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

FORM 10-Q

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

For the quarterly period ended March 31, 2021

OR

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

For the transition period from to
Commission file number: 001-31262

ASBURY AUTOMOTIVE GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware	**01-0609375**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2905 Premiere Parkway NW, Suite 300 Duluth, Georgia	**30097**
(Address of principal executive offices)	(Zip Code)

(770) 418-8200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value per share	ABG	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of April 26, 2021 was 19,339,306.

ASBURY AUTOMOTIVE GROUP, INC.

TABLE OF CONTENTS

		Page
	PART I—Financial Information	
Item 1.	Condensed Consolidated Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets as of March 31, 2021 and December 31, 2020	4
	Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2021 and 2020	5
	Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2021 and 2020	6
	Condensed Consolidated Statements of Shareholders' Equity for the Three Months Ended March 31, 2021 and 2020	7
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2021 and 2020	8
	Notes to Condensed Consolidated Financial Statements	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	38
Item 4.	Controls and Procedures	38
	PART II—Other Information	
Item 1.	Legal Proceedings	39
Item 1.A.	Risk factors	39
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	39
Item 6.	Exhibits	41
	Signatures	42

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ASSURY AUTOMOTIVE GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except par value and share data)
(Unaudited)

	March 31, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 27.8	$ 1.4
Contracts-in-transit	169.8	161.5
Accounts receivable, net	136.8	155.5
Inventories	769.6	875.2
Assets held for sale	31.5	28.3
Other current assets	182.1	183.8
Total current assets	1,317.6	1,405.7
PROPERTY AND EQUIPMENT, net	950.8	956.2
OPERATING LEASE RIGHT-OF-USE ASSETS	310.5	317.4
GOODWILL	563.2	562.2
INTANGIBLE FRANCHISE RIGHTS	425.2	425.2
OTHER LONG-TERM ASSETS	15.0	9.6
Total assets	$ 3,582.3	$ 3,676.3
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade, net	$ 48.7	$ 64.9
Floor plan notes payable—non-trade, net	478.1	637.3
Current maturities of long-term debt	36.4	36.6
Current maturities of operating leases	24.9	24.8
Accounts payable and accrued liabilities	454.6	450.9
Liabilities associated with assets held for sale	6.0	8.9
Total current liabilities	1,048.7	1,223.4
LONG-TERM DEBT	1,157.7	1,165.2
OPERATING LEASE LIABILITIES	290.8	296.7
DEFERRED INCOME TAXES	36.2	34.6
OTHER LONG-TERM LIABILITIES	50.9	50.9
COMMITMENTS AND CONTINGENCIES (Note 12)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value; 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $.01 par value; 90,000,000 shares authorized; 41,249,549 and 41,133,668 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	600.2	595.5
Retained earnings	1,441.7	1,348.9
Treasury stock, at cost; 21,910,207 and 21,848,314 shares, respectively	(1,043.3)	(1,033.7)
Accumulated other comprehensive loss	(1.0)	(5.6)
Total shareholders' equity	998.0	905.5
Total liabilities and shareholders' equity	$ 3,582.3	$ 3,676.3

See accompanying Notes to Condensed Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share data)
(Unaudited)

	For the Three Months Ended March 31,	
	2021	**2020**
REVENUE:		
New vehicle	$ 1,151.7	$ 822.1
Used vehicle	690.9	493.2
Parts and service	262.0	221.6
Finance and insurance, net	88.3	70.4
TOTAL REVENUE	2,192.9	1,607.3
COST OF SALES:		
New vehicle	1,076.2	785.7
Used vehicle	635.1	462.5
Parts and service	98.9	86.7
TOTAL COST OF SALES	1,810.2	1,334.9
GROSS PROFIT	382.7	272.4
OPERATING EXPENSES:		
Selling, general, and administrative	239.8	194.7
Depreciation and amortization	9.8	9.5
Franchise rights impairment	—	23.0
Other operating (income) expense, net	(3.2)	10.2
INCOME FROM OPERATIONS	136.3	35.0
OTHER EXPENSES (INCOME):		
Floor plan interest expense	2.9	7.0
Other interest expense, net	14.0	17.0
Loss on extinguishment of long-term debt, net	—	20.6
Gain on dealership divestitures, net	—	(33.7)
Total other expense, net	16.9	10.9
INCOME BEFORE INCOME TAXES	119.4	24.1
Income tax expense	26.6	4.6
NET INCOME	$ 92.8	$ 19.5
EARNINGS PER SHARE:		
Basic—		
Net income	$ 4.81	$ 1.02
Diluted—		
Net income	$ 4.78	$ 1.01
WEIGHTED AVERAGE SHARES OUTSTANDING:		
Basic	19.3	19.1
Restricted stock	0.1	0.1
Performance share units	—	0.1
Diluted	19.4	19.3

See accompanying Notes to Condensed Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	For the Three Months Ended March 31,	
	2021	**2020**
Net income	$ 92.8	$ 19.5
Other comprehensive (loss) income:		
Change in fair value of cash flow swaps	6.2	(4.5)
Income tax (expense) benefit associated with cash flow swaps	(1.6)	1.1
Comprehensive income	$ 97.4	$ 16.1

See accompanying Notes to Condensed Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in millions)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount		
Balances, December 31, 2020	41,133,668	$ 0.4	$ 595.5	$ 1,348.9	21,848,314	$ (1,033.7)	$ (5.6)	$ 905.5
Comprehensive Income:								
Net income	—	—	—	92.8	—	—	—	92.8
Change in fair value of cash flow swaps, net of reclassification adjustment and $1.6 tax charge	—	—	—	—	—	—	4.6	4.6
Comprehensive income	—	—	—	92.8	—	—	4.6	97.4
Share-based compensation	—	—	4.7	—	—	—	—	4.7
Issuance of common stock, net of forfeitures, in connection with share-based payment arrangements	115,881	—	—	—	—	—	—	—
Repurchase of common stock associated with net share settlement of employee share-based awards	—	—	—	—	61,893	(9.6)	—	(9.6)
Balances, March 31, 2021	41,249,549	$ 0.4	$ 600.2	$ 1,441.7	21,910,207	$ (1,043.3)	$ (1.0)	$ 998.0

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount		
Balances, December 31, 2019	41,072,080	$ 0.4	$ 582.9	$ 1,094.5	21,791,707	$ (1,028.6)	$ (2.9)	$ 646.3
Comprehensive Income:								
Net income	—	—	—	19.5	—	—	—	19.5
Change in fair value of cash flow swaps, net of reclassification adjustment and $1.1 tax benefit	—	—	—	—	—	—	(3.4)	(3.4)
Comprehensive income	—	—	—	19.5	—	—	(3.4)	16.1
Share-based compensation	—	—	3.8	—	—	—	—	3.8
Issuance of common stock, net of forfeitures, in connection with share-based payment arrangements	68,577	—	(0.3)	—	—	—	—	(0.3)
Repurchase of common stock associated with net share settlements of employee share-based awards	—	—	—	—	53,915	(5.0)	—	(5.0)
Balances, March 31, 2020	41,140,657	$ 0.4	$ 586.4	$ 1,114.0	21,845,622	$ (1,033.6)	$ (6.3)	$ 660.9

See accompanying Notes to Condensed Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	For the Three Months Ended March 31,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 92.8	$ 19.5
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	9.8	9.5
Share-based compensation	4.7	3.5
Deferred income taxes	—	0.1
Franchise rights impairment	—	23.0
Loss on extinguishment of long-term debt, net	—	20.6
Loaner vehicle amortization	6.7	5.8
Gain on divestitures, net	—	(33.7)
Change in right-of-use asset	6.8	5.2
Other adjustments, net	(0.2)	0.2
Changes in operating assets and liabilities, net of acquisitions and divestitures—		
Contracts-in-transit	(8.3)	130.0
Accounts receivable	18.5	46.7
Inventories	156.5	7.9
Other current assets	(59.3)	(36.3)
Floor plan notes payable—trade, net	(16.2)	(16.2)
Accounts payable and other current liabilities	4.4	(52.6)
Operating lease liabilities	(6.2)	(5.3)
Other long-term assets and liabilities, net	0.8	(0.2)
Net cash provided by operating activities	210.8	127.7
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures—excluding real estate	(11.2)	(9.1)
Capital expenditures—real estate	(5.5)	(2.3)
Acquisitions	(1.0)	(63.1)
Divestitures	—	115.5
Proceeds from the sale of assets	14.0	4.2
Net cash provided by (used in) investing activities	(3.7)	45.2
CASH FLOW FROM FINANCING ACTIVITIES:		
Floor plan borrowings—non-trade	1,219.5	1,124.1
Floor plan borrowings—acquisitions	—	27.1
Floor plan repayments—non-trade	(1,375.9)	(1,086.9)
Floor plan repayments—non-trade divestitures	—	(50.5)
Proceeds from borrowings	—	1,355.3
Repayments of borrowings	(14.7)	(1,156.1)
Proceeds from sale and leaseback transaction	—	7.3
Payment of debt issuance costs	—	(3.1)
Repurchases of common stock, including shares associated with net share settlement of employee share-based awards	(9.6)	(5.0)
Net cash provided by (used in) financing activities	(180.7)	212.2
Net increase in cash and cash equivalents	26.4	385.1
CASH AND CASH EQUIVALENTS, beginning of period	1.4	3.5
CASH AND CASH EQUIVALENTS, end of period	$ 27.8	$ 388.6

See Note 11 "Supplemental Cash Flow Information" for further details
See accompanying Notes to Condensed Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

We are one of the largest automotive retailers in the United States. As of March 31, 2021, we owned and operated 112 new vehicle franchises (91 dealership locations) representing 31 automobile brands and 25 collision repair centers, and one auto auction in 16 metropolitan markets within nine states. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, which includes repair and maintenance services, replacement parts and collision repair services; and finance and insurance products. As of March 31, 2021, our new vehicle revenue brand mix consisted of 45% luxury, 38% imports, and 17% domestic brands.

Our retail network is made up of dealerships operating primarily under the following locally-branded dealership groups:

- Coggin dealerships operating primarily in Jacksonville, Fort Pierce and Orlando, Florida;
- Courtesy dealerships operating in Tampa, Florida;
- Crown dealerships operating in North Carolina, South Carolina and Virginia;
- Greenville Automotive dealerships operating in Greenville, South Carolina;
- Hare and Estes dealerships operating in the Indianapolis, Indiana area;
- McDavid dealerships operating in metropolitan Austin and Dallas-Fort Worth, Texas;
- Nalley dealerships operating in metropolitan Atlanta, Georgia;
- Park Place dealerships operating in the Dallas-Fort Worth, Texas area;
- Plaza dealerships operating in metropolitan St. Louis, Missouri; and
- Mike Shaw dealerships in the Denver, Colorado area.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and reflect the consolidated accounts of Asbury Automotive Group, Inc. (the "Company") and our wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. If necessary, reclassifications of amounts previously reported have been made to the accompanying Condensed Consolidated Financial Statements in order to conform to current presentation.

In the opinion of management, all adjustments, consisting only of normal, recurring adjustments, considered necessary for a fair statement of the Condensed Consolidated Financial Statements as of March 31, 2021, and for the three months ended March 31, 2021 and 2020, have been included, unless otherwise indicated. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for any other interim period, or any full year period. Our Condensed Consolidated Financial Statements should be read together with our audited Consolidated Financial Statements contained in our Annual Report on Form 10-K for the year ended December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented. Actual results could differ materially from these estimates. Estimates and assumptions are reviewed quarterly and the effects of any revisions are reflected in the Consolidated Financial Statements in the period they are determined to be necessary. Significant estimates made in the accompanying Condensed Consolidated Financial Statements include, but are not limited to, those relating to inventory valuation reserves, variable consideration and constraint considerations related to retro-commission arrangements, reserves for chargebacks against revenue recognized from the sale of finance and insurance products, reserves for insurance programs, certain assumptions related to intangible and long-lived assets, and reserves for certain legal or similar proceedings relating to our business operations.

Contracts-In-Transit

Contracts-in-transit represent receivables from third-party finance companies for the portion of new and used vehicle purchase price financed by customers through sources arranged by us.

Accounts Receivable

The allowance for credit losses is estimated using an annual loss rate approach, by type of receivable, utilizing historical loss rates which have been adjusted for expectations of future economic conditions.

Revenue Recognition

Please refer to Note 2 "Revenue Recognition."

Internal Profit

Revenues and expenses associated with internal work performed by our parts and service departments on new and used vehicle inventory are eliminated in consolidation. The gross profit earned by our parts and service departments for internal work performed is included as a reduction of Parts and Service Cost of Sales in the accompanying Condensed Consolidated Statements of Income upon the sale of the vehicle. The costs incurred by our new and used vehicle departments for work performed by our parts and service departments is included in either New Vehicle Cost of Sales or Used Vehicle Cost of Sales in the accompanying Condensed Consolidated Statements of Income, depending on the classification of the vehicle serviced. We eliminate the internal profit on vehicles that remain in inventory.

Income Taxes

We use the liability method to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using currently enacted tax rates.

Share Repurchases

Share repurchases may be made from time-to-time in open market transactions or through privately negotiated transactions under the authorization approved by the Board of Directors. Periodically, the Company may retire repurchased shares of common stock previously held by the Company as treasury stock. In accordance with our accounting policy, we allocate any excess share repurchase price over par value between additional paid-in capital, which is limited to amounts initially recorded for the same issue, and retained earnings.

Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted-average common shares and common share equivalents outstanding during the period. The Company excluded 600 restricted and performance share units and no restricted or performance share units issued under the Asbury Automotive Group, Inc. 2019 Equity and Incentive Compensation Plan, from its computation of diluted earnings per share for the three months ended March 31, 2021 and 2020, respectively because they were anti-dilutive. For all periods presented, there were no adjustments to the numerator necessary to compute diluted earnings per share.

Assets Held for Sale and Liabilities Associated with Assets Held for Sale

Certain amounts have been classified as Assets Held for Sale in the accompanying Condensed Consolidated Balance Sheets. Assets and liabilities classified as held for sale may include assets and liabilities associated with pending dealership disposals, real estate we are actively marketing to sell, and any related mortgage notes payable or other liabilities, if applicable. Classification as held for sale begins on the date that we have met all of the criteria for classification as held for sale.

At the time of classifying assets as held for sale, we compare the carrying value of these assets to estimates of fair value to assess for impairment. We compare the carrying value to estimates of fair value utilizing the assistance of third-party broker opinions of value and third-party desktop appraisals to assist in our fair value estimates related to real estate properties.

Statements of Cash Flows

Borrowings and repayments of floor plan notes payable to a lender unaffiliated with the manufacturer from which we purchase a particular new vehicle ("Non-Trade") and all floor plan notes payable relating to pre-owned vehicles (together referred to as "Floor Plan Notes Payable—Non-Trade") are classified as financing activities in the accompanying Condensed Consolidated Statements of Cash Flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer from which we purchase a particular new vehicle (collectively referred to as "Floor Plan Notes Payable—Trade") is classified as an operating activity in the accompanying Condensed Consolidated Statements of Cash Flows. Borrowings of floor plan notes payable associated with inventory acquired in

connection with all acquisitions and repayments made in connection with all divestitures are classified as financing activities in the accompanying Condensed Consolidated Statements of Cash Flows. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the manufacturer from which we purchased the related inventory, while the latter are payable to a lender not affiliated with the manufacturer from which we purchased the related inventory.

Loaner vehicles account for a significant portion of Other current assets. We acquire loaner vehicles either with available cash or through borrowing from either our manufacturer affiliated lenders or through our senior secured credit agreement with Bank of America, as administrative agent, and the other agents and lenders party thereto (as amended, the "2019 Senior Credit Facility"). Loaner vehicles are initially used by our service department for a short period of time (typically six to twelve months) before we seek to sell them. Therefore, we classify the acquisition of loaner vehicles in Other current assets and the borrowings and repayments of loaner vehicle notes payable in Accounts payable and accrued liabilities in the accompanying Condensed Consolidated Statements of Cash Flows. Loaner vehicles are depreciated over the service period to their estimated value. At the end of the loaner service period, loaner vehicles are transferred from Other current assets to used vehicle inventory. These transfers are reflected as non-cash transfers between Other current assets and Inventories in the accompanying Condensed Consolidated Statements of Cash Flows.

Recent Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). In January 2021, the FASB issued Accounting Standards Update No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarified the scope and application of the original guidance. The guidance in these standards apply to contract accounting, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met, and provides optional expedients and exceptions for a limited time to ease the potential burden in accounting for reference rate reform. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. ASU 2020-04 is effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. LIBOR benchmarking is utilized in our debt (including mortgages), revolving credit facilities, floorplan facilities, and interest rate swaps. We are in the process of completing our evaluation of the impact that the adoption of the provisions from this standard will have on our Consolidated Financial Statements.

2. REVENUE RECOGNITION

The Company satisfies performance obligations either over time or at a point in time. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or performing a service to a customer. Sales and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the three months ended March 31, 2021 and 2020:

	For the Three Months Ended March 31,	
	2021	**2020**
	(In millions)	
Revenue:		
New vehicle	$ 1,151.7	$ 822.1
Used vehicle retail	607.5	446.0
Used vehicle wholesale	83.4	47.2
New and used vehicle	1,842.6	1,315.3
Sale of vehicle parts and accessories	42.9	36.8
Vehicle repair and maintenance services	219.1	184.8
Parts and services	262.0	221.6
Finance and insurance, net	88.3	70.4
Total revenue	$ 2,192.9	$ 1,607.3

Contract Asset

Changes in contract assets during the period are reflected in the table below. Contract assets related to vehicle repair and maintenance services are transferred to receivables when a repair order is completed and invoiced to the customer.

	Vehicle Repair and Maintenance Services	Finance and Insurance, net	Total
		(In millions)	
Contract Assets (Current), January 1, 2021	$ 7.1	$ 13.3	$ 20.4
Transferred to receivables from contract assets recognized at the beginning of the period	(7.1)	(3.3)	(10.4)
Increases related to revenue recognized, inclusive of adjustments to constraint, during the period	8.2	3.0	11.2
Contract Assets (Current), March 31, 2021	$ 8.2	$ 13.0	$ 21.2

3. ACQUISITIONS AND DIVESTITURES

Results of acquired dealerships are included in our accompanying Condensed Consolidated Statements of Income commencing on the date of acquisition. Our acquisitions are accounted for such that the assets acquired and liabilities assumed are recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The fair value of our manufacturer franchise rights are determined as of the acquisition date by discounting the projected cash flows specific to each franchise. Included in this analysis are market participant assumptions related to the cash flows directly attributable to the franchise rights, including year-over-year and terminal growth rates, working capital requirements, weighted average cost of capital, future gross margins, and future selling, general, and administrative expenses.

Park Place Acquisition

On December 11, 2019, we announced the proposed acquisition of substantially all of the assets of the businesses of the Park Place Dealership family of entities (collectively, "Park Place") pursuant to that certain Asset Purchase Agreement, dated as of December 11, 2019, among the Company, Park Place and the other parties thereto (the "2019 Asset Purchase Agreement"), and related agreements and transactions (collectively, the "2019 Acquisition"). On March 24, 2020, as a result of the uncertainties related to the COVID-19 pandemic, we delivered notice to the sellers terminating the 2019 Acquisition pursuant to the terms of the related agreements and transactions in exchange for the payment of $10.0 million of liquidated damages which is reflected in our accompanying Condensed Consolidated Statements of Income as Other operating expense (income), net.

On July 6, 2020, the Company, through two of its subsidiaries, entered into an Asset Purchase Agreement with certain members of the Park Place Dealership group, to acquire substantially all of the assets of, and lease the real property related to, 12 new vehicle dealership franchises (8 dealership locations), two collision centers and an auto auction (collectively, the "Park Place acquisition"). The Park Place acquisition was completed on August 24, 2020 and financed through a combination of cash, floor plan facilities and seller financing. The seller financing comprised $150.0 million in aggregate principal amount of a 4.00% promissory note due August 2021 and $50.0 million in aggregate principal amount of 4.00% promissory note due February 2022 (collectively, the "Seller Notes"). In September 2020, the Company redeemed the Seller Notes with proceeds from the offering of 4.50% Notes due 2028 and 4.75% Notes due 2030.

The sources of the purchase consideration are as follows:

	(In millions)
Cash	$ 527.4
Seller Notes	200.0
New Vehicle Floor Plan Facility	127.5
Used Vehicle Floor Plan Facility	35.0
Purchase price	$ 889.9

Under the acquisition method of accounting, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed based on information currently available. During the three months ended March 31, 2021, we recorded a

$1.5 million measurement period adjustment to Property and equipment and Goodwill, respectively. The following table summarizes the allocation of the purchase price:

Summary of Assets Acquired and Liabilities Assumed

	(In millions)
Inventories	$ 120.8
Loaner vehicles	57.0
Property and equipment	36.5
Goodwill and intangible assets	360.4
Manufacturer franchise rights	324.0
Operating lease right-of-use assets	202.7
Total assets acquired	1,101.4
Operating lease liabilities	(202.2)
Other liabilities	(9.3)
Total liabilities assumed	(211.5)
Net assets acquired	$ 889.9

The Company's Condensed Consolidated Statements of Income included revenue attributable to Park Place for the three months ended March 31, 2021 of $406.0 million.

Other Acquisitions and Divestitures

There were no business combinations or divestitures during the three months ended March 31, 2021; however, we did release $1.0 million of purchase price holdbacks related to a prior year acquisition during the three months ended March 31, 2021.

During the three months ended March 31, 2020, we acquired the assets of three franchises (one dealership location) in the Denver, Colorado market for a combined purchase price of $63.6 million. We funded this acquisition with an aggregate of $34.5 million of cash and $27.1 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, this acquisition included purchase price holdbacks of $2.0 million for potential indemnity claims made by us with respect to the acquired franchises. In addition to the acquisition amounts above, we released $1.5 million of purchase price holdbacks related to a prior year acquisition during the three months ended March 31, 2020.

The goodwill and manufacturer franchise rights associated with our acquisitions will be deductible for federal and state income tax purposes ratably over a 15 year period.

Below is the allocation of purchase price for the acquisition completed during the three months ended March 31, 2020.

	For the Three Months Ended March 31,
	2020
	(In millions)
Inventory	$ 29.8
Real estate	14.5
Property and equipment	0.4
Goodwill and manufacturer franchise rights	19.2
Other	(0.3)
Total purchase price	$ 63.6

During the three months ended March 31, 2020, we sold one franchise (one dealership location) in the Atlanta, Georgia market and we sold six franchises (five dealership locations) and one collision center in the Jackson, Mississippi market. The Company recorded a pre-tax gain totaling $33.7 million, which is presented in our accompanying Condensed Consolidated Statements of Income as Gain on dealership divestitures, net. The divested businesses would not be considered significant subsidiaries as defined in Rule 1-02(w) of Regulation S-X.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	As of	
	March 31, 2021	December 31, 2020
	(In millions)	
Vehicle receivables	$ 53.8	$ 61.2
Manufacturer receivables	45.8	57.1
Other receivables	38.6	38.4
Total accounts receivable	138.2	156.7
Less—Allowance for credit losses	(1.4)	(1.2)
Accounts receivable, net	$ 136.8	$ 155.5

5. INVENTORIES

Inventories consisted of the following:

	As of	
	March 31, 2021	December 31, 2020
	(In millions)	
New vehicles	$ 527.5	$ 640.0
Used vehicles	193.5	188.5
Parts and accessories	48.6	46.7
Total inventories (a)	$ 769.6	$ 875.2

(a) Amounts reflected for inventory as of March 31, 2021, excluded $2.9 million of inventories classified as Assets held for sale.

The lower of cost and net realizable value reserves reduced total inventories by $5.4 million and $6.7 million as of March 31, 2021 and December 31, 2020, respectively. As of March 31, 2021 and December 31, 2020, certain automobile manufacturer incentives reduced new vehicle inventory cost by $6.8 million and $8.3 million, respectively, and reduced new vehicle cost of sales for the three months ended March 31, 2021 and 2020 by $14.6 million and $10.2 million, respectively.

6. ASSETS AND LIABILITIES HELD FOR SALE

Assets and liabilities classified as held for sale include (i) assets and liabilities associated with pending dealership disposals, (ii) real estate not currently used in our operations that we are actively marketing to sell and (iii) the related mortgage notes payable, if applicable.

A summary of assets held for sale and liabilities associated with assets held for sale is as follows:

	As of	
	March 31, 2021	December 31, 2020
	(In millions)	
Assets:		
Inventory	$ 2.9	$ —
Loaner vehicles	0.5	—
Property and equipment, net	27.1	28.3
Operating lease right-of-use assets	0.5	—
Goodwill	0.5	—
Total Assets held for sale	31.5	28.3
Liabilities:		
Floor plan notes payable—non-trade	2.8	—
Loaners vehicle payable	0.5	—
Current maturities of long-term debt	0.2	0.5
Current maturities of operating leases	0.2	—
Long-term debt	2.1	8.4
Operating lease liabilities	0.2	—
Total Liabilities associated with assets held for sale	6.0	8.9
Net assets held for sale	$ 25.5	$ 19.4

As of March 31, 2021 assets held for sale consisted of one franchise (one dealership location) and one real estate property not currently used in our operations. The assets and liabilities associated with these properties totaled $31.5 million and $6.0 million, respectively.

As of December 31, 2020, assets held for sale consisted of three real estate properties that were are not currently used in our operations. The assets and liabilities totaled $28.3 million and $8.9 million, respectively.

During the three months ended March 31, 2021, the Company sold two vacant properties with a net book value of $12.5 million.

During the three months ended March 31, 2020, the Company sold seven franchises (six dealership locations) and one collision center for a pre-tax gain totaling $33.7 million. Additionally, we sold one vacant property with a net book value of $3.7 million.

7. GOODWILL AND INTANGIBLE FRANCHISE RIGHTS

Our acquisitions have resulted in the recording of goodwill and intangible franchise rights. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Franchise rights are indefinite-lived intangible assets representing our rights under franchise agreements with vehicle manufacturers. Goodwill and intangible franchise rights are tested annually as of October 1st, or more frequently in the event that facts and circumstances indicate a triggering event has occurred.

The results of the quantitative impairment testing for certain franchise rights as of March 31, 2020, identified that the carrying values of certain of our franchise rights assets exceeded their fair value. As a result, we recognized a $23.0 million pre-tax non-cash impairment charge during the three months ended March 31, 2020. We did not perform impairment testing related to goodwill and franchise rights for the three months ended March 31, 2021 as no triggering events had occurred.

Table of Contents

8. FLOOR PLAN NOTES PAYABLE

Floor plan notes payable consisted of the following:

	As of	
	March 31, 2021	December 31, 2020
	(In millions)	
Floor plan notes payable—trade	$ 54.5	$ 71.7
Floor plan notes payable offset account	(5.8)	(6.8)
Floor plan notes payable—trade, net	$ 48.7	$ 64.9
Floor plan notes payable—new non-trade (a)	$ 617.7	$ 715.9
Floor plan notes payable offset account	(139.6)	(78.6)
Floor plan notes payable—non-trade, net	$ 478.1	$ 637.3

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(a) Amounts reflected for floor plan notes payable—new non-trade as of March 31, 2021, excluded $2.8 million classified as Liabilities associated with assets held for sale.

We have a floor plan facility with Ford Motor Credit Company ("Ford Credit") to purchase new Ford and Lincoln vehicle inventory. Our floor plan facility with Ford Credit was amended in July 2020 to extend the maturity date to July 31, 2021. We have established a floor plan notes payable offset account with Ford Credit that allows us to transfer cash to the account as an offset to our outstanding Floor Plan Notes Payable—Trade. In addition, we have a similar floor plan offset account with Bank of America that allows us to offset our Floor Plan Notes Payable—Non-Trade. These accounts allow us to transfer cash to reduce the amount of outstanding floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As of March 31, 2021 and December 31, 2020, we had $145.4 million and $85.4 million, respectively, in these floor plan offset accounts.

At our option, we have the ability to re-designate a portion of our availability under the Revolving Credit Facility to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility. The maximum amount we are allowed to re-designate is determined based on our aggregate revolving commitment under the Revolving Credit Facility, less $50.0 million. In addition, we are able to re-designate any amounts moved to the New Vehicle Floor Plan Facility or Used Vehicle Floor Plan Facility back to the Revolving Credit Facility.

On April 6, 2021, $190.0 million of availability under the Revolving Credit Facility was re-designated to the New Vehicle Floor Plan Facility to take advantage of lower commitment fee rates.

9. DEBT

Long-term debt consisted of the following:

	As of	
	March 31, 2021	December 31, 2020
	(In millions)	
4.50% Senior Notes due 2028	$ 405.0	$ 405.0
4.75% Senior Notes due 2030	445.0	445.0
Mortgage notes payable bearing interest at fixed rates (a)	75.7	79.2
2018 Bank of America Facility	82.8	84.2
2018 Wells Fargo Master Loan Facility (b)	85.6	86.9
2013 BofA Real Estate Facility	32.9	33.6
2015 Wells Fargo Master Loan Facility (c)	60.5	61.7
Finance lease liability	16.5	16.6
Total debt outstanding	1,204.0	1,212.2
Add—unamortized premium on 4.50% Senior Notes due 2028	1.2	1.2
Add—unamortized premium on 4.75% Senior Notes due 2030	2.0	2.1
Less—debt issuance costs	(13.1)	(13.7)
Long-term debt, including current portion	1,194.1	1,201.8
Less—current portion, net of current portion of debt issuance costs	(36.4)	(36.6)
Long-term debt	$ 1,157.7	$ 1,165.2

(a) Amounts reflected for the Mortgage notes payable as of March 31, 2021, exclude $2.3 million classified as Liabilities associated with assets held for sale.
(b) Amounts reflected for the 2018 Wells Fargo Master Loan Facility (as defined herein) as of December 31, 2020, exclude $5.1 million classified as Liabilities associated with assets held for sale.
(c) Amounts reflected for the 2015 Wells Fargo Master Loan Facility (as defined herein) as of December 31, 2020, exclude $3.8 million classified as Liabilities associated with assets held for sale, respectively.

We are a holding company with no independent assets or operations. For all relevant periods presented, our 4.50% Senior Notes due 2028 and 4.75% Senior Notes due 2030 have been fully and unconditionally guaranteed, on a joint and several basis, by substantially all of our subsidiaries. Any subsidiaries that have not guaranteed such notes are "minor" (as defined in Rule 3-10(h) of Regulation S-X). As of March 31, 2021, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

10. FINANCIAL INSTRUMENTS AND FAIR VALUE

In determining fair value, we use various valuation approaches, including market and income approaches. Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our assumptions about the presumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1-Valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access.

Level 2-Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Assets and liabilities utilizing Level 2 inputs include interest rate swap instruments, exchange-traded debt securities that are not actively traded or do not have a high trading volume, mortgage notes payable, and certain real estate properties on a non-recurring basis.

Level 3-Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Asset and liability measurements utilizing Level 3 inputs include those used in estimating the fair value of certain non-financial assets and

non-financial liabilities in purchase acquisitions and those used in the assessment of impairment for goodwill and manufacturer franchise rights.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment required to determine fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based exit price measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, our assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. We use inputs that are current as of the measurement date, including during periods of significant market fluctuations.

Financial instruments consist primarily of cash and cash equivalents, contracts-in-transit, accounts receivable, cash surrender value of corporate-owned life insurance policies, accounts payable, floor plan notes payable, subordinated long-term debt, mortgage notes payable, and interest rate swap instruments. The carrying values of our financial instruments, with the exception of subordinated long-term debt and mortgage notes payable, approximate fair value due to (i) their short-term nature, (ii) recently completed market transactions, or (iii) existence of variable interest rates, which approximate market rates. The fair value of our subordinated long-term debt is based on reported market prices in an inactive market that reflects Level 2 inputs. We estimate the fair value of our mortgage notes payable using a present value technique based on current market interest rates for similar types of financial instruments that reflect Level 2 inputs.

A summary of the carrying values and fair values of our Notes and our Mortgage notes payable is as follows:

	As of	
	March 31, 2021	**December 31, 2020**
	(In millions)	
Carrying Value:		
4.50% Senior Notes due 2028	401.1	400.9
4.75% Senior Notes due 2030	440.7	440.6
Mortgage notes payable (a)	335.8	343.7
Total carrying value	$ 1,177.6	$ 1,185.2
Fair Value:		
4.50% Senior Notes due 2028	411.1	423.2
4.75% Senior Notes due 2030	457.2	476.2
Mortgage notes payable (a)	347.2	354.5
Total fair value	$ 1,215.5	$ 1,253.9

(a) Excludes amounts classified as Liabilities associated with assets held for sale.

Interest Rate Swap Agreements

We currently have four interest rate swap agreements. Each of these swaps were designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR. The following table provides information on the attributes of each swap as of March 31, 2021:

Inception Date	Notional Principal at Inception	Notional Value as of March 31, 2021	Notional Principal at Maturity	Maturity Date
		(In millions)		
July 2020	$ 93.5	$ 90.5	$ 50.6	December 2028
July 2020	$ 85.5	$ 82.8	$ 57.3	November 2025
June 2015	$ 100.0	$ 73.7	$ 53.1	February 2025
November 2013	$ 75.0	$ 48.0	$ 38.7	September 2023

The fair value of cash flow swaps is calculated as the present value of expected future cash flows, determined on the basis of forward interest rates and present value factors. Fair value estimates reflect a credit adjustment to the discount rate applied to all expected cash flows under the swaps. Other than this input, all other inputs used in the valuation of these swaps are designated to be Level 2 fair values. The fair value of our swaps was an $1.0 million and a $7.2 million liability as of March 31, 2021 and December 31, 2020, respectively.

The following table provides information regarding the fair value of our interest rate swap agreements and the impact on the Condensed Consolidated Balance Sheets:

	As of	
	March 31, 2021	December 31, 2020
	(In millions)	
Other current liabilities	$ (2.8)	$ (2.8)
Other long-term assets	5.7	—
Other long-term liabilities	(3.9)	(4.4)
Total fair value	$ (1.0)	$ (7.2)

Our interest rate swaps qualify for cash flow hedge accounting treatment. These interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in accumulated other comprehensive income and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings. Information about the effect of our interest rate swap agreements in the accompanying Condensed Consolidated Statements of Income and Condensed Consolidated Statements of Comprehensive Income, is as follows (in millions):

For the Three Months Ended March 31,	Results Recognized in Accumulated Other Comprehensive Income/(Loss)	Location of Amount Reclassified from Accumulated Other Comprehensive Income/(Loss) to Earnings	Amount Reclassified from Accumulated Other Comprehensive Income/(Loss) to Earnings
2021	$ 7.0	Other interest expense, net	$ (0.8)
2020	$ (4.5)	Other interest expense, net	$ (0.3)

On the basis of yield curve conditions as of March 31, 2021 and including assumptions about future changes in fair value, we expect the amount to be reclassified out of Accumulated Other Comprehensive Loss into earnings within the next 12 months will be losses of $2.8 million.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended March 31, 2021 and 2020, we made interest payments, including amounts capitalized, totaling $26.5 million and $22.3 million, respectively. Included in these interest payments are $3.1 million and $7.4 million, of floor plan interest payments during the three months ended March 31, 2021 and 2020, respectively.

During the three months ended March 31, 2021 and 2020, no material income tax payments were made and no refunds were received.

During the three months ended March 31, 2021 and 2020, we transferred $53.7 million and $39.4 million, respectively, of loaner vehicles from Other current assets to Inventories on our Condensed Consolidated Balance Sheets.

12. COMMITMENTS AND CONTINGENCIES

Our dealerships are party to dealer and framework agreements with applicable vehicle manufacturers. In accordance with these agreements, each dealership has certain rights and is subject to restrictions typical in the industry. The ability of these manufacturers to influence the operations of the dealerships or the loss of any of these agreements could have a materially negative impact on our operating results.

In some instances, manufacturers may have the right, and may direct us, to implement costly capital improvements to dealerships as a condition to entering into, renewing, or extending franchise agreements with them. Manufacturers also typically require that their franchises meet specific standards of appearance. These factors, either alone or in combination, could cause us to use our financial resources on capital projects that we might not have planned for or otherwise determined to undertake.

From time to time, we and our dealerships are or may become involved in various claims relating to, and arising out of, our business and our operations. These claims may involve, but not be limited to, financial and other audits by vehicle manufacturers or lenders and certain federal, state, and local government authorities, which have historically related primarily to (i) incentive and warranty payments received from vehicle manufacturers, or allegations of violations of manufacturer agreements or policies, (ii) compliance with lender rules and covenants, and (iii) payments made to government authorities relating to federal, state, and local taxes, as well as compliance with other government regulations. Claims may also arise through litigation, government proceedings, and other dispute resolution processes. Such claims, including class actions, could relate to, but may not be limited to, the practice of charging administrative fees and other fees and commissions, employment-related matters, truth-in-lending and other dealer assisted financing obligations, contractual disputes, actions brought by governmental authorities, and other matters. We evaluate pending and threatened claims and establish loss contingency reserves based upon outcomes we currently believe to be probable and reasonably estimable.

We believe we have adequately accrued for the potential impact of loss contingencies that are probable and reasonably estimable. Based on our review of the various types of claims currently known to us, there is no indication of material reasonably possible losses in excess of amounts accrued in the aggregate. We currently do not anticipate that any known claim will materially adversely affect our financial condition, liquidity, or results of operations. However, the outcome of any matter cannot be predicted with certainty, and an unfavorable resolution of one or more matters presently known or arising in the future could have a material adverse effect on our financial condition, liquidity, or results of operations.

A significant portion of our business involves the sale of vehicles, parts, or vehicles composed of parts that are manufactured outside the United States. As a result, our operations are subject to customary risks of importing merchandise, including fluctuations in the relative values of currencies, import duties, exchange controls, trade restrictions, work stoppages, and general political and socio-economic conditions in foreign countries. The United States or the countries from which our products are imported may, from time to time, impose new quotas, duties, tariffs, or other restrictions, or adjust presently prevailing quotas, duties, or tariffs, which may affect our operations, and our ability to purchase imported vehicles and/or parts at reasonable prices.

Substantially all of our facilities are subject to federal, state and local provisions regarding the discharge of materials into the environment. Compliance with these provisions has not had, nor do we expect such compliance to have, any material effect upon our capital expenditures, net earnings, financial condition, liquidity or competitive position. We believe that our current practices and procedures for the control and disposition of such materials comply with applicable federal, state, and local requirements. No assurances can be provided, however, that future laws or regulations, or changes in existing laws or regulations, would not require us to expend significant resources in order to comply therewith.

As of March 31, 2021, we had $10.8 million of letters of credit outstanding and we maintained a $9.7 million surety bond line in the ordinary course of our business, both of which are also required by certain of our insurance providers. Our letters of credit and surety bond line are considered to be off balance sheet arrangements.

Our other material commitments include (i) floor plan notes payable, (ii) operating leases, (iii) long-term debt and (iv) interest on long-term debt, as described elsewhere herein.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

Certain of the discussions and information included or incorporated by reference in this report may constitute "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are statements that are not historical in nature and may include statements relating to our goals, plans and projections regarding industry and general economic trends, our expected financial position, results of operations or market position and our business strategy. Such statements can generally be identified by words such as "may," "target," "could," "would," "will," "should," "believe," "expect," "anticipate," "plan," "intend," "foresee," and other similar words or phrases. Forward-looking statements may also relate to our expectations and assumptions with respect to, among other things:

- the seasonally adjusted annual rate of new vehicle sales in the United States;
- general economic conditions and its expected impact on our revenue and expenses;
- our expected parts and service revenue due to, among other things, improvements in vehicle technology;
- our ability to limit our exposure to regional economic downturns due to our geographic diversity and brand mix;
- manufacturers' continued use of incentive programs to drive demand for their product offerings;
- our capital allocation strategy, including as it relates to acquisitions and divestitures, stock repurchases and capital expenditures;
- our revenue growth strategy;
- the growth of the brands that comprise our portfolio over the long-term and other factors;
- the declines in sales and service revenue and ongoing disruptions in our operations, the operations of our vehicle and parts manufacturers and other suppliers, vendors and business partners, and the global economy in general due to the COVID-19 pandemic; and
- our estimated future capital expenditures.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual future results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to:

- the degree to which declines in sales and service revenue and ongoing disruptions in our operations, the operations of our vehicle and parts manufacturers and other suppliers, vendors and business partners, and the global economy in general due to the COVID-19 pandemic may adversely impact our business, results of operations, financial condition and cash flows;
- the effects of increased expenses or unanticipated liabilities incurred as a result of, or due to activities related to our acquisitions or divestitures;
- changes in general economic and business conditions, including changes in employment levels, consumer confidence levels, consumer demand and preferences, the availability and cost of credit, fuel prices, levels of discretionary personal income and interest rates;
- our ability to generate sufficient cash flows, maintain our liquidity and obtain any necessary additional funds for working capital, capital expenditures, acquisitions, stock repurchases, debt maturity payments and other corporate purposes, if necessary or desirable;
- significant disruptions in the production and delivery of vehicles and parts for any reason, including the COVID-19 pandemic, supply shortages (including semi-conductor chips and rubber-based products), natural disasters, severe weather, civil unrest, product recalls, work stoppages or other occurrences that are outside of our control;
- our ability to execute our automotive retailing and service business strategy while operating under restrictions and best practices imposed or encouraged by governmental and other regulatory authorities;
- our ability to attract and retain skilled employees;

- adverse conditions affecting the vehicle manufacturers whose brands we sell, and their ability to design, manufacture, deliver and market their vehicles successfully;
- changes in the mix and total number of vehicles we are able to sell;
- our outstanding indebtedness and our continued ability to comply with applicable covenants in our various financing and lease agreements, or to obtain waivers of these covenants as necessary;
- high levels of competition in our industry, which may create pricing and margin pressures on our products and services;
- our relationships with manufacturers of the vehicles we sell and our ability to renew, and enter into new framework and dealer agreements with vehicle manufacturers whose brands we sell, on terms acceptable to us;
- the availability of manufacturer incentive programs and our ability to earn these incentives;
- failure of our, or those of our third-party service providers, management information systems;
- any data security breaches with regard to personally identifiable information ("PII");
- changes in laws and regulations governing the operation of automobile franchises, including trade restrictions, consumer protections, accounting standards, taxation requirements and environmental laws;
- changes in, or the imposition of, new tariffs or trade restrictions on imported vehicles or parts;
- adverse results from litigation or other similar proceedings involving us;
- our ability to consummate planned mergers, acquisitions and dispositions;
- any disruptions in the financial markets, which may impact our ability to access capital;
- our relationships with, and the financial stability of, our lenders and lessors;
- our ability to execute our initiatives and other strategies;
- our ability to leverage gains from our dealership portfolio; and
- our ability to successfully integrate businesses we may acquire, or that any business we acquire may not perform as we expected at the time we acquired it.

Many of these factors are beyond our ability to control or predict, and their ultimate impact could be material. Moreover, the factors set forth under "Item 1A. Risk Factors" and other cautionary statements made in this report should be read and considered as forward-looking statements subject to such uncertainties. Forward-looking statements speak only as of the date of this report. We expressly disclaim any obligation to update any forward-looking statement contained herein.

OVERVIEW

We are one of the largest automotive retailers in the United States. As of March 31, 2021, we owned and operated 112 new vehicle franchises (91 dealership locations), representing 31 brands of automobile, 25 collision centers, and one auto auction in 16 metropolitan markets within nine states. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, which includes repair and maintenance services, replacement parts, and collision repair services; and finance and insurance products. For the three months ended March 31, 2021, our new vehicle revenue brand mix consisted of 45% luxury, 38% imports, and 17% domestic brands.

Our retail network is made up of dealerships operating primarily under the following locally-branded dealership groups:

- Coggin dealerships operating primarily in Jacksonville, Fort Pierce and Orlando, Florida;
- Courtesy dealerships operating in Tampa, Florida;
- Crown dealerships operating in North Carolina, South Carolina and Virginia;
- Greenville Automotive dealerships operating in Greenville, South Carolina;
- Hare and Estes dealerships operating in the Indianapolis, Indiana area;
- McDavid dealerships operating in metropolitan Austin and Dallas-Fort Worth, Texas;

- Nalley dealerships operating in metropolitan Atlanta, Georgia;
- Park Place dealerships operating in the Dallas-Fort Worth, Texas area;
- Plaza dealerships operating in metropolitan St. Louis, Missouri; and
- Mike Shaw dealerships in the Denver, Colorado area.

Our revenues are derived primarily from: (i) the sale of new vehicles; (ii) the sale of used vehicles to individual retail customers ("used retail") and to other dealers at auction ("wholesale") (the terms "used retail" and "wholesale" collectively referred to as "used"); (iii) repair and maintenance services, including collision repair, the sale of automotive replacement parts, and the reconditioning of used vehicles (collectively referred to as "parts and service"); and (iv) the arrangement of third-party vehicle financing and the sale of a number of vehicle protection products (defined below and collectively referred to as "F&I"). We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle sold, our parts and service operations based on aggregate gross profit, and our F&I business based on F&I gross profit per vehicle sold.

Our gross profit margin varies with our revenue mix. Sales of new vehicles have historically resulted in a lower gross profit margin than used vehicle sales, sales of parts and service, and sales of F&I products. As a result, when used vehicle, parts and service, and F&I revenue increase as a percentage of total revenue, we expect our overall gross profit margin to increase.

Selling, general, and administrative ("SG&A") expenses consist primarily of fixed and incentive-based compensation, advertising, rent, insurance, utilities, and other customary operating expenses. A significant portion of our cost structure is variable (such as sales commissions) or controllable (such as advertising), which we believe allows us to adapt to changes in the retail environment over the long-term. We evaluate commissions paid to salespeople as a percentage of retail vehicle gross profit, advertising expense on a per vehicle retailed ("PVR") basis, and all other SG&A expenses in the aggregate as a percentage of total gross profit.

Our continued organic growth is dependent upon the execution of our balanced automotive retailing and service business strategy, the continued strength of our brand mix, and the production and allocation of desirable vehicles from the automobile manufacturers whose brands we sell. Our vehicle sales have historically fluctuated with product availability as well as local and national economic conditions, including consumer confidence, availability of consumer credit, fuel prices, and employment levels. Our vehicle sales may also be impacted by manufacturer imposed stop-sales or open safety recalls.

Our ability to sell certain new and used vehicles can be negatively impacted by a number of factors, some of which are outside of our control. As a result of the COVID-19 global pandemic, certain vehicle manufacturers slowed or temporarily halted assembly lines for the safety of their workers. For more information on the impact of COVID-19, see “Impact of COVID-19 on our Business” below. Furthermore, due to a variety of factors, including the impacts of the COVID-19 pandemic and significant shortages of semi-conductor chips and other component parts and supplies (including natural rubber-based products and petroleum-based plastics and foam), certain automotive manufacturers and other suppliers have suspended or slowed production of new vehicles, parts and other supplies. These delays have negatively impacted our new vehicle and parts inventory levels, with parts shortages in turn adversely impacting our service and collision repair business. We cannot predict with any certainty how long the automotive retail industry will continue to be subject to these shortages or when normalized production will resume at these manufacturers. We continue to believe that any future negative trends in new vehicle sales caused by lack of inventory availability would be partially mitigated by (i) increased demand for pre-owned vehicles, (ii) the expected relative stability of our parts and service operations over the long-term, (iii) the variable nature of significant components of our cost structure, and (iv) our diversified brand and geographic mix.

The seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. during the three months ended March 31, 2021 was 16.9 million compared to 15.2 million during the three months ended March 31, 2020. On a same-store basis, all of our revenue streams increased from the prior year quarter and we experienced a significant increase in both new and used vehicle gross profit and margins during the three months ended March 31, 2021 when compared to the prior year period. New vehicle supply disruptions as a result of the COVID-19 global pandemic and the semi-conductor chip shortage have reduced the availability of new vehicle inventory, which has driven up demand for used vehicles. Our parts and service business continued to show signs of a recovery and is approaching pre-pandemic levels of activity and profitability.

We had total available liquidity of $551.3 million as of March 31, 2021, which consisted of cash and cash equivalents of $27.8 million, $145.4 million of funds in our floor plan offset accounts, $239.2 million of availability under our revolving credit facility, and $138.9 million of availability under our used vehicle revolving floor plan facility. For further discussion of our liquidity, please refer to "Liquidity and Capital Resources" below. We believe we will have sufficient liquidity to meet our debt service and working capital requirements; commitments and contingencies; debt repayment, maturity and repurchase obligations; acquisitions; capital expenditures; and any operating requirements for at least the next twelve months.

Impact of COVID-19 on our Business

At this time, we cannot predict the duration or scope, and future effects, of the impacts from the COVID-19 pandemic. Vaccines are currently being administered with the objective of having the country return to some sense of normalcy by the second half of 2021. However, vaccine availability, distribution, efficacy to new strains of the virus, side effects and the public's willingness to get vaccinated all remain challenges, which could lengthen the duration of the impacts of the pandemic. We continue to monitor and respond as necessary to the Company’s operational needs and financial flexibility during the ongoing outbreak of the COVID-19 global pandemic and the resulting economic uncertainty. For example, we have enacted cost saving measures to respond to the uncertain environment. The Company has deferred certain capital expenditures and managed other controllable expenses.

Our top priority continues to be the safety and protection of our customers, team members and their families. We have modified certain business practices to conform to government restrictions and are taking precautionary measures as directed by government and regulatory authorities.

If the COVID-19 pandemic continues, future outbreaks in the markets in which we operate may cause changes in customer behaviors, including a potential reduction in traffic at our dealerships, and could result in certain impairment charges. The uncertainties in the global economy may negatively impact our suppliers and other business partners, which may interrupt our supply chain and require other changes to our operations. These and other factors may adversely impact our financial condition, liquidity and cash flow. We cannot accurately predict the amount and timing of any impairment charge at this time, however, any such impairment charge could have an adverse effect on our results of operations and stockholders’ equity.

Park Place Acquisition

On July 6, 2020, the Company, through two of its subsidiaries, entered into an Asset Purchase Agreement with certain members of the Park Place Dealership group, to acquire substantially all of the assets of, and lease the real property related to, 12 new vehicle dealership franchises (8 dealership locations), two collision centers and an auto auction (collectively, the "Park Place acquisition"). The Park Place acquisition was completed on August 24, 2020 and financed through a combination of cash, floor plan facilities and seller financing. The seller financing comprised $150.0 million in aggregate principal amount of a 4.00% promissory note due August 2021 and $50.0 million in aggregate principal amount of 4.00% promissory note due February 2022 (collectively, the "Seller Notes"). In September 2020, the Company redeemed the Seller Notes with proceeds from the offering of 4.50% Notes due 2028 and 4.75% Notes due 2030.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2021 Compared to the Three Months Ended March 31, 2020

	For the Three Months Ended March 31,		Increase (Decrease)	% Change
	2021	2020		
	(Dollars in millions, except per share data)			
REVENUE:				
New vehicle	$ 1,151.7	$ 822.1	$ 329.6	40 %
Used vehicle	690.9	493.2	197.7	40 %
Parts and service	262.0	221.6	40.4	18 %
Finance and insurance, net	88.3	70.4	17.9	25 %
TOTAL REVENUE	2,192.9	1,607.3	585.6	36 %
GROSS PROFIT:				
New vehicle	75.5	36.4	39.1	107 %
Used vehicle	55.8	30.7	25.1	82 %
Parts and service	163.1	134.9	28.2	21 %
Finance and insurance, net	88.3	70.4	17.9	25 %
TOTAL GROSS PROFIT	382.7	272.4	110.3	40 %
OPERATING EXPENSES:				
Selling, general, and administrative	239.8	194.7	45.1	23 %
Depreciation and amortization	9.8	9.5	0.3	3 %
Franchise rights impairment	—	23.0	(23.0)	(100)%
Other operating (income) expense, net	(3.2)	10.2	(13.4)	(131)%
INCOME FROM OPERATIONS	136.3	35.0	101.3	289 %
OTHER EXPENSES (INCOME):				
Floor plan interest expense	2.9	7.0	(4.1)	(59)%
Other interest expense, net	14.0	17.0	(3.0)	(18)%
Loss on extinguishment of long-term debt, net	—	20.6	(20.6)	(100)%
Gain on dealership divestitures, net	—	(33.7)	33.7	100 %
Total other expenses, net	16.9	10.9	6.0	55 %
INCOME BEFORE INCOME TAXES	119.4	24.1	95.3	395 %
Income tax expense	26.6	4.6	22.0	478 %
NET INCOME	$ 92.8	$ 19.5	$ 73.3	376 %
Net income per share—Diluted	$ 4.78	$ 1.01	$ 3.77	373 %

	For the Three Months Ended March 31,	
	2021	2020
REVENUE MIX PERCENTAGES:		
New vehicle	52.5 %	51.1 %
Used vehicle retail	27.8 %	27.8 %
Used vehicle wholesale	3.8 %	2.9 %
Parts and service	11.9 %	13.8 %
Finance and insurance, net	4.0 %	4.4 %
Total revenue	100.0 %	100.0 %
GROSS PROFIT MIX PERCENTAGES:		
New vehicle	19.7 %	13.4 %
Used vehicle retail	12.4 %	11.5 %
Used vehicle wholesale	2.2 %	(0.2)%
Parts and service	42.6 %	49.5 %
Finance and insurance, net	23.1 %	25.8 %
Total gross profit	100.0 %	100.0 %
GROSS PROFIT MARGIN	17.5 %	16.9 %
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	62.7 %	71.5 %

Total revenue for the three months ended March 31, 2021 increased by $585.6 million (36%) compared to the three months ended March 31, 2020, due to a $329.6 million (40%) increase in new vehicle revenue, a $197.7 million (40%) increase in used vehicle revenue, a $40.4 million (18%) increase in parts and service revenue and a $17.9 million (25%) increase in F&I, net revenue. The $110.3 million (40%) increase in gross profit during the three months ended March 31, 2021 was driven by a $39.1 million (107%) increase in new vehicle gross profit, a $28.2 million (21%) increase in parts and service gross profit, a $25.1 million (82%) increase in used vehicle gross profit and a $17.9 million (25%) increase in F&I, net.

Income from operations during the three months ended March 31, 2021 increased by $101.3 million compared to the three months ended March 31, 2020, due to the $110.3 million (40%) increase in gross profit, a $23.0 million franchise right impairment charge for the three months ended March 31, 2020, a $13.4 million decrease in other operating expense, net, partially offset by a $45.1 million (23%) increase in SG&A expenses and a $0.3 million (3%) increase in depreciation and amortization expense.

Total other expenses, net increased by $6.0 million (55%), primarily as a result of a $33.7 million decrease in the gain on dealership divestitures, net during the first three months of 2021 when compared to the first three months of 2020, partially offset by a $4.1 million (59%) decrease in floor plan interest expense, no loss on extinguishment of debt and a $3.0 million (18%) decrease in other interest expense, net. Income before income taxes increased $95.3 million to $119.4 million for the three months ended March 31, 2021. Overall, net income increased by $73.3 million during the three months ended March 31, 2021 as compared to the three months ended March 31, 2020.

New Vehicle—

	For the Three Months Ended March 31,		Increase (Decrease)	% Change
	2021	2020		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Luxury	$ 518.0	$ 276.5	$ 241.5	87 %
Import	439.4	358.2	81.2	23 %
Domestic	194.3	187.4	6.9	4 %
Total new vehicle revenue	$ 1,151.7	$ 822.1	$ 329.6	40 %
Gross profit:				
Luxury	$ 44.7	$ 16.9	$ 27.8	164 %
Import	18.1	10.6	7.5	71 %
Domestic	12.7	8.9	3.8	43 %
Total new vehicle gross profit	$ 75.5	$ 36.4	$ 39.1	107 %
New vehicle units:				
Luxury	8,511	4,992	3,519	70 %
Import	14,377	12,458	1,919	15 %
Domestic	4,371	4,527	(156)	(3)%
Total new vehicle units	27,259	21,977	5,282	24 %
Same Store:				
Revenue:				
Luxury	$ 322.2	$ 267.2	$ 55.0	21 %
Import	438.1	342.5	95.6	28 %
Domestic	189.5	171.4	18.1	11 %
Total new vehicle revenue	$ 949.8	$ 781.1	$ 168.7	22 %
Gross profit:				
Luxury	$ 24.7	$ 16.3	$ 8.4	52 %
Import	18.4	10.2	8.2	80 %
Domestic	12.4	8.2	4.2	51 %
Total new vehicle gross profit	$ 55.5	$ 34.7	$ 20.8	60 %
New vehicle units:				
Luxury	5,526	4,820	706	15 %
Import	14,351	11,955	2,396	20 %
Domestic	4,270	4,158	112	3 %
Total new vehicle units	24,147	20,933	3,214	15 %

New Vehicle Metrics—

	For the Three Months Ended March 31,			
	2021	2020	Increase (Decrease)	% Change
As Reported:				
Revenue per new vehicle sold	$ 42,250	$ 37,407	$ 4,843	13 %
Gross profit per new vehicle sold	$ 2,770	$ 1,656	$ 1,114	67 %
New vehicle gross margin	6.6 %	4.4 %	2.2 %	
Luxury:				
Gross profit per new vehicle sold	$ 5,252	$ 3,385	$ 1,867	55 %
New vehicle gross margin	8.6 %	6.1 %	2.5 %	
Import:				
Gross profit per new vehicle sold	$ 1,259	$ 851	$ 408	48 %
New vehicle gross margin	4.1 %	3.0 %	1.1 %	
Domestic:				
Gross profit per new vehicle sold	$ 2,906	$ 1,966	$ 940	48 %
New vehicle gross margin	6.5 %	4.7 %	1.8 %	
Same Store:				
Revenue per new vehicle sold	$ 39,334	$ 37,314	$ 2,020	5 %
Gross profit per new vehicle sold	$ 2,298	$ 1,658	$ 640	39 %
New vehicle gross margin	5.8 %	4.4 %	1.4 %	
Luxury:				
Gross profit per new vehicle sold	$ 4,470	$ 3,382	$ 1,088	32 %
New vehicle gross margin	7.7 %	6.1 %	1.6 %	
Import:				
Gross profit per new vehicle sold	$ 1,282	$ 853	$ 429	50 %
New vehicle gross margin	4.2 %	3.0 %	1.2 %	
Domestic:				
Gross profit per new vehicle sold	$ 2,904	$ 1,972	$ 932	47 %
New vehicle gross margin	6.5 %	4.8 %	1.7 %	

For the three months ended March 31, 2021, new vehicle revenue increased by $329.6 million (40%) as a result of a 24% increase in new vehicle units sold, as well as an increase in revenue per new vehicle sold. For the three months ended March 31, 2021, same store new vehicle revenue increased by $168.7 million (22%) as the result of a 15% increase in new vehicle units sold, and a 5% increase in revenue per unit sold.

For the three months ended March 31, 2021, new vehicle gross profit and same store new vehicle gross profit increased by $39.1 million (107%) and $20.8 million (60%), respectively. Same store new vehicle gross margin for the three months ended March 31, 2021 improved 140 basis points to 5.8%.

The seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. during the three months ended March 31, 2021 was 16.9 million compared to 15.2 million during the three months ended March 31, 2020, an 11% increase. The Company experienced continued strength in new vehicle sales for the three months ended March 31, 2021, building on the new vehicle sales recovery in the latter part of the 2020 fiscal year. The new vehicle sales revenue increase for the three months ended March 31, 2021 over the same period in the prior year is also attributable to the significant decline in new vehicle sales during the latter half of March as a result of the onset of the COVID-19 pandemic. On a same store basis, we experienced an increase in gross profit across all categories of vehicle sales driven by the increase in gross profit per new vehicle sold. The increased profitability is partly attributable to the lack of supply of new vehicle inventory driven by the manufacturer production challenges arising from semi-conductor chip shortages. Our new vehicle days supply of inventory was approximately 34 days for the months ended March 31, 2021, which is about half our targeted days supply. Luxury new vehicle

sales and gross profit increased on an as reported basis by $241.5 million (87%) and $27.8 million (164%), respectively, for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 in part due to the Park Place acquisition in the third quarter of 2020.

Used Vehicle—

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Used vehicle retail revenue	$ 607.5	$ 446.0	$ 161.5	36 %
Used vehicle wholesale revenue	83.4	47.2	36.2	77 %
Used vehicle revenue	$ 690.9	$ 493.2	$ 197.7	40 %
Gross profit:				
Used vehicle retail gross profit	$ 47.5	$ 31.2	$ 16.3	52 %
Used vehicle wholesale gross profit	8.3	(0.5)	8.8	NM
Used vehicle gross profit	$ 55.8	$ 30.7	$ 25.1	82 %
Used vehicle retail units:				
Used vehicle retail units	23,519	20,287	3,232	16 %
Same Store:				
Revenue:				
Used vehicle retail revenue	$ 499.9	$ 416.9	$ 83.0	20 %
Used vehicle wholesale revenue	57.3	44.8	12.5	28 %
Used vehicle revenue	$ 557.2	$ 461.7	$ 95.5	21 %
Gross profit:				
Used vehicle retail gross profit	$ 40.3	$ 29.6	$ 10.7	36 %
Used vehicle wholesale gross profit	6.4	(0.4)	6.8	NM
Used vehicle gross profit	$ 46.7	$ 29.2	$ 17.5	60 %
Used vehicle retail units:				
Used vehicle retail units	20,740	18,979	1,761	9 %

NM—Not Meaningful

Used Vehicle Metrics—

	For the Three Months Ended March 31, 2021	For the Three Months Ended March 31, 2020	Increase (Decrease)	% Change
As Reported:				
Revenue per used vehicle retailed	$ 25,830	$ 21,985	$ 3,845	17 %
Gross profit per used vehicle retailed	$ 2,020	$ 1,538	$ 482	31 %
Used vehicle retail gross margin	7.8 %	7.0 %	0.8 %	
Same Store:				
Revenue per used vehicle retailed	$ 24,103	$ 21,966	$ 2,137	10 %
Gross profit per used vehicle retailed	$ 1,943	$ 1,560	$ 383	25 %
Used vehicle retail gross margin	8.1 %	7.1 %	1.0 %	

Used vehicle revenue increased by $197.7 million (40%) due to a $161.5 million (36%) increase in used vehicle retail revenue, and a $36.2 million (77%) increase in used vehicle wholesale revenue. Same store used vehicle revenue increased by

$95.5 million (21%) due to an $83.0 million (20%) increase in used vehicle retail revenue, and a $12.5 million (28%) increase in used vehicle wholesale revenues.

For the three months ended March 31, 2021, gross profit margins increased by 80 basis points to 7.8%. Due to the new vehicle inventory shortages that have arisen due to manufacturer challenges, we continue to see an increased demand for used vehicles. As a result, on both a same store and as reported basis, we experienced a significant improvement in used vehicle gross profit margins during the three months ended March 31, 2021 as compared to the same period in the prior year. Used vehicle gross profit margins increased for the three months ended March 31, 2021 by $25.1 million on an all store basis and $17.5 million on a same store basis as compared to the three months ended March 31, 2020. We finished the first quarter with a 27 days supply of used vehicle inventory, below our targeted supply of 35 days.

Parts and Service—

	For the Three Months Ended March 31,			
	2021	2020	Increase (Decrease)	% Change
	(Dollars in millions)			
As Reported:				
Parts and service revenue	$ 262.0	$ 221.6	$ 40.4	18 %
Parts and service gross profit:				
Customer pay	97.1	78.1	19.0	24 %
Warranty	24.1	22.2	1.9	9 %
Wholesale parts	7.0	5.0	2.0	40 %
Parts and service gross profit, excluding reconditioning and preparation	$ 128.2	$ 105.3	$ 22.9	22 %
Parts and service gross margin, excluding reconditioning and preparation	48.9 %	47.5 %	1.4 %	
Reconditioning and preparation *	$ 34.9	$ 29.6	$ 5.3	18 %
Total parts and service gross profit	$ 163.1	$ 134.9	$ 28.2	21 %
Same Store:				
Parts and service revenue	$ 212.4	$ 211.1	$ 1.3	1 %
Parts and service gross profit:				
Customer pay	77.1	74.8	2.3	3 %
Warranty	18.3	21.1	(2.8)	(13)%
Wholesale parts	5.8	4.7	1.1	23 %
Parts and service gross profit, excluding reconditioning and preparation	$ 101.2	$ 100.6	$ 0.6	1 %
Parts and service gross margin, excluding reconditioning and preparation	47.6 %	47.7 %	(0.1)%	
Reconditioning and preparation *	$ 29.3	$ 28.0	$ 1.3	5 %
Total parts and service gross profit	$ 130.5	$ 128.6	$ 1.9	1 %

** Reconditioning and preparation represents the gross profit earned by our parts and service departments for internal work performed is included as a reduction of Parts and Service Cost of Sales in the accompanying Condensed Consolidated Statements of Income upon the sale of the vehicle.*

The $40.4 million (18%) increase in parts and service revenue was primarily due to a $33.7 million (23%) increase in customer pay revenue, a $4.8 million (15%) increase in wholesale parts revenue and a $1.9 million (5%) increase in warranty revenue. Same store parts and service revenue increased by $1.3 million (1%) from $211.1 million for the three months ended March 31, 2020 to $212.4 million for the three months ended March 31, 2021. The increase in same store parts and service revenue was due to a $4.7 million (3%) increase in customer pay revenue, a $2.0 million (6%) increase in wholesale parts revenue offset by a $5.4 million (14%) decrease in warranty revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by $22.9 million (22%) to $128.2 million, and same store gross profit, excluding reconditioning and preparation, increased by $0.6 million (1%) to $101.2 million. The parts and service business was negatively impacted by "shelter in place" orders issued in response to the COVID-19 pandemic in 2020 but has shown gradual improvement as COVID-19 restrictions have begun to ease and in conjunction with the COVID-19 vaccination rollout.

Finance and Insurance, net—

	For the Three Months Ended March 31,		Increase (Decrease)	% Change
	2021	2020		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Finance and insurance, net	$ 88.3	$ 70.4	$ 17.9	25 %
Finance and insurance, net per vehicle sold	$ 1,739	$ 1,666	$ 73	4 %
Same Store:				
Finance and insurance, net	$ 80.7	$ 67.2	$ 13.5	20 %
Finance and insurance, net per vehicle sold	$ 1,798	$ 1,684	$ 114	7 %

F&I revenue, net increased $17.9 million (25%) during the three months ended March 31, 2021 when compared to the three months ended March 31, 2020, and same store F&I revenue, net increased by $13.5 million (20%) over the same period. F&I revenue, net increased as a result of the increase in new and used retail unit sales for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020. For the three months ended March 31, 2021, the Company was able to improve the F&I PVR by $73 per unit (4%) over the comparable prior year period.

Selling, General, and Administrative Expense—

	For the Three Months Ended March 31,				Increase (Decrease)	% of Gross Profit Increase (Decrease)
	2021	% of Gross Profit	2020	% of Gross Profit		
	(Dollars in millions)					
As Reported:						
Personnel costs	$ 117.1	30.6 %	$ 94.9	34.8 %	$ 22.2	(4.2)%
Sales compensation	37.4	9.8 %	27.4	10.1 %	10.0	(0.3)%
Share-based compensation	4.7	1.2 %	3.5	1.3 %	1.2	(0.1)%
Outside services	23.9	6.2 %	21.4	7.9 %	2.5	(1.7)%
Advertising	7.7	2.0 %	7.4	2.7 %	0.3	(0.7)%
Rent	11.2	2.9 %	6.8	2.5 %	4.4	0.4 %
Utilities	4.3	1.1 %	4.1	1.5 %	0.2	(0.4)%
Insurance	7.3	1.9 %	4.1	1.5 %	3.2	0.4 %
Other	26.2	7.0 %	25.1	9.2 %	1.1	(2.2)%
Selling, general, and administrative expense	$ 239.8	62.7 %	$ 194.7	71.5 %	$ 45.1	(8.8)%
Gross profit	$ 382.7		$ 272.4			
Same Store:						
Personnel costs	$ 95.3	30.4 %	$ 90.4	34.8 %	$ 4.9	(4.4)%
Sales compensation	32.1	10.2 %	25.9	10.0 %	6.2	0.2 %
Share-based compensation	4.7	1.5 %	3.5	1.3 %	1.2	0.2 %
Outside services	19.6	6.3 %	20.2	7.8 %	(0.6)	(1.5)%
Advertising	6.3	2.0 %	6.7	2.6 %	(0.4)	(0.6)%
Rent	11.0	3.5 %	6.7	2.6 %	4.3	0.9 %
Utilities	3.5	1.1 %	3.8	1.5 %	(0.3)	(0.4)%
Insurance	6.0	1.9 %	3.6	1.4 %	2.4	0.5 %
Other	$ 21.3	6.9 %	$ 24.3	9.3 %	(3.0)	(2.4)%
Selling, general, and administrative expense	$ 199.8	63.8 %	$ 185.1	71.3 %	$ 14.7	(7.5)%
Gross profit	$ 313.4		$ 259.7			

SG&A expense as a percentage of gross profit decreased 880 basis points from 71.5% for the three months ended March 31, 2020 to 62.7% for the three months ended March 31, 2021 while same store SG&A expense as a percentage of gross profit decreased 750 basis points to 63.8% over that same period. The decrease in SG&A as a percentage of gross profit during the three months ended March 31, 2021, is primarily the result of broad cost cutting measures arising from the COVID-19 pandemic and the higher gross profits on new and used vehicle sales triggered by new vehicle inventory shortages caused by production disruptions. On an as reported basis, Personnel costs and Sales compensation increased by $22.2 million and $10.0 million, respectively, for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020, primarily due to the Park Place acquisition and an increase in sales commissions related to the increase in gross profits earned during the periods. In addition, the Company made the decision to continue to pay its employees when certain of our stores were closed in February as a result of weather related disruptions. Rent increased from $6.8 million to $11.2 million for the three months ended March 31, 2021 as compared to the same period in the prior year due to real estate operating leases entered into related to Park Place dealership locations. Lastly, Insurance expenses increased by $3.2 million for the three months ended March 31, 2021 as compared to the three months ended March 31, 2020 due to increased insurance premiums stemming from the Park Place acquisition and claims associated with certain weather related events.

Franchise Rights Impairment—

During the three months ended March 31, 2020, we recorded a franchise rights impairment charge of $23.0 million. As a result of the COVID-19 pandemic, we performed a quantitative impairment analysis of certain franchise rights assets and determined that their carrying values exceeded their fair value by $23.0 million as of March 31, 2020. We did not incur a similar charge during the three months ended March 31, 2021 because there were no indicators of impairment.

Other Operating Expense, net—

Other operating expense, net includes gains and losses from the sale of property and equipment, and other operating items not considered core to our business. During the three months ended March 31, 2021, the Company recorded other operating income, net of $3.2 million, primarily related to a $3.5 million gain arising from legal settlements. Included in the $10.2 million of other operating expense, net for the three months ended March 31, 2020, was an $11.6 million charge related to certain financing transactions related to, as well as the termination of, the Park Place acquisition, a $0.9 million gain related to legal settlements and a $0.3 million gain related to the sale of vacant real estate.

Floor Plan Interest Expense—

Floor plan interest expense decreased by $4.1 million (59%) to $2.9 million during the three months ended March 31, 2021 compared to $7.0 million during the three months ended March 31, 2020 primarily as a result of a decrease in LIBOR from which our floor plan interest rate is calculated and lower new vehicle inventory levels.

Loss on Extinguishment of Debt, net—

On March 4, 2020, the Company redeemed its $600 million 6% Notes scheduled to mature in 2024 at 103% of par, plus accrued and unpaid interest. We recorded a loss on extinguishment of the 6% Notes of $19.1 million which comprised a redemption premium of $18.0 million and the write-off of the unamortized premium and debt issuance costs totaling $1.1 million.

As a result of the termination of the Asset Purchase Agreement (the "2019 Asset Purchase Agreement"), dated as of December 11, 2019, among the Company, Park Place and the other parties thereto, the Company delivered a notice of special mandatory redemption to holders of its $525.0 million aggregate principal amount of Senior Notes due 2028 (the "Existing 2028 Notes") and $600.0 million aggregate principal amount of Senior Notes due 2030 (the "Existing 2030 Notes") pursuant to which it would redeem on a pro rata basis (1) $245.0 million of the Existing 2028 Notes and (2) $280.0 million of the Existing 2030 Notes, in each case, at 100% of the respective principal amount plus accrued and unpaid interest to, but excluding the special mandatory redemption date. On March 30, 2020, the Company completed the redemption and recorded a write-off of unamortized debt issuance costs of $1.5 million.

Gain on Dealership Divestitures, net—

During the three months ended March 31, 2020, we sold one franchise (one dealership location) in the Atlanta, Georgia market and we sold six franchises (five dealership locations) and one collision center in the Jackson, Mississippi market. The Company recorded a net pre-tax gain totaling $33.7 million.

Income Tax Expense—

The $22.0 million increase in income tax expense was primarily the result of a $95.3 million increase in income before income taxes. Our effective tax rate for the three months ended March 31, 2021 was 22.3% and 19.1% in the prior comparative period as a result of excess tax benefits associated with share-based compensation vesting. We expect our effective tax rate for 2021 to be around 25%.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2021, we had total available liquidity of $551.3 million, which consisted of $27.8 million of cash and cash equivalents, $145.4 million of available funds in our floor plan offset accounts, $239.2 million of availability under our revolving credit facility, and $138.9 million of availability under our used vehicle revolving floor plan facility. The borrowing capacities under our revolving credit facility and our used vehicle revolving floor plan facility are limited by borrowing base calculations and, from time to time, may be further limited by our required compliance with customary operating and other restrictive covenants. As of March 31, 2021, these covenants did not further limit our availability under our credit facilities. For more information on our covenants, see "Covenants" and "Share Repurchases and Dividend Restrictions" below.

We continually evaluate our liquidity and capital resources based upon (i) our cash and cash equivalents on hand, (ii) the funds that we expect to generate through future operations, (iii) current and expected borrowing availability under our 2019 Senior Credit Facility, our other floor plan facilities, our Real Estate Credit Agreement, our Restated Master Loan Agreement, and our mortgage financings (each, as defined below), (iv) amounts in our new vehicle floor plan notes payable offset accounts, and (v) the potential impact of our capital allocation strategy and any contemplated or pending future transactions, including, but not limited to, financings, acquisitions, dispositions, equity and/or debt repurchases, dividends, or other capital expenditures. We believe we will have sufficient liquidity to meet our debt service and working capital requirements; commitments and contingencies; debt repayment, maturity and repurchase obligations; acquisitions; capital expenditures; and any operating requirements for at least the next twelve months.

Material Indebtedness

We currently are party to the following material credit facilities and agreements, and have the following material indebtedness outstanding. For a more detailed description of the material terms of these agreements and facilities, and this indebtedness, please refer to Note 13 "Debt" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

- **2019 Senior Credit Facility—**On September 25, 2019, the Company and certain of its subsidiaries entered into the third amended and restated credit agreement with Bank of America, as administrative agent, and the other lenders party thereto (the "2019 Senior Credit Facility"). The 2019 Senior Credit Agreement provides for the following:

  Revolving Credit Facility—A $250.0 million Revolving Credit Facility for, among other things, acquisitions, working capital and capital expenditures, including a $50.0 million sub-limit for letters of credit. We had $10.8 million in outstanding letters of credit as of March 31, 2021, resulting in $239.2 million additional borrowing availability as of March 31, 2021.

  New Vehicle Floor Plan Facility—A $1.04 billion New Vehicle Floor Plan Facility which allows us to transfer cash as an offset to floor plan notes payable. These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of the use of our floor plan offset account and the reduction in LIBOR rates, we experienced a reduction in Floor Plan Interest Expense on our Condensed Consolidated Statements of Income. As of March 31, 2021, we had $480.9 million outstanding under the New Vehicle Floor Plan Facility, which included $2.8 million classified as Liabilities associated with assets held for sale on our Condensed Consolidated Balance Sheet and is net of $139.6 million in our floor plan offset account.

  Used Vehicle Floor Plan Facility—A $160.0 million Used Vehicle Floor Plan Facility to finance the acquisition of used vehicle inventory and for, among other things, working capital and capital expenditures, as well as to refinance used vehicles. We began the year with nothing drawn on our used vehicle floor plan facility and there was no activity during the three months ended March 31, 2021. Our borrowing capacity under the Used Vehicle Floor Plan Facility was limited to $138.9 million based on our borrowing base calculation as of March 31, 2021.

  Subject to compliance with certain conditions, the 2019 Senior Credit Agreement provides that we have the ability, at our option and subject to the receipt of additional commitments from existing or new lenders, to increase the size of the facilities by up to $350.0 million in the aggregate without lender consent.

At our option, we have the ability to re-designate a portion of our availability under the Revolving Credit Facility to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility. The maximum amount we are allowed to re-designate is determined based on aggregate commitments under the Revolving Credit Facility, less $50.0 million. In addition, we are able to re-designate any amounts moved to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility back to the Revolving Credit Facility. On April 6, 2021, $190.0 million of our availability under the Revolving Credit Facility was re-designated to the New Vehicle Floor Plan Facility to take advantage of lower commitment fee rates.

Borrowings under the 2019 Senior Credit Facility bear interest, at our option, based on LIBOR or the Base Rate, in each case, plus an Applicable Rate. The Base Rate is the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.00%. Applicable Rate means with respect to the Revolving Credit Facility, a range from 1.00% to 2.00% for LIBOR loans and 0.15% to 1.00% for Base Rate loans, in each case based on the Company's consolidated total lease adjusted leverage ratio. Borrowings under the New Vehicle Floorplan Facility bear interest, at our option, based on LIBOR plus 1.10% or the Base Rate plus 0.10%. Borrowings under the Used Vehicle Floorplan Facility bear interest, at our option, based on LIBOR plus 1.40% or the Base Rate plus 0.40%.

In addition to the payment of interest on borrowings outstanding under the 2019 Senior Credit Facility, we are required to pay a quarterly commitment fee on total unused commitments thereunder. The fee for unused commitments under the Revolving Credit Facility is between 0.15% and 0.40% per year, based on the Company's total lease adjusted leverage ratio, and the fee for unused commitments under the New Vehicle Facility Floor Plan and the Used Vehicle Facility Floor Plan Facility is 0.15% per year.

- **Manufacturer affiliated new vehicle floor plan and other financing facilities—**We have a floor plan facility with the Ford Motor Credit Company ("Ford Credit") to purchase new Ford and Lincoln vehicle inventory. Our floor plan facility with Ford Credit was amended in July 2020 to extend the maturity date to July 31, 2021. We have also established a floor plan offset account with Ford Credit, which operates in a similar manner to our floor plan offset account with Bank of America. As of March 31, 2021, we had $48.7 million, which is net of $5.8 million in our floor plan offset account, outstanding under our floor plan facility. Additionally, we had $134.9 million outstanding under our 2019 Senior Credit Facility and facilities with certain manufacturers for the financing of loaner vehicles, which are presented within Accounts payable and accrued liabilities in our Condensed Consolidated Balance Sheets. Neither our floor plan facility with Ford Credit nor our facilities for loaner vehicles have stated borrowing limitations.

- **The New Senior Notes**—On February 19, 2020, the Company completed its offering of senior unsecured notes, consisting of $525.0 million aggregate principal amount of the Existing 2028 Notes and $600.0 million aggregate principal amount of the Existing 2030 Notes. The Existing 2028 Notes and Existing 2030 Notes mature on March 1, 2028 and March 1, 2030, respectively.

  On March 24, 2020, the Company delivered notice to the sellers terminating the 2019 Asset Purchase Agreement and the Real Estate Purchase Agreement. As a result, the Company redeemed $245.0 million aggregate principal million of the Existing 2028 Notes and $280.0 million aggregate principal amount of the Existing 2030 Notes pursuant to the Special Mandatory Redemption.

  In September 2020, the Company completed an add-on issuance of $250.0 million aggregate principal amount of additional senior notes consisting of $125.0 million aggregate principal amount of additional Existing 2028 Notes at a price of 101.00% of par, plus accrued interest from September 1, 2020, and $125.0 million aggregate principal amount of additional Existing 2030 Notes (together with the additional 2028 Notes, the "Additional Notes") at a price of 101.75% of par, plus accrued interest from September 1, 2020.

- **Mortgage notes—**As of March 31, 2021, we had $78.0 million of mortgage note obligations which included $2.3 million classified as Liabilities associated with assets held for sale. These obligations are collateralized by the associated real estate at our dealership locations.

- **2013 BofA Real Estate Facility—**On September 26, 2013, we entered into a real estate term loan credit agreement (the "2013 BofA Real Estate Credit Agreement") with Bank of America, N.A. ("Bank of America"), as lender, providing for term loans in an aggregate amount not to exceed $75.0 million, subject to customary terms and conditions (the "2013 BofA Real Estate Facility"). As of March 31, 2021, we had $32.9 million of outstanding borrowings under the 2013 BofA Real Estate Facility. There is no further borrowing availability under this agreement.

- **2015 Wells Fargo Master Loan Facility—**On February 3, 2015, certain of our subsidiaries entered into an amended and restated master loan agreement (the "2015 Wells Fargo Master Loan Agreement") with Wells Fargo Bank,

National Association ("Wells Fargo"), as lender, which provides for term loans to certain of our subsidiaries that are borrowers under the 2015 Wells Fargo Master Loan Agreement in an aggregate amount not to exceed $100.0 million (the "2015 Wells Fargo Master Loan Facility"). Borrowings under the 2015 Wells Fargo Master Loan Facility are guaranteed by us and are collateralized by the real property financed under the 2015 Wells Fargo Master Loan Facility. As of March 31, 2021, the outstanding balance under this agreement was $60.5 million. There is no further borrowing availability under this agreement.

- **2018 Bank of America Facility—**On November 13, 2018, we entered into a real estate term loan credit agreement (as amended, restated or supplemented from time to time, the "2018 BofA Real Estate Credit Agreement") with Bank of America, as lender, providing for term loans in an aggregate amount not to exceed $128.1 million, subject to customary terms and conditions (the "2018 BofA Real Estate Facility"). Our right to make draws under the 2018 BofA Real Estate Facility terminated on November 13, 2019. All of the real property financed by an operating dealership subsidiary of the Company under the 2018 BofA Real Estate Facility is collateralized by first priority liens, subject to certain permitted exceptions. As of March 31, 2021, we had $82.8 million of outstanding borrowings under the 2018 Bank of America Facility.
- **2018 Wells Fargo Master Loan Facility—**On November 16, 2018, certain of our subsidiaries entered into a master loan agreement (the "2018 Wells Fargo Master Loan Agreement") with Wells Fargo as lender, which provides for term loans to certain of our subsidiaries that are borrowers under the 2018 Wells Fargo Master Loan Agreement in an aggregate amount not to exceed $100.0 million (the "2018 Wells Fargo Master Loan Facility"). As of March 31, 2021, we had $85.6 million, outstanding borrowings under the 2018 Wells Fargo Master Loan Facility. There is no further borrowing availability under this agreement.

Covenants

We are subject to a number of customary operating and other restrictive covenants in our various debt and lease agreements. We were in compliance with all of our covenants as of March 31, 2021.

Share Repurchases and Dividend Restrictions

Our ability to repurchase shares or pay dividends on our common stock is subject to our compliance with the covenants and restrictions in our various debt and lease agreements.

Our 2019 Senior Credit Facility and our Indentures permit us to make an unlimited amount of restricted payments, such as share repurchases or dividends, so long as our Consolidated Total Leverage Ratio, as defined in those agreements, does not exceed 3.0 to 1.0 on a pro forma basis after giving effect to any proposed payments. As of March 31, 2021, our Consolidated Total Leverage Ratio did not exceed 3.0 to 1.0.

On January 27, 2021, the Board of Directors increased the Company’s share repurchase authorization under our current share repurchase program (the "Repurchase Program") by $33.7 million to $100 million, for the repurchase of our common stock in open market transactions or privately negotiated transactions from time to time. The extent to which the Company repurchases its shares, the number of shares and the timing of any repurchases will depend on general market conditions, legal requirements and other corporate considerations. The repurchase program may be modified, suspended or terminated at any time without prior notice.

During the three months ended March 31, 2021, we did not repurchase any shares of our common stock under the Repurchase Program and had remaining authorization to repurchase $100.0 million in shares of our common stock under the Repurchase Program.

During the three months ended March 31, 2021, we repurchased 61,893 shares, of our common stock for $9.6 million, respectively, from employees in connection with a net share settlement feature of employee equity-based awards.

Cash Flows

Classification of Cash Flows Associated with Floor Plan Notes Payable

Borrowings and repayments of floor plan notes payable to a lender unaffiliated with the manufacturer from which we purchase a particular new vehicle ("Non-Trade"), and all floor plan notes payable relating to used vehicles (together referred to as "Floor Plan Notes Payable—Non-Trade"), are classified as financing activities in the accompanying Condensed Consolidated Statements of Cash Flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer from which we purchase a particular new vehicle (collectively referred to as "Floor Plan Notes Payable—Trade") is classified as an operating activity in the accompanying Condensed Consolidated Statements of Cash Flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all acquisitions and

repayments made in connection with all divestitures are classified as a financing activity in the accompanying Condensed Consolidated Statements of Cash Flows. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the manufacturer from which we purchased the related inventory, while the latter are payable to a lender not affiliated with the manufacturer from which we purchased the related inventory. The majority of our floor plan notes are payable to parties unaffiliated with the entities from which we purchase our new vehicle inventory, with the exception of floor plan notes payable relating to the financing of new Ford and Lincoln vehicles.

Floor plan borrowings are required by all vehicle manufacturers for the purchase of new vehicles, and all floor plan lenders require amounts borrowed for the purchase of a vehicle to be repaid within a short time period after the related vehicle is sold. As a result, we believe that it is important to understand the relationship between the cash flows of all of our floor plan notes payable and new vehicle inventory in order to understand our working capital and operating cash flow and to be able to compare our operating cash flow to that of our competitors (i.e., if our competitors have a different mix of trade and non-trade floor plan financing as compared to us). In addition, we include all floor plan borrowings and repayments in our internal operating cash flow forecasts. As a result, we use the non-GAAP measure "cash provided by operating activities, as adjusted" (defined below) to compare our results to forecasts. We believe that splitting the cash flows of floor plan notes payable between operating activities and financing activities, while all new vehicle inventory activity is included in operating activities, results in significantly different operating cash flow than if all the cash flows of floor plan notes payable were classified together in operating activities.

Cash provided by operating activities, as adjusted, includes borrowings and repayments of floor plan notes payable to lenders not affiliated with the manufacturer from which we purchase the related new vehicles. Cash provided by operating activities, as adjusted, has material limitations, and therefore, may not be comparable to similarly titled measures of other companies and should not be considered in isolation, or as a substitute for analysis of our operating results in accordance with GAAP. In order to compensate for these potential limitations we also review the related GAAP measures.

We have provided below a reconciliation of cash flow from operating activities, as if all changes in floor plan notes payable, except for (i) borrowings associated with acquisitions and repayments associated with divestitures and (ii) borrowings and repayments associated with the purchase of used vehicle inventory, were classified as an operating activity.

	For the Three Months Ended March 31,	
	2021	2020
	(In millions)	
Reconciliation of Cash provided by operating activities to Cash provided by operating activities, as adjusted		
Cash provided by operating activities, as reported	$ 210.8	$ 127.7
New vehicle floor plan (repayments) borrowings —non-trade, net	(156.4)	37.2
Cash provided by operating activities, as adjusted	$ 54.4	$ 164.9

Operating Activities—

Net cash provided by operating activities totaled $210.8 million and $127.7 million, for the three months ended March 31, 2021 and 2020, respectively. Net cash provided by operating activities, as adjusted, totaled $54.4 million and $164.9 million for the three months ended March 31, 2021 and 2020, respectively.

The $110.5 million decrease in our net cash provided by operating activities, as adjusted, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020 was primarily the result of a $166.5 million decrease related to the higher balances of accounts receivable and contracts-in-transit around the period end, a $45.0 million decrease related to the change in inventory, net of floor plan, a $23.0 million decrease in other current assets offset by an increase in accounts payable and other current liabilities of $57.0 million and an increase in non-cash adjustments to net income of $67.0 million.

Investing Activities—

Net cash used in investing activities totaled $3.7 million for the three months ended March 31, 2021 compared to cash provided by investing activities of $45.2 million, for the three months ended March 31, 2020. Capital expenditures, excluding the purchase of real estate, were $11.2 million and $9.1 million for the three months ended March 31, 2021 and 2020, respectively. We expect that capital expenditures for 2021 will total approximately $55.0 million to upgrade or replace our existing facilities, construct new facilities, expand our service capacity, and invest in technology and equipment.

During the three months ended March 31, 2021, we released $1.0 million of purchase price holdbacks related to a prior year acquisition.

During the three months ended March 31, 2020, we acquired the assets of three franchises (one dealership location) in the Denver, Colorado market for a purchase price of $63.6 million. We funded this acquisition with an aggregate $34.5 million of cash and $27.1 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, this acquisition included purchase price holdbacks of $2.0 million for potential indemnity claims made by us with respect to the acquired franchises. In addition to the acquisition amounts above, we released $1.5 million of purchase price holdbacks related to a prior year acquisition.

During the three months ended March 31, 2021, we received cash proceeds of $14.0 million from the sale of vacant properties.

During the three months ended March 31, 2020, we sold one franchise (one dealership location) in the Atlanta, Georgia market, six franchises (five dealership locations) and one collision center in the Jackson, Mississippi market for an aggregate purchase price of $115.5 million. In addition, during the three months ended March 31, 2020, we received cash proceeds of $4.2 million from the sale of vacant properties.

During the three months ended March 31, 2021 and 2020, purchases of real estate, including previously leased real estate, totaled $5.5 million and $2.3 million, respectively.

As part of our capital allocation strategy, we continually evaluate opportunities to purchase properties currently under lease and acquire properties in connection with future dealership relocations. No assurances can be provided that we will have or be able to access capital at times or on terms in amounts deemed necessary to execute this strategy.

Financing Activities—

Net cash used in financing activities totaled $180.7 million for the three months ended March 31, 2021. Net cash provided by financing activities totaled $212.2 million for the three months ended March 31, 2020.

During the three months ended March 31, 2021 and 2020, we had non-trade floor plan borrowings, excluding floor plan borrowings associated with acquisitions, of $1.22 billion and $1.12 billion, respectively, and non-trade floor plan repayments, excluding floor plan repayments associated with a divestiture, of $1.38 billion and $1.09 billion, respectively.

During the three months ended March 31, 2020, we had floor plan borrowings of $27.1 million, related to acquisitions.

During the three months ended March 31, 2020, we had non-trade floor plan repayments associated with divestitures of and $50.5 million.

Repayments of borrowings totaled $14.7 million and $1.16 billion for the three months ended March 31, 2021 and 2020, respectively. In addition, payments of debt issuance costs totaled $3.1 million for the three months ended March 31, 2020.

During the three months ended March 31, 2020, we had proceeds of $7.3 million related to a sale and leaseback of real estate in Plano, Texas.

During the three months ended March 31, 2021, we did not repurchase any shares of our common stock under our Repurchase Program but repurchased 61,893 shares of our common stock for $9.6 million from employees in connection with a net share settlement feature of employee equity-based awards.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during any of the periods presented other than those disclosed in Note 12 "Commitments and Contingencies" within the accompanying Condensed Consolidated Financial Statements.

Critical Accounting Policies and Estimates

For a description of our critical accounting policies and estimates, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Our critical accounting policies and estimates have not changed materially during the three months ended March 31, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to risk from changes in interest rates on a significant portion of our outstanding indebtedness. Based on $496.4 million of total variable interest rate debt, which includes our floor plan notes payable and certain mortgage liabilities, outstanding as of March 31, 2021, a 100 basis point change in interest rates could result in a change of as much as $5.0 million to our total annual interest expense in our Consolidated Statements of Income.

We periodically receive floor plan assistance from certain automobile manufacturers, which is accounted for as a reduction in our new vehicle inventory cost. Floor plan assistance reduced our cost of sales for the three months ended March 31, 2021 and 2020 by $13.8 million and $9.4 million, respectively. We cannot provide assurance as to the future amount of floor plan assistance and these amounts may be negatively impacted due to future changes in interest rates.

As part of our strategy to mitigate our exposure to fluctuations in interest rates, we have various interest rate swap agreements. All of our interest rate swaps qualify for cash flow hedge accounting treatment and do not contain any ineffectiveness.

We currently have four interest rate swap agreements. These swaps were designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR. The following table provides information on the attributes of each swap as of March 31, 2021:

Inception Date	Notional Principal at Inception	Notional Value	Notional Principal at Maturity	Maturity Date
	(In millions)	(In millions)	(In millions)	
July 2020	$ 93.5	$ 90.5	$ 50.6	December 2028
July 2020	$ 85.5	$ 82.8	$ 57.3	November 2025
June 2015	$ 100.0	$ 73.7	$ 53.1	February 2025
November 2013	$ 75.0	$ 48.0	$ 38.7	September 2023

For additional information about the effect of our derivative instruments, please refer to Note 10 "Financial Instruments and Fair Value" within the accompanying Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on this evaluation, our principal executive officer and principal financial officer concluded that as of the end of such period such disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time period specified in the rules and forms of the U.S. Securities and Exchange Commission, and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. Management, including the principal executive officer and the principal financial officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the intentional acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we and our dealerships may become involved in various claims relating to, and arising out of our business and our operations. These claims may involve, but are not limited to, financial and other audits by vehicle manufacturers or lenders, and certain federal, state, and local government authorities, which relate primarily to (i) incentive and warranty payments received from vehicle manufacturers, or allegations of violations of manufacturer agreements or policies, (ii) compliance with lender rules and covenants and (iii) payments made to government authorities relating to federal, state, and local taxes, as well as compliance with other government regulations. Claims may also arise through litigation, government proceedings, and other dispute resolution processes. Such claims, including class actions, can relate to, but are not limited to, the practice of charging administrative fees, employment-related matters, truth-in-lending practices, contractual disputes, actions brought by governmental authorities, and other matters. We evaluate pending and threatened claims and establish loss contingency reserves based upon outcomes we currently believe to be probable and reasonably estimable.

We currently do not anticipate that any known claim will materially adversely affect our financial condition, liquidity or results of operations. However, the outcome of any matter cannot be predicted with certainty, and an unfavorable resolution of one or more matters presently known or arising in the future could have a material adverse effect on our financial condition, liquidity or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors that affect our business and financial results that are discussed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. These factors could materially adversely affect our business, financial condition, liquidity, results of operations and capital position, and could cause our actual results to differ materially from our historical results or the results contemplated by the forward-looking statements contained in this report. Other than as set forth below, there have been no material changes to such risk factors.

Disruptions in the production and delivery of new vehicles and parts from manufacturers due to the lack of availability of parts and key components from suppliers, such as semi-conductor chips and other component parts and supplies (including natural rubber-based products and petroleum-based plastics and foam), could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Historically, we have generated a significant portion of our revenue through new vehicle sales, and new vehicle sales also tend to lead to sales of higher-margin products and services, such as finance and insurance products and vehicle-related parts and service. We rely exclusively on the various vehicle manufacturers for our new vehicle inventory and maintenance and replacement parts inventory. As a result, our profitability is dependent to a great extent on various aspects of vehicle manufacturers' operations and timely delivery of new vehicles and parts.

Due to a variety of factors, including the impacts of the COVID-19 pandemic and significant shortages of semi-conductor chips and rubber-based products, certain automotive manufacturers and other suppliers have suspended or slowed production of new vehicles, parts and other supplies. These delays have negatively impacted our new vehicle and parts inventory levels, with parts shortages in turn adversely impacting our service and collision repair business. We cannot predict with any certainty how long the automotive retail industry will continue to be subject to these shortages or when normalized production will resume at these manufacturers. Any prolonged shortages could have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On January 30, 2014, our Board of Directors authorized our Repurchase Program. On January 27, 2021, our Board of Directors reset the authorization under our Repurchase Program to $100.0 million in the aggregate, for the repurchase of shares of our common stock in open market transactions or privately negotiated transactions. Any repurchases will be subject to applicable limitations in our debt or other financing agreements that may be in existence from time to time. During the three months ended March 31, 2021, we did not repurchase any shares of our common stock under the Repurchase Program but repurchased 61,893 shares of our common stock for $9.6 million from employees in connection with a net share settlement

feature of employee equity-based awards. As of March 31, 2021, we had remaining authorization to repurchase $100.0 million in shares of our common stock under the Repurchase Program.

Item 6. Exhibits

Exhibit Number	Description of Documents
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted in iXBRL Exhibit 101)
*	Incorporated by reference

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Asbury Automotive Group, Inc.

Date: April 27, 2021	By:	/s/ David W. Hult
	Name:	**David W. Hult**
	Title:	**Chief Executive Officer and President**
Date: April 27, 2021	By:	/s/ Patrick J. Guido
	Name:	**Patrick J. Guido**
	Title:	**Senior Vice President and Chief Financial Officer**

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David W. Hult, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Asbury Automotive Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ David W. Hult
David W. Hult
Chief Executive Officer
April 27, 2021

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick J. Guido, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Asbury Automotive Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Patrick J. Guido

Patrick J. Guido
Chief Financial Officer
April 27, 2021

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Asbury Automotive Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David W. Hult, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David W. Hult
David W. Hult
Chief Executive Officer
April 27, 2021

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Asbury Automotive Group, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Patrick J. Guido, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Patrick J. Guido
Patrick J. Guido
Chief Financial Officer
April 27, 2021