation of the Registrant.		X	S-1	3.2	May 5, 2014
3.2	Bylaws of the Registrant.		X	S-1	3.4	May 5, 2014
4.1	Seventh Amended and Restated Investors' Rights Agreement, dated November 22, 2013, by and among the Registrant and certain of its stockholders.		X	S-1	4.1	April 4, 2014
4.2	Specimen Common Stock Certificate of the Registrant.		X	S-1	4.2	May 5, 2014
4.3	Warrant to Purchase Shares of Common Stock, dated May 1, 2014, by and between the Registrant and United Services Automobile Association.		X	S-1	4.16	May 5, 2014
4.4	Warrant to Purchase Shares of Common Stock, dated April 21, 2014, by and between the Registrant and 8020 Consulting.		X	S-1	4.17	May 5, 2014
4.5			X	S-1	4.18	May 15, 2014

	Warrant to Purchase Shares of Common Stock, dated May 15, 2014, by and between the Registrant and Avis-Davis Productions, Inc.				
4.6	Warrant to Purchase Shares of Common Stock, dated February 25, 2011, by and between the Registrant and GR Match, LLC.	X	S-1	4.3	April 4, 2014
4.7	Warrant to Purchase Shares of Common Stock, dated November 22, 2013, by and between the Registrant and Vulcan Capital Growth Equity LLC.	X	S-1	4.10	April 4, 2014

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Exhibit	Exhibit Title	Filed Herewith	Incorp-orated by Reference	Form	Exhibit No.	Date Filed
4.8	Warrant to Purchase Shares of Common Stock, dated March 12, 2014, by and between the Registrant and Centru Financial Corporation.		X	S-1	4.12	April 4, 2014
4.9	Warrant to Purchase Shares of Common Stock, dated February 11, 2014, by and between the Registrant and Venture Lending & Leasing VI, LLC.		X	S-1	4.13	April 4, 2014
4.10	Warrant to Purchase Shares of Common Stock, dated February 11, 2014, by and between the Registrant and Venture Lending & Leasing VII, LLC.		X	S-1	4.14	April 4, 2014
10.1#	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.		X	S-1	10.1	April 4, 2014
10.2#	2005 Stock Plan, as amended, and forms of agreements thereunder.		X	S-1	10.2	April 4, 2014
10.3#	2008 Stock Plan, as amended, and forms of agreements thereunder.		X	S-1	10.3	April 4, 2014
10.4#	2014 Equity Incentive Plan and forms of agreements thereunder.		X	S-1	10.4	May 15, 2014
10.5#	Employment Agreement, dated December 20, 2012, by and between the Registrant and Scott Painter, as amended.		X	S-1	10.5	April 4, 2014
10.6#	Employment Agreement, dated October 25, 2013, by and between the Registrant and Michael Guthrie.		X	S-1	10.6	April 4, 2014
10.7#	Employment Agreement, dated May 1, 2010, by and between the Registrant and Bernard Brenner.		X	S-1	10.7	April 4, 2014
10.8#	Offer Letter, dated September 28, 2011, by and between the Registrant and Lawrence Dominique.		X	S-1	10.8	April 4, 2014
10.9#	Employment Agreement, dated September 15, 2008, by and between the Registrant and Stewart Easterby.		X	S-1	10.10	April 4, 2014
10.10#	Employment Agreement, dated September 15, 2008, by and between the Registrant and James Nguyen, as amended.		X	S-1	10.11	April 4, 2014
10.11#	Offer Letter, dated November 1, 2010, by and between the Registrant and Thomas Taira.		X	S-1	10.12	April 4, 2014
10.12#	Employment Agreement, dated January 17, 2014, by and between the Registrant and Lucas Donat.		X	S-1	10.13	April 4, 2014
10.13#	Employment Agreement, dated April 21, 2014, by and between the Registrant and		X	S-1	10.14	May 5, 2014

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10.14#	Troy Foster. Employment Agreement, dated May 1, 2014, by and between the Registrant and John Krafcik.	X	S-1	10.15	May 5, 2014
10.15#	Employment Agreement, dated May 1, 2014, by and between the Registrant and John Stephenson.	X	S-1	10.16	May 5, 2014
10.16#	Clock Tower Building Office Lease, dated May 10, 2010, by and between the Registrant and Clock Tower, LLC, as amended by the Amendment to Lease Re Additional Space and Term Extension dated November 20, 2010 and the Second Amendment to Lease, dated September 19, 2013, by and between the Registrant and SaMo Clock Tower, LLC (successor in interest to Clock Tower, LLC).	X	S-1	10.14	April 4, 2014



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Exhibit	Exhibit Title	Filed Herewith	Incorp-orated by Reference	Form	Exhibit No.	Date Filed
10.17#	Office Lease, dated October 15, 2010, by and between the Registrant and Douglas Emmett 1995, LLC.		X	S-1	10.15	April 4, 2014
10.18	Second Amendment, dated February 11, 2015, to Office Lease, dated October 15, 2010, by and between the Registrant and Douglas Emmett 1995, LLC.		X	10-K	10.18	March 12, 2015
10.19	1540 Second Street Office Lease, dated September 30, 2013, by and between the Registrant and RBE 1540 Second Street LLC.		X	S-1	10.16	April 4, 2014
10.20	1401 Ocean Avenue Office Lease Agreement, dated July 10, 2014, by and between the Registrant and Mani Brothers Portofino Plaza (DE), LLC.		X	10-Q	10.15	August 14, 2014
10.21	Loan and Security Agreement, dated May 15, 2009, by and between the Registrant and Silicon Valley Bank, as amended by the Amended and Restated Loan and Security Agreement dated November 12, 2010, the First Amendment to Amended and Restated Loan and Security Agreement dated December 31, 2010, the Second Amendment to Amended and Restated Loan and Security Agreement dated November 11, 2011, the Third Amendment to Amended and Restated Loan and Security Agreement dated February 9, 2012, the Second Amended and Restated Loan and Security Agreement dated June 13, 2012, the First Amendment to the Second Amended and Restated Loan and Security Agreement, dated October 11, 2012, the Second Amendment to the Second Amended and Restated Loan and Security Agreement dated June 13, 2013, and the Third Amendment to the Second Amended and Restated Loan and Security Agreement, dated August 11, 2014, but effective as of June 13, 2014.		X	S-1	10.21	October 28, 2014
10.22	Third Amended & Restated Loan and Security Agreement, dated February 18, 2015, by and between the Registrant and Silicon Valley Bank.		X	10-K	10.22	March 12, 2015
10.23+	Zag Services & Maintenance Agreement, dated February 13, 2007, by and between		X	S-1	10.21	May 5, 2014

the Registrant and United Services Automobile Association, as amended by Amendment #1 dated September 22, 2008, Amendment #2 dated May 12, 2009, Amendment #4 dated June 25, 2010, Amendment #5 dated October 26, 2010, Amendment #7 dated June 1, 2011, Amendment #9 dated March 13, 2012, Amendment #11 dated May 17, 2012, Amendment #12 dated May 17, 2012, Amendment #14 dated October 16, 2012, Amended and Restated Amendment #15 dated November 12, 2012, Amendment #16 dated December 12, 2012, Amendment #17 dated May 17, 2012, Amendment #18 dated January 17, 2013, Amendment #20 dated April 2, 2013, Amendment #22 dated July 22, 2013, Amendment #23 dated September 10, 2013, Amendment #24 dated August 30, 2013, Amendment #26 dated April 4, 2014, and Amendment #27 dated May 1, 2014.

10.24#	2014 Incentive Plan.	X	S-1	10.22	May 5, 2014
10.25#	Executive Incentive Compensation Plan.	X	S-1	10.23	May 5, 2014
10.26#	2015 Inducement Equity Incentive Plan.	X	8-K	10.1	December 16, 2015

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Exhibit	Exhibit Title	Filed Herewith	Incorp-orated by Reference	Form	Exhibit No.	Date Filed
10.27#	2015 Inducement Equity Incentive Plan - Form of Stock Option Agreement.		X	8-K	10.2	December 16, 2015
10.28#	Separation Agreement and Release, dated November 20, 2015, by and between the Registrant and Scott Painter.	X				
10.29#	Separation Agreement and Release, dated December 22, 2015, by and between the Registrant and Troy Foster.	X				
10.30#	Option Forfeiture Agreement, dated December 28, 2015, by and between the Registrant and John Krafcik.		X	8-K	10.1	January 4, 2016
10.31#	Employment Agreement, dated November 16, 2015, by and between the Registrant and Chip Perry.	X				
21.1	List of Subsidiaries of the Registrant.		X	S-1	21.1	April 4, 2014
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.	X				
24.1	Power of Attorney (included on signature page).	X				
31.1	Certification of the Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of the Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101.INS	XBRL Instance Document.					
101.SCH	XBRL Taxonomy Extension Schema Document.					
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.					
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					

# Indicates a management contract or compensatory plan.

+ Portions of this exhibit have been granted confidential treatment by the Securities and Exchange Commission.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Santa Monica, State of California, on March 10, 2016.

TRUECAR, INC.  
By: /s/ Chip Perry  
Chip Perry  
President and Chief Executive  
Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Michael Guthrie, John E. Stephenson and John Pierantoni, jointly and severally, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Chip Perry Chip Perry	President and Chief Executive Officer (Principal Executive Officer)	March 10, 2016
/s/ Michael Guthrie Michael Guthrie	Chief Financial Officer (Principal Financial Officer)	March 10, 2016
/s/ John Pierantoni John Pierantoni	Chief Accounting Officer (Principal Accounting Officer)	March 10, 2016
/s/ Abhishek Agrawal Abhishek Agrawal	Director	March 10, 2016
/s/ Todd Bradley Todd Bradley	Director	March 10, 2016
/s/ Robert Buce Robert Buce	Director	March 10, 2016
/s/ Christopher Claus Christopher Claus	Director	March 10, 2016
/s/ Steven Dietz Steven Dietz	Director	March 10, 2016

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/s/ Thomas Gibson  
Thomas Gibson

Director

March 10, 2016

/s/ John Krafcik  
John Krafcik

Director

March 10, 2016

/s/ Ion Yadigaroglu  
Ion Yadigaroglu

Director

March 10, 2016

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of TrueCar, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of comprehensive loss, stockholders' equity and cash flows present fairly, in all material respects, the financial position of TrueCar, Inc. and its subsidiaries (the "Company") at December 31, 2015 and 2014 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

March 10, 2016



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TrueCar, Inc.

Consolidated Balance Sheets

(in thousands, except par value and share data)

	December 31,	
	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 112,371	\$ 147,539
Accounts receivable, net of allowances of \$2,720 and \$2,069 at December 31, 2015 and 2014, respectively (includes related party receivables of \$328 and \$1,865 at December 31, 2015 and 2014, respectively)	33,761	28,748
Prepaid expenses (includes related party prepaid expenses of \$0 and \$906 at December 31, 2015 and 2014, respectively)	6,048	5,193
Other current assets	779	3,040
Total current assets	152,959	184,520
Property and equipment, net	71,390	30,731
Goodwill	53,270	53,270
Intangible assets, net	23,815	27,949
Other assets	940	482
Total assets	\$302,374	\$296,952
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable (includes related party payables of \$7,490 and \$4,954 at December 31, 2015 and 2014, respectively)	\$ 18,880	\$ 12,826
Accrued employee expenses	7,799	14,245
Accrued expenses and other current liabilities (includes related party accrued expenses of \$318 and \$0 at December 31, 2015 and 2014, respectively)	12,425	11,783
Total current liabilities	39,104	38,854
Deferred tax liabilities	2,413	2,245
Lease financing obligation, net of current portion	26,987	6,093
Other liabilities	1,178	562
Total liabilities	69,682	47,754
Commitments and contingencies (Note 7)		
Stockholders' Equity		
Preferred stock — \$0.0001 par value; 20,000,000 shares authorized at December 31, 2015 and 2014, respectively; no shares issued and outstanding at December 31, 2015 and 2014	—	—
Common stock — \$0.0001 par value; 1,000,000,000 shares authorized at December 31, 2015 and 2014, respectively; 83,016,735 and 79,811,769 shares issued and outstanding at December 31, 2015 and 2014, respectively	8	8
Additional paid-in capital	508,584	460,179
Accumulated deficit	(275,900	) (210,989 )
Total stockholders' equity	232,692	249,198
Total liabilities and stockholders' equity	\$302,374	\$296,952

The accompanying notes are an integral part of these consolidated financial statements.

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TrueCar, Inc.

Consolidated Statements of Comprehensive Loss

(in thousands except per share data)

	Year Ended		
	December 31,		
	2015	2014	2013
Revenues	\$259,838	\$206,649	\$133,958
Costs and operating expenses:			
Cost of revenue (exclusive of depreciation and amortization presented separately below; includes related party expenses of \$0, \$405, and \$2,738, for 2015, 2014 and 2013, respectively)	23,657	17,513	15,295
Sales and marketing (includes related party expenses of \$20,852, \$19,443, and \$10,164, for the years ended December 31, 2015, 2014 and 2013, respectively)	151,002	128,569	75,180
Technology and development	48,021	36,563	23,685
General and administrative	83,494	58,296	30,857
Depreciation and amortization	17,646	13,213	11,569
Total costs and operating expenses	323,820	254,154	156,586
Loss from operations	(63,982)	(47,505)	(22,628)
Interest income	107	59	121
Interest expense	(443)	(380)	(1,988)
Other income	13	37	18
Loss before provision for income taxes	(64,305)	(47,789)	(24,477)
Provision for income taxes	606	640	579
Net loss	\$(64,911)	\$(48,429)	\$(25,056)
Net loss per share, basic and diluted	\$(0.79)	\$(0.68)	\$(0.43)
Weighted average common shares outstanding, basic and diluted	81,914	70,837	58,540
Other comprehensive loss:			
Comprehensive loss	\$(64,911)	\$(48,429)	\$(25,056)

The accompanying notes are an integral part of these consolidated financial statements.

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TrueCar, Inc.

## Consolidated Statements of Stockholders' Equity

(in thousands except share data)

	Common Stock			Notes Receivable from Related Parties	Accumulated deficit	Stockholders' Equity
	Shares	Amount	APIC			
Balance at December 31, 2012	56,207,579	\$6	\$237,021	\$ (1,327 )	\$ (137,504 )	\$ 98,196
Net loss	—	—	—	—	(25,056 )	(25,056 )
Stock-based compensation	—	—	9,463	—	—	9,463
Issuance of warrants in connection with marketing agreements	—	—	3,740	—	—	3,740
Issuance of restricted stock	20,874	—	423	—	—	423
Exercise of options to purchase common stock	98,878	—	171	58	—	229
Repurchase of vested common stock awards	—	—	(2,000 )	—	—	(2,000 )
Imputed interest on notes receivable	—	—	127	—	—	127
Issuance of common stock, net of issuance costs	57,760	—	326	—	—	326
Interest income on notes receivable	—	—	—	—	—	—