

TrueCar, Inc.
Form S-1
April 04, 2014

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As filed with the Securities and Exchange Commission on April 3, 2014.

Registration No. 333-

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

FORM S-1
REGISTRATION STATEMENT
Under
The Securities Act of 1933

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

Delaware
(State or other jurisdiction of
incorporation or organization)

7379
(Primary Standard Industrial
Classification Code Number)
120 Broadway, Suite 200
Santa Monica, California 90401
(800) 200-2000

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

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Scott Painter
Chief Executive Officer
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Santa Monica, California 90401
(800) 200-2000
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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**Approximate date of commencement of proposed sale to the public:
As soon as practicable after this registration statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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. (Check one):

Large accelerated
filer

Accelerated
filer

Non-accelerated filer

(do not check if a
smaller reporting
company)

Smaller reporting
company

CALCULATION OF REGISTRATION FEE

**Title of Each Class of Securities
to be Registered**

**Proposed
Maximum
Aggregate**

**Amount of
Registration Fee**

	Offering Price(1)(2)	
Common Stock, par value \$0.0001 per share	\$125,000,000.00	\$16,100.00

(1) Includes offering price of any additional shares that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion: Dated April 3, 2014

Shares

Common Stock

This is an initial public offering of shares of common stock of TrueCar, Inc.

TrueCar is offering _____ of the shares to be sold in the offering. The selling stockholder identified in this prospectus is offering an additional _____ shares. We will not receive any of the proceeds from the sale of the shares being sold by the selling stockholder.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$ _____ and \$ _____. We intend to apply to list our common stock on The NASDAQ Global Select Market under the symbol "TRUE."

We are an "emerging growth company" under the federal securities laws and are therefore subject to reduced public company reporting requirements.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 14 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial public offering price	\$ _____	\$ _____
Underwriting discounts(1)	\$ _____	\$ _____
Proceeds, before expenses, to TrueCar	\$ _____	\$ _____
Proceeds, before expenses, to the selling stockholder	\$ _____	\$ _____

(1) See "Underwriting" for a description of the compensation payable to the underwriters.

To the extent that the underwriters sell more than _____ shares of common stock, the underwriters have the option to purchase up to an additional _____ shares from us at the initial public offering price less the underwriting discount.

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The underwriters expect to deliver the shares against payment in New York, New York on _____, 2014.

Goldman, Sachs & Co.

J.P. Morgan

Prospectus dated _____, 2014.

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Through and including (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Neither we, the selling stockholder, nor the underwriters have authorized anyone to provide you with information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We, the selling stockholder and the underwriters take no responsibility for, and provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

For investors outside the United States: Neither we, the selling stockholder, nor any of the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about, and to observe any restrictions relating to, this offering and the distribution of this prospectus.

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PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus and is qualified in its entirety by the more detailed information and financial statements included elsewhere in this prospectus. This summary may not contain all the information you should consider before investing in our common stock. You should carefully read this prospectus in its entirety before investing in our common stock, including the sections titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus. Unless the context otherwise requires, we use the terms "TrueCar," the "Company," "we," "us" and "our" in this prospectus to refer to TrueCar, Inc. and, where appropriate, our consolidated subsidiaries.

Overview

Our mission is to transform the car-buying experience for consumers and the way that dealers attract customers and sell cars. 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 our TrueCar.com website. In addition, we customize and operate our platform for affinity group marketing partners, such as USAA and Consumer Reports, financial institutions, and other large enterprises such as Boeing and Verizon. 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 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 of car, 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.

We are currently focused primarily on new car transactions. In the future, we intend to introduce additional products and services designed to improve the car-buying and car-ownership experience. For example, we are developing TrueTrade to provide users with an estimated daily market value for their existing cars and a guaranteed trade-in price. In addition, we are developing TrueLoan and TrueLease to provide users with a more convenient way to finance their cars at TrueCar Certified Dealers. We are also in the process of launching a number of new services for our dealers designed to enable them to make better informed inventory management and pricing decisions and to close transactions more efficiently.

Our network of over 7,000 TrueCar Certified Dealers consists primarily of new car franchises, representing all major makes of cars, as well as independent dealers. TrueCar Certified Dealers operate in all 50 states and the District of Columbia. We estimate that users of our platform purchasing cars from TrueCar Certified Dealers accounted for approximately 2.0% of all new car sales in the United States in 2013. Since our founding in 2005, TrueCar users have purchased over 1.1 million cars from TrueCar Certified Dealers, including nearly 400,000 during 2013.

During 2013, we generated revenues of \$134.0 million and recorded a net loss of \$25.1 million. Of the \$134.0 million in revenue, 89% consisted of transaction revenues with the remaining 11% derived primarily from the sale of data and consulting services to the automotive and financial services industries. 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.

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Industry Overview and Market Opportunity

The automotive sector is one of the largest segments of the U.S. economy. There were 15.5 million new cars sold in the United States in 2013 for a total retail value of nearly \$500 billion, based on information published by the Bureau of Economic Analysis, or BEA, and the National Automobile Dealers Association, or NADA. In 2013, the largest automotive dealer group accounted for only 1.9% of new vehicle sales, and the top ten dealer groups accounted in the aggregate for only 8.2% of new vehicle sales, according to Automotive News.

Consumers face a number of complex issues when buying a car, including obtaining market pricing information with respect to the car they want to buy and negotiating a transaction. While consumers have a number of available information sources that provide pricing data, these alternatives generally do not have information on what others actually paid for a car. As a result, consumers still lack the market data and upfront pricing information that might shorten the negotiation with the dealer and lead to a successful transaction.

Automobile dealers operate in a highly competitive market in which access to consumers and informed vehicle pricing are essential to dealer profitability. Overall dealer profitability is closely tied to the volume of new car sales as those sales can lead to higher-margin offerings for the dealer such as trade-ins, financing, maintenance and service, and accessories. In addition, dealers can earn financial incentives and improved vehicle allocation from manufacturers based on their volume of new car sales. Automobile dealers are increasingly shifting from reliance on their physical location and offline media and turning to the Internet to attract consumers and broaden their reach. However, dealers must pay high marketing costs to attract customers and lack empirical data on pricing at the local level. As a result of these challenges, automobile dealers are looking for ways to attract informed, in-market consumers in a cost-effective and accountable manner and effectively price their vehicle inventory to achieve their sales goals.

Our Solution

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 via our TrueCar.com website. In addition, we customize and operate our platform for affinity group marketing partners, such as USAA and Consumer Reports, financial institutions, and other large enterprises such as Boeing and Verizon. 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 believe the combination of transparent market data, upfront pricing information and guaranteed savings off MSRP benefits both consumers and dealers, resulting in more transactions by users of our platform.

Why consumers choose TrueCar

We believe consumers choose TrueCar.com and our affinity group marketing partner websites to simplify the car-buying process and to achieve confidence in the price they receive for a car. Our platform provides the following benefits:

Upfront pricing information. We access a broad array of transaction data to provide consumers with relevant pricing information on every major make and model of new car sold in the U.S. We also generally provide consumers with an Estimated TrueCar Dealer Price based on data provided by TrueCar Certified Dealers in their area.

Quality of service of our network of TrueCar Certified Dealers. We strive to provide consumers with a superior car-buying experience through our network of TrueCar Certified Dealers. To become

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a TrueCar Certified Dealer, dealers must agree to adhere to certain conditions, including providing upfront pricing information and guaranteed savings off MSRP, where available.

Price Confidence. Our users generally receive up to three Guaranteed Savings Certificates, which provide a guaranteed savings off MSRP on the user's specified make and model of car. Our platform allows the user to compare relevant market data for their specified make and model of car with the guaranteed savings from MSRP identified in these certificates. For the year ended December 31, 2013, TrueCar users paid, on average, approximately \$3,000 less than MSRP.

Why dealers use TrueCar

We believe dealers use TrueCar to attract informed, in-market consumers in a cost-effective and accountable manner, efficiently price their inventory and, ultimately, sell more cars.

Under our pay-for-performance business model, we generally earn a fee only when a consumer purchases a car, providing dealers with an accountable marketing channel. We typically charge TrueCar Certified Dealers \$299 upon the sale of a new car to a TrueCar user. In 2013, the overall industry average advertising expense per new car across all forms of media was \$616, according to NADA. By helping dealers better target their acquisition efforts to in-market consumers using our platform, we believe that dealers can improve their close rates, which results in other operating cost efficiencies such as savings on selling expenses and inventory carrying costs.

Why affinity groups partner with TrueCar

For many of our affinity group marketing partners, offering a car-buying service is a valuable benefit for their members, but it is not a service that they can provide easily themselves. Affinity groups partner with TrueCar to extend our platform to their members under their own brands. We generally provide members of these groups with access to the same benefits of our own TrueCar.com website with the added recognition of their affinity membership, and other benefits such as improved financing terms and manufacturer incentives. These affinity group marketing partners include USAA, Consumer Reports, AAA, American Express and PenFed.

The future of the TrueCar solution

In the future, we intend to introduce additional products and services to improve the car-buying and car-ownership experience. For example, we are developing TrueTrade to provide users with an estimated daily market value for their existing cars and a guaranteed trade-in price. In addition, we are developing TrueLoan and TrueLease to provide users with a more convenient way to finance their cars at TrueCar Certified Dealers. We are also in the process of launching a number of new services for our dealers designed to enable them to make better informed inventory management and pricing decisions and to close transactions more efficiently.

Our Strengths

We believe that our platform offers a superior car-buying experience for our users and TrueCar Certified Dealers. Our strengths include:

Accountable business model operating at scale with powerful network effects

We operate a pay-for-performance business model that allows in-market car buyers to interact with our network of TrueCar Certified Dealers. In addition, our platform is adaptable on a state-by-state basis in response to the local regulatory environment. As the number of vehicles purchased by our users from our network of TrueCar Certified Dealers continues to grow, we believe the platform will become increasingly attractive to high-quality automobile dealers. In

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addition, as more in-market consumers utilize our platform, the incremental search, inventory and purchase information generated will increase the utility of our data and analytics platform for all participants.

Nationwide network of TrueCar Certified Dealers representing all major makes sold in the U.S.

We have built our network of TrueCar Certified Dealers to provide broad nationwide coverage to our users. Our network of over 7,000 TrueCar Certified Dealers consists primarily of new car franchises, representing all major makes of cars, as well as independent dealers. TrueCar Certified Dealers operate in all 50 states and the District of Columbia.

Robust data and proprietary analytics platform

Our digital platform is powered by data and proprietary analytics. Our data repository contains a wide variety of information, including vehicle-specific information on automotive transactions, vehicle registration records, consumer buying patterns and behavior, demographic information, and macroeconomic data. Our platform also enables our pay-for-performance business model by identifying sales for which a dealer generally pays us a fee only when a TrueCar user purchases a car or based on other performance-based metrics.

Long-term, strategic relationships with affinity groups

We have built long-term relationships with our affinity group marketing partners for which we operate automobile buying programs. We also offer car-buying programs as an employee benefit directly to corporate customers and, indirectly, through employee benefit plan administrators. We believe that affinity group members represent an attractive audience for our network of TrueCar Certified Dealers because the affinity group or employment relationship creates a deeper level of engagement between the in-market car buyer and the TrueCar Certified Dealer.

Operations guided by insights derived from quantitative data analysis

We access consumer, dealer and third-party data to power our platform. We believe our quantitative analytical capabilities enable us to derive insights into consumers and dealers that help inform several of our key areas of focus. Our business intelligence organization is also responsible for tracking internal performance metrics, gleaned insights, and helping to improve our operations.

Visionary management team with extensive automotive expertise

Our Founder and Chief Executive Officer, Scott Painter, is a pioneer in the online automotive industry, having founded CarsDirect, one of the industry's first successful online automotive businesses. A team of experienced senior executives, with management backgrounds at automotive manufacturers and retailers, online automotive marketing firms, state dealer associations, Internet companies and financial institutions, augments his leadership.

Growth Strategy

We are in the early stages of pursuing our mission to transform car-buying for consumers and dealers. Key elements of our growth strategy are:

Expand the number of visitors to our platform

We intend to grow TrueCar.com website traffic by building our brand through marketing campaigns that emphasize the value of trust and transparency in the car-buying process and the benefits of transacting with TrueCar Certified Dealers. We intend to grow affinity group marketing

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partner traffic by promoting creative marketing programs, such as subsidizing interest rates on loans, and providing other incentives from third parties that deliver a tangible economic benefit to transacting members, increasing awareness of the car-buying program among the members of our affinity group marketing partners and adding new affinity group marketing partners that bring additional users to our platform.

Improve the user experience

We seek to increase the number of transactions between users of our platform and TrueCar Certified Dealers through a variety of methods, including consistently evaluating and improving our products to enhance the user experience, engaging users with relevant content about car pricing, available incentives and other benefits, while also expanding and improving the geographic coverage of our network of TrueCar Certified Dealers.

Expand monetization opportunities

Over time, we intend to increase monetization opportunities by introducing additional products and services to improve the car-buying and car-ownership experience. For example, we are developing TrueTrade to provide consumers with an estimated daily market value for their existing cars and a guaranteed trade-in price. In addition, we are developing TrueLoan and TrueLease to provide users with a more convenient way to finance their cars at TrueCar Certified Dealers.

Risks Affecting Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted in the section titled "Risk Factors" immediately following this prospectus summary. These risks include, but are not limited to, the following:

If car dealers 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 recent, rapid growth may not be indicative of our future growth and, if we continue to grow rapidly, we may not be able to manage our growth effectively.

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.

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

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 the members of our affinity group marketing partners would reduce our revenue and harm our operating results.

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

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.

We participate in a highly competitive market, and pressure from existing and new companies may adversely affect our business and operating results.

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If we suffer a significant interruption in our ability to gain access to third-party data, our business will suffer.

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

We rely 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 may be unable to maintain or grow relationships with information data providers, which may limit the information that we are able to provide and could impair our ability to attract or retain consumers and TrueCar Certified Dealers.

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

Corporate Information

Our principal executive offices are located at 120 Broadway, Suite 200, Santa Monica, California 90401, and our telephone number is (800) 200-2000. Our website is www.TrueCar.com. Information contained on, or that can be accessed through, our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

We originally incorporated under the name "Zag.com Inc." in Delaware in February 2005. We later changed our name to TrueCar, Inc.

TrueCar, the TrueCar logo and other trademarks or service marks of TrueCar appearing in this prospectus are the property of TrueCar. Trade names, trademarks and service marks of other companies appearing in this prospectus are the property of their respective holders. We have omitted the ® and ™ designations, as applicable, for the trademarks used in this prospectus.

We are an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (JOBS Act) and are therefore subject to reduced public company reporting requirements. We will remain an emerging growth company until the earliest to occur of: the last day of the fiscal year in which we have more than \$1.0 billion in annual revenue; the date we qualify as a "large accelerated filer," with at least \$700 million of equity securities held by non-affiliates; the issuance, in any three-year period, by us of more than \$1.0 billion in non-convertible debt securities; and the last day of the fiscal year ending after the fifth anniversary of our initial public offering.

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THE OFFERING

Common stock offered by us	shares
Common stock offered by the selling stockholder	shares
Total common stock offered	shares
Common stock to be outstanding after this offering	shares
Option to purchase additional shares	We have granted the underwriters an option, exercisable for 30 days after the date of this prospectus, to purchase up to an additional shares from us.
Use of proceeds	We intend to use the net proceeds from this offering primarily for general corporate purposes, including working capital, operating expenses and capital expenditures. We may also use a portion of the net proceeds to acquire or invest in complementary technologies, solutions, products, services, businesses or other assets, although we have no present commitments or agreements to enter into any acquisitions or investments. We will not receive any of the proceeds from the sale of shares to be offered by the selling stockholder. See "Use of Proceeds."
Concentration of ownership	Upon completion of this offering, the executive officers, directors and 5% stockholders of our company and their affiliates will beneficially own, in the aggregate, approximately % of our outstanding capital stock.
Proposed NASDAQ trading symbol	"TRUE"
The number of shares of our common stock to be outstanding after this offering is based on 94,219,016 shares of our common stock (including convertible preferred stock on an as converted basis) outstanding at December 31, 2013, and excludes:	

27,545,464 shares of common stock issuable upon the exercise of options outstanding at December 31, 2013, with a weighted average exercise price of \$3.26 per share;

4,641,260 shares of common stock issuable upon the exercise of options granted after December 31, 2013, with a weighted average exercise price of \$6.16 per share;

shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of (i) 7,264,880 shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Plan (the "2005 Stock Plan") at December 31, 2013 (after giving effect to an increase of 11,000,000 shares of our common stock reserved for issuance under our 2005 Stock Plan after December 31, 2013 and the grant of options to purchase 4,641,260 shares of common stock after December 31, 2013), which shares will be added to the shares to be reserved under our 2014 Equity Incentive Plan, (ii) shares of common stock reserved for future issuance under our 2014 Equity Incentive Plan, which will become effective in connection with this offering, and (iii) shares that become available under our 2014 Equity Incentive Plan, pursuant to provisions thereof that automatically increase the share reserves under the plan each

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year, as more fully described in "Executive Compensation Employee Benefits and Stock Plans";

8,896,142 shares of common stock issuable upon the exercise of warrants outstanding at December 31, 2013, with a weighted average exercise price of \$3.63 per share; and

65,000 shares of common stock issuable upon the exercise of warrants issued after December 31, 2013, with a weighted average exercise price of \$8.43 per share.

Unless otherwise noted, the information in this prospectus reflects and assumes the following:

the filing of our amended and restated certificate of incorporation in connection with the completion of this offering;

no exercise of outstanding options;

no exercise of outstanding warrants; and

no exercise by the underwriters of their option to purchase up to an additional shares of common stock from us in this offering.

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SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our historical financial and other data. We have derived the summary consolidated statement of operations data for the years ended December 31, 2011, 2012 and 2013 and the consolidated balance sheet data at December 31, 2013 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of operations data for the years ended December 31, 2009 and 2010 from our unaudited consolidated financial statements, which are not included in this prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the following summary consolidated financial and other data together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus.

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	Year Ended December 31,				
	2009	2010(1)	2011(2)(3)	2012	2013
(in thousands, except per share amounts)					
Consolidated Statement of Operations Data:					
Revenues	\$ 15,831	\$ 38,149	\$ 76,330	\$ 79,889	\$ 133,958
Cost and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization presented separately below)(4)	1,360	3,315	7,660	13,559	15,295
Sales and marketing(4)	8,866	18,751	41,992	70,327	75,180
Technology and development(4)	6,597	7,407	18,457	21,960	23,685
General and administrative(4)	5,180	11,480	21,912	34,228	30,857
Depreciation and amortization	625	1,086	4,148	11,768	11,569
Total costs and operating expenses	22,628	42,039	94,169	151,842	156,586
Loss from operations	(6,797)	(3,890)	(17,839)	(71,953)	(22,628)
Interest income	94	109	199	229	121
Interest expense	(123)	(73)	(66)	(3,359)	(1,988)
Other income (expense), net	(45)	4	(20)	(18)	18
Change in fair value of preferred stock warrant liability	51	(524)	(1,882)		
Loss before (provision) benefit for income taxes	(6,820)	(4,374)	(19,608)	(75,101)	(24,477)
(Provision) benefit for income taxes		(73)	10,690	606	(579)
Net loss	\$ (6,820)	\$ (4,447)	\$ (8,918)	\$ (74,495)	\$ (25,056)
Cumulative dividends on Series B, Series C and Series D Preferred Stock					
	(2,511)	(3,180)	(2,370)		
Net loss attributable to non-controlling interest	1,099	877			
Net loss attributable to common stockholders of TrueCar, Inc.	\$ (8,232)	\$ (6,750)	\$ (11,288)	\$ (74,495)	\$ (25,056)
Net loss per share attributable to common stockholders:					
Basic and diluted(5)	\$ (2.29)	\$ (0.95)	\$ (0.33)	\$ (0.89)	\$ (0.29)
Weighted average shares of common stock outstanding used in computing net loss per share attributable to common stockholders:					
Basic and diluted(5)	3,600	7,071	34,235	83,742	87,810

Pro forma net loss per share: basic and diluted (unaudited)(5)	\$ (0.28)
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Pro forma weighted average common shares outstanding, basic and diluted (unaudited)(5)	88,280
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Other Financial Information:

Adjusted EBITDA(6)	\$ (5,191)	\$ 1,712	\$ (3,538)	\$ (46,523)	\$ 2,140
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(1) On June 1, 2010, we acquired the remaining non-controlling interest in TrueCar.com, Inc.

(2) During the preparation of the 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 \$360,000 for 2009 and \$420,000 for 2010. We concluded these adjustments were not material 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 individually or in the aggregate to the 2011 financial statements and accordingly, we recorded these adjustments during the year ended December 31, 2011.

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(3) In 2011, we completed the acquisitions of Carperks, Honk LLC, and ALG Inc. See Note 3 to our consolidated financial statements for information regarding the purchase accounting associated with these acquisitions.

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

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Cost of revenue	\$	\$ 29	\$ 47	\$ 122	\$ 141
Sales and marketing	223	272	1,076	1,571	2,561
Technology and development	214	41	1,096	1,428	1,762
General and administrative	170	1,214	3,989	7,199	4,882
Total stock-based compensation expense	\$ 607	\$ 1,556	\$ 6,208	\$ 10,320	\$ 9,346

(5) See Note 2 to our audited consolidated financial statements for an explanation of the calculations of our basic and diluted net loss per share of common stock, and pro forma basic and diluted net loss per share attributable to common stockholders.

(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."

	At December 31, 2013		
	Actual	Pro	Pro Forma
		Forma(1)	As Adjusted(2)
	(in thousands)		
Selected Consolidated Balance Sheet Data			
Cash and cash equivalents	\$ 43,819	\$ 43,819	\$
Working capital (deficit) excluding restricted cash	36,637	36,637	
Property and equipment, net	15,238	15,238	
Total assets	174,750	174,750	
Total indebtedness	4,764	4,764	
Convertible preferred stock	29,224		
Total stockholders' equity	112,180	141,404	

(1) The pro forma column reflects the automatic conversion of all outstanding shares of our Series A Preferred Stock into 4,285,715 shares of our common stock immediately prior to the closing of this offering.

(2) The pro forma as adjusted column gives effect to the pro forma adjustments set forth in footnote 1 above and the sale by us of _____ shares of our common stock offered by this prospectus at an assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

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The pro forma as adjusted information presented in the consolidated balance sheet data is illustrative only and will change based on the actual initial public offering price and other terms of this offering determined at pricing. Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease each of cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting

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discounts and commissions. Similarly, each increase or decrease of one million shares in the number of shares offered by us in this offering would increase or decrease, as applicable, cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$ million, assuming an initial public offering price of \$ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions.

Non-GAAP Financial Measures

Adjusted EBITDA is a financial measure that is 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, income taxes, depreciation and amortization, change in the fair value of preferred stock warrant liability, stock-based compensation, non-cash warrant expense, change in fair value of contingent consideration, and transaction costs from acquisitions. We have provided below a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure. Adjusted EBITDA should not 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 measure may not be comparable to similarly titled measures of other organizations as they may not calculate Adjusted EBITDA in the same manner as we calculate the measure.

We have included Adjusted EBITDA in this prospectus as it is an important measure used by our management and board of directors to assess our operating performance. We believe that using Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis because this measure excludes variations primarily caused by changes in our capital structure, income taxes, depreciation and amortization, changes in fair values of preferred stock warrant liability and contingent consideration, stock-based compensation expense, and transaction costs from acquisitions. In addition, we believe that Adjusted EBITDA 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 Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute of 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;

Adjusted EBITDA does not reflect 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;

Adjusted EBITDA does not 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 differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results. In addition, in evaluating Adjusted EBITDA, you should be aware that in the future we will incur

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expenses such as those that are the subject of adjustments in deriving Adjusted EBITDA and you should not infer from our presentation of Adjusted EBITDA that our future results will not be affected by these expenses or any unusual or non-recurring items.

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

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Reconciliation of Adjusted EBITDA to Net Loss:					
Net loss	\$ (6,820)	\$ (4,447)	\$ (8,918)	\$ (74,495)	\$ (25,056)
Non-GAAP adjustments:					
Interest income	(94)	(109)	(199)	(229)	(121)
Interest expense	123	73	66	3,359	1,988
Depreciation and amortization	625	1,086	4,148	11,768	11,569
Change in fair value of preferred stock warrant liability	(51)	524	1,882		
Warrant expense	419	2,956	2,112	1,990	3,740
Transaction costs from acquisitions			1,853		
Change in fair value of contingent consideration				1,370	95
Stock-based compensation	607	1,556	6,208	10,320	9,346
Provision (benefit) for income taxes		73	(10,690)	(606)	579
Adjusted EBITDA	\$ (5,191)	\$ 1,712	\$ (3,538)	\$ (46,523)	\$ 2,140

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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 prospectus, including our consolidated financial statements and related notes, before deciding whether to purchase shares of 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 price of our common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Industry

If car dealers 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 cancelled their agreements with us and our franchise dealer count fell from 5,571 at November 30, 2011 to 3,599 at February 28, 2012.

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 may begin to 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 partner 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. 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.

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. Additionally, if we are unable to add dealers to our network, our growth could be impaired.

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Our recent, rapid growth may not be indicative of our future growth and, if we continue to grow rapidly, we may not be able to manage our growth effectively.

Our revenue has grown from \$38.1 million in 2010 to \$134.0 million in 2013. We expect that, in the future, as our revenue increases, our rate of growth will decline. In addition, we will not be able to grow as fast or at all if we do not accomplish the following:

maintain and grow our affinity group marketing partner relationships;

increase the number of users of our products and services, and in particular the number of unique visitors to TrueCar.com;

maintain and expand our dealer network;

further improve the quality of our existing products and services, and introduce high quality new products and services;

increase the number of transactions between our users and TrueCar Certified Dealers; 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, including a significant increase to our television advertising expenditures;

product development; including investments in our product development team 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 rapid 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. As we continue to grow, we expect to hire additional personnel. 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.

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 rapidly 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, we anticipate that over time we may reach a point when investments in new user traffic are less productive and the continued growth of our revenue will require more focus on increasing the number of transactions from which we derive revenue. It is also possible that car dealers could broadly determine that they no longer believe in the value of

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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.

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 \$162.6 million at December 31, 2013. 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. In addition, as a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. As a result of these increased expenditures, we will 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 prospectus, 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.

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 TrueCar.com 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

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

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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 single stockholder. USAA currently owns 20,700,788 shares, which represents 21.9% of our outstanding shares of common stock prior to this offering. In 2013, 171,795 units, or 43.0% 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 TrueCar.com or the car buying sites we maintain for our affinity group marketing partners. As such, USAA has a significant influence on our operating results. We are currently in the process of negotiating an extension of our affinity group marketing agreement with USAA. We cannot assure you that our agreement with USAA will be extended 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 has in the past and may in the future adversely affect the volume of user traffic we receive from USAA. We cannot assure you that changes in our relationship with USAA or its promotion and marketing of our platform will not adversely affect our business and operating results in the future.

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.

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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 and dealer associations 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 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.

More recently, 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 are cooperating 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 cannot assure you that these efforts will be successful.

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 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.

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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.

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 have been informed that the FTC's Bureau of Competition is conducting an investigation 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 have 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 are cooperating with the FTC in an effort to supply the information required by the request without unduly burdening our resources. We cannot assure you that these efforts will be successful.

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 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.

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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, eBay Motors, Edmunds.com, KBB.com, Autobyte.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.

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 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.

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If we suffer a significant interruption in our ability to gain access to third-party data, our business will suffer.

Our business also relies on our ability to analyze data for the benefit of our users and the TrueCar Certified Dealers in our network. 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 experience a material disruption in the data provided to us or if third-party data providers terminate their relationship with us, the information that we provide to our users and TrueCar Certified Dealers may be limited, the quality of this information may suffer, and our business, results of operations and financial conditions could be materially and adversely affected.

The success of our business relies heavily on our marketing and branding efforts, especially with respect to TrueCar.com, 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 TrueCar.com business. 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, traditional print media, sponsorship programs and other means, the goal of which is to increase the strength, recognition and trust in the TrueCar.com brand and drive more unique visitors to our website and mobile applications. We incurred expenses of \$75.2 million on sales and marketing in the year ended December 31, 2013.

Our business model relies on our ability to scale rapidly and to decrease incremental user acquisition costs as we grow. Some of our methods of advertising, including our television marketing campaign, are not currently profitable on a standalone basis because they have not yet resulted in the acquisition of sufficient users visiting our website and mobile applications such that we may recover such costs by attaining corresponding revenue growth. 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, or if we discontinue our broad marketing campaigns, it could have a material adverse effect on our growth, results of operations and financial condition.

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 their web pages, adversely affecting the volume of traffic. 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.

We rely 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

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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.

We may be unable to maintain or grow relationships with information data providers, which may limit the information that we are able to provide and could impair our ability to attract or retain consumers and TrueCar Certified Dealers.

We receive automobile purchase data from many third-party data providers, including our network of TrueCar Certified Dealers, dealer management system 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. We also analyze this data and provide insights to our users and TrueCar Certified Dealers, driving traffic to our platform and strengthening our relationships with the automobile dealers in our network.

From time to time, we experience interruptions in the data feeds that we receive from third-party data providers, particularly dealer management system providers, in a manner that affects our ability to invoice the dealers in our network. These interruptions may occur for a number of reasons, including changes to the software of a dealer management system provider. In the states in which we employ a pay-per-sale billing model, an interruption in the data that we receive undermines 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. In the case of an interruption in our data feeds, our billing structure may transition to a subscription model for automobile dealers in our network until the interruption ceases. Our subscription billing model typically results in decreased revenues during the 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 during the period in which we are unable to submit an invoice to automobile dealers and, in any case, our recognition of transaction revenues where there has been an interruption in the data provided to us by dealer management systems will be delayed.

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 will depend largely 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

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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 the 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.

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.

We cannot assure you that we are able to provide a compelling car-buying experience to our users, and our failure to do so will mean that the number of transactions between our users and TrueCar Certified Dealers will decline and we will 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;

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 be able to provide relevant pricing information to consumers.

The growth of our business relies significantly on our ability to increase the number of TrueCar Certified Dealers 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.

Our ability to grow the number of TrueCar Certified Dealers, both on an overall basis and by brand in important geographies, is an important factor in growing our business. As described elsewhere in this "Risk Factors" section, we are a new participant in the automobile retail industry, our business has sometimes been viewed in a negative light by car dealerships, and there can be no assurance that we will be able to maintain or grow the number of car dealers in our network.

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 within our network submits a price to us 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 they ceased withholding advertising allowances from our TrueCar Certified Dealers, discord with specific car manufacturers impedes our ability to grow our dealer network. 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

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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 harm our growth.

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, such as automobile trade-ins, financing, leasing, maintenance and insurance, 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, such as TrueTrade, TrueLoan and TrueLease, 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 example, USAA, our largest stockholder and most significant affinity group marketing partner, offers financing and insurance products for its members. 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 third party ancillary product offerings, our growth rate, revenue and operating performance may be harmed.

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, 2013, approximately 25% 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.

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

Seasonality may cause fluctuations in our unique visitors, revenue and operating results.

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 may 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

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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 an 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.

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 infrastructure and content delivery. We may experience significant interruptions with our systems in the future. 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

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inhibit the ability of consumers to access our products. Problems with the reliability or security of our systems could harm our reputation, result in a loss of consumers, dealers and affinity group marketing partners, and result in additional costs.

Substantially all of the communications, network, and computer hardware used to operate our website and mobile applications 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. For example, we have filed a claim for trademark infringement and related matters against Sonic Automotive, Inc. 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" Internet domain name and various other related domain names. The regulation of domain names in the United States is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain all domain names that use the name TrueCar.

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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.

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.

We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of our executives and employees, including Scott Painter, our Founder and Chief Executive Officer. 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 addition, 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. 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 or retaining and motivating existing employees, our business could be materially and adversely affected.

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

As a public company we will 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 subsequently implemented by the SEC and NASDAQ impose various requirements on public companies, including requiring changes in corporate governance practices. Our management and other personnel will need to 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

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activities more time consuming and costly. For example, we expect these rules and regulations to 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.

In addition, the Sarbanes-Oxley Act requires, among other things, that we assess the effectiveness of our internal control over financial reporting annually and the effectiveness of our disclosure controls and procedures quarterly. In particular, beginning with the year ending December 31, 2015, we will need to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm potentially to attest to, the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, or Section 404. As an "emerging growth company" we may elect to avail ourselves of the exemption from the requirement that our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. However, we may no longer avail ourselves of this exemption when we cease to be an "emerging growth company" and, 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 will require 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 are not able to comply with the requirements of Section 404 applicable to us in a timely manner, or 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 deficiencies 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;

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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;

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 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 \$85.1 million at December 31, 2013. 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.

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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 \$122.7 million and state net operating loss carryforwards of approximately \$106.3 million at December 31, 2013. The federal and state net operating loss carryforwards expire beginning in the years ending December 31, 2026 and 2014, respectively. At December 31, 2013, 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 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 earn net 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 this offering or future 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 this Offering and Our Common Stock

Concentration of ownership among our existing executive officers, directors, and their affiliates may prevent new investors from influencing significant corporate decisions.

Upon completion of this offering, our executive officers, directors, and holders of 5% or more of our outstanding common stock will beneficially own, in the aggregate, approximately % 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 will be 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 may be volatile, and you could lose all or part of your investment.

The trading price of our common stock following this offering may fluctuate substantially and may be higher or lower than the initial public offering price. The trading price of our common stock following this offering will depend 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 in this offering. 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;

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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;

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. In addition, in the past, following periods of volatility in the overall market and the market prices of a particular company's securities, securities class action litigations have often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Substantial future sales of shares of our common stock by existing stockholders 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. Based on shares outstanding at December 31, 2013, upon completion of this offering we will have

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outstanding approximately _____ shares of common stock, approximately _____ of which are subject to the 180-day contractual lock-up more fully described in "Underwriting." Goldman, Sachs & Co. and J.P. Morgan Securities LLC may permit our officers, directors, employees and current stockholders to sell shares prior to the expiration of the lock-up agreements. After this offering, holders of an aggregate of _____ shares of our common stock at December 31, 2013, will have rights, 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. Substantially all of these shares are subject to the 180-day contractual lock-up referred to above.

In addition, the shares of common stock subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. See "Shares Eligible for Future Sale" for a more detailed description of sales that may occur in the future.

If a substantial number of shares are sold, or if it is perceived that they will be sold, in the public market, before or after the expiration of the 180-day contractual lock-up period, the trading price of our common stock could decline substantially.

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 or will 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 or will 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.

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We may invest or spend the proceeds of this offering in ways with which you may not agree or in ways which may not yield a return.

The net proceeds from the sale of our shares of common stock by us in this offering may be used for general corporate purposes, including working capital. We may also use a portion of the net proceeds to acquire complementary businesses, products, services, or technologies. However, we do not have any agreements or commitments for any acquisitions at this time. Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The net proceeds may be invested with a view towards long-term benefits for our stockholders and this may not increase our operating results or market value. Until the net proceeds are used, they may be placed in investments that do not produce significant income or that may lose value.

Purchasers in this offering will experience immediate and substantial dilution in the book value of their investment.

The anticipated initial public offering price of our common stock of \$ _____ per share, which is the midpoint of the estimated offering range set forth on the cover page of this prospectus, is substantially higher than the net tangible book value per share of our outstanding common stock immediately after this offering. Therefore, if you purchase our common stock in this offering, you will incur immediate dilution of \$ _____ in the net tangible book value per share from the price you paid. In addition, following this offering, purchasers who bought shares from us in the offering will have contributed _____ % of the total consideration paid to us by our stockholders to purchase shares of common stock in exchange for acquiring approximately _____ % of our total outstanding shares at December 31, 2013 after giving effect to this offering. The exercise of outstanding stock options and warrants will result in further dilution.

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 will be 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.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY AND MARKET DATA

This prospectus 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," "projects," "seeks," "should," "target," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements contained in this prospectus include, but are not limited to, statements about:

our future financial performance, including 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;

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;

the impact of competition in our industry and innovation by our competitors;

our anticipated growth and growth strategies and our ability to effectively manage that growth;

our ability to sell our products and expand internationally;

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 to expand our operations;

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;

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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 increased expenses 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;

our spending of the net proceeds from this offering;

the estimates and estimate methodologies used in preparing our consolidated financial statements and determining option exercise prices; and

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the future trading prices of our common stock and the impact of securities analysts' reports on these prices.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this prospectus primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results and growth prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" and elsewhere in this prospectus. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this prospectus. Further, our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this prospectus relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this prospectus to reflect events or circumstances after the date of this prospectus or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements.

This prospectus also contains estimates and other statistical data, including those relating to our industry and the market in which we operate, that we have obtained or derived from industry publications and reports, including reports from Automotive News, Borrell Associates, J.D. Power and Associates, NADA, R.L. Polk & Co., and other publicly available information. These industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates, as there is no assurance that any of them will be reached. Based on our industry experience, we believe that the publications and reports are reliable and that the conclusions contained in the publications and reports are reasonable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause our actual results to differ materially from those expressed in the industry publications and reports.

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USE OF PROCEEDS

We estimate that the net proceeds from the sale of _____ shares of our common stock in this offering will be \$ _____ million, based on an assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses. If the underwriters' option to purchase additional shares from us is exercised in full, we estimate that our net proceeds would be \$ _____ million, after deducting estimated underwriting discounts and commissions and estimated offering expenses. We will not receive any proceeds from the sale of shares by the selling stockholder.

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share would increase or decrease the net proceeds that we receive from this offering by \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions. Similarly, each increase or decrease of one million shares in the number of shares of common stock offered by us would increase or decrease the net proceeds that we receive from this offering by \$ _____ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions.

The principal purposes of this offering are to increase our financial flexibility, improve brand awareness, create a public market for our common stock and facilitate our future access to the public capital markets. We currently intend to use the net proceeds from this offering primarily for general corporate purposes, including working capital, operating expenses and capital expenditures. We may also use a portion of the net proceeds to acquire or invest in complementary technologies, solutions, products, services, businesses or other assets, although we have no present commitments or agreements to enter into any acquisitions or investments. The amount and timing of our actual expenditures will depend on numerous factors, including the cash used in or generated by our operations, the pace of our expansion plans, and our investments and acquisitions.

We cannot specify with certainty all of the particular uses of the net proceeds from this offering. Accordingly, we will have broad discretion in using these proceeds. Pending these uses, we intend to invest the net proceeds from this offering in short-term and intermediate-term, investment-grade interest-bearing securities and obligations, such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government. We cannot predict whether the invested proceeds will yield a favorable return.

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 our current restriction under our credit facility, and other factors that our board of directors may deem relevant.

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The following table sets forth our consolidated cash and cash equivalents and capitalization at of December 31, 2013 on:

an actual basis;

on a pro forma basis to reflect (i) the automatic conversion of all outstanding shares of our Series A Preferred Stock into 4,285,715 shares of our common stock immediately prior to the closing of this offering and (ii) the filing of our amended and restated certificate of incorporation in Delaware, which will occur in connection with the completion of this offering; and

on a pro forma as adjusted basis giving effect to the pro forma adjustments set forth above and to reflect our receipt of the net proceeds from our sale of _____ shares of common stock in this offering at an assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the front cover of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

The information below is illustrative only and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing. You should read this table together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes appearing elsewhere in this prospectus.

	At December 31, 2013		
	Actual	Pro Forma	Pro Forma As Adjusted(1)
	(In thousands)		
Cash and cash equivalents	\$ 43,819	\$ 43,819	\$
Total indebtedness	\$ 4,764	\$ 4,764	\$
Convertible preferred stock, \$0.0001 par value; 4,500,000 shares authorized, 4,285,715 shares issued and outstanding; no shares issued and outstanding pro forma and pro forma as adjusted	29,224		
Stockholders' equity:			
Common stock, \$0.0001 par value; 150,000,000 shares authorized, 89,933,301 shares issued and outstanding, actual; 150,000,000 shares authorized, 94,219,016 shares issued and outstanding, pro forma; and _____ shares authorized, _____ shares issued and outstanding, pro forma as adjusted	9	9	
Additional paid-in capital	275,800	305,024	
Notes receivable from related party	(1,069)	(1,069)	
Accumulated deficit	(162,560)	(162,560)	
Total stockholders' equity	112,180	141,404	
Total capitalization	\$ 146,168	\$ 146,168	\$

(1) Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth

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on the cover page of this prospectus, would increase or decrease each of cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$ _____ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions. Similarly, each increase or decrease of one million shares in the number of shares offered by us in this offering would increase or decrease, as applicable, cash and cash equivalents, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$ _____ million, assuming an initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions.

The number of shares of our common stock set forth in the table above excludes:

27,545,464 shares of common stock issuable upon the exercise of options outstanding at December 31, 2013, with a weighted average exercise price of \$3.26 per share;

4,641,260 shares of common stock issuable upon the exercise of options granted after December 31, 2013, with a weighted average exercise price of \$6.16 per share;

_____ shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of (i) 7,264,880 shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Plan (the "2005 Stock Plan") at December 31, 2013 (after giving effect to an increase of 11,000,000 shares of our common stock reserved for issuance under our 2005 Stock Plan after December 31, 2013 and the grant of options to purchase 4,641,260 shares of common stock after December 31, 2013), which shares will be added to the shares to be reserved under our 2014 Equity Incentive Plan, (ii) _____ shares of common stock reserved for future issuance under our 2014 Equity Incentive Plan, which will become effective in connection with this offering, and (iii) _____ shares that become available under our 2014 Equity Incentive Plan, pursuant to provisions thereof that automatically increase the share reserves under the plan each year, as more fully described in "Executive Compensation Employee Benefits and Stock Plans";

8,896,142 shares of common stock issuable upon the exercise of warrants outstanding at December 31, 2013, with a weighted average exercise price of \$3.63 per share; and

65,000 shares of common stock issuable upon the exercise of warrants issued after December 31, 2013, with a weighted average exercise price of \$8.43 per share.

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DILUTION

If you invest in our common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after this offering. Net tangible book value dilution per share to new investors represents the difference between the amount per share paid by purchasers of shares of common stock in this offering and the pro forma as adjusted net tangible book value per share of common stock immediately after completion of this offering.

Our historical net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of common stock outstanding. Our historical net tangible book value at December 31, 2013 was \$56.3 million, or \$0.63 per share. Our pro forma net tangible book value per share is determined by dividing our total tangible assets less our total liabilities by the number of shares of common stock outstanding, assuming the automatic conversion of all outstanding shares of our Series A Preferred Stock into 4,285,715 shares of our common stock immediately prior to the closing of this offering.

After giving effect to the sale by us of _____ shares of our common stock in this offering at the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses, our pro forma net tangible book value at December 31, 2013 would have been approximately \$ _____ million, or \$ _____ per share. This represents an immediate increase in pro forma net tangible book value of \$ _____ per share to our existing stockholders and an immediate dilution of \$ _____ per share to investors purchasing shares of common stock in this offering at the assumed initial public offering price.

The following table illustrates this dilution:

Assumed initial public offering price per share	\$
Pro forma net tangible book value per share at December 31, 2013	\$ 0.60
Increase in pro forma net tangible book value per share attributable to new investors in this offering	
Pro forma net tangible book value per share immediately after this offering	\$
Dilution in pro forma net tangible book value per share to new investors in this offering	\$

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share, which is the midpoint of the estimated offering price range set forth on the cover page of this prospectus, would increase or decrease, as applicable, our pro forma net tangible book value per share to new investors by \$ _____, and would increase or decrease, as applicable, dilution per share to new investors in this offering by \$ _____, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions. In addition, to the extent any outstanding options to purchase common stock are exercised, new investors will experience further dilution.

If the underwriters exercise their option to purchase additional shares from us in full, the pro forma net tangible book value per share of our common stock immediately after this offering would be \$ _____ per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be \$ _____ per share.

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The following table summarizes, on a pro forma basis at December 31, 2013, the total number of shares of common stock purchased from us, the total consideration paid to us, and the average price per share paid to us by existing stockholders and by new investors purchasing shares in this offering at the initial public offering price of \$ _____ per share, the midpoint of the price range set forth on the front cover of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses:

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Existing stockholders			% \$		% \$
New investors					
Total			% \$		% \$

Each \$1.00 increase or decrease in the assumed initial public offering price of \$ _____ per share would increase or decrease the total consideration paid by new investors and total consideration paid by all stockholders by approximately \$ _____ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions. In addition, to the extent any outstanding options to purchase common stock are exercised, new investors will experience further dilution.

The sale of shares of common stock by the selling stockholder in this offering will reduce the number of shares of common stock held by existing stockholders to _____, or approximately _____ % of the total shares of common stock outstanding after this offering, and will increase the number of shares held by new investors to _____, or approximately _____ % of the total shares of common stock outstanding after this offering.

If the underwriters exercise their option to purchase additional shares from us in full, our existing stockholders would own _____ % and our new investors would own _____ % of the total number of shares of our common stock outstanding upon the completion of this offering.

The foregoing discussion and tables exclude:

27,545,464 shares of common stock issuable upon the exercise of options outstanding at December 31, 2013, with a weighted average exercise price of \$3.26 per share;

4,641,260 shares of common stock issuable upon the exercise of options granted after December 31, 2013, with a weighted average exercise price of \$6.16 per share;

_____ shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of (i) 7,264,880 shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Plan (the "2005 Stock Plan") at December 31, 2013 (after giving effect to an increase of 11,000,000 shares of our common stock reserved for issuance under our 2005 Stock Plan after December 31, 2013 and the grant of options to purchase 4,641,260 shares of common stock after December 31, 2013), which shares will be added to the shares to be reserved under our 2014 Equity Incentive Plan, (ii) _____ shares of common stock reserved for future issuance under our 2014 Equity Incentive Plan, which will become effective in connection with this offering, and (iii) _____ shares that become available under our 2014 Equity Incentive Plan, pursuant to provisions thereof that automatically increase the share reserves under the plan each year, as more fully described in "Executive Compensation Employee Benefits and Stock Plans";

8,896,142 shares of common stock issuable upon the exercise of warrants outstanding at December 31, 2013, with a weighted average exercise price of \$3.63 per share; and

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65,000 shares of common stock issuable upon the exercise of warrants issued after December 31, 2013, with a weighted average exercise price of \$8.43 per share.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

We have derived the following selected consolidated statement of operations data for the years ended December 31, 2011, 2012 and 2013 and the selected consolidated balance sheet data at December 31, 2012 and 2013 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated balance sheet data at December 31, 2011 from our audited consolidated financial statements which are not included in this prospectus. We have derived the selected consolidated statement of operations data for the years ended December 31, 2009 and 2010 and the selected consolidated balance sheet data at December 31, 2009 and 2010 from our unaudited consolidated financial statements which are not included in this prospectus. 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 and related notes included elsewhere in this prospectus.

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	Year Ended December 31,				
	2009	2010(1)	2011(2)(3)	2012	2013
	(in thousands, except per share amounts)				
Consolidated Statements of Operations Data:					
Revenues	\$ 15,831	\$ 38,149	\$ 76,330	\$ 79,889	\$ 133,958
Cost and operating expenses:					
Cost of revenue (exclusive of depreciation and amortization presented separately below)(4)	1,360	3,315	7,660	13,559	15,295
Sales and marketing(4)	8,866	18,751	41,992	70,327	75,180
Technology and development(4)	6,597	7,407	18,457	21,960	23,685
General and administrative(4)	5,180	11,480	21,912	34,228	30,857
Depreciation and amortization	625	1,086	4,148	11,768	11,569
Total costs and operating expenses	22,628	42,039	94,169	151,842	156,586
Loss from operations	(6,797)	(3,890)	(17,839)	(71,953)	(22,628)
Interest income	94	109	199	229	121
Interest expense	(123)	(73)	(66)	(3,359)	(1,988)
Other income (expense)	(45)	4	(20)	(18)	18
Change in fair value of preferred stock warrant liability	51	(524)	(1,882)		
Loss before (provision) benefit for income taxes	(6,820)	(4,374)	(19,608)	(75,101)	(24,477)
(Provision) benefit for income taxes		(73)	10,690	606	(579)
Net loss	\$ (6,820)	\$ (4,447)	\$ (8,918)	\$ (74,495)	\$ (25,056)
Cumulative dividends on Series B, Series C and Series D Preferred Stock					
	(2,511)	(3,180)	(2,370)		
Net loss attributable to non-controlling interest	1,099	877			
Net loss attributable to common stockholders of TrueCar, Inc.	\$ (8,232)	\$ (6,750)	\$ (11,288)	\$ (74,495)	\$ (25,056)
Net loss per share attributable to common stockholders of TrueCar, Inc.:					
Basic and diluted(5)	\$ (2.29)	\$ (0.95)	\$ (0.33)	\$ (0.89)	\$ (0.29)

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(5)	3,600	7,071	34,235	83,742	87,810
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Pro forma net loss per share:

Basic and diluted (unaudited)(5)					\$ (0.28)
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Pro forma weighted average common shares outstanding

Basic and diluted (unaudited)(5)					88,280
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Other Financial Information:

Adjusted EBITDA(6)	\$ (5,191)	\$ 1,712	\$ (3,538)	\$ (46,523)	\$ 2,140
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(1)

On June 1, 2010, we acquired the remaining non-controlling interest in TrueCar.com, Inc.

(2)

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 \$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

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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.

(3) In 2011, we completed the acquisitions of Carperks, Honk, and ALG. See Note 3 to our consolidated financial statements for information regarding the purchase accounting associated with these acquisitions.

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

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Cost of revenue	\$	\$	\$	\$	\$
Sales and marketing	223	272	1,076	1,571	2,561
Technology and development	214	41	1,096	1,428	1,762
General and administrative	170	1,214	3,989	7,199	4,882
Total stock-based compensation expense	\$ 607	\$ 1,556	\$ 6,208	\$ 10,320	\$ 9,346

(5) See Note 2 to our audited consolidated financial statements for an explanation of the calculations of our basic and diluted net loss per share of common stock, and pro forma basic and diluted net loss per share attributable to common stockholders.

(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."

	At December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Selected Consolidated Balance Sheet Data					
Cash and cash equivalents and short term investments	\$ 6,155	\$ 15,791	\$ 42,881	\$ 22,062	\$ 43,819
Working capital (deficit), excluding restricted cash	8,178	14,930	39,118	(9,290)	36,637
Property and equipment, net	1,475	3,354	13,720	12,842	15,238
Total assets	17,659	28,338	180,165	145,244	174,750
Total indebtedness	1,500			23,696	4,764
Convertible preferred stock	48,659	59,575			29,224
Contingently redeemable common stock(1)				1,000	
Total stockholders' (deficit) equity	(36,570)	(38,444)	158,769	98,196	112,180

(1) See Note 9 of our audited financial statements included elsewhere in this prospectus for more information about contingently redeemable common stock.

Non-GAAP Financial Measures

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Adjusted EBITDA is a financial measure that is not calculated in accordance with generally accepted accounting principles in the United States, or GAAP. We define Adjusted EBITDA as net

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loss adjusted to exclude interest income, interest expense, income taxes, depreciation and amortization, change in the fair value of preferred stock warrant liability, stock-based compensation, non-cash warrant expense, change in the fair value of contingent consideration, and transaction costs from acquisitions. We have provided below a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure. Adjusted EBITDA should not 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 measure may not be comparable to similarly titled measures of other organizations as they may not calculate Adjusted EBITDA in the same manner as we calculate the measure.

We have included Adjusted EBITDA in this prospectus as it is an important measure used by our management and board of directors to assess our operating performance. We believe that using Adjusted EBITDA facilitates operating performance comparisons on a period-to-period basis because this measure excludes variations primarily caused by changes in our capital structure, income taxes, depreciation and amortization, changes in fair values of preferred stock warrant liability and contingent consideration, transaction costs from acquisitions, and stock-based compensation expense. In addition, we believe that Adjusted EBITDA 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 Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute of 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;

Adjusted EBITDA does not reflect 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;

Adjusted EBITDA does not 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 differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including various cash flow metrics, net loss and our other GAAP results. In addition, in evaluating Adjusted EBITDA, 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 you should not infer from our presentation of Adjusted EBITDA 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 Adjusted EBITDA to net loss for each of the periods presented:

	Year Ended December 31,				
	2009	2010	2011	2012	2013
	(in thousands)				
Reconciliation of Adjusted EBITDA to Net Loss:					
Net loss	\$ (6,820)	\$ (4,447)	\$ (8,918)	\$ (74,495)	\$ (25,056)
Non-GAAP adjustments:					
Interest income	(94)	(109)	(199)	(229)	(121)
Interest expense	123	73	66	3,359	1,988
Depreciation and amortization	625	1,086	4,148	11,768	11,569
Change in fair value of preferred stock warrant liability	(51)	524	1,882		
Warrant expense	419	2,956	2,112	1,990	3,740
Transaction costs from acquisitions			1,853		
Change in fair value of contingent consideration				1,370	95
Stock-based compensation	607	1,556	6,208	10,320	9,346
Provision (benefit) for income taxes		73	(10,690)	(606)	579
Adjusted EBITDA	\$ (5,191)	\$ 1,712	\$ (3,538)	\$ (46,523)	\$ 2,140

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**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 elsewhere in this prospectus. 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 in this prospectus. See "Special Note Regarding Forward-Looking Statements."

Overview

Our mission is to transform the car-buying experience for consumers and the way that dealers attract customers and sell cars. 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 via our TrueCar.com website. In addition, we customize and operate our platform for affinity group marketing partners, such as USAA and Consumer Reports, financial institutions, and large enterprises such as Boeing and Verizon. 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 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 of car, 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.

During the year ended December 31, 2013, we generated revenues of \$134.0 million and recorded a net loss of \$25.1 million. Of the \$134.0 million in revenues, 89% consisted of transaction revenues with the remaining 11% derived primarily from the sale of data and consulting services to the automotive and financial services industries. 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.

From inception in February 2005 through 2010, we developed our car-buying platform under our then corporate name Zag.com Inc. In 2006, we launched a car-buying program for affinity group marketing partners; our affinity group marketing partners have subsequently grown to include USAA (2007), Consumer Reports (2010) and Pentagon Federal Credit Union (2010). We also devoted substantial resources during this period to the build-out of our national dealer network and the cultivation of additional affinity group relationships.

Late in 2008, we began to invest in a direct-to-consumer channel under the branded website TrueCar.com. We launched TrueCar.com with the continuing goal of establishing the premier destination for consumers seeking vehicle pricing information and historical context about what others paid for the same car in their local areas. Subsequently, we integrated the users of TrueCar.com into our car-buying platform, allowing them to connect to the same national dealer network that had been built for our affinity group marketing partners. During the period from 2010 to the present, we have devoted significant resources to building awareness of the TrueCar brand through consumer marketing, including television, radio, digital and other media.

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During 2011, we substantially increased our sales and marketing expenditures in order to accelerate the growth of our user base and transaction revenue derived from TrueCar.com. We also invested significantly in technology and development activities to improve the consumer experience on our platform. As part of these efforts to grow our business, in the fourth quarter of 2011 we launched a \$7.8 million national television advertising campaign promoting TrueCar.com. As a result, our transaction revenue on TrueCar.com grew dramatically in the fourth quarter of 2011 as compared to the prior quarters of 2011. Despite this revenue growth, the significant investments in advertising and technology resulted in higher net losses in the fourth quarter of 2011 as compared to prior periods.

In October 2011, we acquired ALG, which provides data analytics and consulting services to the automotive and financial services industries related to residual value forecasting.

In October 2011, we entered into an Automotive Website Program Partnership Agreement with Yahoo! Inc. or Yahoo!. Under the agreement, we agreed to host Yahoo!'s Auto Buying Program and pay a minimum of \$50.0 million annually beginning January 1, 2012 for a period of three years in exchange for a guarantee by Yahoo! of the delivery of specified quantities of unique visitors and users to the Auto Buying Program. In the course of hosting Yahoo!'s Auto Buying Program, we found that the unique visitors from Yahoo! that used our platform were less likely to purchase a car from one of our TrueCar Certified Dealers than users from other marketing channels. We therefore referred many of these users to other car buying websites, in separately negotiated transactions, and we generated lead referral fees from these separate transactions. As this business model was not considered strategic to our long-term growth plans, we modified our agreement with Yahoo! in June 2012, significantly reducing our obligations under the agreement, and also reducing the number of unique visitors provided by Yahoo! to our platform. The modification eliminated the annual minimum guarantee of \$50.0 million and provided that we pay Yahoo! a marketing fee based on future vehicle sales generated through the automotive site. The Yahoo! agreement and modification are described more fully in Note 8 to the Company's Consolidated Financial Statements included elsewhere in this prospectus.

Our television advertising campaign increased awareness of our products and services among consumers, dealers, dealer trade associations and automotive retail consultants. This publicity led to increased focus on the effects of our business model on dealers and our regulatory compliance, resulting in inquiries from state regulators concerning our business practices. Consequently, some dealers became concerned about the potential effect of such regulatory inquiries on their own businesses. Other industry sources publicly expressed concern that our services would reduce profits for all automobile dealers. As a result, many dealers cancelled their agreements with us, reducing our franchise dealer count from 5,571 at November 30, 2011 to 3,599 at February 28, 2012. The significant reduction in the number of TrueCar Certified Dealers resulted in decreases in our revenues and, together with the cost structure we had built to support our anticipated growth, increased net losses during the first half of 2012.

In response to these dealer and regulatory concerns, we invested heavily in regulatory compliance activities and proactively entered into discussions with our network of TrueCar Certified Dealers and other industry participants. We moved to subscription-based billing arrangements in a number of states. In certain states, we redesigned our products and services and changed our advertising approach to address these concerns. We also hired a former dealer trade association executive and established a dealer council to help manage our dealer relations efforts and increase our presence in the industry. By the second quarter of 2012, we began to add more TrueCar Certified Dealers to our network each quarter, with our TrueCar Certified Dealer count rising to 5,306 at December 31, 2012.

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In light of the decline in franchise dealer count and the decline in associated revenues, we suspended television advertising and instituted a plan in early 2012 to reduce non-essential and non-productive operating expenses. By the third quarter of 2012, we had made significant progress in reducing expenses in each of our major operating expense categories. Beginning in the fourth quarter of 2012, with a growing network of TrueCar Certified Dealers, we resumed our investments in both television advertising campaigns and digital acquisition channels designed to grow our business. As a result, we achieved sequential revenue growth in each quarter from the second quarter of 2012 through the fourth quarter of 2013 and achieved positive Adjusted EBITDA for 2013. We believe that these continued investments in advertising improve our ability to grow our business and revenues over time, although in any given period increases in revenue resulting from these investments may trail the increase in our expenses and therefore our losses may increase in any quarter.

We intend to grow TrueCar.com traffic by building our brand through marketing campaigns that emphasize the value of trust and transparency in the car-buying process and the benefits of transacting with TrueCar Certified Dealers. We will seek to increase the number of transactions on our platform by enhancing the user experience while expanding and improving the geographic coverage of our network of TrueCar Certified Dealers. Over time, we intend to increase monetization opportunities by introducing additional products and services to improve the car-buying and car-ownership experience.

Presentation of Financial Statements

Our consolidated financial statements include the accounts of our wholly owned subsidiaries in accordance with 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 data 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.

Key Metrics

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,		
	2011	2012	2013
Average Monthly Unique Visitors	1,322,815	1,659,435	2,780,849
Units	239,470	222,683	399,919
Monetization	\$ 297	\$ 291	\$ 297
Franchise Dealer Count	4,916	5,306	6,651

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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 67.6% to approximately 2.8 million in the year ended December 31, 2013 from approximately 1.7 million in the year ended December 31, 2012. 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 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. On occasion, we issue to our TrueCar Certified Dealers credits or sales adjustments with respect to units sold. However, our determination of units, is not adjusted for these credits as not all credits we provide to our Certified Dealers are aligned with individual units sold. 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.

The number of units increased 79.6% to 399,919 in the year ended December 31, 2013 from 222,683 in the year ended December 31, 2012. 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. In the periods discussed, our monetization has been relatively constant. We expect our monetization to be affected in the future by 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. We view

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our ability to increase our franchise dealer count as an indicator of our market penetration and the likelihood of converting users of our platform into unit sales. 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 6,651 at December 31, 2013 from 5,306 at December 31, 2012. We attribute this growth in our franchise dealer count to the continued effectiveness of our dealer sales team, increased brand awareness, and product enhancements.

Components of Operating Results

Revenues

Our revenues are comprised of transaction revenues, and data 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. Certain subscription fee arrangements provide that the dealer pay a subscription fee based on a specified number of vehicle sales or consumer introductions expected to be generated from our TrueCar.com site or our affinity group marketing partner sites over the subscription period. The subscription fee is generally subject to adjustment for any shortfall of sales or introductions generated, adjusted monthly.

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.

Data and Other Revenue. We derive this type of revenue primarily from providing data and consulting services to the automotive and financial services industries that is typically related to determining 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. 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 development 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 advertising; affinity group partner marketing fees; loan subvention costs where we pay certain affinity group marketing partners a portion of consumers' borrowing costs for car loan products

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offered by these affinity group marketing partners; marketing sponsorship programs; and digital customer acquisition. In addition, sales and marketing expenses include employee related expenses including salaries, bonuses, benefits and stock-based compensation expenses for sales, customer support, marketing and public relations employees, third-party contractor fees, and allocated overhead. Sales and marketing expenses also include costs related to common stock warrants issued to our affinity group marketing partner, USAA, as part of our commercial arrangements with it. See "Certain Relationships, Related Party And Other Transactions Strategic Partnerships United Services Automobile Association" for a description of such arrangements. 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 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 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, 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 development 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 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 6 and 7 of our consolidated financial statements included elsewhere in this prospectus for more information about our debt obligations.

Change in Fair Value of Preferred Stock Warrant Liability. Change in the fair value of the preferred stock warrant liability includes charges from the re-measurement of our warrant liability to fair value at each period end. While these warrants were initially to purchase preferred stock, they were converted into warrants to purchase common stock in August 2011 in connection with the conversion of all our then outstanding shares of convertible preferred stock into shares of common stock. Following that conversion, the liability associated with the preferred stock warrants was reclassified as additional paid-in capital and, as such, we have not incurred, and do not expect in the future to incur, additional charges associated with the change in fair value of the preferred stock warrant liability.

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 at December 31, 2013 and 2012 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

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expense) is significantly less than the federal statutory rate of 34%. Our benefit for income taxes in 2011 reflected a partial release of the valuation allowance as a result of deferred tax liabilities recognized from the acquisition of ALG being an available source of income to realize a portion of our deferred tax assets. Our benefit from income taxes in 2012 reflected a tax benefit associated with a beneficial conversion feature on our convertible notes which was partially offset by tax expense related to the amortization of tax deductible goodwill. Our provision for income taxes in 2013 reflected 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 \$122.7 million and state net operating loss carryforwards of approximately \$106.3 million at December 31, 2013.

See Note 11 of our audited financial statements included elsewhere in this prospectus 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.

	2011	Year Ended December 31, 2012	2013
	(in thousands)		
Consolidated Statements of Operations Data:			
Revenues	\$ 76,330	\$ 79,889	\$ 133,958
Costs and operating expenses:			
Cost of revenue (exclusive of depreciation and amortization presented separately below)	7,660	13,559	15,295
Sales and marketing	41,992	70,327	75,180
Technology and development	18,457	21,960	23,685
General and administrative	21,912	34,228	30,857
Depreciation and amortization	4,148	11,768	11,569
Total costs and operating expenses	94,169	151,842	156,586
Loss from operations	(17,839)	(71,953)	(22,628)
Interest income	199	229	121
Interest expense	(66)	(3,359)	(1,988)
Other income (expense), net	(20)	(18)	18
Change in fair value of preferred stock warrant liability	(1,882)		
Loss before benefit (provision) for income taxes	(19,608)	(75,101)	(24,477)
Benefit (provision) for income taxes	10,690	606	(579)
Net loss	\$ (8,918)	\$ (74,495)	\$ (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,		
	2011	2012	2013
Revenues	100%	100%	100%
Costs and operating expenses:			
Cost of revenue (exclusive of depreciation and amortization presented separately below)	10	17	11
Sales and marketing	55	88	56
Technology and development	24	27	18
General and administrative	29	43	23
Depreciation and amortization	5	15	9
Loss from operations	(23)	(90)	(17)
Interest income	*	*	*
Interest expense	*	(4)	(1)
Other income (expense), net	*	*	*
Change in fair value of preferred stock warranty liability	(2)	*	*
Loss before benefit (provision) for income taxes	(26)	(94)	(18)
Benefit (provision) for income taxes	14	1	*
Net loss	(12)%	(93)%	(19)%

*
Less than 0.5% of revenues

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

	Year Ended December 31,		Change	
	2012	2013	\$	%
	(dollars in thousands)			
Transaction revenue	\$ 64,703	\$ 118,713	\$ 54,010	83.5%
Data and other revenue	15,186	15,245	59	0.4%
Revenues	\$ 79,889	\$ 133,958	\$ 54,069	67.7%

The increase in our revenues for 2013 as compared to 2012 reflected the substantial increase in our transaction revenue. Transaction revenue and data and other revenue comprised 88.6% and 11.4%, respectively, of revenues for 2013 as compared to 81.0% and 19.0%, respectively, for 2012. The increase in transaction revenue for 2013 primarily reflected the 79.6% increase in units due to the level of marketing spend and the increase in the number of Certified TrueCar Dealers, product enhancements, and the overall growth in sales of the automotive industry. Our average monthly unique visitors grew 67.6% from 1,659,435 during 2012 to 2,780,849 during 2013, reflecting our increased advertising expenses which improved brand awareness and the visibility of our car buying services to the member base of our affinity group marketing partners. Our franchise dealer count grew 25.3% from 5,306 at December 31, 2012 to 6,651 at December 31, 2013, reflecting the ongoing adoption of our service among dealers. Our monetization was relatively stable between these periods as our pricing and the mix between new and used car units was relatively consistent.

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Data and other revenue was consistent for 2013 as compared to 2012 and reflected a \$2.1 million decrease in lead referral fees arising from the modification of our marketing arrangement with Yahoo! in June 2012 pursuant to which we had generated revenue by referring Yahoo! traffic to other commercial websites. This decrease was more than offset by a \$2.2 million increase in revenue due to improved pricing of our renewal data and consulting service contracts.

Costs and Operating Expenses

Cost of Revenue (exclusive of depreciation and amortization)

	Year Ended December 31,		Change	
	2012	2013	\$	%
	(dollars in thousands)			
Cost of revenue (exclusive of depreciation and amortization)	\$ 13,559	\$ 15,295	\$ 1,736	12.8%

Cost of revenue (exclusive of depreciation and amortization) as a percentage of revenues 17.0% 11.4%

The increase in cost of revenue for 2013 as compared to 2012 primarily reflected a \$1.0 million increase in data costs and licensing fees to support the growth of our business, and a \$0.5 million increase in employee related costs primarily due to increases in headcount. The decline in cost of revenues as a percentage of revenues in 2013 from 2012 reflected operating leverage due to the increased proportion of transaction revenues in 2013. Although we expect our cost of revenue to increase in dollar amount as we add additional data sources, we believe that the nature of our cost structure will enable us to continue to realize operating leverage in our business over time.

Sales and Marketing Expenses

	Year Ended December 31,		Change	
	2012	2013	\$	%
	(dollars in thousands)			
Sales and marketing expenses	\$ 70,327	\$ 75,180	\$ 4,853	6.9%

Sales and marketing expenses as a percentage of revenues 88.0% 56.1%

The increase in sales and marketing expenses for 2013 as compared to 2012 reflected a \$14.4 million increase in advertising and promotional activities primarily due to increased television and online marketing spend to grow the TrueCar.com brand, a \$10.1 million increase in affinity partner marketing fees as a result of the 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 purchase a vehicle from a TrueCar Certified Dealer, a \$2.8 million increase in employee related expenses primarily due to increased bonus expenses tied to our improved financial results and headcount increases and an increase in stock-based compensation due to additional stock-based awards, and an increase of \$0.9 million in warrant expense associated with our media and marketing services agreement with a direct marketing firm. These increases in sales and expenses were partially offset by a decrease of \$20.0 million of spend associated with our marketing arrangement with Yahoo! that was modified in June 2012, and a \$3.4 million reduction in our corporate sponsorship expense as a result of terminating certain sponsorship agreements that we deemed were ineffective. We expect sales and marketing expenses to continue to increase in dollar amount due to increased television and radio advertising, digital customer acquisition costs, affinity group marketing partner fees and marketing programs as we grow our business.

Table of Contents*Technology and Development Expenses*

	Year Ended December,		Change	
	2012	2013	\$	%
	(dollars in thousands)			
Technology and development expenses	\$ 21,960	\$ 23,685	\$ 1,725	7.9%

Technology and development expenses as a percentage of revenues	27.5%	17.7%
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Capitalized software costs	\$ 5,219	\$ 6,692	\$ 1,473	28.2%
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The increase in technology and development expenses for 2013 as compared to 2012 reflected an increase of \$2.5 million in employee related costs primarily due to increases in bonus expense arising from our improved financial results and to a lesser extent stock-based compensation associated with additional stock-based awards, and a \$0.8 million increase in software licensing expenses to support the growth of our business and platform. These increases were partially offset by a \$1.5 million increase in the amount of capitalized internally developed software costs which reduced technology and development expenses during the period. We expect our technology and development expenses to increase in dollar amount as we continue to increase our engineering headcount to 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.

General and Administrative Expenses

	Year Ended December 31,		Change	
	2012	2013	\$	%
	(dollars in thousands)			
General and administrative expenses	\$ 34,228	\$ 30,857	\$ (3,371)	(9.8)%

General and administrative expenses as a percentage of revenues	42.8%	23.0%
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The decrease in general and administrative expenses for 2013 as compared to 2012 reflected a decrease of \$2.3 million in stock-based compensation expense primarily due to the absence of a \$4.5 million stock-based compensation charge in March 2012 as a result of the modification of an equity award held by a former executive as part of his severance arrangement, partially offset by increased stock-based compensation expense associated with new awards issued in 2013. The decrease in general and administrative expenses for 2013 also reflected lower legal fees and other expenses associated with our regulatory compliance activities in 2012 of \$2.1 million and a \$1.3 million decrease in expenses associated with changes in fair value of the contingent consideration for our Carperks acquisition as a result of the modification of the agreement in December 2012. These decreases were partially offset by a \$1.3 million increase in employee related expenses, primarily due to increased bonus expenses arising from our improved financial results and increases in headcount to support the growth of our business, and a \$0.6 million legal settlement associated with a settlement entered into with a marketing sponsorship partner in November 2013. We expect our general and administrative expenses to increase in dollar amount as we increase the headcount in our financial, accounting, and legal organizations and add resources to support both the anticipated growth of our business and our public company reporting

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requirements. In addition, we expect to pay and recognize in full bonuses to certain executives totaling \$2.9 million in the quarter in which our initial public offering occurs.

Depreciation and Amortization Expenses

	Year Ended December 31,		Change	
	2012	2013	\$	%
(dollars in thousands)				
Depreciation and amortization expenses	\$ 11,768	\$ 11,569	\$ (199)	(1.7)%

Depreciation and amortization expenses for 2013 were consistent with 2012. Depreciation and amortization expenses reflected a \$0.9 million decrease in write-offs of capitalized internally developed software in 2013 compared to 2012, that was largely offset by an increase of \$0.7 million in amortization of internally developed software in 2013 driven by a full year of depreciation for assets capitalized in 2012 and increased software capitalization during 2013. The 2012 write-offs of internally developed software were due to software that provided functionality that was no longer used on our platform due to changes in our business. We expect our depreciation and amortization expenses to continue to be affected by the amount of our investment in capitalized internally developed software costs, property and equipment and the timing of placing projects in service.

Interest Expense

	Year Ended December 31,		Change	
	2012	2013	\$	%
(dollars in thousands)				
Interest expense	\$ 3,359	\$ 1,988	\$ (1,371)	(40.8)%

The decrease in interest expense for 2013 as compared to 2012 primarily reflected 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, and a decrease in the average outstanding balance of our short-term borrowings.

Benefit from (Provision for) Income Taxes

	Year Ended December 31,		Change	
	2012	2013	\$	%
(dollars in thousands)				
Benefit (provision) for income taxes	\$ 606	\$ (579)	\$ (1,185)	(195.5)%

Our provision for income taxes for the year ended December 31, 2013 reflected tax expense due to amortization of tax deductible goodwill that is not an available source of income to realize our deferred tax assets. Our benefit from income taxes for the year ended December 31, 2012 reflected a tax benefit associated with a beneficial conversion feature on our convertible notes of \$1.1 million which was partially offset by tax expense related to the amortization of tax deductible goodwill of \$0.5 million.

Table of Contents**Year Ended December 31, 2012 Compared to Year Ended December 31, 2011***Revenues*

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Transaction revenue	\$ 71,222	\$ 64,703	\$ (6,519)	(9.2)%
Data and other revenue	5,108	15,186	10,078	197.3%
Revenues	\$ 76,330	\$ 79,889	\$ 3,559	4.7%

The increase in our revenues for 2012 as compared to 2011 reflected a decrease in our transaction revenue that was more than offset by a substantial increase in our data and other revenue. Transaction revenue and data and other revenue comprised 81.0% and 19.0% of revenues in 2012 as compared to 93.3% and 6.7% of revenues in 2011. The decrease in transaction revenue in 2012 primarily reflected the 7.0% decrease in units, from 239,470 in 2011 to 222,683 in 2012, due primarily to dealer attrition that occurred in the first quarter of 2012. Our franchise dealer count fell from 4,916 at December 31, 2011 to 3,734 at March 31, 2012, and recovered in the second quarter to 4,322 at June 30, 2012 and to 5,306 at December 31, 2012. Our monetization was relatively stable between these years as our mix between new and used units was relatively consistent. The increase in data and other revenue in 2012 reflected the full year of combined operations with ALG following our acquisition of ALG in October 2011; the incremental ALG revenue was \$8.4 million. There was also a \$2.2 million increase in lead referral fees primarily due to revenues in the first half of 2012 arising from the marketing arrangement with Yahoo! that was modified in June 2012.

Cost of Revenues (exclusive of depreciation and amortization)

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Cost of revenues (exclusive of depreciation and amortization)	\$ 7,660	\$ 13,559	\$ 5,899	77.0%

Cost of revenues (exclusive of depreciation and amortization) as a percentage of revenues 10.0% 17.0%

The increase in cost of revenues for 2012 from 2011 was primarily the result of a \$3.2 million increase in employee related expenses due to a full year of combined operations with ALG and headcount increases in our existing business, a \$1.0 million increase in data licensing costs and \$0.6 million increase hosting costs related to operating our website and mobile applications, and, to a lesser extent, increases in sales matching costs. The increase in cost of revenues as a percentage of revenues in 2012 as compared to 2011 primarily reflected an increase in employee related expenses and the decrease in transaction revenue, as well as a full year of combined operations with ALG.

Table of Contents*Sales and Marketing Expenses*

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Sales and marketing expenses	\$ 41,992	\$ 70,327	\$ 28,335	67.5%

Sales and marketing expenses as a percentage of revenues 55.0% 88.0%

The increase in sales and marketing expenses for 2012 from 2011 reflected \$20.0 million of spend associated with our marketing arrangement with Yahoo! which was entered into in January 2012 and significantly modified in June 2012, an increase of \$9.7 million in corporate sponsorship expenses related to agreements we entered into in 2012 and a \$3.1 million increase in consulting and professional fees primarily as a result of entering into an external consulting agreement with our creative agency for a variety of marketing services. The increase in sales and marketing expenses in 2012 also reflected a \$3.4 million increase in employee related expenses as a result of a full year of combined operations with ALG and headcount increases in our existing business, a \$0.6 million increase in partner marketing fees as a result of increased promotional activities for our affinity group marketing partners as well as a \$0.5 million increase in facilities expenses associated with our increased headcount in sales and marketing functions. These increases were partially offset by an \$8.9 million decrease in television and online marketing spend due to changes in our marketing strategies in early 2012 arising from our response to regulatory and publicity matters occurring in early 2012.

Technology and Development Expenses

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Technology and development expenses	\$ 18,457	\$ 21,960	\$ 3,503	19.0%

Technology and development expenses as a percentage of revenues 24.2% 27.5%

Capitalized software costs \$ 6,372 \$ 5,219 \$ (1,153) (18.1)%

The increase in technology and development expenses for 2012 from 2011 primarily reflected a \$3.9 million increase in headcount and related benefits due to a full year of combined operations with ALG and headcount increases in our existing operations, a decrease in expenses due to a reduction of \$1.2 million in the amount of internally developed software costs that were capitalized, and, to a lesser extent, other increases in expense due to a full year of combined operations with ALG. These increases were offset in part by a \$2.2 million decrease in consulting and professional fees due to a combination of our cost cutting initiatives and bringing certain of these functions in-house.

Table of Contents*General and Administrative Expenses*

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
General and administrative expenses	\$ 21,912	\$ 34,228	\$ 12,316	56.2%

General and administrative expenses as a percentage of revenues 28.7% 42.8%

The increase in general and administrative expenses for 2012 from 2011 reflected \$5.8 million in increased legal fees and other expenses primarily associated with our regulatory compliance activities, and increases in stock-based compensation expense of \$3.2 million primarily due to a \$4.5 million stock-based compensation charge in March 2012 as a result of the modification of an equity award held by a former executive as part of his severance arrangements. General and administrative expenses also increased from 2011 to 2012 due to increases of \$3.2 million in employee and related expenses arising from the inclusion of a full year of combined operations with ALG as well as headcount increases in our existing business, a \$1.3 million increase in the fair value of contingent consideration associated with our acquisition of Carperks in 2011, a \$0.6 million increase due to increases in sales taxes driven by increased sales in states where sales tax is applicable, and a \$0.5 million increase in bad debt expense associated with the dealer attrition we experienced in the first half of 2012. These increases were offset, in part by, a \$1.9 million decrease in transaction costs associated with our acquisition of ALG in 2011.

Depreciation and Amortization Expenses

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Depreciation and amortization expenses	\$ 4,148	\$ 11,768	\$ 7,620	183.7%

The increase in depreciation and amortization expenses for 2012 from 2011 reflected an increase of \$3.2 million in amortization of intangible assets primarily due to intangible assets acquired as part of the ALG acquisition in October 2011, an increase of \$2.9 million associated with the amortization of capitalized internally developed software costs and depreciation on property, plant and equipment in 2012 as compared to 2011, and a \$1.5 million write-off of internally developed software in 2012 as the functionality was no longer used on our platform due to changes in our business, which changes included the termination of two of our marketing arrangements.

Interest Expense

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Interest expense	\$ 66	\$ 3,359	\$ 3,293	4,989.4%

The increase in interest expense for 2012 from 2011 reflected interest expense and accretion of the beneficial conversion feature recorded on our convertible notes issued in May 2012.

Table of Contents*Change in Fair Value of Preferred Stock Warrant Liability*

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Change in fair value of preferred stock warrant liability	\$ (1,882)	\$	\$ 1,882	100.0%

Upon conversion of the preferred stock to common stock in August 2011, the preferred stock warrants were automatically converted into warrants to purchase our common stock. Upon this conversion, the preferred stock warrants were reclassified as equity and were no longer remeasured to fair value.

Benefit (provision) for Income Taxes

	Year Ended December 31,		Change	
	2011	2012	\$	%
	(dollars in thousands)			
Benefit (provision) for income taxes	\$ 10,690	\$ 606	\$ (10,084)	(94.3)%

Our income tax benefit in 2012 reflected a tax benefit associated with a beneficial conversion feature on our convertible notes issued in May 2012 of \$1.1 million which was partially offset by tax expense related to amortization of tax deductible goodwill of \$0.5 million that is not an available source of income to realize our deferred tax assets. Our benefit from income taxes in 2011 reflected a partial release of our valuation allowance as a result of deferred tax liabilities recognized from the acquisition of ALG.

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 in this prospectus 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

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elsewhere in this prospectus. These quarterly operating results are not necessarily indicative of the results for any future period.

	Three Months Ended							
	Mar. 31, 2012	Jun. 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013
Average Monthly Unique Visitors	1,904,524	1,464,772	1,541,287	1,727,159	2,184,657	2,441,493	3,201,475	3,295,772
Units	59,455	48,413	54,228	60,587	72,871	96,614	116,503	113,931
Monetization	\$278	\$277	\$311	\$296	\$295	\$284	\$288	\$318
Franchise Dealer Count (Ending)	3,734	4,322	4,735	5,306	5,881	6,176	6,327	6,651

	Three Months Ended							
	Mar. 31, 2012	Jun. 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013
	(in thousands)							
Revenues	\$ 20,504	\$ 17,605	\$ 20,437	\$ 21,343	\$ 25,043	\$ 31,223	\$ 37,547	\$ 40,145
Costs and operating expenses:								
Cost of revenue (exclusive of depreciation and amortization presented separately below)	3,258	3,241	3,482	3,578	3,762	3,673	3,652	4,208
Sales and marketing	27,205	16,607	11,290	15,225	13,783	15,626	21,878	23,893
Technology and development	5,869	5,432	5,263	5,396	5,804	5,618	5,512	6,751
General and administrative	13,359	7,629	6,210	7,030	6,313	6,629	7,716	10,199
Depreciation and amortization	2,709	2,856	2,795	3,408	3,066	2,868	3,241	2,394
Total costs and expenses	52,400	35,765	29,040	34,637	32,728	34,414	41,999	47,445
Loss from operations	(31,896)	(18,160)	(8,603)	(13,294)	(7,685)	(3,191)	(4,452)	(7,300)
Interest income	121	38	34	36	32	29	30	30
Interest expense	(73)	(746)	(1,270)	(1,270)	(1,241)	(510)	(58)	(179)
Other income(expense)	(35)		11	6	8	6	5	(1)
Loss before (provision) benefit for income taxes	(31,883)	(18,868)	(9,828)	(14,522)	(8,886)	(3,666)	(4,475)	(7,450)
(Provision) benefit for income taxes	(138)	961	(137)	(80)	(137)	(136)	(136)	(170)
Net loss	\$ (32,021)	\$ (17,907)	\$ (9,965)	\$ (14,602)	\$ (9,023)	\$ (3,802)	\$ (4,611)	\$ (7,620)
Adjusted EBITDA(1)	\$ (21,522)	\$ (15,500)	\$ (4,239)	\$ (5,262)	\$ (2,632)	\$ 2,630	\$ 2,411	\$ (269)

(1)

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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."

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

	Three Months Ended							
	Mar. 31, 2012	Jun. 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013
Revenues	100.0%	100.0%	100.0%	100.0%	100%	100%	100%	100.0%
Costs and operating expenses:								
Cost of revenues (exclusive of depreciation and amortization presented separately below)	15.9	18.4	17.0	16.8	15.0	11.8	9.7	10.5
Sales and marketing	132.7	94.3	55.2	71.3	55.0	50.0	58.3	59.5
Technology and development	28.6	30.9	25.8	25.3	23.2	18.0	14.7	16.8
General and administrative	65.2	43.3	30.4	32.9	25.2	21.2	20.6	25.4
Depreciation and amortization	13.2	16.2	13.7	16.0	12.2	9.2	8.6	6.0
Loss from operations	(155.6)	(103.2)	(42.1)	(62.3)	(30.7)	(10.2)	(11.9)	(18.2)
Interest income	0.6	*	*	*	*	*	*	*
Interest expense	*	(4.2)	(6.2)	(6.0)	(5.0)	(1.6)	*	*
Other income/(expenses)	*	*	*	*	*	*	*	*
Loss before (provision) benefit for income taxes	(155.5)	(107.2)	(48.1)	(68.0)	(35.5)	(11.7)	(11.9)	(18.6)
(Provision) benefit for income taxes	(0.7)	5.5	(0.7)	*	(0.5)	*	*	*
Net loss	(156.2)%	(101.7)%	(48.8)%	(68.4)%	(36.0)%	(12.2)%	(12.3)%	(19.0)%

*
Percentage of revenues is less than 0.5%

Our revenues in the first half of 2012 were significantly affected by dealer attrition described above under "Overview," with our franchise dealer count falling from 4,916 at December 31, 2011 to 3,734 at March 31, 2012. By the second quarter of 2012, we again began to add more TrueCar Certified Dealers to our network, with our franchise dealer count rising to 5,306 and 6,651 at December 31, 2012 and 2013, respectively. We believe that the changes we made to our business and regulatory compliance practices since that time have significantly enhanced the growth and growth prospects of our business.

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

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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 to the overall growth of our business, but we expect that in the future our revenues may 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.

The relatively high level of sales and marketing expenses in the first half of 2012 reflected charges totaling \$20.0 million associated with the modification of a marketing arrangement with Yahoo! in June 2012 and an additional \$5.0 million in advertising sponsorships in the period designed to increase awareness of our brand. The increase in sales and marketing expenses in the fourth quarter of 2012 from the third quarter of 2012 primarily reflected \$1.5 million of expense incurred in connection with the launch of a new television advertising campaign. The increase in sales and marketing expenses in the third quarter of 2013 from the second quarter of 2013 primarily reflected \$4.1 million of increased spending on television and online advertising. These increased levels of spend on television and online advertising continued into the fourth quarter of 2013 which also included an additional \$1.2 million of spend on loan subvention costs we pay to affinity marketing partners to incentivize their members to purchase vehicles from TrueCar Certified Dealers. The remaining increase in sales and marketing expenses in the fourth quarter of 2013 from the third quarter of 2013 is primarily due to employee related expenses of \$0.6 million associated with increased headcount and higher bonuses arising from our improved financial results.

The relatively high level of general and administrative expenses in the first quarter of 2012 primarily reflected a \$4.5 million stock-based compensation charge as a result of the modification of the exercise period and vesting terms for an equity award held by a former executive as part of his severance arrangements and \$3.0 million of legal fees and other expenses associated with our regulatory compliance activities. The increase in general and administrative expenses in the fourth quarter of 2013 from the third quarter of 2013 is primarily due to increased stock-based compensation expense associated with new grants issued in the fourth quarter of 2013 and a \$0.6 million increase in legal settlement costs associated with a settlement agreement entered into with a marketing sponsorship partner in November 2013.

The increase in technology and development expenses in the fourth quarter of 2013 from the third quarter of 2013 is primarily due to higher bonus expenses arising from our improved financial results, increase in headcount and an increase in stock-based compensation expense due to additional stock-based awards granted in the fourth quarter of 2013.

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

	Three Months Ended							
	Mar. 31, 2012	Jun. 30, 2012	Sept. 30, 2012	Dec. 31, 2012	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013
(in thousands)								
Reconciliation of Adjusted EBITDA to Net Loss								
Net loss	\$ (32,021)	\$ (17,907)	\$ (9,965)	\$ (14,602)	\$ (9,023)	\$ (3,802)	\$ (4,611)	\$ (7,620)
Non-GAAP Adjustments:								
Interest income	(121)	(38)	(34)	(36)	(32)	(29)	(30)	(30)
Interest expense	73	746	1,270	1,270	1,241	510	58	179
Depreciation and amortization	2,709	2,856	2,795	3,408	3,066	2,868	3,241	2,394
Stock-based compensation	5,655	1,340	1,558	1,767	1,573	2,043	1,968	3,762
Warrant expense	2,045	(1,536)		1,481	382	880	1,626	852
Change in fair value of contingent consideration				1,370	24	24	23	24
Provision (benefit) for income taxes	138	(961)	137	80	137	136	136	170
Adjusted EBITDA(1)	\$ (21,522)	\$ (15,500)	\$ (4,239)	\$ (5,262)	\$ (2,632)	\$ 2,630	\$ 2,411	\$ (269)

(1)

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."

Liquidity and Capital Resources

At December 31, 2013, our principal sources of liquidity were cash and cash equivalents totaling \$43.8 million and \$6.9 million of unused borrowing capacity under our \$12.0 million revolving credit facility. 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. At December 31, 2013, we had \$5.0 million principal amount of outstanding debt under our revolving line of credit.

We have incurred cumulative losses of \$162.6 million from our operations through December 31, 2013, 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

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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.

Credit Facility

On June 13, 2013, we entered into an amended and restated loan and security agreement with a financial institution (the "Second Amended Credit Facility"). The Second Amended Credit Facility provides for advances under a formula-based revolving line of credit which matures on June 13, 2014. The revolving line of credit provides advances equal to 80% of eligible accounts receivable and is subject to sub-limits, as defined, for letters of credit, foreign exchange, and cash management services provided by the financial institution. The maximum amount available under the line of credit is \$12.0 million, \$6.9 million of which was available under the Credit Facility at December 31, 2013.

The revolving line bears interest at a floating per annum rate equal to the bank's prime rate plus an applicable margin based on our liquidity, which is defined as unrestricted cash plus amounts available under the Amended Credit Facility. If our liquidity is (i) less than \$10 million, the applicable margin is 1.75%, (ii) if our liquidity is equal to or greater than \$10 million but less than \$20 million, the applicable margin is 0.5% and (iii) if our liquidity is greater than or equal to \$20 million, the applicable margin is 0.0%. The line of credit agreement requires us to make monthly interest payments on the outstanding principal. All unpaid principal is due at maturity.

The Second Amended Credit Facility requires us to maintain an adjusted quick ratio of at least 1.50:1.00 on the last day of each month. We were in compliance with the financial covenants at December 31, 2013.

At December 31, 2013, \$5.0 million in principal amount was outstanding under the Second Amended Credit Facility. We expect to either negotiate the extension of the Second Amended Credit Facility prior to its maturity in June 2014 or enter into an alternative credit facility.

Cash Flows

The following table summarizes our cash flows:

	Year Ended December 31,		
	2011	2012	2013
	(in thousands)		
Consolidated Cash Flow Data:			
Net cash used in operating activities	\$ (11,473)	\$ (32,718)	\$ (3,911)
Net cash (used in) provided by investing activities	(37,197)	20,374	(5,483)
Net cash provided by financing activities	44,734	22,551	31,151
Net (decrease) increase in cash and cash equivalents	\$ (3,936)	\$ 10,207	\$ 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 our use of cash for operating activities due to the inclusion of non-cash expenses and charges.

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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. Specifically, we recognized non-cash charges aggregating of \$11.6 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, including \$0.7 million due to the write-off of capitalized software development costs reflected as loss on disposal of fixed assets, \$9.3 million for stock-based compensation, and a \$3.7 million non-cash charge associated with the vesting of warrants issued to a third party direct marketing firm and an affinity group marketing partner. We also incurred an aggregate of \$1.9 million in non-cash charges associated with accruing interest related to interest on our convertible notes payable prior to their conversion into shares of our common stock, the accretion of the beneficial conversion feature on the convertible notes payable and the accretion of debt discount on our line of credit, and a \$0.6 million increase in deferred income taxes reflecting the amortization of tax deductible goodwill that is not an available source of income to realize deferred tax assets. During the period, we used \$6.7 million in cash as a result of changes in operating assets and liabilities. This \$6.7 million reflected a \$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 \$2.1 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 \$2.3 million increase in accounts payable associated with the growth in our business.

Cash used in operating activities in 2012 was \$32.7 million, primarily as a result of our net loss of \$74.5 million, which was partially offset by \$29.1 million of non-cash operating expenses and \$12.7 million of net cash flows provided through changes in our operating assets and liabilities. Specifically, we recognized non-cash charges of \$10.3 million for stock-based compensation, including a \$4.5 million stock-based compensation charge in March 2012 as a result of the modification of an equity award held by a former executive as part of his severance arrangements and \$11.8 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, including \$1.5 million related to losses on the write-off of capitalized software development costs. We also had a non-cash charge of \$3.3 million due to interest expense on the convertible notes payable and accretion of the beneficial conversion feature on the convertible notes payable, a \$2.0 million non-cash charge associated with the vesting of warrants issued to an affinity group marketing partner and a marketing partner, \$1.4 million related to the increase in the fair value of our contingent consideration liability associated with our acquisition of Carperks, and \$0.7 million of bad debt expense associated with the dealer attrition we experienced in the first half of 2012 offset in part by a \$0.6 million deferred tax benefit primarily associated with the conversion feature in our convertible note issued in May 2012. During the period, we recognized changes in operating assets and liabilities which provided \$12.7 million of cash from operating activities. Of this \$12.7 million, \$10.0 million was associated with the release of a deposit with Yahoo! upon the modification of our marketing arrangement. Changes in our operating assets and liabilities were also affected by a \$4.1 million increase in accrued expenses primarily due to increases in accrued marketing expenses associated with our increased television and online marketing spend, a \$2.5 million decrease in accounts receivable reflecting the dealer attrition we experienced in the first half of 2012, which was partially offset by a \$3.5 million decrease in accounts payable due to our cost cutting initiatives.

Cash used in operating activities in 2011 was \$11.5 million, primarily as a result of our net loss of \$8.9 million and \$6.0 million of cash used in changes in certain of our operating assets and liabilities, partially offset by an aggregate of \$3.5 million in non-cash operating expenses. Specifically, we recognized non-cash charges of \$6.2 million for stock-based compensation, \$4.1 million for depreciation and amortization of intangible assets, capitalized software development

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costs and property and equipment, \$2.1 million associated with the vesting of warrants issued to an affinity group marketing partner and a marketing partner, and \$1.9 million related to the increase in fair value of the preferred stock warrant liability. These non-cash operating expenses were partially offset by a \$10.7 million non-cash income tax benefit as a result of our partial release of our valuation allowance related to our deferred tax assets in connection with the acquisition of ALG and \$0.6 million of premiums incurred for investments. During the period, we also used \$6.0 million in cash as a result of changes in operating assets and liabilities. Of this \$6.0 million, \$10.2 million reflected a deposit in connection with the establishment of a marketing arrangement with Yahoo!, an \$8.2 million increase in accounts receivable reflecting our substantially increased revenue in 2011 as compared to 2010, and an increase in prepaid expenses of \$0.7 million primarily associated with our media advertising, which were partially offset by an increase of \$7.9 million in accounts payable, an increase of \$2.7 million in accrued employee expenses, and an increase of \$2.6 million in accrued expenses, all associated with the growth in our business, increases in headcount and the acquisition of ALG.

Investing Activities

Our investing activities consist primarily of capital expenditures for capitalized software development costs and property and equipment, purchase of marketable securities, the acquisition of other business entities and assets, and changes in restricted cash requirements associated with our marketing arrangement with Yahoo! which was modified in 2012.

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.

Cash provided by investing activities of \$20.4 million in 2012 resulted from the sale of short-term marketable securities of \$31.1 million, which was partially offset by \$6.2 million for the investment in capitalized software development and purchase of property and equipment, and an increase in restricted cash requirements of \$4.5 million in connection with the modification of a marketing arrangement with Yahoo! in June 2012.

Cash used in investing activities of \$37.2 million in 2011 primarily related to the purchase of short-term marketable securities of \$31.5 million and investment in capitalized software development and purchase of property and equipment of \$12.8 million. These cash investments were partially offset by \$6.1 million in cash acquired in connection with our acquisition of ALG and \$1.0 million in proceeds from the sale of short-term investments.

Financing Activities

Cash provided by financing activities of \$31.2 million in 2013 reflects net proceeds of \$29.9 million from the issuance of 4,285,715 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 this 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 2013. 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 (See Note 2 of the consolidated financial statements).

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Cash provided by financing activities of \$22.6 million in 2012 reflects net proceeds of \$23.1 million from the issuance of convertible notes in May 2012, and \$1.0 million of cash proceeds associated with the issuance of shares of our common stock upon exercise of common stock warrants and common stock options, which was partially offset by cash used in the repurchase of shares of our common stock in the amount of \$1.6 million under the terms of employment agreements with certain of our current and former executives.

Cash provided by financing activities of \$44.7 million in 2011 reflects net proceeds of \$54.1 million from the issuance of shares of our common stock beginning in August 2011, proceeds from the sale of common stock of \$3.0 million, proceeds from the issuance of notes payable of \$2.0 million, and proceeds from the exercise of stock options of \$0.5 million, which was partially offset by cash used for the repurchase of shares of our common stock in the amount of \$14.9 million pursuant to certain commitments from existing investors to resell shares to us.

Contractual Obligations and Known Future Cash Requirements**Contractual Obligations**

Set forth below is information concerning our known contractual obligations at December 31, 2013 that are fixed and determinable.

	Total	Less Than 1 Year	1 - 3 Years	3 - 5 Years	More Than 5 Years
			(in thousands)		
Credit facility(1)	\$ 5,132	\$ 5,132	\$	\$	\$
Sponsorship marketing agreements(2)	1,600	800	800		
Operating Leases(3)	14,456	2,435	4,899	4,002	3,120
 Total	 \$ 21,188	 \$ 8,367	 \$ 5,699	 \$ 4,002	 \$ 3,120

(1) Credit facility includes principal amount and expected interest due under our Credit Facility as described in Note 7 of our consolidated financial statements appearing elsewhere in this prospectus.

(2) Future commitments associated with our marketing sponsorship agreements.

(3) Operating leases include total future minimum rent payments under non-cancelable operating lease agreements as described in Note 8 of our consolidated financial statements appearing elsewhere in this prospectus.

Not included in the table above are cash bonus payments totaling \$2.9 million due to certain of our executives upon the event of an IPO pursuant to their employment agreements. See "Executive Compensation Executive Employment Arrangements" for more information about these arrangements.

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.

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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 \$43.8 million at December 31, 2013, which consists entirely of bank deposits. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant. We also had total outstanding debt of \$5.0 million at December 31, 2013 which is all due within 12 months. Amounts outstanding under our Credit Facility carry variable interest rates ranging from the prime rate to the prime rate plus 1.75%. At December 31, 2013, the applicable prime rate was 3.25%.

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. Although our Credit Facility has a variable interest rate, a hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in the fair value as a result of changes in interest rates.

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, useful lives associated with property and equipment and intangible assets, the expensing and capitalization of product development costs, contingencies 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 1 of our consolidated financial statements included elsewhere in this prospectus.

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.

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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.

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 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.

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 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 dealer management system, 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 a dealer management system 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 therefore unusual for us to have difficulty in reconciling leads provided to our network of dealers to actual vehicle sales under our Auto Buying Program.

Subscription fee arrangements with certain dealers in our network of TrueCar Certified Dealers provide for the payment by the dealer of a subscription fee based on a specific number of vehicle sales or consumer introductions, or leads, expected to be generated from the automotive buying website program over the subscription period. Subscription fee arrangements are short-term in nature with terms ranging from one to three months and are cancellable by the dealer or us at any time. The subscription fee is subject to adjustment for any shortfall of sales or introductions generated. For these arrangements, we recognize revenue based on the lesser of (i) the actual number of sales generated or leads delivered through the automotive buying website program during the subscription period multiplied by the contracted cost per sale/lead or (ii) the straight-line

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of the subscription fee over the period over which the services are delivered. For subscription arrangements where the fees are not subject to adjustment based on leads or vehicle sales, 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 access to the automotive buying website program.

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.

Data and Other Revenue

We also derive revenue from providing data and consulting 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 data and consulting 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 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. Data 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 data and consulting 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 net tangible assets 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 first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, we determine it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then additional impairment testing is not required. However, if we conclude otherwise, then we are required to perform the first of a two-step impairment test. Alternatively, we may elect to proceed directly to the first of a two-step impairment test and bypass the qualitative assessment.

The first step 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 carrying amount of the goodwill is compared with its implied fair value. The estimate of implied fair value of goodwill may require valuations of

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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, 2011, 2012 and 2013, there were no impairment charges recorded on our goodwill. We performed a qualitative goodwill assessment at December 31, 2013 and concluded there was no impairment based on a number of factors considered, including the improvement in key operating metrics over the prior year, valuation analysis performed in the determination of the fair value of our common stock in connection with the granting of stock-based compensation awards during 2013, our valuation as implied by the issuance of the Series A Preferred Stock in November 2013, overall improvement in the strength of the automotive industry and general economy, and continued execution against our overall strategic objectives. The fair value of reporting units which include goodwill exceeded their carrying value by a significant margin during each reporting period.

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.

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 was 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. For a further description of our benefit plans and compensatory arrangements with our named executive officers, see the section titled "Executive Compensation Benefit Plans."

Compensation expense for stock-based compensation awards granted is based on the grant date fair value estimate for each award as determined by our board of directors or the compensation committee of our board of directors. We recognize these compensation costs on a straight-line basis over the requisite service period of the award, which is generally four years. As stock-based compensation expense recognized is based on awards ultimately expected to vest, such expense is reduced for estimated forfeitures. Stock-based compensation expense for the years ended December 31, 2011, 2012 and 2013 was \$6.2 million, \$10.3 million and \$9.3 million, respectively.

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At December 31, 2013 there was approximately \$25.9 million of unrecognized stock-based compensation expense related to non-vested stock-based compensation awards that we expect to be recognized over a weighted average vesting period of 2.96 years.

We estimate the fair value of stock-based compensation awards at the date of grant applying the Black-Scholes option pricing model, which was developed for use in estimating the value of traded options that have no vesting restrictions and are freely transferable. The fair values generated by the model may not be indicative of the actual fair values of our awards as it does not consider other factors important to those share-based payment awards, such as continued employment, periodic vesting requirements and limited transferability. The fair value of awards granted during the years ended December 31, 2011, 2012 and 2013 was calculated using the following weighted average assumptions:

	Year Ended December 31,		
	2011	2012	2013
Risk-free interest rate	2.04%	0.96%	1.41%
Expected term (years)	6.01	6.00	6.06
Expected volatility	48%	60%	61%
Dividend yield			

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 for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the options;

Expected term. The expected term represents the period that the stock-based compensation awards are expected to be outstanding. We estimate the expected term of the options based historical data on our employee exercises and post-vesting employment termination behavior taking into account the contractual life of the options;

Expected volatility. The 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. We use this method because we have limited information on the volatility of our common stock since we have no trading history. 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

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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.

We are also required to estimate the fair value of the common stock underlying our stock-based awards when performing the fair value calculations under the Black-Scholes option-pricing model. The fair value of the common stock underlying our stock-based awards was determined on each grant date by our board of directors, with input from management. Our board of directors is comprised of employee and non-employee directors with significant experience investing in and operating companies in the automobile, insurance and technology industries. As such, we believe that our board of directors has the relevant experience and expertise to determine the fair market value of our common stock on each respective grant date. Given the absence of a public trading market for our common stock, and in accordance with the American Institute of Certified Public Accountants Practice Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*, our board of directors exercised reasonable judgment and considered numerous objective and subjective factors to determine the fair value of our common stock including:

valuations performed by unrelated third party specialists;

actual operating and financial performance;

present value of forecasted future cash flows;

more recently, the likelihood of achieving a liquidity event, such as an initial public offering or a sale of our company given prevailing market conditions and the nature and history of our business;

illiquidity of stock-based awards involving securities in a private company such as ours;

experience of our management team;

market multiples of comparable companies in our industry;

our stage of development;

industry information such as market size and growth and our competitive position in the market;

sales and purchases of our preferred stock and common stock; and

macroeconomic conditions.

The independent valuations performed by unrelated third-party specialists were just one factor used by our board of directors to assist with the valuation of the common stock and our management and board of directors have assumed full responsibility for the estimates. Our board of directors generally utilized the fair values of the common stock derived in the third-party valuations in determining the exercise price for options granted.

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In valuing our common stock, our board of directors considered two valuation approaches to determine the equity value of our business for valuations prior to August 2013, an income approach and a market approach. In valuing our common stock at August 31, 2013 and subsequently, a probability weighted expected return model, or PWERM, was utilized. Each of these valuation approaches is described more fully below.

The income approach estimates the fair value of a company based on the present value of our forecast cash flows and our residual value beyond the forecast period. These future values are discounted to their present values to reflect the risks inherent in our achieving these estimated cash flows. The discount rates used in our valuation were based primarily on benchmark venture capital studies of discount rates for other companies in our stage of development, considered along with industry based weighted average cost of capital rates. Other significant inputs of the income approach (in addition to our estimated future cash flows themselves) include but are not limited to assumed working capital requirements, the long-term growth rate assumed in the residual value and normalized long-term operating margin.

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The market approach estimates the fair value of a company by applying market multiples of comparable publicly traded companies in the same industry or similar lines of business. More specifically, we selected our comparable publicly traded companies by analyzing various factors, including, but not limited to, industry similarity, financial risk, company size, geographic diversification, profitability, the availability of adequate financial data, and whether or not they had an actively traded stock price. We deemed multiples of revenue to be the most relevant in our industry as we are still in a relatively high growth phase, and thus have not reached normalized profitability or generated positive historical profit thus making the application of profit based multiples not possible or less reliable.

The PWERM approach estimates the fair value of a company based upon an analysis of future values for the enterprise assuming various possible outcomes. The estimated fair value of our common stock value is based on the probability weighted present value of expected future returns considering likely future scenarios available to the enterprise. Applying a PWERM approach results in a fair value of our common stock on a fully marketable basis. A marketability discount based upon empirical evidence from sources incorporating studies of companies similar to ours is then applied, yielding a fair value of common stock on a non-marketable basis.

The following table summarizes information for all stock awards since July 1, 2012:

Grant Date	Number of Shares Underlying Award	Exercise Price Per Share	Common Stock Fair Value Per Share at Grant Date
August 31, 2012	1,638,000	\$ 5.33	\$ 5.33
November 28, 2012	273,500	\$ 5.33	\$ 5.33
February 22, 2013	1,815,484	\$ 5.28	\$ 5.28
May 2, 2013	1,023,245	\$ 5.28	\$ 5.28
June 6, 2013	463,385	\$ 5.28	\$ 5.28
June 26, 2013	271,315	\$ 5.28	\$ 5.28
October 16, 2013	950,250	\$ 5.92	\$ 5.92
October 22, 2013	2,700,310	\$ 5.92	\$ 5.92
November 21, 2013	566,172	\$ 5.93	\$ 5.93
January 28, 2014	168,634	\$ 5.93	\$ 5.93
February 7, 2014	2,087,241	\$ 6.17	\$ 6.17
February 28, 2014	2,385,385	\$ 6.17	\$ 6.17

No single event caused the valuation of our common stock to increase through December 2013. Instead, a combination of the following factors led to the changes in the fair value of the underlying common stock as determined by our board of directors. The increase was primarily attributable to business developments during this intervening period. Specifically, the number of approved sales, monthly unique visitors, TrueCar Certified Dealers in our network, affinity group marketing partners, and revenue were increasing during this period and we achieved positive Adjusted EBITDA for each of the second and third quarters of 2013. In addition to the increase as a result of business developments, the increase was a result of our progress towards an initial public offering, including discussions with prospective underwriters and an organizational meeting in October 2013. In addition, the global economies as well as the stock markets, including the market for initial public offerings, improved through the second half of 2013. We also took into consideration the sale of Series A Preferred Stock and common stock warrants to new investors in November 2013 at a price per share of \$7.00.

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To assist our board of directors with the determinations of the exercise price for our stock options and the fair value of the common stock underlying the options, we obtained third-party valuations of our common stock at June 30, 2012, December 31, 2012, August 31, 2013, November 15, 2013 and January 31, 2014. An analysis of our valuations and determinations of the exercise price and the fair value of the underlying common stock for our stock-based awards granted on or between the respective valuation dates are discussed further below.

August and November 2012 Grants. We obtained an independent third-party valuation of our common stock at June 30, 2012. This valuation applied both an income approach and a market approach and weighted each of these valuation approaches at 50% of the overall valuation. The income approach utilized a five-year cash flow forecast as the primary method for determining our enterprise value and applied a discount rate of 55.0%. This discount rate was based upon benchmark venture capital studies of required rates of return for investment in companies at similar stages of development as well as an analysis of weighted average costs of capital of comparable companies using a capital asset pricing model. The market approach was developed by applying revenue market multiples of comparable companies to our forecast revenue for each of 2012 with a 25% weighting, 2013 with a 50% weighting, and 2014 with a 25% weighting.

After a consideration of this valuation, our board of directors determined the fair value of our common stock to be \$5.33 per share at each of August 31, 2012 and November 28, 2012 and granted stock options with an exercise price of \$5.33 per share at each of these dates. In connection with each such determination, our board of directors determined that there were no material changes in our business since June 30, 2012, or in the assumptions upon which the valuation was based, that affected the fair value of our common stock.

February, May and June 2013 Grants. We obtained an independent third-party valuation of our common stock at December 31, 2012. This valuation applied both an income approach and a market approach and weighted each of these valuation approaches at 50% of the overall valuation. The income approach utilized a five-year cash flow forecast as the primary method for determining our enterprise value and applied a discount rate of 35.0%. The discount rate was reduced from the prior valuation to reflect the adjusted risk associated with our revised lower cash flow forecast, which considered the full year loss incurred during 2012 and a revision of our outlook for future periods. The market approach was developed by applying revenue market multiples of comparable companies to our forecast revenue for each of 2013 with a 25% weighting, 2014 with a 50% weighting, and 2015 with a 25% weighting.

After a consideration of this valuation, our board of directors determined the fair value of our common stock to be \$5.28 per share at each of February 22, 2013, May 2, 2013 and June 6, 2013 and granted stock options with an exercise price of \$5.28 per share at each of these dates. In connection with each such determination, our board of directors determined that there were no material changes in our business since December 31, 2012, or in the assumptions upon which the valuation was based, that affected the fair value of our common stock.

October 2013 Grants. We obtained an independent third-party valuation of our common stock at August 31, 2013. Given our continued growth and improving operational metrics, the probability weighted expected return method, or PWERM, was utilized as the most appropriate method for valuing our common stock at that time. In applying the PWERM, a 40% probability was placed on the likelihood of an initial public offering within year 1, a 15% probability was placed on the likelihood of an initial public offering in year 2, a 10% probability was placed on the likelihood of a sale, a 5% probability was placed on the likelihood of a dissolution, and a 30% probability was placed on the likelihood of our continuing as a private company. The fair value was then discounted for lack of marketability by 20%. The increase in the value from the December 31, 2012 valuation principally reflected our business outlook for the balance of 2013 and for 2014. In addition, the

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increase was a result of our progress towards an initial public offering, including discussions with prospective underwriters and an organizational meeting in October 2013.

After a consideration of this valuation, our board of directors determined the fair value of our common stock to be \$5.92 per share at October 16, 2013 and granted stock options with an exercise price of \$5.92 per share at this date. In connection with such determination, our board of directors determined that there were no material changes in our business since August 31, 2013, or in the assumptions upon which the valuation was based, that affected the fair value of our common stock.

November 2013 and January 2014 Grants. We obtained an independent third-party valuation of our common stock at November 15, 2013. Given our continued growth and improving operational metrics, the PWERM was utilized as the most appropriate method for valuing our common stock at that time. In applying the PWERM, a 50% probability was placed on the likelihood of an initial public offering within year 1, a 15% probability was placed on the likelihood of an initial public offering in year 2, a 5% probability was placed on the likelihood of a sale, a 2.5% probability was placed on the likelihood of a dissolution, and a 27.5% probability was placed on the likelihood of our continuing as a private company. The fair value was then discounted for lack of marketability by 20%. The small increase in the value from the prior valuation was primarily due to a 10% increase of the likelihood of an initial public offering in year 1, driven by continued progress towards an initial public offering based on activities with our underwriters. This increase in value was primarily offset by expected dilution of our common stock due to our sale of an aggregate of 4,285,715 shares of Series A Preferred Stock in a private placement at a price of \$7.00 per share on November 22, 2013. The Series A Preferred Stock price of \$7.00 per share received from new investors was also utilized as an objective data point in assessing the reasonableness of the fair value of our common stock in November 2013, including consideration of preferred stock preferences not available to holders of our common stock and common stock warrant coverage received by purchasers of the Series A Preferred Stock. See Note 9 of the financial statements included elsewhere in this prospectus for further information related to the private placement.

After a consideration of this valuation, our board of directors determined the fair value of our common stock to be \$5.93 per share at November 21, 2013 and January 28, 2014 and granted stock options with an exercise price of \$5.93 per share. In connection with such determination, our board of directors considered our continued operational performance, the increased likelihood of an initial public offering and the change in our capital structure.

February 2014 Grants. We obtained an independent third-party valuation of our common stock at January 31, 2014. Given our continued growth and improving operational metrics, the PWERM was utilized as the most appropriate method for valuing our common stock at that time. In applying the PWERM, a 60% probability was placed on the likelihood of an initial public offering within year 1, a 15% probability was placed on the likelihood of an initial public offering in year 2, a 5% probability was placed on the likelihood of a sale, a 2.5% probability was placed on the likelihood of a dissolution, and a 17.5% probability was placed on the likelihood of our continuing as a private company. The fair value was then discounted for lack of marketability by 17.5%. The increase in the value from the prior valuation principally reflected our business outlook for 2014 and our progress towards an initial public offering.

After a consideration of this valuation, our board of directors determined the fair value of our common stock to be \$6.17 per share at February 7, 2014 and February 28, 2014 and granted stock options with an exercise price of \$6.17 per share on these dates. In connection with such determination, our board of directors considered our continued operational performance, the increased likelihood of an initial public offering and the change in our capital structure.

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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

Under the Jumpstart Our Business Startups Act, or the JOBS Act, we meet the definition of an "emerging growth company." We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act. As a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies.

In July 2013, the FASB issued an accounting standards update clarifying that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. The standards update is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance is not expected to have any impact on our consolidated financial statements.

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BUSINESS

Overview

Our mission is to transform the car-buying experience for consumers and the way that dealers attract customers and sell cars. 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 our TrueCar.com website. In addition, we customize and operate our platform for affinity group marketing partners, such as USAA and Consumer Reports, financial institutions, and other large enterprises such as Boeing and Verizon. 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 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 of car, 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.

We are currently focused primarily on new car transactions. In the future, we intend to introduce additional products and services designed to improve the car-buying and car-ownership experience. For example, we are developing TrueTrade to provide users with an estimated daily market value for their existing cars and a guaranteed trade-in price. In addition, we are developing TrueLoan and TrueLease to provide users with a more convenient way to finance their cars at TrueCar Certified Dealers. We are also in the process of launching a number of new services for our dealers designed to enable them to make better informed inventory management and pricing decisions and to close transactions more efficiently.

Our network of over 7,000 TrueCar Certified Dealers consists primarily of new car franchises, representing all major makes of cars, as well as independent dealers. TrueCar Certified Dealers operate in all 50 states and the District of Columbia. We estimate that users of our platform purchasing cars from TrueCar Certified Dealers accounted for approximately 2.0% of all new car sales in the United States in 2013. Since our founding in 2005, TrueCar users have purchased over 1.1 million cars from TrueCar Certified Dealers, including nearly 400,000 during 2013.

During 2013, we generated revenues of \$134.0 million and recorded a net loss of \$25.1 million. Of the \$134.0 million in revenue, 89% consisted of transaction revenues with the remaining 11% derived primarily from the sale of data and consulting services to the automotive and financial services industries. 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.

Industry Overview and Market Opportunity

Large, fragmented and competitive automobile retail market

The automotive sector is one of the largest segments of the U.S. economy. There were 15.5 million new cars sold in the United States in 2013 for a total retail value of nearly \$500 billion, based on information published by BEA and NADA. According to Automotive News, at January 1, 2014, there were over 31,000 franchised new car dealerships in the United States, which is defined to be a dealer that has an agreement with a specific car manufacturer to sell that brand's new and certified pre-owned cars. The number of franchise dealers is calculated by counting the number of

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new car brands sold by dealers at their locations. In 2013, the largest automotive dealer group accounted for only 1.9% of new vehicle sales, and the top ten dealer groups accounted in the aggregate for only 8.2% of new vehicle sales, according to Automotive News.

Large and evolving automotive marketing spend

According to Borrell Associates, total new vehicle related advertising spend in print, broadcast, radio, Internet and other channels was expected to total \$26.3 billion in 2013. This forecast consisted of \$11.0 billion from automotive manufacturers, \$8.2 billion from dealers, \$5.8 billion from cooperative advertising between automotive manufacturers and dealers and \$1.3 billion from dealer associations.

The Internet has become an increasingly influential medium in the consumer's research and shopping process for automobiles. According to a study by R.L. Polk & Co., or Polk, new and used car buyers cited the Internet as the initial source of information in their buying process greater than 15 times more frequently than any other media source. Manufacturers and dealers are responding to this shift in consumer behavior by reallocating marketing budgets from traditional media sources to the Internet. According to NADA, the average percentage of a dealer's marketing budget devoted to Internet advertising exceeded 25% in 2012, a five-fold increase from the reported percentage in 2002.

Online car research has been an evolution of offline brochures, reviews and other sales information moved to Internet delivery. Online car shopping has consisted mostly of listings that resemble the print classifieds. Automotive content and listings sites publish automotive content and reviews and also aggregate new and used car inventory listings from dealers and private sellers. Car sellers subscribe in order to list their new and used car inventory and the sites also generate revenue through lead generation. Under this model, the sites aggregate traffic and monetize that traffic both by selling ads to advertisers that want to reach an automotive-focused audience and by providing the names and contact information of visitors of those sites to dealers. These sites generally present information about automobiles available for sale and MSRP but lack comprehensive market pricing data and do not provide upfront pricing information and guaranteed savings off MSRP from dealers. Moreover, they typically do not tie their economics to the successful completion of transactions, which makes it difficult to measure the success of these marketing efforts.

Challenges for the consumer

Consumers consistently describe their purchase of a car to be a frustrating and stressful experience. These consumers face a number of complex issues when buying a car, including obtaining market pricing information with respect to the car they want to buy and negotiating a transaction. Historically, buyers had to engage in a prolonged negotiating process in order to obtain pricing information, often consisting of multiple trips to a dealer or dealers. Today, while consumers have a number of available information sources that provide pricing data, these alternatives generally do not have information on what others actually paid for a car. As a result, consumers still lack the market data and upfront pricing information that might shorten the negotiation with the dealer and lead to a successful transaction.

Challenges for the dealer

Automobile dealers operate in a highly competitive market in which access to customers and informed vehicle pricing are essential to dealer profitability. According to NADA, from 2003 to 2013 the average gross margin for automobile dealers on new car sales decreased from 5.5% to 3.8%. Overall dealer profitability is closely tied to the volume of new car sales as those sales can lead to

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higher-margin offerings for the dealer such as trade-ins, financing, maintenance and service, and accessories. In addition, dealers can earn financial incentives and improved vehicle allocation from manufacturers based on their volume of new car sales.

Automobile dealers are increasingly shifting from reliance on their physical location and offline media and turning to the Internet to attract customers and broaden their reach. According to J.D. Power and Associates, nearly 80% of new car buyers use the Internet to research their vehicle purchase, and this shift means that automobile dealers must adapt their marketing for these customers. The overall industry average advertising expense per new car across all forms of media was \$616 in 2013, according to NADA. In addition to high marketing costs, lack of empirical data on pricing at the local level may cause dealers to lose transactions by overpricing compared to the market or to lose margin in other cases by underpricing. As a result of these challenges, automobile dealers are looking for ways to attract informed, in-market consumers in a cost-effective and accountable manner and effectively price their vehicle inventory to achieve their sales goals.

Our Solution

We are enhancing the car-buying experience for consumers and improving the way that dealers attract customers and sell cars. 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 via our TrueCar.com website. In addition, we customize and operate our platform for affinity group marketing partners, such as USAA and Consumer Reports, financial institutions, and other large enterprises such as Boeing and Verizon. 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 believe the combination of transparent market data, upfront pricing information and guaranteed savings off MSRP benefits both consumers and dealers, resulting in more transactions by users of our platform.

Why consumers choose TrueCar

We believe consumers choose TrueCar.com and our affinity group marketing partner websites to simplify the car-buying process and to achieve confidence in the price they receive for a car. We present relevant market data to consumers, including information about pricing for specific makes and models of cars in their area. We provide access to our platform and its data at no cost to the consumer. By providing transparent market pricing information and access to our network of TrueCar Certified Dealers, we seek to eliminate the hassles of the car-buying experience. Since our founding, TrueCar users have purchased over 1.1 million cars from TrueCar Certified Dealers.

We believe that consumers choose TrueCar primarily for the following reasons:

Upfront pricing information. We access a broad array of transaction data to provide customers with relevant pricing information on every major make and model of new car sold in the U.S. 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 the factory invoice for the car, the MSRP, and the average price paid for that car in the consumer's local market. We also generally provide the consumer with an Estimated TrueCar Dealer Price based on data provided by TrueCar Certified Dealers in their area. We believe the Estimated TrueCar Dealer Price provides the consumer with the ability to determine the amount they are likely to pay for a specific make and model of car in their local area, all before deciding to be contacted by a dealer.

Quality of service of our network of TrueCar Certified Dealers. We strive to provide consumers with a superior car-buying experience through our network of TrueCar Certified Dealers. To become a TrueCar Certified Dealer, dealers must agree to adhere to certain conditions, including providing

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upfront pricing information and guaranteed savings off MSRP, where available. Further, we provide ongoing training and hold dealers accountable to specific customer service standards. Our network of over 7,000 TrueCar Certified Dealers consists primarily of new car franchises, representing all major makes of cars, as well as independent dealers. TrueCar Certified Dealers operate in all 50 states and the District of Columbia.

Price confidence. Our users generally receive up to three Guaranteed Savings Certificates, which provide a guaranteed savings off MSRP on the user's specified make and model of car. Our platform allows the user to compare relevant market data for their specified make and model of car with the guaranteed savings from MSRP identified in these certificates. Our user experience allows consumers to communicate directly with specific TrueCar Certified Dealers based on algorithms that weigh several factors, including proximity of the dealer to the consumer, vehicle selection, price and consumer experience scores. Our platform allows consumers to compare these certificates with the relevant market data for a specific make and model of car.

We believe that the combination of upfront pricing information and guaranteed savings off MSRP simplifies the transaction process and leads to a better car-buying experience for consumers who use TrueCar, typically resulting in significant savings. For the year ended December 31, 2013, TrueCar users paid, on average, approximately \$3,000 less than MSRP.

Why dealers use TrueCar

We believe dealers use TrueCar to attract informed, in-market consumers in a cost-effective and accountable manner, efficiently price their inventory and sell more cars.

We provide automobile dealers the opportunity to offer upfront pricing information and Guaranteed Savings Certificates to a large and targeted audience of in-market consumers. We believe that transparent pricing information also significantly increases the trust between dealers and car buyers, which helps dealers increase volume and reduce customer acquisition costs. We also provide market data and analysis to dealers, helping them make more informed inventory management and pricing decisions.

Under our pay-for-performance business model, we generally earn a fee only when a consumer purchases a car, providing dealers with an accountable marketing channel. We typically charge TrueCar Certified Dealers \$299 upon the sale of a new car to a TrueCar user. In 2013, the overall industry average advertising expense per new car across all forms of media was \$616, according to NADA. By helping dealers better target their acquisition efforts to in-market consumers using our platform, we believe that dealers can improve their close rates, which results in other operating cost efficiencies such as savings on selling expenses and inventory carrying costs. We also believe that those dealers may then capture additional higher-margin maintenance and service, financing and other revenue streams while increasing the probability of earning volume-based incentives offered by manufacturers.

Why affinity groups partner with TrueCar

For many of our affinity group marketing partners, offering a car-buying service is a valuable benefit for their members, but it is not a service that they can easily provide themselves. Building and operating a car-buying service is complex, costly and requires specialized technology expertise and regulatory compliance infrastructure. In addition, efficiently operating this service requires participation by a significant number of dealerships.

These affinity group marketing partners typically offer products and services that are a component of buying and owning a car, such as automotive financing and insurance. Our program has particular value to these partners as the purchase of a car by one of their members is

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frequently accompanied by additional consideration of the partner's core products and services. For example, many USAA members who purchase a car from a TrueCar Certified Dealer finance and insure that car with USAA.

As a result, these affinity group marketing partners conduct rigorous selection processes to provide this service to their members. We typically enter into multi-year exclusive agreements with affinity group partners, which includes payment of marketing fees, and offer our platform through their websites to their members.

Affinity groups partner with TrueCar to extend our platform to their members under their own brands. We generally provide members of these groups with access to the same benefits of our TrueCar.com website with the added recognition of their affinity membership, and other benefits such as improved financing terms and manufacturer incentives. Affinity partners also solicit feedback from their members on an ongoing basis and we use this feedback to improve our services.

We also offer car-buying programs as an employee benefit directly to corporate customers, such as Boeing and Verizon, and, indirectly, through employee benefit program administrators, to customers such as Disney and Walmart.

Why automobile manufacturers use TrueCar

Automobile manufacturers, such as Mercedes-Benz, Chrysler, BMW and General Motors, use TrueCar to offer targeted incentives to consumers. This allows manufacturers to focus their customer acquisition efforts through a direct and accountable marketing channel. These incentives provide additional savings for consumers when they purchase the brand of vehicle offering the targeted incentive from any dealer. The ability to offer these incentives enables manufacturers to reach consumers that might otherwise purchase a car from a competing manufacturer. Generally, these manufacturers pay a per-vehicle fee to us for this service.

Our value to the broader automotive market

We believe the broader automotive market benefits from the availability of transparent data. For example, we forecast data on residual values of cars and provide this information on a subscription and consultative basis. Leasing companies and manufacturers use this data to set lease rates. We believe that our platform will enable us to offer additional products and services in the future that will benefit additional participants in this market, including insurance companies and lenders.

The future of the TrueCar solution

In the future, we intend to introduce additional products and services to improve the car-buying and car-ownership experience. For example, we are developing TrueTrade to provide users with an estimated daily market value for their existing cars and a guaranteed trade-in price. In addition, we are developing TrueLoan and TrueLease to provide users with a more convenient way to finance their cars at TrueCar Certified Dealers. We are also in the process of launching a number of new products and services for our dealers designed to enable them to make better informed inventory management and pricing decisions and to close transactions more efficiently.

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Our Strengths

We believe that our platform offers a superior car-buying experience for our users and TrueCar Certified Dealers. Our strengths include:

Accountable business model operating at scale with powerful network effects

We operate a pay-for-performance business model that allows in-market car buyers to interact with our network of TrueCar Certified Dealers. In the year ended December 31, 2013, consumers using our platform purchased nearly 400,000 vehicles from our network of TrueCar Certified Dealers. In addition, our platform is adaptable on a state-by-state basis in response to the local regulatory environment. As the number of vehicles purchased by our users from our network of TrueCar Certified Dealers continues to grow, we believe the platform will become increasingly attractive to high-quality automobile dealers. The addition of strategically selected, reputable dealers in turn allows us to improve coverage by brand and market and enhance our offering for the consumer. Similarly, as more in-market consumers utilize our platform, the incremental search, inventory and purchase information generated will increase the utility of our data and analytics platform for all participants.

Nationwide network of TrueCar Certified Dealers representing all major makes sold in the U.S.

We have built our network of TrueCar Certified Dealers to provide broad nationwide coverage to our users. Our network of over 7,000 TrueCar Certified Dealers consists primarily of new car franchises representing all major makes of cars, as well as independent dealers. TrueCar Certified Dealers operate in all 50 states as well as the District of Columbia. At December 31, 2013, our network included dealers representing 23 of the top 25 national dealer groups. According to BEA, during the year ended December 31, 2013, 15.5 million new cars were sold in the United States. We estimate that 2.0% of these new car transactions were completed between our users and TrueCar Certified Dealers.

To be a TrueCar Certified Dealer, dealers must agree to adhere to certain standards, including providing upfront pricing information and honoring the Guaranteed Savings Certificate, where available. Further, we hold dealers accountable to specific customer service standards. We also provide ongoing training to our network of TrueCar Certified Dealers designed to increase close rates and ensure a superior car-buying experience.

Robust data and proprietary analytics platform

Our digital platform is powered by data and proprietary analytics. We synthesize historic and real-time data from a multitude of automated feeds from a wide variety of public and private sources. These sources include dealers, data aggregators, manufacturers, insurance companies, banks and auction houses, as well as our own data on consumer behavior obtained from TrueCar managed websites. This data repository contains a wide variety of information, including vehicle-specific information on automotive transactions, vehicle registration records, consumer buying patterns and behavior, demographic information, and macroeconomic data.

Our team of statisticians and data scientists has developed complex and proprietary algorithms to transform this data into useable information that power our platform and scale as traffic increases. We present this data through our web and mobile user interfaces in an engaging and easy to understand way for consumers and dealers.

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Our platform also enables our pay-for-performance business model by identifying sales for which a dealer generally pays us a fee only when a TrueCar user purchases a car or based on other performance-based metrics, such as a specific number of vehicle sales or consumer introductions expected to be generated over a subscription period. Our platform allows us to identify whether a sale has occurred between a dealer and a TrueCar user by analyzing information provided to us by a variety of data sources, including our affinity group marketing partners, third-party data aggregators, dealers, and loan and insurance files.

Long-term, strategic relationships with affinity groups

We have built long-term relationships with our affinity group marketing partners, including USAA, Consumer Reports, AAA, American Express and PenFed, for which we operate automobile buying programs. We also offer car-buying programs as an employee benefit directly to corporate customers, such as Boeing and Verizon, and, indirectly, through employee benefit program administrators, to customers such as Disney and Walmart. These relationships are generally exclusive to us and are featured prominently on the affinity group partner websites. We enhance affinity group members' car-buying experience by providing additional benefits to them, such as facilitating the distribution and promotion of targeted incentives from automobile manufacturers and special loan and financing offers. We believe that affinity group members represent an attractive audience for our network of TrueCar Certified Dealers because the affinity group or employment relationship creates a deeper level of engagement between the in-market car buyer and the TrueCar Certified Dealer.

Operations guided by insights derived from quantitative data analysis

We access consumer, dealer and third-party data to power our platform. We view quantitative data analysis as core to our culture, operations and decision-making. We believe our quantitative analytical capabilities enable us to derive insights into consumers and dealers that help inform several of our key areas of focus. These areas include sales matching, dealer network expansion and product roadmap prioritization. Sales matching, or linking the sale of a vehicle to a TrueCar user, is the key to identifying cars bought by TrueCar users at a TrueCar Certified Dealer. We seek to selectively expand our network of TrueCar Certified Dealers to optimize coverage based on analysis of historical consumer search and shopping behavior. New products, such as our targeted incentives program, are a direct result of utilizing the insights gained from our interaction with consumers and dealers. In general, our business intelligence organization is responsible for tracking internal performance metrics, gleaned insights, and helping to improve our operations.

Visionary management team with extensive automotive expertise

Our Founder and Chief Executive Officer, Scott Painter, is a pioneer in the online automotive industry, having founded CarsDirect, one of the industry's first successful online automotive businesses. A team of experienced senior executives, with management backgrounds at automotive manufacturers and retailers, online automotive marketing firms, state dealer associations, Internet companies and financial institutions, augments his leadership.

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Growth Strategy

We are in the early stages of pursuing our mission to transform car-buying for consumers and dealers. Key elements of our growth strategy are:

Expand the number of visitors to our platform

In December 2013, we had approximately 3.7 million unique visitors to our platform. Consumers visit our platform via two major channels: our TrueCar.com website and our network of affinity group marketing partners whose online car-buying programs we manage. We intend to grow TrueCar.com website traffic by building our brand through marketing campaigns that emphasize the value of trust and transparency in the car-buying process and the benefits of transacting with TrueCar Certified Dealers. We will continue to leverage a variety of media to reach potential consumers including television and radio. We will also utilize digital acquisition strategies and social media to build our brand and drive traffic growth. We intend to grow affinity group marketing partner traffic by promoting creative marketing programs, such as subsidizing interest rates on loans, and providing other incentives from third parties that deliver a tangible economic benefit to transacting members, increasing awareness of the car-buying program among the members of our affinity group partners and adding new affinity group marketing partners that bring additional users to our platform.

Improve the user experience

We seek to increase the number of transactions between users of our platform and TrueCar Certified Dealers through a variety of methods, including, consistently evaluating and improving our products to enhance the user experience, engaging users with relevant content about car pricing, available incentives and other benefits, while also expanding and improving the geographic coverage of our network of TrueCar Certified Dealers. In addition, we continuously seek to enhance our Dealer Certification and Training programs focused on delivering a superior consumer experience. As we continue to improve the user experience on our platform, we believe that our network of TrueCar Certified Dealers will be able to increase the likelihood of a sale to these consumers.

Expand monetization opportunities

Over time, we intend to increase monetization opportunities by introducing additional products and services to improve the car-buying and car-ownership experience. For example, we are developing TrueTrade to provide consumers with an estimated daily market value for their existing cars and a guaranteed trade-in price. In addition, we are developing TrueLoan and TrueLease to provide users with a more convenient way to finance their cars at TrueCar Certified Dealers.

Products and Services

Consumer

We believe consumers choose TrueCar.com and our affinity group marketing partner websites to simplify the car-buying process and to achieve confidence in the pricing information they receive for a car. We present relevant market data to consumers, including information about pricing for specific makes and models of cars in their area. We provide access to our platform and its robust data at no cost to the consumer. Consumers interface with us via our TrueCar.com and affinity group marketing partner websites.

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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 of car in the consumer's local market. We generally provide consumers with our Estimated TrueCar Dealer Price, which is based on current pricing information provided by

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our network of TrueCar Certified Dealers in the consumer's geographic area. This information enables the consumer to evaluate a potential price in the context of broader market data.

Dealer interface. If the consumer elects to move forward, she registers with TrueCar. Upon registration, the consumer is generally presented with up to three estimated prices and available guaranteed savings off MSRP from the TrueCar Certified Dealers that are displayed to the consumer, based on algorithms that weigh several factors, including proximity of the dealer to the consumer, vehicle selection, price and consumer experience scores. In addition to the estimated prices and available guaranteed savings, the consumer is provided with information about the dealers, such as distance to each dealership, any additional services offered at each dealer, and in most instances, an estimated monthly payment based on each estimated TrueCar Dealer price. At this stage, the dealers are still anonymous to the consumer and no information has been shared with the dealer about the consumer.

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Price certificate. In most instances, after reviewing the estimated pricing and available guaranteed savings off MSRP provided by dealers, the consumer may elect to receive a Guaranteed Savings Certificate from each of the selected dealers by providing contact information to such dealers. This certificate entitles the consumer to the stated amount of guaranteed savings off MSRP for the consumer's selected make and model. While the certificate presents estimated pricing information for the consumer's configured vehicle, the certificate entitles the consumer to receive a guaranteed minimum savings amount off MSRP on any vehicle of that particular make and model that the dealer has available for sale. Consumers typically present this certificate to the dealer when consummating the purchase.

Dealer

Our network of TrueCar Certified Dealers interfaces with our platform primarily through our Dealer Portal. The Dealer Portal enables them to assess the competitiveness of their vehicle pricing relative to their market, enter vehicle pricing, manage users, create custom detailed offers based on vehicles in stock, update their dealership profile, access online training, review invoices and assess their margin on cars they sell. Our TrueCar Certified Dealers generally must provide us access to their transaction and inventory data located in the software used to run their dealerships, commonly

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known as their Dealer Management System, or DMS. Our platform updates dealer records on a daily basis, ensuring this information stays current.

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.

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.

Training tools. The TrueCar Dealer Training System combines videos and interactive tests to help dealers better understand and more effectively use our various products.

Manufacturers

We enable manufacturers to target consumers based on membership in an affinity group, demographic data 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 variety of sources, including our network of TrueCar Certified Dealers. 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 what other cars of the same make, model, year and stated condition are valued 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.

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Automotive Lease Guide

We forecast data on residual values of cars and provide this information on a subscription and consultative basis via Automotive Lease Guide, or 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 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.

Sales and Marketing

Consumer marketing

We reach consumers through our TrueCar.com website 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 a hassle-free car-buying experience at a TrueCar Certified Dealer. 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 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 managing 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 and our dealer sales team has on average over 15 years of automotive retail experience. 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. In addition, we have a dedicated industry relations team, whose employees have worked at dealerships, automobile manufacturers and state dealer associations.

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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:

Internet search engines and online automotive sites such as Google, AutoTrader.com, eBay Motors, Edmunds.com, KBB.com, Autobytel.com and Cars.com;

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; and 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.

Our principal competitors for car dealer marketing spend include:

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

online lead generation sites 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

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We have designed our technology infrastructure, website and products to provide consumers, dealers and other parties with the information they need to effect a successful car purchase. We deliver this information through a reliable, secure, scalable and locally-adaptable web-based information and communications platform. This platform is accessed by consumers through our TrueCar.com 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

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use a combination of open source and licensed software running on optimized hardware, which allows for cost-effective, flexible development.

Our data is housed in two scalable, geographically redundant data center 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, 2013, we had nine U.S. issued patents, 31 pending U.S. patent applications and 28 pending foreign patent applications. The issued and allowed patents begin expiring in September 2029 through October 2031. 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.

Employees

At December 31, 2013, we had 342 full-time employees at locations in Santa Monica, Santa Barbara, Austin and San Francisco. We also engage a number of temporary employees and consultants to support our operations. None of our employees are either 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.

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. For example, we received an Investigative Demand, dated October 30, 2013, from the Oregon Attorney General (the "Oregon Inquiry") requesting information regarding potential noncompliance with the Oregon Unlawful Trade Practices Act. We are cooperating 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.

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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 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. We cannot assure you, however, that we will be able to successfully comply with current or future regulations to which our business may be subject.

Legal Proceedings

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

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The following table sets forth the names, ages and positions of our executive officers and directors at March 31, 2014:

Name	Age	Position
<i>Executive Officers</i>		
Scott Painter	45	Chief Executive Officer and Chairman of the Board
Michael Guthrie	48	Chief Financial Officer
Bernard Brenner	46	Executive Vice President, Business Development
Lawrence Dominique	51	Executive Vice President, Industry Solutions
Lucas Donat	52	Chief Marketing Officer
Michael Dunn	55	Chief Technology Officer
Stewart Easterby	46	Executive Vice President, Operations
James Nguyen	44	Executive Vice President, Corporate and Partner Development and Secretary
Thomas Taira	43	Executive Vice President, Product
<i>Non-Employee Directors</i>		
Abhishek Agrawal	35	Director
Todd Bradley	55	Director
Robert Buce	65	Director
Steven Dietz	50	Director
Thomas Gibson	71	Director
John Krafcik	52	Director
Victor Pascucci III	43	Director
Ion Yadigaroglu	44	Director
<i>Executive Officers</i>		

Scott Painter co-founded our company and has served as our Chief Executive Officer and Chairman of our board of directors since February 2005, as well as our President from April 2005 to August 2010 and Secretary from April 2005 to July 2010. Since March 2008, Mr. Painter has served as President of TrueCar.com, Inc., which was acquired by us in June 2010. Mr. Painter's other current ventures include PriceLock Inc., a provider of online energy solutions for energy buyers and sellers, which he co-founded in October 2006, and BrightHouse, Inc., a business incubator, which he co-founded in October 2007, and on which he currently serves as a member of its board of directors. Prior to joining us, Mr. Painter served as founder and chairman of Build-To-Order, Inc., an automotive company focused on modularized outsourced manufacturing of vehicles; co-founder and chairman of Direct Ventures, Inc., an Internet-driven direct sales company for high-value commodity items; founder and chairman of Advertise.com, Inc., an online advertising network and marketing company; founder and Chief Executive Officer of CarsDirect.com, Inc., an online automotive research portal and car buying service; served as an early advisor to automotive businesses, including Tesla Motors, Inc., a designer and manufacturer of electric vehicles; and founded numerous other companies, including SharesPost, Inc., an online private capital marketplace, and AUTOAccess, an electronic database of used cars for sale. Mr. Painter studied Political Science and Systems Engineering at the United States Military Academy at West Point and Economics at the University of California, Berkeley (UC Berkeley). Mr. Painter left UC Berkeley prior to graduation to sell his first auto-related start-up, AUTOAccess.

We believe Mr. Painter is qualified to serve as a member of our board of directors because of his substantial operational and business strategy expertise gained from serving as our Chief

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Executive Officer and an executive officer and advisor to numerous auto-related start-ups. As one of our founders and longest serving member of our board of directors, we also value his deep understanding of our business as it has evolved over time.

Michael Guthrie has served as our Chief Financial Officer since January 2012. Prior to joining us, Mr. Guthrie was Senior Vice President, Business Development at SharesPost, Inc., an online private capital marketplace, from January 2011 to October 2011. From February 2009 to January 2011, Mr. Guthrie served as a principal at Saful Consulting, where he advised public and private technology companies on strategic matters. From January 2007 to January 2009 Mr. Guthrie was managing director at Symphony Technology Group, LLC, a private equity firm and from October 2000 to December 2006 Mr. Guthrie was a principal in private equity firms TPG Ventures and Garnett & Helfrich Capital. Earlier in his career, Mr. Guthrie was an investment banker at Credit Suisse First Boston focused on financing and advising technology companies. Mr. Guthrie is also a Senior Advisor to Rubicon Technology Partners, a technology-focused private equity firm. Mr. Guthrie holds a B.A. in Economics from the University of Virginia and an M.B.A. from the Stanford Graduate School of Business.

Bernard Brenner co-founded our company and has served as our Executive Vice President, Business Development since August, 2005. Mr. Brenner also served as Executive Vice President of TrueCar.com, Inc., which was acquired by us in June 2010. Prior to joining us, Mr. Brenner served as Vice President of Business Development at Carfax, Inc., a provider of vehicle history information, where he was responsible for the company's strategic partnerships with automobile manufacturers, dealer systems and online marketing partners. Earlier in his career, Mr. Brenner was Chief Executive Officer at PromiseMark, Inc., an Internet security and privacy company, which was acquired by the credit reporting agency Experian Consumer Direct. He also founded 1-800-CAR-SEARCH, a used vehicle search company for buyers and sellers, where he oversaw marketing and product development. Mr. Brenner holds an A.S. in Computer Science from the State University of New York at Farmingdale and a B.S. in Business Management from the State University of New York at Stony Brook.

Lawrence Dominique has served as our Executive Vice President, Industry Solutions since October 2011. Mr. Dominique also serves as President of ALG, a source for automotive residual values, analytical data products, and business consulting services, and one of our wholly-owned subsidiaries, since October 2011. Prior to joining us, Mr. Dominique served as Vice President of Product Planning at Nissan North America, Inc., a vehicle manufacturer, where he oversaw product competitiveness from development through the product's lifecycle, from April 1989 to September 2011. Mr. Dominique holds a B.S. in Electrical Engineering from Lawrence Technology University.

Lucas Donat has served as our Chief Marketing Officer since October 2013. Prior to joining us, Mr. Donat was a founding partner at Tiny Rebellion (formally dw+h), a change agent advertising agency based in Santa Monica, which he founded in June 1990. At Tiny Rebellion, Mr. Donat presided over the launch and branding of such internet companies as eHarmony, LegalZoom, Hotwire, and most recently, TrueCar. Mr. Donat continues to serve as Chief Executive Officer of Tiny Rebellion in a part-time capacity. Pursuant to his employment agreement, Mr. Donat will devote no less than 80% of his working time to our business and affairs. Mr. Donat studied at Ithaca College School of Communications, but left prior to graduation after receiving a grant to make his first film.

Michael Dunn has served as our Chief Technology Officer since May 2013. Prior to joining us, Mr. Dunn was an independent technology consultant and served as Chief Technology Officer at Hearst Interactive Media, the venture capital arm of Hearst Corporation, a diversified media and information company, from July 2003 to August 2012. Mr. Dunn currently serves on the board of directors of Ballston Spa National Bank, a community bank in New York State, and on the advisory

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boards of RAMP, a software-as-a-service platform, and Arkami, Inc., a password management device company. Mr. Dunn attended Ohio State University, where he studied Computer Engineering.

Stewart Easterby has served as our Executive Vice President, Operations since June 2012 and was our Executive Vice President, Dealer Development from August 2008 to May 2012. Prior to joining us, Mr. Easterby was Vice President, Advertising Sales Operations at Yahoo! Inc., an Internet technology company, from October 2003 to April 2008. Mr. Easterby is a former U.S. Navy SEAL and holds a B.S. in Economics with a concentration in Finance from the Wharton School at the University of Pennsylvania, a B.A.S. with a concentration in Systems Engineering from the School of Engineering and Applied Science at the University of Pennsylvania, and an M.B.A. from the Anderson School of Management at the University of California, Los Angeles.

James Nguyen co-founded our company and has served as our Executive Vice President, Corporate and Partner Development since January 2012 and as our Secretary since November 2010. Mr. Nguyen was our Chief Financial Officer from September 2008 to January 2012. From March 2008 to June 2010, Mr. Nguyen served as Chief Financial Officer of TrueCar.com, Inc., which was acquired by us in June 2010. Mr. Nguyen's automotive background includes multi-functional roles at Toyota Motor Sales, U.S.A., Inc., the U.S. sales, marketing, and distribution subsidiary of Toyota Motor Corporation, and with venture-backed start-ups Model E Corporation, an Internet build-to-order vehicle and subscription service company, and Build-to-Order, Inc., an automotive company focused on modularized outsourced manufacturing of vehicles. Mr. Nguyen serves on the board of directors for WebCars, an online automotive company in China, and is on the advisory board of Tagnos, Inc., an enterprise software company providing analytics and wireless patient tracking solutions to hospitals. Mr. Nguyen is a Certified Public Accountant in the state of California. Mr. Nguyen holds a B.A. in Economics and Accounting from Claremont McKenna College and an M.B.A. from the Anderson School of Management at the University of California, Los Angeles.

Thomas Taira co-founded our company and has served as our Executive Vice President, Product since November 2010. Mr. Taira served as President and Secretary of TrueCar.com, Inc., which was acquired by us in June 2010, from February 2008 to March 2009. Prior to rejoining us in November 2010, Mr. Taira served as Chief Executive Officer at Honk LLC, an automotive social media website, which he co-founded in March 2009 and was acquired by us in April 2011. Mr. Taira also served as our Chief Strategy Officer from March 2005 to February 2008. He has also served as Client Partner and Strategy Director at Proxicom, Inc., a technology development firm, where he led product strategy and partner management for its automotive manufacturer clients, Director of Strategy at Build-to-Order, Inc., a next-generation automotive company focused on modularized outsourced manufacturing of vehicles, and eBusiness Strategy Manager at Toyota Motor Sales, U.S.A., Inc., the U.S. sales, marketing, and distribution subsidiary of Toyota Motor Corporation. Mr. Taira holds a B.A. in Social Sciences from the University of California, Irvine and an M.B.A. from Georgetown University.

Board of Directors

Abhishek Agrawal has served as a member of our board of directors since November 2013. Since April 2013, Mr. Agrawal has served as Managing Director at Vulcan Capital, an investment management firm, and head of its Palo Alto office. Mr. Agrawal directs Vulcan Capital's growth investments in the Internet and technology sectors globally. Prior to joining Vulcan Capital, from June 2006 to April 2013, Mr. Agrawal was with General Atlantic LLC, a global growth equity firm, where he served as a Principal, driving investments in the Internet and technology space. Prior to General Atlantic LLC, Mr. Agrawal was with Lazard Technology Partners, or Lazard, an Internet and technology focused venture capital firm, and previously served in Lazard's investment banking group. Mr. Agrawal serves on the board of directors of Zuora, Inc., an enterprise software company that designs and sells software-as-a-service applications for companies with a subscription business

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model, and was previously on the boards of directors of Bazaarvoice, Inc., a software-as-a-service company providing social commerce solutions, and Network Solutions, LLC, a technology company providing web services to small and medium-sized businesses. Mr. Agrawal holds a B.S. in Economics with a concentration in Finance from the Wharton School at the University of Pennsylvania and an M.B.A. from Harvard Business School, where he graduated with highest distinction and was a Baker Scholar.

We believe Mr. Agrawal is qualified to serve as a member of our board of directors because of his substantial corporate finance, business strategy and corporate development expertise gained from his significant experience in the venture capital and private equity industries, analyzing, investing in, serving on the boards of, and providing guidance to various technology companies. We also value his perspective as a representative of one of our largest stockholders.

Todd Bradley has served as a member of our board of directors since September 2013. Since June 2005, Mr. Bradley has served as an executive vice president of Hewlett-Packard Company, a public information technology corporation, most recently as Executive Vice President, Strategic Growth Initiatives, responsible for enhancing Hewlett-Packard's business in China and extending Hewlett-Packard's partner relationships. Mr. Bradley also currently serves on the board of the Newseum. Mr. Bradley holds a B.S. in Business Administration from Towson State University.

We believe Mr. Bradley is qualified to serve as a member of our board of directors because of his track record of identifying and fostering strategic partnerships in the technology sector and his substantial corporate governance, corporate development, business strategy and financial expertise gained as an executive in the technology and finance industries and from holding various executive positions at a publicly traded technology company.

Robert Buce has served as a member of our board of directors since April 2005. Mr. Buce served as our Executive Vice President and Chief Financial Officer from September 2005 to September 2008. Prior to joining us, Mr. Buce founded and served as Chief Financial Officer and a senior member of the management team of Build-To-Order, Inc., an automotive company focused on modularized outsourced manufacturing of vehicles. Prior to Build-To-Order, Mr. Buce held a variety of senior management positions, including Managing Partner, at KPMG LLP, an accounting and advisory firm, and Managing Director at BearingPoint, Inc., a related consulting firm. Mr. Buce also served on the board of directors of KPMG LLP from March 1991 to November 1995. Since July 2000 Mr. Buce has served as Chairman of PalisadesHoldings, a sole proprietorship providing independent advisory assistance to a variety of technology services and consumer products and services commercial enterprises. Mr. Buce served on the board of Intersection Technologies, Inc., parent company of F&I Express, a provider of software and services to the automotive industry. Mr. Buce is a Certified Public Accountant (inactive) in the State of California and a member of the American Institute of Certified Public Accountants and the California Society of Certified Public Accountants. Mr. Buce holds a B.S. in Mechanical Engineering from Lehigh University and an M.B.A. from the Anderson School of Management at the University of California, Los Angeles.

We believe Mr. Buce is qualified to serve as a member of our board of directors because of his historical expertise gained from serving as our Executive Vice President and Chief Financial Officer and his substantial corporate governance, operational and financial expertise gained as Managing Partner at KPMG LLP, Managing Director at BearingPoint and from his experience serving on the boards of directors and boards of advisors of several private companies. As one of our longest serving members of our board of directors, we also value his deep understanding of our business as it has evolved over time.

Steven Dietz has served as a member of our board of directors since February 2006. Mr. Dietz has been a Partner at Upfront Ventures, a venture capital firm, since its founding in 1996.

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During his career, Mr. Dietz has overseen numerous investments in the automotive industry. Mr. Dietz holds a B.S. in Finance from the University of Colorado.

We believe Mr. Dietz is qualified to serve as a member of our board of directors because of his substantial corporate finance, business strategy and corporate development expertise gained from his significant experience in the venture capital industry, analyzing, investing in and serving on the boards of directors of various private technology companies. We also value his perspective as a representative of one of our largest stockholders.

Thomas Gibson has served as a member of our board of directors since June 2012. Mr. Gibson was with Asbury Automotive Group, Inc., an automotive retailer, which he founded, from November 1994 to December 2007, during which time he served as Chairman, President and Chief Executive Officer from November 1994 to November 1999 and as Interim Chief Executive Officer from October 2001 to December 2001. Mr. Gibson serves on the boards of directors of Dealer Tire, LLC, a tire, maintenance and light-repair product distributor that partners with automobile manufacturers, since September 2003, Alliance Inspection Management, LLC, a new and pre-owned vehicle inspection partnership, since October 2006, and Leader Auto Resources LAR Inc., a car dealer buying group, since March 2011. He also served on the board of directors of Dealertrack Technologies, Inc., a provider of software solutions and services for the automotive industry, from June 2005 to February 2008. From February 2008 to February 2010, Mr. Gibson served on the board of directors of Guilford Mills, Inc., a manufacturer of performance textiles for automotive and specialty markets, and from February 2008 to July 2009, Mr. Gibson served on the board of directors of Chrysler LLC, an automobile manufacturer. From October 1999 to November 2008, Mr. Gibson served on the board of directors of Ikon Office Solutions, Inc., a provider of document management systems and services. Mr. Gibson has over 30 years of experience in the automotive industry, previously holding senior sales, marketing and management positions with Ford Motor Company and Chrysler LLC before becoming President and Chief Operating Officer of Subaru of America, Inc. from September 1981 to April 1993. Mr. Gibson holds a B.A. in Economics from DePauw University and an M.B.A. from Harvard University.

We believe Mr. Gibson is qualified to serve as a member of our board of directors because of his substantial corporate governance, business strategy and financial expertise gained from holding various executive positions in the automotive industry, serving on the boards of directors for several public and private companies, and working on several committees focused on strategy, finance, investment, compensation and auditing.

John Krafcik has served as a member of our board of directors since February 2014. Mr. Krafcik was with Hyundai Motor America, a South Korean multinational automaker, from March 2004 to December 2013, during which time he served as President and Chief Executive Officer from November 2008 to December 2013. Mr. Krafcik was responsible for the strategic direction and management of the company's operations in the United States. Prior to joining Hyundai Motor America, Mr. Krafcik was at Ford Motor Company, where he held various product development leadership positions. Mr. Krafcik holds a B.S. in Mechanical Engineering from Stanford University and an M.S. in Management from Sloan School of Management at the Massachusetts Institute of Technology.

We believe Mr. Krafcik is qualified to serve as a member of our board of directors because of his substantial corporate development, business strategy and automotive expertise gained as an executive in the automotive industry.

Victor Pascucci III has served as a member of our board of directors since May 2012. Since June 2006, Mr. Pascucci has served in various executive roles at USAA, a Fortune 150 diversified financial services group, most recently as Managing Director, Corporate Development since January 2011 and Transformation Executive, Assistant Vice President from November 2009 to January 2011.

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Mr. Pascucci also served as Enterprise Operations Counsel, Assistant Vice President at USAA from June 2006 to January 2010. Prior to USAA, Mr. Pascucci served as general counsel or outside counsel for numerous technology based businesses. Mr. Pascucci holds a B.A. in Communications from Bowling Green State University and a J.D. from the University of Toledo College of Law.

We believe Mr. Pascucci is qualified to serve as a member of our board of directors because of his substantial business strategy and corporate development and governance expertise gained as an executive and counselor at several companies in the technology and finance industries and from serving on the boards of directors of various private technology companies. We also value his perspective as a representative of our largest stockholder.

Ion Yadigaroglu has served as a member of our board of directors since August 2007. Since July 2004, Mr. Yadigaroglu has served as a Managing Principal at Capricorn Investment Group LLC, an investment firm. Mr. Yadigaroglu holds a Masters in Physics from Eidgenössische Technische Hochschule Zürich in Switzerland and a Ph.D. in Astrophysics from Stanford University.

We believe Mr. Yadigaroglu is qualified to serve as a member of our board of directors because of his substantial corporate finance, business strategy and corporate development expertise gained from his holding various executive positions and from his significant experience in the capital industry, analyzing, investing in and serving on the boards of directors of various private technology companies. We also value his perspective as a representative of one of our largest stockholders.

There are no family relationships among any of our directors or executive officers.

Board Composition

Our business and affairs are managed under the direction of our board of directors. The number of directors will be fixed by our board of directors, subject to the terms of our amended and restated certificate of incorporation and amended and restated bylaws that will become effective immediately prior to the completion of this offering. Our board of directors currently consists of nine directors, of whom will qualify as "independent" under the NASDAQ Stock Market listing standards.

In accordance with our amended and restated certificate of incorporation and our amended and restated bylaws, immediately after the completion of this offering our board of directors will be divided into three classes with staggered three-year terms. Only one class of directors will be elected at each annual meeting of our stockholders, with the other classes continuing for the remainder of their respective three-year terms. Our directors will be divided among the three classes as follows:

the Class I directors will be _____, and their terms will expire at the annual meeting of stockholders to be held in 2015;

the Class II directors will be _____, and their terms will expire at the annual meeting of stockholders to be held in 2016; and

the Class III directors will be _____, and their terms will expire at the annual meeting of stockholders to be held in 2017.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent a change of our management or a change of control. Under Delaware law, our directors may be removed for cause by the affirmative vote of the holders of a majority of our outstanding voting stock. Directors may not be removed by our stockholders without cause.

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Any increase or decrease in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors.

Director Independence

Our board of directors has undertaken a review of the independence of each director. Based on information provided by each director concerning his or her background, employment and affiliations, our board of directors determined that Messrs. do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the Securities and Exchange Commission, or the SEC, and the listing requirements and rules of the NASDAQ Stock Market. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with our company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director, and the transactions involving them described in the section titled "Certain Relationships, Related Party and Other Transactions."

Lead Independent Director

Our board of directors has appointed to serve as our lead independent director. As lead independent director, Mr. will preside over periodic meetings of our independent directors, serve as a liaison between our Chairman and the independent directors and perform such additional duties as our board of directors may otherwise determine and delegate.

Board Committees

Upon completion of this offering, our board of directors will have an audit committee, a compensation committee and a nominating and corporate governance committee. The composition and responsibilities of each of the committees of our board of directors is described below. Members will serve on these committees until their resignation or until otherwise determined by our board of directors.

Audit Committee

Our audit committee is comprised of Messrs. . Mr. serves as our audit committee chairperson. Messrs. meet the requirements for independence of audit committee members under current NASDAQ Stock Market listing standards and SEC rules and regulations. Each member of our audit committee meets the financial literacy requirements of the current NASDAQ Stock Market listing standards. In addition, our board of directors has determined that each of Messrs. is an audit committee financial expert within the meaning of Item 407(d) of Regulation S-K under the Securities Act of 1933, as amended, or the Securities Act. The responsibilities of our audit committee include, among other things:

selecting and hiring the independent registered public accounting firm to audit our financial statements;

helping to ensure the independence and performance of the independent registered public accounting firm;

approving audit and non-audit services and fees;

reviewing financial statements and discussing with management and the independent registered public accounting firm our annual audited and quarterly financial statements, the

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results of the independent audit and the quarterly reviews, and the reports and certifications regarding internal controls over financial reporting and disclosure controls;

preparing the audit committee report that the SEC requires to be included in our annual proxy statement;

reviewing reports and communications from the independent registered public accounting firm;

reviewing the adequacy and effectiveness of our internal controls and disclosure controls and procedures;

reviewing our policies on risk assessment and risk management;

reviewing related party transactions;

establishing and overseeing procedures for the receipt, retention and treatment of accounting related complaints and the confidential submission by our employees of concerns regarding questionable accounting or auditing matters; and

reviewing annually the audit committee charter and the committee's performance.

Our audit committee operates under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable rules of the SEC and the listing standards of the NASDAQ Stock Market. We