
**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 June 30, 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
(State or other jurisdiction of
incorporation or organization)

2905 Premiere Parkway NW, Suite 300
Duluth, Georgia
(Address of principal executive offices)

01-0609375
(I.R.S. Employer
Identification No.)

30097
(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 No

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 No

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	<input checked="" type="checkbox"/>	Accelerated Filer
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company
		Emerging Growth Company

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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. 0

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 July 27, 2021 was 19,341,374.

ASBURY AUTOMOTIVE GROUP, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	June 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 102.3	\$ 1.4
Contracts-in-transit	145.8	161.5
Accounts receivable, net	112.9	155.5
Inventories	560.2	875.2
Assets held for sale	31.6	28.3
Other current assets	179.7	183.8
Total current assets	1,132.5	1,405.7
PROPERTY AND EQUIPMENT, net	1,177.6	956.2
OPERATING LEASE RIGHT-OF-USE ASSETS	213.0	317.4
GOODWILL	563.2	562.2
INTANGIBLE FRANCHISE RIGHTS	425.2	425.2
OTHER LONG-TERM ASSETS	13.4	9.6
Total assets	<u>\$ 3,524.9</u>	<u>\$ 3,676.3</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade, net	\$ 13.9	\$ 64.9
Floor plan notes payable—non-trade, net	227.6	637.3
Current maturities of long-term debt	43.2	36.6
Current maturities of operating leases	17.6	24.8
Accounts payable and accrued liabilities	451.9	450.9
Liabilities associated with assets held for sale	5.1	8.9
Total current liabilities	759.3	1,223.4
LONG-TERM DEBT	1,335.0	1,165.2
OPERATING LEASE LIABILITIES	199.8	296.7
DEFERRED INCOME TAXES	34.6	34.6
OTHER LONG-TERM LIABILITIES	47.9	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; 41,254,715 and 41,133,668 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	603.9	595.5
Retained earnings	1,593.8	1,348.9
Treasury stock, at cost; 21,913,341 and 21,848,314 shares, respectively	(1,043.9)	(1,033.7)
Accumulated other comprehensive loss	(5.9)	(5.6)
Total shareholders' equity	1,148.3	905.5
Total liabilities and shareholders' equity	<u>\$ 3,524.9</u>	<u>\$ 3,676.3</u>

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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
REVENUE:				
New vehicle	\$ 1,368.4	\$ 761.8	\$ 2,520.1	\$ 1,583.9
Used vehicle	816.2	447.5	1,507.1	940.7
Parts and service	292.4	169.2	554.4	390.8
Finance and insurance, net	107.0	66.6	195.3	137.0
TOTAL REVENUE	2,584.0	1,445.1	4,776.9	3,052.4
COST OF SALES:				
New vehicle	1,244.3	723.2	2,320.5	1,508.9
Used vehicle	732.7	410.4	1,367.8	872.9
Parts and service	109.8	68.7	208.7	155.4
TOTAL COST OF SALES	2,086.8	1,202.3	3,897.0	2,537.2
GROSS PROFIT	497.2	242.8	879.9	515.2
OPERATING EXPENSES:				
Selling, general, and administrative	269.7	152.2	509.5	346.9
Depreciation and amortization	10.1	9.7	19.9	19.2
Franchise rights impairment	—	—	—	23.0
Other operating (income) expense, net	(1.0)	(1.3)	(4.2)	8.9
INCOME FROM OPERATIONS	218.4	82.2	354.7	117.2
OTHER EXPENSES (INCOME):				
Floor plan interest expense	2.1	4.1	5.0	11.1
Other interest expense, net	14.4	11.8	28.4	28.8
Loss on extinguishment of long-term debt	—	—	—	20.6
Gain on dealership divestitures, net	—	—	—	(33.7)
Total other expense, net	16.5	15.9	33.4	26.8
INCOME BEFORE INCOME TAXES	201.9	66.3	321.3	90.4
Income tax expense	49.8	16.7	76.4	21.3
NET INCOME	\$ 152.1	\$ 49.6	\$ 244.9	\$ 69.1
EARNINGS PER SHARE:				
Basic—				
Net income	\$ 7.88	\$ 2.58	\$ 12.69	\$ 3.60
Diluted—				
Net income	\$ 7.80	\$ 2.57	\$ 12.56	\$ 3.58
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	19.3	19.2	19.3	19.2
Restricted stock	0.1	—	0.1	—
Performance share units	0.1	0.1	0.1	0.1
Diluted	19.5	19.3	19.5	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 June 30,		For the Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	\$ 152.1	\$ 49.6	\$ 244.9	\$ 69.1
Other comprehensive (loss) income:				
Change in fair value of cash flow swaps	(6.5)	(0.6)	(0.3)	(5.1)
Income tax benefit associated with cash flow swaps	1.6	0.2	—	1.3
Comprehensive income	<u>\$ 147.2</u>	<u>\$ 49.2</u>	<u>\$ 244.6</u>	<u>\$ 65.3</u>

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
Comprehensive Income:								
Net income	—	—	—	152.1	—	—	—	152.1
Change in fair value of cash flow swaps, net of reclassification adjustment and \$1.6 tax benefit	—	—	—	—	—	—	(4.9)	(4.9)
Comprehensive income	—	—	—	152.1	—	—	(4.9)	147.2
Share-based compensation	—	—	3.7	—	—	—	—	3.7
Issuance of common stock, net of forfeitures in connection with share-based payment arrangements	5,166	—	—	—	—	—	—	—
Repurchase of common stock associated with net share settlement of employee share-based awards	—	—	—	—	3,134	(0.6)	—	(0.6)
Balances, June 30, 2021	41,254,715	\$ 0.4	\$ 603.9	\$ 1,593.8	21,913,341	\$ (1,043.9)	\$ (5.9)	\$ 1,148.3

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	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
Comprehensive Income:								
Net income	—	—	—	49.6	—	—	—	49.6
Change in fair value of cash flow swaps, net of reclassification adjustment and \$0.2 tax benefit	—	—	—	—	—	—	(0.4)	(0.4)
Comprehensive income	—	—	—	49.6	—	—	(0.4)	49.2
Share-based compensation	—	—	3.1	—	—	—	—	3.1
Forfeitures in connection with share-based payment arrangements	(2,916)	—	—	—	—	—	—	—
Repurchase of common stock associated with net share settlements of employee share-based awards	—	—	—	—	2,552	(0.1)	—	(0.1)
Balances, June 30, 2020	41,137,741	\$ 0.4	\$ 589.5	\$ 1,163.6	21,848,174	\$ (1,033.7)	\$ (6.7)	\$ 713.1

See accompanying Notes to Condensed Consolidated Financial Statements

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

	For the Six Months Ended June 30,	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 244.9	\$ 69.1
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	19.9	19.2
Share-based compensation	8.3	6.6
Franchise rights impairment	—	23.0
Loss on extinguishment of long-term debt	—	20.6
Loaner vehicle amortization	12.5	10.8
Gain on divestitures, net	—	(33.7)
Change in right-of-use assets	11.1	9.3
Other adjustments, net	(0.5)	0.5
Changes in operating assets and liabilities, net of acquisitions and divestitures—		
Contracts-in-transit	15.7	79.6
Accounts receivable	42.3	48.6
Inventories	424.6	463.5
Other current assets	(121.7)	(61.9)
Floor plan notes payable—trade, net	(51.0)	(77.0)
Accounts payable and other current liabilities	(3.1)	(21.7)
Operating lease liabilities	(11.2)	(9.5)
Other long-term assets and liabilities, net	(4.5)	7.6
Net cash provided by operating activities	587.3	554.6
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures—excluding real estate	(26.7)	(18.2)
Capital expenditures—real estate	(5.5)	(2.3)
Purchase of previously leased real estate	(217.1)	—
Acquisitions	(1.0)	(63.1)
Divestitures	—	115.5
Proceeds from the sale of assets	21.5	4.2
Net cash provided by (used in) investing activities	(228.8)	36.1
CASH FLOW FROM FINANCING ACTIVITIES:		
Floor plan borrowings—non-trade	2,401.0	1,633.8
Floor plan borrowings—acquisitions	—	27.1
Floor plan repayments—non-trade	(2,808.9)	(1,858.0)
Floor plan repayments—non-trade divestitures	—	(50.5)
Proceeds from borrowings	184.4	1,424.7
Repayments of borrowings	(23.9)	(1,157.2)
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	(10.2)	(5.1)
Net cash provided by (used in) financing activities	(257.6)	19.0
Net increase in cash and cash equivalents	100.9	609.7
CASH AND CASH EQUIVALENTS, beginning of period	1.4	3.5
CASH AND CASH EQUIVALENTS, end of period	\$ 102.3	\$ 613.2

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 June 30, 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 June 30, 2021, our new vehicle revenue brand mix consisted of 45% luxury, 39% imports, and 16% 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 June 30, 2021, and for the three and six months ended June 30, 2021 and 2020, have been included, unless otherwise indicated. The results of operations for the three and six months ended June 30, 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 113 restricted share units and 12 performance share units and 904 restricted share units and 324 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 and six months ended June 30, 2021, respectively, because they were anti-dilutive. There were no anti-dilutive share increments for the three and six months ended June 30, 2020. 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 and six months ended June 30, 2021 and 2020:

	For the Three Months Ended June 30,	
	2021	2020
	(In millions)	
Revenue:		
New vehicle	\$ 1,368.4	\$ 761.8
Used vehicle retail	759.4	412.6
Used vehicle wholesale	56.8	34.9
New and used vehicle	2,184.6	1,209.3
Sale of vehicle parts and accessories	49.0	25.9
Vehicle repair and maintenance services	243.4	143.3
Parts and services	292.4	169.2
Finance and insurance, net	107.0	66.6
Total revenue	\$ 2,584.0	\$ 1,445.1

	For the Six Months Ended June 30,	
	2021	2020
	(In millions)	
Revenue:		
New vehicle	\$ 2,520.1	\$ 1,583.9
Used vehicle retail	1,366.9	858.6
Used vehicle wholesale	140.2	82.1
New and used vehicle	4,027.2	2,524.6
Sale of vehicle parts and accessories	91.8	62.7
Vehicle repair and maintenance services	462.6	328.1
Parts and services	554.4	390.8
Finance and insurance, net	195.3	137.0
Total revenue	\$ 4,776.9	\$ 3,052.4

Contract Assets

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
Transferred to receivables from contract assets recognized at the beginning of the period	(8.2)	(3.5)	(11.7)
Increases related to revenue recognized, inclusive of adjustments to constraint, during the period	10.0	3.3	13.3
Contract Assets (Current), June 30, 2021	<u>10.0</u>	<u>12.8</u>	<u>22.8</u>

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.
Seller Notes	200.
New Vehicle Floor Plan Facility	127.
Used Vehicle Floor Plan Facility	35.
Purchase price	<u>\$ 889.</u>

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 six months ended June 30, 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	<u>1,101.4</u>
Operating lease liabilities	(202.2)
Other liabilities	(9.3)
Total liabilities assumed	<u>(211.5)</u>
Net assets acquired	<u>\$ 889.9</u>

On May 20, 2021, we exercised the purchase option for certain Park Place real estate leases whose original operating lease right-of-use assets and liabilities totaled \$99.5 million. The purchase option price for these properties was \$216.9 million which was partly financed through the 2021 BofA Real Estate Facility. See Note 9 "Debt" for further details.

The Company's Condensed Consolidated Statements of Income included revenue attributable to Park Place for the six months ended June 30, 2021 of \$887.6 million.

Other Acquisitions and Divestitures

There were no business combinations or divestitures during the six months ended June 30, 2021; however, we did release \$1.0 million of purchase price holdback related to a prior year acquisition during the six months ended June 30, 2021.

During the six months ended June 30, 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 of \$34.5 million of cash and \$27.1 million of floor plan borrowings for the purchase of the related new vehicle inventory. 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 amount above, we released \$1.5 million of purchase price holdbacks related to a prior year acquisition during the six months ended June 30, 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 six months ended June 30, 2020.

	For the Six Months Ended June 30, 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	<u>\$</u>	<u>63.6</u>

During the six months ended June 30, 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	
	June 30, 2021	December 31, 2020
	(In millions)	
Vehicle receivables	\$ 35.5	\$ 61.2
Manufacturer receivables	36.3	57.1
Other receivables	42.6	38.4
Total accounts receivable	114.4	156.7
Less—Allowance for credit losses	(1.5)	(1.2)
Accounts receivable, net	<u>\$ 112.9</u>	<u>\$ 155.5</u>

5. INVENTORIES

Inventories consisted of the following:

	As of	
	June 30, 2021	December 31, 2020
	(In millions)	
New vehicles	\$ 224.2	\$ 640.0
Used vehicles	284.4	188.5
Parts and accessories	51.6	46.7
Total inventories (a)	<u>\$ 560.2</u>	<u>\$ 875.2</u>

(a) Amounts reflected for inventory as of June 30, 2021, excluded \$3.0 million of inventories classified as Assets held for sale.

The lower of cost and net realizable value reserves reduced total inventories by \$4.9 million and \$6.7 million as of June 30, 2021 and December 31, 2020, respectively. As of June 30, 2021 and December 31, 2020, certain automobile manufacturer incentives reduced new vehicle inventory cost by \$2.9 million and \$8.3 million, respectively, and reduced new vehicle cost of sales for the six months ended June 30, 2021 and 2020 by \$31.3 million and \$19.8 million, respectively. New vehicle inventories as of June 30, 2021 have decreased from December 31, 2020 as a result of manufacturer production challenges caused by the semiconductor chip shortage.

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	
	June 30, 2021	December 31, 2020
	(In millions)	
Assets:		
Inventory	\$ 3.0	\$ —
Loaner vehicles	0.6	—
Property and equipment, net	27.1	28.3
Operating lease right-of-use assets	0.4	—
Goodwill	0.5	—
Total Assets held for sale	31.6	28.3
Liabilities:		
Floor plan notes payable—non-trade	1.8	—
Loaners vehicle payable	0.6	—
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	5.1	8.9
Net assets held for sale	\$ 26.5	\$ 19.4

As of June 30, 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 \$31.6 million and \$5.1 million, respectively.

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

During the six months ended June 30, 2021, the Company sold two vacant properties with a net book value of \$12.5 million.

During the six months ended June 30, 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 six months ended June 30, 2021 as no triggering events had occurred.

8. FLOOR PLAN NOTES PAYABLE

Floor plan notes payable consisted of the following:

	As of	
	June 30, 2021	December 31, 2020
	(In millions)	
Floor plan notes payable—trade	\$ 13.9	\$ 71.7
Floor plan notes payable offset account	—	(6.8)
Floor plan notes payable—trade, net	<u>\$ 13.9</u>	<u>\$ 64.9</u>
Floor plan notes payable—new non-trade (a)	\$ 302.6	\$ 715.9
Floor plan notes payable offset account	(75.0)	(78.6)
Floor plan notes payable—non-trade, net	<u>\$ 227.6</u>	<u>\$ 637.3</u>

(a) Amounts reflected for floor plan notes payable—new non-trade as of June 30, 2021, excluded \$1.8 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 and can be terminated by either the Company or Ford Credit with a 30-day notice period. 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 June 30, 2021 and December 31, 2020, we had \$75.0 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	
	June 30, 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)	74.3	79.2
2021 BofA Real Estate Facility	184.4	—
2018 Bank of America Facility	81.5	84.2
2018 Wells Fargo Master Loan Facility (b)	84.4	86.9
2013 BofA Real Estate Facility	32.3	33.6
2015 Wells Fargo Master Loan Facility (c)	55.8	61.7
Finance lease liability	24.9	16.6
Total debt outstanding	1,387.6	1,212.2
Add—unamortized premium on 4.50% Senior Notes due 2028	1.1	1.2
Add—unamortized premium on 4.75% Senior Notes due 2030	2.0	2.1
Less—debt issuance costs	(12.5)	(13.7)
Long-term debt, including current portion	1,378.2	1,201.8
Less—current portion, net of current portion of debt issuance costs	(43.2)	(36.6)
Long-term debt	\$ 1,335.0	\$ 1,165.2

(a) Amounts reflected for the Mortgage notes payable as of June 30, 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.

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 June 30, 2021, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

2021 BofA Real Estate Facility

On May 20, 2021, the Company and certain of its subsidiaries borrowed \$184.4 million under a real estate term loan credit agreement, dated as of May 10, 2021 (the "2021 BofA Real Estate Credit Agreement"), by and among the Company and certain of its subsidiaries, Bank of America, N.A., as administrative agent and the various financial institutions party thereto, as lenders, which provides for term loans in an aggregate amount equal to \$184.4 million, subject to customary terms and conditions (the "2021 BofA Real Estate Facility"). The Company used the proceeds from these borrowings to finance the exercise of its option to purchase certain of the leased real property under the definitive agreements entered into in connection with the acquisition of the Park Place dealerships. The Company completed the purchase of the leased real property on May 20, 2021.

Term loans under our 2021 BofA Real Estate Facility bear interest, at our option, based on (1) LIBOR plus 1.65% per annum or (2) the Base Rate (as described below) plus 0.65% per annum. 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 1.0%. We will be required to make 39 consecutive quarterly principal payments of 1.00% of the initial amount of each loan, with a balloon repayment of the outstanding principal amount of loans due on the maturity date. The 2021 BofA Real Estate Facility matures ten years from the initial funding date. Borrowings under the 2021 BofA Real Estate Facility are guaranteed by us and each of our operating dealership subsidiaries that leased the real estate now financed under the 2021 BofA Real Estate Facility, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

The representations and covenants in the 2021 BofA Real Estate Credit Agreement are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated current ratio, minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the 2021 BofA Real Estate Credit Agreement. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets. The 2021 BofA Real Estate Credit Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, we could be required by the 2021 BofA Real Estate Credit Agreement to immediately repay all amounts outstanding thereunder.

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	
	June 30, 2021	December 31, 2020
(In millions)		
Carrying Value:		
4.50% Senior Notes due 2028	401.3	400.9
4.75% Senior Notes due 2030	440.9	440.6
Mortgage notes payable (a)	511.1	343.7
Total carrying value	\$ 1,353.3	\$ 1,185.2
Fair Value:		
4.50% Senior Notes due 2028	417.2	423.2
4.75% Senior Notes due 2030	463.9	476.2
Mortgage notes payable (a)	523.3	354.5
Total fair value	\$ 1,404.4	\$ 1,253.9

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

Interest Rate Swap Agreements

We currently have five interest rate swap agreements. In May 2021, we entered into a new interest rate swap agreement with a notional principal amount of \$184.4 million which will reduce to \$110.6 million at maturity. This swap, along with our existing swaps, was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR rate, through each swap's maturity date as noted in the table below. The following table provides information on the attributes of each swap as of June 30, 2021:

Inception Date	Notional Principal at Inception	Notional Value as of June 30, 2021 (In millions)	Notional Principal at Maturity	Maturity Date
May 2021	\$ 184.4	\$ 184.4	\$ 110.6	May 2031
July 2020	\$ 93.5	\$ 89.2	\$ 50.6	December 2028
July 2020	\$ 85.5	\$ 81.5	\$ 57.3	November 2025
June 2015	\$ 100.0	\$ 71.9	\$ 53.1	February 2025
November 2013	\$ 75.0	\$ 47.1	\$ 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 a \$7.5 million and a \$7.2 million liability as of June 30, 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	
	June 30, 2021	December 31, 2020
(In millions)		
Other current liabilities	\$ (5.2)	\$ (2.8)
Other long-term assets	\$ 4.2	—
Other long-term liabilities	(6.5)	(4.4)
Total fair value	\$ (7.5)	\$ (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 June 30,	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	\$ (7.3)	Other interest expense, net	\$ 0.9
2020	\$ (0.6)	Other interest expense, net	\$ 0.6

For the Six Months Ended June 30,	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	\$ (1.9)	Other interest expense, net	\$ 1.7
2020	\$ (5.1)	Other interest expense, net	\$ 0.9

On the basis of yield curve conditions as of June 30, 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 \$5.2 million.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 2021 and 2020, we made interest payments, including amounts capitalized, totaling \$32.8 million and \$32.6 million, respectively. Included in these interest payments are \$5.8 million and \$13.2 million, of floor plan interest payments during the six months ended June 30, 2021 and 2020, respectively.

During the six months ended June 30, 2021 and 2020, we made income tax payments, net of refunds received, totaling \$74.9 million and \$1.3 million, respectively.

During the six months ended June 30, 2021 and 2020, we transferred \$112.6 million and \$71.6 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 June 30, 2021, we had \$10.8 million of letters of credit outstanding and we maintained a \$11.6 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;
- disruptions in the production and supply of vehicles and parts from our vehicle and parts manufacturers and other suppliers due to any ongoing impact of the global semiconductor shortage, which can disrupt our operations;
- 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 global COVID-19 pandemic, including due to any new strains of the virus and the efficacy and rate of vaccinations; and
- our estimated future capital expenditures, which can be impacted by increasing prices and labor shortages.

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 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 any ongoing effects of 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 semiconductor chips), 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 June 30, 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 six months ended June 30, 2021, our new vehicle revenue brand mix consisted of 45% luxury, 39% imports, and 16% 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. Furthermore, significant shortages of semiconductor chips and other component parts and supplies have also forced many automotive manufacturers and their suppliers to suspend or curtail production. The impact of these factors have negatively impacted our new vehicle inventory levels. 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 also cannot predict the duration or scope, and future effects, of the impacts from the COVID-19 global pandemic, which may adversely impact our financial condition, liquidity and cash flow. Vaccine 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. 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.

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 June 30, 2021 was 17.0 million compared to 11.3 million during the three months ended June 30, 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 June 30, 2021 when compared to the prior year period. New vehicle supply disruptions as a result of the COVID-19 global pandemic and the semiconductor 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 has returned to pre-pandemic levels of activity and profitability.

We had total available liquidity of \$576.5 million as of June 30, 2021, which consisted of cash and cash equivalents of \$102.3 million, \$75.0 million of funds in our floor plan offset accounts, \$190.0 million availability under our new vehicle floor plan facility that is able to be converted to our revolving credit facility, \$49.2 million of availability under our revolving credit facility, and \$160.0 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.

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 June 30, 2021 Compared to the Three Months Ended June 30, 2020**

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except per share data)				
REVENUE:				
New vehicle	\$ 1,368.4	\$ 761.8	\$ 606.6	80 %
Used vehicle	816.2	447.5	368.7	82 %
Parts and service	292.4	169.2	123.2	73 %
Finance and insurance, net	107.0	66.6	40.4	61 %
TOTAL REVENUE	2,584.0	1,445.1	1,138.9	79 %
GROSS PROFIT:				
New vehicle	124.1	38.6	85.5	222 %
Used vehicle	83.5	37.1	46.4	125 %
Parts and service	182.6	100.5	82.1	82 %
Finance and insurance, net	107.0	66.6	40.4	61 %
TOTAL GROSS PROFIT	497.2	242.8	254.4	105 %
OPERATING EXPENSES:				
Selling, general, and administrative	269.7	152.2	117.5	77 %
Depreciation and amortization	10.1	9.7	0.4	4 %
Other operating (income), net	(1.0)	(1.3)	0.3	23 %
INCOME FROM OPERATIONS	218.4	82.2	136.2	166 %
OTHER EXPENSES:				
Floor plan interest expense	2.1	4.1	(2.0)	(49) %
Other interest expense, net	14.4	11.8	2.6	22 %
Total other expenses, net	16.5	15.9	0.6	4 %
INCOME BEFORE INCOME TAXES	201.9	66.3	135.6	205 %
Income tax expense	49.8	16.7	33.1	198 %
NET INCOME	\$ 152.1	\$ 49.6	\$ 102.5	207 %
Net income per common share—Diluted	\$ 7.80	\$ 2.57	\$ 5.23	204 %

	For the Three Months Ended June 30,	
	2021	2020
REVENUE MIX PERCENTAGES:		
New vehicle	53.0 %	52.7 %
Used vehicle retail	29.4 %	28.6 %
Used vehicle wholesale	2.2 %	2.4 %
Parts and service	11.3 %	11.7 %
Finance and insurance, net	4.1 %	4.6 %
Total revenue	100.0 %	100.0 %
GROSS PROFIT MIX PERCENTAGES:		
New vehicle	25.0 %	15.9 %
Used vehicle retail	14.8 %	13.0 %
Used vehicle wholesale	2.0 %	2.3 %
Parts and service	36.7 %	41.4 %
Finance and insurance, net	21.5 %	27.4 %
Total gross profit	100.0 %	100.0 %
GROSS PROFIT MARGIN	19.2	16.8
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	54.2 %	62.7 %

Total revenue during the second quarter of 2021 increased by \$1.14 billion (79%) compared to the second quarter of 2020, due to a \$606.6 million (80%) increase in new vehicle revenue, a \$368.7 million (82%) increase in used vehicle revenue, a \$123.2 million (73%) increase in parts and service revenue and a \$40.4 million (61%) increase in F&I, net revenue. During the three months ended June 30, 2021, gross profit increased by \$254.4 million (105%) driven by an \$85.5 million (222%) increase in new vehicle gross profit, a \$46.4 million (125%) increase in used vehicle gross profit, an \$82.1 million (82%) increase in parts and service gross profit and a \$40.4 million (61%) increase in F&I gross profit.

Income from operations during the second quarter of 2021 increased by \$136.2 million (166%) compared to the second quarter of 2020, primarily due to the \$254.4 million (105%) increase in gross profit, partially offset by a \$117.5 million (77%) increase in SG&A expense, a \$0.4 million (4%) increase in depreciation and amortization expenses and a \$0.3 million (23%) decrease in other operating (income) expense, net. Total other expenses, net increased by \$0.6 million (4%), primarily due to a \$2.6 million (22%) increase in other interest expense, net partially offset by a \$2.0 million (49%) decrease in floor plan interest expense during the second quarter of 2021. As a result, income before income taxes increased \$135.6 million (205%). Overall, net income increased by \$102.5 million (207%) during the second quarter of 2021 as compared to the second quarter of 2020.

New Vehicle—

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except for per vehicle data)				
As Reported:				
Revenue:				
Luxury	\$ 608.2	\$ 243.5	\$ 364.7	150 %
Import	556.1	341.9	214.2	63 %
Domestic	204.1	176.4	27.7	16 %
Total new vehicle revenue	<u>\$ 1,368.4</u>	<u>\$ 761.8</u>	\$ 606.6	80 %
Gross profit:				
Luxury	\$ 61.9	\$ 16.8	\$ 45.1	268 %
Import	44.0	12.5	31.5	252 %
Domestic	18.2	9.3	8.9	96 %
Total new vehicle gross profit	<u>\$ 124.1</u>	<u>\$ 38.6</u>	\$ 85.5	222 %
New vehicle units:				
Luxury	10,085	4,359	5,726	131 %
Import	17,257	11,610	5,647	49 %
Domestic	4,383	4,091	292	7 %
Total new vehicle units	<u>31,725</u>	<u>20,060</u>	11,665	58 %
Same Store:				
Revenue:				
Luxury	\$ 381.0	\$ 236.2	\$ 144.8	61 %
Import	553.4	341.8	211.6	62 %
Domestic	204.1	168.8	35.3	21 %
Total new vehicle revenue	<u>\$ 1,138.5</u>	<u>\$ 746.8</u>	\$ 391.7	52 %
Gross profit:				
Luxury	\$ 36.1	\$ 16.3	\$ 19.8	121 %
Import	43.9	12.4	31.5	254 %
Domestic	18.2	8.8	9.4	107 %
Total new vehicle gross profit	<u>\$ 98.2</u>	<u>\$ 37.5</u>	\$ 60.7	162 %
New vehicle units				
Luxury	6,505	4,218	2,287	54 %
Import	17,205	11,610	5,595	48 %
Domestic	4,383	3,936	447	11 %
Total new vehicle units	<u>28,093</u>	<u>19,764</u>	8,329	42 %

New Vehicle Metrics—

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
As Reported:				
Revenue per new vehicle sold	\$ 43,133	\$ 37,976	\$ 5,157	14 %
Gross profit per new vehicle sold	\$ 3,912	\$ 1,924	\$ 1,988	103 %
New vehicle gross margin	9.1 %	5.1 %	4.0 %	
Luxury:				
Gross profit per new vehicle sold	\$ 6,138	\$ 3,854	\$ 2,284	59 %
New vehicle gross margin	10.2 %	6.9 %	3.3 %	
Import:				
Gross profit per new vehicle sold	\$ 2,550	\$ 1,077	\$ 1,473	137 %
New vehicle gross margin	7.9 %	3.7 %	4.2 %	
Domestic:				
Gross profit per new vehicle sold	\$ 4,152	\$ 2,273	\$ 1,879	83 %
New vehicle gross margin	8.9 %	5.3 %	3.6 %	
Same Store:				
Revenue per new vehicle sold	\$ 40,526	\$ 37,786	\$ 2,740	7 %
Gross profit per new vehicle sold	\$ 3,496	\$ 1,897	\$ 1,599	84 %
New vehicle gross margin	8.6 %	5.0 %	3.6 %	
Luxury:				
Gross profit per new vehicle sold	\$ 5,550	\$ 3,864	\$ 1,686	44 %
New vehicle gross margin	9.5 %	6.9 %	2.6 %	
Import:				
Gross profit per new vehicle sold	\$ 2,552	\$ 1,068	\$ 1,484	139 %
New vehicle gross margin	7.9 %	3.6 %	4.3 %	
Domestic:				
Gross profit per new vehicle sold	\$ 4,152	\$ 2,236	\$ 1,916	86 %
New vehicle gross margin	8.9 %	5.2 %	3.7 %	

New vehicle revenue increased by \$606.6 million (80%) due to a \$364.7 million (150%) increase in luxury brands revenue, a \$214.2 million (63%) increase in import brands revenue and a \$27.7 million (16%) increase in domestic brands revenue. Luxury brand revenue benefited from the acquisition of the Park Place Dealership group which occurred during the third quarter of 2020. The 80% increase in new vehicle revenue is the result of a 58% increase in new vehicle units sold and an increase in revenue per new vehicle sold. Same store new vehicle revenue increased by \$391.7 million (52%) due to a \$144.8 million (61%) increase in luxury brands revenue, a \$211.6 million (62%) increase in import brands revenue and a \$35.3 million (21%) increase in domestic brands revenue. These same store increases are primarily due to the negative impact of the COVID-19 pandemic on revenue for the three months ended June 30, 2020.

New vehicle gross profit increased by \$85.5 million (222%) for the three months ended June 30, 2021 and same store new vehicle gross profit increased \$60.7 million (162%) over the same period. Same store new vehicle gross profit margin for the three months ended June 30, 2021 increased 370 basis points to 8.6%. The increase in our same store gross profit margin was primarily attributable to our efforts to focus on optimizing margin as new inventory levels declined as a result of manufacturers reducing or temporarily halting production due to the semiconductor chip shortage.

We ended the quarter with approximately 17 days of supply of new vehicle inventory. Our new vehicle inventory levels have been negatively impacted by production disruptions at the manufacturers caused primarily by the semiconductor chip shortage.

Used Vehicle—

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except for per vehicle data)				
As Reported:				
Revenue:				
Used vehicle retail revenue	\$ 759.4	\$ 412.6	\$ 346.8	84 %
Used vehicle wholesale revenue	56.8	34.9	21.9	63 %
Used vehicle revenue	<u>\$ 816.2</u>	<u>\$ 447.5</u>	<u>\$ 368.7</u>	<u>82 %</u>
Gross profit:				
Used vehicle retail gross profit	\$ 73.5	\$ 31.6	\$ 41.9	133 %
Used vehicle wholesale gross profit	10.0	5.5	4.5	82 %
Used vehicle gross profit	<u>\$ 83.5</u>	<u>\$ 37.1</u>	<u>\$ 46.4</u>	<u>125 %</u>
Used vehicle retail units:				
Used vehicle retail units	<u>26,856</u>	<u>18,400</u>	8,456	46 %
Same Store:				
Revenue:				
Used vehicle retail revenue	\$ 615.4	\$ 403.5	\$ 211.9	53 %
Used vehicle wholesale revenue	32.3	34.4	(2.1)	(6)%
Used vehicle revenue	<u>\$ 647.7</u>	<u>\$ 437.9</u>	<u>\$ 209.8</u>	<u>48 %</u>
Gross profit:				
Used vehicle retail gross profit	\$ 61.3	\$ 31.2	\$ 30.1	96 %
Used vehicle wholesale gross profit	6.4	5.5	0.9	16 %
Used vehicle gross profit	<u>\$ 67.7</u>	<u>\$ 36.7</u>	<u>\$ 31.0</u>	<u>84 %</u>
Used vehicle retail units:				
Used vehicle retail units	<u>23,267</u>	<u>18,033</u>	5,234	29 %

Used Vehicle Metrics—

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
As Reported:				
Revenue per used vehicle retailed	\$ 28,277	\$ 22,424	\$ 5,853	26 %
Gross profit per used vehicle retailed	<u>\$ 2,737</u>	<u>\$ 1,717</u>	<u>\$ 1,020</u>	<u>59 %</u>
Used vehicle retail gross margin	<u>9.7 %</u>	<u>7.7 %</u>	2.0 %	
Same Store:				
Revenue per used vehicle retailed	\$ 26,449	\$ 22,376	\$ 4,073	18 %
Gross profit per used vehicle retailed	<u>\$ 2,635</u>	<u>\$ 1,730</u>	<u>\$ 905</u>	<u>52 %</u>
Used vehicle retail gross margin	<u>10.0 %</u>	<u>7.7 %</u>	2.3 %	

Used vehicle revenue increased by \$368.7 million (82%) due to a \$346.8 million (84%) increase in used vehicle retail revenue and a \$21.9 million (63%) increase in used vehicle wholesale revenue. Same store used vehicle revenue increased by \$209.8 million (48%) due to a \$211.9 million (53%) increase in used vehicle retail revenue, partially offset a \$2.1 million (6%) decrease in used vehicle wholesale revenue. Total company used vehicle unit sales increased by 46% while same store used vehicle unit sales increased by 29% during the three months ended June 30, 2021 as compared to the three months ended June 30, 2020.

For the three months ended June 30, 2021, total Company and same store used vehicle retail gross profit margins increased by 200 basis points and 230 basis points, respectively as compared to the same quarter in the prior year. During the second quarter of 2021, the used vehicle market benefited from the decline in new vehicle inventory availability. The Company's wholesale gross profit and gross margin percentage also benefited from the recovery in the used vehicle market which was partially driven by the demand in used vehicles due to new vehicle supply shortages.

Our 37 days of supply of used vehicle inventory as of June 30, 2021, is slightly above our historic targeted range of 30 to 35 days as we have sought to increase our used vehicle supply to counter the impact of lower new vehicle inventory levels.

Parts and Service—

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions)				
As Reported:				
Parts and service revenue	\$ 292.4	\$ 169.2	\$ 123.2	73 %
Parts and service gross profit:				
Customer pay	106.8	53.8	53.0	99 %
Warranty	27.0	17.9	9.1	51 %
Wholesale parts	8.0	4.9	3.1	63 %
Parts and service gross profit, excluding reconditioning and preparation	<u>\$ 141.8</u>	<u>\$ 76.6</u>	\$ 65.2	85 %
Parts and service gross margin, excluding reconditioning and preparation	48.5 %	45.3 %	3.2 %	
Reconditioning and preparation *	<u>\$ 40.8</u>	<u>\$ 23.9</u>	\$ 16.9	71 %
Total parts and service gross profit	<u>\$ 182.6</u>	<u>\$ 100.5</u>	\$ 82.1	82 %
Same Store:				
Parts and service revenue	\$ 234.6	\$ 166.5	\$ 68.1	41 %
Parts and service gross profit:				
Customer pay	84.1	52.8	31.3	59 %
Warranty	20.2	17.6	2.6	15 %
Wholesale parts	6.6	4.8	1.8	38 %
Parts and service gross profit, excluding reconditioning and preparation	<u>\$ 110.9</u>	<u>\$ 75.2</u>	\$ 35.7	47 %
Parts and service gross margin, excluding reconditioning and preparation	47.3 %	45.2 %	2.1 %	
Reconditioning and preparation *	<u>\$ 35.2</u>	<u>\$ 23.6</u>	\$ 11.6	49 %
Total parts and service gross profit	<u>\$ 146.1</u>	<u>\$ 98.8</u>	\$ 47.3	48 %

* Reconditioning and preparation represents the gross profit earned by our parts and service departments for internal work performed and 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 \$123.2 million (73%) increase in parts and service revenue was due to an \$86.7 million (76%) increase in customer pay revenue, a \$21.2 million (96%) increase in wholesale parts revenue and a \$15.3 million (46%) increase in warranty revenue. Same store parts and service revenue increased by \$68.1 million (41%) to \$234.6 million during the three months ended June 30, 2021 from \$166.5 million during the three months ended June 30, 2020. The increase in same store parts and service revenue was due to a \$48.0 million (43%) increase in customer pay revenue, a \$15.8 million (72%) increase in wholesale parts revenue and a \$4.3 million (13%) increase in warranty revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by \$65.2 million (85%) to \$141.8 million and same store parts and service gross profit, excluding reconditioning and preparation, increased by \$35.7 million (47%) to \$110.9 million. Our parts and service business had been negatively impacted in the prior period by a combination of people driving fewer miles and customer fears of being more susceptible to contracting COVID-19 in public locations. During the three months ended June 30, 2021, we have seen an increase in our parts and services revenues and gross profit on a total and same store basis. This is largely attributable to an increase in driving levels as consumers gradually return to a pre-pandemic lifestyle. We continue to focus on increasing our customer pay parts and service revenue over the long-term by upgrading equipment,

improving the customer experience, providing competitive benefits to our technicians and capitalizing on our dealership training programs.

Finance and Insurance, net—

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except for per vehicle data)				
As Reported:				
Finance and insurance, net	\$ 107.0	\$ 66.6	\$ 40.4	61 %
Finance and insurance, net per vehicle sold	\$ 1,827	\$ 1,732	\$ 95	5 %
Same Store:				
Finance and insurance, net	\$ 97.5	\$ 65.7	\$ 31.8	48 %
Finance and insurance, net per vehicle sold	\$ 1,898	\$ 1,738	\$ 160	9 %

F&I, net revenue increased by \$40.4 million (61%) during the second quarter of 2021 as compared to the second quarter of 2020 and same store F&I, net revenue increased by \$31.8 million (48%) over the same period. We attribute the increase in all stores' F&I, net revenue to a 52% increase in total retail units sold and a 5% increase in F&I PVR.

Selling, General, and Administrative Expense—

	For the Three Months Ended June 30,				Increase (Decrease)	% of Gross Profit Increase (Decrease)
	2021	% of Gross Profit	2020	% of Gross Profit		
(Dollars in millions)						
As Reported:						
Personnel costs	\$ 132.5	26.6 %	\$ 71.9	29.6 %	\$ 60.6	(3.0)%
Sales compensation	51.7	10.4 %	24.7	10.2 %	27.0	0.2 %
Share-based compensation	3.7	0.7 %	3.1	1.3 %	0.6	(0.6)%
Outside services	26.2	5.3 %	17.1	7.0 %	9.1	(1.7)%
Advertising	8.9	1.8 %	4.2	1.7 %	4.7	0.1 %
Rent	9.1	1.8 %	5.9	2.4 %	3.2	(0.6)%
Utilities	4.5	0.9 %	3.4	1.4 %	1.1	(0.5)%
Insurance	6.1	1.2 %	4.7	1.9 %	1.4	(0.7)%
Other	27.0	5.5 %	17.2	7.2 %	9.8	(1.7)%
Selling, general, and administrative expense	\$ 269.7	54.2 %	\$ 152.2	62.7 %	\$ 117.5	(8.5)%
Gross profit	\$ 497.2		\$ 242.8			
Same Store:						
Personnel costs	\$ 110.8	27.1 %	\$ 70.8	29.7 %	\$ 40.0	(2.6)%
Sales compensation	44.4	10.8 %	24.3	10.2 %	20.1	0.6 %
Share-based compensation	3.7	0.9 %	3.1	1.3 %	0.6	(0.4)%
Outside services	21.5	5.3 %	16.7	7.0 %	4.8	(1.7)%
Advertising	7.8	1.9 %	4.0	1.7 %	3.8	0.2 %
Rent	9.0	2.2 %	5.9	2.5 %	3.1	(0.3)%
Utilities	3.7	0.9 %	3.3	1.4 %	0.4	(0.5)%
Insurance	4.8	1.2 %	4.5	1.9 %	0.3	(0.7)%
Other	21.8	5.3 %	17.2	7.1 %	4.6	(1.8)%
Selling, general, and administrative expense	\$ 227.5	55.6 %	\$ 149.8	62.8 %	\$ 77.7	(7.2)%
Gross profit	\$ 409.5		\$ 238.7			

SG&A expense as a percentage of gross profit decreased 850 basis points from 62.7% for the second quarter of 2020 to 54.2% for the second quarter of 2021. Same store SG&A expense as a percentage of gross profit decreased 720 basis points, from 62.8% for the second quarter of 2020 to 55.6% over the same period in 2021. The decrease in SG&A as a percentage of gross profit is primarily the result of certain cost cutting measures, such as advertising and travel, and higher gross profits on new and used vehicle sales. Our personnel costs decreased by 260 basis points, on a same store basis, as a percentage of gross profit in the second quarter of 2021 as compared to the same quarter in the prior year. Sales compensation as a percentage of gross profit increased on both a total and same store basis for the three months ended June 30, 2021 as compared to the three months ended June 30, 2020, due to increased commission expense arising from increased profitability.

Other Operating Expense (Income), net —

Other operating expense (income), 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 June 30, 2021, we recorded a gain of \$0.8 million related to a real estate sale and leaseback transaction.

Floor Plan Interest Expense —

Floor plan interest expense decreased by \$2.0 million (49%) to \$2.1 million during the three months ended June 30, 2021 as compared to \$4.1 million for the three months ended June 30, 2020, primarily due to lower average new vehicle inventory levels and a decrease in the one month LIBOR rate from which our floor plan interest rate is calculated.

Other Interest Expense, net —

The \$2.6 million (22%) increase in other interest expense, net is primarily the result of a higher average debt outstanding due to the \$250.0 million September 2020 offering of the Senior Notes as compared to the same period in the prior year.

Income Tax Expense —

The \$33.1 million (198%) increase in income tax expense was primarily the result of a \$135.6 million (205%) increase in income before income taxes. Our effective tax rate for the three months ended June 30, 2021 was 24.7% compared to 25.2% in the prior comparative period. We expect our effective tax rate for 2021 to be around 25%.

RESULTS OF OPERATIONS
Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except per share data)				
REVENUE:				
New vehicle	\$ 2,520.1	\$ 1,583.9	\$ 936.2	59 %
Used vehicle	1,507.1	940.7	566.4	60 %
Parts and service	554.4	390.8	163.6	42 %
Finance and insurance, net	195.3	137.0	58.3	43 %
TOTAL REVENUE	4,776.9	3,052.4	1,724.5	56 %
GROSS PROFIT:				
New vehicle	199.6	75.0	124.6	166 %
Used vehicle	139.3	67.8	71.5	105 %
Parts and service	345.7	235.4	110.3	47 %
Finance and insurance, net	195.3	137.0	58.3	43 %
TOTAL GROSS PROFIT	879.9	515.2	364.7	71 %
OPERATING EXPENSES:				
Selling, general, and administrative	509.5	346.9	162.6	47 %
Depreciation and amortization	19.9	19.2	0.7	4 %
Franchise rights impairment	—	23.0	(23.0)	(100)%
Other operating (income) expense, net	(4.2)	8.9	(13.1)	(147)%
INCOME FROM OPERATIONS	354.7	117.2	237.5	203 %
OTHER EXPENSES (INCOME):				
Floor plan interest expense	5.0	11.1	(6.1)	(55)%
Other interest expense, net	28.4	28.8	(0.4)	(1)%
Loss on extinguishment of long-term debt	—	20.6	(20.6)	(100)%
Gain on dealership divestitures, net	—	(33.7)	33.7	100 %
Total other expenses, net	33.4	26.8	6.6	25 %
INCOME BEFORE INCOME TAXES	321.3	90.4	230.9	255 %
Income tax expense	76.4	21.3	55.1	259 %
NET INCOME	\$ 244.9	\$ 69.1	\$ 175.8	254 %
Net income per share—Diluted	\$ 12.56	\$ 3.58	\$ 8.98	251 %

	For the Six Months Ended June 30,	
	2021	2020
REVENUE MIX PERCENTAGES:		
New vehicle	52.8 %	51.9 %
Used vehicle retail	28.6 %	28.1 %
Used vehicle wholesale	2.9 %	2.7 %
Parts and service	11.6 %	12.8 %
Finance and insurance, net	4.1 %	4.5 %
Total revenue	100.0 %	100.0 %
GROSS PROFIT MIX PERCENTAGES:		
New vehicle	22.7 %	14.6 %
Used vehicle retail	13.7 %	12.1 %
Used vehicle wholesale	2.1 %	1.0 %
Parts and service	39.3 %	45.7 %
Finance and insurance, net	22.2 %	26.6 %
Total gross profit	100.0 %	100.0 %
GROSS PROFIT MARGIN	18.4 %	16.9 %
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	57.9 %	67.3 %

Total revenue for the six months ended June 30, 2021 increased by \$1.72 billion (56%) compared to the six months ended June 30, 2020, due to a \$936.2 million (59%) increase in new vehicle revenue, a \$566.4 million (60%) increase in used vehicle revenue, a \$163.6 million (42%) increase in parts and service revenue and a \$58.3 million (43%) increase in F&I, net revenue. The \$364.7 million (71%) increase in gross profit during the six months ended June 30, 2021 was driven by a \$124.6 million (166%) increase in new vehicle gross profit, a \$110.3 million (47%) increase in parts and service gross profit, a \$71.5 million (105%) increase in used vehicle gross profit and a \$58.3 million (43%) increase in F&I, net gross profit.

Income from operations during the six months ended June 30, 2021 increased by \$237.5 million compared to the six months ended June 30, 2020, due to the \$364.7 million (71%) increase in gross profit, a \$23.0 million franchise right impairment charge for the three months ended March 31, 2020, a \$13.1 million (147%) decrease in other operating expense, net, partially offset by a \$162.6 million (47%) increase in SG&A expenses and a \$0.7 million (4%) increase in depreciation and amortization expense.

Total other expenses, net increased by \$6.6 million (25%), primarily as a result of a \$33.7 million decrease in the gain on dealership divestitures, net during the first six months of 2021 when compared to the first six months of 2020, partially offset by a \$6.1 million (55%) decrease in floor plan interest expense, no loss on extinguishment of debt and a \$0.4 million (1%) decrease in other interest expense, net. Income before income taxes increased \$230.9 million to \$321.3 million for the six months ended June 30, 2021. Overall, net income increased by \$175.8 million (254%) during the six months ended June 30, 2021 as compared to the six months ended June 30, 2020.

New Vehicle—

	For the Six Months Ended June		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except for per vehicle data)				
As Reported:				
Revenue:				
Luxury	\$ 1,126.2	\$ 520.0	\$ 606.2	117 %
Import	995.6	700.1	295.5	42 %
Domestic	398.3	363.8	34.5	9 %
Total new vehicle revenue	<u>\$ 2,520.1</u>	<u>\$ 1,583.9</u>	\$ 936.2	59 %
Gross profit:				
Luxury	\$ 106.6	\$ 33.7	\$ 72.9	216 %
Import	62.1	23.2	38.9	168 %
Domestic	30.9	18.1	12.8	71 %
Total new vehicle gross profit	<u>\$ 199.6</u>	<u>\$ 75.0</u>	\$ 124.6	166 %
New vehicle units:				
Luxury	18,596	9,351	9,245	99 %
Import	31,634	24,068	7,566	31 %
Domestic	8,754	8,618	136	2 %
Total new vehicle units	<u>58,984</u>	<u>42,037</u>	16,947	40 %
Same Store:				
Revenue:				
Luxury	\$ 703.2	\$ 503.5	\$ 199.7	40 %
Import	991.5	684.2	307.3	45 %
Domestic	393.6	340.2	53.4	16 %
Total new vehicle revenue	<u>\$ 2,088.3</u>	<u>\$ 1,527.9</u>	\$ 560.4	37 %
Gross profit:				
Luxury	\$ 60.7	\$ 32.5	\$ 28.2	87 %
Import	62.0	22.8	39.2	172 %
Domestic	30.6	16.9	13.7	81 %
Total new vehicle gross profit	<u>\$ 153.3</u>	<u>\$ 72.2</u>	\$ 81.1	112 %
New vehicle units:				
Luxury	12,031	9,038	2,993	33 %
Import	31,556	23,565	7,991	34 %
Domestic	8,653	8,094	559	7 %
Total new vehicle units	<u>52,240</u>	<u>40,697</u>	11,543	28 %

New Vehicle Metrics—

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
As Reported:				
Revenue per new vehicle sold	\$ 42,725	\$ 37,679	\$ 5,046	13 %
Gross profit per new vehicle sold	\$ 3,384	\$ 1,784	\$ 1,600	90 %
New vehicle gross margin	7.9 %	4.7 %	3.2 %	
Luxury:				
Gross profit per new vehicle sold	\$ 5,732	\$ 3,604	\$ 2,128	59 %
New vehicle gross margin	9.5 %	6.5 %	3.0 %	
Import:				
Gross profit per new vehicle sold	\$ 1,963	\$ 964	\$ 999	104 %
New vehicle gross margin	6.2 %	3.3 %	2.9 %	
Domestic:				
Gross profit per new vehicle sold	\$ 3,530	\$ 2,100	\$ 1,430	68 %
New vehicle gross margin	7.8 %	5.0 %	2.8 %	
Same Store:				
Revenue per new vehicle sold	\$ 39,975	\$ 37,543	\$ 2,432	6 %
Gross profit per new vehicle sold	\$ 2,935	\$ 1,774	\$ 1,161	65 %
New vehicle gross margin	7.3 %	4.7 %	2.6 %	
Luxury:				
Gross profit per new vehicle sold	\$ 5,045	\$ 3,596	\$ 1,449	40 %
New vehicle gross margin	8.6 %	6.5 %	2.1 %	
Import:				
Gross profit per new vehicle sold	\$ 1,965	\$ 968	\$ 997	103 %
New vehicle gross margin	6.3 %	3.3 %	3.0 %	
Domestic:				
Gross profit per new vehicle sold	\$ 3,536	\$ 2,088	\$ 1,448	69 %
New vehicle gross margin	7.8 %	5.0 %	2.8 %	

For the six months ended June 30, 2021, new vehicle revenue increased by \$936.2 million (59%) as a result of a 40% increase in new vehicle units sold, as well as an increase in revenue per new vehicle sold. For the six months ended June 30, 2021, same store new vehicle revenue increased by \$560.4 million (37%) as the result of a 28% increase in new vehicle units sold, and as well as an increase in revenue per unit sold.

For the six months ended June 30, 2021, new vehicle gross profit and same store new vehicle gross profit increased by \$124.6 million (166%) and \$81.1 million (112%), respectively. Same store new vehicle gross margin for the six months ended June 30, 2021 improved 260 basis points to 7.3%.

The seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. during the six months ended June 30, 2021 was 17.0 million compared to 13.3 million during the six months ended June 30, 2020, a 28% increase. The Company experienced continued strength in new vehicle sales for the six months ended June 30, 2021, building on the new vehicle sales recovery in the latter part of 2020. The increase in new vehicle sales revenue for the six months ended June 30, 2021 over the same period in the prior year is also attributable to the acquisition of the Park Place Dealership group in August 2020 and the significant decline in new vehicle sales during April 2020 as a result of the COVID-19 pandemic. On a same store basis, we experienced an increase in gross profit across all three categories of new vehicle sales driven by the increase in volume and 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 semiconductor chip shortages. Due to the reduced supply of new vehicles by manufacturers, new vehicle days supply of inventory was approximately 17 days for the six months ended June 30,

2021, which is well below our targeted days supply. Luxury new vehicle sales and gross profit increased on an as reported basis by \$606.2 million (117%) and \$72.9 million (216%), respectively, for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020 in part due to the Park Place acquisition which occurred in the third quarter of 2020. On a same store basis, we saw an improvement in gross profit margin across all categories of revenue in the second quarter of 2021 as compared to the second quarter of 2020, due to the low supply of new vehicle inventory which coupled with the demand for new vehicles, resulted in improved gross profit margins across all new vehicle categories.

Used Vehicle—

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except for per vehicle data)				
As Reported:				
Revenue:				
Used vehicle retail revenue	\$ 1,366.9	\$ 858.6	\$ 508.3	59 %
Used vehicle wholesale revenue	140.2	82.1	58.1	71 %
Used vehicle revenue	<u>\$ 1,507.1</u>	<u>\$ 940.7</u>	\$ 566.4	60 %
Gross profit:				
Used vehicle retail gross profit	\$ 121.0	\$ 62.8	\$ 58.2	93 %
Used vehicle wholesale gross profit	18.3	5.0	13.3	266 %
Used vehicle gross profit	<u>\$ 139.3</u>	<u>\$ 67.8</u>	\$ 71.5	105 %
Used vehicle retail units:				
Used vehicle retail units	<u>50,375</u>	<u>38,687</u>	11,688	30 %
Same Store:				
Revenue:				
Used vehicle retail revenue	\$ 1,115.2	\$ 820.4	\$ 294.8	36 %
Used vehicle wholesale revenue	89.6	79.2	10.4	13 %
Used vehicle revenue	<u>\$ 1,204.8</u>	<u>\$ 899.6</u>	\$ 305.2	34 %
Gross profit:				
Used vehicle retail gross profit	\$ 101.3	\$ 60.8	\$ 40.5	67 %
Used vehicle wholesale gross profit	12.8	5.1	7.7	151 %
Used vehicle gross profit	<u>\$ 114.1</u>	<u>\$ 65.9</u>	\$ 48.2	73 %
Used vehicle retail units:				
Used vehicle retail units	<u>44,007</u>	<u>37,012</u>	6,995	19 %

Used Vehicle Metrics—

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
As Reported:				
Revenue per used vehicle retailed	<u>\$ 27,134</u>	<u>\$ 22,194</u>	\$ 4,940	22 %
Gross profit per used vehicle retailed	<u>\$ 2,402</u>	<u>\$ 1,623</u>	\$ 779	48 %
Used vehicle retail gross margin	<u>8.9 %</u>	<u>7.3 %</u>	1.6 %	
Same Store:				
Revenue per used vehicle retailed	<u>\$ 25,341</u>	<u>\$ 22,166</u>	\$ 3,175	14 %
Gross profit per used vehicle retailed	<u>\$ 2,302</u>	<u>\$ 1,643</u>	\$ 659	40 %
Used vehicle retail gross margin	<u>9.1 %</u>	<u>7.4 %</u>	1.7 %	

Used vehicle revenue increased by \$566.4 million (60%) due to a \$508.3 million (59%) increase in used vehicle retail revenue, and a \$58.1 million (71%) increase in used vehicle wholesale revenue. Same store used vehicle revenue increased by \$305.2 million (34%) due to a \$294.8 million (36%) increase in used vehicle retail revenue, and a \$10.4 million (13%) increase in used vehicle wholesale revenues.

For the six months ended June 30, 2021, gross profit margins increased by 160 basis points to 8.9%. 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 six months ended June 30, 2021 as compared to the same period in the prior year. Used vehicle gross profit margins increased for the six months ended June 30, 2021 by \$71.5 million (105%) on an all store basis and \$48.2 million (73%) on a same store basis as compared to the six months ended June 30, 2020. We finished the first quarter with a 37 days supply of used vehicle inventory, slightly above our historic targeted supply of 30 to 35 days. The increase in the days supply of used inventory was driven by the new vehicle inventory shortages which has helped drive demand for used vehicle sales.

Parts and Service—

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions)				
As Reported:				
Parts and service revenue	\$ 554.4	\$ 390.8	\$ 163.6	42 %
Parts and service gross profit:				
Customer pay	203.9	131.8	72.1	55 %
Warranty	51.1	40.1	11.0	27 %
Wholesale parts	15.0	9.9	5.1	52 %
Parts and service gross profit, excluding reconditioning and preparation	<u>\$ 270.0</u>	<u>\$ 181.8</u>	\$ 88.2	49 %
Parts and service gross margin, excluding reconditioning and preparation	<u>48.7 %</u>	<u>46.5 %</u>	2.2 %	
Reconditioning and preparation *	<u>\$ 75.7</u>	<u>\$ 53.6</u>	\$ 22.1	41 %
Total parts and service gross profit	<u>\$ 345.7</u>	<u>\$ 235.4</u>	\$ 110.3	47 %
Same Store:				
Parts and service revenue	\$ 446.7	\$ 377.6	\$ 69.1	18 %
Parts and service gross profit:				
Customer pay	161.1	127.6	33.5	26 %
Warranty	38.5	38.7	(0.2)	(1)%
Wholesale parts	12.5	9.5	3.0	32 %
Parts and service gross profit, excluding reconditioning and preparation	<u>\$ 212.1</u>	<u>\$ 175.8</u>	\$ 36.3	21 %
Parts and service gross margin, excluding reconditioning and preparation	<u>47.5 %</u>	<u>46.6 %</u>	0.9 %	
Reconditioning and preparation *	<u>\$ 65.1</u>	<u>\$ 51.6</u>	\$ 13.5	26 %
Total parts and service gross profit	<u>\$ 277.2</u>	<u>\$ 227.4</u>	\$ 49.8	22 %

* 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 \$163.6 million (42%) increase in parts and service revenue was primarily due to a \$120.4 million (46%) increase in customer pay revenue, a \$25.9 million (47%) increase in wholesale parts revenue and a \$17.3 million (23%) increase in warranty revenue. Same store parts and service revenue increased by \$69.1 million (18%) from \$377.6 million for the six months ended June 30, 2020 to \$446.7 million for the six months ended June 30, 2021. The increase in same store parts and service revenue was due to a \$52.4 million (21%) increase in customer pay revenue, a \$17.8 million (34%) increase in wholesale parts revenue partially offset by a \$1.1 million (2%) decrease in warranty revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by \$88.2 million (49%) to \$270.0 million, and same store gross profit, excluding reconditioning and preparation, increased by \$36.3 million (21%) to \$212.1 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 improvement as COVID-19 restrictions have eased and in conjunction with the COVID-19 vaccination rollout.

Finance and Insurance, net—

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2021	2020		
(Dollars in millions, except for per vehicle data)				
As Reported:				
Finance and insurance, net	\$ 195.3	\$ 137.0	\$ 58.3	43 %
Finance and insurance, net per vehicle sold	\$ 1,786	\$ 1,697	\$ 89	5 %
Same Store:				
Finance and insurance, net	\$ 178.2	\$ 132.9	\$ 45.3	34 %
Finance and insurance, net per vehicle sold	\$ 1,851	\$ 1,710	\$ 141	8 %

F&I revenue, net increased \$58.3 million (43%) during the six months ended June 30, 2021 when compared to the six months ended June 30, 2020, and same store F&I revenue, net increased by \$45.3 million (34%) over the same period. F&I revenue, net increased as a result of the increase in new and used retail unit sales for the six months ended June 30, 2021 as compared to the six months ended June 30, 2020. For the six months ended June 30, 2021, the Company was able to improve the F&I PVR by \$89 per unit (5%) over the comparable prior year period.

Selling, General, and Administrative Expense—

	For the Six Months Ended June 30,				Increase (Decrease)	% of Gross Profit Increase (Decrease)
	2021	% of Gross Profit	2020	% of Gross Profit		
(Dollars in millions)						
As Reported:						
Personnel costs	\$ 249.7	28.4 %	\$ 166.7	32.4 %	\$ 83.0	(4.0)%
Sales compensation	89.0	10.1 %	52.2	10.1 %	36.8	— %
Share-based compensation	8.3	0.9 %	6.7	1.3 %	1.6	(0.4)%
Outside services	50.2	5.7 %	38.4	7.5 %	11.8	(1.8)%
Advertising	16.5	1.9 %	11.6	2.3 %	4.9	(0.4)%
Rent	20.3	2.3 %	12.7	2.5 %	7.6	(0.2)%
Utilities	8.8	1.0 %	7.4	1.4 %	1.4	(0.4)%
Insurance	13.4	1.5 %	8.8	1.7 %	4.6	(0.2)%
Other	53.3	6.1 %	42.4	8.1 %	10.9	(2.0)%
Selling, general, and administrative expense	<u>\$ 509.5</u>	57.9 %	<u>\$ 346.9</u>	67.3 %	\$ 162.6	(9.4)%
Gross profit	<u>\$ 879.9</u>		<u>\$ 515.2</u>			
Same Store:						
Personnel costs	\$ 206.6	28.6 %	\$ 161.1	32.3 %	\$ 45.5	(3.7)%
Sales compensation	76.5	10.6 %	50.2	10.1 %	26.3	0.5 %
Share-based compensation	8.3	1.1 %	6.7	1.3 %	1.6	(0.2)%
Outside services	41.1	5.7 %	36.9	7.4 %	4.2	(1.7)%
Advertising	14.1	2.0 %	10.7	2.1 %	3.4	(0.1)%
Rent	20.0	2.8 %	12.6	2.5 %	7.4	0.3 %
Utilities	7.2	1.0 %	7.1	1.4 %	0.1	(0.4)%
Insurance	10.8	1.5 %	8.1	1.6 %	2.7	(0.1)%
Other	\$ 42.5	5.8 %	\$ 41.5	8.5 %	1.0	(2.7)%
Selling, general, and administrative expense	<u>\$ 427.1</u>	59.1 %	<u>\$ 334.9</u>	67.2 %	\$ 92.2	(8.1)%
Gross profit	<u>\$ 722.8</u>		<u>\$ 498.4</u>			

SG&A expense as a percentage of gross profit decreased 940 basis points from 67.3% for the six months ended June 30, 2020 to 57.9% for the six months ended June 30, 2021 while same store SG&A expense as a percentage of gross profit decreased 810 basis points to 59.1% over that same period. The decrease in SG&A as a percentage of gross profit during the six months ended June 30, 2021, is primarily the result of higher sales volume and gross profits on new and used vehicle sales. On an as-reported basis, Personnel costs and Sales compensation increased by \$83.0 million and \$36.8 million, respectively, for the six months ended June 30, 2021 as compared to the six months ended June 30, 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 2021 as a result of weather-related disruptions. Rent increased from \$12.7 million to \$20.3 million for the six months ended June 30, 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 \$4.6 million for the six months ended June 30, 2021 as compared to the six months ended June 30, 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 six months ended June 30, 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 perform impairment testing related to franchise rights for the six months ended June 30, 2021 as no triggering events had occurred.

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 six months ended June 30, 2021, the Company recorded other operating income, net of \$4.2 million, primarily related to a \$3.5 million gain arising from legal settlements and a \$1.9 million gain on divestitures of certain real estate, partially offset by \$1.3 million of real estate related charges. Included in the \$8.9 million of other operating expense, net for the six months ended June 30, 2020, was an \$11.6 million charge related to certain financing transactions related to, as well as the termination of, the Park Place acquisition, partially offset by a \$2.1 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 \$6.1 million (55%) to \$5.0 million during the six months ended June 30, 2021 compared to \$11.1 million during the six months ended June 30, 2020 primarily as a result of lower new vehicle inventory levels and a decrease in 30-day LIBOR from which our floor plan interest rate is calculated.

Loss on Extinguishment of Debt—

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, net.

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 six months ended June 30, 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 \$55.1 million increase in income tax expense was primarily the result of a \$230.9 million increase in income before income taxes. Our effective tax rate for the six months ended June 30, 2021 was 23.8% and 23.6% in the prior comparative period as a result of excess tax benefits associated with share-based compensation vesting.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2021, we had total available liquidity of \$576.5 million, which consisted of \$102.3 million of cash and cash equivalents, \$75.0 million of available funds in our floor plan offset accounts, \$190.0 million availability under our new vehicle floor plan facility that is able to be converted to our revolving credit facility, \$49.2 million of availability under our revolving credit facility, and \$160.0 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 June 30, 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. As described below, as of June 30, 2021, we converted \$190.0 million of aggregate commitments from the Revolving Credit Facility to our New Vehicle Floor Plan Facility, resulting in \$60.0 million of borrowing capacity. In addition, we had \$10.8 million in outstanding letters of credit as of June 30, 2021, resulting in \$49.2 million of borrowing availability as of June 30, 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 June 30, 2021, we had \$229.4 million outstanding under the New Vehicle Floor Plan Facility, which included \$1.8 million classified as Liabilities associated with assets held for sale on our Condensed Consolidated Balance Sheet and is net of \$75.0 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 six months ended June 30, 2021. Our borrowing capacity under the Used Vehicle Floor Plan Facility was \$160.0 million based on our borrowing base calculation as of June 30, 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 and can be terminated by either the Company or Ford Credit with a 30-day notice period. 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 June 30, 2021, we had \$13.9 million outstanding with Ford Credit. Additionally, we had \$131.2 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 amount 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 June 30, 2021, we had \$76.6 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 June 30, 2021, we had \$32.3 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 June 30, 2021, the outstanding balance under this agreement was \$55.8 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 June 30, 2021, we had \$81.5 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 June 30, 2021,

we had \$84.4 million, outstanding borrowings under the 2018 Wells Fargo Master Loan Facility. There is no further borrowing availability under this agreement.

- **2021 BofA Real Estate Facility**—On May 20, 2021, the Company and certain of its subsidiaries borrowed \$184.4 million under a real estate term loan credit agreement, dated as of May 10, 2021 (the “2021 BofA Real Estate Credit Agreement”), by the Company and certain of its subsidiaries, Bank of America, N.A., as administrative agent and the various financial institutions party thereto, as lenders, which provides for term loans in an aggregate amount equal to \$184.4 million, subject to customary terms and conditions (the “2021 BofA Real Estate Facility”). The Company used the proceeds from these borrowings to finance the exercise of its option to purchase certain of the leased real property related to the Park Place dealerships. The Company completed the purchase of the leased real property on May 20, 2021.

Term loans under our 2021 BofA Real Estate Facility bear interest, at our option, based on (1) LIBOR plus 1.65% per annum or (2) the Base Rate (as described below) plus 0.65% per annum. 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 1.0%. We will be required to make 39 consecutive quarterly principal payments of 1.00% of the initial amount of each loan, with a balloon repayment of the outstanding principal amount of loans due on the maturity date. The 2021 BofA Real Estate Facility matures ten years from the initial funding date. Borrowings under the 2021 BofA Real Estate Facility are guaranteed by us and each of our operating dealership subsidiaries that leased the real estate now financed under the 2021 BofA Real Estate Facility, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

The representations and covenants in the 2021 BofA Real Estate Credit Agreement are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated current ratio, minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the 2021 BofA Real Estate Credit Agreement. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets. The 2021 BofA Real Estate Credit Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, we could be required by the 2021 BofA Real Estate Credit Agreement to immediately repay all amounts outstanding thereunder.

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 June 30, 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 June 30, 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 six months ended June 30, 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 and six months ended June 30, 2021, we repurchased 3,134 and 65,027 shares, of our common stock for \$0.6 million and \$10.2 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 Six Months Ended June 30,	
	2021	2020
(In millions)		
<i>Reconciliation of Cash provided by operating activities to Cash provided by operating activities, as adjusted</i>		
Cash provided by operating activities, as reported	\$ 587.3	\$ 554.6
New vehicle floor plan repayments —non-trade, net	(407.9)	(299.2)
Cash provided by operating activities, as adjusted	<u>\$ 179.4</u>	<u>\$ 255.4</u>

Operating Activities—

Net cash provided by operating activities totaled \$587.3 million and \$554.6 million, for the six months ended June 30, 2021 and 2020, respectively. Net cash provided by operating activities, as adjusted, totaled \$179.4 million and \$255.4 million for the six months ended June 30, 2021 and 2020, respectively.

The \$76.0 million decrease in our net cash provided by operating activities, as adjusted, for the six months ended June 30, 2021 compared to the six months ended June 30, 2020 was primarily the result of a \$70.2 million decrease related to the lower balances of accounts receivable and contracts-in-transit around the period end, a \$121.6 million decrease related to the change

in inventory, net of floor plan, a \$59.8 million decrease in other current assets offset by an increase in accounts payable and other current liabilities of \$18.6 million and a decrease in non-cash reconciling adjustments to net income of \$4.9 million.

Investing Activities—

Net cash used in investing activities totaled \$228.8 million for the six months ended June 30, 2021 compared to cash provided by investing activities of \$36.1 million, for the six months ended June 30, 2020. Capital expenditures, excluding the purchase of real estate, were \$26.7 million and \$18.2 million for the six months ended June 30, 2021 and 2020, respectively. We expect that capital expenditures for 2021 will total approximately \$55.7 million to upgrade or replace our existing facilities, construct new facilities, expand our service capacity, and invest in technology and equipment.

During the six months ended June 30, 2021, we released \$1.0 million of purchase price holdbacks related to a prior year acquisition.

During the six months ended June 30, 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 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 six months ended June 30, 2021, we received cash proceeds of \$21.5 million from the sale of real estate properties.

During the six months ended June 30, 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 six months ended June 30, 2020, we received cash proceeds of \$4.2 million from the sale of vacant properties.

During the six months ended June 30, 2021 and 2020, purchases of real estate, including previously leased real estate, totaled \$222.6 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 \$257.6 million for the six months ended June 30, 2021. Net cash provided by financing activities totaled \$19.0 million for the six months ended June 30, 2020.

During the six months ended June 30, 2021 and 2020, we had non-trade floor plan borrowings, excluding floor plan borrowings associated with acquisitions, of \$2.40 billion and \$1.63 billion, respectively, and non-trade floor plan repayments, excluding floor plan repayments associated with a divestiture, of \$2.81 billion and \$1.86 billion, respectively.

During the six months ended June 30, 2020, we had floor plan borrowings of \$27.1 million, related to acquisitions.

During the six months ended June 30, 2020, we had non-trade floor plan repayments associated with divestitures of \$50.5 million.

Repayments of borrowings totaled \$23.9 million and \$1.16 billion for the six months ended June 30, 2021 and 2020, respectively. In addition, payments of debt issuance costs totaled \$3.1 million for the six months ended June 30, 2020.

During the six months ended June 30, 2020, we had proceeds of \$7.3 million related to a sale and leaseback of real estate in Plano, Texas.

During the six months ended June 30, 2021, we did not repurchase any shares of our common stock under our Repurchase Program but repurchased 65,027 shares of our common stock for \$10.2 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 six months ended June 30, 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 portion of our outstanding indebtedness. Based on \$207.6 million of total variable interest rate debt, which includes our floor plan notes payable and certain mortgage liabilities, outstanding as of June 30, 2021, a 100 basis point change in interest rates could result in a change of as much as \$2.1 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 six months ended June 30, 2021 and 2020 by \$29.8 million and \$18.3 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 5 interest rate swap agreements. In May 2021, we entered into a new interest rate swap agreement with a notional principal amount of \$184.4 million which will reduce to \$110.6 million at maturity. This swap, along with our existing swaps, was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR rate, through each swap's maturity date as noted in the table below. The following table provides information on the attributes of each swap as of June 30, 2021:

Inception Date	Notional Principal at Inception (In millions)		Notional Value (In millions)		Notional Principal at Maturity (In millions)		Maturity Date
May 2021	\$	184.4	\$	184.4	\$	110.6	May 2031
July 2020	\$	93.5	\$	89.2	\$	50.6	December 2028
July 2020	\$	85.5	\$	81.5	\$	57.3	November 2025
June 2015	\$	100.0	\$	71.9	\$	53.1	February 2025
November 2013	\$	75.0	\$	47.1	\$	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 June 30, 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 and in Part II, Item 1A of our Quarterly report on Form 10-Q for the quarter ended March 31, 2021. 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. There have been no material changes to such risk factors.

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 June 30, 2021, we did not repurchase any shares of our common stock under the Repurchase Program but repurchased 3,134 shares of our common stock for \$0.6 million from employees in connection with a net share settlement feature of employee equity-based awards. As of June 30, 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
10.1*	Credit Agreement, dated May 10, 2021, by and among Asbury Automotive Group, Inc., certain subsidiaries party thereto, the various financial institutions party thereto as lenders, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on May 20, 2021)
10.2*	Letter Agreement between Asbury Automotive Group, Inc. and Michael Welch, dated as of June 14, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 6, 2021)
10.3	Separation Agreement and General Release between Asbury Automotive Group, Inc. and Patrick J. Guido, dated June 25, 2021
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

SEPARATION AGREEMENT AND GENERAL RELEASE

Asbury Automotive Group, Inc. (the "Company"), and Patrick J. Guido ("Employee") have entered into this Separation Agreement and General Release (this "Agreement") as of this 25th day of June 2021 (the "Agreement Date"). In consideration of the mutual promises contained in this Agreement, Company and Employee (together, the "Parties") agree as follows:

1. Voluntary Resignation and Separation from Employment.

(a) As of 11:59 p.m. on June 24, 2021 (the "Separation Date"), Employee will resign his position as Senior Vice President and Chief Financial Officer for the Company.

(b) Employee's Severance Pay Agreement for Key Employee with the Company, executed effective May 11, 2020, and attached hereto as Exhibit A (the "Severance Pay Agreement") is hereby immediately terminated, except that Sections 3, 4, 5, 6 and 7 will survive termination of the Severance Pay Agreement. Employee hereby acknowledges and affirms that he is subject to, and has complied and will continue to comply with, the obligations under Sections 3, 4, 5, 6 and 7 of the Severance Pay Agreement.

(c) Effective as of 11:59 p.m. on the Separation Date:

(i) Employee's employment with the Company and its subsidiaries and affiliates (the "Company Group") will terminate as a result of his voluntary resignation and such resignation will be reflected in the personnel records of the Company;

(ii) Employee's salary and benefits from the Company Group will cease to accrue (except as described below) and Employee will no longer have any right to contribute to any employee benefit plans or programs of any member of the Company Group;

(iii) Employee will resign all positions Employee held as an officer, director, manager or employee of, and relinquish all titles and authorities with respect to, the Company Group, and will promptly execute such documents and take such actions as may be necessary or reasonably requested by any member of the Company Group to effectuate or memorialize the resignation of such positions and relinquishment of such titles and authorities; and

(iv) Employee's resignation and separation on the Separation Date pursuant to Section 1(c) will be a "separation from service," as defined in Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations and official guidance issued thereunder ("Section 409A").

2. Payments and Other Consideration. If Employee (i) executes and does not revoke this Agreement during the revocation period described in Section 22, and (ii) continues to comply with the terms and conditions of this Agreement, and Sections 3, 4, 5, 6 and 7 of the Severance Pay Agreement, then:

(a) Salary Continuation. The Company will continue to pay Employee his base salary for a period of 52 weeks following the Separation Date in accordance with the Company's regular payroll practices; provided that such payments shall not commence until the day following the date this Agreement may no longer be revoked (the "Release Effective Date"), and provided further that any payments which would have been made prior to the date this Agreement may no longer be revoked will be paid on the first regular payroll date following the Release Effective Date.

(b) Cash Bonus. The Company will pay Employee a pro rata portion of his annual bonus for 2021 under the Company's Corporate Office Incentive Program (the "Bonus Plan"), equal to the amount of the bonus that Employee would have received if his employment had not been terminated during 2021, multiplied by the percentage of such year that has expired through the Separation Date. The annual bonus will be paid at such time as bonuses are paid under the Bonus Plan to the Company's other participants thereunder whose employment was not terminated.

(c) Health and Dental Insurance. Employee will be entitled to continue to participate at the same level of coverage and Employee contribution in any Company health and dental insurance plans, as may be amended from time to time, in which Employee was participating immediately prior to the Separation Date for a period of fifty-two (52) weeks commencing on the Release Effective Date. In order for Employee to receive this benefit, Employee must timely and properly elect COBRA for any medical, dental and vision benefit plans in which Employee was participating immediately prior to the end of Employee's employment with the Company and the Company shall continue to pay its portion of the monthly premium for those COBRA-covered medical, dental and vision benefit plans for a period of 52 weeks after the last day of Employee's employment with the Company. Notwithstanding the above, if Employee obtains other employment (prior to the end of the 52 week COBRA reimbursement period) under which Employee is eligible to be covered by benefits equal to the benefits in his COBRA-elected plans, the Company's obligation to reimburse Employee ceases upon Employee's eligibility for such equal benefits. Employee agrees to notify the Company promptly upon obtaining such other employment.

(d) Employee agrees that no additional compensation of any kind (e.g., wages, salaries, commissions, bonuses, vacation/holiday pay, unvested equity awards, insurance, benefits, allowances, etc.) is due Employee now or in the future except as specifically described in this Section 2.

3. General Release of Claims.

(a) Release. In exchange for the payments and benefits set forth in Section 2 and the obligations set forth in Section 1, Employee and his affiliates, heirs, beneficiaries, personal representatives, agents, successors and assigns and their respective successors and assigns (collectively, the "Releasing Parties"), hereby forever knowingly, voluntarily, unconditionally and absolutely release, acquit, remise and discharge the Company Group, and each member of the Company Group's past, present, and future officers, directors, managers, stockholders, members, employees, trustees, agents, representatives, affiliates, successors and assigns, including all affiliated dealerships (collectively, the "Released Parties"), from any and all claims, claims for relief, demands, actions and causes of action of any kind or description whatsoever,

known or unknown, whether arising out of contract, tort, statute, treaty or otherwise, in law or in equity, which a Releasing Party now has, has had, or may hereafter have against any of the Released Parties) (each a "Potential Claim") from the beginning of time through the Agreement Date, including those directly or indirectly arising from, connected with, or in any way related to:

(i) Employee's employment by any member of the Company Group;

(ii) Employee's service as a director, officer, manager or employee, as the case may be, of any member of the Company Group;

(iii) any transaction prior to the Agreement Date, including all effects, consequences, losses and damages relating thereto;

(iv) any services provided by Employee to any member of the Company Group;

(v) the Severance Pay Agreement or any documents ancillary thereto; or

(vi) Employee's resignation and separation from employment with any member of the Company Group under any law, including the common law or any federal or state statute, including all claims arising under Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the False Claims Act, 31 U.S.C.A. § 3730, including any right to personal gain with respect to any claim asserted under its "qui tam" provisions; Sections 1981 through 1988 of Title 42 of the United States Code, the Employee Retirement Income Security Act of 1974, the Immigration Reform and Control Act, the Americans with Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967 (the "ADEA"), including all rights and claims under the ADEA, the Older Workers' Benefit Protection Act of 1990, the Workers Adjustment and Retraining Notification Act, the Occupational Safety and Health Act, Georgia Equal Employment of Persons with Disabilities Code, Georgia Sex Discrimination in Employment Act, Georgia Wage Payment Act, Georgia Fair Employment Practices Act of 1978, the Georgia Code of Ordinances, any other federal, state or local civil or human rights law or any other local, state or federal law, regulation or ordinance, any public policy, contract, tort, or common law or any allegation for costs, fees, or other expenses including attorneys' fees incurred in these matters (the Potential Claims from the beginning of time through the Agreement Date, including those set forth in clauses (i) through (vi), the "Released Matters"), except that the Released Matters do not include any Potential Claims directly arising from: (w) this Agreement, (x) any claims to the extent that such claims cannot be waived under law, including the right to file a charge with or participate in an investigation conducted by the Equal Employment Opportunity Commission ("EEOC") (except that Employee is expressly waiving any claim for monetary damages, recovery or relief should the EEOC or any other agency or commission pursue any such claims on Employee's behalf) and any claims under the ADEA that may arise after the Agreement Date, (y) indemnification under applicable law or the Company's charter or bylaws and any related insurance coverage or (z) any accrued and vested compensation or benefits, whether under any tax-qualified retirement plans or otherwise.

(b) No Transfer of Potential Claims. Employee represents and warrants to the Released Parties that neither Employee nor any Releasing Party has made an assignment or transfer of any of the Potential Claims for any Released Matter.

(c) Release Not Considered an Admission. Employee acknowledges and agrees that neither this Agreement nor the furnishing of the consideration under this Agreement, including for the release given under this Section 3, will be deemed or construed at any time to be an admission by Employee or any Released Party of any liability or improper or unlawful conduct of any kind.

(d) Waiver of Unknown Claims. With respect to any and all Potential Claims for any Released Matter, Employee expressly waives and relinquishes, and the other Releasing Parties will be deemed to have expressly waived and relinquished, any and all provisions, rights and benefits conferred by any law of any other jurisdiction or principle of common law that provides that a general release does not extend to claims that are unknown or unsuspected to the releasor at the time the releasor executes the release. Employee acknowledges that the inclusion of such unknown Potential Claims herein was separately bargained for and was a key element of this Section 3. Employee acknowledges, and the other Releasing Parties will be deemed to have acknowledged, that they may hereafter discover facts which are different from or in addition to those that they may now know or believe to be true with respect to any and all Potential Claims herein released and agree that all such unknown Potential Claims are nonetheless released and that this Section 3 will remain effective in all respects even if such different or additional facts are subsequently discovered.

(e) Sufficiency of Consideration. Employee acknowledges and agrees that the Company's obligations under Sections 1 and 2, and the other covenants of the Company herein, have provided good and sufficient consideration for every promise, duty, release, obligation, agreement and right contained in this Section 3.

(f) Basis of Defense; Attorneys' Fees. This Section 3 may be pleaded by the Released Parties as a full and complete defense and may be used as the basis for an injunction against any action at law or equity instituted or maintained against them in violation of this Section 3. In the event any Potential Claim is brought or maintained by Employee or any Releasing Party against any Released Party in violation of this Section 3, Employee will be responsible for all costs and expenses, including reasonable attorneys' fees, incurred by the Released Parties in defending same.

4. Affirmations. Employee affirms that he (a) has not filed or caused to be filed, and is not presently a party to any claim, grievance, complaint, charge, or action against any member of the Company Group in any forum or form, (b) has no known workplace injuries or occupational diseases, and (c) has been provided and has not been denied any leave requested under the Family and Medical Leave Act.

5. Non-Disparagement. Employee will not, at any time, take any action or make any public statement, including statements to individuals, subsequent employers, vendors, clients, customers, suppliers or licensors or the news media, that would disparage, defame or place in a negative light, any member of the Company Group, or any of their respective officers, directors, managers, stockholders, members, creditors, affiliates, employees, successors, assigns, business

services, products or dealerships, except that nothing herein will restrict Employee from making truthful statements that are required by applicable law or by order of any court of competent jurisdiction.

6. Cooperation.

(a) Compliance and Internal Investigations Employee has given the Company written notice of any and all concerns he may have regarding suspected ethics-related or compliance related issues or violations on the part of the Company or any other Released Party with respect to the Company Group. Employee will cooperate and assist the Company, its stockholders or any other member of the Company Group with any compliance or other matters related to the Company or the other Released Parties with respect to the Company Group, including any internal investigation or audit.

(b) Third Party Proceedings. Employee will not voluntarily appear in any action or proceeding brought by a third party that is known to him to be adverse to any member of the Company Group, unless required by law and, if so required, Employee will promptly notify the Company of such appearance.

7. Return of Company Property.

(a) As of the Separation Date, Employee has returned to the Company all items of Company Group property (including but not limited to any vehicle) in Employee's possession or control and any items containing confidential or proprietary information or technology of any member of the Company Group.

(b) If Employee discovers he has any such item of Company Group property in his possession after the Separation Date, Employee will promptly, but no later than two business days after such discovery, return such property to the Company. The return of property under this Section 7(b) will not affect Employee's liability for any losses or damages caused by the breach of the representation in Section 7(a).

8. Further Assurances. From and after the Agreement Date, at the request of the Company, Employee will execute and deliver to any member of the Company Group, as applicable, such instruments and other documents as the Company may reasonably request in connection with this Agreement or the transactions contemplated hereby.

9. Injunctive Relief. The obligations of Employee under, and the subject matter of, this Agreement are unique. If Employee fails to perform or otherwise breaches any of the warranties, covenants or other agreements hereunder, Employee acknowledges that it would be extremely impracticable to measure the resulting damages and that the Company or any other Releasing Parties would be irreparably damaged by any such breach. Accordingly, the Company Group, in addition to any other available rights or remedies that may be available at law or in equity, will be entitled to, and may sue in equity for, an injunction or injunctions to prevent breaches of, and specific performance with respect to the obligations of Employee under this Agreement. Employee expressly waives the defense that a remedy in damages will be adequate and any requirement to post bond or provide similar security in connection with actions or proceedings instituted for injunctive relief or specific performance of this Agreement.

10. Survival. The representations, warranties, covenants, and other agreements in this Agreement survive the execution hereof and will survive the expiration and termination of this Agreement.

11. Expenses; Attorneys' Fees. Each party will pay its own expenses in connection with the negotiation and execution of this Agreement and the transactions contemplated hereby. Subject to Section 3(f), if either party brings an action or proceeding to enforce, interpret or construe this Agreement, the prevailing party in such action or proceeding will be entitled to recover their reasonable attorneys' fees and costs related to such action or proceeding from the other party.

12. Notices. All notices, requests, demands and other communications made under or by reason of the provisions of this Agreement must be in writing and be given by hand delivery or next business day courier to the affected party at the address set forth below or at such other address as such party may have provided to the other party in accordance herewith. Such notices will be deemed given at the time personally delivered (if delivered by hand with receipt acknowledged) and the first business day after timely delivery to the courier (if sent by next business day courier specifying next business day delivery).

To the Company:

Asbury Automotive Group, Inc.
2905 Premiere Parkway, Suite 300
Duluth, GA 30097
Attention: President and Chief Executive Officer

With a copy to:

Asbury Automotive Group, Inc.
2905 Premiere Parkway, Suite 300
Duluth, GA 30097
Attention: SVP, Chief Human Resources Officer

To Employee:

Patrick J. Guido, at Employee's most recent address as set forth in the Company's employment records

13. Amendment; Waiver. No supplement, modification or amendment of this Agreement will be binding unless signed in writing by the Parties. No waiver of any of the provisions of this Agreement will be deemed to be or will constitute a continuing waiver. No waiver will be binding unless signed in writing by the party making the waiver.

14. Binding Effect; Assignment. This Agreement will inure to the benefit of the heirs, executors, administrators, successors and permitted assigns of the Parties. This Agreement is not assignable by either party without the prior written consent of the other, except that the Company may, without prior written consent of Employee, assign this Agreement to (x) any of its affiliates or (y) an assignee of all or substantially all of the business or assets of the Company.

15. Governing Law. This Agreement will be governed by and construed and enforced in accordance with the internal laws (and not the choice of law principles) of the State of Georgia.

16. Dispute Resolution. In the event that the Parties are unable to resolve any dispute, controversy or claim arising out of or in connection with this Agreement or breach thereof, either Party shall refer the dispute to binding arbitration, which shall be the exclusive forum for resolving such matters. Such arbitration will be administered by Judicial Arbitration and Mediation Services, Inc. ("JAMS") and governed by Georgia law. The arbitration shall be conducted by a single arbitrator selected by the Parties according to the rules of JAMS. In the event that the Parties fail to agree on the selection of the arbitrator within 30 days after either party's request for arbitration, JAMS shall choose an arbitrator who has at least ten (10) years of experience in employment law. The arbitration proceeding shall commence on a mutually agreeable date within 60 days after the request for arbitration, unless otherwise agreed by the Parties, in Atlanta, Georgia. Subject to Section 11, the Parties agree that each will bear their own costs and attorneys' fees. The arbitrator shall have no power or authority to make awards or orders granting relief that would not be available to a Party in a court of law. The arbitrator's award is limited by and must comply with this Agreement and applicable federal, state, and local laws. The decision of the arbitrator shall be final and binding on the Parties. If necessary, any

judgment, which may include an award of damages, may be entered in the highest state or federal court having jurisdiction thereof. Notwithstanding the foregoing, no claim or controversy for injunctive or equitable relief contemplated by or allowed under applicable law pursuant to Section 9 will be subject to arbitration under this Section 16, but will instead be subject to determination in a court of competent jurisdiction in Georgia, which court shall apply Georgia law, where either Party may seek injunctive or equitable relief as appropriate.

17. Jurisdiction; Venue. To the extent permitted under Section 16, the Parties consent to the exclusive jurisdiction of all state and federal courts located in Atlanta, Georgia, as well as to the jurisdiction of all courts of which an appeal may be taken from such courts, for the purpose of any suit, action or other proceeding arising out of, or in connection with, this Agreement or the transactions contemplated hereby. Each party hereby expressly waives (a) any and all rights to bring any suit, action or other proceeding in or before any court or tribunal other than the courts described in this Section 16, and agrees that it will not seek in any manner to resolve any dispute other than as set forth in this Section 16 and (b) any and all objections that it may have to venue, including the inconvenience of such forum, in any of such courts. In addition, the Parties consent to the service of process by personal service or any manner in which notices may be delivered hereunder.

18. Entire Agreement. This Agreement and the terms surviving termination of the Severance Pay Agreement set forth the entire agreement between the Parties and supersede any other prior agreements or understandings between the Parties concerning the subject matter of this Agreement. Each party acknowledges that such party has not relied on any representations, promises or agreements of any kind made to such party in connection with the other party's decision to enter into this Agreement, except for those set forth in this Agreement.

19. Severability. If any provision of this Agreement or the application of any provision of this Agreement to any party or circumstance is, to any extent, adjudged invalid or unenforceable, the application of the remainder of such provision to such party or circumstance, the application of such provision to the other party or circumstance, and the application of the remainder of this Agreement will not be affected thereby. If the general release in Section 3 or any part thereof is adjudged invalid or unenforceable, Employee and the Company will execute a valid release of all Potential Claims for all Released Matters (as defined in the applicable release) as an amendment hereto or thereto, without the need for additional consideration.

20. Construction and Interpretation.

(a) Drafting. The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the Parties, and no presumption or burden of proof will arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement.

(b) Interpretation. Unless the context clearly indicates otherwise: (i) each definition includes the singular and the plural, (ii) each reference to any gender includes the masculine, feminine and neuter where appropriate, (iii) the words "include" and "including" and variations thereof are not terms of limitation, but rather are deemed followed by the words "without limitation," (iv) the words "hereof " "herein " "hereto " "hereby " "hereunder" and derivative or similar words refer to this Agreement in its entirety and not solely to any particular provision of this Agreement, (v) each reference in this Agreement to a particular Section or Exhibit means a Section of, or an Exhibit to, this Agreement, (vi) any reference to laws or statutes also refers to all rules and regulations promulgated thereunder, and (vii) any definition of or reference to any agreement, instrument, document, law, statute or regulation will refer to such agreement, instrument, document, statute or regulation as it may from time to time be amended, supplemented or otherwise modified.

(c) Headings. The headings contained in this Agreement are included only for purposes of convenience and will not affect the meaning, interpretation or construction of this Agreement.

21. Section 409A. To the extent applicable, it is intended that this Agreement comply with the provisions of Section 409A. For purposes of Section 409A, any payments or benefits provided under this Agreement will be separate payments and not one of a series of payments. Additionally, the following rules will apply to any obligation to reimburse an expense or provide an in-kind benefit that is nonqualified deferred compensation within the meaning of Section 409A: (i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during a calendar year may not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; (ii) the reimbursement of an eligible expense must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred; and (iii) the right to reimbursement or in-kind benefits is not subject to liquidation or exchange for another benefit.

22. Revocation. Employee acknowledges and agrees that he has been given 21 calendar days to consider the terms of this Agreement (unless the offer to enter into this Agreement is revoked by the Company prior to acceptance by Employee), although Employee may sign this Agreement sooner (and by doing so, Employee waives any portion of the remaining 21-day consideration period). Employee will have seven (7) calendar days from the date on which Employee signs this Agreement to revoke Employee's consent to the terms of this Agreement. Such revocation must be in writing and timely delivered to the Company in person or by next day courier in accordance with the requirements of Section 12. For the revocation to be effective, notice of such revocation must be received within such seven (7) calendar days referenced above. In the event of such revocation by Employee, this Agreement will not become effective and Employee will not have any rights under this Agreement. If Employee does not revoke this Agreement within such seven-day period, this Agreement will, on the eighth calendar day after the Agreement Date, become and will be deemed effective as of the Agreement Date.

23. Consultation with Attorney, Voluntary Agreement. Employee acknowledges that (a) the Company has advised Employee of Employee's right to consult with an attorney of Employee's own choosing prior to executing this Agreement, and Employee has so consulted an attorney, (b) Employee has carefully read and fully understands all of the provisions of this Agreement, (c) Employee is entering into this Agreement, including the release set forth herein, knowingly, freely and voluntarily in exchange for good and valuable consideration and (d) in exchange for Employee's release and waiver of claims under the ADEA pursuant to Section 3, Employee is receiving consideration in addition to anything of value to which he was already entitled, as required by 29 U.S.C. § 626(f)(1)(D).

24. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Signatures transmitted by facsimile or email will be deemed originals for purposes of this Agreement.

25. Sealed Instrument. The Parties acknowledge and agree that it is their intent that this Agreement is, and will be treated and construed as, a sealed instrument for all purposes of Georgia law, including the statute of limitations applicable to sealed instruments.

The Parties have executed this Agreement as of the Agreement Date.

EMPLOYEE:

/s/ Patrick J. Guido

Patrick J. Guido

June 25, 2021

Date

ASBURY AUTOMOTIVE GROUP, INC.:

/s/ Jed Milstein

Jed Milstein

Senior Vice President,
Chief Human Resources Officer

June 25, 2021

Date

**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
July 28, 2021

**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, William F. Stax, 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/ William F. Stax

William F. Stax

Interim Principal Financial Officer

July 28, 2021

**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 quarter ended June 30, 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

July 28, 2021

**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 quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William F. Stax, 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/ William F. Stax

William F Stax

Interim Principal Financial Officer

July 28, 2021