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, 2019

OR

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

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

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

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

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

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

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of July 30, 2019 was 19,348,289.

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, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9.6	$ 8.3
Contracts-in-transit	153.9	198.3
Accounts receivable, net	117.3	130.3
Inventories	1,100.8	1,067.6
Assets held for sale	19.5	26.3
Other current assets	128.4	122.2
Total current assets	1,529.5	1,553.0
PROPERTY AND EQUIPMENT, net	918.9	886.1
OPERATING LEASE RIGHT-OF-USE ASSETS	78.9	—
GOODWILL	213.2	181.2
INTANGIBLE FRANCHISE RIGHTS	65.8	65.8
OTHER LONG-TERM ASSETS	7.7	9.3
Total assets	$ 2,814.0	$ 2,695.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade, net	$ 123.8	$ 114.0
Floor plan notes payable—non-trade, net	794.9	852.1
Current maturities of long-term debt	38.4	38.8
Current maturities of operating leases	20.5	—
Accounts payable and accrued liabilities	295.0	298.4
Total current liabilities	1,272.6	1,303.3
LONG-TERM DEBT	871.2	866.5
OPERATING LEASE LIABILITIES	62.6	—
DEFERRED INCOME TAXES	20.7	21.7
OTHER LONG-TERM LIABILITIES	30.6	30.7
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; 41,140,077 and 41,065,069 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	577.8	572.9
Retained earnings	1,009.3	922.7
Treasury stock, at cost; 21,789,579 and 21,719,339 shares, respectively	(1,028.4)	(1,023.4)
Accumulated other comprehensive (loss) income	(2.8)	0.6
Total shareholders' equity	556.3	473.2
Total liabilities and shareholders' equity	$ 2,814.0	$ 2,695.4

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,	
	2019	2018	2019	2018
REVENUE:				
New vehicle	$ 965.2	$ 928.7	$ 1,837.0	$ 1,785.8
Used vehicle	533.6	516.9	1,043.5	1,001.5
Parts and service	224.5	204.5	442.1	403.8
Finance and insurance, net	80.2	73.5	151.7	141.7
TOTAL REVENUE	1,803.5	1,723.6	3,474.3	3,332.8
COST OF SALES:				
New vehicle	926.9	888.1	1,760.8	1,706.6
Used vehicle	497.7	482.8	973.1	933.9
Parts and service	83.9	74.9	166.2	149.1
TOTAL COST OF SALES	1,508.5	1,445.8	2,900.1	2,789.6
GROSS PROFIT	295.0	277.8	574.2	543.2
OPERATING EXPENSES:				
Selling, general, and administrative	200.7	190.6	391.7	374.8
Depreciation and amortization	9.0	8.5	17.6	16.7
Other operating expense (income), net	(0.6)	(0.9)	1.2	(1.1)
INCOME FROM OPERATIONS	85.9	79.6	163.7	152.8
OTHER EXPENSES (INCOME):				
Floor plan interest expense	10.5	8.0	20.7	14.6
Other interest expense, net	13.6	13.2	27.5	26.2
Swap interest expense	—	0.2	—	0.4
Gain on divestiture	(11.7)	—	(11.7)	—
Total other expenses, net	12.4	21.4	36.5	41.2
INCOME BEFORE INCOME TAXES	73.5	58.2	127.2	111.6
Income tax expense	18.6	15.0	31.4	28.3
NET INCOME	$ 54.9	$ 43.2	$ 95.8	$ 83.3
EARNINGS PER SHARE:				
Basic—				
Net income	$ 2.87	$ 2.13	$ 4.99	$ 4.08
Diluted—				
Net income	$ 2.84	$ 2.11	$ 4.96	$ 4.02
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	19.1	20.3	19.2	20.4
Restricted stock	0.1	0.1	0.0	0.1
Performance share units	0.1	0.1	0.1	0.2
Diluted	19.3	20.5	19.3	20.7

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,	
	2019	**2018**	**2019**	**2018**
Net income	$ 54.9	$ 43.2	$ 95.8	$ 83.3
Other comprehensive income:				
Change in fair value of cash flow swaps	(2.5)	1.2	(4.3)	4.0
Income tax expense (benefit) associated with cash flow swaps	0.6	(0.4)	1.1	(1.1)
Comprehensive income	$ 53.0	$ 44.0	$ 92.6	$ 86.2

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, 2018	41,065,069	$ 0.4	$ 572.9	$ 922.7	21,719,339	$ (1,023.4)	$ 0.6	$ 473.2
Comprehensive Income:								
Net income	—	$ —	$ —	$ 40.9	—	$ —	$ —	$ 40.9
Change in fair value of cash flow swaps, net of reclassification adjustment and $0.5 tax expense	—	$ —	$ —	$ —	—	$ —	$ (1.3)	$ (1.3)
Comprehensive income	—	$ —	$ —	$ 40.9	—	$ —	$ (1.3)	$ 39.6
Cumulative effect adjustment of ASU 2018-02	—	$ —	$ —	$ 0.2	—	$ —	$ (0.2)	$ —
Share-based compensation	—	$ —	$ 3.9	$ —	—	$ —	$ —	$ 3.9
Issuance of common stock, net of forfeitures in connection with share-based payment arrangements	238,078	$ —	$ —	$ —	—	$ —	$ —	$ —
Repurchase of common stock associated with net share settlement of employee share-based awards	—	$ —	$ —	$ —	66,912	$ (4.7)	$ —	$ (4.7)
Share repurchases	—	$ —	$ —	$ —	108,978	$ (7.4)	$ —	$ (7.4)
Retirement of previously repurchased common stock	(108,978)	$ —	$ (1.3)	$ (6.1)	(108,978)	$ 7.4	$ —	$ —
Balances, March 31, 2019	41,194,169	$ 0.4	$ 575.5	$ 957.7	21,786,251	$ (1,028.1)	$ (0.9)	$ 504.6
Comprehensive Income:								
Net income	—	$ —	$ —	$ 54.9	—	$ —	$ —	$ 54.9
Change in fair value of cash flow swaps, net of reclassification adjustment and $0.6 tax expense	—	$ —	$ —	$ —	—	$ —	$ (1.9)	$ (1.9)
Comprehensive income	—	$ —	$ —	$ 54.9	—	$ —	$ (1.9)	$ 53.0
Share-based compensation	—	$ —	$ 2.9			$ —	$ —	$ 2.9
Issuance of common stock, net of forfeitures in connection with share-based payment arrangements	(3,656)	$ —	$ —	$ —			$ —	$ —
Repurchase of common stock associated with net share settlement of employee share-based awards	—	$ —	$ —	$ —	3,328	$ (0.3)	$ —	$ (0.3)
Share repurchases	—	$ —	$ —	$ —	50,436	$ (3.9)	$ —	$ (3.9)
Retirement of previously repurchased common stock	(50,436)	$ —	$ (0.6)	$ (3.3)	(50,436)	$ 3.9	$ —	$ —
Balances, June 30, 2019	41,140,077	$ 0.4	$ 577.8	$ 1,009.3	21,789,579	$ (1,028.4)	$ (2.8)	$ 556.3

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount			Shares	Amount		
Balances, December 31, 2017	40,969,987	$ 0.4	$ 563.5	$ 750.3	20,156,962	$ (919.1)	$ (0.9)	$ 394.2
Comprehensive Income:								
Net income	—	$ —	$ —	$ 40.1	—	$ —	$ —	$ 40.1
Change in fair value of cash flow swaps, net of reclassification adjustment and $0.7 tax benefit	—	$ —	$ —	$ —	—	$ —	$ 2.1	$ 2.1
Comprehensive income	—	$ —	$ —	$ 40.1	—	$ —	$ 2.1	$ 42.2
Cumulative effect adjustment of ASU 2014-09	—	$ —	$ —	$ 9.2	—	$ —	$ —	$ 9.2
Share-based compensation	—	$ —	$ 3.2	$ —	—	$ —	$ —	$ 3.2
Issuance of common stock, net of forfeitures in connection with share-based payment arrangements	181,720	$ —	$ —	$ —	—	$ —	$ —	$ —
Repurchase of common stock associated with net share settlements of employee share-based awards	—	$ —	$ —	$ —	65,412	$ (4.4)	$ —	$ (4.4)
Share repurchases	—	$ —	$ —	$ —	296,822	$ (20.0)	$ —	$ (20.0)
Balances, March 31, 2018	41,151,707	$ 0.4	$ 566.7	$ 799.6	20,519,196	$ (943.5)	$ 1.2	$ 424.4
Comprehensive Income:								
Net income	—		$ —	$ 43.2	—	$ —	$ —	$ 43.2
Change in fair value of cash flow swaps, net of reclassification adjustment and $0.4 tax benefit	—	$ —	$ —	$ —	—	$ —	$ 0.8	$ 0.8
Comprehensive income	—	$ —	$ —	$ 43.2	—	$ —	$ 0.8	$ 44.0
Share-based compensation	—	$ —	$ 2.5			$ —	$ —	$ 2.5
Issuance of common stock, net of forfeitures in connection with share-based payment arrangements	12,877	$ —	$ —	$ —	—	$ —	$ —	$ —
Repurchase of common stock associated with net share settlements of employee share-based awards	—	$ —	$ —	$ —	3,519	$ (0.2)	$ —	$ (0.2)
Share repurchases	—	$ —	$ —	$ —	287,468	$ (20.2)	$ —	$ (20.2)
Balances, June 30, 2018	41,164,584	$ 0.4	$ 569.2	$ 842.8	20,810,183	$ (963.9)	$ 2.0	$ 450.5

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,	
	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 95.8	$ 83.3
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	17.6	16.7
Share-based compensation	6.8	5.7
Loaner vehicle amortization	11.8	11.2
Gain on divestiture	(11.7)	—
Change in right-of-use asset	9.3	—
Other adjustments, net	2.9	1.6
Changes in operating assets and liabilities, net of acquisitions and divestitures—		
Contracts-in-transit	44.4	48.1
Accounts receivable	12.9	16.8
Inventories	82.4	(25.8)
Other current assets	(90.5)	(96.8)
Floor plan notes payable—trade, net	(4.7)	0.8
Accounts payable and other current liabilities	(8.2)	(32.8)
Operating lease liabilities	(9.5)	—
Other long-term assets and liabilities, net	1.2	0.3
Net cash provided by operating activities	160.5	29.1
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures—excluding real estate	(15.5)	(12.2)
Capital expenditures—real estate	—	(17.6)
Purchases of previously leased real estate	(4.9)	—
Acquisitions	(118.5)	(91.3)
Divestiture	39.1	—
Proceeds from the sale of assets	7.5	2.0
Net cash used in investing activities	(92.3)	(119.1)
CASH FLOW FROM FINANCING ACTIVITIES:		
Floor plan borrowings—non-trade	2,044.9	2,240.5
Floor plan borrowings—acquisitions	47.7	22.7
Floor plan repayments—non-trade	(2,121.2)	(2,123.5)
Floor plan repayments—divestiture	(14.1)	—
Repayments of borrowings	(7.9)	(7.1)
Repurchases of common stock, including shares associated with net share settlement of employee share-based awards	(16.3)	(44.8)
Net cash (used in) provided by financing activities	(66.9)	87.8
Net increase (decrease) in cash and cash equivalents	1.3	(2.2)
CASH AND CASH EQUIVALENTS, beginning of period	8.3	4.7
CASH AND CASH EQUIVALENTS, end of period	$ 9.6	$ 2.5

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, 2019, we owned and operated 105 new vehicle franchises (86 dealership locations) representing 30 brands of automobiles and 24 collision repair centers in 17 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, 2019, our new vehicle revenue brand mix consisted of 45% imports, 33% luxury, and 22% 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;
- Gray-Daniels dealerships operating in the Jackson, Mississippi area;
- Hare and Estes dealerships operating in the Indianapolis, Indiana area;
- McDavid dealerships operating in metropolitan Austin, Dallas and Houston, Texas;
- Nalley dealerships operating in metropolitan Atlanta, Georgia; and
- Plaza dealerships operating in metropolitan St. Louis, Missouri.

Our operating results are generally subject to changes in the economic environment as well as seasonal variations. Historically, we have generated more revenue and operating income in the second, third, and fourth quarters than in the first quarter of the calendar year. Generally, the seasonal variations in our operations are caused by factors related to weather conditions, changes in manufacturer incentive programs, model changeovers, and consumer buying patterns, among other things.

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. and its wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

In the opinion of management, all adjustments, consisting only of normal, recurring adjustments, considered necessary for a fair presentation of the Condensed Consolidated Financial Statements as of June 30, 2019, and for the three and six months ended June 30, 2019 and 2018, have been included, unless otherwise indicated. The results of operations for the three and six months ended June 30, 2019 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, 2018.

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.

Revenue Recognition

Refer to Note 2 "Revenue Recognition" within the accompanying Condensed Consolidated Financial Statements.

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 on the accompanying 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 on the accompanying Consolidated Statements of Income, depending on the classification of the vehicle serviced. We maintain a reserve to eliminate the internal profit on vehicles that have not been sold.

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. 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 include assets and liabilities associated with pending dealership disposals, real estate not currently used in our operations that 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 on 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 on 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 Statement 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 "2016 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

Effective January 1, 2019, the Company adopted the new lease accounting guidance in Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) (“ASC 842”). Refer to Note 9 "Leases" within the accompanying Condensed Consolidated Financial Statements for additional information.

On January 1, 2019, the Company adopted ASU No. 2018-02, "Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("ASU 2018-02")." ASU 2018-02 allows entities to elect to reclassify the income tax effects resulting from the Tax Cuts and Jobs Act on items within accumulated other comprehensive income to retained earnings. During the first quarter of 2019, the Company elected to reclassify $0.2 million related to the change in deferred taxes associated with our cash flow hedges from accumulated other comprehensive income to retained earnings. This reclassification was recognized as a cumulative effect adjustment in the Condensed Consolidated Statements of Shareholders' Equity during the first quarter of 2019.

On January 1, 2019, the Company adopted ASU No. 2017-12, "Derivatives and Hedging" (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"). This update is intended to simplify hedge accounting by better aligning how an entity’s risk management activities and hedging relationships are presented in its financial statements and simplifies the application of hedge accounting guidance in certain situations. This update expands and refines hedge accounting for both non-financial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. For cash flow hedges existing at the adoption date, this update requires adoption on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the effective date and the amendments to presentation guidance and disclosure requirements are required to be adopted prospectively. The adoption of this update did not have a material impact on our Condensed Consolidated Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments- Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"), which requires an entity to assess impairment of its financial instruments based on its estimate of expected credit losses versus the current incurred loss model. The provisions of ASU 2016-13 are effective for fiscal years beginning after December 15, 2019. Entities are required to apply these changes through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. We plan to adopt ASU 2016-13 in 2020 and are currently evaluating the expected impact from adopting this update on our Consolidated Financial Statements.

2. REVENUE RECOGNITION

The Company satisfies performance obligations either over time or at a point in time as discussed in further detail below. 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, 2019 and 2018:

	For the Three Months Ended June 30,	
	2019	2018
	(In millions)	
Revenue:		
New vehicle	$ 965.2	$ 928.7
Used vehicle retail	486.6	470.9
Used vehicle wholesale	47.0	46.0
New and used vehicle	1,498.8	1,445.6
Sale of vehicle parts and accessories	36.1	34.3
Vehicle repair and maintenance services	188.4	170.2
Parts and services	224.5	204.5
Finance and insurance, net	80.2	73.5
Total revenue	1,803.5	$ 1,723.6

	For the Six Months Ended June 30,	
	2019	2018
	(In millions)	
Revenue:		
New vehicle	$ 1,837.0	$ 1,785.8
Used vehicle retail	944.8	906.7
Used vehicle wholesale	98.7	94.8
New and used vehicle	2,880.5	2,787.3
Sale of vehicle parts and accessories	73.0	68.1
Vehicle repair and maintenance services	369.1	335.7
Parts and services	442.1	403.8
Finance and insurance, net	151.7	141.7
Total revenue	$ 3,474.3	$ 3,332.8

New vehicle and used vehicle retail

Revenue from the sale of new and used vehicles (which excludes sales and other taxes) is recognized when the terms of the customer contract are satisfied which generally occurs with the signing of the sales contract and transfer of control of the vehicle to the customer. Costs associated with incidental items that are immaterial in the context of the contract are accrued at the time of sale.

Used vehicle wholesale

Proceeds from the sale of these vehicles are recognized in used vehicle revenue upon transfer of control to end-users at auction.

Sale of vehicle parts and accessories

The Company recognizes revenue upon transfer of control to the customer which occurs at a point in time. When the Company performs shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued for when the related revenue is recognized.

Vehicle repair and maintenance services

The Company provides vehicle repair and maintenance services to its customers pursuant to the terms and conditions included within the customer contract ("repair order"). Satisfaction of this performance obligation creates an asset with no alternative use for which an enforceable right to payment for performance to date exists within our contractual agreements. As such, the Company recognizes revenue over time as the Company satisfies its performance obligation. Additionally, the Company has determined that parts and labor are not individually distinct in the context of a repair order and therefore are treated as a single performance obligation.

Finance and Insurance, net

We receive commissions from third-party lending and insurance institutions for arranging customer financing and from the sale of vehicle service contracts, guaranteed auto protection (known as "GAP") insurance, and other insurance, to end-users. Finance and insurance commission revenue is recognized at the point of sale since our performance obligation is to arrange financing or facilitating the sale of a third party's products or services to our customers.

The Company's commission arrangements with third-party lenders and insurance administrators consists of fixed ("upfront") and variable consideration. Variable consideration includes commission charge backs ("chargebacks") in the event a contract is prepaid, defaulted upon, or terminated by the end-user. The Company reserves for future chargebacks based on historical chargeback experience and the termination provisions of the applicable contract and these reserves are established in the same period that the related revenue is recognized.

We also participate in future profits pursuant to retrospective commission arrangements, which meet the definition of variable consideration, for certain insurance products associated with a third-party portfolio. The Company estimates the amount of variable consideration to be included in the transaction price based on historical payment trends and further constrains the variable consideration such that it is probable that a significant reversal of previously recognized revenue will not occur. In making these assessments the Company considers the likelihood and magnitude of a potential reversal of revenue and updates its assessment when uncertainties associated with the constraint are removed.

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, 2019	$ 4.1	$ 10.6	$ 14.7
Transferred to receivables from contract assets recognized at the beginning of the period	(4.1)	(3.3)	(7.4)
Increases related to revenue recognized, inclusive of adjustments to constraint, during the period	4.4	3.3	7.7
Contract Assets (Current), March 31, 2019	$ 4.4	$ 10.6	$ 15.0
Transferred to receivables from contract assets recognized at the beginning of the period	(4.4)	(3.2)	(7.6)
Increases related to revenue recognized, inclusive of adjustments to constraint, during the period	4.8	4.6	9.4
Contract Assets (Current), June 30, 2019	4.8	12.0	16.8

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, at a dealership level, regarding the cash flows directly attributable to the franchise rights, revenue growth rates, future gross margins and future selling, general, and administrative expenses. Using an estimated weighted average cost of capital, estimated residual values at the end of the forecast period and estimated future capital expenditure requirements, the Company calculates the fair value of the franchise rights.

During the six months ended June 30, 2019, we acquired the assets of eight franchises (four dealership locations) in the Indianapolis, Indiana market for a purchase price of $121.0 million. We funded these acquisitions with $70.8 million of cash, $47.7 million of floor plan borrowings for the purchase of the related new vehicle inventory, and purchase price holdbacks of $2.5 million for potential indemnity claims made by us with respect to the acquired franchises.

Below is the preliminary allocation of purchase price for the acquisitions completed during the six months ended June 30, 2019. We have not finalized our valuation for manufacturer franchise rights, which will be reclassified from goodwill once completed. The goodwill and manufacturer rights associated with our acquisitions will be deductible for federal and state income tax purposes ratably over a 15 year period.

	As of June 30, 2019 (In millions)
Inventory	$ 58.1
Real estate	29.8
Property and equipment	1.8
Goodwill	32.1
Liabilities assumed	(0.8)
Total purchase price	$ 121.0

During the six months ended June 30, 2018, we acquired the assets of one franchise (one dealership location) in the Indianapolis, Indiana market and two franchises (two dealership locations) in the Atlanta, Georgia market for a combined purchase price of $93.2 million. We funded these acquisitions with $68.6 million of cash, $22.7 million of floor plan borrowings for the purchase of the related new vehicle inventory, and purchase price holdbacks of $1.9 million for potential indemnity claims made by us with respect to the acquired franchise.

During the six months ended June 30, 2019, we sold one franchise (one dealership location) and one collision center in the Houston, Texas market. The Company divested $30.1 million of assets, which primarily consisted of inventory and property and equipment, resulting in a pre-tax gain of $11.7 million, which is presented in our accompanying Condensed Consolidated Statements of Income as Gain on Divestiture. 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, 2019	December 31, 2018
	(In millions)	
Vehicle receivables	$ 45.3	$ 45.7
Manufacturer receivables	40.5	51.2
Other receivables	32.9	34.7
Total accounts receivable	118.7	131.6
Less—Allowance for doubtful accounts	(1.4)	(1.3)
Accounts receivable, net	$ 117.3	$ 130.3

5. INVENTORIES

Inventories consisted of the following:

	As of	
	June 30, 2019	December 31, 2018
	(In millions)	
New vehicles	$ 895.1	$ 867.2
Used vehicles	162.2	158.9
Parts and accessories	43.5	41.5
Total inventories	$ 1,100.8	$ 1,067.6

The lower of cost and net realizable value reserves reduced total inventories by $5.6 million and $6.1 million as of June 30, 2019 and December 31, 2018, respectively. As of June 30, 2019 and December 31, 2018, certain automobile manufacturer incentives reduced new vehicle inventory cost by $11.2 million and $10.1 million, respectively, and reduced new vehicle cost of sales for the six months ended June 30, 2019 and 2018 by $21.8 million and $19.7 million, respectively.

6. ASSETS AND LIABILITIES HELD FOR SALE

Assets classified as held for sale consists of real estate not currently used in our operations that we are actively marketing to sell totaling $19.5 million and $26.3 million as of June 30, 2019 and December 31, 2018, respectively. There were no liabilities associated with these properties as of June 30, 2019 or December 31, 2018.

During the six months ended June 30, 2019, we sold one vacant property with a net book value of $6.8 million.

7. FLOOR PLAN NOTES PAYABLE

Floor plan notes payable consisted of the following:

	As of	
	June 30, 2019	December 31, 2018
	(In millions)	
Floor plan notes payable—trade	$ 137.0	$ 125.3
Floor plan notes payable offset account	(13.2)	(11.3)
Floor plan notes payable—trade, net	$ 123.8	$ 114.0
Floor plan notes payable—new non-trade	$ 869.1	$ 843.0
Floor plan notes payable—used non-trade	—	30.0
Floor plan notes payable offset account	(74.2)	(20.9)
Floor plan notes payable—non-trade, net	$ 794.9	$ 852.1

We have established a floor plan notes payable offset account with Ford Motor Credit Company that allows us to transfer cash to the account as an offset of our outstanding Floor Plan Notes Payable—Trade. Additionally, we have a similar floor plan offset account with Bank of America that allows us to offset our outstanding 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 floor plan offset accounts into our operating cash accounts within one to two days. As of June 30, 2019 and December 31, 2018, we had $87.4 million and $32.2 million, respectively, in these floor plan offset accounts.

8. LONG-TERM DEBT

Long-term debt consisted of the following:

	As of	
	June 30, 2019	December 31, 2018
	(In millions)	
6.0% Senior Subordinated Notes due 2024	$ 600.0	$ 600.0
Mortgage notes payable bearing interest at fixed rates	128.9	132.2
2018 Bank of America Facility	25.0	25.7
2018 Wells Fargo Master Loan Facility	25.0	25.0
Prior real estate credit agreement	36.8	40.8
Restated master loan agreement	80.7	83.3
Finance lease liability	17.5	3.1
Total debt outstanding	913.9	910.1
Add—unamortized premium on 6.0% Senior Subordinated Notes due 2024	5.6	6.0
Less—debt issuance costs	(9.9)	(10.8)
Long-term debt, including current portion	909.6	905.3
Less—current portion, net of current portion of debt issuance costs	(38.4)	(38.8)
Long-term debt	$ 871.2	$ 866.5

We are a holding company with no independent assets or operations. For all relevant periods presented, our 6.0% Senior Subordinated Notes due 2024 (our "6.0% Notes") 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, 2019, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

Effective May 1, 2019, the Company and certain of its subsidiaries entered into amendments (the “2019 Amendments”), which reduced the applicable interest rates for the 2018 Bank of America Facility and the Prior Real Estate Credit Agreement. The 2019 Amendments did not have a material impact on our Condensed Consolidated Financial Statements.

9. LEASES

Effective January 1, 2019, the Company adopted the new lease accounting guidance in ASC 842. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record an ROU asset and a lease liability on the balance sheet for all leases with terms in excess of 12 months. Leases will be classified as either finance or operating, with classification impacting the pattern of expense recognition in the income statement.

The Company elected the package of practical expedients permitted in ASC 842. Accordingly, the Company accounted for its existing operating leases as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC 842, (b) whether classification of the operating lease would be different in accordance with ASC 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2018) would have met the definition of initial direct costs in ASC 842 at lease commencement. In addition, the Company opted for the transition relief method specified in Accounting Standards Update No. 2018-11, which allowed for the effective date of the new leases standard as the date of initial application on transition. As a result of this election the Company (a) did not adjust comparative period financial information for the effects of ASC 842; (b) made the new required lease disclosures for periods after the effective date; and (c) carried forward our ASC 840 disclosures for comparative periods. As a result of the adoption of ASC 842, the Company recorded a right-of-use asset of $86.9 million, which represents the lease liability reduced for deferred rent amounts of $4.4 million and a lease liability of $91.3 million which represents the present value of remaining lease payments, discounted using the Company’s incremental borrowing rates based on the remaining lease terms.

We lease real estate and equipment primarily under operating lease agreements. For leases with terms in excess of 12 months, we record a right-of-use asset and lease liability based on the present value of lease payments over the lease term. Escalation clauses, lease payments dependent on existing rates/indexes, renewal options, and purchase options are included within the determination of lease payments when appropriate. We have elected the practical expedient not to separate lease and non-lease components for all leases that qualify, except for information technology assets that are embedded within service agreements (such as software license arrangements).

When available, the rate implicit is utilized to discount lease payments to present value; however, substantially all of our leases do not provide a readily determinable implicit rate. Therefore, we estimate our incremental borrowing rate to discount the lease payments based on information available at lease commencement.

Balance Sheet Presentation

Leases	Classification		As of June 30, 2019
			(In millions)
Assets:			
Operating	Operating lease right-of-use assets	$	78.9
Finance	Property and equipment, net		14.6
Total right-of-use assets		$	93.5
Liabilities:			
Current			
Operating	Current maturities of operating leases	$	20.5
Finance	Current maturities of long-term debt		0.6
Non-Current			
Operating	Operating lease liabilities		62.6
Finance	Long-term debt		16.9
Total lease liabilities		$	100.6

Lease Term and Discount Rate

	As of June 30, 2019
Weighted Average Lease Term - Operating Leases	5.9 years
Weighted Average Lease Term - Finance Lease	1.8 years
Weighted Average Discount Rate - Operating Leases	4.7%
Weighted Average Discount Rate - Finance Lease	4.1%

Lease Costs

The following table provides certain information related to the lease costs for finance and operating leases during the three and six months ended June 30, 2019.

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
	(In millions)	
Finance lease cost		
Interest	$ 0.2	$ 0.3
Operating lease cost	5.9	11.4
Short-term lease cost	0.7	1.7
Variable lease cost	0.2	0.4
	$ 7.0	$ 13.8

Supplemental Cash Flow Information

The following table presents supplemental cash flow information for leases during the three and six months ended June 30, 2019.

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
	(In millions)	
Supplemental Cash Flow:		
Cash paid for amounts included in the measurements of lease liabilities		
Operating cash flows from finance lease	$ 0.2	$ 0.3
Operating cash flows from operating leases	6.0	11.6
Financing cash flows from finance lease	0.1	0.2
Right-of-use assets obtained in exchange for new finance lease liabilities	—	17.7
Right-of-use assets obtained in exchange for new operating lease liabilities	10.5	10.7
Changes to finance lease right-of-use asset resulting from lease reassessment event	—	(3.1)

During the three months ended March 31, 2019, we reassessed and remeasured an existing real estate lease, which was previously accounted for as an operating lease and finance lease for the land and building elements, respectively, due to the presence of a purchase price option which we concluded we are now reasonably certain to exercise. As reflected within the table above, we reduced a portion of the new finance lease right-of-use asset based on the existing finance lease liability at the time of remeasurement.

Undiscounted Cash Flow

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the finance lease liabilities and operating lease liabilities as of June 30, 2019.

	Finance	Operating
	(In millions)	
2019 (remaining six months)	$ 0.6	$ 11.9
2020	1.3	23.5
2021	16.7	20.4
2022	—	15.0
2023	—	7.0
Thereafter	—	19.7
Total minimum lease payments	18.6	97.5
Less: amount of lease payments representing interest	(1.1)	(14.4)
Present value of future minimum lease payments	17.5	83.1
Less: current obligations under leases	(0.6)	(20.5)
Long-term lease obligation	$ 16.9	$ 62.6

Future minimum payments under non-cancelable leases with initial terms in excess of one year at December 31, 2018, are as follows:

	Capital	Operating
	(In millions)	
2019	$ 0.4	$ 22.5
2020	0.4	22.2
2021	0.4	19.2
2022	0.4	14.0
2023	0.4	6.0
Thereafter	2.8	25.5
Total minimum lease payments	4.8	109.4
Less: Amounts representing interest	(1.7)	N/A
Total minimum lease payments excluding interest	$ 3.1	$ 109.4

Certain of our lease agreements include financial covenants and incorporate by reference the financial covenants set forth in the 2016 Senior Credit Facility. A breach of any of these covenants could immediately give rise to certain landlord remedies under our various lease agreements, the most severe of which include the following: (i) termination of the applicable lease and/or other leases with the same or an affiliated landlord under a cross-default provision, (ii) eviction from the premises; and (iii) the landlord having a claim for various damages.

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 assumptions 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 6.0% Notes and our mortgage notes payable is as follows:

	As of	
	June 30, 2019	December 31, 2018
	(In millions)	
Carrying Value:		
6.0% Senior Subordinated Notes due 2024	$ 605.6	$ 606.0
Mortgage notes payable	296.4	307.0
Total carrying value	$ 902.0	$ 913.0
Fair Value:		
6.0% Senior Subordinated Notes due 2024	$ 622.5	$ 570.0
Mortgage notes payable	304.9	306.7
Total fair value	$ 927.4	$ 876.7

Interest Rate Swap Agreements

In June 2015, we entered into an interest rate swap agreement with a notional principal amount of $100.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month London Interbank Offered Rate ("LIBOR"), through maturity in February 2025. The notional value of this swap was $82.5 million as of June 30, 2019 and is reducing over its remaining term to $53.1 million at maturity.

In November 2013, we entered into an interest rate swap agreement with a notional principal amount of $75.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR, through maturity in September 2023. The notional value of this swap was $54.6 million as of June 30, 2019 and is reducing over its remaining term to $38.7 million at maturity.

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 $3.7 million liability as of June 30, 2019 and a $0.6 million asset as of December 31, 2018.

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, 2019	December 31, 2018
	(In millions)	
Other current liabilities/(assets)	$ 0.6	$ (0.2)
Other long-term liabilities/(assets)	3.1	(0.4)
Total fair value	$ 3.7	$ (0.6)

Both of 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 on 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
2019	$ (2.5)	Other interest expense, net	$ 0.1
2018	$ 1.0	Swap interest expense	$ (0.2)

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
2019	$ (4.3)	Other interest expense, net	$ 0.1
2018	$ 3.6	Swap interest expense	$ (0.4)

On the basis of yield curve conditions as of June 30, 2019 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 $0.6 million.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the six months ended June 30, 2019 and 2018, we made interest payments, including amounts capitalized, totaling $47.3 million and $39.8 million, respectively. Included in these interest payments are $20.8 million and $14.0 million, of floor plan interest payments during the six months ended June 30, 2019 and 2018, respectively.

During the six months ended June 30, 2019 and 2018, we made income tax payments, net of refunds received, totaling $27.6 million and $27.3 million, respectively.

During the six months ended June 30, 2019 and 2018, we transferred $72.5 million and $92.4 million, respectively, of loaner vehicles from Other Current Assets to Inventories on our Condensed Consolidated Balance Sheets.

12. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

We had $12.7 million of letters of credit outstanding as of June 30, 2019, which are required by certain of our insurance providers. In addition, as of June 30, 2019, we maintained a $5.0 million surety bond line in the ordinary course of our business. 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.

13. SUBSEQUENT EVENTS

On July 29, 2019, the Company closed on the acquisition of one store in the Indianapolis market, increasing our total stores in this market to eight.

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:

- our ability to execute our business strategy;
- the seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S.;
- our ability to further improve our operating cash flows, and the availability of capital and liquidity;
- our estimated future capital expenditures;
- general economic conditions and its impact on our revenues and expenses;
- our parts and service revenue due to, among other things, improvements in vehicle technology;
- the variable nature of significant components of our cost structure;
- our ability to limit our exposure to regional economic downturns due to our geographic diversity and brand mix;
- manufacturers' willingness to continue to use incentive programs to drive demand for their product offerings;
- our ability to leverage our common systems, infrastructure and processes in a cost-efficient manner;
- our capital allocation strategy, including as it relates to acquisitions and divestitures, stock repurchases, dividends and capital expenditures;
- the continued availability of financing, including floor plan financing for inventory;
- the ability of consumers to secure vehicle financing at favorable rates;
- the growth of the brands that comprise our portfolio over the long-term;
- our ability to mitigate any future negative trends in new vehicle sales; and
- our ability to increase our cash flow and net income as a result of the foregoing and other factors.

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:

- changes in general economic and business conditions, including changes in employment levels, consumer demand, preferences and confidence levels, the availability and cost of credit, fuel prices, levels of discretionary personal income and interest rates;
- our ability to execute our balanced automotive retailing and service business strategy;
- 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 management information systems or any security breaches;
- changes in laws and regulations governing the operation of automobile franchises, including 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 generate sufficient cash flows, maintain our liquidity and obtain any necessary additional funds for working capital, capital expenditures, acquisitions, stock repurchases and/or dividends, debt maturity payments, and other corporate purposes;
- 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;
- significant disruptions in the production and delivery of vehicles and parts for any reason, including natural disasters, product recalls, work stoppages, significant property loss or other occurrences that are outside of our control;
- our ability to execute our initiatives and other strategies; and
- our ability to leverage gains from our dealership portfolio.

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" in our Annual Report on Form 10-K for the year ended December 31, 2018 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 they are made, and 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, 2019 we owned and operated 105 new vehicle franchises (86 dealership locations), representing 30 brands of automobiles and 24 collision centers in 17 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, 2019, our new vehicle revenue brand mix consisted of 45% imports, 33% luxury, and 22% 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;
- Gray-Daniels dealerships operating in the Jackson, Mississippi area;
- Hare and Estes dealerships operating in the Indianapolis, Indiana area;
- McDavid dealerships operating in metropolitan Austin, Dallas and Houston, Texas;
- Nalley dealerships operating in metropolitan Atlanta, Georgia; and
- Plaza dealerships operating in metropolitan St. Louis, Missouri.

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 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. Additionally, 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 and may include manufacturer imposed stop-sales or open safety recalls, primarily due to, but not limited to, vehicle safety concerns or a vehicle's failure to meet environmental related requirements. Further, governmental actions, such as changes in, or the imposition of, tariffs or trade restrictions on imported goods, may adversely affect vehicle sales and depress demand. However, we believe that the impact on our business of any future negative trends in new vehicle sales would be partially mitigated by (i) the expected relative stability of our parts and service operations over the long-term, (ii) the variable nature of significant components of our cost structure, and (iii) 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, 2019 was 17.0 million compared to 17.3 million during the three months ended June 30, 2018. The automotive retail business continues to benefit from the availability of credit to consumers, strong consumer confidence and historically low unemployment levels. Demand for new vehicles is generally highest during the second, third, and fourth quarters of each year and, accordingly, we expect our revenues to generally be higher during these periods. We typically experience higher sales of luxury vehicles in the fourth quarter, which have higher average selling prices and gross profit per vehicle retailed. Revenues and operating results may be impacted significantly from quarter-to-quarter by changing economic conditions, vehicle manufacturer incentive programs, adverse weather events, or other developments outside our control.

Our gross profit margin varies with our revenue mix. Sales of new vehicles generally result 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.

We had total available liquidity of $448.0 million as of June 30, 2019, which consisted of cash and cash equivalents of $9.6 million, $87.4 million of funds in our floor plan offset accounts, $187.5 million of availability under our new vehicle floorplan facility that is able to be re-designated to our revolving credit facility, $47.3 million of availability under our revolving credit facility, and $116.2 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.

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RESULTS OF OPERATIONS

Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except per share data)			
REVENUE:				
New vehicle	$ 965.2	$ 928.7	$ 36.5	4 %
Used vehicle	533.6	516.9	16.7	3 %
Parts and service	224.5	204.5	20.0	10 %
Finance and insurance, net	80.2	73.5	6.7	9 %
TOTAL REVENUE	1,803.5	1,723.6	79.9	5 %
GROSS PROFIT:				
New vehicle	38.3	40.6	(2.3)	(6)%
Used vehicle	35.9	34.1	1.8	5 %
Parts and service	140.6	129.6	11.0	8 %
Finance and insurance, net	80.2	73.5	6.7	9 %
TOTAL GROSS PROFIT	295.0	277.8	17.2	6 %
OPERATING EXPENSES:				
Selling, general, and administrative	200.7	190.6	10.1	5 %
Depreciation and amortization	9.0	8.5	0.5	6 %
Other operating (income) expenses, net	(0.6)	(0.9)	0.3	33 %
INCOME FROM OPERATIONS	85.9	79.6	6.3	8 %
OTHER EXPENSES (INCOME):				
Floor plan interest expense	10.5	8.0	2.5	31 %
Other interest expense, net	13.6	13.2	0.4	3 %
Swap interest expense	—	0.2	(0.2)	(100)%
Gain on divestiture	(11.7)	—	(11.7)	NM
Total other expenses, net	12.4	21.4	(9.0)	(42)%
INCOME BEFORE INCOME TAXES	73.5	58.2	15.3	26 %
Income tax expense	18.6	15.0	3.6	24 %
NET INCOME	$ 54.9	$ 43.2	$ 11.7	27 %
Net income per common share—Diluted	$ 2.84	$ 2.11	$ 0.73	35 %

NM—Not Meaningful

	For the Three Months Ended June 30,	
	2019	2018
REVENUE MIX PERCENTAGES:		
New vehicle	53.5%	53.9%
Used vehicle retail	27.1%	27.2%
Used vehicle wholesale	2.6%	2.7%
Parts and service	12.4%	11.9%
Finance and insurance, net	4.4%	4.3%
Total revenue	100.0%	100.0%
GROSS PROFIT MIX PERCENTAGES:		
New vehicle	13.0%	14.6%
Used vehicle retail	11.7%	12.0%
Used vehicle wholesale	0.4%	0.2%
Parts and service	47.7%	46.7%
Finance and insurance, net	27.2%	26.5%
Total gross profit	100.0%	100.0%
GROSS PROFIT MARGIN	16.4%	16.1%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	68.0%	68.6%

Total revenue during the second quarter of 2019 increased by $79.9 million (5%) compared to the second quarter of 2018, due to a $36.5 million (4%) increase in new vehicle revenue, a $16.7 million (3%) increase in used vehicle revenue, a $20.0 million (10%) increase in parts and service revenue, and a $6.7 million (9%) increase in F&I, net revenue. During the three months ended June 30, 2019, gross profit increased by $17.2 million (6%) driven by an $11.0 million (8%) increase in parts and service gross profit, a $6.7 million (9%) increase in F&I gross profit, and a $1.8 million (5%) increase in used vehicle gross profit, partially offset by a $2.3 million (6%) decrease in new vehicle gross profit.

Income from operations during the second quarter of 2019 increased by $6.3 million (8%) compared to the second quarter of 2018, primarily due to the $17.2 million (6%) increase in gross profit, partially offset by a $10.1 million (5%) increase in SG&A expense, a $0.5 million (6%) increase in depreciation and amortization expenses and a $0.3 million decrease in other operating (income) expenses, net. Total other expenses, net decreased by $9.0 million (42%), primarily due to the $11.7 million gain on divestiture, partially offset by a $2.5 million (31%) increase in floor plan interest expense and a $0.4 million (3%) increase in other interest expense, net during the second quarter of 2019. As a result, income before income taxes increased $15.3 million (26%). Overall, net income increased by $11.7 million (27%) during the second quarter of 2019 as compared to the second quarter of 2018.

On January 1, 2019, we adopted ASC 842, utilizing the optional transition relief method, which allowed for the effective date of the new leases standard as the date of initial application. Our prior period comparative information has not been adjusted and continues to be reported under accounting standards in effect for those periods. The adoption of this accounting standard had a minimal impact on the financial results of the Company for the three months ended June 30, 2019. For additional information related to the impacts from the adoption of this update, please refer to Note 9 "Leases" within the accompanying Condensed Consolidated Financial Statements.

On January 1, 2019, the Company adopted ASU 2017-12. This update aligns the recognition and presentation, which are to be applied prospectively, of the effects of the hedging instrument and the hedged item in the financial statements. As a result of the adoption of this update, the Company's swap interest expense is now presented within other interest expense, net. Please refer to Note 10 "Financial Instruments and Fair Value" within the accompanying Condensed Consolidated Financial Statements for additional details regarding the Company's interest rate swap agreements.

We assess the organic growth of our revenue and gross profit on a same store basis. We believe that our assessment on a same store basis represents an important indicator of comparative financial performance and provides relevant information to assess our performance. As such, for the following discussion, same store amounts consist of information from dealerships for identical months in each comparative period, commencing with the first full month we owned the dealership. Additionally, amounts related to divested dealerships are excluded from each comparative period.

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New Vehicle—

	For the Three Months Ended June 30,			
	2019	2018	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Luxury	$ 316.3	$ 299.9	$ 16.4	5 %
Import	429.2	435.6	(6.4)	(1)%
Domestic	219.7	193.2	26.5	14 %
Total new vehicle revenue	$ 965.2	$ 928.7	$ 36.5	4 %
Gross profit:				
Luxury	$ 19.2	$ 19.4	$ (0.2)	(1)%
Import	9.5	12.5	(3.0)	(24)%
Domestic	9.6	8.7	0.9	10 %
Total new vehicle gross profit	$ 38.3	$ 40.6	$ (2.3)	(6)%
New vehicle units:				
Luxury	5,746	5,590	156	3 %
Import	15,256	15,478	(222)	(1)%
Domestic	5,447	5,001	446	9 %
Total new vehicle units	26,449	26,069	380	1 %
Same Store:				
Revenue:				
Luxury	$ 315.1	$ 299.9	$ 15.2	5 %
Import	423.3	423.8	(0.5)	— %
Domestic	181.4	193.2	(11.8)	(6)%
Total new vehicle revenue	$ 919.8	$ 916.9	$ 2.9	— %
Gross profit:				
Luxury	$ 19.2	$ 19.4	$ (0.2)	(1)%
Import	9.5	12.0	(2.5)	(21)%
Domestic	7.6	8.7	(1.1)	(13)%
Total new vehicle gross profit	$ 36.3	$ 40.1	$ (3.8)	(9)%
New vehicle units				
Luxury	5,719	5,590	129	2 %
Import	15,031	15,053	(22)	— %
Domestic	4,483	5,001	(518)	(10)%
Total new vehicle units	25,233	25,644	(411)	(2)%

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New Vehicle Metrics—

	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	Increase (Decrease)	% Change
As Reported:				
Revenue per new vehicle sold	$ 36,493	$ 35,625	$ 868	2 %
Gross profit per new vehicle sold	$ 1,448	$ 1,557	$ (109)	(7)%
New vehicle gross margin	4.0%	4.4%	(0.4)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,341	$ 3,470	$ (129)	(4)%
New vehicle gross margin	6.1%	6.5%	(0.4)%	
Import:				
Gross profit per new vehicle sold	$ 623	$ 808	$ (185)	(23)%
New vehicle gross margin	2.2%	2.9%	(0.7)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,762	$ 1,740	$ 22	1 %
New vehicle gross margin	4.4%	4.5%	(0.1)%	
Same Store:				
Revenue per new vehicle sold	$ 36,452	$ 35,755	$ 697	2 %
Gross profit per new vehicle sold	$ 1,439	$ 1,564	$ (125)	(8)%
New vehicle gross margin	3.9%	4.4%	(0.5)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,357	$ 3,470	$ (113)	(3)%
New vehicle gross margin	6.1%	6.5%	(0.4)%	
Import:				
Gross profit per new vehicle sold	$ 632	$ 797	$ (165)	(21)%
New vehicle gross margin	2.2%	2.8%	(0.6)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,695	$ 1,740	$ (45)	(3)%
New vehicle gross margin	4.2%	4.5%	(0.3)%	

New vehicle revenue increased by $36.5 million (4%) due to a $26.5 million (14%) increase in domestic brands revenue, a $16.4 million (5%) increase in luxury brands revenue, partially offset by a $6.4 million (1%) decrease in import brands revenue. The 4% increase in new vehicle revenue is the result of an increase in new vehicle units sold, coupled with a 2% increase in revenue per new vehicle sold. Same store new vehicle revenue increased by $2.9 million (0%) due to a $15.2 million (5%) increase in luxury brands revenue, partially offset by an $11.8 million (6%) decrease in domestic brands revenue and a $0.5 million (0%) decrease in import brands.

New vehicle gross profit and same store new vehicle gross profit decreased by $2.3 million (6)% and $3.8 million (9)%, respectively, for the three months ended June 30, 2019. Same store new vehicle gross profit margin for the three months ended June 30, 2019 decreased by 50 basis points to 3.9%. The decrease in our same store gross profit margin was primarily attributable to margin pressures among our import brands due in part to the inability to achieve aggressive sales and marketing targets set by certain manufacturers.

We ended the quarter with approximately 86 days of supply of new vehicle inventory which is greater than our target of 70 - 75 days.

Used Vehicle—

	For the Three Months Ended June 30,		Increase	%
	2019	2018	(Decrease)	Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Used vehicle retail revenue	$ 486.6	$ 470.9	$ 15.7	3 %
Used vehicle wholesale revenue	47.0	46.0	1.0	2 %
Used vehicle revenue	$ 533.6	$ 516.9	$ 16.7	3 %
Gross profit:				
Used vehicle retail gross profit	$ 34.7	$ 33.6	$ 1.1	3 %
Used vehicle wholesale gross profit	1.2	0.5	0.7	140 %
Used vehicle gross profit	$ 35.9	$ 34.1	$ 1.8	5 %
Used vehicle retail units:				
Used vehicle retail units	22,259	21,685	574	3 %
Same Store:				
Revenue:				
Used vehicle retail revenue	$ 465.2	$ 462.5	$ 2.7	1 %
Used vehicle wholesale revenue	45.3	44.9	0.4	1 %
Used vehicle revenue	$ 510.5	$ 507.4	$ 3.1	1 %
Gross profit:				
Used vehicle retail gross profit	$ 32.9	$ 33.3	$ (0.4)	(1)%
Used vehicle wholesale gross profit	1.2	0.5	0.7	140 %
Used vehicle gross profit	$ 34.1	$ 33.8	$ 0.3	1 %
Used vehicle retail units:				
Used vehicle retail units	21,176	21,252	(76)	— %

Used Vehicle Metrics—

	For the Three Months Ended June 30,		Increase	%
	2019	2018	(Decrease)	Change
As Reported:				
Revenue per used vehicle retailed	$ 21,861	$ 21,715	$ 146	1 %
Gross profit per used vehicle retailed	$ 1,559	$ 1,549	$ 10	1 %
Used vehicle retail gross margin	7.1%	7.1%	— %	
Same Store:				
Revenue per used vehicle retailed	$ 21,968	$ 21,763	$ 205	1 %
Gross profit per used vehicle retailed	$ 1,554	$ 1,567	$ (13)	(1)%
Used vehicle retail gross margin	7.1%	7.2%	(0.1)%	

Used vehicle revenue increased by $16.7 million (3%) due to a $15.7 million (3%) increase in used vehicle retail revenue and a $1.0 million (2%) increase in used vehicle wholesale revenue. Same store used vehicle revenue increased by $3.1 million (1%) due to a $2.7 million (1%) increase in used vehicle retail revenue and a $0.4 million (1%) increase in used vehicle wholesale revenue.

For the three months ended June 30, 2019, both total Company and same store used vehicle retail gross profit margins were consistent with the prior comparable period.

We believe that our used vehicle inventory continues to be well-aligned with current customer demand, with approximately 33 days of supply in our inventory as of June 30, 2019.

Parts and Service—

	For the Three Months Ended June 30, 2019	For the Three Months Ended June 30, 2018	Increase (Decrease)	% Change
	(Dollars in millions)			
As Reported:				
Parts and service revenue	$ 224.5	$ 204.5	$ 20.0	10%
Parts and service gross profit:				
Customer pay	79.8	74.2	5.6	8%
Warranty	22.3	18.3	4.0	22%
Wholesale parts	5.8	5.5	0.3	5%
Parts and service gross profit, excluding reconditioning and preparation	$ 107.9	$ 98.0	$ 9.9	10%
Parts and service gross margin, excluding reconditioning and preparation	48.1%	47.9%	0.2%	
Reconditioning and preparation *	$ 32.7	$ 31.6	$ 1.1	3%
Total parts and service gross profit	$ 140.6	$ 129.6	$ 11.0	8%
Same Store:				
Parts and service revenue	$ 217.5	$ 201.8	$ 15.7	8%
Parts and service gross profit:				
Customer pay	77.2	73.3	3.9	5%
Warranty	21.6	18.2	3.4	19%
Wholesale parts	5.7	5.4	0.3	6%
Parts and service gross profit, excluding reconditioning and preparation	$ 104.5	$ 96.9	$ 7.6	8%
Parts and service gross margin, excluding reconditioning and preparation	48.0%	48.0%	—%	
Reconditioning and preparation *	$ 31.3	$ 31.0	$ 0.3	1%
Total parts and service gross profit	$ 135.8	$ 127.9	$ 7.9	6%

* *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 on the accompanying Condensed Consolidated Statements of Income upon the sale of the vehicle.*

The $20.0 million (10%) increase in parts and service revenue was due to an $11.7 million (8%) increase in customer pay revenue, a $6.7 million (19%) increase in warranty revenue, and a $1.6 million (5%) increase in wholesale parts revenue. Same store parts and service revenue increased by $15.7 million (8%) to $217.5 million during the three months ended June 30, 2019 from $201.8 million during the three months ended June 30, 2018. The increase in same store parts and service revenue was due to an $8.6 million (6%) increase in customer pay revenue, a $5.7 million (16%) increase in warranty revenue, and a $1.4 million (5%) increase in wholesale parts revenue

Parts and service gross profit, excluding reconditioning and preparation, increased by $9.9 million (10%) to $107.9 million and same store parts and service gross profit, excluding reconditioning and preparation, increased by $7.6 million (8%) to $104.5 million. We continue to focus on increasing our customer pay parts and service revenue over the long-term by upgrading equipment, improving the customer experience, and capitalizing on our dealership training programs. Further, we have recently enhanced our technicians benefit package with the goal of improving retention and attracting new technicians in order to further grow the business.

Finance and Insurance, net—

	For the Three Months Ended June 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Finance and insurance, net	$ 80.2	$ 73.5	$ 6.7	9%
Finance and insurance, net per vehicle sold	$ 1,647	$ 1,539	$ 108	7%
Same Store:				
Finance and insurance, net	$ 77.0	$ 71.8	$ 5.2	7%
Finance and insurance, net per vehicle sold	$ 1,659	$ 1,531	$ 128	8%

Finance and insurance ("F&I"), net revenue increased by $6.7 million (9%) during the second quarter of 2019 as compared to the second quarter of 2018 and same store F&I, net revenue increased by $5.2 million (7%) over the same period. We continued to benefit from a favorable consumer lending environment, which allowed more of our customers to take advantage of a broader array of F&I products and our continued focus on improving F&I results at our lower-performing stores through our F&I training programs. In addition, during the second quarter of 2019, the Company recognized additional retrospective commissions as a result of favorable payment trends, which contributed approximately $28 of F&I income per retail vehicle sale.

Selling, General, and Administrative Expense—

	For the Three Months Ended June 30,				Increase (Decrease)	% of Gross Profit Increase (Decrease)
	2019	% of Gross Profit	2018	% of Gross Profit		
	(Dollars in millions)					
As Reported:						
Personnel costs	$ 94.7	32.1%	$ 90.2	32.5%	$ 4.5	(0.4)%
Sales compensation	30.9	10.5%	29.6	10.7%	1.3	(0.2)%
Share-based compensation	2.9	1.0%	2.5	0.9%	0.4	0.1 %
Outside services	20.9	7.1%	20.2	7.3%	0.7	(0.2)%
Advertising	9.8	3.3%	8.3	3.0%	1.5	0.3 %
Rent	6.8	2.3%	6.3	2.3%	0.5	— %
Utilities	3.8	1.3%	4.1	1.5%	(0.3)	(0.2)%
Insurance	4.3	1.5%	5.2	1.9%	(0.9)	(0.4)%
Other	26.6	8.9%	24.2	8.5%	2.4	0.4 %
Selling, general, and administrative expense	$ 200.7	68.0%	$ 190.6	68.6%	$ 10.1	(0.6)%
Gross profit	$ 295.0		$ 277.8			
Same Store:						
Personnel costs	$ 91.1	32.2%	$ 88.9	32.5%	$ 2.2	(0.3)%
Sales compensation	29.5	10.4%	28.9	10.6%	0.6	(0.2)%
Share-based compensation	2.9	1.0%	2.5	0.9%	0.4	0.1 %
Outside services	19.9	7.0%	19.8	7.2%	0.1	(0.2)%
Advertising	8.7	3.1%	8.1	3.0%	0.6	0.1 %
Rent	6.7	2.4%	6.3	2.3%	0.4	0.1 %
Utilities	3.7	1.3%	4.0	1.5%	(0.3)	(0.2)%
Insurance	4.0	1.4%	5.1	1.9%	(1.1)	(0.5)%
Other	25.6	9.0%	23.7	8.6%	1.9	0.4 %
Selling, general, and administrative expense	$ 192.1	67.8%	$ 187.3	68.5%	$ 4.8	(0.7)%
Gross profit	$ 283.2		$ 273.6			

SG&A expense as a percentage of gross profit decreased 60 basis points from 68.6% for the second quarter of 2018 to 68.0% for the second quarter of 2019. Same store SG&A expense as a percentage of gross profit decreased 70 basis points, from 68.5% for the second quarter of 2018 to 67.8% over the same period. On both a total Company and same store basis, the Company benefited from decreases in personnel and insurance expense as a percentage of gross profit. Insurance expense was higher in the second quarter of 2018 primarily as a result of property damage caused by weather related events.

Floor Plan Interest Expense —

Floor plan interest expense increased by $2.5 million (31%) to $10.5 million during the three months ended June 30, 2019 compared to $8.0 million for the three months ended June 30, 2018, primarily due to higher new vehicle inventory levels and interest rates.

Income Tax Expense —

The $3.6 million (24%) increase in income tax expense was the result of a $15.3 million (26%) increase in income before income taxes, partially offset by a lower estimated annual effective rate. Our effective tax rate for the three months ended June 30, 2019 was 25.3% compared to 25.8% in the prior comparative period. For 2019, we expect our effective tax rate to be between 25% and 26%.

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RESULTS OF OPERATIONS

Six Months Ended June 30, 2019 Compared to the Six Months Ended June 30, 2018

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except per share data)			
REVENUE:				
New vehicle	$ 1,837.0	$ 1,785.8	$ 51.2	3 %
Used vehicle	1,043.5	1,001.5	42.0	4 %
Parts and service	442.1	403.8	38.3	9 %
Finance and insurance, net	151.7	141.7	10.0	7 %
TOTAL REVENUE	3,474.3	3,332.8	141.5	4 %
GROSS PROFIT:				
New vehicle	76.2	79.2	(3.0)	(4)%
Used vehicle	70.4	67.6	2.8	4 %
Parts and service	275.9	254.7	21.2	8 %
Finance and insurance, net	151.7	141.7	10.0	7 %
TOTAL GROSS PROFIT	574.2	543.2	31.0	6 %
OPERATING EXPENSES:				
Selling, general, and administrative	391.7	374.8	16.9	5 %
Depreciation and amortization	17.6	16.7	0.9	5 %
Other operating expense (income), net	1.2	(1.1)	2.3	NM
INCOME FROM OPERATIONS	163.7	152.8	10.9	7 %
OTHER EXPENSES (INCOME):				
Floor plan interest expense	20.7	14.6	6.1	42 %
Other interest expense, net	27.5	26.2	1.3	5 %
Swap interest expense	—	0.4	(0.4)	(100)%
Gain on divestiture	(11.7)	—	(11.7)	NM
Total other expenses, net	36.5	41.2	(4.7)	(11)%
INCOME BEFORE INCOME TAXES	127.2	111.6	15.6	14 %
Income tax expense	31.4	28.3	3.1	11 %
NET INCOME	$ 95.8	$ 83.3	$ 12.5	15 %
Net income per share—Diluted	$ 4.96	$ 4.02	$ 0.9	23 %

NM—Not Meaningful

	For the Six Months Ended June 30,	
	2019	2018
REVENUE MIX PERCENTAGES:		
New vehicle	52.9%	53.6%
Used vehicle retail	27.2%	27.2%
Used vehicle wholesale	2.8%	2.8%
Parts and service	12.7%	12.1%
Finance and insurance, net	4.4%	4.3%
Total revenue	100.0%	100.0%
GROSS PROFIT MIX PERCENTAGES:		
New vehicle	13.3%	14.6%
Used vehicle retail	11.9%	12.1%
Used vehicle wholesale	0.4%	0.3%
Parts and service	48.0%	46.9%
Finance and insurance, net	26.4%	26.1%
Total gross profit	100.0%	100.0%
GROSS PROFIT MARGIN	16.5%	16.3%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	68.2%	69.0%

Total revenue for the six months ended June 30, 2019 increased by $141.5 million (4%) compared to the six months ended June 30, 2018, due to a $51.2 million (3%) increase in new vehicle revenue, a $42.0 million (4%) increase in used vehicle revenue, a $38.3 million (9%) increase in parts and service revenue, and a $10.0 million (7%) increase in F&I revenue, net. The $31.0 million (6%) increase in gross profit during the six months ended June 30, 2019 was driven by a $21.2 million (8%) increase in parts and service gross profit, a $10.0 million (7%) increase in F&I gross profit, and a $2.8 million (4%) increase in used vehicle gross profit, partially offset by a decrease of $3.0 million (4%) in new vehicle gross profit.

Income from operations during the six months ended June 30, 2019 increased by $10.9 million (7%) compared to the six months ended June 30, 2018, due to the $31.0 million (6%) increase in gross profit, partially offset by a $16.9 million (5%) increase in SG&A expenses, a $2.3 million decrease in other operating expense (income), net, and a $0.9 million (5%) increase in depreciation and amortization expense. Total other expenses, net decreased by $4.7 million (11%), as a result of an $11.7 million gain on a dealership divestiture during the second quarter of 2019, partially offset by a $6.1 million (42%) increase in floor plan interest expense and a $1.3 million (5%) increase in other interest expense, net. As a result, income before income taxes increased $15.6 million (14%) to $127.2 million for the six months ended June 30, 2019. Overall, net income increased by $12.5 million (15%) during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018.

On January 1, 2019, we adopted ASC 842, utilizing the optional transition relief method, which allowed for the effective date of the new leases standard as the date of initial application. Our prior period comparative information has not been adjusted and continues to be reported under accounting standards in effect for those periods. The adoption of this accounting standard had a minimal impact on the financial results of the Company for the six months ended June 30, 2019. For additional information related to the impacts from the adoption of this update, please refer to Note 9 "Leases" within the accompanying Condensed Consolidated Financial Statements.

On January 1, 2019, the Company adopted ASU 2017-12. This update aligns the recognition and presentation, which are to be applied prospectively, of the effects of the hedging instrument and the hedged item in the financial statements. As a result of the adoption of this update, the Company's swap interest expense is now presented within other interest expense, net. Please refer to Note 10 "Financial Instruments and Fair Value" within the accompanying Condensed Consolidated Financial Statements for additional details regarding the Company's interest rate swap agreements.

New Vehicle—

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Luxury	$ 605.3	$ 586.0	$ 19.3	3 %
Import	834.1	834.1	—	— %
Domestic	397.6	365.7	31.9	9 %
Total new vehicle revenue	$ 1,837.0	$ 1,785.8	$ 51.2	3 %
Gross profit:				
Luxury	$ 38.3	$ 38.9	$ (0.6)	(2)%
Import	21.3	23.7	(2.4)	(10)%
Domestic	16.6	16.6	—	— %
Total new vehicle gross profit	$ 76.2	$ 79.2	$ (3.0)	(4)%
New vehicle units:				
Luxury	10,908	10,842	66	1 %
Import	29,699	29,499	200	1 %
Domestic	9,951	9,387	564	6 %
Total new vehicle units	50,558	49,728	830	2 %
Same Store:				
Revenue:				
Luxury	$ 603.6	$ 586.0	$ 17.6	3 %
Import	809.4	810.0	(0.6)	— %
Domestic	342.8	365.7	(22.9)	(6)%
Total new vehicle revenue	$ 1,755.8	$ 1,761.7	$ (5.9)	— %
Gross profit:				
Luxury	$ 38.3	$ 38.9	$ (0.6)	(2)%
Import	20.6	22.9	(2.3)	(10)%
Domestic	13.7	16.6	(2.9)	(17)%
Total new vehicle gross profit	$ 72.6	$ 78.4	$ (5.8)	(7)%
New vehicle units:				
Luxury	10,869	10,842	27	— %
Import	28,789	28,639	150	1 %
Domestic	8,543	9,387	(844)	(9)%
Total new vehicle units	48,201	48,868	(667)	(1)%

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New Vehicle Metrics—

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018	Increase (Decrease)	% Change
As Reported:				
Revenue per new vehicle sold	$ 36,335	$ 35,911	$ 424	1 %
Gross profit per new vehicle sold	$ 1,507	$ 1,593	$ (86)	(5)%
New vehicle gross margin	4.1%	4.4%	(0.3)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,511	$ 3,588	$ (77)	(2)%
New vehicle gross margin	6.3%	6.6%	(0.3)%	
Import:				
Gross profit per new vehicle sold	$ 717	$ 803	$ (86)	(11)%
New vehicle gross margin	2.6%	2.8%	(0.2)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,668	$ 1,768	$ (100)	(6)%
New vehicle gross margin	4.2%	4.5%	(0.3)%	
Same Store:				
Revenue per new vehicle sold	$ 36,427	$ 36,050	$ 377	1 %
Gross profit per new vehicle sold	$ 1,506	$ 1,604	$ (98)	(6)%
New vehicle gross margin	4.1%	4.5%	(0.4)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,524	$ 3,588	$ (64)	(2)%
New vehicle gross margin	6.3%	6.6%	(0.3)%	
Import:				
Gross profit per new vehicle sold	$ 716	$ 800	$ (84)	(11)%
New vehicle gross margin	2.5%	2.8%	(0.3)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,604	$ 1,768	$ (164)	(9)%
New vehicle gross margin	4.0%	4.5%	(0.5)%	

New vehicle revenue increased by $51.2 million (3%) primarily as a result of a 2% increase in new vehicle units sold. Same store new vehicle revenue remained relatively flat as the result of a 1% decrease in new vehicle units sold, partially offset by slightly higher revenue per unit sold.

For the six months ended June 30, 2019, new vehicle gross profit and same store new vehicle gross profit decreased by $3.0 million (4)% and $5.8 million (7%), respectively. Same store new vehicle gross margin for the six months ended June 30, 2019 decreased 40 basis points to 4.1% as a result of margin pressure across our brand offerings.

Used Vehicle—

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Used vehicle retail revenue	$ 944.8	$ 906.7	$ 38.1	4 %
Used vehicle wholesale revenue	98.7	94.8	3.9	4 %
Used vehicle revenue	$ 1,043.5	$ 1,001.5	$ 42.0	4 %
Gross profit:				
Used vehicle retail gross profit	$ 68.3	$ 65.8	$ 2.5	4 %
Used vehicle wholesale gross profit	2.1	1.8	0.3	17 %
Used vehicle gross profit	$ 70.4	$ 67.6	$ 2.8	4 %
Used vehicle retail units:				
Used vehicle retail units	43,342	42,255	1,087	3 %
Same Store:				
Revenue:				
Used vehicle retail revenue	$ 901.7	$ 890.7	$ 11.0	1 %
Used vehicle wholesale revenue	95.4	93.2	2.2	2 %
Used vehicle revenue	$ 997.1	$ 983.9	$ 13.2	1 %
Gross profit:				
Used vehicle retail gross profit	$ 64.6	$ 64.8	$ (0.2)	— %
Used vehicle wholesale gross profit	2.1	1.8	0.3	17 %
Used vehicle gross profit	$ 66.7	$ 66.6	$ 0.1	— %
Used vehicle retail units:				
Used vehicle retail units	41,107	41,402	(295)	(1)%

Used Vehicle Metrics—

	For the Six Months Ended June 30, 2019	For the Six Months Ended June 30, 2018	Increase (Decrease)	% Change
As Reported:				
Revenue per used vehicle retailed	$ 21,799	$ 21,458	$ 341	2%
Gross profit per used vehicle retailed	$ 1,576	$ 1,557	$ 19	1%
Used vehicle retail gross margin	7.2%	7.3%	(0.1)%	
Same Store:				
Revenue per used vehicle retailed	$ 21,935	$ 21,513	$ 422	2%
Gross profit per used vehicle retailed	$ 1,572	$ 1,565	$ 7	—%
Used vehicle retail gross margin	7.2%	7.3%	(0.1)%	

Used vehicle revenue increased by $42.0 million (4%) due to a $38.1 million (4%) increase in used vehicle retail revenue and a $3.9 million (4%) increase in used vehicle wholesale revenue. Same store used vehicle revenue increased by $13.2 million (1%) due to an $11.0 million (1%) increase in same store used vehicle retail revenue and a $2.2 million (2%) increase in same store used vehicle wholesale revenues.

For the six months ended June 30, 2019, both total Company and same store used vehicle retail gross profit margins were consistent with the prior comparable period.

Parts and Service—

	For the Six Months Ended June 30,			
	2019	2018	Increase (Decrease)	% Change
	(Dollars in millions)			
As Reported:				
Parts and service revenue	$ 442.1	$ 403.8	$ 38.3	9%
Parts and service gross profit:				
Customer pay	157.1	144.8	12.3	8%
Warranty	43.9	37.3	6.6	18%
Wholesale parts	11.8	11.3	0.5	4%
Parts and service gross profit, excluding reconditioning and preparation	$ 212.8	$ 193.4	$ 19.4	10%
Parts and service gross margin, excluding reconditioning and preparation	48.1%	47.9%	0.2%	
Reconditioning and preparation *	$ 63.1	$ 61.3	$ 1.8	3%
Total parts and service gross profit	$ 275.9	$ 254.7	$ 21.2	8%
Same Store:				
Parts and service revenue	$ 427.8	$ 398.3	$ 29.5	7%
Parts and service gross profit:				
Customer pay	151.9	143.1	8.8	6%
Warranty	42.6	36.9	5.7	15%
Wholesale parts	11.6	11.1	0.5	5%
Parts and service gross profit, excluding reconditioning and preparation	$ 206.1	$ 191.1	$ 15.0	8%
Parts and service gross margin, excluding reconditioning and preparation	48.2%	48.0%	0.2%	
Reconditioning and preparation *	$ 60.5	$ 60.0	$ 0.5	1%
Total parts and service gross profit	$ 266.6	$ 251.1	$ 15.5	6%

* *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 on the accompanying Condensed Consolidated Statements of Income upon the sale of the vehicle.*

The $38.3 million (9%) increase in parts and service revenue was primarily due to a $22.5 million (8%) increase in customer pay revenue, $11.3 million (16%) increase in warranty revenue and a $4.5 million (7%) increase in wholesale parts revenue. Same store parts and service revenue increased by $29.5 million (7%) from $398.3 million for the six months ended June 30, 2018 to $427.8 million for the six months ended June 30, 2019. The increase in same store parts and service revenue was primarily due to a $16.6 million (6%) increase in customer pay revenue, a $9.3 million (13%) increase in warranty and a $3.6 million (6%) increase in wholesale parts revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by $19.4 million (10%) to $212.8 million and same store gross profit, excluding reconditioning and preparation, increased by $15.0 million (8%) to $206.1 million. The increase in same store gross profit is primarily attributable to the increase in customer pay gross profit, which has continued to benefit from our strategic focus to improve customer retention, as well as additional warranty work.

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Finance and Insurance, net—

	For the Six Months Ended June 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Finance and insurance, net	$ 151.7	$ 141.7	$ 10.0	7%
Finance and insurance, net per vehicle sold	$ 1,616	$ 1,541	$ 75	5%
Same Store:				
Finance and insurance, net	$ 145.0	$ 138.5	$ 6.5	5%
Finance and insurance, net per vehicle sold	$ 1,624	$ 1,534	$ 90	6%

F&I revenue, net increased $10.0 million (7%) during the six months ended June 30, 2019 when compared to the six months ended June 30, 2018, with same store F&I, net revenue increasing by $6.5 million (5%) over the same period. We continued to benefit from a favorable consumer lending environment, which allowed for our customers to take advantage of a broad array of F&I products and our continued focus on improving the F&I results at our lower-performing stores. In addition, during the six months ended June 30, 2019, the Company recognized additional retrospective commissions as a result of favorable payment trends, which contributed approximately $15 of F&I income per retail vehicle sale.

Selling, General, and Administrative Expense—

	For the Six Months Ended June 30,				Increase (Decrease)	% of Gross Profit Increase (Decrease)
	2019	% of Gross Profit	2018	% of Gross Profit		
	(Dollars in millions)					
As Reported:						
Personnel costs	$ 187.1	32.6%	$ 179.3	33.0%	$ 7.8	(0.4)%
Sales compensation	59.3	10.3%	56.9	10.5%	2.4	(0.2)%
Share-based compensation	6.8	1.2%	5.7	1.0%	1.1	0.2 %
Outside services	40.4	7.0%	40.3	7.4%	0.1	(0.4)%
Advertising	17.8	3.1%	16.0	2.9%	1.8	0.2 %
Rent	13.6	2.4%	12.6	2.3%	1.0	0.1 %
Utilities	8.0	1.4%	8.0	1.5%	—	(0.1)%
Insurance	7.6	1.3%	8.2	1.5%	(0.6)	(0.2)%
Other	51.1	8.9%	47.8	8.9%	3.3	— %
Selling, general, and administrative expense	$ 391.7	68.2%	$ 374.8	69.0%	$ 16.9	(0.8)%
Gross profit	$ 574.2		$ 543.2			
Same Store:						
Personnel costs	$ 179.7	32.6%	$ 176.5	33.0%	$ 3.2	(0.4)%
Sales compensation	56.4	10.2%	55.6	10.4%	0.8	(0.2)%
Share-based compensation	6.8	1.2%	5.7	1.1%	1.1	0.1 %
Outside services	38.4	7.0%	39.5	7.4%	(1.1)	(0.4)%
Advertising	16.0	2.9%	15.6	2.9%	0.4	— %
Rent	13.5	2.5%	12.6	2.4%	0.9	0.1 %
Utilities	7.7	1.4%	7.9	1.5%	(0.2)	(0.1)%
Insurance	7.0	1.3%	8.0	1.5%	(1.0)	(0.2)%
Other	$ 49.3	8.9%	$ 46.7	8.7%	2.6	0.2 %
Selling, general, and administrative expense	$ 374.8	68.0%	$ 368.1	68.9%	$ 6.7	(0.9)%
Gross profit	$ 550.9		$ 534.6			

SG&A expense as a percentage of gross profit was 68.2% for the six months ended June 30, 2019 compared to 69.0% for the six months ended June 30, 2018. Same store SG&A expense as a percentage of gross profit decreased 90 basis points from 68.9% for the six months ended June 30, 2018 to 68.0% for the six months ended June 30, 2019. The Company benefited from 40 basis point decreases in both outside services and personnel costs on both a total Company and same-store basis during the six months ended June 30, 2019 when compared to the six months ended June 30, 2018. In addition, insurance expense was higher for the six months ended June 30, 2018 primarily as a result of property damage caused by weather related events.

Other Operating (Income) Expenses, net —

Other operating (income) expenses, 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, 2019, the Company recorded expense of $1.2 million, net, which included a $2.4 million pre-tax loss related to the write-off of fixed assets.

Included in the $1.1 million of other operating income, net for the six months ended June 30, 2018 , was a $0.7 million gain resulting from legal settlements and $0.4 million of other non-core operating income.

Floor Plan Interest Expense —

Floor plan interest expense increased by $6.1 million (42%) to $20.7 million during the six months ended June 30, 2019 compared to $14.6 million during the six months ended June 30, 2018 as a result of an increase in LIBOR from which our floor plan interest rate is calculated and increased floor plan borrowings as a result of higher new vehicle inventory levels.

Income Tax Expense —

The $3.1 million (11%) increase in income tax expense was primarily the result of a $15.6 million (14%) increase in income before income taxes, partially offset by a lower estimated annual effective rate and an excess tax benefit related to the vesting of share-based awards. Our effective tax rate for the six months ended June 30, 2019 was 24.7% compared to 25.4% in the prior comparative period. For 2019, we expect our effective tax rate to be between 25% and 26%.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2019, we had total available liquidity of $448.0 million, which consisted of $9.6 million of cash and cash equivalents, $87.4 million of available funds in our floor plan offset accounts, $187.5 million of availability under our new vehicle floor plan facility that is able to be re-designated to our revolving credit facility, $47.3 million of availability under our revolving credit facility, and $116.2 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, 2019, 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 2016 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.

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 "Long-Term Debt" and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

- **2016 Senior Credit Facility —** On July 25, 2016, the Company and certain of its subsidiaries entered into an amended and restated senior secured credit agreement with Bank of America, as administrative agent, and the other lenders party thereto.

  The 2016 Senior Credit Facility provides for the following:

Revolving Credit Facility —A $250.0 million revolving credit facility (the "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, 2019, we re-designated $190.0 million of availability from the Revolving Credit Facility to the New Vehicle Floor Plan Facility (as defined below), resulting in $60.0 million of borrowing capacity. In addition, we had $12.7 million in outstanding letters of credit as of June 30, 2019, resulting in $47.3 million of borrowing availability as of June 30, 2019.

New Vehicle Floor Plan Facility — A $900.0 million new vehicle revolving floor plan facility (the "New Vehicle Floor Plan Facility"). In connection with the New Vehicle Floor Plan Facility, we established an account with Bank of America that 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, we experience a reduction in Floor Plan Interest Expense on our Condensed Consolidated Statements of Income. As of June 30, 2019, we had $794.9 million, which is net of $74.2 million in our floor plan offset account, outstanding under the New Vehicle Floor Plan Facility.

Used Vehicle Floor Plan Facility —A $150.0 million used vehicle revolving floor plan facility (the "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. Our borrowing capacity under the Used Vehicle Floor Plan Facility was limited to $116.2 million based on our borrowing base calculation as of June 30, 2019. We began the year with $30.0 drawn on our used vehicle floor plan facility. During the six months ended June 30, 2019, we had borrowings of $40.0 million and repayments of $70.0 million, resulting in no outstanding borrowings on our Used Vehicle Floor Plan Facility as of June 30, 2019.

Subject to compliance with certain conditions, the agreement governing the 2016 Senior Credit Facility 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 $325.0 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 our current borrowing availability 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. As of June 30, 2019, $190.0 million of availability under the Revolving Credit Facility was re-designated to the New Vehicle Floor Plan Facility. We re-designated this amount to take advantage of the lower commitment fee rates on the New Vehicle Floor Plan Facility when compared to the Revolving Credit Facility.

Borrowings under the 2016 Senior Credit Facility bear interest, at our option, based on LIBOR or the Base Rate, in each case plus an Applicable Margin. The Base Rate is the highest of the (i) Bank of America prime rate, (ii) Federal Funds rate plus 0.50%, and (iii) one month LIBOR plus 1.00%. The Applicable Margin, for borrowings under the Revolving Credit Facility, ranges from 1.25% to 2.50% for LIBOR loans and 0.25% to 1.50% for Base Rate loans, in each case based on the Company's total lease adjusted leverage ratio. Borrowings under the New Vehicle Floor Plan Facility bear interest, at the option of the Company, based on LIBOR plus 1.25% or the Base Rate plus 0.25%. Borrowings under the Used Vehicle Floor Plan Facility bear interest, at the option of the Company, based on LIBOR plus 1.50% or the Base Rate plus 0.50%.

In addition to the payment of interest on borrowings outstanding under the 2016 Senior Credit Facility, we are required to pay a quarterly commitment fee on the total commitments thereunder. The fee for commitments under the Revolving Credit Facility is between 0.20% and 0.45% per year, based on the Company's total lease adjusted leverage ratio, and the fee for 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, which matures on December 5, 2019. We also have 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, 2019, we had $123.8 million, net of $13.2 million in our floor plan offset account, outstanding under our floor plan facility. Additionally, we had $88.4 million outstanding under facilities with certain manufacturers for the financing of loaner vehicles, which were 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.

- **6.0% Senior Subordinated Notes due 2024 —** as of June 30, 2019 we had $600.0 million in aggregate principal amount outstanding related to our 6.0% Notes. We are required to pay interest on the 6.0% Notes on June 15 and December 15 of each year until maturity on December 15, 2024.

- **Mortgage notes —** as of June 30, 2019, we had $128.9 million of mortgage note obligations. These obligations are collateralized by the associated real estate at our dealership locations.

- **Restated Master Loan Agreement —** provides for term loans to certain of our subsidiaries (the "Restated Master Loan Agreement"). Borrowings under the Restated Master Loan Agreement are guaranteed by us and are collateralized by the real property financed under the Restated Master Loan Agreement. As of June 30, 2019, the outstanding balance under the Restated Master Loan Agreement was $80.7 million. There is no further borrowing availability under this agreement.

- **Prior Real Estate Credit Agreement —** a real estate term loan credit agreement with borrowings collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder (the "Prior Real Estate Credit Agreement"). As of June 30, 2019, we had $36.8 million of mortgage note obligations outstanding under the Prior Real Estate Credit Agreement. There is no further borrowing availability under this agreement.

- **2018 Bank of America Facility —**On November 13, 2018, the Company and certain of its subsidiaries entered into a real estate term loan credit agreement (the “Bank of America Credit Agreement") with Bank of America N.A., which provides for term loans in an aggregate amount not to exceed $128.1 million (the "Bank of America Facility"). On November 13, 2018, we borrowed an aggregate amount of $25.0 million under the Bank of America Credit Agreement, a portion of which was used to refinance certain of the Company’s other outstanding mortgage indebtedness. All of the real property financed by an operating dealership subsidiary of the Company under the Bank of America Facility is collateralized by first priority liens, subject to certain permitted exceptions. As of June 30, 2019, we had $25.0 million of outstanding borrowings under the 2018 Bank of America Facility.

  Effective May 1, 2019, the Company and certain of its subsidiaries entered into the 2019 Amendments, which reduced the applicable interest rates for the 2018 Bank of America Facility and the Prior Real Estate Credit Agreement.

- **2018 Wells Fargo Master Loan Facility—**On November 16, 2018, certain subsidiaries of the Company entered into a master loan agreement (the “Wells Fargo Master Loan Agreement”) with Wells Fargo Bank, National Association, as lender which provides for term loans to certain of the Company’s subsidiaries that are borrowers under the Wells Fargo Master Loan Agreement in an aggregate amount not to exceed $100.0 million (the "Wells Fargo Master Loan Facility"). On November 16, 2018, we borrowed an aggregate amount of $25.0 million under the Wells Fargo Master Loan Facility, the proceeds of which were used for general corporate purposes. Borrowings under the Wells Fargo Master Loan Facility are guaranteed by the Company pursuant to a unconditional guaranty, and all of the real property financed by any operating dealership subsidiary of the Company under the Wells Fargo Master Loan Facility is collateralized by first priority liens, subject to certain permitted exceptions. As of June 30, 2019, we had $25.0 million outstanding borrowings under the Wells Fargo Master Loan Facility.

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, 2019.

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 2016 Senior Credit Facility and our indenture governing our 6.0% Notes 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, 2019, our Consolidated Total Leverage Ratio did not exceed 3.0 to 1.0.

On January 30, 2014, our Board of Directors authorized our current share repurchase program (the "Repurchase Program"). On October 19, 2018, our Board of Directors reset the authorization under our Repurchase Program to $100.0 million in the aggregate, for the repurchase of our common stock in open market transactions or privately negotiated transactions from time to time.

During the three and six months ended June 30, 2019, we repurchased 50,436 and 159,414 shares, respectively, of our common stock under the Repurchase Program for a total of $3.9 million and $11.4 million, respectively. As of June 30, 2019, we had remaining authorization to repurchase $70.2 million in shares of our common stock under the Repurchase Program.

During the three and six months ended June 30, 2019, we also repurchased 3,328 and 70,240 shares, respectively, of our common stock for $0.2 million and $5.0 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 on 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 on 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,	
	2019	2018
	(In millions)	
Reconciliation of Cash provided by operating activities to Cash provided by operating activities, as adjusted		
Cash provided by operating activities, as reported	$ 160.5	$ 29.1
New vehicle floor plan borrowings —non-trade, net	(75.1)	92.0
Cash provided by operating activities, as adjusted	$ 85.4	$ 121.1

Operating Activities—

Net cash provided by operating activities totaled $160.5 million and $29.1 million, for the six months ended June 30, 2019 and 2018, respectively. Net cash provided by operating activities, as adjusted, totaled $85.4 million and $121.1 million for the six months ended June 30, 2019 and 2018, respectively.

The $35.7 million decrease in our net cash provided by operating activities, as adjusted, for the six months ended June 30, 2019 compared to the six months ended June 30, 2018 was primarily the result of the following:

- $65.6 million decrease in inventory, net of floor plan borrowings;
- $7.6 million decrease related to the timing of collection of accounts receivable and contracts-in-transit; and
- $2.3 million decrease related to the change in other current assets and other long-term assets and liabilities, net.

The decrease in our cash provided by operating activities, as adjusted, was partially offset by:

- $24.6 million increase related to the change in accounts payable and other current liabilities; and
- $14.0 million increase related to non-cash adjustments to net income.

Investing Activities—

Net cash used in investing activities totaled $92.3 million and $119.1 million, for the six months ended June 30, 2019 and 2018, respectively. Capital expenditures, excluding the purchase of real estate, were $15.5 million and $12.2 million for the six months ended June 30, 2019 and 2018, respectively. We expect that capital expenditures for 2019 will total approximately $45.0 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, 2019, we acquired the assets of eight franchises (four dealership locations) in the Indianapolis, Indiana market for a purchase price of $121.0 million. Consideration paid (or payable) to fund these acquisitions included $70.8 million of cash, $47.7 million of floor plan borrowings for the purchase of the related new vehicle inventory, and purchase price holdbacks of $2.5 million for potential indemnity claims made by us with respect to the acquired franchises.

During the six months ended June 30, 2018, we acquired three franchises (three dealership locations) for an aggregate purchase price of $93.2 million which included purchase price holdbacks of $1.9 million for potential indemnity claims made by us with respect to the acquired franchises.

During the six months ended June 30, 2019, we divested one franchise (one dealership location) and one collision center in the Houston, Texas market for proceeds of $39.1 million. In connection with the divestiture we repaid $2.7 million of outstanding mortgage debt.

During the six months ended June 30, 2019 and 2018, we received cash proceeds of $7.5 million and $2.0 million, respectively, from the sale of vacant properties previously included in Assets Held for Sale.

During the six months ended June 30, 2019 and 2018, purchases of real estate, including previously leased real estate, totaled $4.9 million and $17.6 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 $66.9 million for the six months ended June 30, 2019. Net cash provided by financing activities totaled $87.8 million for the six months ended June 30, 2018.

During the six months ended June 30, 2019 and 2018, we had non-trade floor plan borrowings, excluding floor plan borrowings associated with acquisitions, of $2.04 billion and $2.24 billion, respectively, and non-trade floor plan repayments, excluding floor plan repayments associated with our divestiture, of $2.12 billion and $2.12 billion, respectively.

During the six months ended June 30, 2019 and 2018, we had floor plan borrowings of $47.7 million and $22.7 million, respectively, related to acquisitions.

During the six months ended June 30, 2019, we had non-trade floor plan repayments associated with a divestiture of $14.1 million.

Repayments of borrowings totaled $7.9 million and $7.1 million, for the six months ended June 30, 2019 and 2018, respectively.

During the six months ended June 30, 2019, we repurchased a total of 159,414 shares of our common stock under our Repurchase Program for a total of $11.4 million and 70,240 shares of our common stock for $5.0 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to risk from changes in interest rates on a significant portion of our outstanding indebtedness. Based on $949.1 million of total variable interest rate debt, which includes our floor plan notes payable and certain mortgage liabilities, outstanding as of June 30, 2019, a 100 basis point change in interest rates could result in a change of as much as $9.5 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, 2019 and 2018 by $20.0 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.

In June 2015, we entered into an interest rate swap agreement with a notional principal amount of $100.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR, through maturity in February 2025. The notional value of this swap was $82.5 million as of June 30, 2019 and is reducing over its remaining term to $53.1 million at maturity.

In November 2013, we entered into an interest rate swap agreement with a notional principal amount of $75.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR, through maturity in September 2023. The notional values of this swap as of June 30, 2019 was $54.6 million and will reduce over its remaining term to $38.7 million at maturity.

For additional information about the effect of our derivative instruments, please refer to Note 10 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

The adoption of ASC 842 effective January 1, 2019, required the implementation of new accounting processes and a new information technology application to calculate right-of-use assets and lease liabilities which changed our internal controls over lease accounting and financial reporting. Otherwise, there were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information regarding common stock repurchases by the Company on a monthly basis during the three month period ended June 30, 2019:

Period	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Program (in millions)(1)
04/01/2019 - 04/30/2019	3,057	$ —	—	$ 74.1
05/01/2019 - 05/31/2019	28,103	$ 78.72	28,103	$ 71.9
06/01/2019 - 06/30/2019	22,604	$ 77.60	22,333	$ 70.2
Total	53,764		50,436	

(1) On January 30, 2014, our Board of Directors authorized our Repurchase Program. On October 19, 2018, 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, 2019, we repurchased 50,436 shares of our common stock under the Repurchase Program for a total of $3.9 million and 3,328 shares of our common stock for $0.2 million from employees in connection with a net share settlement feature of employee equity-based awards. As of June 30, 2019, we had remaining authorization to repurchase $70.2 million in shares of our common stock under the Repurchase Program.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

Exhibit Number	Description of Documents
10.1	First Amendment to Credit Agreement, dated as of June 7, 2019, effective May 1, 2019, among Asbury Automotive Group, Inc., certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A.
10.2	Second Amendment to Credit Agreement, dated June 7, 2019, effective May 1, 2019, among Asbury Automotive Group, Inc., certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A.
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

SIGNATURES

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

		Asbury Automotive Group, Inc.	
Date:	July 31, 2019	By:	/s/ David W. Hult
		Name:	**David W. Hult**
		Title:	**Chief Executive Officer and President**
		Asbury Automotive Group, Inc.	
Date:	July 31, 2019	By:	/s/ Sean D. Goodman
		Name:	**Sean D. Goodman**
		Title:	**Senior Vice President and Chief Financial Officer**

INDEX TO EXHIBITS

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Exhibit 10.1

FIRST AMENDMENT TO CREDIT AGREEMENT

This **FIRST AMENDMENT TO CREDIT AGREEMENT**, dated as of June 7, 2019 but made effective as of May 1, 2019 (this "Amendment") is by and among ASBURY AUTOMOTIVE GROUP, INC., a Delaware corporation ("Company"), certain Subsidiaries of the Company party to the Credit Agreement (as defined below), as borrowers (each such Subsidiary, a "Borrower" and collectively, the "Borrowers"), and BANK OF AMERICA, N.A., as lender (the "Lender") under that certain Credit and Security Agreement dated as of November 13, 2018 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used hut not defined in this Amendment shall have the meanings that are set forth in the Credit Agreement.

W I TN E S S E T H:

WHEREAS, Company, Borrowers and the Lender desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein; and

WHEREAS, the Lender is willing to agree to such amendments on the terms, subject to the conditions and to the extent set forth herein

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1 AMENDMENTS

1.1 Amendment to Credit Agreement:

(a) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of "Applicable Rate" included therein and inserting the following in lieu thereof:

"Applicable Rate" means a per annum rate equal to:

(a) with respect to Eurodollar Rate Loans, 1.50%; and
(b) with respect to Base Rate Loans, 0.50%.

(b) Section 1.01 of the Credit Agreement is hereby amended by adding the following new definition to such section in appropriate alphabetical order:

"Covered Entity" has the meaning specified in Section 9.20.

(c) Section 1.01 of the Credit Agreement is hereby amended by adding the following sentence at the end of the definition of "Collateral Substitution":

"Upon the effectiveness of a Collateral Substitution, the respective Removed Property shall immediately cease to be a Financed Property."

(d) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of "Financed Property" included therein and inserting the following in lieu thereof:

"Financed Property" means a real property parcel (and improvements related thereto) which (a) is owned in fee by a Borrower and located at or near a dealership or otherwise used or to be used by a dealership in its business, (b) is located in any state of the United States of America or the District of Columbia, (c) has been identified as a Financed Property with respect to any Loans on the applicable Loan Notice and (d) is one of the properties identified on Schedule 2.01 or an Added Property that has been added pursuant to a Collateral Substitution in accordance with the terms hereof. The Lender may revise Schedule 2.01 from time to time to (i) add any Added Property that has been added to the Property Pool, (ii) delete any Removed Property that has been removed from the Property Pool or (iii) delete any property that has been sold, transferred or otherwise disposed of in a Permitted Financed Property Disposition.

(e) Article V of the Credit Agreement is hereby amended by adding the following new Section 5.29 at the end of such article:

5.29 Covered Entities. No Loan Party is a Covered Entity.

(f) Section 9.19 of the Credit Agreement is hereby amended by adding the following sentence at the end of such section:

"Upon a Permitted Financed Property Disposition, the property sold, transferred or otherwise disposed of in such Permitted Financed Property Disposition shall immediately cease to be a Financed Property."

(g) Article IX of the Credit Agreement is hereby amended by adding the following new Section 9.20 at the end of such article:

9.20 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, "QFC Credit Support", and each such QFC, a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 9.20, the following terms have the following meanings:

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

SECTION 2. CONDITIONS PRECEDENT TO EFFECTIVENESS

2.1 The effectiveness of this Amendment is conditioned upon the Bank's receipt of the following items, in form and content acceptable to the Bank:

(a) Execution and delivery of a counterpart hereof by Company, each Borrower and Lender.

(b) Upon the request of the Bank, each Borrower shall have provided to the Bank, and the Bank shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act.

(c) If any Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall have provided a Beneficial Ownership Certification to the Bank if so requested.

SECTION 3. MISCELLANEOUS

3.1 Binding Effect. This Amendment shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and assigns of Lender.

3.2 Severability. In case any provision in or obligation hereunder shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

3.3 Effect on Credit Agreement. Except as specifically amended by this Amendment, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed. The parties agree that in the event of any conflict between this Amendment and the provisions of the Credit Agreement, this Amendment shall control.

3.4 No Waiver. The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Lender under the Credit Agreement. This Amendment is limited to the matters expressly referred to herein and shall not constitute an amendment or waiver of, or an indication of the Lender's willingness to amend or waive, any other provisions of the Credit Agreement or the same provisions for any other date or purpose.

3.5 Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

3.6 GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

3.7 Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall he deemed an original, but all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are attached to the same document. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail shall be as effective as delivery of a manually executed counterpart hereof.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BORROWERS:

ASBURY AUTOMOTIVE TEXAS REAL ESTATE HOLDINGS L.L.C.
ASBURY IN CHEV, LLC
ASBURY IN HON, LLC
ATLANTA REAL ESTATE HOLDINGS L.L.C.
CROWN CHH L.L.C.
CROWN FDO L.L.C.
MCDAVID AUSTIN-ACRA, L.L.C.
MCDAVID FRISCO-HON, L.L.C.
MCDAVID HOUSTON-NISS, L.L.C.
Q AUTOMOTIVE CUMMING GA,

By:	/s/ Matthew Pettoni
Name:	Matthew Pettoni
Title:	Treasurer

ASBURY AUTOMOTIVE GROUP, INC.

By:	/s/ Matthew Pettoni
Name:	Matthew Pettoni
Title:	VP & Treasurer

LENDER:

BANK OF AMERICA, N.A.

By: /s/ David T. Smith

Name: David T. Smith

Title: Senior Vice President

ASBURY AUTOMOTIVE – 2018 REAL ESTATE LOAN
Signature Page for First Amendment to Credit Agreement

Exhibit 10.2

SECOND AMENDMENT TO CREDIT AGREEMENT

This **SECOND AMENDMENT TO CREDIT AGREEMENT**, dated as of June 7, 2019 but made effective as of May 1, 2019 (this "Amendment") is by and among ASBURY AUTOMOTIVE GROUP, INC., a Delaware corporation ("Company"), certain Subsidiaries of the Company party to the Credit Agreement (as defined below), as borrowers (each such Subsidiary, a "Borrower" and collectively, the "Borrowers"), and BANK OF AMERICA, N.A., as lender (the "Lender") under that certain Credit and Security Agreement dated as of September 26, 2013 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"). Capitalized terms used hut not defined in this Amendment shall have the meanings that are set forth in the Credit Agreement.

W I TN E S S E T H:

WHEREAS, Company, Borrowers and the Lender desire to amend certain provisions of the Credit Agreement on the terms and conditions contained herein; and

WHEREAS, the Lender is willing to agree to such amendments on the terms, subject to the conditions and to the extent set forth herein

NOW, THEREFORE, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

SECTION 1 AMENDMENTS

1.1 Amendments to Credit Agreement:

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following new definitions to such section in appropriate alphabetical order:

"Beneficial Ownership Certification" means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

"Beneficial Ownership Regulation" means 31 C.F.R. §1010.230.

"Covered Entity" has the meaning specified in Section 9.20.

(b) Section 1.01 of the Credit Agreement is hereby amended by deleting the definition of "Applicable Rate" included therein and inserting the following in lieu thereof:

"Applicable Rate" means a per annum rate equal to:

(a) with respect to Eurodollar Rate Loans, 1.50%; and
(b) with respect to Base Rate Loans, 0.50%.

(c) Section 1.01 of the Credit Agreement is hereby amended by adding the following sentence at the end of the definition of "Collateral Substitutions":

"Upon the effectiveness of a Collateral Substitution, the respective Removed Property shall immediately cease to be a Financed Property."

(d) Article V of the Credit Agreement is hereby amended by adding the following new Section 5.27 at the end of such article:

5.27 Covered Entities. No Loan Party is a Covered Entity.

(e) Article VI of the Credit Agreement is hereby amended by adding the following new Section 6.11 at the end of such article:

6.11 Patriot Act and Beneficial Ownership Regulation. Promptly following any request therefor, provide information and documentation reasonably requested by the Lender for purposes of compliance with applicable "know your customer" and anti-money laundering rules and regulations, including the Patriot Act and the Beneficial Ownership Regulation. Without limiting the generality of the foregoing, promptly following any request therefor made by the Lender at any time, the Borrowers shall deliver to the Lender a Beneficial Ownership Certification with respect to any Borrower or other Loan Party identified by the Lender in such request.

(f) Section 9.19 of the Credit Agreement is hereby amended by adding the following sentence at the end of such section:

"Upon a Permitted Financed Property Disposition, the property sold, transferred or otherwise disposed of in such Permitted Financed Property Disposition shall immediately cease to be a Financed Property."

(g) Article IX of the Credit Agreement is hereby amended by adding the following new Section 9.20 at the end of such article:

9.20 Acknowledgement Regarding Any Supported QFCs. To the extent that the Loan Documents provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, "QFC Credit Support", and each such QFC, a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the State of New York and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United

States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States. Without limitation of the foregoing, it is understood and agreed that rights and remedies of the parties with respect to a defaulting Lender shall in no event affect the rights of any Covered Party with respect to a Supported QFC or any QFC Credit Support.

(b) As used in this Section 9.20, the following terms have the following meanings:

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

SECTION 2. CONDITIONS PRECEDENT TO EFFECTIVENESS

2.1 The effectiveness of this Amendment is conditioned upon the Bank's receipt of the following items, in form and content acceptable to the Bank:

(a) Execution and delivery of a counterpart hereof by Company, each Borrower and Lender.

(b) Upon the request of the Bank, each Borrower shall have provided to the Bank, and the Bank shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act.

(c) If any Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall have provided a Beneficial Ownership Certification to the Bank if so requested.

SECTION 3. MISCELLANEOUS

3.1 Binding Effect. This Amendment shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and assigns of Lender.

3.2 Severability. In case any provision in or obligation hereunder shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

3.3 Effect on Credit Agreement. Except as specifically amended by this Amendment, the Credit Agreement shall remain in full force and effect and is hereby ratified and confirmed. The parties agree that in the event of any conflict between this Amendment and the provisions of the Credit Agreement, this Amendment shall control.

3.4 No Waiver. The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of the Lender under the Credit Agreement. This Amendment is limited to the matters expressly referred to herein and shall not constitute an amendment or waiver of, or an indication of the Lender's willingness to amend or waive, any other provisions of the Credit Agreement or the same provisions for any other date or purpose.

3.5 Headings. Section headings herein are included herein for convenience of reference only and shall not constitute a part hereof for any other purpose or be given any substantive effect.

3.6 GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

3.7 Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall he deemed an original, but all such counterparts together shall constitute but one and the same instrument. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are attached to the same document. Delivery of an executed signature page of this Amendment by facsimile transmission or electronic mail shall be as effective as delivery of a manually executed counterpart hereof.

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

BORROWERS:

ATLANTA REAL ESTATE HOLDINGS L.L.C.
COGGIN CHEVROLET L.L.C.
CROWN GDO L.L.C.
MCDAVID FRISCO-HON, L.L.C.
MCDAVID HOUSTON-NISS, L.L.C.
PREMIER NSN L.L.C.
ASBURY AUTOMOTIVE ARKANSAS L.L.C.
ASBURY AUTOMOTIVE ATLANTA L.L.C.
ASBURY AUTOMOTIVE TAMPA, L.P.
ASBURY AUTOMOTIVE ARKANSAS DEALERSHIP HOLDINGS L.L.C.
NP FLM L.L.C.
CN MOTORS L.L.C.
C&O PROPERTIES, LTD.

By:	/s/ Matthew Pettoni
Name:	Matthew Pettoni
Title:	Treasurer

ASBURY AUTOMOTIVE GROUP, INC.

By:	/s/ Matthew Pettoni
Name:	Matthew Pettoni
Title:	VP & Treasurer

LENDER:

BANK OF AMERICA, N.A.

By: /s/ David T. Smith
Name: David T. Smith
Title: Senior Vice President

Exhibit 31.1

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

I, David W. Hult, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ David W. Hult

David W. Hult
Chief Executive Officer
July 31, 2019

Exhibit 31.2

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

I, Sean D. Goodman, 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

    (a) 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/ Sean D. Goodman

Sean D. Goodman
Chief Financial Officer
July 31, 2019

Exhibit 32.1

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

In connection with the Quarterly Report of Asbury Automotive Group, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019, 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 31, 2019

Exhibit 32.2

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

In connection with the Quarterly Report of Asbury Automotive Group, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean D. Goodman, 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/ Sean D. Goodman

Sean D. Goodman
Chief Financial Officer
July 31, 2019