TrueCar, Inc.
Form S-1/A
May 05, 2014

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**As filed with the Securities and Exchange Commission on May 5, 2014.**

**Registration No. 333-195036**

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

**Amendment No. 1**
**to**

# FORM S-1

**REGISTRATION STATEMENT**
**Under**
**The Securities Act of 1933**

# TRUECAR, INC.

(Exact name of registrant as specified in its charter)

| | | |
|---|---|---|
| **Delaware** | **7379** | **04-3807511** |
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**120 Broadway, Suite 200**
**Santa Monica, California 90401**
**(800) 200-2000**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Scott Painter**
**Chief Executive Officer**
**120 Broadway, Suite 200**
**Santa Monica, California 90401**

**(800) 200-2000**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

**Copies to:**


| | | |
|---|---|---|
| **David J. Segre**<br>**Tony Jeffries**<br>**Damien Weiss**<br>**Wilson Sonsini Goodrich & Rosati, P.C.**<br>**650 Page Mill Road**<br>**Palo Alto, California 94304**<br>**(650) 493-9300** | **Michael Guthrie**<br>**Chief Financial Officer**<br>**Troy Foster**<br>**Chief Legal and Compliance Officer**<br>**120 Broadway, Suite 200**<br>**Santa Monica, California 90401**<br>**(800) 200-2000** | **Christopher L. Kaufman**<br>**Steven B. Stokdyk**<br>**Latham & Watkins LLP**<br>**355 South Grand Avenue**<br>**Los Angeles, California 90071-1560**<br>**(213) 485-1234** |


**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. o

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. o

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. o

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. o

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 o | Accelerated filer o | Non-accelerated filer ý (do not check if a smaller reporting company) | Smaller reporting company o |

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Amount to be Registered(1) | Proposed Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price(2) | Amount of Registration Fee(3) |
|---|---|---|---|---|
| Common Stock, par value $0.0001 per share | 8,941,250 | $14.00 | $125,177,500 | $16,123.00 |

(1) Estimated pursuant to 457(a) under the Securities Act of 1933, as amended. Includes an additional 1,166,250 shares that the underwriters have the option to purchase.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) The Registrant previously paid $16,100 of this amount in connection with the initial filing of the Registration Statement.

**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 May 5, 2014**

# 7,775,000 Shares

# Common Stock

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

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 $12.00 and $14.00. We have applied 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 15 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 | $ | $ |

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

To the extent that the underwriters sell more than 7,775,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,166,250 shares from us at the initial public offering price less the underwriting discount.

Scott Painter, our Founder and Chief Executive Officer, has indicated an interest in purchasing up to an aggregate of approximately $1,500,000 of TrueCar's common stock in this offering at the initial public offering price. Because this indication of interest is not a binding agreement or commitment to purchase, Mr. Painter may elect not to purchase shares in this offering or the underwriters may elect not to sell any shares in this offering to Mr. Painter. The underwriters will receive the same discount from any shares of our common stock purchased by Mr. Painter as they will from any other shares of our common stock sold to the public in this offering.

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

**Goldman, Sachs & Co.** **J.P. Morgan** **RBC Capital Markets**

**Cowen and Company** **JMP Securities**

Prospectus dated , 2014.

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**Through and including , 2014 (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 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 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 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 7,700 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 3.2% of all new car sales in the United States in the first quarter of 2014, excluding fleet car sales, an increase from 2.4% in 2013 and 1.5% in 2012. Since our founding in 2005, TrueCar users have purchased over 1.2 million cars from TrueCar Certified Dealers, including nearly 400,000 during 2013 and 126,000 in the three months ended March 31, 2014.

During 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. During the three months ended March 31, 2014, we generated

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revenues of $43.9 million and recorded a net loss of $9.9 million. Of the $43.9 million in revenues, 91% consisted of transaction revenues with the remaining 9% 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**

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.

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***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 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.

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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 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 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 7,700 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, gleaning 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 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.

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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.

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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**Reverse Stock Split**

Our board of directors and stockholders approved a 2-for-3 reverse split of our common stock and our Series A convertible preferred stock, or preferred stock, which was effected on May 2, 2014. All references to common stock, preferred stock, options to purchase common stock, restricted stock, share data, per share data, warrants and related information have been retroactively adjusted where applicable in this prospectus to reflect the reverse stock split of our common stock and our preferred stock as if it had occurred at the beginning of the earliest period presented.

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**THE OFFERING**

| | |
|---|---|
| Common stock offered by us | 7,775,000 shares |
| Common stock to be outstanding after this offering | 71,038,267 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 1,166,250 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. 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 64.2% of our outstanding capital stock. |
| Directed share program | The underwriters have reserved for sale, at the initial public offering price, up to 777,500 shares of the common stock being sold pursuant to this offering, which equals 10% of such shares being sold. Scott Painter, our Founder and Chief Executive Officer, has indicated an interest in purchasing up to an aggregate of approximately $1,500,000 of such reserved shares and the remainder of such shares may be sold to business associates, advisors and friends of TrueCar. All such shares purchased will be subject to the 180-day contractual lock-up described more fully in "Underwriting." The number of shares available for sale to the general public in this offering will be reduced to the extent these persons purchase reserved shares. Any reserved shares not purchased will be offered by the underwriters to the general public on the same terms as the other shares. |
| Proposed NASDAQ trading symbol | "TRUE" |

Scott Painter, our Founder and Chief Executive Officer, has indicated an interest in purchasing up to an aggregate of approximately $1,500,000 of TrueCar's common stock in this offering at the initial public offering price. Because this indication of interest is not a binding agreement or commitment to purchase, Mr. Painter may elect not to purchase shares in this offering or the underwriters may elect not to sell any shares in this offering to Mr. Painter. The underwriters will receive the same discount from any shares of our common stock purchased by Mr. Painter as they will from any other shares of our common stock sold to the public in this offering.

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The number of shares of our common stock to be outstanding after this offering is based on 63,263,267 shares of our common stock (including convertible preferred stock on an as converted basis) outstanding at March 31, 2014, and excludes:

- 20,735,643 shares of common stock issuable upon the exercise of options outstanding at March 31, 2014, with a weighted average exercise price of $5.57 per share;
- 1,333,332 shares of common stock issuable upon the exercise of options granted to our CEO in April 2014, with a weighted average exercise price of $45.00 per share;
- 4,481,005 shares of common stock issuable upon the exercise of options granted on May 1, 2014 and May 2, 2014, with a weighted average exercise price of $12.81 per share;
- 4,631,242 shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Plan (the "2005 Stock Plan") at March 31, 2014 (after giving effect to an increase of 4,000,000 shares of our common stock reserved for issuance under our 2005 Stock Plan after March 31, 2014 and the grant of options to purchase 4,481,005 shares of common stock after March 31, 2014), which shares will be added to the shares to be reserved under our 2014 Equity Incentive Plan to the extent not granted prior to the completion of this offering;
- any shares of common stock that become available subsequent to this offering under our 2014 Plan as a result of the expiration, termination without exercise or forfeiture or repurchase of awards granted under our 2005 Stock Plan or our 2008 Stock Plan (the "2008 Stock Plan"), as more fully described in "Executive Compensation Employee Benefits and Stock Plans";
- any 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";
- 5,967,423 shares of common stock issuable upon the exercise of warrants outstanding at March 31, 2014, with a weighted average exercise price of $5.50 per share; and
- 1,463,979 shares of common stock issuable upon the exercise of warrants issued on May 2, 2014, with a weighted average exercise price of $13.11 per share.

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

- a two-for-three reverse stock split effected on May 2, 2014.
- 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 1,166,250 shares of common stock from us in this offering.

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## SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables summarize our consolidated financial data. You should read the summary consolidated financial data set forth below in conjunction with our consolidated financial statements, the notes to our consolidated financial statements and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained elsewhere in this prospectus.

We have derived the summary consolidated statement of operations data for the years ended December 31, 2011, 2012 and 2013 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary unaudited consolidated statement of operations data for the three months ended March 31, 2013 and 2014 and our unaudited consolidated balance sheet data as of March 31, 2014 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements were prepared on a basis consistent with our annual financial statements and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the financial information contained in those statements. 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, and our interim results are not necessarily indicative of the results to be expected for the full year or any other period.

| | Year Ended December 31, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010(1) | 2011(2)(3) | 2012 | 2013 | 2013 | 2014 |
| | (in thousands, except per share amounts) | | | | | | |
| **Consolidated Statement of Operations Data:** | | | | | | | |
| Revenues | $ 15,831 | $ 38,149 | $ 76,330 | $ 79,889 | $ 133,958 | $ 25,043 | $ 43,930 |
| 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 | 3,762 | 3,720 |
| Sales and marketing(4) | 8,866 | 18,751 | 41,992 | 70,327 | 75,180 | 13,783 | 27,767 |
| Technology and development(4) | 6,597 | 7,407 | 18,457 | 21,960 | 23,685 | 5,804 | 7,330 |
| General and administrative(4) | 5,180 | 11,480 | 21,912 | 34,228 | 30,857 | 6,313 | 11,517 |
| Depreciation and amortization | 625 | 1,086 | 4,148 | 11,768 | 11,569 | 3,066 | 3,114 |
| Total costs and operating expenses | 22,628 | 42,039 | 94,169 | 151,842 | 156,586 | 32,728 | 53,448 |
| Loss from operations | (6,797) | (3,890) | (17,839) | (71,953) | (22,628) | (7,685) | (9,518) |
| Interest income | 94 | 109 | 199 | 229 | 121 | 32 | 17 |
| Interest expense | (123) | (73) | (66) | (3,359) | (1,988) | (1,241) | (170) |
| Other income (expense), net | (45) | 4 | (20) | (18) | 18 | 8 | |
| 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) | (8,886) | (9,671) |
| (Provision) benefit for income taxes | | (73) | 10,690 | 606 | (579) | (137) | (250) |
| Net loss | $ (6,820) | $ (4,447) | $ (8,918) | $ (74,495) | $ (25,056) | $ (9,023) | $ (9,921) |
| 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) | $ (9,023) | $ (9,921) |
| Net loss per share attributable to common stockholders: | | | | | | | |
| Basic and diluted(5)(6) | $ (3.43) | $ (1.43) | $ (0.49) | $ (1.33) | $ (0.43) | $ (0.16) | $ (0.17) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Weighted average shares of common stock outstanding used in computing net loss per share attributable to common stockholders: | | | | | | | |
| Basic and diluted(5)(6) | 2,400 | 4,714 | 22,823 | 55,828 | 58,540 | 56,137 | 60,102 |
| Pro forma net loss per share: basic and diluted (unaudited)(5)(6) | | | | | $ (0.43) | | $ (0.16) |
| Pro forma weighted average common shares outstanding, basic and diluted (unaudited)(5)(6) | | | | | 58,853 | | 62,959 |
| **Other Financial Information:** | | | | | | | |
| Adjusted EBITDA(7) | $ (5,191) | $ 1,712 | $ (3,538) | $ (46,523) | $ 2,140 | $ (2,632) | $ 878 |

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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

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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.

(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, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (in thousands) | | | | | | |
| Cost of revenue | $ | $ 29 | $ 47 | $ 122 | $ 141 | $ 25 | $ 54 |
| Sales and marketing | 223 | 272 | 1,076 | 1,571 | 2,561 | 524 | 1,036 |
| Technology and development | 214 | 41 | 1,096 | 1,428 | 1,762 | 341 | 706 |
| General and administrative | 170 | 1,214 | 3,989 | 7,199 | 4,882 | 683 | 2,348 |
| Total stock-based compensation expense | $ 607 | $ 1,556 | $ 6,208 | $ 10,320 | $ 9,346 | $ 1,573 | $ 4,144 |

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

(7) 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 March 31, 2014 | | |
|---|---|---|---|
| | Actual | Pro Forma(1) | Pro Forma As Adjusted(2) |
| | (in thousands) | | |
| **Selected Consolidated Balance Sheet Data** | | | |
| Cash and cash equivalents | $ 42,575 | $ 42,575 | $ 132,852 |
| Working capital excluding restricted cash | 36,220 | 36,220 | 128,807 |
| Property and equipment, net | 15,926 | 15,926 | 15,926 |
| Total assets | 173,925 | 173,925 | 260,626 |
| Total indebtedness | 4,893 | 4,893 | 4,893 |
| Convertible preferred stock | 29,224 | | |
| Total stockholders' equity | 110,721 | 139,945 | 228,957 |

(1) The pro forma column reflects the automatic conversion of all outstanding shares of our Series A Preferred Stock into 2,857,143 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 7,775,000 shares of our common stock offered by this prospectus at an assumed initial public offering price of $13.00 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.

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 $13.00 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 $7.2 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 $12.1 million, assuming an initial public offering price of $13.00 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, ticker symbol acquisition costs, 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, ticker symbol acquisition costs, 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

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- 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.

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

| | Year Ended December 31, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (in thousands) | | | | | | |
| **Reconciliation of Adjusted EBITDA to Net Loss:** | | | | | | | |
| Net loss | $ (6,820) | $ (4,447) | $ (8,918) | $ (74,495) | $ (25,056) | $ (9,023) | $ (9,921) |
| Non-GAAP adjustments: | | | | | | | |
| Interest income | (94) | (109) | (199) | (229) | (121) | (32) | (17) |
| Interest expense | 123 | 73 | 66 | 3,359 | 1,988 | 1,241 | 170 |
| Depreciation and amortization | 625 | 1,086 | 4,148 | 11,768 | 11,569 | 3,066 | 3,114 |
| Change in fair value of preferred stock warrant liability | (51) | 524 | 1,882 | | | | |
| Warrant expense | 419 | 2,956 | 2,112 | 1,990 | 3,740 | 382 | 2,335 |
| Transaction costs from acquisitions | | | 1,853 | | | | |
| Change in fair value of contingent consideration | | | | 1,370 | 95 | 24 | |
| Stock-based compensation | 607 | 1,556 | 6,208 | 10,320 | 9,346 | 1,573 | 4,144 |
| Ticker symbol acquisition costs | | | | | | | 803 |
| Provision (benefit) for income taxes | | 73 | (10,690) | (606) | 579 | 137 | 250 |
| Adjusted EBITDA | $ (5,191) | $ 1,712 | $ (3,538) | $ (46,523) | $ 2,140 | $ (2,632) | $ 878 |

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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 grew from $38.1 million in 2010 to $134.0 million in 2013 and from $25.0 million for the three months ended March 31, 2013 to $43.9 million for the three months ended March 31, 2014. 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

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also possible that car dealers could broadly determine that they no longer believe in the value of our services. In the event of these or any other developments, our continued success will depend on our ability to successfully adjust our strategy to meet the changing market dynamics. If we are unable to do so, our business could be harmed and our results of operations and financial condition could be materially and adversely affected.

***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 $172.5 million at March 31, 2014. 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

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

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

The single largest source of user traffic from our affinity group marketing partners comes from the site we maintain for USAA and USAA is our largest single stockholder. USAA currently owns 13,800,523 shares, which represents 22.8% of our outstanding shares of common stock at March 31, 2014. 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. In the three months ended March 31, 2014, 46,923 units, or 37% of all units purchased by users from TrueCar Certified Dealers, were matched to users of the car-buying site we maintain for USAA. As such, USAA has a significant influence on our operating results. In May 2014, we entered into an extension of our affinity group marketing agreement with USAA that extends through February 13, 2020, but we cannot assure you that our agreement with USAA will be extended at the expiration of the current agreement on terms satisfactory to us, or at all. In addition, USAA has broad discretion in how the car-buying site we maintain for USAA is promoted and marketed on its own website. Changes in this promotion and marketing 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.

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.

*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.

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

We face significant competition from companies that provide listings, information, lead generation, and car-buying services designed to reach consumers and enable dealers to reach these consumers.

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

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

- sites operated by automobile manufacturers such as General Motors and Ford;

- providers of offline, membership-based car-buying services such as the Costco Auto Program; and

- offline automotive classified listings, such as trade periodicals and local newspapers.

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 and $27.8 million on sales and marketing in the year ended December 31, 2013 and the three months ended March 31, 2014, respectively.

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 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 and in the three months ended March 31, 2014 this figure grew to approximately 27%. 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

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

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

***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.

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If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to pursue our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, operating results, financial condition and prospects could be adversely affected.

***We collect, process, store, share, disclose and use personal information and other data, and our actual or perceived failure to protect such information and data could damage our reputation and brand and harm our business and operating results.***

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

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

There are numerous federal, state and local laws around the world regarding privacy and the collection, processing, storing, sharing, disclosing, using and protecting of personal information and other data, the scope of which are changing, subject to differing interpretations, and which may be costly to comply with and may be inconsistent between countries and jurisdictions or conflict with other rules. We generally comply with industry standards and are subject to the terms of our privacy policies and privacy-related obligations to third parties. We strive to comply with all applicable laws, policies, legal obligations and industry codes of conduct relating to privacy and data protection, to the extent possible. However, it is possible that these obligations may be interpreted and applied in new ways or in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices or that new regulations could be enacted. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to consumers or other third parties, or our privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of sensitive information, which may include personally identifiable information or other user data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause consumers and automobile dealers to lose trust in us, which could have 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 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 $84.3 million at March 31, 2014. 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 64.2% 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 March 31, 2014, upon completion of this offering we will have outstanding approximately 71,038,267 shares of common stock, approximately 61,617,379 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 59,909,567 shares of our common stock at March 31, 2014, 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 $13.00 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 $10.96 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 25.2% of the total consideration paid to us by our stockholders to purchase shares of common stock in exchange for acquiring approximately 10.9% of our total outstanding shares at March 31, 2014 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;

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 7,775,000 shares of our common stock in this offering will be $89.0 million, based on an assumed initial public offering price of $13.00 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 $103.1 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

Each $1.00 increase or decrease in the assumed initial public offering price of $13.00 per share would increase or decrease the net proceeds that we receive from this offering by $7.2 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 $12.1 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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## CAPITALIZATION

The following table sets forth our consolidated cash and cash equivalents and capitalization at March 31, 2014 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 2,857,143 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 7,775,000 shares of common stock in this offering at an assumed initial public offering price of $13.00 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 March 31, 2014 | | |
|---|---|---|---|
| | **Actual** | **Pro Forma** | **Pro Forma As Adjusted(1)** |
| | | **(In thousands)** | |
| Cash and cash equivalents | $ 42,575 | $ 42,575 | $ 132,852 |
| Total indebtedness | $ 4,893 | $ 4,893 | $ 4,893 |
| Convertible preferred stock, $0.0001 par value; 4,500,000 shares authorized, 2,857,143 shares issued and outstanding; 4,500,000 shares authorized, no shares issued and outstanding pro forma; and 20,000,000 shares authorized, no shares issued and outstanding, pro forma as adjusted | 29,224 | | |
| Stockholders' equity: | | | |
| Common stock, $0.0001 par value; 150,000,000 shares authorized, 60,406,124 shares issued and outstanding, actual; 150,000,000 shares authorized, 63,263,267 shares issued and outstanding, pro forma; and 1,000,000,000 shares authorized, 71,038,267 shares issued and outstanding, pro forma as adjusted | 6 | 6 | 7 |
| Additional paid-in capital | 283,196 | 312,420 | 401,431 |
| Accumulated deficit | (172,481) | (172,481) | (172,481) |
| Total stockholders' equity | 110,721 | 139,945 | 228,957 |
| Total capitalization | $ 144,838 | $ 144,838 | $ 233,850 |

(1) Each $1.00 increase or decrease in the assumed initial public offering price of $13.00 per share, which is the midpoint of the estimated offering price range set forth on the cover page

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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 $7.2 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 $12.1 million, assuming an initial public offering price of $13.00 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:

- 20,735,643 shares of common stock issuable upon the exercise of options outstanding at March 31, 2014, with a weighted average exercise price of $5.57 per share;

- 1,333,332 shares of common stock issuable upon the exercise of options granted to the Company's CEO in April 2014, with a weighted average exercise price of $45.00 per share;

- 4,481,005 shares of common stock issuable upon the exercise of options granted on May 1, 2014 and May 2, 2014, with a weighted average exercise price of $12.81 per share;

- 4,631,242 shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Plan (the "2005 Stock Plan") at March 31, 2014 (after giving effect to an increase of 4,000,000 shares of our common stock reserved for issuance under our 2005 Stock Plan after March 31, 2014 and the grant of options to purchase 4,481,005 shares of common stock after March 31, 2014), which shares will be added to the shares to be reserved under our 2014 Equity Incentive Plan to the extent not granted prior to the completion of this offering;

- any shares of common stock that become available subsequent to this offering under our 2014 Plan as a result of the expiration, termination without exercise or forfeiture or repurchase of awards granted under the 2005 Stock Plan or our 2008 Stock Plan (the "2008 Stock Plan"), as more fully described in "Executive Compensation Employee Benefits and Stock Plans";

- any 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";

- 5,967,423 shares of common stock issuable upon the exercise of warrants outstanding at March 31, 2014, with a weighted average exercise price of $5.50 per share; and

- 1,463,979 shares of common stock issuable upon the exercise of warrants issued from April 1, 2014 to May 2, 2014, with a weighted average exercise price of $13.11 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 March 31, 2014 was $55.6 million, or $0.92 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 2,857,143 shares of our common stock immediately prior to the closing of this offering.

After giving effect to the sale by us of 7,775,000 shares of our common stock in this offering at the assumed initial public offering price of $13.00 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 March 31, 2014 would have been approximately $144.6 million, or $2.04 per share. This represents an immediate increase in pro forma net tangible book value of $1.16 per share to our existing stockholders and an immediate dilution of $10.96 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 | | $ 13.00 |
| Pro forma net tangible book value per share at March 31, 2014 | $ 0.88 | |
| Increase in pro forma net tangible book value per share attributable to new investors in this offering | 1.16 | |
| Pro forma net tangible book value per share immediately after this offering | | $ 2.04 |
| Dilution in pro forma net tangible book value per share to new investors in this offering | | $ 10.96 |

Each $1.00 increase or decrease in the assumed initial public offering price of $13.00 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 $0.10, and would increase or decrease, as applicable, dilution per share to new investors in this offering by $0.90, 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 $2.20 per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be $10.80 per share.

The following table summarizes, on a pro forma basis at March 31, 2014, 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

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offering at the initial public offering price of $13.00 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 Per Share |
|---|---|---|---|---|---|
| | Number | Percent | Amount | Percent | |
| | | (in thousands except shares and per share data and percentages) | | | |
| Existing stockholders | 63,263,267 | 89.1% | $ 300,363 | 74.8% | $ 4.75 |
| New investors | 7,775,000 | 10.9 | 101,075 | 25.2 | 13.00 |
| Total | 71,038,267 | 100.0% | $ 401,438 | 100.0% | $ 5.65 |

Each $1.00 increase or decrease in the assumed initial public offering price of $13.00 per share would increase or decrease the total consideration paid by new investors and total consideration paid by all stockholders by approximately $7.2 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.

If the underwriters exercise their option to purchase additional shares from us in full, our existing stockholders would own 87.6% and our new investors would own 12.4% of the total number of shares of our common stock outstanding upon the completion of this offering.

The foregoing discussion and tables exclude:

- 20,735,643 shares of common stock issuable upon the exercise of options outstanding at March 31, 2013, with a weighted average exercise price of $5.57 per share;

- 1,333,332 shares of common stock issuable upon the exercise of options granted to the Company's CEO in April 2014, with a weighted average exercise price of $45.00 per share;

- 4,481,005 shares of common stock issuable upon the exercise of options granted on May 1, 2014 and May 2, 2014, with a weighted average exercise price of $12.81 per share;

- 4,631,242 shares of common stock reserved for future issuance under our stock-based compensation plans, consisting of shares of common stock reserved for future issuance under our Amended and Restated 2005 Stock Plan (the "2005 Stock Plan") at March 31, 2014 (after giving effect to an increase of 4,000,000 shares of our common stock reserved for issuance under our 2005 Stock Plan after March 31, 2014 and the grant of options to purchase 4,481,005 shares of common stock after March 31, 2014), which shares will be added to the shares to be reserved under our 2014 Equity Incentive Plan to the extent not granted prior to the completion of this offering;

- any shares of common stock that become available subsequent to this offering under our 2014 Plan as a result of the expiration, termination without exercise or forfeiture or repurchase of awards granted under the 2005 Stock Plan or our 2008 Stock Plan (the "2008 Stock Plan"), as more fully described in "Executive Compensation Employee Benefits and Stock Plans";

any 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";

5,967,423 shares of common stock issuable upon the exercise of warrants outstanding at March 31, 2014, with a weighted average exercise price of $5.50 per share; and

1,463,979 shares of common stock issuable upon the exercise of warrants issued from April 1, 2014 to May 2, 2014, with a weighted average exercise price of $13.11 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 unaudited consolidated statement of operations data for the three months ended March 31, 2013 and 2014 and our unaudited consolidated balance sheet data at March 31, 2014 from our unaudited interim consolidated financial statements included elsewhere in the prospectus. The unaudited interim consolidated financial statements were prepared on a basis consistent with our annual financial statements and include, in the opinion of management, all adjustments necessary for the fair statement of the financial information contained in those statements. 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, and our interim results are not necessarily indicative of the results that may be expected for the full year or any other period.

You should read the following selected consolidated financial and other data together with the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements, related notes and other financial information included elsewhere in this prospectus. The selected consolidated financial data in this section is not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this prospectus.

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| | Year Ended December 31, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010(1) | 2011(2)(3) | 2012 | 2013 | 2013 | 2014 |
| | (in thousands, except per share amounts) | | | | | | |
| **Consolidated Statements of Operations Data:** | | | | | | | |
| Revenues | $ 15,831 | $ 38,149 | $ 76,330 | $ 79,889 | $ 133,958 | $ 25,043 | $ 43,930 |
| 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 | 3,762 | 3,720 |
| Sales and marketing(4) | 8,866 | 18,751 | 41,992 | 70,327 | 75,180 | 13,783 | 27,767 |
| Technology and development(4) | 6,597 | 7,407 | 18,457 | 21,960 | 23,685 | 5,804 | 7,330 |
| General and administrative(4) | 5,180 | 11,480 | 21,912 | 34,228 | 30,857 | 6,313 | 11,517 |
| Depreciation and amortization | 625 | 1,086 | 4,148 | 11,768 | 11,569 | 3,066 | 3,114 |
| Total costs and operating expenses | 22,628 | 42,039 | 94,169 | 151,842 | 156,586 | 32,728 | 53,448 |
| Loss from operations | (6,797) | (3,890) | (17,839) | (71,953) | (22,628) | (7,685) | (9,518) |
| Interest income | 94 | 109 | 199 | 229 | 121 | 32 | 17 |
| Interest expense | (123) | (73) | (66) | (3,359) | (1,988) | (1,241) | (170) |
| Other income (expense) | (45) | 4 | (20) | (18) | 18 | 8 | |
| 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) | (8,886) | (9,671) |
| (Provision) benefit for income taxes | | (73) | 10,690 | 606 | (579) | (137) | (250) |
| Net loss | $ (6,820) | $ (4,447) | $ (8,918) | $ (74,495) | $ (25,056) | $ (9,023) | $ (9,921) |
| 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) | $ (9,023) | $ (9,921) |
| Net loss per share attributable to common stockholders of TrueCar, Inc.: | | | | | | | |
| Basic and diluted(5)(6) | $ (3.43) | $ (1.43) | $ (0.49) | $ (1.33) | $ (0.43) | $ (0.16) | $ (0.17) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Weighted average shares of common shares outstanding used in computing net loss per share attributable to common stockholders: | | | | | | | |
| Basic and diluted(5)(6) | 2,400 | 4,714 | 22,823 | 55,828 | 58,540 | 56,137 | 60,102 |
| Pro forma net loss per share: | | | | | | | |
| Basic and diluted (unaudited)(5)(6) | | | | | $ (0.43) | | $ (0.16) |
| Pro forma weighted average common shares outstanding | | | | | | | |
| Basic and diluted (unaudited)(5)(6) | | | | | 58,853 | | 62,959 |
| **Other Financial Information:** | | | | | | | |
| Adjusted EBITDA(7) | $ (5,191) | $ 1,712 | $ (3,538) | $ (46,523) | $ 2,140 | $ (2,632) | $ 878 |

(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

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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 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, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (in thousands) | | | | | | |
| Cost of revenue | $ | $ 29 | $ 47 | $ 122 | $ 141 | $ 25 | $ 54 |
| Sales and marketing | 223 | 272 | 1,076 | 1,571 | 2,561 | 524 | 1,036 |
| Technology and development | 214 | 41 | 1,096 | 1,428 | 1,762 | 341 | 706 |
| General and administrative | 170 | 1,214 | 3,989 | 7,199 | 4,882 | 683 | 2,348 |
| Total stock-based compensation expense | $ 607 | $ 1,556 | $ 6,208 | $ 10,320 | $ 9,346 | $ 1,573 | $ 4,144 |

(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)

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

(7)

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, | | | | | At March 31, 2014 |
|---|---|---|---|---|---|---|
| | 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 | $ 42,575 |
| Working capital (deficit), excluding restricted cash | 8,178 | 14,930 | 39,118 | (9,290) | 36,637 | 36,220 |
| Property and equipment, net | 1,475 | 3,354 | 13,720 | 12,842 | 15,238 | 15,926 |
| Total assets | 17,659 | 28,338 | 180,165 | 145,244 | 174,750 | 173,925 |
| Total indebtedness | 1,500 | | | 23,696 | 4,764 | 4,893 |
| Convertible preferred stock | 48,659 | 59,575 | | | 29,224 | 29,224 |
| | | | | 1,000 | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Contingently redeemable common stock(1) | | | | | | |
| Total stockholders' (deficit) equity | (36,570) | (38,444) | 158,769 | 98,196 | 112,180 | 110,721 |

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

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**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 the fair value of contingent consideration, ticker symbol acquisition costs, 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, ticker symbol acquisition costs, 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, | | | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2013 | 2014 |
| | (in thousands) | | | | | | |
| **Reconciliation of Adjusted EBITDA to Net Loss:** | | | | | | | |
| Net loss | $ (6,820) | $ (4,447) | $ (8,918) | $ (74,495) | $ (25,056) | $ (9,023) | $ (9,921) |
| Non-GAAP adjustments: | | | | | | | |
| Interest income | (94) | (109) | (199) | (229) | (121) | (32) | (17) |
| Interest expense | 123 | 73 | 66 | 3,359 | 1,988 | 1,241 | 170 |
| Depreciation and amortization | 625 | 1,086 | 4,148 | 11,768 | 11,569 | 3,066 | 3,114 |
| Change in fair value of preferred stock warrant liability | (51) | 524 | 1,882 | | | | |
| Warrant expense | 419 | 2,956 | 2,112 | 1,990 | 3,740 | 382 | 2,335 |
| Transaction costs from acquisitions | | | 1,853 | | | | |
| Change in fair value of contingent consideration | | | | 1,370 | 95 | 24 | |
| Stock-based compensation | 607 | 1,556 | 6,208 | 10,320 | 9,346 | 1,573 | 4,144 |
| Ticker symbol acquisition costs | | | | | | | 803 |
| Provision (benefit) for income taxes | | 73 | (10,690) | (606) | 579 | 137 | 250 |
| Adjusted EBITDA | $ (5,191) | $ 1,712 | $ (3,538) | $ (46,523) | $ 2,140 | $ (2,632) | $ 878 |

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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. During the three months ended March 31, 2014, we generated revenues of $43.9 million and recorded a net loss of $9.9 million. Of the $43.9 million in revenues, 91% consisted of transaction revenues with the remaining 9% 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

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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.

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 our 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

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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.

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 first quarter of 2014 and achieved positive Adjusted EBITDA for 2013 and the first quarter of 2014. 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.

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**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, | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| Average Monthly Unique Visitors | 1,322,815 | 1,659,435 | 2,780,849 | 2,184,657 | 3,935,770 |
| Units(1) | 239,470 | 222,683 | 399,919 | 72,871 | 125,980 |
| Monetization | $ 297 | $ 291 | $ 297 | $ 295 | $ 317 |
| Franchise Dealer Count | 4,916 | 5,306 | 6,651 | 5,881 | 7,210 |

(1) We issued full credits of the amount originally invoiced with respect to 13,583, 20,365, 17,664, 4,566 and 2,145 units during the years ended 2011, 2012 and 2013 and the three months ended March 31, 2013 and March 31, 2014, respectively. The number of units has not been adjusted downwards related to units credited as discussed in the description of the unit metric, below.

***Average Monthly Unique Visitors***

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

The number of average monthly unique visitors increased 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. The number of average monthly unique visitors increased 80.2% to approximately 3.9 million in the three months ended March 31, 2014 from approximately 2.2 million in the three months ended March 31, 2013. 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. We view units as a key indicator of the growth of our business,

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the effectiveness of our product and the size and geographic coverage of our network of TrueCar Certified Dealers.

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

The number of units increased 79.6% to 399,919 in the year ended December 31, 2013 from 222,683 in the year ended December 31, 2012. The number of units increased 72.9% to 125,980 in the three months ended March 31, 2014 from 72,871 in the three months ended March 31, 2013. 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. Our monetization increased 7.5% to $317 during the three months ended March 31, 2014 from $295 for the same period in 2013 primarily as a result of increases in our pricing structure with our TrueCar Certified Dealers and lower sales credits during the three months ended March 31, 2014. We expect our monetization to be affected in the future by changes in our pricing structure, the unit mix between new and used cars, with used cars providing higher monetization, and by the introduction of new products and services.

***Franchise Dealer Count***

We define franchise dealer count as the number of franchise dealers in the network of TrueCar Certified Dealers at the end of a given period. This number is calculated by counting the number of brands of new cars sold by dealers in the TrueCar Certified Dealer network at their locations, and includes both single-location proprietorships as well as large consolidated dealer groups. We view 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 7,210 at March 31, 2014 from 6,651 at December 31, 2013 and 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. Subscription arrangements fall into three

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types: flat rate subscriptions, subscriptions subject to downward adjustment based on a minimum number of vehicle sales ("guaranteed sales") and subscriptions subject to downward adjustment based on a minimum number of introductions ("guaranteed introductions"). Under flat rate subscription arrangements, fees are charged at a monthly flat rate regardless of the number of sales made to users of our platform by the dealer. For flat rate subscription arrangements we recognize the fees as revenue over the subscription period on a straight line basis which corresponds to the period that we are providing the dealer with access to our platform. Under guaranteed sales subscription arrangements, fees are charged based on the number of guaranteed sales multiplied by a fixed amount per vehicle. To the extent that the actual number of vehicles sold by the dealers to users of our platform is less than the number of guaranteed sales, we provide a credit to the dealer. To the extent that the actual number of vehicles sold exceeds the number of guaranteed sales, we are not entitled to any additional fees. Under guaranteed introductions subscription arrangements, fees are charged based on the number of guaranteed introductions multiplied by a fixed amount per introduction. To the extent that the number of actual introductions is less than the number of guaranteed introductions, we provide a credit to the dealer. To the extent that the actual number of introductions provided exceeds the number guaranteed, we are not entitled to any additional fees. For guaranteed sales and guaranteed introductions subscription arrangements, we recognize revenue based on the lesser of (i) the actual number of sales generated or introductions delivered through our platform during the subscription period multiplied by the contracted price per sale/introduction or (ii) the straight-line of the subscription fee over the period over which the services are delivered.

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.

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*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 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.

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*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 March 31, 2014, 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 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 and the three months ended March 31, 2014 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.

| | Year Ended December 31, | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | | | **(in thousands)** | | |
| **Consolidated Statements of Operations Data:** | | | | | |
| Revenues | $ 76,330 | $ 79,889 | $ 133,958 | $ 25,043 | $ 43,930 |
| Costs and operating expenses: | | | | | |
| Cost of revenue (exclusive of depreciation and amortization presented separately below) | 7,660 | 13,559 | 15,295 | 3,762 | 3,720 |
| Sales and marketing | 41,992 | 70,327 | 75,180 | 13,783 | 27,767 |
| Technology and development | 18,457 | 21,960 | 23,685 | 5,804 | 7,330 |
| General and administrative | 21,912 | 34,228 | 30,857 | 6,313 | 11,517 |
| Depreciation and amortization | 4,148 | 11,768 | 11,569 | 3,066 | 3,114 |
| Total costs and operating expenses | 94,169 | 151,842 | 156,586 | 32,728 | 53,448 |
| Loss from operations | (17,839) | (71,953) | (22,628) | (7,685) | (9,518) |
| Interest income | 199 | 229 | 121 | 32 | 17 |
| Interest expense | (66) | (3,359) | (1,988) | (1,241) | (170) |
| Other income (expense), net | (20) | (18) | 18 | 8 | |
| Change in fair value of preferred stock warrant liability | (1,882) | | | | |
| Loss before benefit (provision) for income taxes | (19,608) | (75,101) | (24,477) | (8,886) | (9,671) |
| Benefit (provision) for income taxes | 10,690 | 606 | (579) | (137) | (250) |
| Net loss | $ (8,918) | $ (74,495) | $ (25,056) | $ (9,023) | $ (9,921) |

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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, | | | Three Months Ended March 31, | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| Revenues | 100% | 100% | 100% | 100% | 100% |
| Costs and operating expenses: | | | | | |
| Cost of revenue (exclusive of depreciation and amortization presented separately below) | 10 | 17 | 11 | 15 | 8 |
| Sales and marketing | 55 | 88 | 56 | 55 | 63 |
| Technology and development | 24 | 27 | 18 | 23 | 17 |
| General and administrative | 29 | 43 | 23 | 25 | 26 |
| Depreciation and amortization | 5 | 15 | 9 | 12 | 7 |
| Loss from operations | (23) | (90) | (17) | (31) | (22) |
| Interest income | * | * | * | * | * |
| Interest expense | * | (4) | (1) | (5) | * |
| Other income (expense), net | * | * | * | * | * |
| Change in fair value of preferred stock warranty liability | (2) | * | * | * | * |
| Loss before benefit (provision) for income taxes | (26) | (94) | (18) | (35) | (22) |
| Benefit (provision) for income taxes | 14 | 1 | * | (1) | (1) |
| Net loss | (12)% | (93)% | (19)% | (36)% | (23)% |

* Less than 0.5% of revenues

***Three Months Ended March 31, 2014 Compared to the Three Months Ended March 31, 2013***

*Revenues*

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2013 | 2014 | $ | % |
| | (dollars in thousands) | | | |
| Transaction revenue | $ 21,523 | $ 39,992 | $ 18,469 | 85.8% |
| Data and other revenue | 3,520 | 3,938 | 418 | 11.9% |
| Revenues | $ 25,043 | $ 43,930 | $ 18,887 | 75.4% |

The increase in our revenues for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily reflected the substantial increase in our transaction revenue. Transaction revenue and data and other revenue comprised 91.0% and 9.0%, respectively, of revenues for the three months ended March 31, 2014 as compared to 85.9% and 14.1%, respectively, for the three months ended March 31, 2013. The increase in transaction revenue for the first quarter of 2014 primarily reflected a 72.9% increase in units due to an increase in marketing spend and an increase in the number of TrueCar Certified Dealers, platform and product enhancements, and the overall growth in sales of the automotive industry. Our average monthly unique visitors grew 80.2% from 2.2 million during the first quarter of 2013 to 3.9 million during the first quarter of 2014, reflecting our increased advertising expenses which improved brand awareness and the visibility of our car buying services to our users. Our franchise dealer count grew 22.6% from 5,881 at March 31, 2013 to 7,210 at March 31, 2014, reflecting the ongoing

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adoption of our service among dealers. Our monetization increased 7.5% to $317 during the three months ended March 31, 2014 from $295 for the same period in 2013, and primarily reflected improved pricing with our TrueCar Certified Dealers and lower sales credits charged against revenue resulting from improved collection efforts during the three months ended March 31, 2014. Monetization may fluctuate from period to period as a result of changes in our estimated sales allowance, pricing and the unit mix between new and used cars. The 11.9% increase in data and other revenue for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 primarily reflected improved pricing of our renewal data and consulting service contracts.

*Costs and Operating Expenses*

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

| | **Three Months Ended March 31,** | | **Change** | |
|---|---|---|---|---|
| | **2013** | **2014** | **$** | **%** |
| | **(dollars in thousands)** | | | |
| Cost of revenue (exclusive of depreciation and amortization) | $ 3,762 | $ 3,720 | $ (42) | (1.1)% |
| Cost of revenue (exclusive of depreciation and amortization) as a percentage of revenues | 15.0% | 8.5% | | |

Cost of revenue for the three months ended March 31, 2014 was consistent with the three months ended March 31, 2013. The decline in cost of revenues as a percentage of revenues during the three months ended March 31, 2014 from the three months ended March 31, 2013 reflected operating leverage due to our increased level of transaction revenues during the first quarter of 2014 as compared to the prior year period. 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*

| | **Three Months Ended March 31,** | | **Change** | |
|---|---|---|---|---|
| | **2013** | **2014** | **$** | **%** |
| | **(dollars in thousands)** | | | |
| Sales and marketing expenses | $ 13,783 | $ 27,767 | $ 13,984 | 101.5% |
| Sales and marketing expenses as a percentage of revenues | 55.0% | 63.2% | | |

The increase in sales and marketing expenses for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 reflected a $8.0 million increase in advertising and promotional activities primarily due to increased television and online marketing spend to grow the TrueCar.com brand, and a $3.0 million increase in affinity partner marketing fees as a result of our increased level of unit sales and increased promotional activities, such as loan subvention, where we pay certain affinity group marketing partners a portion of customers' borrowing costs for car loan products offered by these affinity group marketing partners to incentivize their customers to use our platform. The increase in sales and marketing expenses for the three months ended March 31, 2014 also reflected a $1.7 million increase in employee related expenses primarily due to increased salaries and related expenses tied to our increased headcount and an increase in stock-based compensation due to additional stock-based awards, an increase of $1.6 million in warrant expense associated with our media and marketing services agreement with a

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direct marketing firm, and a $0.8 million increase associated with the purchase of our ticker symbol "TRUE". These increases in sales and marketing expenses were partially offset by a decrease of $1.3 million in our corporate sponsorship expense as a result of terminating certain sponsorship agreements that we determined to be 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.

*Technology and Development Expenses*

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2013 | 2014 | $ | % |
| | (dollars in thousands) | | | |
| Technology and development expenses | $ 5,804 | $ 7,330 | $ 1,526 | 26.3% |
| Technology and development expenses as a percentage of revenues | 23.2% | 16.7% | | |
| Capitalized software costs | $ 1,567 | $ 1,989 | $ 422 | 26.9% |

The increase in technology and development expenses for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 reflected an increase of $1.6 million in employee related costs primarily due to increased salaries and related expenses tied to our increased headcount and an increase in stock-based compensation due to additional stock-based awards. These increases were partially offset by a $0.4 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*

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | 2013 | 2014 | $ | % |
| | (dollars in thousands) | | | |
| General and administrative expenses | $ 6,313 | $ 11,517 | $ 5,204 | 82.4% |
| General and administrative expenses as a percentage of revenues | 25.2% | 26.2% | | |

The increase in general and administrative expenses for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 reflected a $2.6 million increase in professional fees primarily related to increased accounting, legal and consulting fees associated with the preparation to become a public company, and a $2.0 million increase in employee related costs primarily due to an increase in stock-based compensation of $1.7 million as a result of additional stock-based awards and increased salaries and related expenses tied to our increased headcount. 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 bonuses to certain executives totaling $2.9 million in the quarter in which our initial public offering occurs.

*Depreciation and Amortization Expenses*

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2014 | Change $ | Change % |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Depreciation and amortization expenses | $ 3,066 | $ 3,114 | $ 48 | 1.6% |

Depreciation and amortization expenses for the three months ended March 31, 2014 were consistent with the three months ended March 31, 2013. 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*

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2014 | Change $ | Change % |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Interest expense | $ 1,241 | $ 170 | $ (1,071) | (86.3)% |

The decrease in interest expense for the three months ended March 31, 2014 as compared to the three months ended March 31, 2013 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.

*Provision for Income Taxes*

| | Three Months Ended March 31, 2013 | Three Months Ended March 31, 2014 | Change $ | Change % |
|---|---|---|---|---|
| | (dollars in thousands) | | | |
| Provision for income taxes | $ (137) | $ (250) | $ (113) | (82.5)% |

Our provision for income taxes for the three months ended March 31, 2013 and 2014 reflected tax expense due to amortization of tax deductible goodwill that is not an available source of income to realize our deferred tax assets.

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

*Revenues*

**Change**

| | Year Ended December 31, 2012 | Year Ended December 31, 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% |

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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 1.7 million during 2012 to 2.8 million 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. 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.

*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

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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.

*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% | | |
| Capitalized software costs | $ 5,219 | $ 6,692 | $ 1,473 | 28.2% |

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.

*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% | | |

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

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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.

*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.

*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.

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***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.

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*Sales and Marketing Expenses*

| | Year Ended December 31, 2011 | Year Ended December 31, 2012 | Change $ | Change % |
|---|---|---|---|---|
| | (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, 2011 | Year Ended December 31, 2012 | Change $ | Change % |
|---|---|---|---|---|
| | (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.

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*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.

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*Change in Fair Value of Preferred Stock Warrant Liability*

| | Year Ended December 31, 2011 | Year Ended December 31, 2012 | Change $ | Change % |
|---|---|---|---|---|
| | (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, 2011 | Year Ended December 31, 2012 | Change $ | Change % |
|---|---|---|---|---|
| | (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 | Mar. 31, 2014 |
| 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 | 3,935,770 |
| Units(1) | 59,455 | 48,413 | 54,228 | 60,587 | 72,871 | 96,614 | 116,503 | 113,931 | 125,980 |
| Monetization | $278 | $277 | $311 | $296 | $295 | $284 | $288 | $318 | $317 |
| Franchise Dealer Count (Ending) | 3,734 | 4,322 | 4,735 | 5,306 | 5,881 | 6,176 | 6,327 | 6,651 | 7,210 |

| | 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 | Mar. 31, 2014 |
| | (in thousands) | | | | | | | | |
| Revenues: | | | | | | | | | |
| Transaction revenues | $ 16,521 | $ 13,402 | $ 16,848 | $ 17,932 | $ 21,523 | | | | |