

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

FORM 10-Q

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

For the quarterly period ended June 30, 2022  
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: 1-13461

**Group 1 Automotive, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State of other jurisdiction of incorporation or organization)

**800 Gessner, Suite 500**

**Houston, TX**

(Address of principal executive offices)

**76-0506313**

(I.R.S. Employer Identification No.)

**77024**

(Zip code)

**(713) 647-5700**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Ticker symbol(s)	Name of exchange on which registered
<b>Common stock, par value \$0.01 per share</b>	<b>GPI</b>	<b>New York Stock Exchange</b>

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if that 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.

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

As of July 22, 2022, the registrant had 15,788,186 shares of common stock outstanding.

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## GLOSSARY OF DEFINITIONS

The following are abbreviations and definitions of terms used within this report:

<b>Terms</b>	<b>Definitions</b>
Brexit	Withdrawal of the U.K. from the European Union
BRL	Brazilian Real (R\$)
COVID-19 pandemic	Coronavirus disease first emerging in December 2019 and resulting in the ongoing global pandemic in 2020, 2021 and 2022
EPS	Earnings per share
F&I	Finance, insurance and other
FMCC	Ford Motor Credit Company
GBP	British Pound Sterling (£)
OEM	Original equipment manufacturer
PRU	Per retail unit
RSA	Restricted stock award
SEC	Securities and Exchange Commission
SG&A	Selling, general and administrative
SOFR	Secured Overnight Financing Rate
USD	United States Dollar (\$)
U.K.	United Kingdom
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the U.S.
VSC	Vehicle service contract

### **Forward-Looking Statements**

This Quarterly Report on Form 10-Q (this “Form 10-Q”) includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (“Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). These forward-looking statements include, but are not limited to, statements concerning the Company’s strategy, future operation performance, future liquidity and availability of financing, capital allocation, the completion of future acquisitions and divestitures, business trends in the retail automotive industry and changes in regulations. When used in this Form 10-Q, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may” and similar expressions are intended to identify forward-looking statements.

These forward-looking statements are based on the Company’s expectations and beliefs as of the date of this Form 10-Q concerning future developments and their potential effect on the Company. While management believes that these forward-looking statements are reasonable when and as made, there can be no assurance that future developments affecting the Company will be those that are anticipated. The Company’s forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements, including, but not limited to, the risks set forth in Item 1A. Risk Factors of this Form 10-Q.

For additional information regarding known material factors that could cause actual results to differ from projected results, refer to Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Form 10-K”), as well as Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk of this Form 10-Q.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Company undertake no responsibility and expressly disclaim any duty, to update any such statements, whether as a result of new information, new developments or otherwise, or to publicly release the result of any revision of the forward-looking statements after the date they are made, except to the extent required by law.

**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(Unaudited)  
(In millions, except share data)

	June 30, 2022	December 31, 2021
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 26.3	\$ 14.9
Contracts-in-transit and vehicle receivables, net	223.2	218.9
Accounts and notes receivable, net	182.6	177.9
Inventories	1,125.5	1,073.1
Prepaid expenses	22.0	30.6
Other current assets	20.6	50.4
Current assets classified as held for sale	76.2	100.3
<b>TOTAL CURRENT ASSETS</b>	<b>1,676.3</b>	<b>1,666.2</b>
Property and equipment, net of accumulated depreciation of \$536.9 and \$513.5, respectively	1,998.4	1,957.8
Operating lease assets	241.6	267.8
Goodwill	1,596.6	1,420.2
Intangible franchise rights	474.6	392.3
Other long-term assets	115.2	45.0
<b>TOTAL ASSETS</b>	<b>\$ 6,102.8</b>	<b>\$ 5,749.4</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Floorplan notes payable — credit facility and other, net of offset account of \$77.9 and \$268.6, respectively	\$ 576.0	\$ 295.0
Floorplan notes payable — manufacturer affiliates, net of offset account of \$5.5 and \$3.3, respectively	204.9	236.0
Current maturities of long-term debt	119.3	220.4
Current operating lease liabilities	24.1	25.9
Accounts payable	437.8	457.8
Accrued expenses and other current liabilities	261.7	258.6
Current liabilities classified as held for sale	58.7	49.9
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,682.4</b>	<b>1,543.6</b>
Long-term debt	1,851.0	1,815.3
Long-term operating lease liabilities	230.4	256.6
Deferred income taxes	212.0	180.9
Other long-term liabilities	122.5	127.7
Commitments and Contingencies (Note 12)		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$0.01 par value, 50,000,000 shares authorized; 25,258,744 and 25,336,054 shares issued, respectively	0.3	0.3
Additional paid-in capital	331.8	325.8
Retained earnings	2,732.5	2,345.9
Accumulated other comprehensive income (loss)	(128.3)	(156.2)
Treasury stock, at cost; 9,416,720 and 8,160,228 shares, respectively	(931.8)	(690.4)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>2,004.5</b>	<b>1,825.2</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 6,102.8</b>	<b>\$ 5,749.4</b>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Unaudited)  
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>REVENUES:</b>				
New vehicle retail sales	\$ 1,851.3	\$ 1,805.5	\$ 3,596.4	\$ 3,314.7
Used vehicle retail sales	1,505.4	1,183.8	2,865.3	2,071.9
Used vehicle wholesale sales	95.8	93.7	189.3	172.0
Parts and service sales	502.6	382.9	975.5	735.7
Finance, insurance and other, net	190.2	159.6	363.2	285.3
Total revenues	4,145.4	3,625.6	7,989.7	6,579.6
<b>COST OF SALES:</b>				
New vehicle retail sales	1,641.0	1,645.4	3,184.9	3,059.0
Used vehicle retail sales	1,415.9	1,075.6	2,688.0	1,905.3
Used vehicle wholesale sales	95.1	84.8	185.7	159.3
Parts and service sales	224.9	170.3	438.0	325.3
Total cost of sales	3,377.0	2,976.1	6,496.6	5,448.8
<b>GROSS PROFIT</b>	768.4	649.5	1,493.1	1,130.7
Selling, general and administrative expenses	460.2	368.6	878.6	680.0
Depreciation and amortization expense	23.0	18.4	44.2	37.6
Asset impairments	0.8	—	0.8	—
<b>INCOME FROM OPERATIONS</b>	284.5	262.5	569.5	413.2
Floorplan interest expense	5.9	8.6	11.2	16.1
Other interest expense, net	18.5	13.6	35.9	26.7
<b>INCOME BEFORE INCOME TAXES</b>	260.1	240.3	522.4	370.3
Provision for income taxes	60.8	51.5	122.0	80.6
Net income from continuing operations	199.3	188.8	400.4	289.7
Net (loss) income from discontinued operations	(3.4)	2.2	(1.6)	3.2
<b>NET INCOME</b>	\$ 195.9	\$ 191.0	\$ 398.9	\$ 292.9
<b>BASIC EARNINGS PER SHARE:</b>				
Continuing operations	\$ 12.15	\$ 10.28	\$ 23.96	\$ 15.76
Discontinued operations	(0.21)	0.12	(0.09)	0.17
Total	\$ 11.94	\$ 10.40	\$ 23.87	\$ 15.94
<b>DILUTED EARNINGS PER SHARE:</b>				
Continuing operations	\$ 12.11	\$ 10.23	\$ 23.88	\$ 15.70
Discontinued operations	(0.20)	0.12	(0.09)	0.17
Total	\$ 11.90	\$ 10.35	\$ 23.79	\$ 15.88
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	16.0	17.7	16.2	17.8
Diluted	16.0	17.8	16.3	17.8

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Unaudited)  
(In millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>NET INCOME</b>	\$ 195.9	\$ 191.0	\$ 398.9	\$ 292.9
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustment	(27.8)	7.2	(28.1)	4.9
Net unrealized gain (loss) on interest rate risk management activities, net of tax:				
Unrealized gain (loss) arising during the period, net of tax (provision) benefit of \$(5.8), \$3.4, \$(16.3) and \$(5.1), respectively	19.0	(11.1)	53.0	16.7
Reclassification adjustment for loss included in interest expense, net of tax benefit of \$0.4, \$0.6, \$0.9 and \$1.3, respectively	1.2	1.9	3.0	4.2
Reclassification related to de-designated interest rate swaps, net of tax benefit of \$—, \$0.7, \$— and \$0.7, respectively	—	2.4	—	2.4
Unrealized gain (loss) on interest rate risk management activities, net of tax	20.1	(6.9)	56.0	23.3
<b>OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX</b>	<b>(7.7)</b>	<b>0.3</b>	<b>28.0</b>	<b>28.1</b>
<b>COMPREHENSIVE INCOME</b>	<b>\$ 188.2</b>	<b>\$ 191.2</b>	<b>\$ 426.8</b>	<b>\$ 321.0</b>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)  
(In millions, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, MARCH 31, 2022</b>	25,266,915	\$ 0.3	\$ 324.2	\$ 2,542.7	\$ (120.6)	\$ (797.3)	\$ 1,949.2
Net income	—	—	—	195.9	—	—	195.9
Other comprehensive loss, net of taxes	—	—	—	—	(7.7)	—	(7.7)
Purchases of treasury stock	—	—	—	—	—	(138.9)	(138.9)
Net issuance of treasury shares to stock compensation plans	(8,171)	—	0.6	—	—	4.4	5.0
Stock-based compensation	—	—	7.0	—	—	—	7.0
Dividends declared (\$0.37 per share)	—	—	—	(6.1)	—	—	(6.1)
<b>BALANCE, JUNE 30, 2022</b>	<u>25,258,744</u>	<u>\$ 0.3</u>	<u>\$ 331.8</u>	<u>\$ 2,732.5</u>	<u>\$ (128.3)</u>	<u>\$ (931.8)</u>	<u>\$ 2,004.5</u>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, DECEMBER 31, 2021</b>	25,336,054	\$ 0.3	\$ 325.8	\$ 2,345.9	\$ (156.2)	\$ (690.4)	\$ 1,825.2
Net income	—	—	—	398.9	—	—	398.9
Other comprehensive income, net of taxes	—	—	—	—	28.0	—	28.0
Purchases of treasury stock	—	—	—	—	—	(254.1)	(254.1)
Net issuance of treasury shares to stock compensation plans	(77,310)	—	(9.0)	—	—	12.7	3.7
Stock-based compensation	—	—	15.0	—	—	—	15.0
Dividends declared (\$0.73 per share)	—	—	—	(12.2)	—	—	(12.2)
<b>BALANCE, JUNE 30, 2022</b>	<u>25,258,744</u>	<u>\$ 0.3</u>	<u>\$ 331.8</u>	<u>\$ 2,732.5</u>	<u>\$ (128.3)</u>	<u>\$ (931.8)</u>	<u>\$ 2,004.5</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)



**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Unaudited)  
(In millions, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, MARCH 31, 2021</b>	25,367,736	\$ 0.3	\$ 305.7	\$ 1,914.2	\$ (156.2)	\$ (487.3)	\$ 1,576.6
Net income	—	—	—	191.0	—	—	191.0
Other comprehensive income, net of taxes	—	—	—	—	0.3	—	0.3
Purchases of treasury stock	—	—	—	—	—	(18.6)	(18.6)
Net issuance of treasury shares to stock compensation plans	(10,059)	—	1.1	—	—	2.9	4.0
Stock-based compensation	—	—	6.8	—	—	—	6.8
Dividends declared (\$0.33 per share)	—	—	—	(6.0)	—	—	(6.0)
<b>BALANCE, JUNE 30, 2021</b>	<u>25,357,677</u>	<u>\$ 0.3</u>	<u>\$ 313.6</u>	<u>\$ 2,099.1</u>	<u>\$ (155.9)</u>	<u>\$ (503.1)</u>	<u>\$ 1,754.0</u>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
<b>BALANCE, DECEMBER 31, 2020</b>	25,433,048	\$ 0.3	\$ 308.3	\$ 1,817.9	\$ (184.0)	\$ (492.8)	\$ 1,449.6
Net income	—	—	—	292.9	—	—	292.9
Other comprehensive income, net of taxes	—	—	—	—	28.1	—	28.1
Purchases of treasury stock	—	—	—	—	—	(18.6)	(18.6)
Net issuance of treasury shares to stock compensation plans	(75,371)	—	(7.9)	—	—	8.4	0.5
Stock-based compensation	—	—	13.2	—	—	—	13.2
Dividends declared (\$0.64 per share)	—	—	—	(11.7)	—	—	(11.7)
<b>BALANCE, JUNE 30, 2021</b>	<u>25,357,677</u>	<u>\$ 0.3</u>	<u>\$ 313.6</u>	<u>\$ 2,099.1</u>	<u>\$ (155.9)</u>	<u>\$ (503.1)</u>	<u>\$ 1,754.0</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In millions)

	Six Months Ended June 30,	
	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 398.9	\$ 292.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45.1	38.3
Change in operating lease assets	15.6	11.8
Deferred income taxes	11.3	4.4
Asset impairments	7.1	—
Stock-based compensation	15.0	13.2
Amortization of debt discount and issuance costs	1.5	1.2
Gain on disposition of assets	(24.6)	(2.1)
Unrealized loss on derivative instruments	—	2.3
Other	2.5	0.3
Changes in assets and liabilities, net of acquisitions and dispositions:		
Accounts payable and accrued expenses	10.1	28.9
Accounts and notes receivable	(0.1)	3.7
Inventories	(83.5)	444.4
Contracts-in-transit and vehicle receivables	(7.2)	(10.7)
Prepaid expenses and other assets	10.8	(7.2)
Floorplan notes payable — manufacturer affiliates	(27.5)	(56.6)
Deferred revenues	(0.1)	(1.0)
Operating lease liabilities	(14.9)	(11.8)
Net cash provided by operating activities	360.2	752.1
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash paid for acquisitions, net, including repayment of sellers' floorplan notes payable of \$2.4 and \$5.3, respectively	(318.1)	(49.9)
Proceeds from disposition of franchises, property and equipment	96.2	19.8
Purchases of property and equipment	(63.0)	(63.8)
Other	(10.7)	0.1
Net cash used in investing activities	(295.6)	(93.8)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Borrowings on credit facility — floorplan line and other	5,307.0	4,207.3
Repayments on credit facility — floorplan line and other	(5,022.9)	(4,750.8)
Borrowings on credit facility — acquisition line	268.0	60.4
Repayments on credit facility — acquisition line	(346.3)	(32.2)
Debt issuance costs	(4.0)	—
Borrowings on other debt	223.2	89.9
Principal payments on other debt	(206.3)	(91.9)
Proceeds from employee stock purchase plan	11.4	8.0
Payments of tax withholding for stock-based compensation	(7.6)	(7.5)
Repurchases of common stock, amounts based on settlement date	(254.1)	(18.6)
Dividends paid	(12.1)	(11.7)
Net cash used in financing activities	(43.9)	(547.1)
Effect of exchange rate changes on cash	(2.7)	0.2
Net increase in cash and cash equivalents	18.0	111.4
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	18.7	87.3
<b>CASH AND CASH EQUIVALENTS, end of period</b>	\$ 36.7	\$ 198.7

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

## **1. BASIS OF PRESENTATION AND CONSOLIDATION AND ACCOUNTING POLICIES**

### ***Basis of Presentation and Consolidation***

The accompanying Condensed Consolidated Financial Statements and notes thereto, have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the rules and regulations of the SEC. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. Results for interim periods are not necessarily indicative of the results that can be expected for a full year and therefore should be read in conjunction with the Company's audited Financial Statements and notes thereto included within the Company's 2021 Form 10-K. All intercompany balances and transactions have been eliminated in consolidation. The accompanying Condensed Consolidated Financial Statements reflect the consolidated accounts of the parent company, Group 1 Automotive, Inc., and its subsidiaries, all of which are wholly owned.

On November 12, 2021, the Company entered into a Share Purchase Agreement (the "Brazil Agreement") with Original Holdings S.A. ("Buyer"). Pursuant to the terms and conditions set forth in the Brazil Agreement, Buyer agreed to acquire 100% of the issued and outstanding equity interests of the Company's Brazilian operations (the "Brazil Disposal Group") for approximately BRL 510.0 million in cash (the "Brazil Disposal"). On July 1, 2022, the Company completed the Brazil Disposal. The Brazil Disposal Group met the criteria to be reported as held for sale and discontinued operations. Therefore, the related assets, liabilities and operating results of the Brazil Disposal Group are reported as discontinued operations (the "Brazil Discontinued Operations") for all periods presented. The Brazil Disposal Group was previously included in the Brazil segment. Effective as of the fourth quarter of 2021, the Company is aligned into two reportable segments: U.S. and U.K. Refer to Note 5. Segment Information for additional information on the Company's segments.

Unless otherwise specified, disclosures in these Condensed Consolidated Financial Statements reflect continuing operations only. Certain prior-period amounts, primarily related to the Brazil Discontinued Operations, have been reclassified in the Condensed Consolidated Financial Statements and accompanying notes to conform to current-period presentation. Refer to Note 4. Discontinued Operations and Other Divestitures for additional information.

Certain amounts in the Condensed Consolidated Financial Statements and the accompanying notes may not compute due to rounding. All computations have been calculated using unrounded amounts for all periods presented. These Condensed Consolidated Financial Statements reflect, in the opinion of management, all normal recurring adjustments necessary to fairly state, in all material respects, the Company's financial position and results of operations for the periods presented.

### ***Use of Estimates***

The preparation of the Company's financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. Management analyzes the Company's estimates based on historical experience and other assumptions that are believed to be reasonable under the circumstances; however, actual results could differ materially from such estimates. The significant estimates made by management in the accompanying Condensed Consolidated Financial Statements include, but not limited to, inventory valuation adjustments, reserves for future chargebacks on finance, insurance and VSC fees, self-insured property and casualty insurance exposure, the fair value of assets acquired and liabilities assumed in business combinations, the valuation of goodwill and intangible franchise rights and reserves for potential litigation.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

**2. REVENUES**

The following tables present the Company's revenues disaggregated by its geographical segments (in millions):

	<b>Three Months Ended June 30, 2022</b>			<b>Six Months Ended June 30, 2022</b>		
	<b>U.S.</b>	<b>U.K.</b>	<b>Total</b>	<b>U.S.</b>	<b>U.K.</b>	<b>Total</b>
New vehicle retail sales	\$ 1,561.7	\$ 289.5	\$ 1,851.3	\$ 2,994.9	\$ 601.6	\$ 3,596.4
Used vehicle retail sales	1,197.6	307.8	1,505.4	2,235.5	629.8	2,865.3
Used vehicle wholesale sales	59.1	36.7	95.8	116.4	72.9	189.3
Total new and used vehicle sales	2,818.5	634.0	3,452.5	5,346.7	1,304.3	6,651.0
Parts and service sales <sup>(1)</sup>	445.6	57.1	502.6	854.0	121.5	975.5
Finance, insurance and other, net <sup>(2)</sup>	173.1	17.1	190.2	327.9	35.4	363.2
Total revenues	<u>\$ 3,437.2</u>	<u>\$ 708.2</u>	<u>\$ 4,145.4</u>	<u>\$ 6,528.5</u>	<u>\$ 1,461.2</u>	<u>\$ 7,989.7</u>

  

	<b>Three Months Ended June 30, 2021</b>			<b>Six Months Ended June 30, 2021</b>		
	<b>U.S.</b>	<b>U.K.</b>	<b>Total</b>	<b>U.S.</b>	<b>U.K.</b>	<b>Total</b>
New vehicle retail sales	\$ 1,504.4	\$ 301.2	\$ 1,805.5	\$ 2,750.4	\$ 564.3	\$ 3,314.7
Used vehicle retail sales	882.9	300.9	1,183.8	1,579.4	492.5	2,071.9
Used vehicle wholesale sales	61.2	32.5	93.7	111.6	60.4	172.0
Total new and used vehicle sales	2,448.4	634.6	3,083.0	4,441.4	1,117.2	5,558.6
Parts and service sales <sup>(1)</sup>	332.6	50.3	382.9	628.9	106.8	735.7
Finance, insurance and other, net <sup>(2)</sup>	143.9	15.7	159.6	259.0	26.3	285.3
Total revenues	<u>\$ 2,924.9</u>	<u>\$ 700.7</u>	<u>\$ 3,625.6</u>	<u>\$ 5,329.3</u>	<u>\$ 1,250.3</u>	<u>\$ 6,579.6</u>

<sup>(1)</sup> The Company has elected not to disclose revenues related to remaining performance obligations on its maintenance and repair services as the duration of these contracts is less than one year.

<sup>(2)</sup> Includes variable consideration recognized of \$6.8 million and \$7.7 million during the three months ended June 30, 2022 and 2021, respectively, and \$16.9 million and \$13.7 million during the six months ended June 30, 2022 and 2021, respectively, relating to performance obligations satisfied in previous periods on the Company's retrospective commission income contracts. Refer to Note 8. Receivables, Net and Contract Assets for the balance of the Company's contract assets associated with revenues from the arrangement of financing and sale of service and insurance contracts.

**3. ACQUISITIONS**

The Company accounts for business combinations under the acquisition method of accounting, under which the Company allocates the purchase price to the assets acquired and liabilities assumed based on an estimate of fair value.

**Prime Acquisition**

In November 2021, the Company completed the acquisition of the Prime Automotive Group ("Prime"), including 28 dealerships, certain real estate and three collision centers in the Northeastern U.S. (collectively referred to as the "Prime Acquisition"), for aggregate consideration of \$934.2 million.

The Company analyzed and assessed all available information related to property and equipment and property lease contracts, determining the preliminary fair values were appropriate and no material adjustments were recorded. The Company previously recorded a \$33.4 million deposit for the purchase of an additional dealership as part of the Prime Acquisition, which had not closed as of December 31, 2021. As of June 30, 2022, the Company is still waiting for distributor approval to obtain ownership of the additional dealership. Pursuant to the purchase agreement with the seller, the seller initiated legal action against the distributor to compel the approval of the sale of the dealership. In March 2022, upon the contractual release of funds from escrow to the seller related to the dealership, the deposit was recognized as additional consideration paid and reflected as additional goodwill, resulting in total consideration associated with the Prime Acquisition of \$967.6 million. If such legal action is resolved within the 12-month measurement period following the acquisition date, the Company will make an adjustment to reflect the fair value of the acquisition of this dealership. The results of the Prime Acquisition are included in the U.S. segment. The goodwill is deductible for income tax purposes.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

The following table summarizes the consideration paid and aggregate amounts of assets acquired and liabilities assumed (in millions):

<b>Total consideration</b>	\$	967.6
<b>Identifiable assets acquired and liabilities assumed</b>		
Inventories		136.7
Property and equipment		267.1
Intangible franchise rights		135.3
Operating lease assets		58.3
Other assets <sup>(1)</sup>		62.2
Total assets acquired		659.6
Operating lease liabilities		56.6
Other liabilities <sup>(2)</sup>		38.3
Total liabilities assumed		94.9
<b>Total identifiable net assets</b>		564.7
<b>Goodwill</b>	\$	402.9

<sup>(1)</sup> Other assets acquired in connection with the Prime Acquisition include \$55.3 million of assets classified as held for sale as of the acquisition date. See the table below for additional details.

<sup>(2)</sup> Other liabilities assumed in connection with the Prime Acquisition include \$1.7 million of liabilities classified as held for sale as of the acquisition date. See the table below for additional details.

<b>Prime assets classified as held for sale as of the acquisition date (in millions)</b>		
Inventories	\$	10.4
Property and equipment		28.1
Operating lease assets		1.7
Goodwill		15.1
Total other assets classified as held for sale	\$	55.3
<b>Prime liabilities classified as held for sale as of the acquisition date (in millions)</b>		
Operating lease liabilities	\$	1.7

The Company's Condensed Consolidated Statement of Operations included revenues attributable to Prime for the three and six months ended June 30, 2022, of \$456.9 million and \$871.0 million, respectively, and net income attributable to Prime for the three and six months ended June 30, 2022 of \$27.2 million and \$54.8 million, respectively. These revenue and net income amounts attributable to Prime include amounts up to the date of disposal, from certain stores which have been disposed of since the date of the Prime Acquisition.

**Other Acquisitions**

During the six months ended June 30, 2022, the Company acquired two Toyota dealerships in the U.S. Aggregate consideration paid for these dealerships, which were accounted for as business combinations, was \$319.0 million, consisting of cash paid of \$318.2 million and a payable of \$0.8 million. Goodwill and franchise rights intangibles associated with these acquisitions totaled \$171.6 million and \$84.3 million, respectively.

During the six months ended June 30, 2021, the Company acquired two Toyota dealerships in the U.S. Aggregate consideration paid for these dealerships, which were accounted for as business combinations, was \$49.9 million. Goodwill associated with these acquisitions totaled \$22.6 million.

**4. DISCONTINUED OPERATIONS AND OTHER DIVESTITURES*****Brazil Discontinued Operations***

On November 12, 2021, the Company entered into an agreement to effect the Brazil Disposal. The sale price of BRL 510.0 million includes a holdback amount, for general representations and warranties, of BRL 115.0 million or approximately \$22.1 million, to be held in escrow for a period of five years from the close of the transaction. At the conclusion of the five-year period, the remaining funds held in escrow would be released to the Company. This amount has been included in the estimated proceeds. The Brazil Disposal closed on July 1, 2022.

During the fourth quarter of 2021, the Company recognized a net loss of \$77.5 million on the Brazil Disposal. During the three and six months ended June 30, 2022, the Company recognized an additional net loss of \$6.3 million on the disposal of the Brazil Disposal Group.

The following table summarizes the estimated fair value of the proceeds received from the disposition and net carrying value of the assets disposed as of June 30, 2022 (in millions):

Estimated fair value of proceeds from disposition	\$	96.2
Estimated net assets disposed		48.8
Estimated gain before currency translation adjustments		47.4
Estimated amount of currency translation loss recorded in AOCI		(122.8)
Estimated incremental costs to sell		8.4
Net loss on the Brazil Disposal	\$	(83.8)

Upon sale of a foreign entity, amounts recorded within *Accumulated Other Comprehensive Income (loss)* (“AOCI”) on the Condensed Consolidated Balance Sheets, are required to be reclassified into earnings on the date of disposition. For purposes of determining the net gain or loss on the Brazil Disposal Group, the Company included the non-cash currency translation adjustment recorded in *AOCI* of a loss of \$122.8 million attributable to the Brazil Disposal Group. The loss on sale indicates an impairment of assets, however, the loss was entirely the result of the reclassification of the non-cash currency translation adjustment from *AOCI*. For the six months ended June 30, 2022, the Company has presented a valuation allowance against the assets held for sale of the Brazil Disposal Group to reflect the expected loss not attributable to a particular asset within the Brazil Disposal Group.

In addition, the purchase price of the Brazil Disposal is denominated in BRL, which is subject to foreign currency exchange risk. In order to partially mitigate this risk, the Company entered into a foreign currency derivative for the conversion of BRL to USD in the form of a costless collar which protects the Company from significant downside exposure on \$70.0 million of the expected purchase consideration. Any gains or losses associated with the foreign currency derivative are presented as estimated incremental costs to sell in the table above and are fully offset by corresponding foreign currency impacts to the estimated fair value of proceeds from the disposition. On June 30, 2022, the Company settled the foreign currency derivative for a loss of \$8.4 million.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

Results of the Brazil Discontinued Operations were as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
<b>REVENUES:</b>				
New vehicle retail sales	\$ 60.4	\$ 49.8	\$ 109.0	\$ 83.9
Used vehicle retail sales	21.8	11.8	44.0	22.5
Used vehicle wholesale sales	4.8	2.6	10.1	4.6
Parts and service sales	13.1	9.2	23.8	17.1
Finance, insurance and other, net	1.8	1.4	3.3	2.8
Total revenues	101.9	74.8	190.2	130.9
<b>COST OF SALES:</b>				
New vehicle retail sales	54.7	44.6	98.5	75.4
Used vehicle retail sales	20.6	10.9	41.2	20.4
Used vehicle wholesale sales	4.7	2.4	10.0	4.3
Parts and service sales	8.1	5.2	14.5	9.7
Total cost of sales	88.1	63.0	164.2	109.7
<b>GROSS PROFIT</b>	13.8	11.8	26.1	21.2
Selling, general and administrative expenses	10.6	8.1	19.3	15.2
Depreciation and amortization expense	0.5	0.4	0.9	0.7
Asset impairments	6.3	—	6.3	—
<b>(LOSS) INCOME FROM OPERATIONS — DISCONTINUED</b>	(3.6)	3.3	(0.5)	5.3
Floorplan interest expense	0.7	0.2	1.4	0.2
Other interest (income) expense, net	(0.3)	0.1	(0.4)	0.8
<b>(LOSS) INCOME BEFORE INCOME TAXES — DISCONTINUED OPERATIONS</b>	(4.0)	3.0	(1.5)	4.3
(Benefit) provision for income taxes	(0.6)	0.8	0.1	1.1
<b>NET (LOSS) INCOME — DISCONTINUED OPERATIONS</b>	\$ (3.4)	\$ 2.2	\$ (1.6)	\$ 3.2

The following table presents cash flows from operating and investing activities for the Brazil Discontinued Operations (in millions):

	Six Months Ended June 30,	
	2022	2021
Net cash provided by operating activities — discontinued operations	\$ 26.3	\$ 9.2
Net cash used in investing activities — discontinued operations	\$ (8.7)	\$ (1.2)

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

Assets and liabilities of the Brazil Discontinued Operations were as follows (in millions):

	June 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 10.4	\$ 3.7
Contracts-in-transit and vehicle receivables, net	5.0	2.3
Accounts and notes receivable, net	10.0	11.8
Inventories	32.4	37.2
Prepaid expenses	1.4	1.9
<b>Current assets of discontinued operations</b>	<b>59.2</b>	<b>56.9</b>
Property and equipment, net	23.3	22.3
Operating lease assets	2.1	2.4
Other long-term assets	8.8	7.8
<b>Non-current assets of discontinued operations <sup>(1)</sup></b>	<b>34.2</b>	<b>32.5</b>
Total assets, before valuation allowance	93.4	89.5
Valuation allowance	(75.4)	(76.4)
<b>Total assets, net of valuation allowance <sup>(1)</sup></b>	<b>\$ 18.0</b>	<b>\$ 13.0</b>
Floorplan notes payable — credit facility and other	\$ 0.8	\$ 3.3
Floorplan notes payable — manufacturer affiliates	13.7	20.1
Current operating lease liabilities	2.1	2.5
Accounts payable	19.5	13.7
Accrued expenses and other current liabilities	7.6	8.7
<b>Current liabilities of discontinued operations</b>	<b>\$ 43.8</b>	<b>\$ 48.3</b>

<sup>(1)</sup> The assets of the Brazil Discontinued Operations are classified as current assets in the Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021, respectively, as the Brazil Disposal was expected to close in less than twelve months.

#### **Assets and Liabilities Held for Sale**

Assets and liabilities classified as held for sale consisted of the following (in millions):

	June 30, 2022	December 31, 2021
<b>Current assets classified as held for sale</b>		
Brazil Discontinued Operations	\$ 18.0	\$ 13.0
Prime Acquisition <sup>(1)</sup>	29.7	52.3
Other <sup>(2)</sup>	28.5	34.9
Total current assets classified as held for sale	<b>\$ 76.2</b>	<b>\$ 100.3</b>
<b>Current liabilities classified as held for sale</b>		
Brazil Discontinued Operations	\$ 43.8	\$ 48.3
Prime Acquisition <sup>(1)</sup>	1.3	1.6
Other	13.6	—
Total current liabilities classified as held for sale	<b>\$ 58.7</b>	<b>\$ 49.9</b>

<sup>(1)</sup> For additional details on current assets and current liabilities classified as held for sale in connection with the Prime Acquisition as of the acquisition date, refer to Note 3. Acquisitions.

<sup>(2)</sup> Includes \$19.3 million and \$9.9 million of goodwill reclassified to assets held for sale as of June 30, 2022 and December 31, 2021, respectively.

#### **Other Divestitures**

The Company's dispositions generally consist of dealership assets and related real estate. Gains and losses on dispositions are recorded in *Selling, general and administrative expenses* in the Condensed Consolidated Statements of Operations.

During the six months ended June 30, 2022, the Company recorded a net pre-tax gain totaling \$24.1 million related to the disposition of four dealerships representing four franchises in the U.S. The dispositions reduced goodwill by \$24.1 million.



**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

During the six months ended June 30, 2021, the Company recorded a net pre-tax gain totaling \$1.8 million related to the disposition of two dealerships representing two franchises and one franchise within an existing dealership in the U.S. The dispositions reduced goodwill by \$2.2 million. The Company also terminated one franchise representing one dealership in the U.K.

## 5. SEGMENT INFORMATION

As of June 30, 2022, the Company had two reportable segments: the U.S. and the U.K. The Company defines its segments as those operations whose results the Company's Chief Executive Officer, who is the chief operating decision maker, regularly reviews to analyze performance and allocate resources. Each segment is comprised of retail automotive franchises that sell new and used cars and light trucks; arrange related vehicle financing; sell service and insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts.

Selected reportable segment data is as follows for the three and six months ended June 30, 2022 and 2021 (in millions):

	Three Months Ended June 30, 2022			Six Months Ended June 30, 2022		
	U.S.	U.K.	Total	U.S.	U.K.	Total
Total revenues	\$ 3,437.2	\$ 708.2	\$ 4,145.4	\$ 6,528.5	\$ 1,461.2	\$ 7,989.7
Income before income taxes	\$ 241.7	\$ 18.4	\$ 260.1	\$ 472.3	\$ 50.1	\$ 522.4

  

	Three Months Ended June 30, 2021			Six Months Ended June 30, 2021		
	U.S.	U.K.	Total	U.S.	U.K.	Total
Total revenues	\$ 2,924.9	\$ 700.7	\$ 3,625.6	\$ 5,329.3	\$ 1,250.3	\$ 6,579.6
Income before income taxes	\$ 215.1	\$ 25.2	\$ 240.3	\$ 336.6	\$ 33.6	\$ 370.3

## 6. EARNINGS PER SHARE

The two-class method is utilized for the computation of the Company's EPS. The two-class method requires a portion of net income to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends that are paid in cash. The Company's RSAs are participating securities. Income allocated to these participating securities is excluded from net earnings available to common shares, as shown in the table below. Basic EPS is computed by dividing net income available to basic common shares by the weighted average number of basic common shares outstanding during the period. Diluted EPS is computed by dividing net income available to diluted common shares by the weighted average number of dilutive common shares outstanding during the period.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

The following table sets forth the calculation of EPS on total net income for the three and six months ended June 30, 2022 and 2021 (in millions, except share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Weighted average basic common shares outstanding	15,956,258	17,747,518	16,241,221	17,752,577
Dilutive effect of stock-based awards and employee stock purchases	56,024	81,952	56,143	74,217
Weighted average dilutive common shares outstanding	16,012,282	17,829,470	16,297,364	17,826,794
<b>Basic:</b>				
Net income	\$ 195.9	\$ 191.0	\$ 398.9	\$ 292.9
Less: Earnings allocated to participating securities from continued operations	5.5	6.4	11.3	9.8
Less: (Loss) earnings allocated to participating securities from discontinued operations	(0.1)	0.1	—	0.1
Net income available to basic common shares	\$ 190.6	\$ 184.5	\$ 387.6	\$ 283.0
Basic earnings per common share	\$ 11.94	\$ 10.40	\$ 23.87	\$ 15.94
<b>Diluted:</b>				
Net income	\$ 195.9	\$ 191.0	\$ 398.9	\$ 292.9
Less: Earnings allocated to participating securities from continued operations	5.4	6.3	11.3	9.8
Less: (Loss) earnings allocated to participating securities from discontinued operations	(0.1)	0.1	—	0.1
Net income available to diluted common shares	\$ 190.6	\$ 184.5	\$ 387.6	\$ 283.0
Diluted earnings per common share	\$ 11.90	\$ 10.35	\$ 23.79	\$ 15.88

## 7. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the price that would be received from selling an asset or paid to transfer a liability in the most advantageous market in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value and also establishes the following three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices for identical assets or liabilities in active markets.
- Level 2 — Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

### *Cash and Cash Equivalents, Contracts-In-Transit and Vehicle Receivables, Accounts and Notes Receivable, Accounts Payable, Variable Rate Long-Term Debt and Floorplan Notes Payable*

The fair values of these financial instruments approximate their carrying values due to the short-term nature of the instruments and/or the existence of variable interest rates.

### *Fixed Rate Long-Term Debt*

The Company estimates the fair value of its \$750.0 million 4.00% Senior Notes due August 2028 (“4.00% Senior Notes”) using quoted prices for the identical liability (Level 1) and estimates the fair value of its fixed-rate mortgage facilities using a present value technique based on current market interest rates for similar types of financial instruments (Level 2). Refer to Note 9. Debt for further discussion of the Company’s long-term debt arrangements.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

The carrying value and fair value of the Company's 4.00% Senior Notes and fixed rate mortgages were as follows (in millions):

	June 30, 2022		December 31, 2021	
	Carrying Value <sup>(1)</sup>	Fair Value	Carrying Value <sup>(1)</sup>	Fair Value
4.00% Senior Notes	\$ 750.0	\$ 638.3	\$ 750.0	\$ 748.4
Real estate related	103.3	96.1	81.3	78.7
Total	<u>\$ 853.3</u>	<u>\$ 734.4</u>	<u>\$ 831.3</u>	<u>\$ 827.1</u>

<sup>(1)</sup> Carrying value excludes unamortized debt issuance costs.

**Derivative Financial Instruments**

The Company holds its interest rate swaps to hedge against variability of interest payments indexed to SOFR. The Company's interest rate swaps are measured at fair value utilizing a SOFR forward yield curve matched to the identical maturity term of the instrument being measured. Observable inputs utilized in the income approach valuation technique incorporate identical contractual notional amounts, fixed coupon rates, periodic terms for interest payments and contract maturity. The fair value of the interest rate swaps also considers the credit risk of the Company for instruments in a liability position or the counterparty for instruments in an asset position. The credit risk is calculated using the spread between the SOFR yield curve and the relevant interest rate according to rating agencies. The inputs to the fair value measurements reflect Level 2 of the hierarchy framework.

Assets and liabilities associated with the Company's interest rate swaps, as reflected gross in the Condensed Consolidated Balance Sheets, were as follows (in millions):

	June 30, 2022	December 31, 2021
<b>Assets:</b>		
Other current assets	\$ 0.1	\$ —
Other long-term assets	75.7	13.8
Total assets	<u>\$ 75.8</u>	<u>\$ 13.8</u>
<b>Liabilities:</b>		
Accrued expenses and other current liabilities	\$ —	\$ 0.1
Other long-term liabilities	—	11.1
Total liabilities	<u>\$ —</u>	<u>\$ 11.2</u>

Interest rate swaps designated as cash flow hedges and the related gains or losses are deferred in stockholders' equity as a component of *AOCI* in the Company's Condensed Consolidated Balance Sheets. The deferred gains or losses are recognized in income in the period in which the related items being hedged are recognized in expense. Monthly contractual settlements of the positions are recognized as *Floorplan interest expense* or *Other interest expense, net*, in the Company's Condensed Consolidated Statements of Operations. Gains or losses for periods where future forecasted hedged transactions are deemed probable of not occurring are reclassified from *AOCI* into income as *Floorplan interest expense*.

As of June 30, 2022, the Company held 41 interest rate swaps designated as cash flow hedges with a total notional value of \$955.8 million that fixed its underlying SOFR at a weighted average rate of 1.23%. The Company also held 2 additional interest rate swaps designated as cash flow hedges with forward start dates beginning in December 2023, that had an aggregate notional value of \$100.0 million and a weighted average interest rate of 0.94% as of June 30, 2022. The maturity dates of the Company's designated interest rate swaps with forward start dates range between December 2027 and December 2028.

As of June 30, 2021, the Company held 34 interest rate swaps designated as cash flow hedges with a total notional value of \$700.4 million that fixed the underlying one-month LIBOR at a weighted average rate of 1.38%.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

The following tables present the impact of the Company's interest rate swaps designated as cash flow hedges (in millions):

<b>Derivatives in Cash Flow Hedging Relationship</b>	<b>Amount of Unrealized Income (Loss), Net of Tax, Recognized in Other Comprehensive Income (Loss)</b>			
	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Interest rate swaps	\$ 19.0	\$ (11.1)	\$ 53.0	\$ 16.7

<b>Statement of Operations Classification</b>	<b>Amount of Loss Reclassified from Other Comprehensive Income (Loss) into Statements of Operations</b>			
	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Floorplan interest expense	\$ (0.9)	\$ (1.4)	\$ (2.1)	\$ (3.7)
Other interest expense, net	\$ (0.7)	\$ (1.0)	\$ (1.8)	\$ (1.9)

The amount of gain expected to be reclassified out of *AOCI* into earnings as an offset to *Floorplan interest expense* or *Other interest expense, net* in the next twelve months is \$15.0 million.

## 8. RECEIVABLES, NET AND CONTRACT ASSETS

The Company's receivables, net and contract assets consisted of the following (in millions):

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
<b>Contracts-in-transit and vehicle receivables, net:</b>		
Contracts-in-transit	\$ 138.3	\$ 143.8
Vehicle receivables	85.6	75.6
Total contracts-in-transit and vehicle receivables	223.9	219.4
Less: allowance for doubtful accounts	0.7	0.5
Total contracts-in-transit and vehicle receivables, net	\$ 223.2	\$ 218.9
<b>Accounts and notes receivable, net:</b>		
Manufacturer receivables	\$ 79.5	\$ 76.9
Parts and service receivables	65.4	58.6
F&I receivables	29.8	29.8
Other	13.4	17.0
Total accounts and notes receivable	188.1	182.2
Less: allowance for doubtful accounts	5.5	4.3
Total accounts and notes receivable, net	\$ 182.6	\$ 177.9
<b>Within Other current assets and Other long-term assets:</b>		
Total contract assets <sup>(1)</sup>	\$ 43.7	\$ 37.5

<sup>(1)</sup> No allowance for doubtful accounts was recorded for contract assets as of June 30, 2022 or December 31, 2021.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

**9. DEBT**

Debt consisted of the following (in millions):

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
4.00% Senior Notes due August 15, 2028	\$ 750.0	\$ 750.0
Acquisition Line	248.2	329.3
<b>Other Debt:</b>		
Real estate related	792.4	627.7
Finance leases	179.4	172.7
Other	11.2	166.9
<b>Total other debt</b>	<b>983.0</b>	<b>967.4</b>
<b>Total debt</b>	<b>1,981.3</b>	<b>2,046.7</b>
Less: unamortized debt issuance costs	10.9	11.0
Less: current maturities	119.3	220.4
<b>Total long-term debt</b>	<b>\$ 1,851.0</b>	<b>\$ 1,815.3</b>

**Acquisition Line**

The proceeds of the Acquisition Line (as defined in Note 10. Floorplan Notes Payable) are used for working capital, general corporate and acquisition purposes. As of June 30, 2022, borrowings under the Acquisition Line, a component of the Revolving Credit Facility (as defined in Note 10. Floorplan Notes Payable), totaled \$248.2 million. The average interest rate on this facility was 1.75% during the three months ended June 30, 2022.

**Real Estate Related**

The Company has mortgage loans in the U.S. and the U.K. that are paid in installments. As of June 30, 2022, borrowings outstanding under these facilities totaled \$792.4 million, gross of debt issuance costs, comprised of \$692.1 million in the U.S. and \$100.3 million in the U.K.

**Bridge Facility**

In connection with the Prime Acquisition, the Company entered into a commitment letter with Wells Fargo Bank (“Bridge Facility”) to provide a portion of the debt financing. As of December 31, 2021, borrowings outstanding under the Bridge Facility totaled \$140.0 million. During the three months ended March 31, 2022, the Company paid off the total outstanding borrowings under the Bridge Facility of \$140.0 million.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

**10. FLOORPLAN NOTES PAYABLE**

The Company's floorplan notes payable consisted of the following (in millions):

	June 30, 2022	December 31, 2021
Revolving Credit Facility — floorplan notes payable	\$ 607.9	\$ 511.7
Revolving Credit Facility — floorplan notes payable offset account	(77.9)	(268.6)
Revolving Credit Facility — floorplan notes payable, net	529.9	243.1
Other non-manufacturer facilities	46.1	51.9
Floorplan notes payable — credit facility and other, net	<u>\$ 576.0</u>	<u>\$ 295.0</u>
FMCC Facility	\$ 25.1	\$ 22.8
FMCC Facility offset account	(5.5)	(3.3)
FMCC Facility, net	19.6	19.5
Other manufacturer affiliate facilities	185.3	216.5
Floorplan notes payable — manufacturer affiliates, net	<u>\$ 204.9</u>	<u>\$ 236.0</u>

**Floorplan Notes Payable — Credit Facility***Revolving Credit Facility*

On March 9, 2022, in the U.S., the Company entered into an amended revolving syndicated credit arrangement with 21 participating financial institutions that matures on March 9, 2027 (“Revolving Credit Facility”). In addition to extending the term, the amendment increases the availability to \$2.0 billion, with the ability to increase to \$2.4 billion, as further described below. The Revolving Credit Facility consists of two tranches: (i) a \$1.5 billion maximum capacity tranche for U.S. vehicle inventory floorplan financing (“U.S. Floorplan Line”) which the outstanding balance, net of offset account discussed below, is reported in *Floorplan notes payable — credit facility and other, net*; and (ii) a \$500.0 million maximum capacity and \$50.0 million minimum capacity tranche (“Acquisition Line”), which is not due until maturity of the Revolving Credit Facility and is therefore classified in *Long-term debt* on the Condensed Consolidated Balance Sheets — refer to Note 9. Debt for additional discussion. The capacity under these two tranches can be re-designated within the overall \$2.0 billion commitment. The Acquisition Line includes a \$100.0 million sub-limit for letters of credit. The Company had \$12.6 million in letters of credit outstanding as of both June 30, 2022 and December 31, 2021.

The U.S. Floorplan Line bears interest at rates equal to SOFR plus 120 basis points for new vehicle inventory and SOFR plus 150 basis points for used vehicle inventory. The weighted average interest rate on the U.S. Floorplan Line was 2.81% as of June 30, 2022, excluding the impact of the Company's interest rate swap derivative instruments. The Acquisition Line bears interest at SOFR or a SOFR equivalent plus 110 to 210 basis points, depending on the Company's total adjusted leverage ratio, on borrowings in USD, Euros or GBP. The U.S. Floorplan Line requires a commitment fee of 0.15% per annum on the unused portion. Amounts borrowed by the Company under the U.S. Floorplan Line for specific vehicle inventory are to be repaid upon the sale of the vehicle financed and in no case is a borrowing for a vehicle to remain outstanding for greater than one year. The Acquisition Line requires a commitment fee ranging from 0.15% to 0.40% per annum, depending on the Company's total adjusted leverage ratio, based on a minimum commitment of \$50.0 million less outstanding borrowings.

In conjunction with the amended Revolving Credit Facility described above, the Company incurred \$3.4 million in additional debt issuance costs. The Company had \$5.3 million and \$2.6 million of related unamortized debt issuance costs as of June 30, 2022 and December 31, 2021, respectively, which are included in *Prepaid expenses* and *Other long-term assets* in the Company's Condensed Consolidated Balance Sheets and amortized over the term of the facility.

**Floorplan Notes Payable — Manufacturer Affiliates***FMCC Facility*

The Company has a \$300.0 million floorplan arrangement with FMCC for financing of new Ford vehicles in the U.S. (the “FMCC Facility”). This facility bears interest at the higher of the actual U.S. Prime rate or a Prime floor of 4.00%, plus 150 basis points minus certain incentives. The interest rate on the FMCC Facility was 4.75% before considering the applicable incentives as of June 30, 2022.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

*Other Manufacturer Facilities*

The Company has other credit facilities in the U.S. and the U.K. with financial institutions affiliated with manufacturers for financing of new, used and rental vehicle inventories. As of June 30, 2022, borrowings outstanding under these facilities totaled \$185.3 million, comprised of \$100.0 million in the U.S., with annual interest rates ranging from less than 1% to approximately 5%, and \$85.3 million in the U.K., with annual interest rates ranging from approximately 2% to 5%.

*Offset Accounts*

Offset accounts consist of immediately available cash used to pay down the U.S. Floorplan Line and FMCC Facility, and therefore offset the respective outstanding balances in the Company's Condensed Consolidated Balance Sheets. The offset accounts are the Company's primary options for the short-term investment of excess cash.

**11. CASH FLOW INFORMATION***Non-Cash Activities*

The accrual for capital expenditures increased \$0.1 million and \$1.4 million during the six months ended June 30, 2022 and 2021, respectively.

*Interest and Income Taxes Paid*

Cash paid for interest, including the monthly settlement of the Company's interest rate swaps, was \$42.8 million and \$37.6 million for the six months ended June 30, 2022 and 2021, respectively. Refer to Note 7. Financial Instruments and Fair Value Measurements for further discussion of the Company's interest rate swaps.

Cash paid for income taxes, net of refunds, was \$99.2 million and \$52.7 million for the six months ended June 30, 2022 and 2021, respectively.

**12. COMMITMENTS AND CONTINGENCIES**

From time to time, the Company's dealerships are named in various types of litigation involving customer claims, employment matters, class action claims, purported class action claims, claims involving the manufacturers of automobiles, contractual disputes and other matters arising in the ordinary course of business. The Company may be involved in legal proceedings or suffer losses that could have a material adverse effect on the Company's results of operations, financial condition or cash flows. In the normal course of business, the Company is required to respond to customer, employee and other third-party complaints. In addition, the manufacturers of the vehicles that the Company sells and services have audit rights allowing them to review the validity of amounts claimed for incentive, rebate or warranty-related items and charge the Company back for amounts determined to be invalid payments under the manufacturers' programs, subject to the Company's right to appeal any such decision.

*Legal Proceedings*

As of June 30, 2022, the Company was not party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's results of operations, financial condition or cash flows. However, the results of current or future matters cannot be predicted with certainty; an unfavorable resolution of one or more of such matters could have a material adverse effect on the Company's results of operations, financial condition or cash flows.

*Other Matters*

From time to time, the Company sells its dealerships to third parties. In those instances where the Company did not own the real estate and was a tenant, it assigned the lease to the purchaser but remained liable as a guarantor for the remaining lease payments in the event of non-payment by the purchaser. Although the Company has no reason to believe that it will be called upon to perform under any such assigned leases, the Company estimates that lessee remaining rental obligations were \$22.4 million as of June 30, 2022. In certain instances, the Company obtains collateral support for the rental obligations that the Company remains obligated for upon sale of a dealership to a lessee. Total associated letters of credit issued on behalf of the lessee where the Company is the beneficiary was \$3.3 million as of June 30, 2022.

**GROUP 1 AUTOMOTIVE, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)**

**13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

Changes in the balances of each component of Accumulated other comprehensive income (loss) were as follows (in millions):

	<b>Six Months Ended June 30, 2022</b>		
	<b>Accumulated Income (Loss) On Foreign Currency Translation</b>	<b>Accumulated Income (Loss) On Interest Rate Swaps</b>	<b>Total</b>
Balance, December 31, 2021	\$ (158.2)	\$ 2.0	\$ (156.2)
Other comprehensive income (loss) before reclassifications:			
Pre-tax	(28.1)	69.3	41.2
Tax effect	—	(16.3)	(16.3)
Amount reclassified from accumulated other comprehensive income (loss):			
Floorplan interest expense (pre-tax)	—	2.1	2.1
Other interest expense, net (pre-tax)	—	1.8	1.8
Benefit for income taxes	—	(0.9)	(0.9)
Net current period other comprehensive (loss) income	(28.1)	56.0	28.0
Balance, June 30, 2022	<u>\$ (186.3)</u>	<u>\$ 58.0</u>	<u>\$ (128.3)</u>

	<b>Six Months Ended June 30, 2021</b>		
	<b>Accumulated Income (Loss) On Foreign Currency Translation</b>	<b>Accumulated Income (Loss) On Interest Rate Swaps</b>	<b>Total</b>
Balance, December 31, 2020	\$ (151.6)	\$ (32.5)	\$ (184.0)
Other comprehensive income (loss) before reclassifications:			
Pre-tax	4.9	21.8	26.6
Tax effect	—	(5.1)	(5.1)
Amount reclassified from accumulated other comprehensive income (loss):			
Floorplan interest expense (pre-tax)	—	3.7	3.7
Other interest expense (pre-tax)	—	1.9	1.9
Reclassification related to de-designated interest rate swaps (pre-tax)	—	3.1	3.1
Benefit for income taxes	—	(2.0)	(2.0)
Net current period other comprehensive income	4.9	23.3	28.1
Balance, June 30, 2021	<u>\$ (146.7)</u>	<u>\$ (9.2)</u>	<u>\$ (155.9)</u>



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

Management’s Discussion and Analysis of Financial Condition and Results of Operations, or MD&A, should be read in conjunction with the accompanying unaudited Condensed Consolidated Financial Statements and the notes thereto, as well as our 2021 Form 10-K.

Unless the context requires otherwise, references to “we,” “us” and “our” are intended to mean the business and operations of Group 1 Automotive, Inc. and its subsidiaries.

### Overview

We are a leading operator in the automotive retail industry. Through our omni-channel platform, we sell new and used cars and light trucks; arrange related vehicle financing; sell service and insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts. We operate in geographically diverse markets that extend across 17 states in the U.S. and 35 towns and cities in the U.K. As of June 30, 2022, our retail network consisted of 146 dealerships in the U.S. and 55 dealerships in the U.K.

On November 12, 2021, we entered into a Share Purchase Agreement (the “Brazil Agreement”) with Original Holdings S.A. (“Buyer”). Pursuant to the terms and conditions set forth in the Brazil Agreement, Buyer agreed to acquire 100% of the issued and outstanding equity interests of our Brazilian operations (the “Brazil Disposal Group”) for approximately BRL 510 million in cash (the “Brazil Disposal”). The Brazil Disposal Group met the criteria to be reported as discontinued operations. Therefore, the related assets, liabilities and operating results of the Brazil Disposal Group are reported as discontinued operations (the “Brazil Discontinued Operations”) for all periods presented. On July 1, 2022, we completed the Brazil Disposal. Refer to Note 4. Discontinued Operations and Other Divestitures within our Notes to Condensed Consolidated Financial Statements, for additional information regarding business dispositions.

### Recent Events

There has continued to be widespread impact from the COVID-19 pandemic. Infection rates and regulations continue to fluctuate in various regions and there are ongoing global impacts resulting from the pandemic, including challenges and increases in costs for logistics and supply chains, such as increased port congestion, intermittent supplier delays and a shortfall of semiconductor and other parts supplies, all of which impact our business either directly or indirectly.

Additionally, our manufacturers’ production is currently at reduced levels as a result of global semiconductor and other parts shortages, which is impacting new vehicle sales in all our markets. The increased demand for new vehicles and reduced production levels have significantly reduced our new vehicle inventory levels. Our new vehicle days’ supply of inventory was approximately 15 days as of the quarter ended June 30, 2022 (“Current Quarter”), as compared to 19 days as of the quarter ended June 30, 2021 (“Prior Year Quarter”).

On February 24, 2022, Russia launched a military invasion of Ukraine (the “Russia and Ukraine Conflict”). The ongoing Russia and Ukraine Conflict has provoked strong reactions from the U.S., the U.K., the European Union and various other countries around the world, including the imposition of broad financial and economic sanctions against Russia. While the length, impact and outcome of the ongoing military conflict and these sanctions on the Russian and global economies remain uncertain, they have already resulted in significant volatility in financial markets, an increase in energy and commodity prices globally and further disruption of the global supply chain for certain raw materials and manufactured goods, including vehicle parts.

The Russia and Ukraine Conflict and other geopolitical conflicts, as well as related international responses, have exacerbated inflationary pressures, including causing increases in the prices for goods and services and global supply chain disruptions, which have resulted and may continue to result in shortages in materials and services. Such shortages have resulted and may continue to result in inflationary cost increases for labor, fuel, materials and services, and could continue to cause costs to increase as well as result in the scarcity of certain materials.

During the six months ended June 30, 2022 (“Current Year”), the global economy experienced rising inflation and an increase in gasoline and energy prices. In response to inflationary pressures and macroeconomic conditions, the U.S. Federal Reserve, along with other central banks, continued to increase interest rates throughout 2022. Additionally, U.S. Gross Domestic Product (“GDP”) shrank for the second consecutive quarter as of the Current Quarter, indicating that the U.S. economy may be entering a recession. The impact of these macroeconomic developments on our operations cannot be predicted with certainty.

### Critical Accounting Policies and Accounting Estimates

For discussion of our critical accounting policies and accounting estimates, refer to Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations of our 2021 Form 10-K. There have been no material changes to our critical accounting policies or accounting estimates since December 31, 2021.

## Results of Operations

The “same store” amounts presented below include the results of dealerships and corporate headquarters for the identical months in each comparative period, commencing with the first full month in which we owned the dealership. Amounts related to divestitures are excluded from each comparative period, ending with the last full month in which we owned the dealership. Same store results provide a measurement of our ability to grow revenues and profitability of our existing stores and also provide a metric for peer group comparisons. For these reasons, same store results allow management to manage and monitor the performance of the business and is also useful to investors.

We evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our underlying business and results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our current period reported results for entities reporting in currencies other than USD using comparative period exchange rates rather than the actual exchange rates in effect during the respective periods. The constant currency performance measures should not be considered a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP. Additionally, we caution investors not to place undue reliance on non-GAAP measures, but also to consider them with the most directly comparable U.S. GAAP measures. Our management also uses constant currency and adjusted cash flows from operating, investing and financing activities in conjunction with U.S. GAAP financial measures to assess our business, including communication with our Board of Directors, investors and industry analysts concerning financial performance. We disclose these non-GAAP measures and the related reconciliations because we believe investors use these metrics in evaluating longer-term period-over-period performance. These metrics also allow investors to better understand and evaluate the information used by management to assess operating performance.

Certain amounts in the financial statements may not compute due to rounding. All computations have been calculated using unrounded amounts for all periods presented.

The following tables summarize our operating results on a reported basis and on a same store basis:

**Reported Operating Data — Consolidated**

(In millions, except unit data)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 1,851.3	\$ 1,805.5	\$ 45.8	2.5 %	\$ (32.5)	4.3 %
Used vehicle retail sales	1,505.4	1,183.8	321.6	27.2 %	(34.5)	30.1 %
Used vehicle wholesale sales	95.8	93.7	2.1	2.3 %	(4.1)	6.7 %
Total used	1,601.2	1,277.5	323.7	25.3 %	(38.7)	28.4 %
Parts and service sales	502.6	382.9	119.7	31.2 %	(6.4)	32.9 %
F&I, net	190.2	159.6	30.6	19.2 %	(1.9)	20.4 %
Total revenues	\$ 4,145.4	\$ 3,625.6	\$ 519.8	14.3 %	\$ (79.5)	16.5 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 210.3	\$ 160.1	\$ 50.2	31.3 %	\$ (3.0)	33.2 %
Used vehicle retail sales	89.5	108.1	(18.7)	(17.3)%	(1.7)	(15.6)%
Used vehicle wholesale sales	0.8	8.9	(8.1)	(91.4)%	0.1	(92.8)%
Total used	90.3	117.1	(26.8)	(22.9)%	(1.6)	(21.5)%
Parts and service sales	277.7	212.7	65.0	30.6 %	(3.9)	32.4 %
F&I, net	190.2	159.6	30.6	19.2 %	(1.9)	20.4 %
Total gross profit	\$ 768.4	\$ 649.5	\$ 118.9	18.3 %	\$ (10.5)	19.9 %
<b>Gross margin:</b>						
New vehicle retail sales	11.4 %	8.9 %	2.5 %			
Used vehicle retail sales	5.9 %	9.1 %	(3.2)%			
Used vehicle wholesale sales	0.8 %	9.5 %	(8.7)%			
Total used	5.6 %	9.2 %	(3.5)%			
Parts and service sales	55.2 %	55.5 %	(0.3)%			
Total gross margin	18.5 %	17.9 %	0.6 %			
<b>Units sold:</b>						
Retail new vehicles sold	38,822	41,442	(2,620)	(6.3)%		
Retail used vehicles sold	48,907	44,502	4,405	9.9 %		
Wholesale used vehicles sold	9,514	10,730	(1,216)	(11.3)%		
Total used	58,421	55,232	3,189	5.8 %		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 47,686	\$ 43,567	\$ 4,119	9.5 %	\$ (837)	11.4 %
Used vehicle retail	\$ 30,781	\$ 26,601	\$ 4,180	15.7 %	\$ (706)	18.4 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 5,416	\$ 3,863	\$ 1,553	40.2 %	\$ (78)	42.2 %
Used vehicle retail sales	\$ 1,830	\$ 2,430	\$ (600)	(24.7)%	\$ (36)	(23.2)%
Used vehicle wholesale sales	\$ 81	\$ 831	\$ (750)	(90.3)%	\$ 13	(91.9)%
Total used	\$ 1,545	\$ 2,119	\$ (575)	(27.1)%	\$ (28)	(25.8)%
F&I PRU	\$ 2,168	\$ 1,857	\$ 311	16.7 %	\$ (22)	17.9 %
<b>Other:</b>						
SG&A expenses	\$ 460.2	\$ 368.6	\$ 91.5	24.8 %	\$ (7.5)	26.9 %
SG&A as % gross profit	59.9 %	56.8 %	3.1 %			
<b>Floorplan expense:</b>						
Floorplan interest expense	\$ 5.9	\$ 8.6	\$ (2.7)	(31.8)%	\$ (0.2)	(30.0)%
Less: floorplan assistance <sup>(1)</sup>	14.1	15.3	(1.1)	(7.4)%	—	(7.3)%
Net floorplan expense	\$ (8.3)	\$ (6.6)	\$ (1.6)		\$ (0.2)	

<sup>(1)</sup> Floorplan assistance is included within Gross profit — New vehicle retail sales above and Cost of sales — New vehicle retail sales in our Condensed Consolidated Statements of Operations.

**Same Store Operating Data — Consolidated**

(In millions, except unit data)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 1,492.6	\$ 1,781.6	\$ (289.0)	(16.2)%	\$ (30.0)	(14.5)%
Used vehicle retail sales	1,266.7	1,170.2	96.6	8.3 %	(30.5)	10.9 %
Used vehicle wholesale sales	78.8	92.9	(14.1)	(15.2)%	(3.8)	(11.1)%
Total used	1,345.5	1,263.1	82.5	6.5 %	(34.3)	9.2 %
Parts and service sales	427.7	376.7	51.0	13.5 %	(5.7)	15.1 %
F&I, net	157.9	157.4	0.5	0.3 %	(1.8)	1.4 %
Total revenues	\$ 3,423.7	\$ 3,578.8	\$ (155.0)	(4.3)%	\$ (71.8)	(2.3)%
<b>Gross profit:</b>						
New vehicle retail sales	\$ 166.6	\$ 157.7	\$ 8.9	5.7 %	\$ (2.8)	7.4 %
Used vehicle retail sales	74.9	106.9	(32.0)	(29.9)%	(1.5)	(28.5)%
Used vehicle wholesale sales	0.4	8.8	(8.4)	(95.8)%	0.1	(97.0)%
Total used	75.3	115.7	(40.4)	(34.9)%	(1.4)	(33.7)%
Parts and service sales	231.1	209.0	22.1	10.6 %	(3.5)	12.2 %
F&I, net	157.9	157.4	0.5	0.3 %	(1.8)	1.4 %
Total gross profit	\$ 630.9	\$ 639.8	\$ (9.0)	(1.4)%	\$ (9.5)	0.1 %
<b>Gross margin:</b>						
New vehicle retail sales	11.2 %	8.8 %	2.3 %			
Used vehicle retail sales	5.9 %	9.1 %	(3.2)%			
Used vehicle wholesale sales	0.5 %	9.5 %	(9.0)%			
Total used	5.6 %	9.2 %	(3.6)%			
Parts and service sales	54.0 %	55.5 %	(1.5)%			
Total gross margin	18.4 %	17.9 %	0.5 %			
<b>Units sold:</b>						
Retail new vehicles sold	31,204	40,900	(9,696)	(23.7)%		
Retail used vehicles sold	40,978	43,975	(2,997)	(6.8)%		
Wholesale used vehicles sold	7,597	10,615	(3,018)	(28.4)%		
Total used	48,575	54,590	(6,015)	(11.0)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 47,834	\$ 43,561	\$ 4,273	9.8 %	\$ (961)	12.0 %
Used vehicle retail	\$ 30,912	\$ 26,609	\$ 4,303	16.2 %	\$ (745)	19.0 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 5,338	\$ 3,855	\$ 1,484	38.5 %	\$ (90)	40.8 %
Used vehicle retail sales	\$ 1,829	\$ 2,431	\$ (602)	(24.8)%	\$ (37)	(23.2)%
Used vehicle wholesale sales	\$ 49	\$ 829	\$ (781)	(94.1)%	\$ 14	(95.8)%
Total used	\$ 1,550	\$ 2,120	\$ (569)	(26.9)%	\$ (29)	(25.5)%
F&I PRU	\$ 2,187	\$ 1,855	\$ 333	17.9 %	\$ (25)	19.3 %
<b>Other:</b>						
SG&A expenses	\$ 380.0	\$ 363.2	\$ 16.8	4.6 %	\$ (6.7)	6.5 %
SG&A as % gross profit	60.2 %	56.8 %	3.5 %			

**Reported Operating Data — Consolidated**

(In millions, except unit data)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 3,596.4	\$ 3,314.7	\$ 281.7	8.5 %	\$ (43.8)	9.8 %
Used vehicle retail sales	2,865.3	2,071.9	793.4	38.3 %	(44.9)	40.5 %
Used vehicle wholesale sales	189.3	172.0	17.4	10.1 %	(5.2)	13.1 %
Total used	3,054.6	2,243.8	810.8	36.1 %	(50.0)	38.4 %
Parts and service sales	975.5	735.7	239.8	32.6 %	(8.3)	33.7 %
F&I, net	363.2	285.3	78.0	27.3 %	(2.6)	28.2 %
Total revenues	\$ 7,989.7	\$ 6,579.6	\$ 1,410.2	21.4 %	\$ (104.7)	23.0 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 411.5	\$ 255.7	\$ 155.8	60.9 %	\$ (4.2)	62.5 %
Used vehicle retail sales	177.3	166.6	10.7	6.4 %	(2.4)	7.9 %
Used vehicle wholesale sales	3.6	12.7	(9.1)	(71.7)%	0.1	(72.9)%
Total used	180.9	179.3	1.6	0.9 %	(2.3)	2.2 %
Parts and service sales	537.5	410.4	127.1	31.0 %	(5.1)	32.2 %
F&I, net	363.2	285.3	78.0	27.3 %	(2.6)	28.2 %
Total gross profit	\$ 1,493.1	\$ 1,130.7	\$ 362.4	32.0 %	\$ (14.2)	33.3 %
<b>Gross margin:</b>						
New vehicle retail sales	11.4 %	7.7 %	3.7 %			
Used vehicle retail sales	6.2 %	8.0 %	(1.9)%			
Used vehicle wholesale sales	1.9 %	7.4 %	(5.5)%			
Total used	5.9 %	8.0 %	(2.1)%			
Parts and service sales	55.1 %	55.8 %	(0.7)%			
Total gross margin	18.7 %	17.2 %	1.5 %			
<b>Units sold:</b>						
Retail new vehicles sold	75,555	77,134	(1,579)	(2.0)%		
Retail used vehicles sold	92,713	82,045	10,668	13.0 %		
Wholesale used vehicles sold	18,613	20,308	(1,695)	(8.3)%		
Total used	111,326	102,353	8,973	8.8 %		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 47,600	\$ 42,974	\$ 4,626	10.8 %	\$ (580)	12.1 %
Used vehicle retail	\$ 30,905	\$ 25,253	\$ 5,652	22.4 %	\$ (484)	24.3 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 5,446	\$ 3,316	\$ 2,131	64.3 %	\$ (55)	65.9 %
Used vehicle retail sales	\$ 1,913	\$ 2,031	\$ (118)	(5.8)%	\$ (26)	(4.5)%
Used vehicle wholesale sales	\$ 193	\$ 625	\$ (432)	(69.1)%	\$ 8	(70.4)%
Total used	\$ 1,625	\$ 1,752	\$ (127)	(7.2)%	\$ (20)	(6.1)%
F&I PRU	\$ 2,159	\$ 1,792	\$ 367	20.5 %	\$ (15)	21.3 %
<b>Other:</b>						
SG&A expenses	\$ 878.6	\$ 680.0	\$ 198.7	29.2 %	\$ (9.3)	30.6 %
SG&A as % gross profit	58.8 %	60.1 %	(1.3)%			
<b>Floorplan expense:</b>						
Floorplan interest expense	\$ 11.2	\$ 16.1	\$ (5.0)	(30.9)%	\$ (0.2)	(29.7)%
Less: floorplan assistance <sup>(1)</sup>	28.2	28.5	(0.3)	(1.0)%	—	(1.0)%
Net floorplan expense	\$ (17.0)	\$ (12.3)	\$ (4.7)		\$ (0.2)	

<sup>(1)</sup> Floorplan assistance is included within Gross Profit — New vehicle retail sales above and Cost of Sales — New vehicle retail sales in our Condensed Consolidated Statements of Operations.

**Same Store Operating Data — Consolidated**

(In millions, except unit data)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 2,933.4	\$ 3,272.0	\$ (338.6)	(10.3)%	\$ (40.3)	(9.1)%
Used vehicle retail sales	2,429.8	2,048.5	381.4	18.6 %	(39.7)	20.6 %
Used vehicle wholesale sales	158.4	170.4	(11.9)	(7.0)%	(4.7)	(4.2)%
Total used	2,588.3	2,218.8	369.4	16.7 %	(44.4)	18.7 %
Parts and service sales	832.7	723.8	109.0	15.1 %	(7.4)	16.1 %
F&I, net	306.6	281.3	25.2	9.0 %	(2.4)	9.8 %
Total revenues	\$ 6,660.9	\$ 6,495.9	\$ 165.0	2.5 %	\$ (94.5)	4.0 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 330.2	\$ 252.3	\$ 77.9	30.9 %	\$ (3.8)	32.4 %
Used vehicle retail sales	148.9	164.9	(16.0)	(9.7)%	(2.1)	(8.4)%
Used vehicle wholesale sales	2.2	12.6	(10.4)	(82.6)%	0.1	(83.6)%
Total used	151.0	177.5	(26.4)	(14.9)%	(2.0)	(13.8)%
Parts and service sales	449.9	403.7	46.2	11.5 %	(4.5)	12.6 %
F&I, net	306.6	281.3	25.2	9.0 %	(2.4)	9.8 %
Total gross profit	\$ 1,237.7	\$ 1,114.8	\$ 123.0	11.0 %	\$ (12.8)	12.2 %
<b>Gross margin:</b>						
New vehicle retail sales	11.3 %	7.7 %	3.5 %			
Used vehicle retail sales	6.1 %	8.0 %	(1.9)%			
Used vehicle wholesale sales	1.4 %	7.4 %	(6.0)%			
Total used	5.8 %	8.0 %	(2.2)%			
Parts and service sales	54.0 %	55.8 %	(1.7)%			
Total gross margin	18.6 %	17.2 %	1.4 %			
<b>Units sold:</b>						
Retail new vehicles sold	61,464	76,163	(14,699)	(19.3)%		
Retail used vehicles sold	78,393	81,067	(2,674)	(3.3)%		
Wholesale used vehicles sold	14,974	20,072	(5,098)	(25.4)%		
Total used	93,367	101,139	(7,772)	(7.7)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 47,725	\$ 42,960	\$ 4,765	11.1 %	\$ (656)	12.6 %
Used vehicle retail	\$ 30,996	\$ 25,269	\$ 5,727	22.7 %	\$ (506)	24.7 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 5,372	\$ 3,312	\$ 2,060	62.2 %	\$ (62)	64.1 %
Used vehicle retail sales	\$ 1,899	\$ 2,034	\$ (135)	(6.6)%	\$ (27)	(5.3)%
Used vehicle wholesale sales	\$ 146	\$ 626	\$ (480)	(76.7)%	\$ 8	(78.0)%
Total used	\$ 1,618	\$ 1,755	\$ (137)	(7.8)%	\$ (21)	(6.6)%
F&I PRU	\$ 2,192	\$ 1,789	\$ 403	22.5 %	\$ (17)	23.5 %
<b>Other:</b>						
SG&A expenses	\$ 747.1	\$ 669.7	\$ 77.3	11.5 %	\$ (8.5)	12.8 %
SG&A as % gross profit	60.4 %	60.1 %	0.3 %			

**Reported Operating Data — U.S.**

(In millions, except unit data)

	Three Months Ended June 30,			
	2022	2021	Increase/(Decrease)	% Change
<b>Revenues:</b>				
New vehicle retail sales	\$ 1,561.7	\$ 1,504.4	\$ 57.4	3.8 %
Used vehicle retail sales	1,197.6	882.9	314.7	35.6 %
Used vehicle wholesale sales	59.1	61.2	(2.0)	(3.3)%
Total used	1,256.8	944.1	312.7	33.1 %
Parts and service sales	445.6	332.6	113.0	34.0 %
F&I, net	173.1	143.9	29.2	20.3 %
Total revenues	<u>\$ 3,437.2</u>	<u>\$ 2,924.9</u>	<u>\$ 512.3</u>	17.5 %
<b>Gross profit:</b>				
New vehicle retail sales	\$ 184.5	\$ 141.7	\$ 42.8	30.2 %
Used vehicle retail sales	73.7	87.3	(13.6)	(15.6)%
Used vehicle wholesale sales	1.9	6.4	(4.5)	(70.9)%
Total used	75.5	93.7	(18.2)	(19.4)%
Parts and service sales	243.1	181.7	61.4	33.8 %
F&I, net	173.1	143.9	29.2	20.3 %
Total gross profit	<u>\$ 676.3</u>	<u>\$ 561.1</u>	<u>\$ 115.2</u>	20.5 %
<b>Gross margin:</b>				
New vehicle retail sales	11.8 %	9.4 %	2.4 %	
Used vehicle retail sales	6.2 %	9.9 %	(3.7)%	
Used vehicle wholesale sales	3.1 %	10.5 %	(7.3)%	
Total used	6.0 %	9.9 %	(3.9)%	
Parts and service sales	54.6 %	54.6 %	(0.1)%	
Total gross margin	19.7 %	19.2 %	0.5 %	
<b>Units sold:</b>				
Retail new vehicles sold	31,627	34,047	(2,420)	(7.1)%
Retail used vehicles sold	38,523	34,008	4,515	13.3 %
Wholesale used vehicles sold	6,059	6,606	(547)	(8.3)%
Total used	<u>44,582</u>	<u>40,614</u>	<u>3,968</u>	9.8 %
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 49,380	\$ 44,185	\$ 5,196	11.8 %
Used vehicle retail	\$ 31,089	\$ 25,962	\$ 5,127	19.7 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 5,834	\$ 4,162	\$ 1,671	40.2 %
Used vehicle retail sales	\$ 1,913	\$ 2,568	\$ (655)	(25.5)%
Used vehicle wholesale sales	\$ 307	\$ 969	\$ (661)	(68.3)%
Total used	\$ 1,694	\$ 2,308	\$ (613)	(26.6)%
F&I PRU	\$ 2,468	\$ 2,114	\$ 354	16.7 %
<b>Other:</b>				
SG&A expenses	\$ 393.6	\$ 312.6	\$ 81.0	25.9 %
SG&A as % gross profit	58.2 %	55.7 %	2.5 %	

**Same Store Operating Data — U.S.**

(In millions, except unit data)

	Three Months Ended June 30,			
	2022	2021	Increase/(Decrease)	% Change
<b>Revenues:</b>				
New vehicle retail sales	\$ 1,225.1	\$ 1,480.5	\$ (255.3)	(17.2)%
Used vehicle retail sales	994.6	869.3	125.3	14.4 %
Used vehicle wholesale sales	45.2	60.4	(15.2)	(25.2)%
Total used	1,039.7	929.6	110.1	11.8 %
Parts and service sales	376.8	329.1	47.7	14.5 %
F&I, net	142.1	141.7	0.4	0.3 %
Total revenues	<u>\$ 2,783.8</u>	<u>\$ 2,880.9</u>	<u>\$ (97.1)</u>	<u>(3.4)%</u>
<b>Gross profit:</b>				
New vehicle retail sales	\$ 142.9	\$ 139.3	\$ 3.6	2.6 %
Used vehicle retail sales	61.0	86.1	(25.0)	(29.1)%
Used vehicle wholesale sales	1.3	6.3	(5.0)	(79.9)%
Total used	62.3	92.4	(30.1)	(32.5)%
Parts and service sales	200.4	179.4	21.0	11.7 %
F&I, net	142.1	141.7	0.4	0.3 %
Total gross profit	<u>\$ 547.7</u>	<u>\$ 552.7</u>	<u>\$ (5.0)</u>	<u>(0.9)%</u>
<b>Gross margin:</b>				
New vehicle retail sales	11.7 %	9.4 %	2.3 %	
Used vehicle retail sales	6.1 %	9.9 %	(3.8)%	
Used vehicle wholesale sales	2.8 %	10.4 %	(7.6)%	
Total used	6.0 %	9.9 %	(3.9)%	
Parts and service sales	53.2 %	54.5 %	(1.3)%	
Total gross margin	19.7 %	19.2 %	0.5 %	
<b>Units sold:</b>				
Retail new vehicles sold	24,684	33,505	(8,821)	(26.3)%
Retail used vehicles sold	32,071	33,481	(1,410)	(4.2)%
Wholesale used vehicles sold	4,540	6,491	(1,951)	(30.1)%
Total used	<u>36,611</u>	<u>39,972</u>	<u>(3,361)</u>	<u>(8.4)%</u>
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 49,633	\$ 44,186	\$ 5,446	12.3 %
Used vehicle retail	\$ 31,012	\$ 25,963	\$ 5,048	19.4 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 5,789	\$ 4,157	\$ 1,631	39.2 %
Used vehicle retail sales	\$ 1,904	\$ 2,571	\$ (668)	(26.0)%
Used vehicle wholesale sales	\$ 278	\$ 968	\$ (689)	(71.2)%
Total used	\$ 1,702	\$ 2,311	\$ (609)	(26.3)%
F&I PRU	\$ 2,504	\$ 2,115	\$ 388	18.3 %
<b>Other:</b>				
SG&A expenses	\$ 320.5	\$ 308.3	\$ 12.2	4.0 %
SG&A as % gross profit	58.5 %	55.8 %	2.7 %	



### ***U.S. Region — Three Months Ended June 30, 2022 Compared to 2021***

The following discussion of our U.S. operating results is on an as reported and same store basis. The difference between as reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings.

#### *Revenues*

Total revenues in the U.S. during the Current Quarter increased \$512.3 million, or 17.5%, as compared to the Prior Year Quarter. This increase was primarily driven by the acquisition of stores, higher same store used vehicle retail sales and increased same store parts and service sales, partially offset by fewer same store new vehicle retail sales.

Total same store revenues in the U.S. during the Current Quarter, decreased \$97.1 million, or 3.4%, as compared to Prior Year Quarter. This decline was primarily driven by fewer same store new and used vehicle retail unit sales, partially offset by higher same store used vehicle retail sales prices and increased same store parts and service sales.

New and used vehicle retail revenues benefited from the sale of approximately 6,900 units from our online digital platform, AcceleRide®, during the Current Quarter, representing approximately a 22.1% increase as compared to the Prior Year Quarter.

New vehicle retail same store revenues declined compared to the Prior Year Quarter, driven by a shortage in new vehicle supply, leading to fewer units sold. The shortage of new vehicle inventory continues to drive strong pricing, which partially mitigated the revenue impact of lower unit sales. Supply chain issues, including an ongoing semiconductor and vehicle parts shortage, and other logistics challenges, continued into the Current Quarter for OEMs, leading to sustained lower vehicle production and deliveries of fewer vehicles to dealerships. We ended the Current Quarter with a U.S. new vehicle inventory supply of 11 days, 5 days lower than the Prior Year Quarter.

Used vehicle retail same store revenues outperformed compared to the Prior Year Quarter, despite a modest decline in units sold, as increased demand drove prices higher. Used vehicle wholesale same store revenues declined due to a decline in units sold driven by efforts to sell more used vehicles through retail sales rather than the wholesale market as a result of the increased demand and pricing of used vehicle retail sales described above.

Parts and service same store revenues outperformed compared to the Prior Year Quarter, driven by increases in customer pay, collision and wholesale revenues reflecting increased business activity, partially offset by a decline in warranty revenues. Warranty revenues have declined primarily due to fewer new vehicles sold as a result of new vehicle shortages.

F&I, net same store revenues were consistent with the Prior Year Quarter, driven by higher income per contract on finance, VSCs, other product offerings and improved penetration rates, partially offset by a decrease in same store total retail unit sales.

#### *Gross Profit*

Total gross profit in the U.S. during the Current Quarter, increased \$115.2 million, or 20.5%, as compared to the Prior Year Quarter, primarily driven by the acquisition of stores and increased same store parts and service sales.

Total same store gross profit in the U.S. during the Current Quarter, decreased \$5.0 million, or 0.9%, as compared to the Prior Year Quarter. This decrease was primarily driven by lower same store used vehicle retail gross profit, partially offset by increased same store parts and service gross profit.

New vehicle retail same store gross profit increased 2.6%, driven by an increase in new vehicle retail same store gross profit per unit sold, partially offset by a decrease in new vehicle retail same store unit sales. The increase in new vehicle retail same store gross profit per unit sold reflects the strong demand resulting from the shortage of new vehicle inventory discussed above. The inventory shortage also drove the decrease in new vehicle retail same store unit sales.

Used vehicle retail same store gross profit decreased 29.1%, driven by a decrease in used vehicle retail same store gross profit per unit sold, coupled with a decrease in used vehicle retail same store unit sales. The decrease in same store used vehicle gross profit and retail unit sales was driven by inflationary impacts on customers. Additionally, the ongoing new vehicle supply shortage negatively impacted the supply of used vehicles. Our used vehicle wholesale same store gross profit decreased 79.9%, driven by a decrease in used vehicle wholesale same store gross profit per unit sold, coupled with a decrease in used vehicle same store wholesale units.

Parts and service same store gross profit increased 11.7%, primarily driven by the increase in our customer-pay, collision and wholesale business reflecting increased business activity.

F&I, net same store gross profit was consistent with the Prior Year Quarter, as described above for F&I, net same store revenues.

Total same store gross margin increased 49 basis points, primarily driven by higher new vehicle retail sales prices as a result of the strong new vehicle pricing caused by the new vehicle inventory shortage described above.

*SG&A Expenses*

SG&A as a percentage of gross profit increased 249 and 275 basis points on an as reported and same store basis, respectively, compared to the Prior Year Quarter, partially driven by the decline in used vehicle gross profit described above as well as the following factors impacting total SG&A.

Total SG&A expenses in the U.S. during the Current Quarter, increased \$81.0 million, or 25.9%, as compared to the Prior Year Quarter, primarily driven by the acquisition of stores. Total same store SG&A expenses in the U.S. during the Current Quarter, increased \$12.2 million, or 4.0%, as compared to the Prior Year Quarter, primarily driven by increased labor costs and an increase in other variable expenses associated with the rise in certain business activities as described above.

**Reported Operating Data — U.S.**

(In millions, except unit data)

	Six Months Ended June 30,			
	2022	2021	Increase/(Decrease)	% Change
<b>Revenues:</b>				
New vehicle retail sales	\$ 2,994.9	\$ 2,750.4	\$ 244.5	8.9 %
Used vehicle retail sales	2,235.5	1,579.4	656.1	41.5 %
Used vehicle wholesale sales	116.4	111.6	4.8	4.3 %
Total used	2,351.9	1,691.0	660.9	39.1 %
Parts and service sales	854.0	628.9	225.1	35.8 %
F&I, net	327.9	259.0	68.9	26.6 %
Total revenues	<u>\$ 6,528.5</u>	<u>\$ 5,329.3</u>	<u>\$ 1,199.3</u>	22.5 %
<b>Gross profit:</b>				
New vehicle retail sales	\$ 357.8	\$ 222.6	\$ 135.2	60.8 %
Used vehicle retail sales	142.3	137.6	4.7	3.4 %
Used vehicle wholesale sales	5.1	10.3	(5.2)	(50.6)%
Total used	147.4	148.0	(0.5)	(0.4)%
Parts and service sales	464.1	346.8	117.3	33.8 %
F&I, net	327.9	259.0	68.9	26.6 %
Total gross profit	<u>\$ 1,297.2</u>	<u>\$ 976.3</u>	<u>\$ 320.9</u>	32.9 %
<b>Gross margin:</b>				
New vehicle retail sales	11.9 %	8.1 %	3.9 %	
Used vehicle retail sales	6.4 %	8.7 %	(2.3)%	
Used vehicle wholesale sales	4.4 %	9.3 %	(4.9)%	
Total used	6.3 %	8.8 %	(2.5)%	
Parts and service sales	54.3 %	55.1 %	(0.8)%	
Total gross margin	19.9 %	18.3 %	1.5 %	
<b>Units sold:</b>				
Retail new vehicles sold	61,125	63,199	(2,074)	(3.3)%
Retail used vehicles sold	72,463	64,439	8,024	12.5 %
Wholesale used vehicles sold	12,060	13,046	(986)	(7.6)%
Total used	<u>84,523</u>	<u>77,485</u>	<u>7,038</u>	9.1 %
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 48,996	\$ 43,520	\$ 5,476	12.6 %
Used vehicle retail	\$ 30,850	\$ 24,510	\$ 6,340	25.9 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 5,854	\$ 3,522	\$ 2,332	66.2 %
Used vehicle retail sales	\$ 1,964	\$ 2,136	\$ (172)	(8.0)%
Used vehicle wholesale sales	\$ 423	\$ 792	\$ (369)	(46.6)%
Total used	\$ 1,744	\$ 1,910	\$ (165)	(8.7)%
F&I PRU	\$ 2,454	\$ 2,029	\$ 425	21.0 %
<b>Other:</b>				
SG&A expenses	\$ 747.2	\$ 574.3	\$ 172.9	30.1 %
SG&A as % gross profit	57.6 %	58.8 %	(1.2)%	

**Same Store Operating Data — U.S.**

(In millions, except unit data)

	Six Months Ended June 30,			
	2022	2021	Increase/(Decrease)	% Change
<b>Revenues:</b>				
New vehicle retail sales	\$ 2,380.9	\$ 2,708.0	\$ (327.1)	(12.1)%
Used vehicle retail sales	1,872.6	1,556.9	315.7	20.3 %
Used vehicle wholesale sales	91.5	110.1	(18.6)	(16.9)%
Total used	1,964.1	1,667.0	297.1	17.8 %
Parts and service sales	724.6	622.4	102.3	16.4 %
F&I, net	274.0	255.1	18.9	7.4 %
Total revenues	<u>\$ 5,343.6</u>	<u>\$ 5,252.5</u>	<u>\$ 91.1</u>	1.7 %
<b>Gross profit:</b>				
New vehicle retail sales	\$ 281.2	\$ 219.1	\$ 62.1	28.3 %
Used vehicle retail sales	118.1	135.9	(17.8)	(13.1)%
Used vehicle wholesale sales	3.5	10.2	(6.7)	(65.8)%
Total used	121.6	146.1	(24.5)	(16.8)%
Parts and service sales	384.8	342.6	42.2	12.3 %
F&I, net	274.0	255.1	18.9	7.4 %
Total gross profit	<u>\$ 1,061.6</u>	<u>\$ 962.9</u>	<u>\$ 98.7</u>	10.2 %
<b>Gross margin:</b>				
New vehicle retail sales	11.8 %	8.1 %	3.7 %	
Used vehicle retail sales	6.3 %	8.7 %	(2.4)%	
Used vehicle wholesale sales	3.8 %	9.2 %	(5.4)%	
Total used	6.2 %	8.8 %	(2.6)%	
Parts and service sales	53.1 %	55.0 %	(1.9)%	
Total gross margin	19.9 %	18.3 %	1.5 %	
<b>Units sold:</b>				
Retail new vehicles sold	48,453	62,244	(13,791)	(22.2)%
Retail used vehicles sold	60,972	63,518	(2,546)	(4.0)%
Wholesale used vehicles sold	9,179	12,835	(3,656)	(28.5)%
Total used	<u>70,151</u>	<u>76,353</u>	<u>(6,202)</u>	(8.1)%
<b>Average sales price per unit sold:</b>				
New vehicle retail	\$ 49,138	\$ 43,506	\$ 5,632	12.9 %
Used vehicle retail	\$ 30,713	\$ 24,512	\$ 6,201	25.3 %
<b>Gross profit per unit sold:</b>				
New vehicle retail sales	\$ 5,804	\$ 3,521	\$ 2,283	64.8 %
Used vehicle retail sales	\$ 1,937	\$ 2,140	\$ (203)	(9.5)%
Used vehicle wholesale sales	\$ 379	\$ 791	\$ (413)	(52.1)%
Total used	\$ 1,733	\$ 1,913	\$ (180)	(9.4)%
F&I PRU	\$ 2,504	\$ 2,028	\$ 476	23.4 %
<b>Other:</b>				
SG&A expenses	\$ 627.0	\$ 566.9	\$ 60.1	10.6 %
SG&A as % gross profit	59.1 %	58.9 %	0.2 %	

***U.S. Region — Six Months Ended June 30, 2022 Compared to 2021***

The following discussion of our U.S. operating results is on an as reported and same store basis. The difference between as reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings.

*Revenues*

Total revenues in the U.S. during the Current Year increased \$1.2 billion, or 22.5%, as compared to the same period in 2021 (“Prior Year”), primarily driven by the acquisition of stores.

Total same store revenues in the U.S. during the Current Year increased \$91.1 million, or 1.7%, as compared to the Prior Year. This increase was primarily driven by higher same store used vehicle retail sales and increased same store parts and service sales, partially offset by fewer same store new vehicle retail sales.

New and used vehicle retail revenues benefited from the sale of approximately 12,600 units from our online digital platform, AcceleRide®, during the Current Year, representing approximately a 31.2% increase as compared to the Prior Year.

New vehicle retail same store revenues declined compared to the Prior Year, driven by a shortage in new vehicle supply, leading to fewer units sold. The shortage of new vehicle inventory continues to drive strong pricing, which partially mitigated the revenue impact of lower unit sales. Supply chain issues, including an ongoing semiconductor and vehicle parts shortage, and other logistics challenges, continued into the Current Year for OEMs, leading to sustained lower vehicle production and deliveries of fewer vehicles to dealerships.

Used vehicle retail same store revenues outperformed the Prior Year, despite a modest decline in units sold, as increased demand drove prices higher. Used vehicle wholesale same store sales revenues declined primarily driven by a decline in units sold driven by efforts to sell more used vehicles through retail sales rather than the wholesale market as a result of the increased demand and pricing of used vehicle retail sales described above.

Parts and service same store revenues outperformed the Prior Year, primarily driven by increases in customer pay, wholesale and collision revenues reflecting increased business activity, partially offset by a decline in warranty revenues. Warranty revenues have declined primarily due to fewer new vehicles sold as a result of new vehicle shortages.

F&I, net same store revenues outperformed the Prior Year, primarily driven by higher income per contract on finance, VSCs and other product offerings and improved penetration rates, partially offset by a decrease in same store total retail unit sales.

*Gross Profit*

Total gross profit in the U.S. during the Current Year, increased \$320.9 million, or 32.9%, as compared to the Prior Year, primarily driven by the acquisition of stores and increased same store parts and service sales.

Total same store gross profit in the U.S. during the Current Year, increased \$98.7 million, or 10.2%, as compared to the Prior Year, primarily driven by same store new vehicle retail sales, same store parts and service sales and same store F&I, net.

New vehicle retail same store gross profit increased 28.3%, driven by an increase in new vehicle retail same store gross profit per unit sold, partially offset by a decrease in new vehicle retail same store unit sales. The increase in new vehicle retail same store gross profit per unit sold reflects the strong demand resulting from the shortage of new vehicle inventory discussed above.

Used vehicle retail same store gross profit decreased 13.1%, driven by a decrease in used vehicle retail same store gross profit per unit sold, coupled with a decrease in used vehicle retail same store unit sales. The decrease in same store used vehicle gross profit and retail unit sales was driven by inflationary impacts on customers coupled with the ongoing new vehicle supply shortage impacting the supply of used vehicles. Our used vehicle wholesale same store gross profit decreased 65.8%, driven by a decrease in used vehicle wholesale same store gross profit per unit sold, coupled with a decrease in used vehicle same store wholesale units.

Parts and service same store gross profit increased 12.3%, primarily driven by the increase in our customer-pay, collision and wholesale business reflecting increased business activity.

F&I, net same store gross profit increased 7.4%, as described above for F&I, net same store revenues.

Total same store gross margin increased 153 basis points, primarily driven by higher new vehicle retail sales prices outpacing new vehicle costs of sales. This increase was partially offset by a decrease in same store used vehicle gross margin, driven by inflationary impacts on our used vehicle customers and the ongoing new vehicle supply shortage increasing acquisition costs for used vehicles, as well as a decrease in same store parts and service gross margin primarily due to increased labor costs.

*SG&A Expenses*

SG&A as a percentage of gross profit declined 122 basis points and increased 19 basis points on an as reported and same store basis, respectively, compared to the Prior Year. The increase in SG&A as a percentage of gross profit on a same store basis was partially driven by the decline in used vehicle same store gross profit described above as well as the following factors impacting total SG&A.

Total SG&A expenses in the U.S. during the Current Year, increased \$172.9 million, or 30.1%, as compared to the Prior Year, primarily driven by the acquisition of stores. Total same store SG&A expenses in the U.S. during the Current Year, increased \$60.1 million, or 10.6%, as compared to the Prior Year, primarily driven by increased variable commission payments as a result of improvements in gross profits in our new vehicle operations and an increase in other variable expenses associated with the rise in certain business activities as described above.

Total same store SG&A expenses in the U.S. for the Prior Year, included \$2.2 million in disaster pay and insurance deductible expense associated with a February winter storm in Texas and a \$1.0 million gain related to a favorable legal settlement.

**Reported Operating Data — U.K.**

(In millions, except unit data)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 289.5	\$ 301.2	\$ (11.6)	(3.9)%	\$ (32.5)	6.9 %
Used vehicle retail sales	307.8	300.9	6.9	2.3 %	(34.5)	13.8 %
Used vehicle wholesale sales	36.7	32.5	4.2	12.8 %	(4.1)	25.4 %
Total used	344.5	333.4	11.1	3.3 %	(38.7)	14.9 %
Parts and service sales	57.1	50.3	6.7	13.3 %	(6.4)	26.1 %
F&I, net	17.1	15.7	1.4	8.7 %	(1.9)	21.0 %
Total revenues	<u>\$ 708.2</u>	<u>\$ 700.7</u>	<u>\$ 7.5</u>	1.1 %	<u>\$ (79.5)</u>	12.4 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 25.8	\$ 18.4	\$ 7.4	40.2 %	\$ (3.0)	56.8 %
Used vehicle retail sales	15.8	20.8	(5.0)	(24.1)%	(1.7)	(15.7)%
Used vehicle wholesale sales	(1.1)	2.5	(3.6)	(143.3)%	0.1	(148.4)%
Total used	14.7	23.3	(8.6)	(37.0)%	(1.6)	(30.0)%
Parts and service sales	34.5	31.0	3.6	11.6 %	(3.9)	24.2 %
F&I, net	17.1	15.7	1.4	8.7 %	(1.9)	21.0 %
Total gross profit	<u>\$ 92.1</u>	<u>\$ 88.4</u>	<u>\$ 3.7</u>	4.2 %	<u>\$ (10.5)</u>	16.1 %
<b>Gross margin:</b>						
New vehicle retail sales	8.9 %	6.1 %	2.8 %			
Used vehicle retail sales	5.1 %	6.9 %	(1.8)%			
Used vehicle wholesale sales	(3.0)%	7.7 %	(10.7)%			
Total used	4.3 %	7.0 %	(2.7)%			
Parts and service sales	60.5 %	61.5 %	(0.9)%			
Total gross margin	13.0 %	12.6 %	0.4 %			
<b>Units sold:</b>						
Retail new vehicles sold	7,195	7,395	(200)	(2.7)%		
Retail used vehicles sold	10,384	10,494	(110)	(1.0)%		
Wholesale used vehicles sold	3,455	4,124	(669)	(16.2)%		
Total used	<u>13,839</u>	<u>14,618</u>	<u>(779)</u>	(5.3)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 40,241	\$ 40,727	\$ (486)	(1.2)%	\$ (4,517)	9.9 %
Used vehicle retail	\$ 29,640	\$ 28,672	\$ 969	3.4 %	\$ (3,327)	15.0 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 3,580	\$ 2,484	\$ 1,096	44.1 %	\$ (423)	61.1 %
Used vehicle retail sales	\$ 1,521	\$ 1,984	\$ (463)	(23.3)%	\$ (168)	(14.8)%
Used vehicle wholesale sales	\$ (316)	\$ 611	\$ (927)	NM	\$ 37	NM
Total used	\$ 1,063	\$ 1,597	\$ (534)	(33.4)%	\$ (117)	(26.1)%
F&I PRU	\$ 973	\$ 879	\$ 94	10.6 %	\$ (110)	23.2 %
<b>Other:</b>						
SG&A expenses	\$ 66.6	\$ 56.0	\$ 10.5	18.7 %	\$ (7.5)	32.1 %
SG&A as % gross profit	72.2 %	63.4 %	8.9 %			

NM — Not Meaningful

### ***U.K. Region — Three Months Ended June 30, 2022 Compared to 2021***

The following discussion of our U.K. operating results is on an as reported and same store basis. The difference between as reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. At the end of 2020, the U.K. experienced a surge in COVID-19 cases, which led to a government-mandated closure of all non-essential businesses beginning January 4, 2021 through April 12, 2021. In mid-April 2021, the COVID-19 restrictions affecting our U.K. dealership showrooms were lifted and our dealerships were able to reopen. The lifting of restrictions in the Prior Year Quarter drove a substantial increase in business activity for our U.K. dealerships due to pent-up demand. This led to the underperformance of Current Quarter same store results as compared to the Prior Year Quarter. However, Current Year same store results exceeded Prior Year same store results, demonstrating that the same store underperformance of the Current Quarter is due to the unique business environment of the Prior Year Quarter as described above.

#### *Revenues*

Total revenues in the U.K. during the Current Quarter, increased \$7.5 million, or 1.1%, as compared to the Prior Year Quarter. This increase was primarily due to the acquisition of stores, partially offset by the negative impact of foreign currency exchange rates on same store revenues.

Total same store revenues in the U.K. during the Current Quarter, decreased \$57.9 million, or 8.3%, as compared to the Prior Year Quarter, primarily driven by the negative impact of foreign currency exchange rates. On a constant currency basis, total same store revenues increased 2.0%, driven by outperformances across all revenue streams except new vehicle retail sales.

New vehicle retail same store revenues, on a constant currency basis, underperformed compared to the Prior Year Quarter, driven by a shortage in new vehicle supply, leading to fewer units sold. The decrease in units sold is due to the ongoing semiconductor shortage and other logistics challenges, which continued into the Current Quarter for OEMs, leading to sustained lower vehicle production and deliveries of fewer vehicles to dealerships. We ended the Current Quarter with a U.K. new vehicle inventory supply of 31 days; which is consistent with the Prior Year Quarter and two days lower than December 31, 2021 days' supply of 33. The increase in the average new vehicle retail same store sales price was driven by both supply shortages and strong vehicle demand.

Used vehicle retail same store revenues, on a constant currency basis, modestly outperformed the Prior Year Quarter due to higher used vehicle retail same store average sales prices, benefited by strong consumer demand and new vehicle inventory shortages discussed above, partially offset by a decline in used vehicle retail same store units sold.

Parts and service same store revenues, on a constant currency basis, outperformed the Prior Year Quarter, driven by increases in all of our parts and service business lines reflecting increased business activity with the reduction of COVID-19 restrictions compared to the Prior Year Quarter.

F&I, net same store revenues, on a constant currency basis, outperformed the Prior Year Quarter, driven by improved penetration rates on all of our product offerings and higher income per contract on finance and VSCs, partially offset by a decline in retail units.

#### *Gross Profit*

Total gross profit in the U.K. during the Current Quarter, increased \$3.7 million, or 4.2%, as compared to the Prior Year Quarter, primarily driven by the acquisition of stores.

Total same store gross profit in the U.K. during the Current Quarter, decreased \$3.9 million, or 4.5%, as compared to the Prior Year Quarter. On a constant currency basis, total same store gross profit increased 6.4%, primarily driven by improvements in new vehicle retail gross profit, parts and service gross profit and F&I, net.

New vehicle retail same store gross profit, on a constant currency basis, outperformed compared to the Prior Year Quarter due to an increase in new vehicle retail same store gross profit per unit, resulting from increased prices as discussed above.

Used vehicle retail same store gross profit, on a constant currency basis, underperformed compared to the Prior Year Quarter due to a decrease in used vehicle retail same store gross profit per unit sold, coupled with a decrease in used vehicle retail same store unit sales. The decrease in same store used vehicle gross profit and retail unit sales was driven by inflationary impacts on customers coupled with the ongoing new vehicle supply shortage impacting the supply of used vehicles.

Parts and service same store gross profit, on a constant currency basis, outperformed the Prior Year Quarter, driven by the increases in our parts and service business activities discussed above.

F&I, net same store gross profit, on a constant currency basis, outperformed the Prior Year Quarter as discussed above.



Total same store gross margin in the U.K. increased 52 basis points, primarily driven by higher new vehicle retail sales prices outpacing new vehicle costs of sales as a result of the strong new vehicle pricing caused by the new vehicle inventory shortage described above.

*SG&A Expenses*

SG&A as a percentage of gross profit increased 885 and 845 basis points, on an as reported and same store basis, respectively, compared to the Prior Year Quarter, partially driven by the decline in used vehicle gross profit described above as well as the following factors impacting total SG&A.

Total SG&A expenses in the U.K. during the Current Quarter, increased \$10.5 million, or 18.7%, as compared to the Prior Year Quarter, primarily driven by the acquisition of stores. Total same store SG&A expenses in the U.K. during the Current Quarter, increased \$4.5 million, or 8.3%, as compared to the Prior Year Quarter. On a constant currency basis, total same store SG&A expenses increased 20.4%. These increases were primarily driven by higher business activity due to fewer COVID-19 restrictions compared to the Prior Year Quarter, as well as government COVID-19 assistance and the related temporary suspension of city tax in the Prior Year Quarter which did not recur in the Current Quarter.

**Same Store Operating Data — U.K.**

(In millions, except unit data)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 267.5	\$ 301.2	\$ (33.7)	(11.2)%	\$ (30.0)	(1.2)%
Used vehicle retail sales	272.1	300.9	(28.7)	(9.6)%	(30.5)	0.6 %
Used vehicle wholesale sales	33.7	32.5	1.1	3.5 %	(3.8)	15.1 %
Total used	305.8	333.4	(27.6)	(8.3)%	(34.3)	2.0 %
Parts and service sales	50.8	47.5	3.3	6.9 %	(5.7)	18.9 %
F&I, net	15.8	15.7	0.1	0.5 %	(1.8)	11.9 %
Total revenues	<u>\$ 639.9</u>	<u>\$ 697.9</u>	<u>\$ (57.9)</u>	<u>(8.3)%</u>	<u>\$ (71.8)</u>	<u>2.0 %</u>
<b>Gross profit:</b>						
New vehicle retail sales	\$ 23.7	\$ 18.4	\$ 5.3	29.0 %	\$ (2.8)	44.2 %
Used vehicle retail sales	13.9	20.8	(6.9)	(33.3)%	(1.5)	(25.9)%
Used vehicle wholesale sales	(0.9)	2.5	(3.4)	(135.5)%	0.1	(139.7)%
Total used	13.0	23.3	(10.3)	(44.3)%	(1.4)	(38.2)%
Parts and service sales	30.7	29.7	1.0	3.4 %	(3.5)	15.1 %
F&I, net	15.8	15.7	0.1	0.5 %	(1.8)	11.9 %
Total gross profit	<u>\$ 83.2</u>	<u>\$ 87.1</u>	<u>\$ (3.9)</u>	<u>(4.5)%</u>	<u>\$ (9.5)</u>	<u>6.4 %</u>
<b>Gross margin:</b>						
New vehicle retail sales	8.9 %	6.1 %	2.8 %			
Used vehicle retail sales	5.1 %	6.9 %	(1.8)%			
Used vehicle wholesale sales	(2.7)%	7.7 %	(10.4)%			
Total used	4.2 %	7.0 %	(2.8)%			
Parts and service sales	60.4 %	62.4 %	(2.1)%			
Total gross margin	13.0 %	12.5 %	0.5 %			
<b>Units sold:</b>						
Retail new vehicles sold	6,520	7,395	(875)	(11.8)%		
Retail used vehicles sold	8,907	10,494	(1,587)	(15.1)%		
Wholesale used vehicles sold	3,057	4,124	(1,067)	(25.9)%		
Total used	<u>11,964</u>	<u>14,618</u>	<u>(2,654)</u>	<u>(18.2)%</u>		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 41,026	\$ 40,727	\$ 299	0.7 %	\$ (4,600)	12.0 %
Used vehicle retail	\$ 30,554	\$ 28,672	\$ 1,882	6.6 %	\$ (3,427)	18.5 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 3,634	\$ 2,484	\$ 1,150	46.3 %	\$ (429)	63.6 %
Used vehicle retail sales	\$ 1,560	\$ 1,984	\$ (425)	(21.4)%	\$ (172)	(12.7)%
Used vehicle wholesale sales	\$ (293)	\$ 611	\$ (904)	(147.9)%	\$ 35	NM
Total used	\$ 1,086	\$ 1,597	\$ (511)	(32.0)%	\$ (119)	(24.5)%
F&I PRU	\$ 1,024	\$ 879	\$ 145	16.5 %	\$ (116)	29.7 %
<b>Other:</b>						
SG&A expenses	\$ 59.5	\$ 54.9	\$ 4.5	8.3 %	\$ (6.7)	20.4 %
SG&A as % gross profit	71.5 %	63.1 %	8.5 %			

NM — Not Meaningful

**Reported Operating Data — U.K.**

(In millions, except unit data)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 601.6	\$ 564.3	\$ 37.2	6.6 %	\$ (43.8)	14.4 %
Used vehicle retail sales	629.8	492.5	137.3	27.9 %	(44.9)	37.0 %
Used vehicle wholesale sales	72.9	60.4	12.6	20.8 %	(5.2)	29.4 %
Total used	702.7	552.8	149.9	27.1 %	(50.0)	36.2 %
Parts and service sales	121.5	106.8	14.7	13.8 %	(8.3)	21.5 %
F&I, net	35.4	26.3	9.1	34.5 %	(2.6)	44.4 %
Total revenues	\$ 1,461.2	\$ 1,250.3	\$ 210.9	16.9 %	\$ (104.7)	25.2 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 53.7	\$ 33.2	\$ 20.5	61.9 %	\$ (4.2)	74.5 %
Used vehicle retail sales	35.0	29.0	6.0	20.6 %	(2.4)	29.0 %
Used vehicle wholesale sales	(1.5)	2.4	(3.9)	NM	0.1	NM
Total used	33.5	31.4	2.1	6.7 %	(2.3)	14.0 %
Parts and service sales	73.4	63.6	9.8	15.4 %	(5.1)	23.4 %
F&I, net	35.4	26.3	9.1	34.5 %	(2.6)	44.4 %
Total gross profit	\$ 195.9	\$ 154.4	\$ 41.5	26.9 %	\$ (14.2)	36.1 %
<b>Gross margin:</b>						
New vehicle retail sales	8.9 %	5.9 %	3.1 %			
Used vehicle retail sales	5.6 %	5.9 %	(0.3)%			
Used vehicle wholesale sales	(2.1)%	3.9 %	(6.0)%			
Total used	4.8 %	5.7 %	(0.9)%			
Parts and service sales	60.4 %	59.5 %	0.8 %			
Total gross margin	13.4 %	12.3 %	1.1 %			
<b>Units sold:</b>						
Retail new vehicles sold	14,430	13,935	495	3.6 %		
Retail used vehicles sold	20,250	17,606	2,644	15.0 %		
Wholesale used vehicles sold	6,553	7,262	(709)	(9.8)%		
Total used	26,803	24,868	1,935	7.8 %		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 41,689	\$ 40,498	\$ 1,191	2.9 %	\$ (3,037)	10.4 %
Used vehicle retail	\$ 31,101	\$ 27,973	\$ 3,128	11.2 %	\$ (2,216)	19.1 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 3,721	\$ 2,379	\$ 1,342	56.4 %	\$ (289)	68.5 %
Used vehicle retail sales	\$ 1,727	\$ 1,647	\$ 80	4.9 %	\$ (120)	12.1 %
Used vehicle wholesale sales	\$ (230)	\$ 325	\$ (555)	NM	\$ 23	NM
Total used	\$ 1,249	\$ 1,261	\$ (12)	(1.0)%	\$ (85)	5.8 %
F&I PRU	\$ 1,020	\$ 834	\$ 186	22.3 %	\$ (75)	31.3 %
<b>Other:</b>						
SG&A expenses	\$ 131.4	\$ 105.7	\$ 25.7	24.4 %	\$ (9.3)	33.1 %
SG&A as % gross profit	67.1 %	68.4 %	(1.4)%			

NM — Not Meaningful

**Same Store Operating Data — U.K.**

(In millions, except unit data)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2022	2021	Increase/ (Decrease)	% Change		
<b>Revenues:</b>						
New vehicle retail sales	\$ 552.5	\$ 564.0	\$ (11.5)	(2.0)%	\$ (40.3)	5.1 %
Used vehicle retail sales	557.2	491.5	65.7	13.4 %	(39.7)	21.4 %
Used vehicle wholesale sales	66.9	60.2	6.7	11.1 %	(4.7)	18.9 %
Total used	624.2	551.8	72.4	13.1 %	(44.4)	21.2 %
Parts and service sales	108.1	101.4	6.7	6.6 %	(7.4)	13.9 %
F&I, net	32.6	26.2	6.3	24.1 %	(2.4)	33.2 %
Total revenues	\$ 1,317.3	\$ 1,243.4	\$ 73.9	5.9 %	\$ (94.5)	13.5 %
<b>Gross profit:</b>						
New vehicle retail sales	\$ 49.0	\$ 33.1	\$ 15.9	47.9 %	\$ (3.8)	59.4 %
Used vehicle retail sales	30.8	29.0	1.8	6.2 %	(2.1)	13.6 %
Used vehicle wholesale sales	(1.3)	2.4	(3.7)	NM	0.1	NM
Total used	29.5	31.4	(1.9)	(6.1)%	(2.0)	0.3 %
Parts and service sales	65.1	61.1	4.0	6.6 %	(4.5)	14.0 %
F&I, net	32.6	26.2	6.3	24.1 %	(2.4)	33.2 %
Total gross profit	\$ 176.1	\$ 151.8	\$ 24.3	16.0 %	\$ (12.8)	24.4 %
<b>Gross margin:</b>						
New vehicle retail sales	8.9 %	5.9 %	3.0 %			
Used vehicle retail sales	5.5 %	5.9 %	(0.4)%			
Used vehicle wholesale sales	(1.9)%	4.0 %	(5.9)%			
Total used	4.7 %	5.7 %	(1.0)%			
Parts and service sales	60.2 %	60.3 %	— %			
Total gross margin	13.4 %	12.2 %	1.2 %			
<b>Units sold:</b>						
Retail new vehicles sold	13,011	13,919	(908)	(6.5)%		
Retail used vehicles sold	17,421	17,549	(128)	(0.7)%		
Wholesale used vehicles sold	5,795	7,237	(1,442)	(19.9)%		
Total used	23,216	24,786	(1,570)	(6.3)%		
<b>Average sales price per unit sold:</b>						
New vehicle retail	\$ 42,461	\$ 40,518	\$ 1,943	4.8 %	\$ (3,100)	12.4 %
Used vehicle retail	\$ 31,985	\$ 28,009	\$ 3,977	14.2 %	\$ (2,277)	22.3 %
<b>Gross profit per unit sold:</b>						
New vehicle retail sales	\$ 3,765	\$ 2,380	\$ 1,385	58.2 %	\$ (294)	70.6 %
Used vehicle retail sales	\$ 1,765	\$ 1,650	\$ 116	7.0 %	\$ (122)	14.4 %
Used vehicle wholesale sales	\$ (223)	\$ 333	\$ (556)	NM	\$ 22	NM
Total used	\$ 1,269	\$ 1,265	\$ 4	0.3 %	\$ (86)	7.1 %
F&I PRU	\$ 1,070	\$ 834	\$ 236	28.3 %	\$ (79)	37.8 %
<b>Other:</b>						
SG&A expenses	\$ 120.0	\$ 102.8	\$ 17.2	16.7 %	\$ (8.5)	25.0 %
SG&A as % gross profit	68.1 %	67.7 %	0.4 %			

NM — Not Meaningful

***U.K. Region — Six Months Ended June 30, 2022 Compared to 2021***

The following discussion of our U.K. operating results is on an as reported and same store basis. The difference between as reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. At the end of 2020, the U.K. experienced a surge in COVID-19 cases, which led to a government-mandated closure of all non-essential businesses beginning January 4, 2021 through April 12, 2021. In mid-April 2021, the COVID-19 restrictions affecting our U.K. dealership showrooms were lifted, and our dealerships were able to reopen.

*Revenues*

Total revenues in the U.K. during the Current Year, increased \$210.9 million, or 16.9%, as compared to the Prior Year, primarily driven by the acquisition of stores.

Total same store revenues in the U.K. during the Current Year, increased \$73.9 million, or 5.9%, as compared to the Prior Year. On a constant currency basis, total same store revenues increased 13.5%, driven by outperformances across all revenue streams.

New vehicle retail same store revenues, on a constant currency basis, outperformed the Prior Year due to an increase in new vehicle retail same store average sales price per unit sold, partially offset by fewer same store new vehicle retail units sold. The increase in the average new vehicle retail same store sales price was driven by both new vehicle shortages, as described above, and strong vehicle demand, which was pent-up over past years due to Brexit and the COVID-19 pandemic.

Used vehicle retail same store revenues, on a constant currency basis, outperformed the Prior Year, despite a slight decline in units sold, as increased demand drove higher prices.

Parts and service same store revenues, on a constant currency basis, outperformed the Prior Year, driven by increases in our customer-pay, collision and wholesale businesses reflecting increased business activity with the reduction of COVID-19 restrictions compared to the Prior Year.

F&I, net same store revenues, on a constant currency basis, outperformed the Prior Year, driven by improved penetration rates on finance and other products and higher income per contract for finance and VSCs, partially offset by lower retail units sold.

*Gross Profit*

Total gross profit in the U.K. during the Current Year, increased \$41.5 million, or 26.9%, as compared to the Prior Year, primarily driven by the acquisition of stores and increased same store new vehicle retail sales, same store parts and service sales, F&I, net and same store used vehicle retail sales.

Total same store gross profit in the U.K. during the Current Year, increased \$24.3 million, or 16.0%, as compared to the Prior Year. On a constant currency basis, total same store gross profit increased 24.4%, driven by improvements in new and used retail sales, parts and service sales and F&I, net.

New vehicle retail same store gross profit, on a constant currency basis, outperformed the Prior Year due to an increase in new vehicle retail same store gross profit per unit, resulting from increased prices as discussed above, partially offset by a modest decline in new vehicle retail same store units sold.

Used vehicle retail same store gross profit, on a constant currency basis, outperformed the Prior Year due to an increase in used vehicle retail same store gross profit per unit sold, partially offset by a decrease in used vehicle retail same store units sold. The increase in used vehicle retail same store gross profit per unit sold, on a constant currency basis, resulted from increased prices as discussed above.

Parts and service same store gross profit, on a constant currency basis, outperformed the Prior Year, driven by the increases in our parts and service businesses discussed above.

F&I, net same store gross profit, on a constant currency basis, outperformed the Prior Year as discussed above.

Total same store gross margin in the U.K. increased 116 basis points, driven by improvements in new vehicle retail sales due to increased customer demand and vehicle supply constraints. The increase was partially offset by a decrease in same store total used vehicle gross margin, resulting from inflationary impacts on our used vehicle customers and the ongoing new vehicle supply shortage increasing acquisition costs for used vehicles.

*SG&A Expenses*

SG&A as a percentage of gross profit declined 136 basis points on an as reported basis and improved 42 basis points on a same store basis, respectively, compared to the Prior Year.

Total SG&A expenses in the U.K. during the Current Year, increased \$25.7 million, or 24.4%, as compared to the Prior Year, primarily driven by increases in same store SG&A and the acquisition of stores. Total same store SG&A expenses in the U.K. during the Current Year, increased \$17.2 million, or 16.7%, as compared to the Prior Year. On a constant currency basis, total same store SG&A expenses increased 25.0%. These increases were primarily driven by higher business activity due to fewer COVID-19 restrictions compared to the Prior Year, as well as government COVID-19 assistance and the related temporary suspension of city tax in the Prior Year which did not recur in the Current Year.

#### **Consolidated Selected Comparisons — Three and Six Months Ended June 30, 2022 Compared to 2021**

The following tables (in millions) and discussion of our results of operations are on a consolidated basis, unless otherwise noted.

	Three Months Ended June 30,			
	2022	2021	Increase/ (Decrease)	% Change
Depreciation and amortization expense	\$ 23.0	\$ 18.4	\$ 4.6	24.9 %
Floorplan interest expense	\$ 5.9	\$ 8.6	\$ (2.7)	(31.8)%
Other interest expense, net	\$ 18.5	\$ 13.6	\$ 4.9	36.1 %
Provision for income taxes	\$ 60.8	\$ 51.5	\$ 9.3	18.1 %

  

	Six Months Ended June 30,			
	2022	2021	Increase/ (Decrease)	% Change
Depreciation and amortization expense	\$ 44.2	\$ 37.6	\$ 6.6	17.5 %
Floorplan interest expense	\$ 11.2	\$ 16.1	\$ (5.0)	(30.9)%
Other interest expense, net	\$ 35.9	\$ 26.7	\$ 9.2	34.3 %
Provision for income taxes	\$ 122.0	\$ 80.6	\$ 41.4	51.4 %

#### **Depreciation and Amortization Expense**

Total depreciation and amortization expense for both the Current Quarter and Current Year, was higher compared to the Prior Year Quarter and Prior Year, primarily attributable to acquired property and equipment in our U.S. region, as we continue to strategically add dealership related real estate to our investment portfolio and make improvements to our existing facilities intended to enhance the profitability of our dealerships and the overall customer experience.

#### **Floorplan Interest Expense**

Total floorplan interest expense during the Current Quarter, decreased \$2.7 million, or 31.8%, as compared to the Prior Year Quarter. For the Current Year, floorplan interest expense decreased \$5.0 million, or 30.9%, as compared to the Prior Year. Our floorplan interest expense fluctuates with changes in our outstanding borrowings and associated interest rates, which are based on SOFR, U.S. prime rate or a benchmark rate. To mitigate the impact of interest rate fluctuations, we employ an interest rate hedging strategy, whereby we swap variable interest rate exposure on a portion of our borrowings for a fixed interest rate. The decrease in floorplan interest expense during the Current Quarter and Current Year, is primarily due to lower floorplan interest expense on new vehicles due to a decrease in new vehicle inventories between periods, as well as lower realized losses on our interest rate swap portfolio due to increases in corresponding interest rates and an unrealized loss on interest rate swaps of \$2.3 million in the Prior Year Quarter which did not recur in the Current Quarter. These decreases were partially offset by an increase in floorplan interest expense on used vehicles due to an increase in used vehicle inventories between periods. Refer to Note 7. Financial Instruments and Fair Value Measurements within our Notes to Condensed Consolidated Financial Statements for additional discussion of interest rate swaps.

#### **Other Interest Expense, Net**

Total other interest expense, net during the Current Quarter, increased \$4.9 million, or 36.1%, as compared to the Prior Year Quarter. For the Current Year, other interest expense increased \$9.2 million, or 34.3%, as compared to the Prior Year. Other interest expense, net consists of interest charges primarily on our 4.00% Senior Notes, real estate related debt and other debt, partially offset by interest income. The increase in other interest expense during the Current Quarter and Current Year, was primarily attributable to the additional 4.00% Senior Notes issued in October 2021 and an increase in borrowings used to acquire property in our U.S. region. Refer to Note 9. Debt within our Notes to Condensed Consolidated Financial Statements for additional discussion of our debt.

### **Provision for Income Taxes**

Provision for income taxes of \$60.8 million during the Current Quarter increased by \$9.3 million, or 18.1%, as compared to the Prior Year Quarter. For the Current Year, our provision for income taxes of \$122.0 million increased \$41.4 million, or 51.4%, as compared to the Prior Year. The tax expense increases in the Current Quarter and Current Year, as compared to the Prior Year, were primarily due to higher pre-tax book income. Our Current Quarter effective tax rate increased to 23.4% from 21.4%, as compared to the Prior Year Quarter. The tax rate increase was primarily due to the increase of state income taxes due to the mix of earnings in the Current Quarter, and the absence of a deferred tax benefit from the U.K. tax rate increase on deferred tax assets applicable in the Prior Year Quarter which did not recur in the Current Quarter.

We expect our effective tax rate for the remainder of 2022 will be between 23.5 % and 24.0%. We believe that it is more-likely-than-not that our deferred tax assets, net of valuation allowances provided, will be realized, based primarily on assumptions of our future taxable income, considering future reversals of existing taxable temporary differences.

### **Liquidity and Capital Resources**

Our liquidity and capital resources are primarily derived from cash on hand, cash temporarily invested as a pay down of our U.S. Floorplan Line and FMCC Facility levels (refer to Note 10. Floorplan Notes Payable in our Notes to Condensed Consolidated Financial Statements for additional information), cash from operations, borrowings under our credit facilities, working capital, dealership and real estate acquisition financing and proceeds from debt and equity offerings. We anticipate we will generate sufficient cash flows from operations, coupled with cash on hand and available borrowing capacity under our credit facilities, to fund our working capital requirements, service our debt and meet any other recurring operating expenditures.

#### **Available Liquidity Resources**

We had the following sources of liquidity available (in millions):

	<b>June 30, 2022</b>
Cash and cash equivalents	\$ 26.3
Floorplan offset accounts	83.4
Available capacity under Acquisition Line	235.9
Total liquidity	<u>\$ 345.6</u>

#### **Cash Flows**

We arrange our new and used vehicle inventory floorplan financing through lenders affiliated with our vehicle manufacturers and our Revolving Credit Facility (as defined in Note 10. Floorplan Notes Payable in the Notes to Condensed Consolidated Financial Statements). In accordance with U.S. GAAP, we report floorplan financed with lenders affiliated with our vehicle manufacturers (excluding the cash flows from or to manufacturer-affiliated lenders participating in our syndicated lending group) within *Cash Flows from Operating Activities* in the Condensed Consolidated Statements of Cash Flows. We report floorplan financed with the Revolving Credit Facility (including the cash flows from or to manufacturer-affiliated lenders participating in the facility) and other credit facilities in the U.K. unaffiliated with our manufacturer partners, within *Cash Flows from Financing Activities* in the Condensed Consolidated Statements of Cash Flows. Refer to Note 10. Floorplan Notes Payable within our Notes to Condensed Consolidated Financial Statements for additional discussion of our Revolving Credit Facility.

However, we believe that all floorplan financing of inventory purchases in the normal course of business should correspond with the related inventory activity and be classified as an operating activity. As a result, we use the non-GAAP measure “Adjusted net cash provided by/used in operating activities” and “Adjusted net cash provided by/used in financing activities” to further evaluate our cash flows. We believe that this classification eliminates excess volatility in our operating cash flows prepared in accordance with U.S. GAAP. In addition, floorplan financing associated with dealership acquisitions and dispositions are classified as investing activities on an adjusted basis to eliminate excess volatility in our operating cash flows prepared in accordance with U.S. GAAP.

The following table reconciles cash flows on a U.S. GAAP basis to the corresponding adjusted amounts (in millions):

	Six Months Ended June 30,		
	2022	2021	% Change
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net cash provided by operating activities:	\$ 360.2	\$ 752.1	(52.1)%
Change in Floorplan notes payable — credit facilities and other, excluding floorplan offset and net acquisitions and dispositions	94.1	(376.8)	
Change in Floorplan notes payable — manufacturer affiliates associated with net acquisitions and dispositions and floorplan offset activity	2.2	(16.0)	
Adjusted net cash provided by operating activities	<u>\$ 456.5</u>	<u>\$ 359.4</u>	27.0 %
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Net cash used in investing activities:	\$ (295.6)	\$ (93.8)	(215.2)%
Change in cash paid for acquisitions, associated with Floorplan notes payable	2.4	5.3	
Change in proceeds from disposition of franchises, property and equipment, associated with Floorplan notes payable	(3.2)	(6.4)	
Adjusted net cash used in investing activities	<u>\$ (296.4)</u>	<u>\$ (94.9)</u>	(212.5)%
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net cash used in financing activities:	\$ (43.9)	\$ (547.1)	92.0 %
Change in Floorplan notes payable, excluding floorplan offset	(95.6)	393.9	
Adjusted net cash used in financing activities	<u>\$ (139.4)</u>	<u>\$ (153.3)</u>	9.0 %

*Sources and Uses of Liquidity from Operating Activities — Six Months Ended June 30, 2022 Compared to 2021*

For the Current Year, net cash provided by operating activities decreased by \$391.9 million, as compared to the Prior Year. On an adjusted basis for the same period, adjusted net cash provided by operating activities increased by \$97.2 million. The increase on an adjusted basis was primarily driven by a \$518.3 million increase in adjusted net floorplan borrowings and a \$106.0 million increase in net income, partially offset by a \$527.9 million increase in inventory levels.

*Sources and Uses of Liquidity from Investing Activities — Six Months Ended June 30, 2022 Compared to 2021*

For the Current Year, net cash used in investing activities increased by \$201.8 million, as compared to the Prior Year. On an adjusted basis for the same period, adjusted net cash used in investing activities increased by \$190.7 million, primarily driven by a \$271.1 million increase in acquisition activity, partially offset by a \$79.6 million increase in proceeds from disposition of franchises and property and equipment.

*Capital Expenditures*

Our capital expenditures include costs to extend the useful lives of current dealership facilities, as well as to start or expand operations. In general, expenditures relating to the construction or expansion of dealership facilities are driven by dealership acquisition activity, new franchises being granted to us by a manufacturer, significant growth in sales at an existing facility, relocation opportunities or manufacturer imaging programs. We critically evaluate all planned future capital spending, working closely with our manufacturer partners to maximize the return on our investments. We forecast our capital expenditures for the full year of 2022 will be approximately \$130.0 million, excluding expenditures related to real estate purchases and future acquisitions, which could generally be funded from excess cash.

For the Current Year, \$63.0 million was used to purchase property and equipment, primarily consisting of \$55.1 million in capital expenditures and \$8.0 million in purchases of real estate associated with existing dealership operations.

*Sources and Uses of Liquidity from Financing Activities — Six Months Ended June 30, 2022 Compared to 2021*

For the Current Year, net cash used in financing activities decreased by \$503.2 million, as compared to the Prior Year. On an adjusted basis for the same period, adjusted net cash used in financing activities decreased by \$13.8 million. The decrease on an adjusted basis was primarily driven by Current Year increases in net borrowings on our Floorplan lines of \$338.1 million (representing the net cash activity in our floorplan offset account), partially offset by increases in share repurchases of \$235.5 million and net repayment of debt of \$87.5 million.



### Credit Facilities, Debt Instruments and Other Financing Arrangements

Our various credit facilities, debt instruments and other financing arrangements are used to finance the purchase of inventory and real estate, provide acquisition funding and provide working capital for general corporate purposes.

The following table summarizes the commitment of our credit facilities as of June 30, 2022 (in millions):

	<b>Total Commitment</b>	<b>Outstanding</b>	<b>Available</b>
U.S. Floorplan Line <sup>(1)</sup>	\$ 1,500.0	\$ 529.9	\$ 970.1
Acquisition Line <sup>(2)</sup>	497.4	261.5	235.9
Total revolving credit facility	1,997.4	791.5	1,206.0
FMCC Facility <sup>(3)</sup>	300.0	19.6	280.4
Total U.S. credit facilities <sup>(4)</sup>	<u>\$ 2,297.4</u>	<u>\$ 811.0</u>	<u>\$ 1,486.4</u>

<sup>(1)</sup> The available balance at June 30, 2022, includes \$77.9 million of immediately available funds. The remaining available balance can be used for vehicle inventory financing.

<sup>(2)</sup> The outstanding balance of \$261.5 million is related to outstanding letters of credit of \$12.6 million and \$248.9 million in borrowings. The borrowings outstanding under the Acquisition Line included \$230.0 million USD borrowings and £15.0 million of GBP borrowings translated at the spot rate on the day borrowed, solely for the purpose of calculating the outstanding and available borrowings under the Acquisition Line in accordance with the credit facility agreement. The available borrowings may be limited from time to time, based on certain debt covenants.

<sup>(3)</sup> The available balance at June 30, 2022, includes \$5.5 million of immediately available funds. The remaining available balance can be used for Ford new vehicle inventory financing.

<sup>(4)</sup> The outstanding balance excludes \$231.4 million of borrowings with manufacturer-affiliates and third-party financial institutions for foreign and rental vehicle financing not associated with any of our U.S. credit facilities.

We have other credit facilities in the U.S. and the U.K. with third-party financial institutions, most of which are affiliated with the automobile manufacturers that provide financing for portions of our new, used and rental vehicle inventories. In addition, we have outstanding debt instruments, including our 4.00% Senior Notes, as well as real estate related and other debt instruments. Refer to Note 9. Debt in our Notes to Condensed Consolidated Financial Statements for further information.

#### Covenants

Our Revolving Credit Facility, indentures governing our senior notes and certain mortgage term loans contain customary financial and operating covenants that place restrictions on us, including our ability to incur additional indebtedness, create liens or to sell or otherwise dispose of assets and to merge or consolidate with other entities. Certain of our mortgage agreements contain cross-default provisions that, in the event of a default of certain mortgage agreements and of our Revolving Credit Facility, could trigger an uncured default.

As of June 30, 2022, we were in compliance with the requirements of the financial covenants under our debt agreements. We are required to maintain the ratios detailed in the following table:

	<b>As of June 30, 2022</b>	
	<b>Required</b>	<b>Actual</b>
Total adjusted leverage ratio	< 5.75	1.80
Fixed charge coverage ratio	> 1.20	6.10

Based on our position as of June 30, 2022, and our outlook as discussed within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, we believe we have sufficient liquidity and do not anticipate any material liquidity constraints or issues with our ability to remain in compliance with our debt covenants.

Refer to Note 9. Debt and Note 10. Floorplan Notes Payable in our Notes to Condensed Consolidated Financial Statements for further discussion of our debt instruments, credit facilities and other financing arrangements existing as of June 30, 2022.

### *Share Repurchases and Dividends*

From time to time, our Board of Directors authorizes the repurchase of shares of our common stock up to a certain monetary limit. During the Current Quarter, the Board of Directors increased the existing authorization to repurchase shares of our common stock by \$174.6 million to \$250.0 million. This authorization was incremental to the \$144.2 million that was authorized previously by our Board of Directors in February 2022. During the six months ended June 30, 2022, 1,437,729 shares were repurchased at an average price of \$176.74 per share, for a total of \$254.1 million. As of June 30, 2022, we had \$139.0 million available under our current stock repurchase authorization.

During the Current Quarter, our Board of Directors approved a quarterly cash dividend of \$0.37 per share on all shares of our common stock, which resulted in \$5.9 million paid to common shareholders and \$0.2 million to unvested RSA holders.

Future share repurchases and the payment of any future dividends are subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, current economic environment and other factors considered relevant.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We are exposed to a variety of market risks, including interest rate risk and foreign currency exchange rate risk. We address interest rate risks primarily through the use of interest rate swaps. We do not currently hedge foreign exchange risk, as discussed further below. The following quantitative and qualitative information is provided regarding our foreign currency exchange rates and financial instruments to which we are a party at June 30, 2022 and from which we may incur future gains or losses from changes in market interest rates and/or foreign currency rates. We do not enter into derivative or other financial instruments for speculative or trading purposes.

#### **Interest Rates**

We have interest rate risk on our variable-rate debt obligations, primarily consisting of our U.S. Floorplan Line. Based on variable-rate borrowings outstanding of \$1.6 billion and \$1.1 billion for the six months ended June 30, 2022 and 2021, respectively, a 100 basis-point change in interest rates would have resulted in an approximate \$6.7 million and \$0.9 million change to our annual interest expense, respectively, after consideration of the average interest rate swaps in effect during the periods.

To mitigate the impact of interest rate fluctuations, we employ an interest rate hedging strategy, whereby we swap variable interest rate exposure on a portion of our borrowings for a fixed interest rate. In addition, our exposure to changes in interest rates with respect to our variable-rate floorplan borrowings is partially mitigated by manufacturers' interest assistance, which in some cases is influenced by changes in market-based variable interest rates. We reflect interest assistance as a reduction of new vehicle inventory cost until the associated vehicle is sold. During the six months ended June 30, 2022 and 2021, we recognized \$28.2 million and \$28.5 million, respectively, of interest assistance as a reduction of new vehicle cost of sales.

#### **Foreign Currency Exchange Rates**

The functional currency of our U.K. subsidiaries is the GBP. Our exposure to fluctuating foreign currency exchange rates relates to the effects of translating financial statements of those subsidiaries into our reporting currency, which we do not hedge against based on our investment strategy in these foreign operations. A 10% devaluation in average foreign currency exchange rates for the GBP to the USD would have resulted in a \$132.8 million and \$113.7 million decrease to our revenues for the six months ended June 30, 2022 and 2021, respectively.

For additional information about our market sensitive financial instruments, see Note 7. Financial Instruments and Fair Value Measurements within our Notes to Consolidated Financial Statements.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2022, at the reasonable assurance level.

Our management, including our principal executive officer and our 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**

During the three months ended June 30, 2022, there were no changes in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are not party to any legal proceedings, including class action lawsuits that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. For a discussion of our legal proceedings, refer to Note 12. Commitments and Contingencies within our Notes to Condensed Consolidated Financial Statements.

### Item 1A. Risk Factors

Except as set forth below, during the six months ended June 30, 2022, there were no changes to the Risk Factors disclosed in Item 1A. Risk Factors of our 2021 Form 10-K.

***The Russian invasion of Ukraine and the retaliatory measures imposed by the U.S., U.K., European Union and other countries and the responses of Russia to such measures have caused significant disruptions to domestic and foreign economies.***

The Russia and Ukraine Conflict had an immediate impact on the global economy resulting in higher prices for oil and other commodities. The U.S., U.K., European Union and other countries responded to Russia's invasion of Ukraine by imposing various economic sanctions and bans. Russia has responded with its own retaliatory measures. These measures have impacted the availability and price of certain raw materials throughout the global economy. The invasion and retaliatory measures also disrupted economic markets. The global impact of these measures is continually evolving and cannot be predicted with certainty and there is no assurance that Russia's invasion of Ukraine and responses thereto will not further disrupt the global economy and supply chain. In particular, the Russia and Ukraine Conflict has further impacted the ability of certain OEMs to produce new vehicles and new vehicle parts, which may result in continued disruptions to the supply of new and used vehicles. Further, there is no assurance that when the Russia and Ukraine Conflict ends, countries will not continue to impose sanctions and bans.

While these events have not materially interrupted our operations, these or future developments resulting from the Russia and Ukraine Conflict, such as a cyberattack on the U.S. or our suppliers, could disrupt our operations, increase the cost or decrease the availability of certain materials necessary to produce vehicles we sell or obtain parts to complete maintenance and collision repair services, or make it difficult to access debt and equity capital on attractive terms, if at all, and impact our ability to fund business activities and/or limit future acquisition activity.

***Recent economic and financial developments, including rising inflation, high gas prices, increasing interest rates and the potential recessionary environment could adversely affect our operations and financial condition.***

During the Current Year, the global economy experienced rising inflation and an increase in gasoline and energy prices. In response to inflationary pressures and macroeconomic conditions, the U.S. Federal Reserve, along with other central banks, continued to increase interest rates throughout 2022. Additionally, U.S. GDP shrank for the second consecutive quarter as of the Current Quarter, indicating that the U.S. economy may be entering a recession. The impact of these macroeconomic developments on our operations cannot be predicted with certainty.

Rising inflation and a prolonged recession could adversely impact our operations and customer demand for our vehicles and services. Refer to Item 1A. Risk Factors of our 2021 Form 10-K for additional information regarding the potential impact of economic and financial risks on the Company. Continued interest rate increases could have a material adverse impact on our interest expense and ability to obtain financing through the debt markets. Refer to Item 3. Quantitative and Qualitative Disclosures About Market Risk for additional analysis regarding our interest rate sensitivity.

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

None.

**Use of Proceeds**

None.

**Issuer Purchases of Equity Securities**

The following table sets forth information with respect to shares of common stock repurchased by us during the three months ended June 30, 2022:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>(1)</sup></b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) <sup>(1)</sup></b>
April 1, 2022 — April 30, 2022	4,420	\$ 171.30	4,420	\$ 102.5
May 1, 2022 — May 31, 2022	278,108	\$ 175.50	278,108	\$ 228.3
June 1, 2022 — June 30, 2022	516,505	\$ 173.06	516,505	\$ 139.0
Total	<u>799,033</u>		<u>799,033</u>	

<sup>(1)</sup> Our Board of Directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. On May 18, 2022, our Board of Directors increased the share repurchase authorization by \$174.6 million to \$250.0 million. Our share repurchase authorization does not have an expiration date.

Future share repurchases are subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, current economic environment and other factors considered relevant. As of June 30, 2022, we had \$139.0 million available under our current share repurchase authorization.

**Item 6. Exhibits**

The exhibits required to be filed or furnished by Item 601 of Regulation S-K are listed below.

**EXHIBIT INDEX**

<b><u>Exhibit Number</u></b>	<b><u>Description</u></b>
<a href="#">2.1#</a>	— Purchase Agreement, dated as of September 12, 2021, by and among Group 1 Automotive, Inc., GPB Portfolio Automotive, LLC, Capstone Automotive Group, LLC, Capstone Automotive Group II, LLC, Automile Parent Holdings, LLC, Automile TY Holdings, LLC and Prime Real Estate Holdings, LLC (incorporated by reference to Exhibit 2.1 of Group 1 Automotive, Inc.'s Quarterly Report on Form 10-Q (File No. 001-13461) for the quarter ended September 30, 2021)
<a href="#">2.2</a>	— Share Repurchase Agreement, dated November 12, 2021, by and between Group 1 Automotive, Inc., Buyer and UAB as intervening party (English translation) (incorporated by reference to Exhibit 2.1 of Group 1 Automotive Inc.'s Current Report on Form 8-K (File No. 001-13461) filed on November 15, 2021)
<a href="#">3.1</a>	— Amended and Restated Certificate of Incorporation of Group 1 Automotive, Inc. (incorporated by reference to Exhibit 3.1 of Group 1 Automotive, Inc.'s Current Report on Form 8-K (File No. 001-13461) filed May 22, 2015)
<a href="#">3.2</a>	— Third Amended and Restated Bylaws of Group 1 Automotive, Inc. (incorporated by reference to Exhibit 3.1 of Group 1 Automotive, Inc.'s Current Report on Form 8-K (File No. 001-13461) filed April 6, 2017)
<a href="#">31.1*</a>	— Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">31.2*</a>	— Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
<a href="#">32.1*</a>	— Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
<a href="#">32.2*</a>	— Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	— XBRL Instance Document
101.SCH*	— XBRL Taxonomy Extension Schema Document
101.CAL*	— XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	— XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	— XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	— XBRL Taxonomy Extension Presentation Linkbase Document
104*	— Cover Page Interactive Data File (formatted in Inline XBRL and contained in exhibit 101)

\* Filed or furnished herewith

# The exhibits and schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be provided to the SEC upon request.



**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Earl J. Hesterberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2022 of Group 1 Automotive, Inc. (“registrant”);
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 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; and
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/ Earl J. Hesterberg

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Earl J. Hesterberg  
Chief Executive Officer

Date: July 29, 2022



**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Daniel J. McHenry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2022 of Group 1 Automotive, Inc. (“registrant”);
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 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; and
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/ Daniel J. McHenry

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Daniel J. McHenry  
Chief Financial Officer

Date: July 29, 2022

**CERTIFICATION OF  
CHIEF EXECUTIVE OFFICER  
OF GROUP 1 AUTOMOTIVE, INC.  
PURSUANT TO 18 U.S.C. § 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2022 filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Earl J. Hesterberg, Chief Executive Officer of Group 1 Automotive, Inc. (“Company”), hereby certify that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ Earl J. Hesterberg

Earl J. Hesterberg  
Chief Executive Officer

Date: July 29, 2022

**CERTIFICATION OF  
CHIEF FINANCIAL OFFICER  
OF GROUP 1 AUTOMOTIVE, INC.  
PURSUANT TO 18 U.S.C. § 1350  
AS ADOPTED PURSUANT TO SECTION 906 OF THE  
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2022 filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Daniel J. McHenry, Chief Financial Officer of Group 1 Automotive, Inc. (“Company”), hereby certify that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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/ Daniel J. McHenry

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Daniel J. McHenry  
Chief Financial Officer

Date: July 29, 2022