

August 1, 2023



# CarParts.com Reports Highest Quarterly Sales in Company History

*2nd Quarter Sales of \$177 million, up Slightly Year over Year*

*14th Consecutive Quarter of Year over Year Sales Growth*

TORRANCE, Calif., Aug. 1, 2023 /PRNewswire/ -- CarParts.com, Inc. (NASDAQ: PRTS), one of the leading eCommerce providers of automotive parts and accessories, and a one-stop shop for vehicle repair and maintenance needs, is reporting results for the second quarter ended July 1, 2023.



## Second Quarter 2023 Summary vs. Year-Ago Quarter

- Net sales increased to \$177.0 million, up slightly year-over-year and up 12% on a two-year stack.
- Gross profit decreased 2% to \$60.4 million, with gross margin of 34.2%.
- Net loss was (\$0.7) million, compared to net income of \$4.1 million.
- Adjusted EBITDA of \$6.3 million vs. \$8.3 million.
- Cash of \$79.2 million and no revolver debt.
- Repurchased 250,000 shares for \$1.05 million during the quarter.
- Launched mobile app on both iOS and Android.

## Management Commentary

"Q2 2023 marks our 14<sup>th</sup> consecutive quarter of year-over-year growth and the highest sales level for any quarter in our company's history. The \$79 million in cash on our balance sheet at the end of the quarter is a testament to the strong unit economics and cash generation capabilities of our business." said David Meniane, CEO of CarParts.com. "For the remainder of the year, we will be executing on six key strategic pillars: eCommerce fundamentals, digital transformation, assortment and catalog, marketing and customer experience, supply chain and logistics, and innovation."

"CarParts.com has never been better positioned than it is today. As we continue to build a world class organization, focused on our strategic pillars, we believe we are creating a foundation that is making our company significantly more valuable and will benefit our stakeholders for years to come."

## **Second Quarter 2023 Financial Results**

Net sales in the second quarter of 2023 were \$177.0 million, up slightly from the year-ago quarter.

Gross profit in the second quarter decreased 2% to \$60.4 million compared to \$61.9 million in the year-ago quarter, with gross margin decreasing 90 basis points to 34.2%, primarily driven by higher outbound transportation costs and product mix.

Total operating expenses in the second quarter were \$61.3 million compared to \$57.6 million in the year-ago quarter. The increase was primarily driven by investments in our business, in addition to the absence of a prior period reversal in stock compensation expense from the departure of a key executive, combined with higher advertising expense, partially offset by a decrease in fulfillment expense primarily due to an improvement in distribution center costs.

Net loss in the second quarter was (\$0.7) million compared to net income of \$4.1 million in the year-ago quarter.

Adjusted EBITDA in the second quarter was \$6.3 million compared to \$8.3 million in the year-ago quarter.

On July 1, 2023, the Company had a cash balance of \$79.2 million and no revolver debt, compared to no revolver debt and a \$18.8 million cash balance at prior fiscal year-end December 31, 2022.

## **Conference Call**

CarParts.com CEO David Meniane, CFO Ryan Lockwood and COO Michael Huffaker will host a conference call today to discuss the results, followed by a question and answer period.

Date: Tuesday, August 1, 2023

Time: 5:00 p.m. Eastern time (2:00 p.m. Pacific time)

Webcast: [www.carparts.com/investor/news-events](http://www.carparts.com/investor/news-events)

To listen to the live call, please click the link above to access the webcast. A replay of the audio webcast will be archived on the Company's website at [www.carparts.com/investor](http://www.carparts.com/investor).

## **About CarParts.com, Inc.**

CarParts.com is the leading destination for vehicle care, maintenance, and accessories. Our easy-to-use, mobile-friendly website and app allow drivers to access quality parts and services without the guesswork typically associated with car repair or the added expense of brick-and-mortar stores. Our company-operated fulfillment network allows us to quickly deliver the quality parts from top brands to our customers nationwide. At CarParts.com, our global team is dedicated to removing the friction from our customers' vehicle care and

Empowering Drivers Along Their Journey.

CarParts.com is headquartered in Torrance, California.

### **Non-GAAP Financial Measures**

Regulation G, and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. We provide "Adjusted EBITDA" in this earnings release and on today's scheduled conference call, which are non-GAAP financial measures. Adjusted EBITDA consist of net (loss) income before (a) interest (income) expense, net; (b) income tax provision; (c) depreciation and amortization expense; (d) amortization of intangible assets; and (e) share-based compensation expense. A reconciliation of Adjusted EBITDA to net (loss) income is provided below.

The Company believes that these non-GAAP financial measures provide important supplemental information to management and investors. These non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provides a more complete understanding of factors and trends affecting the Company's business and results of operations.

Management uses Adjusted EBITDA as measures of the Company's operating performance because it assists in comparing the Company's operating performance on a consistent basis by removing the impact of stock compensation expense as well as other items that we do not believe are representative of our ongoing operating performance. Internally, these non-GAAP measures are also used by management for planning purposes, including the preparation of internal budgets; for allocating resources to enhance financial performance; and for evaluating the effectiveness of operational strategies. The Company also believes that analysts and investors use these non-GAAP measures as supplemental measures to evaluate the ongoing operations of companies in our industry.

These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the Company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from the Company's non-GAAP measures should not be construed as an inference that these costs are all unusual, infrequent or non-recurring.

### **Safe Harbor Statement**

*This press release contains statements which are based on management's current expectations, estimates and projections about the Company's business and its industry, as well as certain assumptions made by the Company. These statements are forward looking statements for the purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended and Section 27A of the Securities Act of 1933, as*

amended. Words such as "anticipates," "could," "expects," "intends," "plans," "potential," "believes," "predicts," "projects," "seeks," "estimates," "may," "will," "would," "will likely continue" and variations of these words or similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to, statements regarding our future operating results and financial condition, our potential growth, our ability to innovate, our ability to gain market share, and our ability to expand and improve our product offerings. We undertake no obligation to revise or update publicly any forward-looking statements for any reason. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors.

Important factors that may cause such a difference include, but are not limited to, competitive pressures, our dependence on search engines to attract customers, demand for the Company's products, the online market and channel mix for aftermarket auto parts, the economy in general, increases in commodity and component pricing that would increase the Company's product costs, the operating restrictions in its credit agreement, the weather and any other factors discussed in the Company's filings with the Securities and Exchange Commission (the "SEC"), including the Risk Factors contained in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are available at [www.carparts.com/investor](http://www.carparts.com/investor) and the SEC's website at [www.sec.gov](http://www.sec.gov). You are urged to consider these factors carefully in evaluating the forward-looking statements in this release and are cautioned not to place undue reliance on such forward-looking statements, which are qualified in their entirety by this cautionary statement. Unless otherwise required by law, the Company expressly disclaims any obligation to update publicly any forward-looking statements, whether as result of new information, future events or otherwise.

## Investor Relations:

Ryan Lockwood, CFA  
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Summarized information for the periods presented is as follows (in millions):

	Thirteen Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Twenty-Six Weeks Ended
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net sales	\$ 176.98	\$ 176.22	\$ 352.47	\$ 342.27
Gross profit	\$ 60.44	\$ 61.94	\$ 122.99	\$ 123.10
	34.2 %	35.1 %	34.9 %	36.0 %
Operating expense	\$ 61.29	\$ 57.64	\$ 123.20	\$ 116.42
	34.6 %	32.7 %	35.0 %	34.0 %
Net (loss) income	\$ (0.67)	\$ 4.12	\$ 0.38	\$ 6.22
	(0.4) %	2.3 %	0.1 %	1.8 %
Adjusted EBITDA	\$ 6.30	\$ 8.32	\$ 15.67	\$ 17.74
	3.6 %	4.7 %	4.4 %	5.2 %

The table below reconciles net (loss) income to Adjusted EBITDA for the periods presented (in thousands):

	Thirteen Weeks Ended	Thirteen Weeks Ended	Twenty-Six Weeks Ended	Twenty-Six Weeks Ended
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net (loss) income	\$ (671)	\$ 4,118	\$ 380	\$ 6,221
Depreciation & amortization	4,247	3,308	8,166	6,265
Amortization of intangible assets	9	27	20	55
Interest (income) expense, net	(221)	342	126	633
Taxes	141	17	282	69
EBITDA	\$ 3,505	\$ 7,812	\$ 8,974	\$ 13,243
Stock compensation expense	\$ 2,797	\$ 506	6,696	4,498
Adjusted EBITDA	\$ 6,302	\$ 8,318	\$ 15,670	\$ 17,741

### CARPARTS.COM, INC. AND SUBSIDIARIES

#### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE OPERATIONS

(Unaudited, In Thousands, Except Per Share Data)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 1, 2023	July 2, 2022	July 1, 2023	July 2, 2022
Net sales	\$ 176,978	\$ 176,220	\$ 352,470	\$ 342,273
Cost of sales <sup>(1)</sup>	116,536	114,285	229,477	219,176
Gross profit	60,442	61,935	122,993	123,097
Operating expense	61,286	57,644	123,201	116,415
(Loss) income from operations	(844)	4,291	(208)	6,682
Other income (expense):				
Other income, net	639	190	1,553	246
Interest expense	(325)	(346)	(683)	(638)
Total other income (expense), net	314	(156)	870	(392)
(Loss) income before income taxes	(530)	4,135	662	6,290
Income tax provision	141	17	282	69
Net (loss) income	(671)	4,118	380	6,221
Other comprehensive gain (loss):				
Foreign currency translation adjustments	—	104	—	124
Unrealized gain (loss) on deferred compensation trust assets	24	(100)	48	(134)
Total other comprehensive gain (loss)	24	4	48	(10)
Comprehensive (loss) income	\$ (647)	\$ 4,122	\$ 428	\$ 6,211
Net (loss) income per share:				
Basic net (loss) income per share	\$ (0.01)	\$ 0.08	\$ 0.01	\$ 0.12
Diluted net (loss) income per share	\$ (0.01)	\$ 0.07	\$ 0.01	\$ 0.11
Weighted-average common shares outstanding:				
Shares used in computation of basic net (loss) income per share	56,532	54,210	55,789	53,744
Shares used in computation of diluted net (loss) income per share	56,532	57,210	58,028	57,315

(1) Excludes depreciation and amortization expense which is included in operating expense.

**CARPARTS.COM, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
(Unaudited, In Thousands, Except Par Value Data)

	<u>July 1,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 79,213	\$ 18,767
Accounts receivable, net	7,483	6,406
Inventory, net	113,739	136,026
Other current assets	6,675	6,672
Total current assets	<u>207,110</u>	<u>167,871</u>
Property and equipment, net	23,620	24,290
Right-of-use - assets - operating leases, net	21,737	23,951
Right-of-use - assets - finance leases, net	17,110	19,750
Other non-current assets	2,472	2,537
Total assets	<u>\$ 272,049</u>	<u>\$ 238,399</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 82,998	\$ 57,616
Accrued expenses	19,482	16,466
Right-of-use - obligation - operating, current	4,726	4,571
Right-of-use - obligation - finance, current	4,432	4,753
Other current liabilities	5,546	4,622
Total current liabilities	<u>117,184</u>	<u>88,028</u>
Right-of-use - obligation - operating, non-current	19,024	21,412
Right-of-use - obligation - finance, non-current	13,771	15,916
Other non-current liabilities	3,312	2,971
Total liabilities	<u>153,291</u>	<u>128,327</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.001 par value; 100,000 shares authorized; 56,914 and 54,693 shares issued and outstanding as of July 1, 2023 and December 31, 2022 (of which 2,815 and 2,565 are treasury stock, respectively)	59	57
Treasury stock	(8,672)	(7,625)
Additional paid-in capital	306,568	297,265
Accumulated other comprehensive income	1,174	1,126
Accumulated deficit	(180,371)	(180,751)
Total stockholders' equity	<u>118,758</u>	<u>110,072</u>
Total liabilities and stockholders' equity	<u>\$ 272,049</u>	<u>\$ 238,399</u>

**CARPARTS.COM, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Unaudited, In Thousands)*

	<b>Twenty-Six Weeks Ended</b>	
	<b>July 1, 2023</b>	<b>July 2, 2022</b>
<b>Operating activities</b>		
Net income	\$ 380	\$ 6,221
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	8,166	6,265
Amortization of intangible assets	20	55
Share-based compensation expense	6,696	4,498
Stock awards issued for non-employee director service	11	11
Stock awards related to officers and directors stock purchase plan from payroll deferral	—	27
Gain from disposition of assets	(75)	(17)
Amortization of deferred financing costs	32	21
Changes in operating assets and liabilities:		
Accounts receivable	(1,090)	(2,070)
Inventory	22,286	(24,165)
Other current assets	(4)	(1,739)
Other non-current assets	60	(741)
Accounts payable and accrued expenses	28,630	17,466
Other current liabilities	925	(109)
Right-of-use obligation - operating leases - current	380	(105)
Right-of-use obligation - operating leases - long-term	(398)	(20)
Other non-current liabilities	342	(139)
Net cash provided by operating activities	<u>66,361</u>	<u>5,459</u>
<b>Investing activities</b>		
Additions to property and equipment	(4,669)	(7,797)
Proceeds from sale of property and equipment	83	44
Net cash used in investing activities	<u>(4,586)</u>	<u>(7,753)</u>
<b>Financing activities</b>		
Borrowings from revolving loan payable	117	5,296
Payments made on revolving loan payable	(117)	(5,296)
Payments on finance leases	(2,467)	(1,966)
Repurchase of treasury stock	(1,052)	—
Net proceeds from issuance of common stock for ESPP	221	432
Proceeds from exercise of stock options	1,969	929
Net cash used in financing activities	<u>(1,329)</u>	<u>(605)</u>
Effect of exchange rate changes on cash	—	(21)
Net change in cash and cash equivalents	60,446	(2,920)
Cash and cash equivalents, beginning of period	18,767	18,144
Cash and cash equivalents, end of period	<u>\$ 79,213</u>	<u>\$ 15,224</u>
Supplemental disclosure of non-cash investing and financing activities:		
Right-of-use finance asset acquired	\$ —	\$ 7,235
Accrued asset purchases	\$ 408	\$ 1,060
Share-based compensation expense capitalized in property and equipment	\$ 411	\$ 579
Stock issued for services	\$ —	\$ 81
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	\$ 155	\$ 148
Cash (received) paid during the period for interest (income) expense, net	\$ (32)	\$ 653

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