

Independent Investment Research Focused on Public Company Interactions with the SEC.

Confirmed, Undisclosed SEC Investigation

No Reason to Believe Carvana's SEC Accounting Investigation Has Ended

Analysis and Opinion: With Carvana shares on a volatile tear this year, we thought it would be worthwhile to remind you that this management disclosed serious-sounding accounting issues in early 2020. We've steadily tracked and warned on an undisclosed SEC investigation since then. We have no reason to believe either has been resolved.

This management has also gone to capital markets repeatedly since that first disclosure back in early 2020. Yet they continue to not say one peep about accounting or SEC woes. No problem. Let's bid the shares up another 50%. Or not. These set-ups usually don't end well.

– John P. Gavin, CFA

From our Carvana warning reiterated on 06-Jul-2023:

Warning Reiterated. Maintained on Watch List. Early in the Covid pandemic, on 30-Mar-2020, Carvana filed an 8-K that used language we recognize as an SEC inquiry. The company was never clear about this, nor has it provided any update since. SEC investigative activity was then found by us at Carvana on 22-Oct-2020, with on-going enforcement proceedings now confirmed on appeal three times since, most recently on 22-Jun-2023. **DI's Take:** We first warned on Carvana in Sep-2021, when this was still a \$330 stock. Our warning? Run fast, run far. We said you cannot trust these people. We still think that.

- The relevant excerpt from the 8-K in March 2020 appears on the next page.
- We think accounting issues are behind Carvana's undisclosed SEC investigation we continue to track. The company said as much in Mar-2020. Carvana's SEC investigation was recently confirmed as ongoing, as of 22-Jun-2023.
- Management has stayed silent about this. None in the financial media talk about this.
- We have no reason to believe this exposure has been resolved.

From our original warning of 20-Sep-2021:

Early in the Covid pandemic, on 30-Mar-2020, Carvana filed an 8-K, ostensibly to give investors a "Business Update" on the impact the company was seeing from it.

Tucked within this same 8-K, Carvana said this –

In addition, we have received a voluntary request from the SEC requesting information about our related party disclosure and accounting policies and procedures for historical loan sales and refinancings. We are providing relevant documentation in response to this request.


Carvana 8-K, 30-Mar-2020

- Nowhere in the above disclosure excerpt are words one would expect such as inquiry, investigation, probe, informal, formal, or subpoena.
- **Quick Take:** A "voluntary request from the SEC" you say? Sounds routine, harmless even. It's not. This represents the stealth disclosure of an SEC investigation, in this case, an informal SEC inquiry.

The market surely would have reacted differently had Carvana not disguised and buried its SEC inquiry in an unrelated 8-K. To us, it appears a deliberate effort to mislead investors about a material risk.

This is the relevant language from that 8-K Carvana filed in March 2020.
Few saw this at the time.
Even fewer remember.

CARVANA CO. • 8-K (Items: 7.01, 8.01, 9.01) • 03/30/2020



Regulatory and Government Matters


We regularly receive requests for information from regulators, governmental authorities, and various state and federal agencies and routinely respond to such regulatory and governmental requests.

Following the spread of COVID-19, we have had discussions with several state and local agencies regarding our operations in impacted areas and are coordinating with local officials to ensure a safe working environment for our employees and safe service to our customers.

In addition, we have received a voluntary request from the SEC requesting information about our related party disclosure and accounting policies and procedures for historical loan sales and refinancings. We are providing relevant documentation in response to this request.

We are also subject to various other legal proceedings and claims that arise from the normal course of business activities. If an unfavorable ruling or development were to occur, there exists the possibility of a material adverse impact on our business, results of operations, prospects, cash flows, financial position and brand.

The introductory paragraph from our original warning on Carvana in September 2021.



Probes Reporter.
Better Disclosure for Better Decisions.®

Disclosure Insight® Report
September 20, 2021

Carvana Co – CVNA
\$ 330.10 US Mkt Cap: \$60.8 B

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[Barely] Disclosed SEC Investigation

The SEC Investigation Carvana Really Does Not Want to Talk About

Troubled Company. Run fast, run far. We see images of rats fleeing a sinking ship. In our opinion, Carvana has been playing Disclosure Games® with investors through its choice to first mislead, and then to stay silent on an SEC inquiry that investors would surely consider material. We know what it's about. The market would too, had the inquiry not been so well disguised when first tucked into an unrelated 2020 SEC filing. There have been no updates since, but our own work suggests the problem remains ongoing. Insiders have been recent and heavy sellers of the stock. Today's report parses the initial disclosure, lays out the timeline since, and adds fresh data to make our negative case on Carvana.

– John P. Gavin, CFA

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