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 September 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 October 29, 2019 was 19,302,729.

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)

	September 30, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1.8	$ 8.3
Contracts-in-transit	148.6	198.3
Accounts receivable, net	112.5	130.3
Inventories	1,030.1	1,067.6
Assets held for sale	26.1	26.3
Other current assets	128.9	122.2
Total current assets	1,448.0	1,553.0
PROPERTY AND EQUIPMENT, net	943.4	886.1
OPERATING LEASE RIGHT-OF-USE ASSETS	77.1	—
GOODWILL	272.1	181.2
INTANGIBLE FRANCHISE RIGHTS	65.8	65.8
OTHER LONG-TERM ASSETS	10.1	9.3
Total assets	$ 2,816.5	$ 2,695.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade, net	$ 122.1	$ 114.0
Floor plan notes payable—non-trade, net	738.9	852.1
Current maturities of long-term debt	38.1	38.8
Current maturities of operating leases	21.0	—
Accounts payable and accrued liabilities	315.0	298.4
Total current liabilities	1,235.1	1,303.3
LONG-TERM DEBT	867.8	866.5
OPERATING LEASE LIABILITIES	60.3	—
DEFERRED INCOME TAXES	20.4	21.7
OTHER LONG-TERM LIABILITIES	32.9	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; 41,096,408 and 41,065,069 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	580.8	572.9
Retained earnings	1,050.9	922.7
Treasury stock, at cost; 21,791,707 and 21,719,339 shares, respectively	(1,028.6)	(1,023.4)
Accumulated other comprehensive (loss) income	(3.5)	0.6
Total shareholders' equity	600.0	473.2
Total liabilities and shareholders' equity	$ 2,816.5	$ 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 September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
REVENUE:				
New vehicle	$ 986.9	$ 980.5	$ 2,823.9	$ 2,766.3
Used vehicle	546.9	497.5	1,590.4	1,499.0
Parts and service	227.6	206.1	669.7	609.9
Finance and insurance, net	80.6	73.3	232.3	215.0
TOTAL REVENUE	1,842.0	1,757.4	5,316.3	5,090.2
COST OF SALES:				
New vehicle	948.3	938.4	2,709.1	2,645.0
Used vehicle	514.5	464.7	1,487.6	1,398.6
Parts and service	86.1	76.3	252.3	225.4
TOTAL COST OF SALES	1,548.9	1,479.4	4,449.0	4,269.0
GROSS PROFIT	293.1	278.0	867.3	821.2
OPERATING EXPENSES:				
Selling, general, and administrative	202.0	188.8	593.7	563.6
Depreciation and amortization	9.1	8.5	26.7	25.2
Other operating (income) expense, net	(0.2)	(0.1)	1.0	(1.2)
INCOME FROM OPERATIONS	82.2	80.8	245.9	233.6
OTHER EXPENSES (INCOME):				
Floor plan interest expense	9.0	8.4	29.7	23.0
Other interest expense, net	13.7	13.2	41.2	39.4
Swap interest expense	—	0.1	—	0.5
Gain on divestiture	—	—	(11.7)	—
Total other expenses, net	22.7	21.7	59.2	62.9
INCOME BEFORE INCOME TAXES	59.5	59.1	186.7	170.7
Income tax expense	14.5	14.8	45.9	43.1
NET INCOME	$ 45.0	$ 44.3	$ 140.8	$ 127.6
EARNINGS PER SHARE:				
Basic—				
Net income	$ 2.36	$ 2.22	$ 7.37	$ 6.29
Diluted—				
Net income	$ 2.33	$ 2.18	$ 7.30	$ 6.22
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	19.1	20.0	19.1	20.3
Restricted stock	0.1	0.1	0.1	0.1
Performance share units	0.1	0.2	0.1	0.1
Diluted	19.3	20.3	19.3	20.5

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 September 30,		For the Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income	$ 45.0	$ 44.3	$ 140.8	$ 127.6
Other comprehensive (loss) income:				
Change in fair value of cash flow swaps	(1.0)	0.9	(5.3)	4.9
Income tax expense (benefit) associated with cash flow swaps	0.3	(0.2)	1.4	(1.3)
Comprehensive income	$ 44.3	$ 45.0	$ 136.9	$ 131.2

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
Net income	—	—	—	40.9	—	—	—	40.9
Other comprehensive loss	—	— —	— —	— —	— —	—	(1.3)	(1.3)
Cumulative effect of change in accounting principle - 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
Net income	—	—	—	54.9	—	—	—	54.9
Other comprehensive loss	—	—	—	—	—	—	(1.9)	(1.9)
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
Net income	—	—	—	45.0	—	—	—	45.0
Other comprehensive loss	—	—	—	—	—	—	(0.7)	(0.7)
Share-based compensation	—	—	3.6	—	—	—	—	3.6
Issuance of common stock, net of forfeitures in connection with share-based payment arrangements	(704)	—	—	—			—	—
Repurchase of common stock associated with net share settlement of employee share-based awards	—	—	—	—	2,128	(0.2)	—	(0.2)
Share repurchases	—	—	—	—	42,965	(4.0)	—	(4.0)
Retirement of previously repurchased common stock	(42,965)	—	(0.6)	(3.4)	(42,965)	4.0	—	—
Balances, September 30, 2019	41,096,408	$ 0.4	$ 580.8	$ 1,050.9	21,791,707	$ (1,028.6)	$ (3.5)	$ 600.0

	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
Net income	—	—	—	40.1	—	—	—	40.1
Other comprehensive income	—	—	—	—	—	—	2.1	2.1
Cumulative effect of change in accounting principle - 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
Net income	—		—	43.2	—	—	—	43.2
Other comprehensive income	—	—	—	—	—	—	0.8	0.8
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
Net income	—		—	44.3	—	—	—	44.3
Other comprehensive income	—	—	—	—	—	—	0.7	0.7
Share-based compensation	—	—	2.5			—	—	2.5
Issuance of common stock, net of forfeitures in connection with share-based payment arrangements	(5,265)	—	—	—	—	—	—	—
Repurchase of common stock associated with net share settlements of employee share-based awards	—	—	—	—	2,087	(0.1)	—	(0.1)
Share repurchases	—	—	—	—	239,769	(16.9)	—	(16.9)
Balances, September 30, 2018	41,159,319	$ 0.4	$ 571.7	$ 887.1	21,052,039	$ (980.9)	$ 2.7	$ 481.0

See accompanying Notes to Condensed Consolidated Financial Statements

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

	For the Nine Months Ended September 30,	
	2019	**2018**
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 140.8	$ 127.6
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	26.7	25.2
Share-based compensation	10.4	8.2
Deferred income taxes	—	0.6
Loaner vehicle amortization	17.6	16.7
Gain on divestiture	(11.7)	—
Change in right-of-use asset	14.3	—
Other adjustments, net	4.0	1.9
Changes in operating assets and liabilities, net of acquisitions and divestitures—		
Contracts-in-transit	49.7	55.3
Accounts receivable	17.6	14.8
Inventories	201.0	26.4
Other current assets	(131.1)	(144.5)
Floor plan notes payable—trade, net	8.1	(2.0)
Accounts payable and other current liabilities	11.8	(25.6)
Operating lease liabilities	(14.5)	—
Other long-term assets and liabilities, net	3.0	1.8
Net cash provided by operating activities	347.7	106.4
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures—excluding real estate	(28.7)	(21.5)
Capital expenditures—real estate	(9.2)	(17.6)
Purchases of previously leased real estate	(4.9)	(4.4)
Acquisitions	(210.0)	(91.3)
Divestiture	39.1	—
Proceeds from the sale of assets	7.5	2.0
Net cash used in investing activities	(206.2)	(132.8)
CASH FLOW FROM FINANCING ACTIVITIES:		
Floor plan borrowings—non-trade	3,118.7	3,309.7
Floor plan borrowings—acquisitions	55.3	22.7
Floor plan repayments—non-trade	(3,273.1)	(3,231.4)
Floor plan repayments—divestiture	(14.1)	—
Repayments of borrowings	(12.0)	(10.7)
Payment of debt issuance costs	(2.3)	—
Repurchases of common stock, including shares associated with net share settlement of employee share-based awards	(20.5)	(61.8)
Net cash (used in) provided by financing activities	(148.0)	28.5
Net (decrease) increase in cash and cash equivalents	(6.5)	2.1
CASH AND CASH EQUIVALENTS, beginning of period	8.3	4.7
CASH AND CASH EQUIVALENTS, end of period	$ 1.8	$ 6.8

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 September 30, 2019, we owned and operated 107 new vehicle franchises (88 dealership locations) representing 31 brands of automobiles and 25 collision repair centers in 18 metropolitan markets within ten states. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, which includes repair and maintenance services, replacement parts and collision repair services; and finance and insurance products. For the nine months ended September 30, 2019, our new vehicle revenue brand mix consisted of 46% imports, 33% luxury, and 21% domestic brands.

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

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

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. (the "Company") 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 September 30, 2019, and for the three and nine months ended September 30, 2019 and 2018, have been included, unless otherwise indicated. The results of operations for the three and nine months ended September 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

Please 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 eliminate the internal profit on vehicles that remain in inventory.

Income Taxes

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

Share Repurchases

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

Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted-average common shares outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted-average common shares and common share equivalents outstanding during the period. 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 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 "2019 Senior Credit Facility"). Loaner vehicles are initially used by our service department for a short period of time (typically six to twelve months) before we seek to sell them. Therefore, we classify the acquisition of loaner vehicles in Other Current Assets and the borrowings and repayments of loaner vehicle notes payable in Accounts Payable and Accrued Liabilities in the accompanying Condensed Consolidated Statements of Cash Flows. Loaner vehicles are depreciated over the service period to their estimated value. At the end of the loaner service period, loaner vehicles are transferred from Other Current Assets to used vehicle inventory. These transfers are reflected as non-cash transfers between Other Current Assets and Inventories in the accompanying Condensed Consolidated Statements of Cash Flows.

Recent Accounting Pronouncements

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”). For additional information, please 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 are currently evaluating the impact that the adoption of the provisions of the ASU will have on our Condensed Consolidated Financial Statements, but do not expect the impact of the adoption of this ASU to be material.

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 nine months ended September 30, 2019 and 2018:

	For the Three Months Ended September 30,	
	2019	2018
	(In millions)	
Revenue:		
New vehicle	$ 986.9	$ 980.5
Used vehicle retail	505.0	448.7
Used vehicle wholesale	41.9	48.8
New and used vehicle	1,533.8	1,478.0
Sale of vehicle parts and accessories	36.7	34.3
Vehicle repair and maintenance services	190.9	171.8
Parts and services	227.6	206.1
Finance and insurance, net	80.6	73.3
Total revenue	1,842.0	$ 1,757.4

	For the Nine Months Ended September 30,	
	2019	2018
	(In millions)	
Revenue:		
New vehicle	$ 2,823.9	$ 2,766.3
Used vehicle retail	1,449.8	1,355.4
Used vehicle wholesale	140.6	143.6
New and used vehicle	4,414.3	4,265.3
Sale of vehicle parts and accessories	109.7	102.4
Vehicle repair and maintenance services	560.0	507.5
Parts and services	669.7	609.9
Finance and insurance, net	232.3	215.0
Total revenue	$ 5,316.3	$ 5,090.2

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 Asset

The Company records a contract asset related to its right to payment for vehicle repair and maintenance services and variable F&I, net for goods and services already transferred to the customer. Contract assets related to vehicle repair and maintenance services are transferred to receivables when a repair order is completed and invoiced to the customer. Changes in contract assets during the period are reflected in the table below:

	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
Transferred to receivables from contract assets recognized at the beginning of the period	(4.8)	(2.6)	(7.4)
Increases related to revenue recognized, inclusive of adjustments to constraint, during the period	4.9	2.1	7.0
Contract Assets (Current), September 30, 2019	$ 4.9	$ 11.5	$ 16.4

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 nine months ended September 30, 2019, we acquired the assets of nine franchises (five dealership locations) and one collision center in the Indianapolis, Indiana market and one franchise (one dealership location) in the Denver, Colorado market for a combined purchase price of $210.4 million. We funded these acquisitions with an aggregate of $153.9 million of cash and $55.3 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, these acquisitions included purchase price holdbacks of $1.2 million for potential indemnity claims made by us with respect to the acquired franchises. In addition to the acquisition amounts above, we released $0.8 million of purchase price holdbacks related to a prior year acquisition.

Below is the preliminary allocation of purchase price for the acquisitions completed during the nine months ended September 30, 2019. We have not finalized our valuation for manufacturer franchise rights, real estate, property and equipment, or our assessment with respect to certain assumed leases.

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

	As of September 30, 2019
	(In millions)
Inventory	$ 70.9
Real estate	43.1
Property and equipment	4.7
Goodwill and manufacturer franchise rights	91.0
Loaner vehicles	1.5
Liabilities assumed	(0.8)
Total purchase price	$ 210.4

During the nine months ended September 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 an aggregate of $68.6 million of cash and $22.7 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, these acquisitions included purchase price holdbacks of $1.9 million for potential indemnity claims made by us with respect to the acquired franchise.

During the nine months ended September 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	
	September 30, 2019	December 31, 2018
	(In millions)	
Vehicle receivables	$ 35.1	$ 45.7
Manufacturer receivables	45.0	51.2
Other receivables	33.9	34.7
Total accounts receivable	114.0	131.6
Less—Allowance for doubtful accounts	(1.5)	(1.3)
Accounts receivable, net	$ 112.5	$ 130.3

5. INVENTORIES

Inventories consisted of the following:

	As of	
	September 30, 2019	December 31, 2018
	(In millions)	
New vehicles	$ 810.3	$ 867.2
Used vehicles	176.3	158.9
Parts and accessories	43.5	41.5
Total inventories	$ 1,030.1	$ 1,067.6

The lower of cost and net realizable value reserves reduced total inventories by $6.8 million and $6.1 million as of September 30, 2019 and December 31, 2018, respectively. As of September 30, 2019 and December 31, 2018, certain

automobile manufacturer incentives reduced new vehicle inventory cost by $9.9 million and $10.1 million, respectively, and reduced new vehicle cost of sales for the nine months ended September 30, 2019 and 2018 by $33.3 million and $30.6 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 September 30, 2019 and December 31, 2018, respectively. There were no liabilities associated with these properties as of September 30, 2019 or December 31, 2018.

As of September 30, 2019, there was one dealership location currently in use with a net book value of $6.6 million that we are under contract to sell and leaseback until a replacement facility is constructed.

During the nine months ended September 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	
	September 30, 2019	December 31, 2018
	(In millions)	
Floor plan notes payable—trade	$ 135.3	$ 125.3
Floor plan notes payable offset account	(13.2)	(11.3)
Floor plan notes payable—trade, net	$ 122.1	$ 114.0
Floor plan notes payable—new non-trade	$ 765.6	$ 843.0
Floor plan notes payable—used non-trade	25.0	30.0
Floor plan notes payable offset account	(51.7)	(20.9)
Floor plan notes payable—non-trade, net	$ 738.9	$ 852.1

On September 25, 2019, the Company and certain of its subsidiaries entered into a third amended and restated credit agreement with Bank of America, N.A. ("Bank of America"), as administrative agent, and the other lenders party thereto (the "2019 Senior Credit Facility"). The 2019 Senior Credit Facility amended and restated the Company’s pre-existing second amended and restated credit agreement, dated as of July 25, 2016.

The 2019 Senior Credit Facility provides for the following, in each case subject to limitations on availability as set forth therein:

- a $250.0 million revolving credit facility (the "Revolving Credit Facility"), including a $50.0 million sub-limit for letters of credit;
- a $1.04 billion new vehicle revolving floor plan facility (the "New Vehicle Floor Plan Facility"); and
- a $160.0 million used vehicle revolving floor plan facility (the "Used Vehicle Floor Plan Facility").

Proceeds from borrowings under the 2019 Senior Credit Facility will be used, among other things, (i) to finance the purchase of new and used vehicles by the Company and certain of its subsidiaries, (ii) for working capital needs of the Company and certain of its subsidiaries, and (iii) for other general corporate purposes of the Company and certain of its subsidiaries.

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

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

we are able to re-designate any amounts moved to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility back to the Revolving Credit Facility.

In connection with the New Vehicle Floor Plan Facility, we continue to maintain an offset 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 Consolidated Statements of Income.

Borrowings under the 2019 Senior Credit Facility bear interest, at our option, based on the London Interbank Offered Rate ("LIBOR") or the Base Rate, in each case plus an Applicable Rate. The Base Rate is the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.00%. Applicable Rate means with respect to the Revolving Credit Facility, (i) until the Company delivers a certificate with respect to its consolidated total lease adjusted leverage ratio as of September 30, 2019 to Bank of America, as administrative agent, 1.25% for LIBOR loans and 0.25% for Base Rate loans and (ii) thereafter a range from 1.00% to 2.00% for LIBOR loans and 0.15% to 1.00% for Base Rate loans, in each case based on the Company's consolidated total lease adjusted leverage ratio. Borrowings under the New Vehicle Floorplan Facility bear interest, at our option, based on LIBOR plus 1.10% or the Base Rate plus 0.10%. Borrowings under the Used Vehicle Floorplan Facility bear interest, at our option, based on LIBOR plus 1.40% or the Base Rate plus 0.40%.

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

The 2019 Senior Credit Facility matures, and all amounts outstanding thereunder will be due and payable, on September 25, 2024.

The representations and covenants contained in the 2019 Senior Credit Agreement are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated current ratio, minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the 2019 Senior Credit Agreement. In addition, certain other covenants could restrict the Company's ability to incur additional debt, pay dividends or acquire or dispose of assets.

The 2019 Senior Credit Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. In certain instances, an event of default under either the Revolving Credit Facility or the Used Vehicle Floorplan Facility could be, or result in, an event of default under the New Vehicle Floorplan Facility, and vice versa. Upon the occurrence of an event of default, the Company could be required to immediately repay all amounts outstanding under the applicable facility.

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 September 30, 2019 and December 31, 2018, we had $64.9 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	
	September 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	127.3	132.2
2018 Bank of America Facility	24.8	25.7
2018 Wells Fargo Master Loan Facility	25.0	25.0
Prior real estate credit agreement	36.1	40.8
Restated master loan agreement	79.5	83.3
Finance lease liability	17.3	3.1
Total debt outstanding	910.0	910.1
Add—unamortized premium on 6.0% Senior Subordinated Notes due 2024	5.4	6.0
Less—debt issuance costs	(9.5)	(10.8)
Long-term debt, including current portion	905.9	905.3
Less—current portion, net of current portion of debt issuance costs	(38.1)	(38.8)
Long-term debt	$ 867.8	$ 866.5

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.

Please refer to footnote 7, "Floor Plan Notes Payable" for information related to our 2019 Senior Credit Facility, including the $250.0 million Revolving Credit Facility.

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 September 30, 2019, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

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 are 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 an ROU 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 implicit rate 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 September 30, 2019
			(In millions)
Assets:			
Operating	Operating lease right-of-use assets	$	77.1
Finance	Property and equipment, net		14.6
Total right-of-use assets		$	91.7
Liabilities:			
Current			
Operating	Current maturities of operating leases	$	21.0
Finance	Current maturities of long-term debt		0.6
Non-Current			
Operating	Operating lease liabilities		60.3
Finance	Long-term debt		16.7
Total lease liabilities		$	98.6

Lease Term and Discount Rate

	As of September 30, 2019
Weighted Average Lease Term - Operating Leases	5.8 years
Weighted Average Lease Term - Finance Lease	1.4 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 nine months ended September 30, 2019.

		For the Three Months Ended September 30, 2019		For the Nine Months Ended September 30, 2019
		(In millions)		
Finance lease cost				
Interest	$	0.2	$	0.5
Operating lease cost		5.9		17.3
Short-term lease cost		0.5		2.2
Variable lease cost		0.3		0.7
	$	6.9	$	20.7

Supplemental Cash Flow Information

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

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 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	$ 0.5
Operating cash flows from operating leases	6.0	17.6
Financing cash flows from finance lease	0.1	0.3
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	3.2	13.9
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 September 30, 2019.

	Finance	Operating
	(In millions)	
2019 (remaining three months)	$ 0.3	$ 6.1
2020	1.3	24.0
2021	16.7	20.9
2022	—	15.5
2023	—	7.5
Thereafter	—	21.2
Total minimum lease payments	18.3	95.2
Less: amount of lease payments representing interest	(1.0)	(13.9)
Present value of future minimum lease payments	17.3	81.3
Less: current obligations under leases	(0.6)	(21.0)
Long-term lease obligation	$ 16.7	$ 60.3

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 2019 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	
	September 30, 2019	December 31, 2018
	(In millions)	
Carrying Value:		
6.0% Senior Subordinated Notes due 2024	$ 605.4	$ 606.0
Mortgage notes payable	292.7	307.0
Total carrying value	$ 898.1	$ 913.0
Fair Value:		
6.0% Senior Subordinated Notes due 2024	$ 619.5	$ 570.0
Mortgage notes payable	302.6	306.7
Total fair value	$ 922.1	$ 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 LIBOR, through maturity in February 2025. The notional value of this swap was $81.1 million as of September 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 $53.7 million as of September 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 $4.7 million liability as of September 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	
	September 30, 2019	December 31, 2018
	(In millions)	
Other current liabilities/(assets)	$ 0.8	$ (0.2)
Other long-term liabilities/(assets)	3.9	(0.4)
Total fair value	$ 4.7	$ (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 September 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	$ (1.0)	Other interest expense, net	$ (0.1)
2018	$ 0.8	Swap interest expense	$ (0.1)

For the Nine Months Ended September 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	$ (5.3)	Other interest expense, net	$ —
2018	$ 4.4	Swap interest expense	$ (0.5)

On the basis of yield curve conditions as of September 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 $0.8 million.

11. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended September 30, 2019 and 2018, we made interest payments, including amounts capitalized, totaling $61.0 million and $52.0 million, respectively. Included in these interest payments are $30.4 million and $22.5 million, of floor plan interest payments during the nine months ended September 30, 2019 and 2018, respectively.

During the nine months ended September 30, 2019 and 2018, we made income tax payments, net of refunds received, totaling $44.1 million and $39.6 million, respectively.

During the nine months ended September 30, 2019 and 2018, we transferred $107.5 million and $139.9 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 September 30, 2019, which are required by certain of our insurance providers. In addition, as of September 30, 2019, we maintained a $5.1 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.

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 September 30, 2019 we owned and operated 107 new vehicle franchises (88 dealership locations), representing 31 brands of automobiles and 25 collision centers in 18 metropolitan markets within ten states. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, which includes repair and maintenance services, replacement parts, and collision repair services; and finance and insurance products. For the nine months ended September 30, 2019, our new vehicle revenue brand mix consisted of 46% imports, 33% luxury, and 21% domestic brands.

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

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

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

Our 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 SAAR for new vehicle sales in the U.S. for both the three months ended September 30, 2019 and 2018 was 17.1 million. The automotive retail business continues to benefit from the availability of credit to consumers, attractive interest rates, historically low unemployment levels and relatively strong consumer confidence. 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 $405.4 million as of September 30, 2019, which consisted of cash and cash equivalents of $1.8 million, $64.9 million of funds in our floor plan offset accounts, $190.0 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 $101.4 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 September 30, 2019 Compared to the Three Months Ended September 30, 2018

	For the Three Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except per share data)			
REVENUE:				
New vehicle	$ 986.9	$ 980.5	$ 6.4	1 %
Used vehicle	546.9	497.5	49.4	10 %
Parts and service	227.6	206.1	21.5	10 %
Finance and insurance, net	80.6	73.3	7.3	10 %
TOTAL REVENUE	1,842.0	1,757.4	84.6	5 %
GROSS PROFIT:				
New vehicle	38.6	42.1	(3.5)	(8)%
Used vehicle	32.4	32.8	(0.4)	(1)%
Parts and service	141.5	129.8	11.7	9 %
Finance and insurance, net	80.6	73.3	7.3	10 %
TOTAL GROSS PROFIT	293.1	278.0	15.1	5 %
OPERATING EXPENSES:				
Selling, general, and administrative	202.0	188.8	13.2	7 %
Depreciation and amortization	9.1	8.5	0.6	7 %
Other operating (income) expenses, net	(0.2)	(0.1)	(0.1)	(100)%
INCOME FROM OPERATIONS	82.2	80.8	1.4	2 %
OTHER EXPENSES (INCOME):				
Floor plan interest expense	9.0	8.4	0.6	7 %
Other interest expense, net	13.7	13.2	0.5	4 %
Swap interest expense	—	0.1	(0.1)	— %
Total other expenses, net	22.7	21.7	1.0	5 %
INCOME BEFORE INCOME TAXES	59.5	59.1	0.4	1 %
Income tax expense	14.5	14.8	(0.3)	(2)%
NET INCOME	$ 45.0	$ 44.3	$ 0.7	2 %
Net income per common share—Diluted	$ 2.33	$ 2.18	$ 0.15	7 %

	For the Three Months Ended September 30,	
	2019	2018
REVENUE MIX PERCENTAGES:		
New vehicle	53.6 %	55.8%
Used vehicle retail	27.3 %	25.5%
Used vehicle wholesale	2.3 %	2.8%
Parts and service	12.4 %	11.7%
Finance and insurance, net	4.4 %	4.2%
Total revenue	100.0 %	100.0%
GROSS PROFIT MIX PERCENTAGES:		
New vehicle	13.2 %	15.1%
Used vehicle retail	11.5 %	11.8%
Used vehicle wholesale	(0.5)%	—%
Parts and service	48.3 %	46.7%
Finance and insurance, net	27.5 %	26.4%
Total gross profit	100.0 %	100.0%
GROSS PROFIT MARGIN	15.9 %	15.8%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	68.9 %	67.9%

Total revenue during the third quarter of 2019 increased by $84.6 million (5%) compared to the third quarter of 2018, due to a $49.4 million (10%) increase in used vehicle revenue, a $21.5 million (10%) increase in parts and service revenue, a $7.3 million (10%) increase in F&I, net revenue, and a $6.4 million (1%) increase in new vehicle revenue. During the three months ended September 30, 2019, gross profit increased by $15.1 million (5%) driven by an $11.7 million (9%) increase in parts and service gross profit and a $7.3 million (10%) increase in F&I gross profit, partially offset by a $3.5 million (8%) decrease in new vehicle gross profit and a $0.4 million (1%) decrease in used vehicle gross profit.

Income from operations during the third quarter of 2019 increased by $1.4 million (2%) compared to the third quarter of 2018, primarily due to the $15.1 million (5%) increase in gross profit, partially offset by a $13.2 million (7%) increase in SG&A expense, and a $0.6 million (7%) increase in depreciation and amortization expenses. Total other expenses, net increased by $1.0 million (5%), primarily due a $0.6 million (7%) increase in floor plan interest expense and a $0.5 million (4%) increase in other interest expense, net during the third quarter of 2019. As a result, income before income taxes increased $0.4 million (1%). Overall, net income increased by $0.7 million (2%) during the third quarter of 2019 as compared to the third 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 September 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.

Our results for the three months ended September 30, 2019 were adversely impacted by Hurricane Dorian due to the temporary closure of certain dealerships in our Florida market. Our results for the three months ended September 30, 2018, were similarly impacted due to the temporary closure of certain dealerships in our North Carolina, South Carolina, and Virginia markets as a result of Hurricane Florence. The loss of business as a results of these natural disasters did not have a material impact on our results.

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.

New Vehicle—

	For the Three Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Luxury	$ 324.5	$ 297.8	$ 26.7	9 %
Import	456.3	485.2	(28.9)	(6)%
Domestic	206.1	197.5	8.6	4 %
Total new vehicle revenue	$ 986.9	$ 980.5	$ 6.4	1 %
Gross profit:				
Luxury	$ 19.7	$ 18.6	$ 1.1	6 %
Import	10.2	15.4	(5.2)	(34)%
Domestic	8.7	8.1	0.6	7 %
Total new vehicle gross profit	$ 38.6	$ 42.1	$ (3.5)	(8)%
New vehicle units:				
Luxury	6,025	5,685	340	6 %
Import	15,998	17,046	(1,048)	(6)%
Domestic	5,055	5,019	36	1 %
Total new vehicle units	27,078	27,750	(672)	(2)%
Same Store:				
Revenue:				
Luxury	$ 323.1	$ 297.8	$ 25.3	8 %
Import	450.8	474.0	(23.2)	(5)%
Domestic	169.2	197.5	(28.3)	(14)%
Total new vehicle revenue	$ 943.1	$ 969.3	$ (26.2)	(3)%
Gross profit:				
Luxury	$ 19.7	$ 18.7	$ 1.0	5 %
Import	10.1	14.8	(4.7)	(32)%
Domestic	6.9	8.1	(1.2)	(15)%
Total new vehicle gross profit	$ 36.7	$ 41.6	$ (4.9)	(12)%
New vehicle units				
Luxury	5,993	5,685	308	5 %
Import	15,828	16,619	(791)	(5)%
Domestic	4,165	5,019	(854)	(17)%
Total new vehicle units	25,986	27,323	(1,337)	(5)%

New Vehicle Metrics—

	For the Three Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
As Reported:				
Revenue per new vehicle sold	$ 36,447	$ 35,333	$ 1,114	3 %
Gross profit per new vehicle sold	$ 1,426	$ 1,517	$ (91)	(6)%
New vehicle gross margin	3.9%	4.3%	(0.4)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,270	$ 3,272	$ (2)	— %
New vehicle gross margin	6.1%	6.2%	(0.1)%	
Import:				
Gross profit per new vehicle sold	$ 638	$ 903	$ (265)	(29)%
New vehicle gross margin	2.2%	3.2%	(1.0)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,721	$ 1,614	$ 107	7 %
New vehicle gross margin	4.2%	4.1%	0.1 %	
Same Store:				
Revenue per new vehicle sold	$ 36,293	$ 35,476	$ 817	2 %
Gross profit per new vehicle sold	$ 1,412	$ 1,523	$ (111)	(7)%
New vehicle gross margin	3.9%	4.3%	(0.4)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,287	$ 3,289	$ (2)	— %
New vehicle gross margin	6.1%	6.3%	(0.2)%	
Import:				
Gross profit per new vehicle sold	$ 638	$ 891	$ (253)	(28)%
New vehicle gross margin	2.2%	3.1%	(0.9)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,657	$ 1,614	$ 43	3 %
New vehicle gross margin	4.1%	4.1%	— %	

New vehicle revenue increased by $6.4 million (1%) due to a $26.7 million (9%) increase in luxury brands revenue and a $8.6 million (4%) increase in domestic brands revenue, partially offset by a $28.9 million (6%) decrease in import brands revenue. The 1% increase in new vehicle revenue is the result of a 3% increase in revenue per new vehicle sold, partially offset by a 2% decrease in new vehicle units sold. Same store new vehicle revenue decreased by $26.2 million (3%) due to a $28.3 million (14%) decrease in domestic brands revenue and a $23.2 million (5%) decrease in import brands, partially offset by a $25.3 million (8%) increase in luxury brands revenue.

New vehicle gross profit and same store new vehicle gross profit decreased by $3.5 million (8)% and $4.9 million (12)%, respectively, for the three months ended September 30, 2019. Same store new vehicle gross profit margin for the three months ended September 30, 2019 decreased 40 basis points to 3.9%. The decrease in our same store gross profit margin was primarily attributable to pressure among our import brands due in part to less incentives being offered by certain manufacturers. The decrease in same store new vehicle gross profit was offset by increases in F&I PVR.

We ended the quarter with approximately 76 days of supply of new vehicle inventory, slightly above our target range of 70 - 75 days.

Used Vehicle—

	For the Three Months Ended September 30,		Increase	%
	2019	2018	(Decrease)	Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Used vehicle retail revenue	$ 505.0	$ 448.7	$ 56.3	13 %
Used vehicle wholesale revenue	41.9	48.8	(6.9)	(14)%
Used vehicle revenue	$ 546.9	$ 497.5	$ 49.4	10 %
Gross profit:				
Used vehicle retail gross profit	$ 33.9	$ 32.7	$ 1.2	4 %
Used vehicle wholesale gross profit	(1.5)	0.1	(1.6)	NM
Used vehicle gross profit	$ 32.4	$ 32.8	$ (0.4)	(1)%
Used vehicle retail units:				
Used vehicle retail units	22,988	20,824	2,164	10 %
Same Store:				
Revenue:				
Used vehicle retail revenue	$ 481.7	$ 442.4	$ 39.3	9 %
Used vehicle wholesale revenue	40.5	47.5	(7.0)	(15)%
Used vehicle revenue	$ 522.2	$ 489.9	$ 32.3	7 %
Gross profit:				
Used vehicle retail gross profit	$ 32.0	$ 32.4	$ (0.4)	(1)%
Used vehicle wholesale gross profit	(1.5)	0.2	(1.7)	NM
Used vehicle gross profit	$ 30.5	$ 32.6	$ (2.1)	(6)%
Used vehicle retail units:				
Used vehicle retail units	21,810	20,511	1,299	6 %

Used Vehicle Metrics—

	For the Three Months Ended September 30,		Increase	%
	2019	2018	(Decrease)	Change
As Reported:				
Revenue per used vehicle retailed	$ 21,968	$ 21,547	$ 421	2 %
Gross profit per used vehicle retailed	$ 1,475	$ 1,570	$ (95)	(6)%
Used vehicle retail gross margin	6.7%	7.3%	(0.6)%	
Same Store:				
Revenue per used vehicle retailed	$ 22,086	$ 21,569	$ 517	2 %
Gross profit per used vehicle retailed	$ 1,467	$ 1,580	$ (113)	(7)%
Used vehicle retail gross margin	6.6%	7.3%	(0.7)%	

Used vehicle revenue increased by $49.4 million (10%) due to a $56.3 million (13%) increase in used vehicle retail revenue, partially offset by a $6.9 million (14%) decrease in used vehicle wholesale revenue. Same store used vehicle revenue increased by $32.3 million (7%) due to a $39.3 million (9%) increase in used vehicle retail revenue partially offset by a $7.0 million (15%) decrease in used vehicle wholesale revenue. Total company and same store unit sales increased 10% and 6%, respectively, during the three months ended September 30, 2019.

For the three months ended September 30, 2019, total Company and same store used vehicle retail gross profit margins decreased 60 basis points and 70 basis points, respectively, due to increased competition and price transparency within the used

vehicle marketplace. The decrease same store used vehicle retail gross profit was offset by additional F&I PVR as well as additional parts and service gross profit generated by internal reconditioning and preparation.

We believe that our used vehicle inventory continues to be well-aligned with current customer demand, with approximately 36 days of supply of inventory as of September 30, 2019.

Parts and Service—

	For the Three Months Ended September 30,			
	2019	2018	Increase (Decrease)	% Change
	(Dollars in millions)			
As Reported:				
Parts and service revenue	$ 227.6	$ 206.1	$ 21.5	10%
Parts and service gross profit:				
Customer pay	79.8	73.0	6.8	9%
Warranty	22.1	19.2	2.9	15%
Wholesale parts	5.8	5.6	0.2	4%
Parts and service gross profit, excluding reconditioning and preparation	$ 107.7	$ 97.8	$ 9.9	10%
Parts and service gross margin, excluding reconditioning and preparation	47.3%	47.5%	(0.2)%	
Reconditioning and preparation *	$ 33.8	$ 32.0	$ 1.8	6%
Total parts and service gross profit	$ 141.5	$ 129.8	$ 11.7	9%
Same Store:				
Parts and service revenue	$ 220.8	$ 203.8	$ 17.0	8%
Parts and service gross profit:				
Customer pay	77.0	72.2	4.8	7%
Warranty	21.6	19.1	2.5	13%
Wholesale parts	5.8	5.5	0.3	5%
Parts and service gross profit, excluding reconditioning and preparation	$ 104.4	$ 96.8	$ 7.6	8%
Parts and service gross margin, excluding reconditioning and preparation	47.3%	47.5%	(0.2)%	
Reconditioning and preparation *	$ 32.6	$ 31.5	$ 1.1	3%
Total parts and service gross profit	$ 137.0	$ 128.3	$ 8.7	7%

** 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 $21.5 million (10%) increase in parts and service revenue was due to a $13.5 million (10%) increase in customer pay revenue, a $5.8 million (16%) increase in warranty revenue, and a $2.2 million (7%) increase in wholesale parts revenue. Same store parts and service revenue increased by $17.0 million (8%) to $220.8 million during the three months ended September 30, 2019 from $203.8 million during the three months ended September 30, 2018. The increase in same store parts and service revenue was due to a $9.9 million (7%) increase in customer pay revenue, a $4.9 million (13%) increase in warranty revenue, and a $2.2 million (7%) increase in wholesale parts revenue

Parts and service gross profit, excluding reconditioning and preparation, increased by $9.9 million (10%) to $107.7 million and same store parts and service gross profit, excluding reconditioning and preparation, increased by $7.6 million (8%) to $104.4 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, providing market leading benefits to our technicians and capitalizing on our dealership training programs.

Finance and Insurance, net—

	For the Three Months Ended September 30,		Increase	%
	2019	2018	(Decrease)	Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Finance and insurance, net	$ 80.6	$ 73.3	$ 7.3	10%
Finance and insurance, net per vehicle sold	$ 1,610	$ 1,509	$ 101	7%
Same Store:				
Finance and insurance, net	$ 77.8	$ 72.2	$ 5.6	8%
Finance and insurance, net per vehicle sold	$ 1,628	$ 1,509	$ 119	8%

F&I, net revenue increased by $7.3 million (10%) during the third quarter of 2019 as compared to the third quarter of 2018 and same store F&I, net revenue increased by $5.6 million (8%) over the same period. We attribute part of this increase to the 3% increase in total retail units as well as a shift in unit mix from new vehicles to used vehicles. We also 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.

Selling, General, and Administrative Expense—

	For the Three Months Ended September 30,				Increase	% of Gross Profit Increase
	2019	% of Gross Profit	2018	% of Gross Profit	(Decrease)	(Decrease)
	(Dollars in millions)					
As Reported:						
Personnel costs	$ 95.1	32.4%	$ 90.8	32.7%	$ 4.3	(0.3)%
Sales compensation	31.5	10.7%	29.4	10.6%	2.1	0.1 %
Share-based compensation	3.6	1.2%	2.5	0.9%	1.1	0.3 %
Outside services	21.0	7.2%	21.1	7.6%	(0.1)	(0.4)%
Advertising	9.9	3.4%	7.5	2.7%	2.4	0.7 %
Rent	6.7	2.3%	6.4	2.3%	0.3	— %
Utilities	4.5	1.5%	4.4	1.6%	0.1	(0.1)%
Insurance	2.9	1.0%	2.4	0.9%	0.5	0.1 %
Other	26.8	9.2%	24.3	8.6%	2.5	0.6 %
Selling, general, and administrative expense	$ 202.0	68.9%	$ 188.8	67.9%	$ 13.2	1.0 %
Gross profit	$ 293.1		$ 278.0			
Same Store:						
Personnel costs	$ 91.6	32.5%	$ 89.7	32.7%	$ 1.9	(0.2)%
Sales compensation	30.1	10.7%	28.9	10.5%	1.2	0.2 %
Share-based compensation	3.6	1.3%	2.5	0.9%	1.1	0.4 %
Outside services	20.2	7.2%	20.8	7.6%	(0.6)	(0.4)%
Advertising	9.0	3.2%	7.3	2.7%	1.7	0.5 %
Rent	6.7	2.4%	6.4	2.3%	0.3	0.1 %
Utilities	4.3	1.5%	4.3	1.6%	—	(0.1)%
Insurance	2.7	1.0%	2.3	0.8%	0.4	0.2 %
Other	26.4	9.2%	24.0	8.7%	2.4	0.5 %
Selling, general, and administrative expense	$ 194.6	69.0%	$ 186.2	67.8%	$ 8.4	1.2 %
Gross profit	$ 282.0		$ 274.7			

SG&A expense as a percentage of gross profit increased 100 basis points from 67.9% for the third quarter of 2018 to 68.9% for the third quarter of 2019. Same store SG&A expense as a percentage of gross profit increased 120 basis points, from 67.8% for the third quarter of 2018 to 69.0% over the same period. On both a total Company and same store basis, the Company experienced increases in advertising expense, share-based compensation expense, and other SG&A as a percentage of gross profit.

Floor Plan Interest Expense —

Floor plan interest expense increased by $0.6 million (7%) to $9.0 million during the three months ended September 30, 2019 compared to $8.4 million for the three months ended September 30, 2018, primarily due to higher average new vehicle inventory levels.

Income Tax Expense —

The $0.3 million (2%) decrease in income tax expense was the result of a lower estimated annual effective rate, partially offset by a $0.4 million (1%) increase in income before income taxes. Our effective tax rate for the three months ended September 30, 2019 was 24.4% compared to 25.0% in the prior comparative period. For 2019, we expect our effective tax rate to be around 25%.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

	For the Nine Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except per share data)			
REVENUE:				
New vehicle	$ 2,823.9	$ 2,766.3	$ 57.6	2 %
Used vehicle	1,590.4	1,499.0	91.4	6 %
Parts and service	669.7	609.9	59.8	10 %
Finance and insurance, net	232.3	215.0	17.3	8 %
TOTAL REVENUE	5,316.3	5,090.2	226.1	4 %
GROSS PROFIT:				
New vehicle	114.8	121.3	(6.5)	(5)%
Used vehicle	102.8	100.4	2.4	2 %
Parts and service	417.4	384.5	32.9	9 %
Finance and insurance, net	232.3	215.0	17.3	8 %
TOTAL GROSS PROFIT	867.3	821.2	46.1	6 %
OPERATING EXPENSES:				
Selling, general, and administrative	593.7	563.6	30.1	5 %
Depreciation and amortization	26.7	25.2	1.5	6 %
Other operating expense (income), net	1.0	(1.2)	2.2	NM
INCOME FROM OPERATIONS	245.9	233.6	12.3	5 %
OTHER EXPENSES (INCOME):				
Floor plan interest expense	29.7	23.0	6.7	29 %
Other interest expense, net	41.2	39.4	1.8	5 %
Swap interest expense	—	0.5	(0.5)	(100)%
Gain on divestiture	(11.7)	—	(11.7)	— %
Total other expenses, net	59.2	62.9	(3.7)	(6)%
INCOME BEFORE INCOME TAXES	186.7	170.7	16.0	9 %
Income tax expense	45.9	43.1	2.8	6 %
NET INCOME	$ 140.8	$ 127.6	$ 13.2	10 %
Net income per share—Diluted	$ 7.30	$ 6.22	$ 1.1	17 %

NM—Not Meaningful

	For the Nine Months Ended September 30,	
	2019	2018
REVENUE MIX PERCENTAGES:		
New vehicle	53.1%	54.3%
Used vehicle retail	27.3%	26.7%
Used vehicle wholesale	2.6%	2.8%
Parts and service	12.6%	12.0%
Finance and insurance, net	4.4%	4.2%
Total revenue	100.0%	100.0%
GROSS PROFIT MIX PERCENTAGES:		
New vehicle	13.2%	14.8%
Used vehicle retail	11.8%	12.0%
Used vehicle wholesale	0.1%	0.2%
Parts and service	48.1%	46.8%
Finance and insurance, net	26.8%	26.2%
Total gross profit	100.0%	100.0%
GROSS PROFIT MARGIN	16.3%	16.1%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	68.5%	68.6%

Total revenue for the nine months ended September 30, 2019 increased by $226.1 million (4%) compared to the nine months ended September 30, 2018, due to a $91.4 million (6%) increase in used vehicle revenue, a $59.8 million (10%) increase in parts and service revenue, a $57.6 million (2%) increase in new vehicle revenue, and a $17.3 million (8%) increase in F&I revenue, net. The $46.1 million (6%) increase in gross profit during the nine months ended September 30, 2019 was driven by a $32.9 million (9%) increase in parts and service gross profit, a $17.3 million (8%) increase in F&I, net, and a $2.4 million (2%) increase in used vehicle gross profit, partially offset by a $6.5 million (5%) decrease in new vehicle gross profit.

Income from operations during the nine months ended September 30, 2019 increased by $12.3 million (5%) compared to the nine months ended September 30, 2018, due to the $46.1 million (6%) increase in gross profit, partially offset by a $30.1 million (5%) increase in SG&A expenses, a $2.2 million increase in other operating expense (income), net, and a $1.5 million (6%) increase in depreciation and amortization expense. Total other expenses, net decreased by $3.7 million (6%), as a result of an $11.7 million gain on a dealership divestiture during the second quarter of 2019, partially offset by a $6.7 million (29%) increase in floor plan interest expense and a $1.8 million (5%) increase in other interest expense, net. As a result, income before income taxes increased $16.0 million (9%) to $186.7 million for the nine months ended September 30, 2019. Overall, net income increased by $13.2 million (10%) during the nine months ended September 30, 2019 as compared to the nine months ended September 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 nine months ended September 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 Nine Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Luxury	$ 929.8	$ 883.8	$ 46.0	5 %
Import	1,290.4	1,319.3	(28.9)	(2)%
Domestic	603.7	563.2	40.5	7 %
Total new vehicle revenue	$ 2,823.9	$ 2,766.3	$ 57.6	2 %
Gross profit:				
Luxury	$ 58.0	$ 57.5	$ 0.5	1 %
Import	31.5	39.1	(7.6)	(19)%
Domestic	25.3	24.7	0.6	2 %
Total new vehicle gross profit	$ 114.8	$ 121.3	$ (6.5)	(5)%
New vehicle units:				
Luxury	16,933	16,527	406	2 %
Import	45,697	46,545	(848)	(2)%
Domestic	15,006	14,406	600	4 %
Total new vehicle units	77,636	77,478	158	— %
Same Store:				
Revenue:				
Luxury	$ 926.7	$ 883.8	$ 42.9	5 %
Import	1,260.1	1,284.0	(23.9)	(2)%
Domestic	512.1	563.2	(51.1)	(9)%
Total new vehicle revenue	$ 2,698.9	$ 2,731.0	$ (32.1)	(1)%
Gross profit:				
Luxury	$ 58.1	$ 57.5	$ 0.6	1 %
Import	30.6	37.8	(7.2)	(19)%
Domestic	20.6	24.7	(4.1)	(17)%
Total new vehicle gross profit	$ 109.3	$ 120.0	$ (10.7)	(9)%
New vehicle units:				
Luxury	16,862	16,527	335	2 %
Import	44,617	45,258	(641)	(1)%
Domestic	12,708	14,406	(1,698)	(12)%
Total new vehicle units	74,187	76,191	(2,004)	(3)%

New Vehicle Metrics—

	For the Nine Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
As Reported:				
Revenue per new vehicle sold	$ 36,374	$ 35,704	$ 670	2 %
Gross profit per new vehicle sold	$ 1,479	$ 1,566	$ (87)	(6)%
New vehicle gross margin	4.1%	4.4%	(0.3)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,425	$ 3,479	$ (54)	(2)%
New vehicle gross margin	6.2%	6.5%	(0.3)%	
Import:				
Gross profit per new vehicle sold	$ 689	$ 840	$ (151)	(18)%
New vehicle gross margin	2.4%	3.0%	(0.6)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,686	$ 1,715	$ (29)	(2)%
New vehicle gross margin	4.2%	4.4%	(0.2)%	
Same Store:				
Revenue per new vehicle sold	$ 36,380	$ 35,844	$ 536	1 %
Gross profit per new vehicle sold	$ 1,473	$ 1,575	$ (102)	(6)%
New vehicle gross margin	4.0%	4.4%	(0.4)%	
Luxury:				
Gross profit per new vehicle sold	$ 3,446	$ 3,479	$ (33)	(1)%
New vehicle gross margin	6.3%	6.5%	(0.2)%	
Import:				
Gross profit per new vehicle sold	$ 686	$ 835	$ (149)	(18)%
New vehicle gross margin	2.4%	2.9%	(0.5)%	
Domestic:				
Gross profit per new vehicle sold	$ 1,621	$ 1,715	$ (94)	(5)%
New vehicle gross margin	4.0%	4.4%	(0.4)%	

For the nine months ended September 30, 2019, new vehicle revenue increased by $57.6 million (2%) as a result of a 2% increase in revenue per new vehicle sold. For the nine months ended September 30, 2019, same store new vehicle revenue decreased 1% as the result of a 3% decrease in new vehicle units sold, partially offset by an increase in revenue per unit sold.

For the nine months ended September 30, 2019, new vehicle gross profit and same store new vehicle gross profit decreased by $6.5 million (5%) and $10.7 million (9%), respectively. Same store new vehicle gross margin for the nine months ended September 30, 2019 decreased 40 basis points to 4.0% as a result of margin pressure across our brand offerings, but particularly our import brands.

Used Vehicle—

	For the Nine Months Ended September 30,		Increase	%
	2019	2018	(Decrease)	Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Used vehicle retail revenue	$ 1,449.8	$ 1,355.4	$ 94.4	7 %
Used vehicle wholesale revenue	140.6	143.6	(3.0)	(2)%
Used vehicle revenue	$ 1,590.4	$ 1,499.0	$ 91.4	6 %
Gross profit:				
Used vehicle retail gross profit	$ 102.2	$ 98.5	$ 3.7	4 %
Used vehicle wholesale gross profit	0.6	1.9	(1.3)	(68)%
Used vehicle gross profit	$ 102.8	$ 100.4	$ 2.4	2 %
Used vehicle retail units:				
Used vehicle retail units	66,330	63,079	3,251	5 %
Same Store:				
Revenue:				
Used vehicle retail revenue	$ 1,383.4	$ 1,333.1	$ 50.3	4 %
Used vehicle wholesale revenue	135.9	140.7	(4.8)	(3)%
Used vehicle revenue	$ 1,519.3	$ 1,473.8	$ 45.5	3 %
Gross profit:				
Used vehicle retail gross profit	$ 96.6	$ 97.2	$ (0.6)	(1)%
Used vehicle wholesale gross profit	0.6	2.0	(1.4)	(70)%
Used vehicle gross profit	$ 97.2	$ 99.2	$ (2.0)	(2)%
Used vehicle retail units:				
Used vehicle retail units	62,917	61,913	1,004	2 %

Used Vehicle Metrics—

	For the Nine Months Ended September 30,		Increase	%
	2019	2018	(Decrease)	Change
As Reported:				
Revenue per used vehicle retailed	$ 21,857	$ 21,487	$ 370	2 %
Gross profit per used vehicle retailed	$ 1,541	$ 1,562	$ (21)	(1)%
Used vehicle retail gross margin	7.0%	7.3%	(0.3)%	
Same Store:				
Revenue per used vehicle retailed	$ 21,988	$ 21,532	$ 456	2 %
Gross profit per used vehicle retailed	$ 1,535	$ 1,570	$ (35)	(2)%
Used vehicle retail gross margin	7.0%	7.3%	(0.3)%	

Used vehicle revenue increased by $91.4 million (6%) due to a $94.4 million (7%) increase in used vehicle retail revenue, partially offset by a $3.0 million (2%) decrease in used vehicle wholesale revenue. Same store used vehicle revenue increased by $45.5 million (3%) due to a $50.3 million (4%) increase in used vehicle retail revenue, partially offset by a $4.8 million (3%) decrease in used vehicle wholesale revenues.

For the nine months ended September 30, 2019, both total Company and same store used vehicle retail gross profit margins decreased 30 basis points to 7.0%.

Parts and Service—

	For the Nine Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions)			
As Reported:				
Parts and service revenue	$ 669.7	$ 609.9	$ 59.8	10%
Parts and service gross profit:				
Customer pay	236.9	217.8	19.1	9%
Warranty	66.1	56.5	9.6	17%
Wholesale parts	17.6	16.8	0.8	5%
Parts and service gross profit, excluding reconditioning and preparation	$ 320.6	$ 291.1	$ 29.5	10%
Parts and service gross margin, excluding reconditioning and preparation	47.9%	47.7%	0.2%	
Reconditioning and preparation *	$ 96.8	$ 93.4	$ 3.4	4%
Total parts and service gross profit	$ 417.4	$ 384.5	$ 32.9	9%
Same Store:				
Parts and service revenue	$ 648.6	$ 602.1	$ 46.5	8%
Parts and service gross profit:				
Customer pay	229.0	215.2	13.8	6%
Warranty	64.2	56.0	8.2	15%
Wholesale parts	17.3	16.6	0.7	4%
Parts and service gross profit, excluding reconditioning and preparation	$ 310.5	$ 287.8	$ 22.7	8%
Parts and service gross margin, excluding reconditioning and preparation	47.9%	47.8%	0.1%	
Reconditioning and preparation *	$ 93.1	$ 91.6	$ 1.5	2%
Total parts and service gross profit	$ 403.6	$ 379.4	$ 24.2	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 $59.8 million (10%) increase in parts and service revenue was primarily due to a $36.0 million (9%) increase in customer pay revenue, a $17.1 million (16%) increase in warranty revenue, and a $6.7 million (7%) increase in wholesale parts revenue. Same store parts and service revenue increased by $46.5 million (8%) from $602.1 million for the nine months ended September 30, 2018 to $648.6 million for the nine months ended September 30, 2019. The increase in same store parts and service revenue was primarily due to a $26.4 million (7%) increase in customer pay revenue, a $14.2 million (13%) increase in warranty revenue, and a $5.9 million (6%) increase in wholesale parts revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by $29.5 million (10%) to $320.6 million and same store gross profit, excluding reconditioning and preparation, increased by $22.7 million (8%) to $310.5 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 Nine Months Ended September 30,		Increase (Decrease)	% Change
	2019	2018		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Finance and insurance, net	$ 232.3	$ 215.0	$ 17.3	8%
Finance and insurance, net per vehicle sold	$ 1,614	$ 1,530	$ 84	5%
Same Store:				
Finance and insurance, net	$ 222.8	$ 210.7	$ 12.1	6%
Finance and insurance, net per vehicle sold	$ 1,625	$ 1,526	$ 99	6%

F&I revenue, net increased $17.3 million (8%) during the nine months ended September 30, 2019 when compared to the nine months ended September 30, 2018, with same store F&I, net revenue increasing by $12.1 million (6%) 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.

Selling, General, and Administrative Expense—

	For the Nine Months Ended September 30,				Increase (Decrease)	% of Gross Profit Increase (Decrease)
	2019	% of Gross Profit	2018	% of Gross Profit		
	(Dollars in millions)					
As Reported:						
Personnel costs	$ 282.2	32.5%	$ 270.1	32.9%	$ 12.1	(0.4)%
Sales compensation	90.7	10.5%	86.3	10.5%	4.4	— %
Share-based compensation	10.4	1.2%	8.2	1.0%	2.2	0.2 %
Outside services	61.4	7.1%	61.4	7.5%	—	(0.4)%
Advertising	27.7	3.2%	23.5	2.9%	4.2	0.3 %
Rent	20.3	2.3%	19.0	2.3%	1.3	— %
Utilities	12.5	1.4%	12.3	1.5%	0.2	(0.1)%
Insurance	10.5	1.2%	10.6	1.3%	(0.1)	(0.1)%
Other	78.0	9.1%	72.2	8.7%	5.8	0.4 %
Selling, general, and administrative expense	$ 593.7	68.5%	$ 563.6	68.6%	$ 30.1	(0.1)%
Gross profit	$ 867.3		$ 821.2			
Same Store:						
Personnel costs	$ 271.3	32.6%	$ 266.2	32.9%	$ 5.1	(0.3)%
Sales compensation	86.6	10.4%	84.5	10.4%	2.1	— %
Share-based compensation	10.4	1.2%	8.2	1.0%	2.2	0.2 %
Outside services	58.6	7.0%	60.3	7.5%	(1.7)	(0.5)%
Advertising	25.1	3.0%	22.9	2.8%	2.2	0.2 %
Rent	20.1	2.4%	19.0	2.3%	1.1	0.1 %
Utilities	12.0	1.4%	12.2	1.5%	(0.2)	(0.1)%
Insurance	9.6	1.2%	10.3	1.3%	(0.7)	(0.1)%
Other	$ 75.7	9.2%	$ 70.8	8.8%	4.9	0.4 %
Selling, general, and administrative expense	$ 569.4	68.4%	$ 554.4	68.5%	$ 15.0	(0.1)%
Gross profit	$ 832.9		$ 809.3			

SG&A expense as a percentage of gross profit was 68.5% for the nine months ended September 30, 2019 compared to 68.6% for the nine months ended September 30, 2018. Same store SG&A expense as a percentage of gross profit decreased 10

basis points from 68.5% for the nine months ended September 30, 2018 to 68.4% for the nine months ended September 30, 2019. The Company benefited from decreases in both outside services and personnel costs on both a total Company and same-store basis during the nine months ended September 30, 2019, in each case partially offset by increases in advertising expense.

Other Operating Expenses (Income), net —

Other operating expenses (income), net includes gains and losses from the sale of property and equipment, and other operating items not considered core to our business. During the nine months ended September 30, 2019, the Company recorded expense of $1.0 million, net, which included a $2.4 million pre-tax loss related to the write-off of fixed assets, partially offset by $1.4 million, net of other non-core operating income.

Included in the $1.2 million of other operating income, net for the nine months ended September 30, 2018, was a $0.7 million gain resulting from legal settlements and $0.4 million, net of other non-core operating income.

Floor Plan Interest Expense —

Floor plan interest expense increased by $6.7 million (29%) to $29.7 million during the nine months ended September 30, 2019 compared to $23.0 million during the nine months ended September 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 $2.8 million (6%) increase in income tax expense was primarily the result of a $16.0 million (9%) 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 nine months ended September 30, 2019 was 24.6% compared to 25.2% in the prior comparative period. For 2019, we expect our effective tax rate to be around 25%.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2019, we had total available liquidity of $405.4 million, which consisted of $1.8 million of cash and cash equivalents, $64.9 million of available funds in our floor plan offset accounts, $190.0 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 $101.4 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 September 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 2019 Senior Credit Facility, our other floor plan facilities, our Real Estate Credit Agreement, our Restated Master Loan Agreement, and our mortgage financings (each, as defined below), (iv) amounts in our new vehicle floor plan notes payable offset accounts, and (v) the potential impact of our capital allocation strategy and any contemplated or pending future transactions, including, but not limited to, financings, acquisitions, dispositions, equity and/or debt repurchases, dividends, or other capital expenditures. We believe we will have sufficient liquidity to meet our debt service and working capital requirements; commitments and contingencies; debt repayment, maturity and repurchase obligations; acquisitions; capital expenditures; and any operating requirements for at least the next twelve months.

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.

- **2019 Senior Credit Facility —** On September 25, 2019, the Company and certain of its subsidiaries entered into the 2019 Senior Credit Facility, which amended and restated the Company’s pre-existing second amended and restated credit agreement, dated as of July 25, 2016, among the Company and certain of its subsidiaries and Bank of America, as administrative agent, and the other lenders party thereto. The 2019 Senior Credit Agreement provides for the following:

Revolving Credit Facility —A $250.0 million Revolving Credit Facility for, among other things, acquisitions, working capital and capital expenditures, including a $50.0 million sub-limit for letters of credit. As described below, as of September 30, 2019, we re-designated $190.0 million of aggregate commitments from the Revolving Credit Facility to the New Vehicle Floor Plan Facility, resulting in $60.0 million of borrowing capacity. In addition, we had $12.7 million in outstanding letters of credit as of September 30, 2019, resulting in $47.3 million of borrowing availability as of September 30, 2019.

New Vehicle Floor Plan Facility — A $1.04 billion 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 September 30, 2019, we had $738.9 million, which is net of $51.7 million in our floor plan offset account, outstanding under the New Vehicle Floor Plan Facility.

Used Vehicle Floor Plan Facility —A $160.0 million Used Vehicle Floor Plan Facility to finance the acquisition of used vehicle inventory and for, among other things, working capital and capital expenditures, as well as to refinance used vehicles. Our borrowing capacity under the Used Vehicle Floor Plan Facility was limited to $101.4 million based on our borrowing base calculation as of September 30, 2019. We began the year with $30.0 million in outstanding borrowings on our used vehicle floor plan facility. During the nine months ended September 30, 2019, we had borrowings of $65.0 million and repayments of $70.0 million, resulting in outstanding borrowings of $25.0 million on our Used Vehicle Floor Plan Facility as of September 30, 2019.

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

At our option, we have the ability to re-designate a portion of our availability under the Revolving Credit Facility to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility. The maximum amount we are allowed to re-designate is determined based on aggregate commitments under the Revolving Credit Facility, less $50.0 million. In addition, we are able to re-designate any amounts moved to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility back to the Revolving Credit Facility. As of September 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 2019 Senior Credit Facility bear interest, at our option, based on LIBOR or the Base Rate, in each case plus an Applicable Rate. The Base Rate is the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.00%. Applicable Rate means with respect to the Revolving Credit Facility, (i) until the Company delivers a certificate with respect to its consolidated total lease adjusted leverage ratio as of September 30, 2019 to Bank of America, as administrative agent, 1.25% for LIBOR loans and 0.25% for Base Rate loans and (ii) thereafter a range from 1.00% to 2.00% for LIBOR loans and 0.15% to 1.00% for Base Rate loans, in each case based on the Company's consolidated total lease adjusted leverage ratio. Borrowings under the New Vehicle Floorplan Facility bear interest, at our option, based on LIBOR plus 1.10% or the Base Rate plus 0.10%. Borrowings under the Used Vehicle Floorplan Facility bear interest, at our option, based on LIBOR plus 1.40% or the Base Rate plus 0.40%.

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

- **Manufacturer affiliated new vehicle floor plan and other financing facilities** — we have a floor plan facility with the Ford Motor Credit Company ("Ford Credit") to purchase new Ford and Lincoln vehicle inventory, 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 September 30, 2019, we had $122.1

million, net of $13.2 million in our floor plan offset account, outstanding under our floor plan facility. Additionally, we had $90.0 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 September 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 September 30, 2019, we had $127.3 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 September 30, 2019, the outstanding balance under the Restated Master Loan Agreement was $79.5 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 September 30, 2019, we had $36.1 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 $24.8 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 September 30, 2019, we had $24.8 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 an 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 September 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 September 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 2019 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 September 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 nine months ended September 30, 2019, we repurchased 42,965 and 202,379 shares, respectively, of our common stock under the Repurchase Program for a total of $4.0 million and $15.3 million, respectively. As of September 30, 2019, we had remaining authorization to repurchase $66.3 million in shares of our common stock under the Repurchase Program.

During the three and nine months ended September 30, 2019, we also repurchased 2,128 and 72,368 shares, respectively, of our common stock for $0.2 million and $5.2 million, respectively, from employees in connection with a net share settlement feature of employee equity-based awards.

Cash Flows

Classification of Cash Flows Associated with Floor Plan Notes Payable

Borrowings and repayments of floor plan notes payable to a lender unaffiliated with the manufacturer from which we purchase a particular new vehicle ("Non-Trade"), and all floor plan notes payable relating to used vehicles (together referred to as "Floor Plan Notes Payable—Non-Trade"), are classified as financing activities 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 Nine Months Ended September 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	$ 347.7	$ 106.4
New vehicle floor plan borrowings —non-trade, net	(179.4)	78.3
Cash provided by operating activities, as adjusted	$ 168.3	$ 184.7

Operating Activities—

Net cash provided by operating activities totaled $347.7 million and $106.4 million, for the nine months ended September 30, 2019 and 2018, respectively. Net cash provided by operating activities, as adjusted, totaled $168.3 million and $184.7 million for the nine months ended September 30, 2019 and 2018, respectively.

The $16.4 million decrease in our net cash provided by operating activities, as adjusted, for the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018 was primarily the result of the following:

- $73.0 million decrease related to the change in inventory, net of floor plan borrowings; and
- $2.8 million decrease related to the timing of collection of accounts receivable and contracts-in-transit.

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

- $37.4 million increase related to the change in accounts payable and other current liabilities;
- $21.9 million increase related to non-cash adjustments to net income; and
- $0.1 million increase related to the change in other current assets and other long-term assets and liabilities, net.

Investing Activities—

Net cash used in investing activities totaled $206.2 million and $132.8 million, for the nine months ended September 30, 2019 and 2018, respectively. Capital expenditures, excluding the purchase of real estate, were $28.7 million and $21.5 million for the nine months ended September 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 nine months ended September 30, 2019, we acquired the assets of nine franchises (five dealership locations) and one collision center in the Indianapolis, Indiana market and one franchise (one dealership location) in the Denver, Colorado market for a purchase price of $210.4 million. We funded these acquisitions with an aggregate of $153.9 million of cash and $55.3 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, these acquisitions included purchase price holdbacks of $1.2 million for potential indemnity claims made by us with respect to the acquired franchises. In addition to the acquisition amounts above, we released $0.8 million of purchase price holdbacks related to a prior year acquisition.

During the nine months ended September 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 nine months ended September 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 nine months ended September 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 nine months ended September 30, 2019 and 2018, purchases of real estate, including previously leased real estate, totaled $14.1 million and $22.0 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 $148.0 million for the nine months ended September 30, 2019. Net cash provided by financing activities totaled $28.5 million for the nine months ended September 30, 2018.

During the nine months ended September 30, 2019 and 2018, we had non-trade floor plan borrowings, excluding floor plan borrowings associated with acquisitions, of $3.12 billion and $3.31 billion, respectively, and non-trade floor plan repayments, excluding floor plan repayments associated with a divestiture, of $3.27 billion and $3.23 billion, respectively.

During the nine months ended September 30, 2019 and 2018, we had floor plan borrowings of $55.3 million and $22.7 million, respectively, related to acquisitions.

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

Repayments of borrowings totaled $12.0 million and $10.7 million, for the nine months ended September 30, 2019 and 2018, respectively. In addition, payments of debt issuance costs totaled $2.3 million for the nine months ended September 30, 2019.

During the nine months ended September 30, 2019, we repurchased a total of 202,379 shares of our common stock under our Repurchase Program for a total of $15.3 million and 72,368 shares of our common stock for $5.2 million from employees in connection with a net share settlement feature of employee equity-based awards.

Off Balance Sheet Arrangements

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

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 $891.5 million of total variable interest rate debt, which includes our floor plan notes payable and certain mortgage liabilities, outstanding as of September 30, 2019, a 100 basis point change in interest rates could result in a change of as much as $8.9 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 nine months ended September 30, 2019 and 2018 by $30.7 million and $28.4 million, respectively. We cannot provide assurance as to the future amount of floor plan assistance and these amounts may be negatively impacted due to future changes in interest rates.

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

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 $81.1 million as of September 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 September 30, 2019 was $53.7 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 "Financial Instruments and Fair Value" within the accompanying Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

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 September 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 September 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)
07/01/2019 - 07/31/2019	1,527	$ 84.31	—	$ 70.2
08/01/2019 - 08/31/2019	43,149	$ 92.80	42,965	$ 66.3
09/01/2019 - 09/30/2019	417	$ 101.63	—	$ 66.3
Total	45,093		42,965	

(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 September 30, 2019, we repurchased 42,965 shares of our common stock under the Repurchase Program for a total of $4.0 million and 2,128 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 September 30, 2019, we had remaining authorization to repurchase $66.3 million in shares of our common stock under the Repurchase Program.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 6. Exhibits

Exhibit Number	Description of Documents
4.1	Eighth Supplemental Indenture, dated as of August 14, 2019, among Asbury IN TOY, LLC, Asbury Automotive Group, Inc., and U.S. Bank National Association, as Trustee
10.1	Third Amended and Restated Credit Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., as a Borrower, certain of its subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swingline Lender and an L/C Issuer, and the other Lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as Co-Documentation Agents, and BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.2	Third Amended and Restated Company Guaranty Agreement, dated as of September 25, 2019, between Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.3	Third Amended and Restated Subsidiary Guaranty Agreement, dated as of September 25, 2019, among certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.4	Third Amended and Restated Security Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.5	Third Amended and Restated Escrow and Security Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.6	Third Amended and Restated Securities Pledge Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.7	Form of Equity Award Agreement for awards made under the 2019 Equity and Incentive Compensation Plan
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
*	Incorporated by reference

SIGNATURES

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

		Asbury Automotive Group, Inc.	
Date:	October 30, 2019	By:	/s/ David W. Hult
		Name:	**David W. Hult**
		Title:	**Chief Executive Officer and President**
		Asbury Automotive Group, Inc.	
Date:	October 30, 2019	By:	/s/ Sean D. Goodman
		Name:	**Sean D. Goodman**
		Title:	**Senior Vice President and Chief Financial Officer**

INDEX TO EXHIBITS

Exhibit Number	Description of Documents
4.1	Eighth Supplemental Indenture, dated as of August 14, 2019, among Asbury IN TOY, LLC, Asbury Automotive Group, Inc., and U.S. Bank National Association, as Trustee
10.1	Third Amended and Restated Credit Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., as a Borrower, certain of its subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swingline Lender and an L/C Issuer, and the other Lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as Co-Documentation Agents, and BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.2	Third Amended and Restated Company Guaranty Agreement, dated as of September 25, 2019, between Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.3	Third Amended and Restated Subsidiary Guaranty Agreement, dated as of September 25, 2019, among certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.4	Third Amended and Restated Security Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Incorporated by reference

Exhibit 4.1

EIGHTH SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”), dated as of August 14, 2019, among Asbury IN TOY, LLC, a Delaware limited liability company (the “Guaranteeing Subsidiary”), Asbury Automotive Group, Inc., a Delaware corporation (the “Company”), and U.S. Bank National Association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture, dated as of December 4, 2014 (as supplemented by the First Supplemental Indenture, dated as of July 29, 2015, the Second Supplemental Indenture, dated as of October 28, 2015, the Third Supplemental Indenture, dated as of July 20, 2016, the Fourth Supplemental Indenture, dated as of February 17, 2017, the Fifth Supplemental Indenture, dated as of February 5, 2018, the Sixth Supplemental Indenture, dated as of May 30, 2018, and the Seventh Supplemental Indenture, dated as of March 25, 2019, collectively, the “Indenture”) providing for the issuance of 6.0% Senior Subordinated Notes due 2024 (the “Notes”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “Subsidiary Guarantee”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees, jointly and severally along with all Guarantors named in the Indenture, to guarantee the Company’s obligations under the Notes on the terms and subject to the conditions set forth in Article 11 of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes.

3. RATIFICATION OF INDENTURE; SUPPLEMENTAL INDENTURES PART OF INDENTURE. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder heretofore or hereafter authenticated and delivered shall be bound hereby.

4. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS HEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

SIGNATURES

ASBURY AUTOMOTIVE GROUP, INC.

By: /s/ George A. Villasana
Name: George A. Villasana

Title: Senior Vice President, General Counsel & Secretary

ASBURY IN TOY, LLC

By: /s/ Matthew Pettoni
Name: Matthew Pettoni

Title: Treasurer

U.S. BANK NATIONAL ASSOCIATION

By: /s/ David Ferrell
Name: David Ferrell
Title: Vice President

Exhibit 10.7

ASBURY AUTOMOTIVE GROUP, INC.
2019 EQUITY AND INCENTIVE COMPENSATION PLAN

AWARD AGREEMENT

AWARD AGREEMENT UNDER THE ASBURY AUTOMOTIVE GROUP, INC. 2019 EQUITY AND INCENTIVE COMPENSATION PLAN, dated as of the Date of Grant, between Asbury Automotive Group, Inc., a Delaware corporation (the "***Company***"), and the Grantee.

This Award Agreement (this "***Award Agreement***") sets forth the terms and conditions of an award under the Asbury Automotive Group, Inc. 2019 Equity and Incentive Compensation Plan (the "***Plan***") of a number of (i) Restricted Share Units ("***RSUs***") and/or (ii) Performance Share Units ("***PSUs***") that are subject to the terms and conditions specified herein, and in either such case that are granted to the Grantee under the Plan (in either such case, or together, if applicable, the "***Award***"). Each RSU and each PSU represents the right to receive one Common Share upon the vesting of such RSU or PSU, as applicable.

The Grantee is given access to his or her own personal Morgan Stanley secure/password protected website at www.stockplanconnect.com. The identity of the Grantee, the Date of Grant, vesting information and number of RSUs and/or PSUs granted to the Grantee pursuant to this Award are specified on this website. This Award is effective as of the Date of Grant, but is subject to the Grantee's acceptance of the terms and conditions of this Award Agreement by eSignature through the Grantee's stock plan account on Morgan Stanley's website, StockPlan Connect.

The provisions of Article I of this Award Agreement apply only to any RSUs granted hereunder. The provisions of Article II of this Award Agreement apply only to any PSUs granted hereunder. The provisions of Article III of this Award Agreement apply to any and all RSUs and PSUs granted hereunder.

ARTICLE I

SECTION 1.1. Vesting and Payment. (1) Vesting. On each vesting date set forth below (each, a "***Vesting Date***"), the Grantee's rights shall vest with respect to a number of the RSUs that corresponds to the percentage of the RSUs set forth in the table below with respect to such Vesting Date, provided that the Grantee remains continuously employed by the Company or its Affiliates through the applicable Vesting Date, except as otherwise provided herein or as determined by the Committee in its sole discretion. For purposes of this Award Agreement, "continuously employed" (or substantially similar terms) means the absence of any interruption or termination of the Grantee's employment with the Company or an Affiliate. Continuous employment shall not be considered interrupted or terminated in the case of transfers between locations of the Company and its Affiliates.

“Vesting Date” for RSUS	**Percentage of RSUs Vested**
First anniversary of the Date of Grant	33.33%
Second anniversary of the Date of Grant	33.33%
Third anniversary of the Date of Grant	33.34%

In the event that the Grantee dies or becomes Disabled, the RSUs, to the extent then outstanding and unvested, shall automatically be deemed vested as of the date of the Grantee’s death or Disability, as applicable. The Committee, in its sole discretion, may accelerate the vesting of all or any portion of the RSUs, at any time and from time to time.

(a) Payment of RSUs. Payments in respect of any RSUs that vest in accordance herewith shall be made to the Grantee (or in the event of the Grantee's death, to his or her estate) in whole Common Shares. Payments in respect of any Dividend Equivalents (as defined below) credited with respect to the RSUs shall be made in cash at the same time as the RSUs to which they relate. The Committee shall determine the date (following the vesting of the applicable RSUs) on which payments pursuant to this Award Agreement shall be made (the “***Payment Date***”). Notwithstanding anything herein to the contrary, the Payment Date with respect to a vested RSU shall be as soon as administratively practicable after such RSU vests, but in any event within the “short-term deferral” period pursuant to Section 1.409A-1(b)(4) of the Department of Treasury regulations.

SECTION 1.2. Forfeiture of RSUs. Unless the Committee determines otherwise or except as otherwise set forth in **Section 1.1(a)** or **3.4** of this Award Agreement, if the Grantee’s rights with respect to any RSUs or related Dividend Equivalents (as defined below) awarded to the Grantee pursuant to this Award Agreement have not become vested prior to the date on which the Grantee’s continuous employment with the Company and its Affiliates is terminated (regardless of whether the Grantee’s employment is later reinstated), the Grantee’s rights with respect to such RSUs or Dividend Equivalents shall immediately terminate, and the Grantee will be entitled to no further payments or benefits with respect thereto.

SECTION 1.3. Voting Rights; Dividend Equivalents. The Grantee shall have no rights of ownership in the Common Shares underlying the RSUs and no right to vote the Common Shares underlying the RSUs until the date on which the Common Shares underlying the RSUs are issued or transferred to the Grantee pursuant to **Section 1.1(b)**. Each RSU granted hereunder is granted in tandem with a corresponding dividend equivalent (“***Dividend Equivalent***”), which Dividend Equivalent shall remain outstanding from the Date of Grant until the earlier of the payment or forfeiture of the RSU to which it corresponds. The Grantee shall be entitled to accrue payments equal to cash dividends declared, if any, on the Common Shares underlying the RSUs to which such Dividend Equivalent relates, payable in cash and subject to the vesting of the RSUs to which it relates, at the time the Common Shares underlying the RSUs are paid pursuant to **Section 1.1(b)** hereof. Dividend Equivalents shall not entitle the Grantee to any payments relating to dividends declared after the earlier to occur of the payment or forfeiture

of the RSUs underlying such Dividend Equivalents. Dividend Equivalents and any amounts that may become distributable in respect thereof shall be treated separately from the RSUs and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code. Notwithstanding anything herein to the contrary, Dividend Equivalents with respect to RSUs shall be paid within the “short-term deferral” period pursuant to Section 1.409A-1(b)(4) of the Department of Treasury regulations.

SECTION 1.4. Non-Transferability of RSUs and Dividend Equivalents. The Grantee’s rights and interests under this Award Agreement with respect to RSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee except, in the event of the Grantee’s death, by will or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

SECTION 1.5. Stop Transfer Orders and Legends. All certificates for Common Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to this Article I shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Securities and Exchange Commission (“***SEC***”), any securities exchange on which the Common Shares are listed (“***Securities Exchange***”), and any federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

ARTICLE II

SECTION 2.1. Definition. As used in this Award Agreement, the following terms have the meanings set forth below:

“***Determination Date***” means the date, as determined by the Committee, on which the Committee determines whether and to what extent the Performance Goals with respect to the PSUs have been achieved; provided that such date shall be no later than March __, 20__.

“***Performance Period***” means the period during which the Performance Goals (as defined below) are to be achieved, as set forth in the Statement of Performance Goals (as defined below).

SECTION 2.2. Performance-Based Right to Payment. The number of PSUs that shall be earned with respect to the Award shall be determined based on the Company’s achievement of performance goals for the PSUs (the “***Performance Goals***”) as determined by the Committee and communicated to the Grantee in a statement of performance goals (the “***Statement of Performance Goals***”). On the Determination Date, the Committee in its sole discretion shall determine whether and to what extent the Performance Goals as set forth in the

Statement of Performance Goals have been attained. Except as otherwise provided in **Section 3.4** of this Award Agreement, the number of PSUs earned with respect to the Award shall be determined based on the attainment of the Performance Goals. Accordingly, except as otherwise provided in **Section 3.4** of this Award Agreement, the Grantee shall only become entitled to the PSUs subject to this Award Agreement to the extent that the Committee determines that the Performance Goals have been attained. Upon such determination by the Committee and subject to the provisions of the Plan and this Award Agreement, the Grantee shall be deemed to have earned a portion of the PSUs as corresponds to the Performance Goals attained (as determined by the Committee in its sole discretion based on the formulae set forth in the Statement of Performance Goals), subject to satisfaction of the PSU vesting requirements as described herein.

SECTION 2.3. Service Requirement. On each Vesting Date, the Grantee's rights with respect to a percentage of the earned PSUs (as determined in accordance with **Section 2.2**) that corresponds to the percentage of the PSUs set forth in the table in **Section 1.1** with respect to such Vesting Date shall vest, provided that the Grantee remains continuously employed by the Company or its Affiliates through the applicable Vesting Date, except as otherwise provided in **Section 2.4** or **Section 3.4** of this Award Agreement or as otherwise determined by the Committee in its sole discretion.

SECTION 2.4. Treatment on Death or Disability.

(a) In the event that the Grantee dies or becomes Disabled, the PSUs, to the extent already earned but unvested, shall automatically be deemed vested as of the date of the Grantee's death or Disability, as applicable.

(b) In the event that the Grantee dies or becomes Disabled on or after the last day of the applicable Performance Period, the Grantee shall, upon the later to occur of (i) the date of such death or Disability and (ii) the date the Committee certifies the extent to which the Performance Goals for the applicable Performance Period have been attained, vest in the full number of earned PSUs (as determined in accordance with **Section 2.2**), to the extent such PSUs have not already vested or been forfeited.

(c) In the event that the Grantee dies or becomes Disabled prior to the last day of the applicable Performance Period, the Grantee shall, upon the Committee's certification of the extent to which the Performance Goals have been attained for the applicable Performance Period, vest in a pro rata basis of the PSUs (as determined in accordance with **Section 2.2**) for the applicable Performance Period, which shall be calculated by multiplying (i) the PSUs earned that would have vested as of the certification date by (ii) a fraction, the numerator of which is the number of calendar days that have elapsed from the first day of the applicable Performance Period through the date of such death or Disability, and the denominator of which is the total number of calendar days during the applicable Performance Period, to the extent such PSUs have not already vested or been forfeited.

(d) The Committee, in its sole discretion, may accelerate the vesting of all or any portion of the PSUs, at any time and from time to time.

SECTION 2.5. Payment of PSUs. Payments in respect of any PSUs that vest in accordance herewith shall be made to the Grantee (or in the event of the Grantee's death, to his or her estate) in whole Common Shares. Payments in respect of any Dividend Equivalents credited with respect to the PSUs shall be made in cash at the same time as the PSUs to which they relate. The Committee shall determine the date on which payments pursuant to this Award Agreement shall be made (the "***PSU Payment Date***"). Notwithstanding anything herein to the contrary, the Payment Date with respect to vested PSUs shall be as soon as administratively practicable after the vesting of such PSUs, but in any event within the "short-term deferral" period pursuant to Section 1.409A-1(b)(4) of the Department of Treasury regulations.

SECTION 2.6. Dividend Equivalents. The Grantee shall have no rights of ownership in the Common Shares underlying the PSUs and no right to vote the Common Shares underlying the PSUs until the date on which the Common Shares underlying the PSUs are issued or transferred to the Grantee pursuant to **Section 2.5**. Each PSU granted hereunder is hereby granted in tandem with a corresponding Dividend Equivalent, which Dividend Equivalent shall remain outstanding from the Date of Grant until the earlier of the payment or forfeiture of the PSU to which it corresponds. The Grantee shall be entitled to accrue payments equal to cash dividends declared, if any, on the Common Shares underlying the PSUs to which such Dividend Equivalent relates, payable in cash and subject to the vesting of the PSUs to which it relates, at the time the Common Shares underlying the PSUs are paid pursuant to **Section 2.5** hereof. Dividend Equivalents shall not entitle the Grantee to any payments relating to dividends declared after the earlier to occur of the payment or forfeiture of the PSUs underlying such Dividend Equivalents. Dividend Equivalents and any amounts that may become distributable in respect thereof shall be treated separately from the PSUs and the rights arising in connection therewith for purposes of the designation of time and form of payments required by Section 409A of the Code. Notwithstanding anything herein to the contrary, Dividend Equivalents with respect to PSUs shall be paid within the "short-term deferral" period pursuant to Section 1.409A-1(b)(4) of the Department of Treasury regulations.

SECTION 2.7. Forfeiture of PSUs. Except as otherwise provided in **Section 2.4** or **Section 3.4**, if the Grantee's continuous employment with the Company and its Affiliates terminates prior to a Vesting Date (regardless of whether the Grantee's employment is later reinstated), the Grantee's rights with respect to the unvested portion of the PSUs shall immediately terminate, and the Grantee shall be entitled to no payments or benefits with respect thereto, unless the Committee, as permitted pursuant to the terms of the Plan, determines in its sole discretion otherwise (in which case any payment to be made to the Grantee pursuant to this Award Agreement shall be made to the Grantee on the Payment Date and, for the avoidance of doubt, within the period required by Section 409A of the Code, such that it qualifies as a "short-term deferral" pursuant to Section 1.409A-1(b)(4) of the Department of Treasury regulations).

SECTION 2.8. Non-Transferability of PSUs. The Grantee's rights and interests under this Award Agreement with respect to the PSUs may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Grantee except, in the event of the Grantee's death, by shall or by the laws of descent and distribution, and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void

and unenforceable against the Company or any Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance.

SECTION 2.9. Stop Transfer Orders and Legends. All certificates for Common Shares or other securities of the Company or any Affiliate delivered under the Plan pursuant to this Article II shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the SEC, any Securities Exchange, and any federal or state laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

SECTION 2.10. Confidentiality. The Grantee hereby agrees to keep confidential, and to not disclose to anyone, the existence and terms of this Award Agreement (including, without limitation, the Performance Goals set forth in the Statement of Performance Goals), except to the Grantee's immediate family and the Grantee's financial and legal advisors, or as may be required by law or ordered by a court with valid jurisdiction over such matter. The Grantee further agrees that any disclosure to the Grantee's immediate family and the Grantee's financial and legal advisors shall only be made after such individuals or entities acknowledge and agree to maintain the confidentiality of this Award Agreement and its terms.

ARTICLE III

SECTION 3.1. Definitions. Capitalized terms used in this Award Agreement that are not defined in this Award Agreement have the meanings as used or defined in the Plan. As used in this Award Agreement, the following terms have the meanings set forth below:

"***Business Day***" means a day that is not a Saturday, a Sunday or a day on which banking institutions are legally permitted to be closed in the City of New York.

"***Change in Control***" has the same meaning as ascribed to it in the Plan, as amended from time to time, except that, in the case of a Grantee who is party to an employment or severance agreement with the Company, the term "Change in Control" shall have the meaning as ascribed to it in such employment or severance agreement.

SECTION 3.2. The Plan. This Award is made pursuant to the Plan, the terms of which are incorporated herein by reference, and in all respects shall be interpreted in accordance with the Plan. The grant and terms of this Award are subject to the provisions of the Plan and to interpretations, regulations and determinations concerning the Plan established from time to time by the Committee in accordance with the provisions of the Plan, including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the Common Shares, (c) capital or other changes of the Company and (d) other requirements of applicable law. The Committee shall have the

authority to interpret and construe this Award pursuant to the terms of the Plan, and its decisions shall be conclusive as to any questions arising hereunder.

SECTION 3.3. No Employment or Other Rights. The grant of the Award under this Award Agreement to the Grantee is a voluntary, discretionary award being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant of this Award shall not confer upon the Grantee any right to be retained as a director, officer or employee of or to the Company or any of its Affiliates and shall not interfere in any way with the right of the Company and its Affiliates to terminate the Grantee's employment or service at any time. The right of the Company and its Affiliates to terminate at will the Grantee's employment or service at any time for any reason, free from any liability or any claim under the Plan or this Award Agreement, is specifically reserved unless otherwise expressly provided in the Plan or in this Award Agreement.

SECTION 3.4. Change in Control. In the event of a Change in Control after the Date of Grant, the unvested portion of the Award, and any Dividend Equivalents corresponding to the Award, shall be subject to Section 12(b) of the Plan.

SECTION 3.5. Successors and Assigns of the Company. The terms and conditions of this Award Agreement shall be binding upon and shall inure to the benefit of the Company and its successors and assigns.

SECTION 3.6. Committee Discretion. Subject to the terms of the Plan, the Committee shall have full and plenary discretion with respect to any actions to be taken or determinations to be made in connection with this Award Agreement, and its determinations shall be final, binding and conclusive.

SECTION 3.7. Notice.

(a) General. All notices, requests, demands and other communications required or permitted to be given under the terms of this Award Agreement shall be in writing and shall be deemed to have been duly given when delivered by hand or overnight courier or three Business Days after they have been mailed by U.S. registered mail, return receipt requested, postage prepaid, addressed to the other party as set forth below:

If to the Company:	Asbury Automotive Group, Inc. 2905 Premiere Parkway NW, Suite 300 Duluth, GA 30097 Attention: General Counsel Fax : (678) 542-2680
If to the Grantee:	At the then-current address shown on the payroll of the Company.

The parties may change the address to which notices under this Award Agreement shall be sent by providing written notice to the other in the manner specified above. Notwithstanding the

above, the Company and its Affiliates may provide notice to the Grantee by e-mail or other electronic means to which the Grantee has regular access.

(b) Electronic Delivery of Plan Documents. The documents relating to the Plan and this Award (which may include but do not necessarily include, and are not limited to, any Plan prospectus, Award Agreement, or other related documents) may be delivered to the Grantee electronically. Such means of delivery may include but do not necessarily include, and are not limited to, the delivery of a link to the Internet site of a third party involved in administering the Plan or to a Company intranet site, the delivery of documents to the Grantee at the e-mail address, if any, provided for the Grantee by the Company, or such other means of delivery determined at the Committee's discretion.

(c) Consent to Electronic Delivery. The Grantee acknowledges that he/she has read this **Section 3.7** and consents to the electronic delivery of the Plan documents, as described in this **Section 3.7**. The Grantee understands that an e-mail account and appropriate hardware and software, including, but not limited to, a computer or compatible cell phone and an Internet connection, will be required to access documents delivered by e-mail. The Grantee acknowledges that he/she may receive from the Company a paper copy of any documents delivered electronically at no cost if he/she provides written notice to the Company in the manner specified above. The Grantee further acknowledges that he/she will be provided with a paper copy of any documents delivered to him/her electronically if electronic delivery fails. Similarly, the Grantee understands that he/she must provide the Company or any designated third party with a paper copy of any documents delivered by him/her electronically if electronic delivery fails. Also, the Grantee understands that his/her consent may be revoked or changed at any time if he/she provides written notice of such revised or revoked consent to the Company in the manner specified above. Finally, the Grantee understands that he/she is not required to consent to electronic delivery.

SECTION 3.8. Section 409A. This Award Agreement and the Award are intended to be exempt from the provisions of Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, as providing for any payments to be made within the applicable "short-term deferral" period (within the meaning of Section 1.409A-1(b)(4) of the Department of Treasury regulations) following the lapse of a "substantial risk of forfeiture" (within the meaning of Section 1.409A-1(d) of the Department of Treasury regulations). This Award Agreement shall be administered in a manner consistent with this intent. Notwithstanding any provision of this Award Agreement to the contrary, in the event that the Committee determines that the Award may be subject to Section 409A of the Code, the Committee may adopt such amendments to this Award Agreement or adopt other policies and procedures (including, but not limited to, amendments, policies and procedures with retroactive effect), or take any other actions, that the Committee determines are necessary or appropriate to (i) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of penalty taxes under Section 409A of the Code.

SECTION 3.9. Headings. Headings are given to the Sections and subsections of this Award Agreement solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of this Award Agreement, the Plan or any provision thereof.

SECTION 3.10. Amendment of this Award Agreement. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate this Award Agreement prospectively or retroactively; provided, however, that any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely impair the Grantee's rights under this Award Agreement shall not to that extent be effective without the Grantee's consent; provided, further, that the Grantee's consent shall not be required to an amendment that is deemed necessary by the Company to ensure compliance with Section 409A of the Code or Section 10D of the Exchange Act (it being understood, notwithstanding the foregoing proviso, that this Award Agreement and (a) the RSUs and PSUs shall be subject to adjustment as described in Section 11 of the Plan; and (b) the PSUs shall be subject to the provisions of Section 2(w) of the Plan (including, without limitation, in connection with adjustments to the number or identity of peer companies).

SECTION 3.11. Taxes, Consents. (1) Taxes. (i) To the extent that the Company is required to withhold federal, state, local or foreign taxes or other amounts ("***Tax-Related Amounts***") in connection with the delivery to the Grantee of Common Shares or any other payment to the Grantee or any other payment or vesting event under this Award Agreement, and the amounts available to the Company for such withholding are insufficient, it shall be a condition to the obligation of the Company to make any such delivery or payment that the Grantee make arrangements satisfactory to the Company for payment of the balance of such Tax-Related Amounts required to be withheld. Unless otherwise determined by the Committee, withholding of Tax-Related Amounts shall be accomplished by retention by the Company of a portion of the Common Shares to be delivered to the Grantee. Unless otherwise determined by the Committee, the shares so retained shall be credited at the Market Value per Share of such Common Shares on the date immediately prior to the date the applicable benefit is to be included in the Grantee's income. The fair market value of the Common Shares withheld and/or delivered pursuant to this **Section 3.11** to satisfy applicable Tax-Related Amounts shall not exceed the minimum statutory withholding rates in the applicable jurisdictions, unless and until the Committee in its discretion establishes policies and procedures to have withholding for Tax-Related Amounts be based on a higher rate and the Grantee elects, pursuant to such policies and procedures then in effect, to have withholding for Tax-Related Amounts be based on a higher rate. The Company shall not have any obligation to indemnify or otherwise hold the Grantee harmless from any or all of such Tax-Related Amounts. The Committee shall have the discretion to unilaterally modify this Award Agreement or the Award in a manner (i) that it in good faith believes conforms with the requirements of Section 409A of the Code and (ii) for any distribution event that could be expected to violate Section 409A of the Code, in order to make the distribution only upon a "permissible distribution event" within the meaning of Section 409A of the Code (as determined by the Committee in good faith). The Committee shall have the sole discretion to interpret the requirements of the Code, including, without limitation, Section 409A of the Code, for purposes of the Plan, this Award Agreement and the Award.

(a) Consents. The Grantee's rights in respect of the Award are conditioned on the receipt to the full satisfaction of the Committee of (i) any required consents that the Committee may determine to be necessary or advisable (including, without limitation, the Grantee's consenting to the Company's supplying to any third-party recordkeeper of the Plan such personal information as the Committee deems advisable to administer the Plan), and (ii) the Grantee's making or entering into such written representations, warranties and agreements in connection with the acquisition of any Common Shares pursuant to this Award as the Committee may request in order to comply with applicable securities laws or this Award.

SECTION 3.12. Applicable Law. The validity, construction, interpretation and effect of this Award Agreement shall be governed by and determined in accordance with the laws of the State of Delaware without giving effect to the conflict of laws provisions thereof.

SECTION 3.13. Recoupment. Any payment made pursuant to the terms of this Award Agreement is subject to the terms and conditions of the Company's recoupment policy (as adopted on April 20, 2016 (attached as Exhibit B to the Company's Corporate Governance Guidelines), and as it may be amended or restated from time to time). Notwithstanding the foregoing, the Company may, in its sole discretion, implement any recoupment or clawback policies or make any changes to any of the Company's existing recoupment or clawback policies, as the Company deems necessary or advisable in order to comply with applicable law or regulatory guidance (including, without limitation, the Dodd-Frank Wall Street Reform and Consumer Protection Act), and the Grantee hereby acknowledges and agrees that the Award will be subject to any recoupment or clawback policies so implemented or revised.

SECTION 3.14. Acknowledgement. The Grantee acknowledges that the Grantee (a) has received a copy of the Plan, (b) has had an opportunity to review the terms of this Award Agreement and the Plan, (c) understands the terms and conditions of this Award Agreement and the Plan and (d) agrees to such terms and conditions.

SECTION 3.15. Restrictive Covenants. (a) Non-Competition. In consideration of the Company's grant of the Award to the Grantee, Grantee agrees that during the 12-month period following the last date of Grantee's employment with the Company, the Grantee will not, directly or indirectly (except on behalf of or with the prior written consent of the Company, which consent may be withheld in the Company's sole discretion): (i) provide services of a leadership, management, executive, operational, or advisory capacity and/or participate in the ownership of or provide financial backing to an automotive dealership that is located within the Area (as defined in **Section 3.15(i)** of this Award Agreement); (ii) provide senior/corporate level leadership, executive, operational, or advisory services to any corporate competitor of the Company or its Affiliates who owns or operates one or more automotive dealerships within the Area; or (iii) provide services of a leadership, management, executive, operational, or advisory capacity for anyone or any business whose focus is buying, conglomerating, or otherwise acquiring one or more automotive dealerships that are located within the Area. For purposes of this **Section 3.15(a)**, the Grantee acknowledges and agrees that the Company and its Affiliates conduct business in the Area and that the Area is a reasonable geographic limitation. Notwithstanding anything to the contrary contained herein, the Company hereby agrees that the

covenants set forth in this **Section 3.15(a)** shall not be deemed breached as a result of the passive ownership by the Grantee of: (A) less than an aggregate of 5% of any class of stock of a business that competes with the Company; or (B) less than an aggregate of 10% in value of any instrument of indebtedness of a business that competes with the Company. The Company further agrees that nothing in this **Section 3.15(a)** prohibits the Grantee from accepting employment from, or performing services for, businesses engaged in the finance industry, or businesses engaged in the manufacturing and/or sale of automobile parts or the provision of automotive service; provided that such businesses do not also engage in the retail sale of automobiles within the Area. By way of example, as of the Date of Grant, nothing in this **Section 3.15(a)** would prohibit the Grantee from working with such businesses as American General Finance, NAPA Auto Parts, or Goodyear.

(b) Non-Solicitation; No-Hire. In consideration of the Company's grant of the Award to the Grantee, the Grantee agrees that, during the 6-month period following the last date of Grantee's employment with the Company, the Grantee will not, directly or indirectly, solicit, recruit or hire any employee of the Company or its Affiliates (or any person who was an employee of the Company or its Affiliates during the 12-month period immediately preceding such solicitation, recruitment or hire) or encourage any such employee to terminate employment with the Company or its Affiliates.

(c) Non-Disparagement. In consideration of the Company's grant of the Award to the Grantee, the Grantee agrees that throughout Grantee's employment with the Company and during the 6-month period following the last date thereof, the Grantee will not (i) publicly criticize or (ii) in any unflattering way, speak of, write about, or publish about, the Company, its Affiliates, and/or any of their officers, stockholders, directors, employees, agents, business partners, successors or assigns, in each case other than truthful testimony given under oath with respect to legal proceeding.

(d) Protection of Company Information. In consideration of the Company's grant of the Award to the Grantee, the Grantee agrees as follows:

(1) Confidentiality. All Company Information (as defined in **Section 3.15(i)** of this Award Agreement) received or developed by the Grantee while employed by the Company or its Affiliates is confidential to and will remain the sole and exclusive property of the Company and its Affiliates. Except to the extent necessary to perform the duties assigned to the Grantee by the Company, the Grantee will hold such Company Information in trust and in the strictest confidence. The Grantee agrees that: (A) the Grantee will protect all Company Information from disclosure and will in no event take any action causing any Company Information to lose its character as Company Information, or fail to take the action necessary in order to prevent any Company Information from losing its status as Confidential Information (as defined in **Section 3.15(i)** of this Award Agreement) or Trade Secrets (as defined in **Section 3.15(i)** of this Award Agreement); and (B) the Grantee will not, directly or indirectly, use, reproduce, publish, disseminate or otherwise disclose any Company Information (or any physical embodiments thereof) to any third party without the prior written consent of the Company, which may be withheld in the Company's absolute discretion. Nothing in this Agreement prevents the Grantee from providing, without prior notice to the Company, information to governmental authorities

regarding possible legal violations or otherwise testifying or participating in any investigation or proceeding by any governmental authorities regarding possible legal violations. Furthermore, no Company policy or individual agreement between the Company and the Grantee shall prevent the Grantee from providing information to government authorities regarding possible legal violations, participating in investigations, testifying in proceedings regarding the Company's past or future conduct, engaging in any future activities protected under the whistleblower statutes administered by any government agency (e.g., EEOC, NLRB, SEC, etc.), or receiving a monetary award from a government-administered whistleblower award program for providing information directly to a government agency. The Company nonetheless asserts and does not waive its attorney-client privilege over any information appropriately protected by privilege.

(2) Return of Company Property. Upon request by the Company or its Affiliates, and in any event upon termination of the Grantee's employment with the Company for any reason, the Grantee will promptly deliver to the Company all property belonging to the Company or its Affiliates, including, without limitation, electronic property of any type, and all Company Information (and all embodiments thereof) then in the Grantee's custody, control or possession.

(3) Survival. The restrictions on the Grantee's use or disclosure of all Company Information, as set forth in this **Section 3.15(d)**, shall apply during Grantee's employment with the Company and for an additional 24-month period following the last date thereof, and with respect to Trade Secrets, shall survive beyond such period for so long as such information qualifies as a Trade Secret by the law of the applicable state.

(e) Work Product. In consideration of the Company's grant of the Award to the Grantee, the Grantee acknowledges that all inventions, innovations, improvements, discoveries, methods, developments and works of authorship, whether patentable or copyrightable or not, which have utility in or relate to the Company's or its Affiliates' business and are created, made, conceived or reduced to practice by the Grantee or under the Grantee's direction or jointly with others either prior to (but only to the extent not assigned to prior employers) or during the Grantee's employment with the Company or its Affiliates, whether or not during normal working hours or on the premises of the Company or its Affiliates (all of the foregoing, collectively, the "***Work Product***") belong to the Company. The Grantee hereby assigns to the Company all right, title and interest in and to such Work Product. The Grantee shall promptly disclose such Work Product to the Company and to cooperate fully with the Company to perform all actions reasonably requested by the Company (whether during or after employment) to establish and confirm such ownership (including without limitation, the execution of assignments, consents, powers of attorney and other instruments). The Grantee further acknowledges and agrees that all writings and documentation of any kind produced by the Grantee in the course of working for the Company are "works made for hire" (as that term is defined in the United States Copyright Act) and the property of the Company, including without limitation any copyrights in such writings and documentation. To the extent that any such works may not, by operation of law or otherwise, be a work made for hire, the Grantee hereby assigns to the Company all copyright in such works, whether published or unpublished.

(f) Confirmation of Obligations. Upon the Grantee’s termination of employment with the Company, the Grantee agrees to re-confirm the Grantee’s commitment to the post-employment restrictive covenants in this **Section 3.15**.

(g) Construction. The Grantee agrees that the provisions of this **Section 3.15** are reasonable and properly required for the adequate protection of the business and the goodwill of the Company and its Affiliates. However, if a judicial determination is made that any of the provisions of this **Section 3.15** constitute an unreasonable or otherwise unenforceable restriction against the Grantee, such provision(s) shall be modified or severed so as to permit enforcement of the provision(s) to the extent deemed reasonable.

(h) Remedies. The Grantee acknowledges that the remedy at law available to the Company for breach of any of the Grantee’s obligations under this **Section 3.15** would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, in addition to any other rights or remedies that the Company or its Affiliates may have at law, in equity or under this Award Agreement (including, without limitation, the Company’s right to cease or recover any severance payments to the Grantee), upon proof of the Grantee’s violation of any provision of this **Section 3.15**, the Company and its Affiliates will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage or the posting of any bond. Notwithstanding the foregoing, all payments pursuant to the terms of this Award Agreement are subject to the terms and conditions of this **Section 3.15**, and may be subject to non-payment or clawback, as applicable, in the event of the Grantee’s breach of any of the provisions of this **Section 3.15**. Notwithstanding anything to the contrary in this Award Agreement, the restrictive covenants and other obligations set forth in this **Section 3.15** are independent, and are not intended to limit the application or enforceability, of any restrictive or other covenants contained in any other agreement between the Company and the Grantee.

(i) Applicable Definitions. As used in this **Section 3.15**, the following terms shall have the meanings set forth below:

“***Area***” means the combined region generated by all regions within a fifty-mile radius of either (i) the Company’s headquarters or (ii) any dealership or other Company facility over which Grantee exercised responsibility during the 12-month period prior to the last date of Grantee’s employment.

“***Company Information***” means Confidential Information and Trade Secrets, as those terms are defined below.

“***Confidential Information***” means data and information relating to the business of the Company or its Affiliates (which does not rise to the status of a Trade Secret) which is or has been disclosed to the Grantee or of which the Grantee became aware as a consequence of or through the Grantee’s relationship to the Company or its Affiliates, and which has value to the Company or its Affiliates and is not generally known to their competitors. Confidential Information shall not include any data or information that has been voluntarily disclosed to the

public by the Company or that has been independently developed and disclosed by others, or that otherwise entered the public domain through lawful means.

"***Trade Secrets***" means information, including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans or lists of actual or potential customers or suppliers which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy, or as otherwise defined by applicable state law. For the avoidance of doubt, the provisions in this **Section 3.15** restricting the use of Trade Secrets shall survive termination of (A) this Award Agreement and (B) termination of the Grantee's employment with the Company and its Affiliates, and shall survive for so long as is permitted by law.

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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
October 30, 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
October 30, 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 September 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
October 30, 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 September 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
October 30, 2019