

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, 2023

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 |
|---|------------------|--------------------------------------|
| Common stock, par value \$0.01 per share | GPI | New York Stock Exchange |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Non-accelerated filer

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 24, 2023, the registrant had 14,050,875 shares of common stock outstanding.

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GLOSSARY OF DEFINITIONS

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

| Terms | Definitions |
|-------------------|---|
| AOCI | Accumulated other comprehensive income (loss) |
| 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 global pandemic in 2020, 2021 and 2022 |
| EPS | Earnings per share |
| EV | Electric vehicle |
| F&I | Finance, insurance and other |
| FMCC | Ford Motor Credit Company |
| GBP | British Pound Sterling (£) |
| LIBOR | London Interbank Offered Rate |
| PRU | Per retail unit |
| RSA | Restricted stock award |
| SEC | Securities and Exchange Commission |
| SG&A | Selling, general and administrative |
| SOFR | Secured Overnight Financing Rate |
| SVB | Silicon Valley Bank |
| U.K. | United Kingdom |
| U.S. | United States of America |
| USD | United States Dollar (\$) |
| U.S. GAAP | Accounting principles generally accepted in the U.S. |
| VSC | Vehicle service contract |

Forward-Looking Statements

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

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 operating 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 Part II, Item 1A. Risk Factors herein and Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 (the “2022 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, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 22.8 | \$ 47.9 |
| Contracts-in-transit and vehicle receivables, net | 270.4 | 278.5 |
| Accounts and notes receivable, net | 215.9 | 199.2 |
| Inventories | 1,718.0 | 1,356.6 |
| Prepaid expenses | 28.0 | 30.5 |
| Other current assets | 17.0 | 19.1 |
| Current assets classified as held for sale | 76.8 | 53.6 |
| TOTAL CURRENT ASSETS | 2,348.9 | 1,985.3 |
| Property and equipment, net of accumulated depreciation of \$572.1 and \$554.4, respectively | 2,225.5 | 2,128.2 |
| Operating lease assets | 236.3 | 249.1 |
| Goodwill | 1,691.0 | 1,661.8 |
| Intangible franchise rights | 739.8 | 516.3 |
| Other long-term assets | 183.1 | 176.8 |
| TOTAL ASSETS | \$ 7,424.6 | \$ 6,717.5 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Floorplan notes payable — credit facility and other, net of offset account of \$250.0 and \$140.2, respectively | \$ 843.1 | \$ 762.1 |
| Floorplan notes payable — manufacturer affiliates, net of offset account of \$17.7 and \$13.4, respectively | 317.4 | 243.1 |
| Current maturities of long-term debt | 75.4 | 130.3 |
| Current operating lease liabilities | 21.2 | 21.8 |
| Accounts payable | 549.0 | 488.0 |
| Accrued expenses and other current liabilities | 301.6 | 271.5 |
| Current liabilities classified as held for sale | 14.6 | 4.8 |
| TOTAL CURRENT LIABILITIES | 2,122.3 | 1,921.4 |
| Long-term debt | 2,174.2 | 1,952.2 |
| Long-term operating lease liabilities | 228.1 | 238.4 |
| Deferred income taxes | 246.8 | 238.1 |
| Other long-term liabilities | 134.4 | 129.8 |
| Commitments and Contingencies (Note 12) | | |
| STOCKHOLDERS' EQUITY: | | |
| Common stock, \$0.01 par value, 50,000,000 shares authorized; 25,164,166 and 25,232,620 shares issued, respectively | 0.3 | 0.3 |
| Additional paid-in capital | 339.8 | 338.7 |
| Retained earnings | 3,389.7 | 3,073.6 |
| Accumulated other comprehensive income | 40.6 | 22.5 |
| Treasury stock, at cost; 11,113,291 and 10,940,298 shares, respectively | (1,251.5) | (1,197.5) |
| TOTAL STOCKHOLDERS' EQUITY | 2,518.9 | 2,237.5 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 7,424.6 | \$ 6,717.5 |

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, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| REVENUES: | | | | |
| New vehicle retail sales | \$ 2,243.2 | \$ 1,851.3 | \$ 4,198.9 | \$ 3,596.4 |
| Used vehicle retail sales | 1,450.6 | 1,505.4 | 2,799.5 | 2,865.3 |
| Used vehicle wholesale sales | 112.5 | 95.8 | 224.4 | 189.3 |
| Parts and service sales | 562.0 | 502.6 | 1,110.3 | 975.5 |
| Finance, insurance and other, net | 190.3 | 190.2 | 355.4 | 363.2 |
| Total revenues | 4,558.5 | 4,145.4 | 8,688.5 | 7,989.7 |
| COST OF SALES: | | | | |
| New vehicle retail sales | 2,041.7 | 1,641.0 | 3,810.7 | 3,184.9 |
| Used vehicle retail sales | 1,371.8 | 1,415.9 | 2,644.0 | 2,688.0 |
| Used vehicle wholesale sales | 111.6 | 95.1 | 221.6 | 185.7 |
| Parts and service sales | 257.9 | 224.9 | 508.9 | 438.0 |
| Total cost of sales | 3,783.0 | 3,377.0 | 7,185.1 | 6,496.6 |
| GROSS PROFIT | | | | |
| | 775.5 | 768.4 | 1,503.4 | 1,493.1 |
| Selling, general and administrative expenses | 479.9 | 460.2 | 942.7 | 878.6 |
| Depreciation and amortization expense | 23.1 | 23.0 | 45.5 | 44.2 |
| Asset impairments | 1.8 | 0.8 | 2.9 | 0.8 |
| INCOME FROM OPERATIONS | 270.8 | 284.5 | 512.3 | 569.5 |
| Floorplan interest expense | 15.6 | 5.9 | 28.2 | 11.2 |
| Other interest expense, net | 25.9 | 18.5 | 45.6 | 35.9 |
| Other expense | 1.3 | — | 4.2 | — |
| INCOME BEFORE INCOME TAXES | 227.9 | 260.1 | 434.3 | 522.4 |
| Provision for income taxes | 57.6 | 60.8 | 105.2 | 122.0 |
| Net income from continuing operations | 170.3 | 199.3 | 329.1 | 400.4 |
| Net income (loss) from discontinued operations | 0.2 | (3.4) | (0.1) | (1.6) |
| NET INCOME | \$ 170.5 | \$ 195.9 | \$ 329.0 | \$ 398.9 |
| BASIC EARNINGS PER SHARE: | | | | |
| Continuing operations | \$ 12.06 | \$ 12.15 | \$ 23.22 | \$ 23.96 |
| Discontinued operations | 0.02 | (0.21) | (0.01) | (0.09) |
| Total | \$ 12.08 | \$ 11.94 | \$ 23.21 | \$ 23.87 |
| DILUTED EARNINGS PER SHARE: | | | | |
| Continuing operations | \$ 12.02 | \$ 12.11 | \$ 23.14 | \$ 23.88 |
| Discontinued operations | 0.02 | (0.20) | (0.01) | (0.09) |
| Total | \$ 12.04 | \$ 11.90 | \$ 23.13 | \$ 23.79 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| Basic | 13.8 | 16.0 | 13.8 | 16.2 |
| Diluted | 13.8 | 16.0 | 13.9 | 16.3 |

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, | |
|---|-----------------------------|-----------------|---------------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 |
| NET INCOME | \$ 170.5 | \$ 195.9 | \$ 329.0 | \$ 398.9 |
| Other comprehensive income (loss), net of taxes: | | | | |
| Foreign currency translation adjustments | 11.2 | (27.8) | 21.0 | (28.1) |
| Net unrealized gain (loss) on interest rate risk management activities, net of tax: | | | | |
| Unrealized gain arising during the period, net of tax provision of \$(5.0), \$(5.8), \$(2.8) and \$(16.3), respectively | 15.8 | 19.0 | 9.0 | 53.0 |
| Reclassification adjustment for (gain) loss included in interest expense, net of tax (provision) benefit of \$(1.0), \$0.4, \$(2.8) and \$0.9, respectively | (3.2) | 1.2 | (8.8) | 3.0 |
| Reclassification related to de-designated interest rate swaps, net of tax provision of \$—, \$—, \$(1.0) and \$—, respectively | — | — | (3.1) | — |
| Unrealized gain (loss) on interest rate risk management activities, net of tax | 12.6 | 20.1 | (2.8) | 56.0 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX | 23.8 | (7.7) | 18.1 | 28.0 |
| COMPREHENSIVE INCOME | \$ 194.4 | \$ 188.2 | \$ 347.1 | \$ 426.8 |

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 | | | | | |
| BALANCE, MARCH 31, 2023 | 25,150,165 | \$ 0.3 | \$ 333.6 | \$ 3,225.5 | \$ 16.7 | \$ (1,223.7) | \$ 2,352.5 |
| Net income | — | — | — | 170.5 | — | — | 170.5 |
| Other comprehensive income, net of taxes | — | — | — | — | 23.8 | — | 23.8 |
| Purchases of treasury stock, including excise tax | — | — | — | — | — | (31.6) | (31.6) |
| Net issuance of treasury shares to stock compensation plans | 14,001 | — | 1.5 | — | — | 3.7 | 5.2 |
| Stock-based compensation | — | — | 4.8 | — | — | — | 4.8 |
| Dividends declared (\$0.45 per share) | — | — | — | (6.4) | — | — | (6.4) |
| BALANCE, JUNE 30, 2023 | <u>25,164,166</u> | <u>\$ 0.3</u> | <u>\$ 339.8</u> | <u>\$ 3,389.7</u> | <u>\$ 40.6</u> | <u>\$ (1,251.5)</u> | <u>\$ 2,518.9</u> |

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|---|-------------------|---------------|-------------------------------|----------------------|--|---------------------|-------------------|
| | Shares | Amount | | | | | |
| BALANCE, DECEMBER 31, 2022 | 25,232,620 | \$ 0.3 | \$ 338.7 | \$ 3,073.6 | \$ 22.5 | \$ (1,197.5) | \$ 2,237.5 |
| Net income | — | — | — | 329.0 | — | — | 329.0 |
| Other comprehensive income, net of taxes | — | — | — | — | 18.1 | — | 18.1 |
| Purchases of treasury stock, including excise tax | — | — | — | — | — | (66.5) | (66.5) |
| Net issuance of treasury shares to stock compensation plans | (68,454) | — | (9.4) | — | — | 12.5 | 3.1 |
| Stock-based compensation | — | — | 10.5 | — | — | — | 10.5 |
| Dividends declared (\$0.90 per share) | — | — | — | (12.8) | — | — | (12.8) |
| BALANCE, JUNE 30, 2023 | <u>25,164,166</u> | <u>\$ 0.3</u> | <u>\$ 339.8</u> | <u>\$ 3,389.7</u> | <u>\$ 40.6</u> | <u>\$ (1,251.5)</u> | <u>\$ 2,518.9</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 | | | | | |
| BALANCE, MARCH 31, 2022 | 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) |
| BALANCE, JUNE 30, 2022 | <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 | | | | | |
| BALANCE, DECEMBER 31, 2021 | 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) |
| BALANCE, JUNE 30, 2022 | <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 CASH FLOWS
(Unaudited)
(In millions)

| | Six Months Ended June 30, | |
|--|---------------------------|----------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$ 329.0 | \$ 398.9 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 45.5 | 45.1 |
| Change in operating lease assets | 12.7 | 15.6 |
| Deferred income taxes | 2.7 | 11.3 |
| Asset impairments | 2.9 | 7.1 |
| Stock-based compensation | 10.5 | 15.0 |
| Amortization of debt discount and issuance costs | 1.5 | 1.5 |
| Gain on disposition of assets | (11.8) | (24.6) |
| Unrealized gain on derivative instruments | (4.5) | — |
| Other | (1.6) | 2.5 |
| Changes in assets and liabilities, net of acquisitions and dispositions: | | |
| Accounts payable and accrued expenses | 85.8 | 10.1 |
| Accounts and notes receivable | (15.0) | (0.1) |
| Inventories | (283.8) | (83.5) |
| Contracts-in-transit and vehicle receivables | 9.9 | (7.2) |
| Prepaid expenses and other assets | (2.2) | 10.8 |
| Floorplan notes payable — manufacturer affiliates | 70.1 | (27.5) |
| Deferred revenues | (0.2) | (0.1) |
| Operating lease liabilities | (12.6) | (14.9) |
| Net cash provided by operating activities | 239.0 | 360.2 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Cash paid for acquisitions, net, including repayment of sellers' floorplan notes payable of \$64.9 and \$2.4, respectively | (363.5) | (318.1) |
| Proceeds from disposition of franchises, property and equipment | 80.8 | 96.2 |
| Purchases of property and equipment | (86.7) | (63.0) |
| Other | 0.2 | (10.7) |
| Net cash used in investing activities | (369.1) | (295.6) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Borrowings on credit facility — floorplan line and other | 5,005.9 | 5,307.0 |
| Repayments on credit facility — floorplan line and other | (4,928.1) | (5,022.9) |
| Borrowings on credit facility — acquisition line | 200.0 | 268.0 |
| Repayments on credit facility — acquisition line | (53.2) | (346.3) |
| Debt issuance costs | (0.1) | (4.0) |
| Borrowings on other debt | 88.2 | 223.2 |
| Principal payments on other debt | (134.1) | (206.3) |
| Proceeds from employee stock purchase plan | 11.4 | 11.4 |
| Payments of tax withholding for stock-based compensation | (8.3) | (7.6) |
| Repurchases of common stock, amounts based on settlement date | (66.0) | (254.1) |
| Dividends paid | (12.7) | (12.1) |
| Net cash provided by (used in) financing activities | 103.0 | (43.9) |
| Effect of exchange rate changes on cash | 2.1 | (2.7) |
| Net (decrease) increase in cash and cash equivalents | (25.1) | 18.0 |
| CASH AND CASH EQUIVALENTS, beginning of period | 47.9 | 18.7 |
| CASH AND CASH EQUIVALENTS, end of period | \$ 22.8 | \$ 36.7 |

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 2022 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 July 1, 2022, the Company completed the disposal of 100% of the issued and outstanding equity interests of the Company's Brazilian operations (the "Brazil Disposal Group"). 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. Refer to Note 4. Discontinued Operations and Other Divestitures for additional information. Unless otherwise specified, disclosures in these Condensed Consolidated Financial Statements reflect continuing operations only.

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 including, 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):

| | Three Months Ended June 30, 2023 | | | Six Months Ended June 30, 2023 | | |
|--|----------------------------------|----------|------------|--------------------------------|------------|------------|
| | U.S. | U.K. | Total | U.S. | U.K. | Total |
| New vehicle retail sales | \$ 1,915.5 | \$ 327.6 | \$ 2,243.2 | \$ 3,524.1 | \$ 674.8 | \$ 4,198.9 |
| Used vehicle retail sales | 1,139.9 | 310.7 | 1,450.6 | 2,170.0 | 629.5 | 2,799.5 |
| Used vehicle wholesale sales | 79.8 | 32.7 | 112.5 | 162.1 | 62.3 | 224.4 |
| Total new and used vehicle sales | 3,135.2 | 671.0 | 3,806.2 | 5,856.2 | 1,366.6 | 7,222.8 |
| Parts and service sales ⁽¹⁾ | 491.2 | 70.8 | 562.0 | 965.0 | 145.3 | 1,110.3 |
| Finance, insurance and other, net ⁽²⁾ | 173.2 | 17.1 | 190.3 | 320.8 | 34.6 | 355.4 |
| Total revenues | \$ 3,799.6 | \$ 758.9 | \$ 4,558.5 | \$ 7,142.0 | \$ 1,546.5 | \$ 8,688.5 |

| | Three Months Ended June 30, 2022 | | | Six Months Ended June 30, 2022 | | |
|--|----------------------------------|----------|------------|--------------------------------|------------|------------|
| | U.S. | U.K. | Total | U.S. | U.K. | Total |
| 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 ⁽¹⁾ | 445.6 | 57.1 | 502.6 | 854.0 | 121.5 | 975.5 |
| Finance, insurance and other, net ⁽²⁾ | 173.1 | 17.1 | 190.2 | 327.9 | 35.4 | 363.2 |
| Total revenues | \$ 3,437.2 | \$ 708.2 | \$ 4,145.4 | \$ 6,528.5 | \$ 1,461.2 | \$ 7,989.7 |

⁽¹⁾ 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.

⁽²⁾ Includes variable consideration recognized of \$7.6 million and \$6.8 million during the three months ended June 30, 2023 and 2022, respectively, and \$12.5 million and \$16.9 million during the six months ended June 30, 2023 and 2022, 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.

During the six months ended June 30, 2023, the Company acquired one Chevrolet dealership, one Kia dealership and three Buick-GMC dealerships in the U.S. Aggregate consideration paid for these dealerships, which were accounted for as business combinations, was \$363.5 million. Goodwill associated with the acquisitions totaled \$43.9 million. The accounting for these acquisitions is considered to be preliminary and subject to change as the Company's fair value assessments are finalized. The Company is continuing to analyze and assess relevant information related to the valuation of property, equipment and intangible assets. The Company will reflect any required fair value adjustments in subsequent filings with the SEC.

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. Goodwill associated with these acquisitions totaled \$171.6 million.

4. DISCONTINUED OPERATIONS AND OTHER DIVESTITURES

Brazil Discontinued Operations

On July 1, 2022, the Company closed on the disposition of the Brazil Disposal Group. The sale price of approximately BRL 510.0 million included a holdback amount of BRL 115.0 million, for general representations and warranties, to be held in escrow for a period of five years from the close of the transaction (the "Brazil Disposal Escrow"). At the conclusion of the five-year period, the remaining funds held in the Brazil Disposal Escrow will be released to the Company.

As of June 30, 2023, the Company had a remaining receivable balance of \$21.7 million associated with the Brazil Disposal Escrow recorded in *Other long-term assets* on the Condensed Consolidated Balance Sheet, of which \$4.9 million is expected to be paid to settle the Company's portion of accrued liabilities retained subsequent to the date of disposal.

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, | |
|--|-----------------------------|----------|---------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| REVENUES: | | | | |
| New vehicle retail sales | \$ — | \$ 60.4 | \$ — | \$ 109.0 |
| Used vehicle retail sales | — | 21.8 | — | 44.0 |
| Used vehicle wholesale sales | — | 4.8 | — | 10.1 |
| Parts and service sales | — | 13.1 | — | 23.8 |
| Finance, insurance and other, net | — | 1.8 | — | 3.3 |
| Total revenues | — | 101.9 | — | 190.2 |
| COST OF SALES: | | | | |
| New vehicle retail sales | — | 54.7 | — | 98.5 |
| Used vehicle retail sales | — | 20.6 | — | 41.2 |
| Used vehicle wholesale sales | — | 4.7 | — | 10.0 |
| Parts and service sales | — | 8.1 | — | 14.5 |
| Total cost of sales | — | 88.1 | — | 164.2 |
| GROSS PROFIT | — | 13.8 | — | 26.1 |
| Selling, general and administrative expenses | 0.1 | 10.6 | 0.9 | 19.3 |
| Depreciation and amortization expense | — | 0.5 | — | 0.9 |
| Asset impairments | — | 6.3 | — | 6.3 |
| LOSS FROM OPERATIONS — DISCONTINUED OPERATIONS | (0.1) | (3.6) | (0.9) | (0.5) |
| Floorplan interest expense | — | 0.7 | — | 1.4 |
| Other interest income, net | (0.7) | (0.3) | (1.4) | (0.4) |
| INCOME (LOSS) BEFORE INCOME TAXES — DISCONTINUED OPERATIONS | 0.5 | (4.0) | 0.4 | (1.5) |
| Provision (benefit) for income taxes | 0.3 | (0.6) | 0.5 | 0.1 |
| NET INCOME (LOSS) — DISCONTINUED OPERATIONS | \$ 0.2 | \$ (3.4) | \$ (0.1) | \$ (1.6) |

Cash flows from operating and investing activities for the Brazil Discontinued Operations were immaterial for the six months ended June 30, 2023. Cash flows from operating and investing activities for the Brazil Discontinued Operations in the prior period were as follows (in millions):

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

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

| | June 30, 2023 | December 31, 2022 |
|---|---------------|-------------------|
| Prepaid expenses | \$ 1.0 | \$ — |
| Other current assets | — | 1.3 |
| Other long-term assets | 21.7 | 22.8 |
| Total assets of discontinued operations | \$ 22.7 | \$ 24.1 |
| Accrued expenses and other current liabilities | \$ 4.9 | \$ 7.8 |
| Total liabilities of discontinued operations | \$ 4.9 | \$ 7.8 |

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

Other Divestitures

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

During the six months ended June 30, 2023, the Company recorded a net pre-tax gain totaling \$10.1 million related to the disposition of four dealerships in the U.S. The dispositions reduced goodwill by \$20.8 million. The Company also terminated one franchise in the U.S.

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 in the U.S. The dispositions reduced goodwill by \$24.1 million.

Assets held for sale in the Condensed Consolidated Balance Sheets includes \$23.9 million and \$13.4 million of goodwill that has been reclassified to assets held for sale as of June 30, 2023 and December 31, 2022, respectively.

5. SEGMENT INFORMATION

As of June 30, 2023, the Company had two reportable segments: the U.S. and the U.K. The Company defines its reportable 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 reportable 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 (in millions):

| | Three Months Ended June 30, 2023 | | | Six Months Ended June 30, 2023 | | |
|----------------------------|----------------------------------|----------|------------|--------------------------------|------------|------------|
| | U.S. | U.K. | Total | U.S. | U.K. | Total |
| Total revenues | \$ 3,799.6 | \$ 758.9 | \$ 4,558.5 | \$ 7,142.0 | \$ 1,546.5 | \$ 8,688.5 |
| Income before income taxes | \$ 207.8 | \$ 20.1 | \$ 227.9 | \$ 388.5 | \$ 45.8 | \$ 434.3 |
| | | | | | | |
| | 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 |

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 (in millions, except share and per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------|---------------------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| Weighted average basic common shares outstanding | 13,777,225 | 15,956,258 | 13,819,024 | 16,241,221 |
| Dilutive effect of stock-based awards and employee stock purchases | 40,058 | 56,024 | 46,711 | 56,143 |
| Weighted average dilutive common shares outstanding | 13,817,283 | 16,012,282 | 13,865,736 | 16,297,364 |
| Basic: | | | | |
| Net income | \$ 170.5 | \$ 195.9 | \$ 329.0 | \$ 398.9 |
| Less: Earnings allocated to participating securities from continuing operations | 4.2 | 5.5 | 8.2 | 11.3 |
| Less: Earnings (loss) allocated to participating securities from discontinued operations | — | (0.1) | — | — |
| Net income available to basic common shares | \$ 166.4 | \$ 190.6 | \$ 320.7 | \$ 387.6 |
| Basic earnings per common share | \$ 12.08 | \$ 11.94 | \$ 23.21 | \$ 23.87 |
| Diluted: | | | | |
| Net income | \$ 170.5 | \$ 195.9 | \$ 329.0 | \$ 398.9 |
| Less: Earnings allocated to participating securities from continuing operations | 4.1 | 5.4 | 8.2 | 11.3 |
| Less: Earnings (loss) allocated to participating securities from discontinued operations | — | (0.1) | — | — |
| Net income available to diluted common shares | \$ 166.4 | \$ 190.6 | \$ 320.8 | \$ 387.6 |
| Diluted earnings per common share | \$ 12.04 | \$ 11.90 | \$ 23.13 | \$ 23.79 |

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 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, 2023 | | December 31, 2022 | |
|---------------------|-------------------------------|-----------------|-------------------------------|-----------------|
| | Carrying Value ⁽¹⁾ | Fair Value | Carrying Value ⁽¹⁾ | Fair Value |
| 4.00% Senior Notes | \$ 750.0 | \$ 660.9 | \$ 750.0 | \$ 633.9 |
| Real estate related | 95.1 | 85.2 | 99.2 | 90.5 |
| Total | <u>\$ 845.1</u> | <u>\$ 746.1</u> | <u>\$ 849.2</u> | <u>\$ 724.4</u> |

⁽¹⁾ Carrying value excludes unamortized debt issuance costs.

Derivative Financial Instruments

The Company holds 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, 2023 | December 31, 2022 |
|--|-----------------|-------------------|
| Assets: | | |
| Other current assets | \$ 0.1 | \$ 0.1 |
| Other long-term assets ⁽¹⁾ | 109.9 | 109.2 |
| Total assets | <u>\$ 110.0</u> | <u>\$ 109.3</u> |
| Liabilities: | | |
| Accrued expenses and other current liabilities | \$ — | \$ — |
| Other long-term liabilities | — | — |
| Total liabilities | <u>\$ —</u> | <u>\$ —</u> |

⁽¹⁾ As of June 30, 2023, the balance included gross fair value of \$4.5 million of the de-designated swap as described below.

Interest Rate Swaps De-designated as Cash Flow Hedges

During the three months ended March 31, 2023, the Company de-designated one mortgage interest rate swap due to the Company settling the underlying mortgages associated with the swap during the same period. As of June 30, 2023, the de-designated swap had an aggregate notional value of \$30.9 million that fixed its underlying one-month SOFR at an annual interest rate of 0.60% and will mature on March 1, 2030. No interest rate swaps were de-designated by the Company during the three months ended June 30, 2023.

The Company reclassified the entire previously deferred gain associated with the de-designated interest rate swap of \$3.1 million, net of tax of \$1.0 million, from *AOCI* into income as an adjustment to *Other interest expense, net*, as the remaining forecasted hedged transactions associated with the interest rate swap were probable of not occurring due to the settlement of the mortgages described above. Additionally, the Company recorded unrealized mark-to-market gains of \$0.4 million and realized gains of \$0.3 million associated with the interest rate swap within *Other interest expense, net*, for the three and six months ended June 30, 2023, respectively.

Interest Rate Swaps Designated as Cash Flow Hedges

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*.

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

As of June 30, 2023, the Company held 35 interest rate swaps designated as cash flow hedges with a total notional value of \$872.7 million that fixed its underlying SOFR at a weighted average rate of 1.25%. The Company also held two 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, 2023. 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, 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 completed the transition of interest rate swaps from LIBOR to SOFR during 2022.

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

| Derivatives in Cash Flow Hedging Relationship | Amount of Unrealized Income (Loss), Net of Tax, Recognized in Other Comprehensive Income (Loss) | | | |
|--|--|-------------|----------------------------------|-------------|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Interest rate swaps | \$ 15.8 | \$ 19.0 | \$ 9.0 | \$ 53.0 |

| Statement of Operations Classification | Amount Reclassified from Other Comprehensive Income (Loss) into Statements of Operations | | | |
|---|---|-------------|----------------------------------|-------------|
| | Three Months Ended June 30, | | Six Months Ended June 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| Floorplan interest expense | \$ 3.8 | \$ (0.9) | \$ 7.1 | \$ (2.1) |
| Other interest expense, net | \$ 0.3 | \$ (0.7) | \$ 4.5 | \$ (1.8) |

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 \$20.9 million.

8. RECEIVABLES, NET AND CONTRACT ASSETS

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

| | June 30, 2023 | December 31, 2022 |
|--|----------------------|--------------------------|
| Contracts-in-transit and vehicle receivables, net: | | |
| Contracts-in-transit | \$ 170.2 | \$ 188.2 |
| Vehicle receivables | 100.5 | 90.9 |
| Total contracts-in-transit and vehicle receivables | 270.7 | 279.0 |
| Less: allowance for doubtful accounts | 0.3 | 0.6 |
| Total contracts-in-transit and vehicle receivables, net | \$ 270.4 | \$ 278.5 |
| Accounts and notes receivable, net: | | |
| Manufacturer receivables | \$ 110.6 | \$ 94.6 |
| Parts and service receivables | 69.2 | 68.0 |
| F&I receivables | 30.1 | 30.0 |
| Other | 10.8 | 12.1 |
| Total accounts and notes receivable | 220.7 | 204.7 |
| Less: allowance for doubtful accounts | 4.9 | 5.5 |
| Total accounts and notes receivable, net | \$ 215.9 | \$ 199.2 |
| Within Other current assets and Other long-term assets: | | |
| Total contract assets ⁽¹⁾ | \$ 51.6 | \$ 47.9 |

⁽¹⁾ No allowance for doubtful accounts was recorded for contract assets as of June 30, 2023 or December 31, 2022.

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

9. DEBT

Long-term debt consisted of the following (in millions):

| | June 30, 2023 | December 31, 2022 |
|--|----------------------|--------------------------|
| 4.00% Senior Notes due August 15, 2028 | \$ 750.0 | \$ 750.0 |
| Acquisition Line | 450.0 | 303.2 |
| Other Debt: | | |
| Real estate related | 773.4 | 796.9 |
| Finance leases | 276.0 | 220.4 |
| Other | 9.7 | 22.3 |
| Total other debt | 1,059.1 | 1,039.6 |
| Total debt | 2,259.1 | 2,092.7 |
| Less: unamortized debt issuance costs | 9.5 | 10.2 |
| Less: current maturities | 75.4 | 130.3 |
| Total long-term debt | \$ 2,174.2 | \$ 1,952.2 |

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, 2023, borrowings under the Acquisition Line, a component of the Revolving Credit Facility (as defined in Note 10. Floorplan Notes Payable), totaled \$450.0 million. The average interest rate on this facility was 6.04% during the three months ended June 30, 2023.

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, 2023, borrowings outstanding under these facilities totaled \$773.4 million, gross of debt issuance costs, comprised of \$650.4 million in the U.S. and \$122.9 million in the U.K, respectively.

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, 2023 | December 31, 2022 |
|--|-----------------|-------------------|
| Revolving Credit Facility — floorplan notes payable | \$ 1,029.7 | \$ 833.5 |
| Revolving Credit Facility — floorplan notes payable offset account | (250.0) | (140.2) |
| Revolving Credit Facility — floorplan notes payable, net | 779.7 | 693.3 |
| Other non-manufacturer facilities | 63.4 | 68.8 |
| Floorplan notes payable — credit facility and other, net | <u>\$ 843.1</u> | <u>\$ 762.1</u> |
| FMCC Facility | \$ 85.1 | \$ 55.1 |
| FMCC Facility offset account | (17.7) | (13.4) |
| FMCC Facility, net | 67.5 | 41.8 |
| Other manufacturer affiliate facilities | 249.9 | 201.3 |
| Floorplan notes payable — manufacturer affiliates, net | <u>\$ 317.4</u> | <u>\$ 243.1</u> |

Floorplan Notes Payable — Credit Facility*Revolving Credit Facility*

In the U.S., the Company has a \$2.0 billion revolving syndicated credit arrangement with 20 participating financial institutions that matures on March 9, 2027 (“Revolving Credit Facility”). The Company has the option to increase the availability to \$2.4 billion, under certain conditions. The Revolving Credit Facility consists of two tranches: (i) a \$1.2 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) an \$800.0 million maximum 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 and \$50.0 million minimum capacity tranche. The Company had \$12.2 million in letters of credit outstanding as of June 30, 2023 and December 31, 2022.

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 6.31% as of June 30, 2023, 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 Revolving Credit Facility, the Company had \$4.4 million and \$5.0 million of unamortized debt issuance costs as of June 30, 2023 and December 31, 2022, 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”). The FMCC Facility bears interest at the U.S. prime rate which was 8.25% as of June 30, 2023.

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, 2023, borrowings outstanding under these facilities totaled \$249.9 million, comprised of \$143.5 million in the U.S., with annual interest rates ranging from less than 1% to approximately 9%, and \$106.5 million in the U.K., with annual interest rates ranging from approximately 5% to 7%.

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 \$1.3 million and \$0.1 million during the six months ended June 30, 2023 and 2022, respectively.

Interest and Income Taxes Paid

Cash paid for interest, including the monthly settlement of the Company's interest rate swaps, was \$70.8 million and \$42.8 million for the six months ended June 30, 2023 and 2022, 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 \$78.7 million and \$99.2 million for the six months ended June 30, 2023 and 2022, respectively.

12. COMMITMENTS AND CONTINGENCIES

From time to time, the Company or its 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, vehicle related incidents 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, 2023, 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.

The Company previously recorded a \$33.4 million payment for the purchase of an additional dealership as part of the acquisition of the Prime Automotive Group in 2021. As of June 30, 2023, the purchase of the additional dealership had not yet closed and the Company is still waiting for distributor approval to obtain ownership of the additional dealership. The amount previously paid has been classified as goodwill on the Condensed Consolidated Balance Sheets. 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 to the Company. Although the seller has obtained favorable rulings from the court, the result of this legal action cannot be predicted with certainty.

Other Matters

In connection with dealership dispositions 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 \$34.4 million as of June 30, 2023. 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. Associated letters of credit issued on behalf of the lessee where the Company is the beneficiary totaled \$1.0 million as of June 30, 2023.

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 AOCI were as follows (in millions):

| | Six Months Ended June 30, 2023 | | |
|---|---|--|----------------|
| | Accumulated Income (Loss) On Foreign Currency Translation | Accumulated Income (Loss) On Interest Rate Swaps | Total |
| Balance, December 31, 2022 | \$ (61.1) | \$ 83.6 | \$ 22.5 |
| Other comprehensive income (loss) before reclassifications: | | | |
| Pre-tax | 21.0 | 11.9 | 32.9 |
| Tax effect | — | (2.8) | (2.8) |
| Amount reclassified from accumulated other comprehensive income (loss): | | | |
| Floorplan interest expense (pre-tax) | — | (7.1) | (7.1) |
| Other interest expense, net (pre-tax) | — | (4.5) | (4.5) |
| Reclassification related to de-designated interest rate swaps (pre-tax) | — | (4.0) | (4.0) |
| Provision for income taxes | — | 3.7 | 3.7 |
| Net current period other comprehensive income (loss) | 21.0 | (2.8) | 18.1 |
| Balance, June 30, 2023 | <u>\$ (40.1)</u> | <u>\$ 80.8</u> | <u>\$ 40.6</u> |

| | Six Months Ended June 30, 2022 | | |
|---|---|--|-------------------|
| | Accumulated Income (Loss) On Foreign Currency Translation | Accumulated Income (Loss) On Interest Rate Swaps | Total |
| 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 (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> |

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 (“MD&A”), should be read in conjunction with the accompanying unaudited Condensed Consolidated Financial Statements and the notes thereto, as well as our 2022 Form 10-K.

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 34 towns and cities in the U.K. As of June 30, 2023, our retail network consisted of 150 dealerships in the U.S. and 55 dealerships in the U.K.

Recent Events

Our manufacturers’ production continued at historically reduced levels in the quarter ended June 30, 2023 (“Current Quarter”), despite recent production improvements over the trailing twelve months ended June 30, 2023, for some of those manufacturers. Domestic brand production has improved generally at a greater rate than most luxury and non-domestic brands. Production constraints and related inventory constraints are a result of sustained global semiconductor and other parts shortages as well as the ongoing conflict between Russia and Ukraine. Increased deliveries from certain manufacturers in the Current Quarter drove a higher volume of new units sold while also maintaining elevated new vehicle retail sales prices relative to pre-COVID levels. EV inventory has been building over the Current Quarter for certain brands, outpacing the build up of non-EV inventory, largely driven by low sales of EV’s in the Current Quarter. Used vehicle gross margins declined in the Current Quarter, driven by volatility from new vehicle supplies affecting our ability to source used vehicles, increased interest rates and the inflationary pressures and macroeconomic factors described further below. Our new vehicle days’ supply of inventory was approximately 27 days as of the Current Quarter, as compared to 15 days as of the quarter ended June 30, 2022 (“Prior Year Quarter”).

On April 12, 2023, the U.S. Environmental Protection Agency (“EPA”) proposed regulations establishing more stringent air emissions limits for light and medium-duty vehicles, which include passenger cars, vans, pickups, sedans and SUVs for model years 2027 through 2032. The EPA proposes higher emissions stringency each year, beginning with model year 2027, new battery durability requirements and changes to certain existing air emissions credit programs. In their proposed form, these regulations could increase or accelerate the adoption of certain emissions reducing technologies, and further market penetration for hybrid, plug-in and battery-electric vehicles. For example, should the proposed regulations be enacted, the EPA projects that at least 60% of new light-duty passenger vehicles sold in the U.S. would be battery-electric by 2030. The EPA also estimates that the regulations, if finalized, would increase costs for auto manufacturers and reduce consumer repair costs for covered vehicles. The EPA projects the regulations to become final by 2024. The regulations, as proposed in their current form, may have a significant impact on the future mix of vehicles provided by our manufacturers. Any future impact of these regulations on our operations cannot be predicted with certainty. We will continue to monitor the regulatory process and will further evaluate the regulations upon issuance by the EPA.

The global economy continues to experience inflation. In response to inflationary pressures and macroeconomic conditions, the U.S. Federal Reserve, along with other central banks, including in the U.K., increased interest rates throughout 2022 and 2023. Continued inflation reducing the disposable income of our customers, volatility in new vehicle availability and higher interest rates increasing the monthly cost of financing vehicles, contributed to used vehicle prices declining in the latter part of 2022 and during the six months ended June 30, 2023 (“Current Year”). Additionally, during the Current Year, SVB, Signature Bank and First Republic Bank were placed into receivership with the Federal Deposit Insurance Corporation (“FDIC”), indicating potential instability within the financial sector. Although we are not a party to any transactions with SVB, Signature Bank, First Republic Bank or any other financial institution currently in receivership, continued instability could impact our financial counterparties. Finally, one financial institution that participated in our Revolving Credit Facility (as defined in 10. Floorplan Notes Payable in the Notes to Condensed Consolidated Financial Statements), during the first quarter of 2023, announced plans to terminate its auto floorplan lending. During the Current Quarter, this lender’s capacity has been replaced by an existing lender within our Revolving Credit Facility. In recent months, certain lenders have implemented more restrictive lending standards, resulting in reduced loan-to-value ratios, leading to larger required down payments by consumers. The impact of these higher down payments is a reduction to the income we earn on those loans. Although there is no current material impact on the Company, future impact, if any, 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 2022 Form 10-K. There have been no material changes to our critical accounting policies or accounting estimates since December 31, 2022.

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.

Retail new vehicle units sold for 2023 include new vehicle agency units sold under agency arrangements with certain manufacturers in the U.K. The agency units and related revenues are excluded from the calculation of the average sales price per unit sold for new vehicles due to their net presentation within revenues. The agency units and related net revenues are included in the calculation of gross profit per unit sold.

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 |
|---|-----------------------------|------------|----------------------|----------|---|----------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 2,243.2 | \$ 1,851.3 | \$ 391.9 | 21.2 % | \$ (1.3) | 21.2 % |
| Used vehicle retail sales | 1,450.6 | 1,505.4 | (54.8) | (3.6)% | (1.2) | (3.6)% |
| Used vehicle wholesale sales | 112.5 | 95.8 | 16.6 | 17.3 % | (0.1) | 17.4 % |
| Total used | 1,563.0 | 1,601.2 | (38.2) | (2.4)% | (1.3) | (2.3)% |
| Parts and service sales | 562.0 | 502.6 | 59.4 | 11.8 % | (0.2) | 11.9 % |
| F&I, net | 190.3 | 190.2 | 0.1 | — % | (0.1) | 0.1 % |
| Total revenues | \$ 4,558.5 | \$ 4,145.4 | \$ 413.1 | 10.0 % | \$ (2.8) | 10.0 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 201.5 | \$ 210.3 | \$ (8.8) | (4.2)% | \$ 0.1 | (4.2)% |
| Used vehicle retail sales | 78.8 | 89.5 | (10.7) | (12.0)% | (0.1) | (11.9)% |
| Used vehicle wholesale sales | 0.9 | 0.8 | 0.1 | 10.5 % | — | 10.9 % |
| Total used | 79.6 | 90.3 | (10.6) | (11.8)% | (0.1) | (11.7)% |
| Parts and service sales | 304.1 | 277.7 | 26.4 | 9.5 % | (0.1) | 9.5 % |
| F&I, net | 190.3 | 190.2 | 0.1 | — % | (0.1) | 0.1 % |
| Total gross profit | \$ 775.5 | \$ 768.4 | \$ 7.1 | 0.9 % | \$ (0.2) | 0.9 % |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.0 % | 11.4 % | (2.4)% | | | |
| Used vehicle retail sales | 5.4 % | 5.9 % | (0.5)% | | | |
| Used vehicle wholesale sales | 0.8 % | 0.8 % | — % | | | |
| Total used | 5.1 % | 5.6 % | (0.5)% | | | |
| Parts and service sales | 54.1 % | 55.2 % | (1.1)% | | | |
| Total gross margin | 17.0 % | 18.5 % | (1.5)% | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 44,740 | 38,822 | 5,918 | 15.2 % | | |
| Retail used vehicles sold | 46,764 | 48,907 | (2,143) | (4.4)% | | |
| Wholesale used vehicles sold | 10,493 | 9,514 | 979 | 10.3 % | | |
| Total used | 57,257 | 58,421 | (1,164) | (2.0)% | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 50,504 | \$ 47,686 | \$ 2,818 | 5.9 % | \$ 338 | 5.2 % |
| Used vehicle retail | \$ 31,019 | \$ 30,781 | \$ 238 | 0.8 % | \$ (25) | 0.9 % |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 4,503 | \$ 5,416 | \$ (913) | (16.9)% | \$ 2 | (16.9)% |
| Used vehicle retail sales | \$ 1,684 | \$ 1,830 | \$ (145) | (7.9)% | \$ (2) | (7.8)% |
| Used vehicle wholesale sales | \$ 81 | \$ 81 | \$ — | 0.2 % | \$ — | 0.5 % |
| Total used | \$ 1,390 | \$ 1,545 | \$ (154) | (10.0)% | \$ (2) | (9.9)% |
| F&I PRU | \$ 2,080 | \$ 2,168 | \$ (88) | (4.1)% | \$ (1) | (4.1)% |
| Other: | | | | | | |
| SG&A expenses | \$ 479.9 | \$ 460.2 | \$ 19.7 | 4.3 % | \$ (0.3) | 4.4 % |
| SG&A as % gross profit | 61.9 % | 59.9 % | 2.0 % | | | |
| Floorplan expense: | | | | | | |
| Floorplan interest expense | \$ 15.6 | \$ 5.9 | \$ 9.7 | 165.3 % | \$ — | 165.6 % |
| Less: floorplan assistance ⁽¹⁾ | 18.5 | 14.1 | 4.4 | 30.8 % | — | 30.8 % |
| Net floorplan expense | \$ (2.9) | \$ (8.3) | \$ 5.4 | | \$ — | |

⁽¹⁾ 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 |
|---|-----------------------------|------------|----------------------|----------|---|----------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 2,093.0 | \$ 1,806.4 | \$ 286.6 | 15.9 % | \$ (1.2) | 15.9 % |
| Used vehicle retail sales | 1,377.2 | 1,480.6 | (103.4) | (7.0)% | (1.1) | (6.9)% |
| Used vehicle wholesale sales | 106.7 | 93.8 | 12.9 | 13.8 % | (0.1) | 13.8 % |
| Total used | 1,483.9 | 1,574.3 | (90.5) | (5.7)% | (1.2) | (5.7)% |
| Parts and service sales | 537.7 | 491.2 | 46.5 | 9.5 % | (0.2) | 9.5 % |
| F&I, net | 181.2 | 186.0 | (4.9) | (2.6)% | (0.1) | (2.6)% |
| Total revenues | \$ 4,295.7 | \$ 4,058.0 | \$ 237.7 | 5.9 % | \$ (2.7) | 5.9 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 187.8 | \$ 205.1 | \$ (17.3) | (8.4)% | \$ 0.1 | (8.5)% |
| Used vehicle retail sales | 74.5 | 88.0 | (13.5) | (15.4)% | (0.1) | (15.2)% |
| Used vehicle wholesale sales | 0.8 | 0.7 | — | 1.1 % | — | 1.4 % |
| Total used | 75.2 | 88.7 | (13.5) | (15.2)% | (0.1) | (15.1)% |
| Parts and service sales | 291.3 | 271.2 | 20.1 | 7.4 % | (0.1) | 7.5 % |
| F&I, net | 181.2 | 186.0 | (4.9) | (2.6)% | (0.1) | (2.6)% |
| Total gross profit | \$ 735.4 | \$ 751.0 | \$ (15.6) | (2.1)% | \$ (0.2) | (2.0)% |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.0 % | 11.4 % | (2.4)% | | | |
| Used vehicle retail sales | 5.4 % | 5.9 % | (0.5)% | | | |
| Used vehicle wholesale sales | 0.7 % | 0.8 % | (0.1)% | | | |
| Total used | 5.1 % | 5.6 % | (0.6)% | | | |
| Parts and service sales | 54.2 % | 55.2 % | (1.0)% | | | |
| Total gross margin | 17.1 % | 18.5 % | (1.4)% | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 42,343 | 37,691 | 4,652 | 12.3 % | | |
| Retail used vehicles sold | 44,831 | 47,917 | (3,086) | (6.4)% | | |
| Wholesale used vehicles sold | 10,065 | 9,250 | 815 | 8.8 % | | |
| Total used | 54,896 | 57,167 | (2,271) | (4.0)% | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 49,811 | \$ 47,927 | \$ 1,884 | 3.9 % | \$ 352 | 3.2 % |
| Used vehicle retail | \$ 30,719 | \$ 30,898 | \$ (179) | (0.6)% | \$ (25) | (0.5)% |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 4,435 | \$ 5,441 | \$ (1,006) | (18.5)% | \$ 2 | (18.5)% |
| Used vehicle retail sales | \$ 1,661 | \$ 1,836 | \$ (175) | (9.5)% | \$ (2) | (9.4)% |
| Used vehicle wholesale sales | \$ 75 | \$ 80 | \$ (6) | (7.1)% | \$ — | (6.8)% |
| Total used | \$ 1,370 | \$ 1,552 | \$ (182) | (11.7)% | \$ (2) | (11.6)% |
| F&I PRU | \$ 2,078 | \$ 2,173 | \$ (95) | (4.4)% | \$ (1) | (4.3)% |
| Other: | | | | | | |
| SG&A expenses | \$ 463.4 | \$ 450.9 | \$ 12.4 | 2.8 % | \$ (0.3) | 2.8 % |
| SG&A as % gross profit | 63.0 % | 60.0 % | 3.0 % | | | |

Reported Operating Data — Consolidated

(In millions, except unit data)

| | Six Months Ended June 30, | | | | Currency Impact on Current Period Results | Constant Currency % Change |
|---|---------------------------|------------|-------------------------|----------|--|----------------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 4,198.9 | \$ 3,596.4 | \$ 602.4 | 16.8 % | \$ (34.4) | 17.7 % |
| Used vehicle retail sales | 2,799.5 | 2,865.3 | (65.8) | (2.3)% | (33.5) | (1.1)% |
| Used vehicle wholesale sales | 224.4 | 189.3 | 35.1 | 18.6 % | (3.2) | 20.2 % |
| Total used | 3,023.9 | 3,054.6 | (30.7) | (1.0)% | (36.7) | 0.2 % |
| Parts and service sales | 1,110.3 | 975.5 | 134.8 | 13.8 % | (7.9) | 14.6 % |
| F&I, net | 355.4 | 363.2 | (7.8) | (2.1)% | (1.8) | (1.7)% |
| Total revenues | \$ 8,688.5 | \$ 7,989.7 | \$ 698.8 | 8.7 % | \$ (80.8) | 9.8 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 388.2 | \$ 411.5 | \$ (23.3) | (5.7)% | \$ (2.9) | (5.0)% |
| Used vehicle retail sales | 155.5 | 177.3 | (21.8) | (12.3)% | (1.9) | (11.2)% |
| Used vehicle wholesale sales | 2.9 | 3.6 | (0.7) | (20.3)% | — | (20.7)% |
| Total used | 158.4 | 180.9 | (22.6) | (12.5)% | (1.9) | (11.4)% |
| Parts and service sales | 601.4 | 537.5 | 64.0 | 11.9 % | (4.5) | 12.7 % |
| F&I, net | 355.4 | 363.2 | (7.8) | (2.1)% | (1.8) | (1.7)% |
| Total gross profit | \$ 1,503.4 | \$ 1,493.1 | \$ 10.3 | 0.7 % | \$ (11.2) | 1.4 % |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.2 % | 11.4 % | (2.2)% | | | |
| Used vehicle retail sales | 5.6 % | 6.2 % | (0.6)% | | | |
| Used vehicle wholesale sales | 1.3 % | 1.9 % | (0.6)% | | | |
| Total used | 5.2 % | 5.9 % | (0.7)% | | | |
| Parts and service sales | 54.2 % | 55.1 % | (0.9)% | | | |
| Total gross margin | 17.3 % | 18.7 % | (1.4)% | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 84,389 | 75,555 | 8,834 | 11.7 % | | |
| Retail used vehicles sold | 92,201 | 92,713 | (512) | (0.6)% | | |
| Wholesale used vehicles sold | 20,867 | 18,613 | 2,254 | 12.1 % | | |
| Total used | 113,068 | 111,326 | 1,742 | 1.6 % | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 50,103 | \$ 47,600 | \$ 2,503 | 5.3 % | \$ (61) | 5.4 % |
| Used vehicle retail | \$ 30,363 | \$ 30,905 | \$ (542) | (1.8)% | \$ (364) | (0.6)% |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 4,600 | \$ 5,446 | \$ (846) | (15.5)% | \$ (35) | (14.9)% |
| Used vehicle retail sales | \$ 1,687 | \$ 1,913 | \$ (226) | (11.8)% | \$ (21) | (10.7)% |
| Used vehicle wholesale sales | \$ 137 | \$ 193 | \$ (56) | (29.0)% | \$ 1 | (29.3)% |
| Total used | \$ 1,401 | \$ 1,625 | \$ (224) | (13.8)% | \$ (17) | (12.8)% |
| F&I PRU | \$ 2,013 | \$ 2,159 | \$ (146) | (6.8)% | \$ (10) | (6.3)% |
| Other: | | | | | | |
| SG&A expenses | \$ 942.7 | \$ 878.6 | \$ 64.1 | 7.3 % | \$ (7.9) | 8.2 % |
| SG&A as % gross profit | 62.7 % | 58.8 % | 3.9 % | | | |
| Floorplan expense: | | | | | | |
| Floorplan interest expense | \$ 28.2 | \$ 11.2 | \$ 17.1 | 153.1 % | \$ (0.3) | 155.3 % |
| Less: floorplan assistance ⁽¹⁾ | 33.1 | 28.2 | 4.9 | 17.3 % | — | 17.4 % |
| Net floorplan expense | \$ (4.8) | \$ (17.0) | \$ 12.2 | | \$ (0.2) | |

⁽¹⁾ 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 |
|---|---------------------------|------------|-------------------------|----------|--|----------------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 3,947.4 | \$ 3,514.8 | \$ 432.6 | 12.3 % | \$ (33.6) | 13.3 % |
| Used vehicle retail sales | 2,654.4 | 2,815.5 | (161.1) | (5.7)% | (32.6) | (4.6)% |
| Used vehicle wholesale sales | 209.8 | 185.5 | 24.3 | 13.1 % | (3.1) | 14.8 % |
| Total used | 2,864.2 | 3,001.0 | (136.8) | (4.6)% | (35.7) | (3.4)% |
| Parts and service sales | 1,059.5 | 953.2 | 106.2 | 11.1 % | (7.2) | 11.9 % |
| F&I, net | 337.5 | 354.9 | (17.4) | (4.9)% | (1.7) | (4.4)% |
| Total revenues | \$ 8,208.5 | \$ 7,823.9 | \$ 384.6 | 4.9 % | \$ (78.3) | 5.9 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 363.3 | \$ 401.4 | \$ (38.1) | (9.5)% | \$ (2.9) | (8.8)% |
| Used vehicle retail sales | 147.9 | 174.1 | (26.2) | (15.0)% | (1.9) | (14.0)% |
| Used vehicle wholesale sales | 2.8 | 3.6 | (0.8) | (21.1)% | — | (21.4)% |
| Total used | 150.7 | 177.7 | (26.9) | (15.2)% | (1.8) | (14.1)% |
| Parts and service sales | 573.8 | 524.7 | 49.1 | 9.4 % | (4.2) | 10.2 % |
| F&I, net | 337.5 | 354.9 | (17.4) | (4.9)% | (1.7) | (4.4)% |
| Total gross profit | \$ 1,425.3 | \$ 1,458.6 | \$ (33.3) | (2.3)% | \$ (10.7) | (1.6)% |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.2 % | 11.4 % | (2.2)% | | | |
| Used vehicle retail sales | 5.6 % | 6.2 % | (0.6)% | | | |
| Used vehicle wholesale sales | 1.3 % | 1.9 % | (0.6)% | | | |
| Total used | 5.3 % | 5.9 % | (0.7)% | | | |
| Parts and service sales | 54.2 % | 55.0 % | (0.9)% | | | |
| Total gross margin | 17.4 % | 18.6 % | (1.3)% | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 80,022 | 73,425 | 6,597 | 9.0 % | | |
| Retail used vehicles sold | 88,008 | 90,747 | (2,739) | (3.0)% | | |
| Wholesale used vehicles sold | 19,835 | 18,069 | 1,766 | 9.8 % | | |
| Total used | 107,843 | 108,816 | (973) | (0.9)% | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 49,691 | \$ 47,869 | \$ 1,822 | 3.8 % | \$ (57) | 3.9 % |
| Used vehicle retail | \$ 30,161 | \$ 31,026 | \$ (865) | (2.8)% | \$ (371) | (1.6)% |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 4,540 | \$ 5,466 | \$ (926) | (16.9)% | \$ (36) | (16.3)% |
| Used vehicle retail sales | \$ 1,680 | \$ 1,918 | \$ (238) | (12.4)% | \$ (21) | (11.3)% |
| Used vehicle wholesale sales | \$ 143 | \$ 199 | \$ (56) | (28.1)% | \$ 1 | (28.4)% |
| Total used | \$ 1,398 | \$ 1,633 | \$ (235) | (14.4)% | \$ (17) | (13.4)% |
| F&I PRU | \$ 2,009 | \$ 2,162 | \$ (153) | (7.1)% | \$ (10) | (6.6)% |
| Other: | | | | | | |
| SG&A expenses | \$ 903.1 | \$ 878.7 | \$ 24.3 | 2.8 % | \$ (7.6) | 3.6 % |
| SG&A as % gross profit | 63.4 % | 60.2 % | 3.1 % | | | |

Reported Operating Data — U.S.

(In millions, except unit data)

| | Three Months Ended June 30, | | | |
|---|-----------------------------|------------|---------------------|----------|
| | 2023 | 2022 | Increase/(Decrease) | % Change |
| Revenues: | | | | |
| New vehicle retail sales | \$ 1,915.5 | \$ 1,561.7 | \$ 353.8 | 22.7 % |
| Used vehicle retail sales | 1,139.9 | 1,197.6 | (57.7) | (4.8)% |
| Used vehicle wholesale sales | 79.8 | 59.1 | 20.6 | 34.9 % |
| Total used | 1,219.7 | 1,256.8 | (37.1) | (3.0)% |
| Parts and service sales | 491.2 | 445.6 | 45.7 | 10.2 % |
| F&I, net | 173.2 | 173.1 | 0.1 | 0.1 % |
| Total revenues | \$ 3,799.6 | \$ 3,437.2 | \$ 362.4 | 10.5 % |
| Gross profit: | | | | |
| New vehicle retail sales | \$ 170.7 | \$ 184.5 | \$ (13.8) | (7.5)% |
| Used vehicle retail sales | 62.0 | 73.7 | (11.7) | (15.9)% |
| Used vehicle wholesale sales | 1.2 | 1.9 | (0.6) | (34.7)% |
| Total used | 63.2 | 75.5 | (12.3) | (16.3)% |
| Parts and service sales | 262.6 | 243.1 | 19.4 | 8.0 % |
| F&I, net | 173.2 | 173.1 | 0.1 | 0.1 % |
| Total gross profit | \$ 669.7 | \$ 676.3 | \$ (6.6) | (1.0)% |
| Gross margin: | | | | |
| New vehicle retail sales | 8.9 % | 11.8 % | (2.9)% | |
| Used vehicle retail sales | 5.4 % | 6.2 % | (0.7)% | |
| Used vehicle wholesale sales | 1.5 % | 3.1 % | (1.6)% | |
| Total used | 5.2 % | 6.0 % | (0.8)% | |
| Parts and service sales | 53.5 % | 54.6 % | (1.1)% | |
| Total gross margin | 17.6 % | 19.7 % | (2.1)% | |
| Units sold: | | | | |
| Retail new vehicles sold | 36,695 | 31,627 | 5,068 | 16.0 % |
| Retail used vehicles sold | 36,306 | 38,523 | (2,217) | (5.8)% |
| Wholesale used vehicles sold | 7,436 | 6,059 | 1,377 | 22.7 % |
| Total used | 43,742 | 44,582 | (840) | (1.9)% |
| Average sales price per unit sold: | | | | |
| New vehicle retail | \$ 52,201 | \$ 49,380 | \$ 2,821 | 5.7 % |
| Used vehicle retail | \$ 31,397 | \$ 31,089 | \$ 308 | 1.0 % |
| Gross profit per unit sold: | | | | |
| New vehicle retail sales | \$ 4,651 | \$ 5,834 | \$ (1,183) | (20.3)% |
| Used vehicle retail sales | \$ 1,707 | \$ 1,913 | \$ (205) | (10.7)% |
| Used vehicle wholesale sales | \$ 163 | \$ 307 | \$ (144) | (46.8)% |
| Total used | \$ 1,445 | \$ 1,694 | \$ (250) | (14.7)% |
| F&I PRU | \$ 2,373 | \$ 2,468 | \$ (95) | (3.8)% |
| Other: | | | | |
| SG&A expenses | \$ 403.7 | \$ 393.6 | \$ 10.1 | 2.6 % |
| SG&A as % gross profit | 60.3 % | 58.2 % | 2.1 % | |

Same Store Operating Data — U.S.

(In millions, except unit data)

| | Three Months Ended June 30, | | | |
|---|-----------------------------|------------|---------------------|----------|
| | 2023 | 2022 | Increase/(Decrease) | % Change |
| Revenues: | | | | |
| New vehicle retail sales | \$ 1,772.8 | \$ 1,517.8 | \$ 255.1 | 16.8 % |
| Used vehicle retail sales | 1,074.4 | 1,174.6 | (100.3) | (8.5)% |
| Used vehicle wholesale sales | 75.0 | 57.3 | 17.7 | 30.9 % |
| Total used | 1,149.3 | 1,231.9 | (82.5) | (6.7)% |
| Parts and service sales | 472.6 | 436.6 | 35.9 | 8.2 % |
| F&I, net | 164.5 | 169.0 | (4.6) | (2.7)% |
| Total revenues | \$ 3,559.2 | \$ 3,355.3 | \$ 203.9 | 6.1 % |
| Gross profit: | | | | |
| New vehicle retail sales | \$ 157.7 | \$ 179.4 | \$ (21.7) | (12.1)% |
| Used vehicle retail sales | 58.4 | 72.3 | (13.9) | (19.3)% |
| Used vehicle wholesale sales | 1.1 | 1.8 | (0.7) | (38.7)% |
| Total used | 59.5 | 74.1 | (14.6) | (19.8)% |
| Parts and service sales | 252.3 | 237.8 | 14.5 | 6.1 % |
| F&I, net | 164.5 | 169.0 | (4.6) | (2.7)% |
| Total gross profit | \$ 634.0 | \$ 660.4 | \$ (26.4) | (4.0)% |
| Gross margin: | | | | |
| New vehicle retail sales | 8.9 % | 11.8 % | (2.9)% | |
| Used vehicle retail sales | 5.4 % | 6.2 % | (0.7)% | |
| Used vehicle wholesale sales | 1.5 % | 3.2 % | (1.7)% | |
| Total used | 5.2 % | 6.0 % | (0.8)% | |
| Parts and service sales | 53.4 % | 54.5 % | (1.1)% | |
| Total gross margin | 17.8 % | 19.7 % | (1.9)% | |
| Units sold: | | | | |
| Retail new vehicles sold | 34,468 | 30,529 | 3,939 | 12.9 % |
| Retail used vehicles sold | 34,670 | 37,631 | (2,961) | (7.9)% |
| Wholesale used vehicles sold | 7,077 | 5,825 | 1,252 | 21.5 % |
| Total used | 41,747 | 43,456 | (1,709) | (3.9)% |
| Average sales price per unit sold: | | | | |
| New vehicle retail | \$ 51,434 | \$ 49,716 | \$ 1,718 | 3.5 % |
| Used vehicle retail | \$ 30,989 | \$ 31,215 | \$ (226) | (0.7)% |
| Gross profit per unit sold: | | | | |
| New vehicle retail sales | \$ 4,575 | \$ 5,876 | \$ (1,301) | (22.1)% |
| Used vehicle retail sales | \$ 1,683 | \$ 1,921 | \$ (238) | (12.4)% |
| Used vehicle wholesale sales | \$ 157 | \$ 312 | \$ (154) | (49.5)% |
| Total used | \$ 1,425 | \$ 1,706 | \$ (281) | (16.5)% |
| F&I PRU | \$ 2,379 | \$ 2,480 | \$ (101) | (4.1)% |
| Other: | | | | |
| SG&A expenses | \$ 389.8 | \$ 386.0 | \$ 3.8 | 1.0 % |
| SG&A as % gross profit | 61.5 % | 58.4 % | 3.0 % | |

U.S. Region — Three Months Ended June 30, 2023 Compared to 2022

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 \$362.4 million, or 10.5%, as compared to the Prior Year Quarter, primarily driven by higher same store revenues and the acquisition of stores.

Total same store revenues in the U.S. during the Current Quarter increased \$203.9 million, or 6.1%, as compared to the Prior Year Quarter. This increase was primarily driven by higher revenues from new vehicle retail, parts and service and used vehicle wholesale sales, partially offset by lower used vehicle retail sales and F&I, net.

New and used vehicle retail revenues benefited from the sale of approximately 12,200 units from our online digital platform, AcceleRide®, during the Current Quarter, a 78.2% increase as compared to the Prior Year Quarter.

New vehicle retail same store revenues outperformed the Prior Year Quarter, driven by strong new vehicle retail pricing coupled with more units sold. New vehicle pricing has remained resilient from the prolonged shortage of new vehicle inventory, despite recent manufacturers' production improvements. Certain manufacturer vehicle deliveries were higher in the Current Quarter and as a result, our inventory levels were higher than the Prior Year Quarter, providing for the increase in units sold. We ended the Current Quarter with a U.S. new vehicle inventory supply of 27 days, 16 days higher than the Prior Year Quarter, but below pre-COVID levels.

Used vehicle retail same store revenues underperformed the Prior Year Quarter, primarily driven by lower used vehicle retail sales prices coupled with fewer units sold, due to the ongoing new vehicle supply shortage impacting the supply of used vehicles, as well as impacts from inflation reducing the disposable income of our customers and rising interest rates increasing the monthly cost of financing vehicles. Used vehicle wholesale same store revenues increased primarily due to more wholesale units sold coupled with higher wholesale revenues per unit.

Parts and service same store revenues outperformed the Prior Year Quarter, primarily driven by increases across all business lines, reflecting increased business activity and increased same store technician headcount through our technician recruiting and retention efforts, providing greater capacity to meet increased demand. In addition to technician recruitment efforts, we have invested in improving the operations of our U.S. customer contact center, one-to-one marketing initiatives and by using artificial intelligence, making it easier for our customers to schedule appointments.

F&I, net same store revenues underperformed the Prior Year Quarter, primarily driven by lower penetration rates as a result of customers seeking alternative providers in this higher interest rate environment and tighter lending requirements requiring larger down payments. The underperformance was partially offset by higher same store new vehicle unit sales.

Gross Profit

Total gross profit in the U.S. during the Current Quarter decreased \$6.6 million, or 1.0%, as compared to the Prior Year Quarter, primarily driven by lower same store results, partially offset by the acquisition of stores.

Total same store gross profit in the U.S. during the Current Quarter decreased \$26.4 million, or 4.0%, as compared to the Prior Year Quarter, primarily driven by downward pressures on new and used vehicle margins and lower F&I PRU, partially offset by higher same store parts and service gross profit.

New vehicle retail same store gross profit underperformed the Prior Year Quarter, driven by a decrease in new vehicle retail same store gross profit per unit sold, partially offset by an increase in same store new vehicle retail units sold. The decrease in new vehicle retail same store gross profit per unit is due to modestly higher production and inventory levels of new vehicles for certain manufacturers as described above, compared to pre-COVID levels.

Used vehicle retail same store gross profit underperformed the Prior Year Quarter, driven by a decrease in used vehicle retail same store gross profit per unit sold, coupled with lower same store used vehicle retail units sold. These decreases were driven by the ongoing new vehicle supply shortage impacting the supply of used vehicles, as well as impacts from inflation reducing the disposable income of our customers and rising interest rates increasing the monthly cost of financing vehicles.

Our used vehicle wholesale same store gross profit underperformed the Prior Year Quarter, driven by a decrease in used vehicle wholesale same store gross profit per unit sold, partially offset by an increase in same store wholesale used vehicle units sold. The decrease in used vehicle wholesale same store gross profit per unit sold was driven by higher wholesale vehicle acquisition costs.

Parts and service same store gross profit outperformed the Prior Year Quarter, as described above for parts and service revenues.

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

Total same store gross margin decreased 187 basis points, primarily driven by the reasons described above for same store gross profit per unit sold for new vehicle retail, used vehicle retail, used vehicle wholesale and F&I, net. In addition, same store parts and service gross margin declined slightly, largely due to increased labor costs.

SG&A Expenses

SG&A as a percentage of gross profit increased 209 basis points and 304 basis points on an as reported and same store basis, respectively, compared to the Prior Year Quarter. The increase in SG&A as a percentage of gross profit on an as reported and same store basis was driven by the decline in reported and same store gross profit as well as higher expenses.

Total SG&A expenses in the U.S. during the Current Quarter increased \$10.1 million, or 2.6%, as compared to the Prior Year Quarter, primarily driven by the acquisition of stores and higher same store SG&A expenses. Total same store SG&A expenses in the U.S. during the Current Quarter, increased \$3.8 million, or 1.0%, as compared to the Prior Year Quarter, primarily driven by increased activity related to employee related costs, outside services and professional fees, loaner car related expenses, freight costs and advertising expenses compared to the Prior Year Quarter. In addition, the inflationary impacts described above contributed to the increase in same store SG&A expenses. These increases were partially offset by lower commission expenses and a favorable legal settlement.

Reported Operating Data — U.S.

(In millions, except unit data)

| | Six Months Ended June 30, | | | |
|---|---------------------------|-------------------|---------------------|----------|
| | 2023 | 2022 | Increase/(Decrease) | % Change |
| Revenues: | | | | |
| New vehicle retail sales | \$ 3,524.1 | \$ 2,994.9 | \$ 529.2 | 17.7 % |
| Used vehicle retail sales | 2,170.0 | 2,235.5 | (65.5) | (2.9)% |
| Used vehicle wholesale sales | 162.1 | 116.4 | 45.8 | 39.3 % |
| Total used | 2,332.1 | 2,351.9 | (19.8) | (0.8)% |
| Parts and service sales | 965.0 | 854.0 | 111.0 | 13.0 % |
| F&I, net | 320.8 | 327.9 | (7.0) | (2.1)% |
| Total revenues | <u>\$ 7,142.0</u> | <u>\$ 6,528.5</u> | <u>\$ 613.5</u> | 9.4 % |
| Gross profit: | | | | |
| New vehicle retail sales | \$ 324.8 | \$ 357.8 | \$ (33.0) | (9.2)% |
| Used vehicle retail sales | 121.8 | 142.3 | (20.6) | (14.5)% |
| Used vehicle wholesale sales | 3.4 | 5.1 | (1.7) | (32.4)% |
| Total used | 125.2 | 147.4 | (22.2) | (15.1)% |
| Parts and service sales | 516.4 | 464.1 | 52.3 | 11.3 % |
| F&I, net | 320.8 | 327.9 | (7.0) | (2.1)% |
| Total gross profit | <u>\$ 1,287.2</u> | <u>\$ 1,297.2</u> | <u>\$ (10.0)</u> | (0.8)% |
| Gross margin: | | | | |
| New vehicle retail sales | 9.2 % | 11.9 % | (2.7)% | |
| Used vehicle retail sales | 5.6 % | 6.4 % | (0.8)% | |
| Used vehicle wholesale sales | 2.1 % | 4.4 % | (2.3)% | |
| Total used | 5.4 % | 6.3 % | (0.9)% | |
| Parts and service sales | 53.5 % | 54.3 % | (0.8)% | |
| Total gross margin | 18.0 % | 19.9 % | (1.8)% | |
| Units sold: | | | | |
| Retail new vehicles sold | 67,578 | 61,125 | 6,453 | 10.6 % |
| Retail used vehicles sold | 70,746 | 72,463 | (1,717) | (2.4)% |
| Wholesale used vehicles sold | 14,916 | 12,060 | 2,856 | 23.7 % |
| Total used | <u>85,662</u> | <u>84,523</u> | <u>1,139</u> | 1.3 % |
| Average sales price per unit sold: | | | | |
| New vehicle retail | \$ 52,148 | \$ 48,996 | \$ 3,153 | 6.4 % |
| Used vehicle retail | \$ 30,672 | \$ 30,850 | \$ (178) | (0.6)% |
| Gross profit per unit sold: | | | | |
| New vehicle retail sales | \$ 4,806 | \$ 5,854 | \$ (1,048) | (17.9)% |
| Used vehicle retail sales | \$ 1,721 | \$ 1,964 | \$ (243) | (12.4)% |
| Used vehicle wholesale sales | \$ 231 | \$ 423 | \$ (192) | (45.3)% |
| Total used | \$ 1,462 | \$ 1,744 | \$ (283) | (16.2)% |
| F&I PRU | \$ 2,320 | \$ 2,454 | \$ (135) | (5.5)% |
| Other: | | | | |
| SG&A expenses | \$ 792.4 | \$ 747.2 | \$ 45.2 | 6.0 % |
| SG&A as % gross profit | 61.6 % | 57.6 % | 4.0 % | |

Same Store Operating Data — U.S.

(In millions, except unit data)

| | Six Months Ended June 30, | | | |
|---|---------------------------|-------------------|---------------------|----------|
| | 2023 | 2022 | Increase/(Decrease) | % Change |
| Revenues: | | | | |
| New vehicle retail sales | \$ 3,288.3 | \$ 2,914.6 | \$ 373.6 | 12.8 % |
| Used vehicle retail sales | 2,042.0 | 2,189.3 | (147.3) | (6.7)% |
| Used vehicle wholesale sales | 149.1 | 112.9 | 36.2 | 32.1 % |
| Total used | 2,191.1 | 2,302.2 | (111.1) | (4.8)% |
| Parts and service sales | 925.8 | 837.4 | 88.4 | 10.6 % |
| F&I, net | 303.7 | 319.8 | (16.1) | (5.0)% |
| Total revenues | <u>\$ 6,708.8</u> | <u>\$ 6,374.0</u> | <u>\$ 334.8</u> | 5.3 % |
| Gross profit: | | | | |
| New vehicle retail sales | \$ 301.6 | \$ 347.8 | \$ (46.2) | (13.3)% |
| Used vehicle retail sales | 115.5 | 139.3 | (23.8) | (17.1)% |
| Used vehicle wholesale sales | 3.4 | 5.1 | (1.6) | (32.2)% |
| Total used | 118.9 | 144.4 | (25.5) | (17.6)% |
| Parts and service sales | 493.9 | 454.1 | 39.8 | 8.8 % |
| F&I, net | 303.7 | 319.8 | (16.1) | (5.0)% |
| Total gross profit | <u>\$ 1,218.2</u> | <u>\$ 1,266.1</u> | <u>\$ (47.9)</u> | (3.8)% |
| Gross margin: | | | | |
| New vehicle retail sales | 9.2 % | 11.9 % | (2.8)% | |
| Used vehicle retail sales | 5.7 % | 6.4 % | (0.7)% | |
| Used vehicle wholesale sales | 2.3 % | 4.5 % | (2.2)% | |
| Total used | 5.4 % | 6.3 % | (0.8)% | |
| Parts and service sales | 53.4 % | 54.2 % | (0.9)% | |
| Total gross margin | 18.2 % | 19.9 % | (1.7)% | |
| Units sold: | | | | |
| Retail new vehicles sold | 63,570 | 59,051 | 4,519 | 7.7 % |
| Retail used vehicles sold | 67,187 | 70,676 | (3,489) | (4.9)% |
| Wholesale used vehicles sold | 13,991 | 11,576 | 2,415 | 20.9 % |
| Total used | <u>81,178</u> | <u>82,252</u> | <u>(1,074)</u> | (1.3)% |
| Average sales price per unit sold: | | | | |
| New vehicle retail | \$ 51,727 | \$ 49,358 | \$ 2,369 | 4.8 % |
| Used vehicle retail | \$ 30,393 | \$ 30,977 | \$ (584) | (1.9)% |
| Gross profit per unit sold: | | | | |
| New vehicle retail sales | \$ 4,745 | \$ 5,890 | \$ (1,145) | (19.4)% |
| Used vehicle retail sales | \$ 1,719 | \$ 1,972 | \$ (252) | (12.8)% |
| Used vehicle wholesale sales | \$ 245 | \$ 437 | \$ (192) | (43.9)% |
| Total used | \$ 1,465 | \$ 1,756 | \$ (290) | (16.5)% |
| F&I PRU | \$ 2,323 | \$ 2,465 | \$ (142) | (5.8)% |
| Other: | | | | |
| SG&A expenses | \$ 758.6 | \$ 747.6 | \$ 11.0 | 1.5 % |
| SG&A as % gross profit | 62.3 % | 59.0 % | 3.2 % | |

U.S. Region — Six Months Ended June 30, 2023 Compared to 2022

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 \$613.5 million, or 9.4%, as compared to the same period in 2022 (“Prior Year”), primarily driven by higher same store revenues and the acquisition of stores.

Total same store revenues in the U.S. during the Current Year increased \$334.8 million, or 5.3%, as compared to the Prior Year. This increase was primarily driven by higher revenues from new vehicle retail, parts and service and used vehicle wholesale sales, partially offset by lower used vehicle retail sales and F&I, net.

New and used vehicle retail revenues benefited from the sale of approximately 24,800 units from our online digital platform, AcceleRide®, during the Current Year, a 95.9% increase as compared to the Prior Year.

New vehicle retail same store revenues outperformed the Prior Year, driven by strong new vehicle retail pricing coupled with more units sold. New vehicle pricing has remained resilient from the prolonged shortage of new vehicle inventory, despite recent manufacturers’ production improvements. While new vehicle inventory levels remain depressed compared to pre-COVID levels, certain manufacturer vehicle deliveries were higher in the Current Year and as a result, our inventory levels were higher than the Prior Year, providing for the increase in units sold.

Used vehicle retail same store revenues underperformed the Prior Year, primarily driven by fewer units sold, coupled with slightly lower pricing, due to the ongoing new vehicle supply shortage impacting the supply of used vehicles, as well as impacts from inflation reducing the disposable income of our customers and rising interest rates increasing the monthly cost of financing vehicles. Used vehicle wholesale same store revenues increased primarily due to more wholesale units sold coupled with higher wholesale revenues per unit.

Parts and service same store revenues outperformed the Prior Year, primarily driven by increases across all business lines, reflecting increased business activity and increased same store technician headcount through our technician recruiting and retention efforts, providing greater capacity to meet increased demand. In addition to technician recruitment efforts, we have invested in improving the operations of our U.S. customer contact center, one-to-one marketing initiatives and by using artificial intelligence, making it easier for our customers to schedule appointments.

F&I, net same store revenues underperformed the Prior Year, primarily driven by lower penetration rates as a result of customers seeking alternative providers in this higher interest rate environment and tighter lending requirements requiring larger down payments. The underperformance was partially offset by higher same store new vehicle unit sales.

Gross Profit

Total gross profit in the U.S. during the Current Year decreased \$10.0 million, or 0.8%, as compared to the Prior Year, primarily driven by lower same store results, partially offset by the acquisition of stores.

Total same store gross profit in the U.S. during the Current Year decreased \$47.9 million, or 3.8%, as compared to the Prior Year, primarily driven by downward pressures on new and used vehicle margins and lower F&I PRU, partially offset by higher same store parts and service gross profit.

New vehicle retail same store gross profit underperformed the Prior Year, driven by a decrease in new vehicle retail same store gross profit per unit sold, partially offset by an increase in same store new vehicle retail units sold. The decrease in new vehicle retail same store gross profit per unit is due to modestly higher production and inventory levels of new vehicles for certain manufacturers as described above.

Used vehicle retail same store gross profit underperformed the Prior Year, driven by a decrease in used vehicle retail same store gross profit per unit sold, coupled with lower same store used vehicle retail units sold. These decreases were driven by the ongoing new vehicle supply shortage impacting the supply of used vehicles, as well as impacts from inflation reducing the disposable income of our customers and rising interest rates increasing the monthly cost of financing vehicles.

Our used vehicle wholesale same store gross profit underperformed the Prior Year, driven by a decrease in used vehicle wholesale same store gross profit per unit sold, partially offset by an increase in same store wholesale used vehicle units sold. The decrease in used vehicle wholesale same store gross profit per unit sold was driven by higher wholesale vehicle acquisition costs.

Parts and service same store gross profit outperformed the Prior Year, as described above for parts and service revenues.

F&I, net same store gross profit underperformed the Prior Year, as described above for F&I, net same store revenues.

Total same store gross margin decreased 171 basis points, primarily driven by the reasons described above for same store gross profit per unit sold for new vehicle retail, used vehicle retail, used vehicle wholesale and F&I, net. In addition, same store parts and service gross margin declined slightly, largely due to increased labor costs.

SG&A Expenses

SG&A as a percentage of gross profit increased 396 basis points and 323 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 an as reported and same store basis was driven by the decline in reported and same store gross profit as well as higher expenses.

Total SG&A expenses in the U.S. during the Current Year increased \$45.2 million, or 6.0%, as compared to the Prior Year, primarily driven by the acquisition of stores and higher same store SG&A expenses. Total same store SG&A expenses in the U.S. during the Current Year increased \$11.0 million, or 1.5%, as compared to the Prior Year, primarily driven by increased activity related to employee related costs, outside services and professional fees, loaner car related expenses, advertising expenses, freight costs and facilities related expenses compared to the Prior Year. In addition, the inflationary impacts described above contributed to the increase in same store SG&A expenses. These increases were partially offset by lower commission expenses and 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 |
|---|-----------------------------|-----------|----------------------|----------|---|----------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 327.6 | \$ 289.5 | \$ 38.1 | 13.2 % | \$ (1.3) | 13.6 % |
| Used vehicle retail sales | 310.7 | 307.8 | 2.9 | 0.9 % | (1.2) | 1.3 % |
| Used vehicle wholesale sales | 32.7 | 36.7 | (4.0) | (10.9)% | (0.1) | (10.7)% |
| Total used | 343.4 | 344.5 | (1.1) | (0.3)% | (1.3) | 0.1 % |
| Parts and service sales | 70.8 | 57.1 | 13.7 | 24.0 % | (0.2) | 24.4 % |
| F&I, net | 17.1 | 17.1 | — | (0.2)% | (0.1) | 0.1 % |
| Total revenues | \$ 758.9 | \$ 708.2 | \$ 50.7 | 7.2 % | \$ (2.8) | 7.6 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 30.8 | \$ 25.8 | \$ 5.0 | 19.6 % | \$ 0.1 | 19.3 % |
| Used vehicle retail sales | 16.8 | 15.8 | 1.0 | 6.2 % | (0.1) | 6.8 % |
| Used vehicle wholesale sales | (0.4) | (1.1) | 0.7 | 66.7 % | — | 66.9 % |
| Total used | 16.4 | 14.7 | 1.7 | 11.6 % | (0.1) | 12.3 % |
| Parts and service sales | 41.5 | 34.5 | 7.0 | 20.2 % | (0.1) | 20.5 % |
| F&I, net | 17.1 | 17.1 | — | (0.2)% | (0.1) | 0.1 % |
| Total gross profit | \$ 105.8 | \$ 92.1 | \$ 13.7 | 14.9 % | \$ (0.2) | 15.1 % |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.4 % | 8.9 % | 0.5 % | | | |
| Used vehicle retail sales | 5.4 % | 5.1 % | 0.3 % | | | |
| Used vehicle wholesale sales | (1.1)% | (3.0)% | 1.9 % | | | |
| Total used | 4.8 % | 4.3 % | 0.5 % | | | |
| Parts and service sales | 58.7 % | 60.5 % | (1.9)% | | | |
| Total gross margin | 13.9 % | 13.0 % | 0.9 % | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 8,045 | 7,195 | 850 | 11.8 % | | |
| Retail used vehicles sold | 10,458 | 10,384 | 74 | 0.7 % | | |
| Wholesale used vehicles sold | 3,057 | 3,455 | (398) | (11.5)% | | |
| Total used | 13,515 | 13,839 | (324) | (2.3)% | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 42,416 | \$ 40,241 | \$ 2,176 | 5.4 % | \$ (162) | 5.8 % |
| Used vehicle retail | \$ 29,708 | \$ 29,640 | \$ 68 | 0.2 % | \$ (113) | 0.6 % |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 3,829 | \$ 3,580 | \$ 249 | 7.0 % | \$ 10 | 6.7 % |
| Used vehicle retail sales | \$ 1,604 | \$ 1,521 | \$ 82 | 5.4 % | \$ (10) | 6.1 % |
| Used vehicle wholesale sales | \$ (119) | \$ (316) | \$ 197 | 62.4 % | \$ (1) | 62.6 % |
| Total used | \$ 1,214 | \$ 1,063 | \$ 151 | 14.2 % | \$ (8) | 15.0 % |
| F&I PRU | \$ 923 | \$ 973 | \$ (50) | (5.2)% | \$ (3) | (4.9)% |
| Other: | | | | | | |
| SG&A expenses | \$ 76.1 | \$ 66.6 | \$ 9.6 | 14.4 % | \$ (0.3) | 14.9 % |
| SG&A as % gross profit | 71.9 % | 72.2 % | (0.3)% | | | |

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 |
|---|-----------------------------|-----------|----------------------|----------|---|----------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 320.2 | \$ 288.7 | \$ 31.5 | 10.9 % | \$ (1.2) | 11.3 % |
| Used vehicle retail sales | 302.8 | 305.9 | (3.1) | (1.0)% | (1.1) | (0.6)% |
| Used vehicle wholesale sales | 31.7 | 36.5 | (4.8) | (13.2)% | (0.1) | (12.9)% |
| Total used | 334.5 | 342.5 | (7.9) | (2.3)% | (1.2) | (2.0)% |
| Parts and service sales | 65.1 | 54.5 | 10.6 | 19.4 % | (0.2) | 19.8 % |
| F&I, net | 16.7 | 17.0 | (0.3) | (1.8)% | (0.1) | (1.5)% |
| Total revenues | \$ 736.5 | \$ 702.6 | \$ 33.9 | 4.8 % | \$ (2.7) | 5.2 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 30.1 | \$ 25.7 | \$ 4.4 | 17.2 % | \$ 0.1 | 16.9 % |
| Used vehicle retail sales | 16.1 | 15.7 | 0.4 | 2.7 % | (0.1) | 3.4 % |
| Used vehicle wholesale sales | (0.4) | (1.1) | 0.7 | 66.2 % | — | 66.4 % |
| Total used | 15.7 | 14.6 | 1.1 | 7.8 % | (0.1) | 8.5 % |
| Parts and service sales | 39.0 | 33.3 | 5.6 | 16.9 % | (0.1) | 17.2 % |
| F&I, net | 16.7 | 17.0 | (0.3) | (1.8)% | (0.1) | (1.5)% |
| Total gross profit | \$ 101.5 | \$ 90.6 | \$ 10.9 | 12.0 % | \$ (0.2) | 12.2 % |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.4 % | 8.9 % | 0.5 % | | | |
| Used vehicle retail sales | 5.3 % | 5.1 % | 0.2 % | | | |
| Used vehicle wholesale sales | (1.1)% | (2.9)% | 1.8 % | | | |
| Total used | 4.7 % | 4.3 % | 0.4 % | | | |
| Parts and service sales | 59.9 % | 61.1 % | (1.3)% | | | |
| Total gross margin | 13.8 % | 12.9 % | 0.9 % | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 7,875 | 7,162 | 713 | 10.0 % | | |
| Retail used vehicles sold | 10,161 | 10,286 | (125) | (1.2)% | | |
| Wholesale used vehicles sold | 2,988 | 3,425 | (437) | (12.8)% | | |
| Total used | 13,149 | 13,711 | (562) | (4.1)% | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 42,383 | \$ 40,305 | \$ 2,077 | 5.2 % | \$ (163) | 5.6 % |
| Used vehicle retail | \$ 29,798 | \$ 29,740 | \$ 58 | 0.2 % | \$ (112) | 0.6 % |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 3,821 | \$ 3,585 | \$ 236 | 6.6 % | \$ 10 | 6.3 % |
| Used vehicle retail sales | \$ 1,584 | \$ 1,523 | \$ 61 | 4.0 % | \$ (10) | 4.7 % |
| Used vehicle wholesale sales | \$ (122) | \$ (314) | \$ 192 | 61.2 % | \$ (1) | 61.5 % |
| Total used | \$ 1,196 | \$ 1,064 | \$ 132 | 12.4 % | \$ (8) | 13.2 % |
| F&I PRU | \$ 925 | \$ 974 | \$ (49) | (5.0)% | \$ (3) | (4.7)% |
| Other: | | | | | | |
| SG&A expenses | \$ 73.6 | \$ 65.0 | \$ 8.6 | 13.3 % | \$ (0.3) | 13.7 % |
| SG&A as % gross profit | 72.5 % | 71.7 % | 0.8 % | | | |

U.K. Region — Three Months Ended June 30, 2023 Compared to 2022

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. The GBP to USD foreign currency exchange rate has fluctuated from £1 to \$1.21 at June 30, 2022, to £1 to \$1.27 at June 30, 2023, or an increase of 4.2%. Although the exchange rate has shown recent improvement, rate fluctuations during the period still negatively impact our U.K. results when translated from GBP to USD in the Current Quarter when compared to the Prior Year Quarter.

Revenues

Total revenues in the U.K. during the Current Quarter increased \$50.7 million, or 7.2%, as compared to the Prior Year Quarter, driven by higher same store results and the acquisition of stores, partially offset by the negative impact of foreign currency exchange rates.

Total same store revenues in the U.K. during the Current Quarter increased \$33.9 million, or 4.8%, as compared to the Prior Year Quarter. On a constant currency basis, total same store revenues increased 5.2%, driven primarily by outperformances of new vehicle retail same store revenues and parts and service same store revenues, partially offset by the underperformance of used vehicle same store revenues and F&I, net same store revenues.

New vehicle retail same store revenues, on a constant currency basis, outperformed the Prior Year Quarter, primarily driven by more units sold, coupled with higher new vehicle retail pricing. The shortage of new vehicle inventory, compared to pre-COVID levels, despite recent manufacturers' production improvements, drove strong pricing. Vehicle demand was and continues to be pent-up from past years due to Brexit and the COVID-19 pandemic. We ended the Current Quarter with a U.K. new vehicle inventory supply of 29 days, two days lower than the Prior Year Quarter.

Used vehicle retail same store revenues, on a constant currency basis, modestly underperformed the Prior Year Quarter, primarily driven by a decrease in units sold, along with retail sales prices remaining consistent with the Prior Year Quarter on a constant currency basis. Used vehicle retail same store units sold declined due to the ongoing new vehicle supply shortage impacting the supply of used vehicles compared to pre-COVID levels.

Parts and service same store revenues, on a constant currency basis, outperformed the Prior Year Quarter, driven by increased business activity across all of our parts and service business lines. We have grown technician headcount and invested in improvements to our U.K. customer contact center, streamlining operations to make scheduling appointments easier for customers.

F&I, net same store revenues, on a constant currency basis, modestly underperformed the Prior Year Quarter, driven by a decline in income per contract and penetration rates for finance fees, partially offset by an increase in retail units sold.

Gross Profit

Total gross profit in the U.K. during the Current Quarter increased \$13.7 million, or 14.9%, as compared to the Prior Year Quarter, primarily driven by higher same store results and the acquisition of stores, partially offset by the negative impact of foreign currency exchange rates.

Total same store gross profit in the U.K. during the Current Quarter increased \$10.9 million, or 12.0%, as compared to the Prior Year Quarter. On a constant currency basis, total same store gross profit increased 12.2% driven by improvements in new vehicle retail, total used vehicle and parts and service sales, partially offset by the decline in F&I, net gross profit.

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

Used vehicle retail same store gross profit, on a constant currency basis, outperformed the Prior Year Quarter, due to an increase in used vehicle retail same store gross profit per unit sold, partially offset by a decrease in used vehicle retail units sold. Used vehicle retail same store units sold declined due to the ongoing new vehicle supply shortage impacting the supply of used vehicles compared to pre-COVID levels.

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

F&I, net same store gross profit, on a constant currency basis, underperformed the Prior Year Quarter as described above in F&I, net same store revenues.

Total same store gross margin in the U.K. increased 88 basis points, driven by improvements in new vehicle retail gross margin due to higher prices from increased customer demand and vehicle supply constraints, described above. The increase was also driven by improvements in used vehicle retail gross margin resulting from the ongoing new vehicle supply shortage impacting the supply of used vehicles.

SG&A Expenses

SG&A as a percentage of gross profit decreased by 30 basis points and increased by 81 basis points on an as reported and same store basis, respectively, compared to the Prior Year Quarter.

Total SG&A expenses in the U.K. during the Current Quarter increased \$9.6 million, or 14.4%, as compared to the Prior Year Quarter, 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 Quarter increased \$8.6 million, or 13.3%, as compared to the Prior Year Quarter. On a constant currency basis, total same store SG&A expenses increased 13.7%. These increases were primarily driven by increased activity related to employee benefits and wages, commissions and facilities related expenses compared to the Prior Year Quarter.

Reported Operating Data — U.K.

(In millions, except unit data)

| | Six Months Ended June 30, | | | | Currency Impact on Current Period Results | Constant Currency % Change |
|---|---------------------------|------------|----------------------|----------|---|----------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 674.8 | \$ 601.6 | \$ 73.2 | 12.2 % | \$ (34.4) | 17.9 % |
| Used vehicle retail sales | 629.5 | 629.8 | (0.3) | — % | (33.5) | 5.3 % |
| Used vehicle wholesale sales | 62.3 | 72.9 | (10.6) | (14.6)% | (3.2) | (10.2)% |
| Total used | 691.8 | 702.7 | (10.9) | (1.6)% | (36.7) | 3.7 % |
| Parts and service sales | 145.3 | 121.5 | 23.8 | 19.6 % | (7.9) | 26.1 % |
| F&I, net | 34.6 | 35.4 | (0.8) | (2.2)% | (1.8) | 2.8 % |
| Total revenues | \$ 1,546.5 | \$ 1,461.2 | \$ 85.3 | 5.8 % | \$ (80.8) | 11.4 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 63.4 | \$ 53.7 | \$ 9.7 | 18.1 % | \$ (2.9) | 23.6 % |
| Used vehicle retail sales | 33.7 | 35.0 | (1.3) | (3.6)% | (1.9) | 1.9 % |
| Used vehicle wholesale sales | (0.6) | (1.5) | 0.9 | 61.1 % | — | 60.3 % |
| Total used | 33.1 | 33.5 | (0.3) | (1.0)% | (1.9) | 4.8 % |
| Parts and service sales | 85.1 | 73.4 | 11.7 | 15.9 % | (4.5) | 22.1 % |
| F&I, net | 34.6 | 35.4 | (0.8) | (2.2)% | (1.8) | 2.8 % |
| Total gross profit | \$ 216.2 | \$ 195.9 | \$ 20.3 | 10.3 % | \$ (11.2) | 16.1 % |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.4 % | 8.9 % | 0.5 % | | | |
| Used vehicle retail sales | 5.4 % | 5.6 % | (0.2)% | | | |
| Used vehicle wholesale sales | (0.9)% | (2.1)% | 1.1 % | | | |
| Total used | 4.8 % | 4.8 % | — % | | | |
| Parts and service sales | 58.5 % | 60.4 % | (1.9)% | | | |
| Total gross margin | 14.0 % | 13.4 % | 0.6 % | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 16,811 | 14,430 | 2,381 | 16.5 % | | |
| Retail used vehicles sold | 21,455 | 20,250 | 1,205 | 6.0 % | | |
| Wholesale used vehicles sold | 5,951 | 6,553 | (602) | (9.2)% | | |
| Total used | 27,406 | 26,803 | 603 | 2.2 % | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 41,566 | \$ 41,689 | \$ (123) | (0.3)% | \$ (2,119) | 4.8 % |
| Used vehicle retail | \$ 29,341 | \$ 31,101 | \$ (1,760) | (5.7)% | \$ (1,564) | (0.6)% |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 3,772 | \$ 3,721 | \$ 51 | 1.4 % | \$ (175) | 6.1 % |
| Used vehicle retail sales | \$ 1,572 | \$ 1,727 | \$ (155) | (9.0)% | \$ (90) | (3.8)% |
| Used vehicle wholesale sales | \$ (99) | \$ (230) | \$ 132 | 57.2 % | \$ 2 | 56.3 % |
| Total used | \$ 1,209 | \$ 1,249 | \$ (39) | (3.2)% | \$ (70) | 2.4 % |
| F&I PRU | \$ 904 | \$ 1,020 | \$ (116) | (11.4)% | \$ (46) | (6.8)% |
| Other: | | | | | | |
| SG&A expenses | \$ 150.3 | \$ 131.4 | \$ 18.9 | 14.4 % | \$ (7.9) | 20.3 % |
| SG&A as % gross profit | 69.5 % | 67.1 % | 2.4 % | | | |

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 |
|---|---------------------------|------------|----------------------|----------|---|----------------------------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change | | |
| Revenues: | | | | | | |
| New vehicle retail sales | \$ 659.1 | \$ 600.1 | \$ 59.0 | 9.8 % | \$ (33.6) | 15.4 % |
| Used vehicle retail sales | 612.4 | 626.2 | (13.8) | (2.2)% | (32.6) | 3.0 % |
| Used vehicle wholesale sales | 60.7 | 72.6 | (11.9) | (16.4)% | (3.1) | (12.1)% |
| Total used | 673.2 | 698.8 | (25.7) | (3.7)% | (35.7) | 1.4 % |
| Parts and service sales | 133.7 | 115.9 | 17.8 | 15.4 % | (7.2) | 21.7 % |
| F&I, net | 33.8 | 35.1 | (1.3) | (3.8)% | (1.7) | 1.1 % |
| Total revenues | \$ 1,499.8 | \$ 1,449.9 | \$ 49.8 | 3.4 % | \$ (78.3) | 8.8 % |
| Gross profit: | | | | | | |
| New vehicle retail sales | \$ 61.7 | \$ 53.6 | \$ 8.1 | 15.1 % | \$ (2.9) | 20.5 % |
| Used vehicle retail sales | 32.4 | 34.7 | (2.4) | (6.8)% | (1.9) | (1.4)% |
| Used vehicle wholesale sales | (0.6) | (1.5) | 0.9 | 59.3 % | — | 58.4 % |
| Total used | 31.8 | 33.3 | (1.5) | (4.4)% | (1.8) | 1.1 % |
| Parts and service sales | 79.9 | 70.6 | 9.3 | 13.1 % | (4.2) | 19.1 % |
| F&I, net | 33.8 | 35.1 | (1.3) | (3.8)% | (1.7) | 1.1 % |
| Total gross profit | \$ 207.1 | \$ 192.5 | \$ 14.6 | 7.6 % | \$ (10.7) | 13.1 % |
| Gross margin: | | | | | | |
| New vehicle retail sales | 9.4 % | 8.9 % | 0.4 % | | | |
| Used vehicle retail sales | 5.3 % | 5.5 % | (0.3)% | | | |
| Used vehicle wholesale sales | (1.0)% | (2.0)% | 1.0 % | | | |
| Total used | 4.7 % | 4.8 % | — % | | | |
| Parts and service sales | 59.7 % | 60.9 % | (1.2)% | | | |
| Total gross margin | 13.8 % | 13.3 % | 0.5 % | | | |
| Units sold: | | | | | | |
| Retail new vehicles sold | 16,452 | 14,374 | 2,078 | 14.5 % | | |
| Retail used vehicles sold | 20,821 | 20,071 | 750 | 3.7 % | | |
| Wholesale used vehicles sold | 5,844 | 6,493 | (649) | (10.0)% | | |
| Total used | 26,665 | 26,564 | 101 | 0.4 % | | |
| Average sales price per unit sold: | | | | | | |
| New vehicle retail | \$ 41,517 | \$ 41,751 | \$ (234) | (0.6)% | \$ (2,117) | 4.5 % |
| Used vehicle retail | \$ 29,413 | \$ 31,199 | \$ (1,786) | (5.7)% | \$ (1,566) | (0.7)% |
| Gross profit per unit sold: | | | | | | |
| New vehicle retail sales | \$ 3,748 | \$ 3,727 | \$ 21 | 0.6 % | \$ (174) | 5.2 % |
| Used vehicle retail sales | \$ 1,555 | \$ 1,730 | \$ (175) | (10.1)% | \$ (89) | (5.0)% |
| Used vehicle wholesale sales | \$ (103) | \$ (227) | \$ 124 | 54.8 % | \$ 2 | 53.8 % |
| Total used | \$ 1,192 | \$ 1,252 | \$ (60) | (4.8)% | \$ (69) | 0.7 % |
| F&I PRU | \$ 907 | \$ 1,020 | \$ (113) | (11.1)% | \$ (46) | (6.5)% |
| Other: | | | | | | |
| SG&A expenses | \$ 144.4 | \$ 131.2 | \$ 13.3 | 10.1 % | \$ (7.6) | 15.9 % |
| SG&A as % gross profit | 69.7 % | 68.1 % | 1.6 % | | | |

U.K. Region — Six Months Ended June 30, 2023 Compared to 2022

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. The GBP to USD foreign currency exchange rate has fluctuated from £1 to \$1.21 at June 30, 2022, to £1 to \$1.27 at June 30, 2023, or an increase of 4.2%. Although the exchange rate has shown recent improvement, rate fluctuations during the period still negatively impact our U.K. results when translated from GBP to USD in the Current Year when compared to the Prior Year.

Revenues

Total revenues in the U.K. during the Current Year increased \$85.3 million, or 5.8%, as compared to the Prior Year, driven by higher same store results and the acquisition of stores, partially offset by the negative impact of foreign currency exchange rates.

Total same store revenues in the U.K. during the Current Year increased \$49.8 million, or 3.4%, as compared to the Prior Year. On a constant currency basis, total same store revenues increased 8.8%, primarily driven by outperformances across all same store revenue streams except used vehicle wholesale.

New vehicle retail same store revenues, on a constant currency basis, outperformed the Prior Year Quarter, primarily driven by more units sold, coupled with improved new vehicle retail pricing. The shortage of new vehicle inventory, compared to pre-COVID levels, despite recent manufacturers' production improvements, continued to drive strong pricing. Vehicle demand was and continues to be pent-up from past years due to Brexit and the COVID-19 pandemic. We ended the Current Quarter with a U.K. new vehicle inventory supply of 29 days, two days lower than the Prior Year.

Used vehicle retail same store revenues, on a constant currency basis, outperformed the Prior Year, primarily driven by an increase in units sold, partially offset by lower retail sales prices on a constant currency basis. Used vehicle retail sales were negatively affected by inflationary impacts reducing the disposable income of our customers and rising interest rates increasing the monthly cost of financing vehicles, coupled with the ongoing new vehicle supply shortage impacting the supply of used vehicles compared to pre-COVID levels.

Parts and service same store revenues, on a constant currency basis, outperformed the Prior Year, driven by increased business activity across all of our parts and service business lines. We have grown technician headcount and invested in improvements to our U.K. customer contact center, streamlining operations to make scheduling appointments easier for customers.

F&I, net same store revenues, on a constant currency basis, outperformed the Prior Year, driven by an increase in retail units sold, partially offset by a decline in income per contract and penetration rates for finance fees.

Gross Profit

Total gross profit in the U.K. during the Current Year increased \$20.3 million, or 10.3%, as compared to the Prior Year, primarily driven by higher same store results and the acquisition of stores, partially offset by the negative impact of foreign currency exchange rates.

Total same store gross profit in the U.K. during the Current Year increased \$14.6 million, or 7.6%, as compared to the Prior Year. On a constant currency basis, total same store gross profit increased 13.1%, driven by improvements in new vehicle retail sales, parts and service sales and F&I, net, partially offset by downward pressures on used vehicle retail margin.

New vehicle retail same store gross profit, on a constant currency basis, outperformed the Prior Year, due to an increase in new vehicle retail units sold, coupled with an increase in new vehicle retail same store gross profit per unit sold from increased prices as described above.

Used vehicle retail same store gross profit, on a constant currency basis, underperformed the Prior Year, due to a decrease in used vehicle retail same store gross profit per unit sold, partially offset by an increase in used vehicle retail units sold. This decrease was caused by declines in same store retail used vehicle sales prices outpacing the decline in used vehicle cost of sales. Used vehicle retail sales were negatively affected by inflationary impacts, as discussed above in used vehicle retail same store revenues.

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

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

Total same store gross margin in the U.K. increased 53 basis points, driven by improvements in new vehicle retail gross margin due to higher prices from increased customer demand and vehicle supply constraints, described above. The increase was partially offset by a decrease in same store used vehicle retail gross margin, resulting from inflationary impacts reducing the disposable income of our customers and rising interest rates increasing the monthly cost of financing vehicles as well as the ongoing new vehicle supply shortage, and a decrease in parts and service same store margins due to increased labor costs.

SG&A Expenses

SG&A as a percentage of gross profit increased 244 and 163 basis points on an as reported and same store basis, respectively, compared to the Prior Year.

Total SG&A expenses in the U.K. during the Current Year increased \$18.9 million, or 14.4%, 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 \$13.3 million, or 10.1%, as compared to the Prior Year. On a constant currency basis, total same store SG&A expenses increased 15.9%. These increases were primarily driven by increased activity related to employee benefits and wages, demo and vehicle related expenses, commissions and facilities related expenses compared to the Prior Year. In addition, the inflationary impacts described above contributed to the increase in same store SG&A expenses.

Consolidated Selected Comparisons — Six Months Ended June 30, 2023 Compared to 2022

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

| | Three Months Ended June 30, | | | |
|---------------------------------------|-----------------------------|---------|----------------------|----------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change |
| Depreciation and amortization expense | \$ 23.1 | \$ 23.0 | \$ 0.1 | 0.6 % |
| Floorplan interest expense | \$ 15.6 | \$ 5.9 | \$ 9.7 | 165.3 % |
| Other interest expense, net | \$ 25.9 | \$ 18.5 | \$ 7.4 | 40.2 % |
| Provision for income taxes | \$ 57.6 | \$ 60.8 | \$ (3.2) | (5.3)% |

| | Six Months Ended June 30, | | | |
|---------------------------------------|---------------------------|----------|----------------------|----------|
| | 2023 | 2022 | Increase/ (Decrease) | % Change |
| Depreciation and amortization expense | \$ 45.5 | \$ 44.2 | \$ 1.4 | 3.1 % |
| Floorplan interest expense | \$ 28.2 | \$ 11.2 | \$ 17.1 | 153.1 % |
| Other interest expense, net | \$ 45.6 | \$ 35.9 | \$ 9.7 | 27.0 % |
| Provision for income taxes | \$ 105.2 | \$ 122.0 | \$ (16.8) | (13.8)% |

Depreciation and Amortization Expense

Depreciation and amortization expense for the Current Quarter and Current Year was higher compared to the Prior Year Quarter and Prior Year, primarily driven by acquired property and equipment in our U.S. region, as we continue to strategically add dealership related real estate and facilities 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

Our floorplan interest expense fluctuates with changes in our outstanding borrowings and associated interest rates, which are based on SOFR, the U.S. prime rate or other benchmark rates. Outstanding borrowings largely fluctuate based on our levels of new and used vehicle inventory. 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.

Total floorplan interest expense during the Current Quarter, increased \$9.7 million, or 165.3%, as compared to the Prior Year Quarter. For the Current Year, floorplan interest expense increased \$17.1 million, or 153.1%, as compared to the Prior Year. The increase in floorplan interest expense during the Current Quarter and Current Year was driven primarily by an increase in inventories due to improvements in manufacturer inventory as well as acquisitions, partially offset by realized gains on our interest rate swap portfolio due to increases in corresponding interest rates.

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

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.

Other interest expense, net during the Current Quarter, increased \$7.4 million, or 40.2%, as compared to the Prior Year Quarter. For the Current Year, other interest expense, net, increased \$9.7 million, or 27.0%, as compared to the Prior Year. The increase in other interest expense, net during the Current Quarter and Current Year was primarily attributable to the additional increase in borrowings used to acquire property in our U.S. region. The increase in the Current Year was partially offset by the gain on the de-designation of the mortgage interest rate swap of \$4.0 million. Refer to Note 9. Debt within our Notes to Condensed Consolidated Financial Statements for additional discussion of our debt. Refer to Note 7. Financial Instruments and Fair Value Measurements within our Notes to Condensed Consolidated Financial Statements for additional discussion of the de-designation of the mortgage interest rate swap.

Provision for Income Taxes

Provision for income taxes of \$57.6 million during the Current Quarter decreased by \$3.2 million, or 5.3%, as compared to the Prior Year Quarter. For the Current Year, our provision for income taxes of \$105.2 million decreased by \$16.8 million, or 13.8%, as compared to the Prior Year. The tax expense decrease in the Current Quarter and Current Year, as compared to the Prior Year, was primarily due to lower pre-tax book income. Our Current Quarter effective tax rate of 25.3% was higher than our Prior Year Quarter effective tax rate of 23.4%. The tax rate increase was primarily due to taxable gains from asset dispositions in the Current Quarter compared to the Prior Year Quarter and the U.K. tax rate increase.

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):

| | June 30, 2023 |
|---|----------------------|
| Cash and cash equivalents | \$ 22.8 |
| Floorplan offset accounts | 267.7 |
| Available capacity under Acquisition Line | 337.8 |
| Total liquidity | <u>\$ 628.3</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. 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, | | |
|---|---------------------------|-------------------|----------|
| | 2023 | 2022 | % Change |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net cash provided by operating activities: | \$ 239.0 | \$ 360.2 | (33.6)% |
| Change in Floorplan notes payable — credit facilities and other, excluding floorplan offset and net acquisitions and dispositions | 143.4 | 94.1 | |
| Change in Floorplan notes payable — manufacturer affiliates associated with net acquisitions and dispositions and floorplan offset activity | 4.3 | 2.2 | |
| Adjusted net cash provided by operating activities | <u>\$ 386.7</u> | <u>\$ 456.5</u> | (15.3)% |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Net cash used in investing activities: | \$ (369.1) | \$ (295.6) | (24.9)% |
| Change in cash paid for acquisitions, associated with Floorplan notes payable | 64.9 | 2.4 | |
| Change in proceeds from disposition of franchises, property and equipment, associated with Floorplan notes payable | (20.7) | (3.2) | |
| Adjusted net cash used in investing activities | <u>\$ (324.9)</u> | <u>\$ (296.4)</u> | (9.6)% |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net cash provided by (used in) financing activities: | \$ 103.0 | \$ (43.9) | 334.6 % |
| Change in Floorplan notes payable, excluding floorplan offset | (191.9) | (95.6) | |
| Adjusted net cash used in financing activities | <u>\$ (88.9)</u> | <u>\$ (139.4)</u> | 36.2 % |

Sources and Uses of Liquidity from Operating Activities — Six Months Ended June 30, 2023 Compared to 2022

For the Current Year, net cash provided by operating activities decreased by \$121.2 million, as compared to the Prior Year. On an adjusted basis for the same period, adjusted net cash provided by operating activities decreased by \$69.9 million. The decrease on an adjusted basis was primarily driven by a \$200.4 million increase in inventory levels and a \$69.9 million decrease in net income, partially offset by a \$148.9 million increase in floorplan notes payable - manufacturer affiliates.

Sources and Uses of Liquidity from Investing Activities — Six Months Ended June 30, 2023 Compared to 2022

For the Current Year, net cash used in investing activities decreased by \$73.5 million, as compared to the Prior Year. On an adjusted basis for the same period, adjusted net cash used in investing activities increased by \$28.5 million, primarily driven by a \$32.9 million decrease in proceeds from disposition of franchises and property and equipment and a \$23.7 million increase in purchases of property and equipment, including real estate, partially offset by a \$17.2 million decrease in acquisition activity.

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.

For the Current Year, \$86.7 million was used to purchase property and equipment.

Sources and Uses of Liquidity from Financing Activities — Six Months Ended June 30, 2023 Compared to 2022

For the Current Year, net cash provided by financing activities increased by \$146.9 million, as compared to the Prior Year. On an adjusted basis for the same period, adjusted net cash used in financing activities decreased by \$50.4 million. The decrease in net cash used in financing activities on an adjusted basis was primarily driven by decreases in net repayments on the acquisition line of \$225.1 million and decreases in share repurchases of \$188.1 million, partially offset by decreases in net borrowings on our Floorplan lines of \$302.6 million (representing the net cash activity in our floorplan offset account) and decreases in net borrowings of other debt of \$62.8 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, 2023 (in millions):

| | Total Commitment | Outstanding | Available |
|---|---------------------|-------------------|-----------------|
| U.S. Floorplan Line ⁽¹⁾ | \$ 1,200.0 | \$ 779.7 | \$ 420.3 |
| Acquisition Line ⁽²⁾ | 800.0 | 462.2 | 337.8 |
| Total revolving credit facility | 2,000.0 | 1,241.9 | 758.1 |
| FMCC Facility ⁽³⁾ | 300.0 | 67.5 | 232.5 |
| Total U.S. credit facilities ⁽⁴⁾ | <u>\$ 2,300.0</u> | <u>\$ 1,309.3</u> | <u>\$ 990.7</u> |

⁽¹⁾ The available balance at June 30, 2023, includes \$250.0 million of immediately available funds. The remaining available balance can be used for vehicle inventory financing.

⁽²⁾ The outstanding balance of \$462.2 million is related to outstanding letters of credit of \$12.2 million and \$450.0 million in borrowings. The borrowings outstanding under the Acquisition Line included \$450.0 million USD borrowings. The available borrowings may be limited from time to time, based on certain debt covenants.

⁽³⁾ The available balance at June 30, 2023, includes \$17.7 million of immediately available funds. The remaining available balance can be used for Ford new vehicle inventory financing.

⁽⁴⁾ The outstanding balance excludes \$313.3 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 4.00% 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, 2023, 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:

| | As of June 30, 2023 | |
|-------------------------------|---------------------|--------|
| | Required | Actual |
| Total adjusted leverage ratio | < 5.75 | 2.11 |
| Fixed charge coverage ratio | > 1.20 | 4.97 |

Based on our position as of June 30, 2023, 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, 2023.

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 six months ended June 30, 2023, 322,181 shares were repurchased at an average price of \$204.85 per share, for a total of \$66.0 million, excluding excise taxes of \$0.5 million. As of June 30, 2023, we had \$96.9 million available under our current stock repurchase authorization.

During the Current Quarter, our Board of Directors approved a quarterly cash dividend of \$0.45 per share on all shares of our common stock, which resulted in \$6.2 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, changes in laws and regulations, current economic environment and other factors considered relevant.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk affecting us, refer to Item 7A. Quantitative and Qualitative Disclosures About Market Risk in our 2022 Form 10-K. Our exposure to market risk has not changed materially since December 31, 2022.

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, 2023, 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, 2023, 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, 2023, there were no changes to the Risk Factors disclosed in Item 1A. Risk Factors of our 2022 Form 10-K.

Recent negative developments affecting the financial services industry, such as insolvency, defaults, or non-performance by financial institutions, could adversely affect our access to capital, liquidity, financial condition and results of operations.

During the Current Year, closures of SVB, Signature Bank and First Republic Bank and their placement into receivership with the FDIC created bank-specific and broader financial institution liquidity risk concerns. The FDIC, the U.S. Federal Reserve and the U.S. Department of the Treasury jointly announced that depositors at SVB, Signature Bank and First Republic Bank would have access to their funds, even those in excess of the standard FDIC insurance limits.

Although we are not a party to any transactions with SVB, Signature Bank, First Republic Bank or any other financial institution currently in receivership, we maintain cash and floorplan offset balances at banks and third-party financial institutions in excess of FDIC insurance limits. If any of our lenders or counterparties to any of our financial instruments were to be placed into receivership or become insolvent, our ability to access our capital and liquidity and process transactions could be impaired and could have a material adverse effect on our business, operations and financial condition. In addition, if any of our suppliers, customers or other parties with whom we conduct business are unable to access funds or lending arrangements with relevant financial institutions, such parties' ability to pay their obligations to us or to enter into new arrangements with us could be adversely affected. In the event of any future closure of other banks or financial institutions, there is no guarantee that the FDIC, the U.S. Federal Reserve and the U.S. Department of the Treasury will provide access, on a timely basis or at all, to uninsured funds. Finally, one financial institution that participated in our Revolving Credit Facility announced plans to terminate its auto floorplan lending during the first quarter of 2023. Although this lender's capacity has been replaced by an existing lender within our Revolving Credit Facility, we cannot predict the effects of future disruptions in the financial services industry on our financial condition and operations, nor that of our suppliers, vendors or customers.

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 Current Quarter:

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾ | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) ⁽¹⁾ |
|--------------------------------|----------------------------------|------------------------------|---|---|
| April 1, 2023 — April 30, 2023 | — | \$ — | — | \$ 128.5 |
| May 1, 2023 — May 31, 2023 | 130,956 | \$ 221.36 | 130,956 | \$ 99.5 |
| June 1, 2023 — June 30, 2023 | 10,243 | \$ 223.58 | 10,243 | \$ 96.9 |
| Total | 141,199 | | 141,199 | |

⁽¹⁾ Our Board of Directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. On November 16, 2022, our Board of Directors increased the share repurchase authorization by \$161.0 million to \$200.0 million. Our share repurchase authorization does not have an expiration date and is reduced by the amount of excise taxes incurred.

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, changes in laws and regulations, current economic environment and other factors considered relevant. As of June 30, 2023, we had \$96.9 million available under our current share repurchase authorization. Refer to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for additional information on share repurchases and authorization.

Item 5. Other Information

Effective on May 18, 2023, the Company amended its certificate of incorporation to, among other things, (1) eliminate personal liability of officers of the Company for monetary damages for breach of fiduciary duty as an officer of the Company, and (2) allow stockholders to remove directors of the Company with or without cause by majority vote of the stockholders. The Company also incorporated certain ministerial, clarifying and conforming changes to the certificate of incorporation. The amendments were approved at the Company's 2023 Annual Meeting of Shareholders.

The foregoing summary of the amendments to the Company's certificate of incorporation does not purport to be complete and is qualified in its entirety by reference to the complete text of the Third Amended and Restated Certificate of Incorporation, a copy of which is attached as Exhibit 3.1 to this Quarterly Report on Form 10-Q.

Item 6. Exhibits

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

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|------------------------------|--|
| 2.1# | 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) |
| 2.2 | Share Purchase 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) |
| 3.1* | — Third Amended and Restated Certificate of Incorporation of Group 1 Automotive, Inc. effective May 18, 2023 |
| 3.2 | — Fourth Amended and Restated Bylaws of Group 1 Automotive, Inc. effective February 15, 2023 (incorporated by reference to Exhibit 3.1 of Group 1 Automotive Inc.'s Current Report on Form 8-K (File No. 001-13461) filed on July 28, 2023) |
| 31.1* | — Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | — Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | — Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | — 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.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Group 1 Automotive, Inc.

Date: July 28, 2023

By: _____
/s/ Daniel J. McHenry
Daniel J. McHenry
Senior Vice President and Chief Financial Officer

**THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
GROUP 1 AUTOMOTIVE, INC.**

Group 1 Automotive, Inc. (the “Corporation”), a corporation organized and existing under the General Corporation Law of the State of Delaware (the “DGCL”), hereby certifies as follows:

1. The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on December 20, 1995 under the name Sterling Automotive Group, Inc. The Certificate of Incorporation of the Corporation was thereafter amended on December 12, 1996, amended and restated on February 10, 1997, and a Certificate of Designation of Series A Junior Participating Preferred Stock of Group 1 Automotive, Inc. was filed on October 10, 1997 pursuant to Section 151 of the DGCL (as so amended and restated, the “1997 Restated Certificate of Incorporation”).

2. The 1997 Restated Certificate of Incorporation was subsequently amended and restated on May 19, 2015 (as so amended and restated, the “2015 A&R Certificate of Incorporation”).

3. Pursuant to Sections 242 and 245 of the DGCL, this Third Amended and Restated Certificate of Incorporation restates and integrates and further amends the provisions of the 2015 A&R Certificate of Incorporation.

4. The 2015 A&R Certificate of Incorporation is hereby amended and restated in its entirety to read as follows:

FIRST: The name of the Corporation is Group 1 Automotive, Inc.

SECOND: The address of the registered office of the Corporation in the State of Delaware is 108 Lakeland Ave., in the City of Dover, County of Kent, Delaware 19901. The name of the registered agent of the Corporation at such address is Capitol Services, Inc.

THIRD: The nature of the business or purposes to be conducted or promoted by the Corporation is to engage in any lawful business, act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

FOURTH: The total number of shares of capital stock which the Corporation shall have authority to issue is 51,000,000 shares, consisting of 1,000,000 shares of Preferred Stock of the par value of \$.01 per share and 50,000,000 shares of Common Stock of the par value of \$.01 per share.

The following is a statement fixing certain of the designations and powers, voting powers, preferences, and relative, participating, optional or other rights of the Preferred Stock and the Common Stock of the Corporation, and the qualifications, limitations or restrictions thereof, and the authority with respect thereto expressly granted to the Board of Directors of the Corporation to fix any such provisions not fixed by this Certificate of Incorporation:

I. Preferred Stock

The Board of Directors is hereby expressly vested with the authority to adopt a resolution or resolutions providing for the issuance of authorized but unissued shares of Preferred Stock, which shares may be issued from time to time in one or more series and in such amounts as may be determined by the Board of Directors in such resolution or resolutions. The powers, voting powers, designations, preferences, and relative, participating, optional or other rights, if any, of each series of Preferred Stock and the qualifications, limitations or restrictions, if any, of such preferences and/or rights (collectively the “Series Terms”), shall be such as are stated and expressed in a resolution or resolutions providing for the creation or revision of such Series Terms (a “Preferred Stock Series Resolution”) adopted by the Board of Directors (or a committee of the Board of Directors to which such responsibility is specifically and lawfully delegated). The powers of the Board with respect to the Series Terms of a particular series shall include, but not be limited to, determination of the following:

(a) The number of shares constituting that series and the distinctive designation of that series, or any increase or decrease (but not below the number of shares thereof then outstanding) in such number;

(b) The dividend rate or method of determining dividends on the shares of that series, any conditions upon which such dividends shall be payable, and the date or dates or the method for determining the date or dates upon which such dividends shall be payable, whether such dividends, if any, shall be cumulative, and, if so, the date or dates from which dividends payable on such shares shall accumulate, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) Whether that series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(d) Whether that series shall have conversion or exchange privileges with respect to shares of any other class or classes of stock or of any other series of any class of stock, and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate upon occurrence of such events as the Board of Directors shall determine;

(e) Whether the shares of that series shall be redeemable, and, if so, the price or prices and the terms and conditions of such redemption, including their relative rights of priority, if any, of redemption, the date or dates upon or after which they shall be redeemable, provisions regarding redemption notices, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) Whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms, conditions and amount of such sinking fund;

(g) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution, or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series;

(h) The conditions or restrictions upon the creation of indebtedness of the Corporation or upon the issuance of additional Preferred Stock or other capital stock ranking on a parity therewith, or prior thereto, with respect to dividends or distribution of assets upon liquidation;

(i) The conditions or restrictions with respect to the issuance of, payment of dividends upon, or the making of other distributions to, or the acquisition or redemption of, shares ranking junior to the Preferred Stock or to any series thereof with respect to dividends or distribution of assets upon liquidation; and

(j) Any other designations, powers, preferences, and rights, including, without limitation, any qualifications, limitations, or restrictions thereof.

Any of the Series Terms, including voting rights, of any series may be made dependent upon facts ascertainable outside the Third Amended and Restated Certificate of Incorporation, as it may be amended and/or restated from time to time (herein referred to as the "Certificate of Incorporation") and the Preferred Stock Series Resolution, provided that the manner in which such facts shall operate upon such Series Terms is clearly and expressly set forth in the Certificate of Incorporation or in the Preferred Stock Series Resolution.

Subject to the provisions of this Article Fourth, shares of one or more series of Preferred Stock may be authorized or issued from time to time as shall be determined by and for such consideration as shall be fixed by the Board of Directors (or a designated committee thereof), in an aggregate amount not exceeding the total number of shares of Preferred Stock authorized by this Certificate of Incorporation. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the outstanding shares of Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holder is required pursuant to any Preferred Stock Series Resolution. Except in respect of series particulars fixed by the Board of Directors as permitted hereby, all shares of Preferred Stock shall be of equal rank and shall be identical. All shares of any one series of Preferred Stock so designated by the Board of Directors shall be alike in every particular, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

II. Common Stock

(a) Subject to the provisions of any Preferred Stock Series Resolution, the Board of Directors may, in its discretion, out of funds legally available for the payment of dividends and at such times and in such manner as determined by the Board of Directors, declare and pay dividends on the Common Stock of the Corporation. No dividend shall be declared or paid on any share or shares of any class of stock or series thereof ranking on a parity with the Common Stock in respect of payment of dividends for any dividend period unless there shall have been declared, for the same dividend period, like proportionate dividends on all shares of Common Stock then outstanding.

(b) In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation and payment or setting aside for payment of any preferential amount due to the holders of any other class or series of stock, the holders of the Common Stock shall be entitled to receive ratably any or all assets remaining to be paid or distributed.

(c) Subject to any special voting rights set forth in any Preferred Stock Series Resolution, the holders of the Common Stock of the Corporation shall be entitled at all meetings of stockholders to one vote for each share of such stock held by them. Except as may be provided in a Preferred Stock Series Resolution, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote.

III. Prior, Parity or Junior Stock

Whenever reference is made in this Article Fourth to shares “ranking prior to” another class of stock or “on a parity with” another class of stock, such reference shall mean and include all other shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends or as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are given preference over, or rank on an equality with, respectively, the rights of the holders of such other class of stock. Whenever reference is made to shares “ranking junior to” another class of stock, such reference shall mean and include all shares of the Corporation in respect of which the rights of the holders thereof as to the payment of dividends and as to distributions in the event of a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Corporation are junior and subordinate to the rights of the holders of such other class of stock.

Except as otherwise provided herein or in any Preferred Stock Series Resolution, each series of Preferred Stock ranks on a parity with each other and each ranks prior to Common Stock.

Common Stock ranks junior to Preferred Stock.

IV. Liquidation Notices

Written notice of any voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, stating payment date and the place where the distributable amounts shall be payable, shall be given by mail, postage prepaid, not less than thirty (30) days prior to the payment date stated therein, to the holders of record of the Preferred Stock, if any, at their respective addresses as the same shall appear on the books of the Corporation.

V. Reservation and Retirement of Shares

Unless otherwise provided in a Preferred Stock Series Resolution with respect to a particular series of Preferred Stock, the Corporation shall at all times reserve and keep available, out of its authorized but unissued shares of Common Stock or out of shares of Common Stock held in its treasury, the full number of shares of Common Stock into which any series of Preferred Stock having conversion privileges from time to time outstanding are convertible.

Unless otherwise provided in a Preferred Stock Series Resolution with respect to a particular series of Preferred Stock, all shares of Preferred Stock redeemed or acquired by the Corporation (as a result of conversion or otherwise) shall be retired and restored to the status of authorized but unissued shares.

VI. No Preemptive Rights

No holder of shares of stock of the Corporation shall have any preemptive or other rights, except as such rights are expressly provided by contract, to purchase or subscribe for or receive any shares of any class, or series thereof, of stock of the Corporation, whether now or hereafter authorized, or any warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock; but such additional shares of stock and such warrants, options, bonds, debentures or other securities convertible into, exchangeable for or carrying any right to purchase any shares of any class, or series thereof, of stock may be issued or disposed of by the Board of Directors to such persons, and on such terms and for such lawful consideration, as in its discretion it shall deem advisable or as to which the Corporation shall have by binding contract agreed.

VII. Registered Owner

The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

FIFTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

I. Directors

Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock, as provided herein or in any Preferred Stock Series Resolution, to elect additional directors under specific circumstances, the number of directors of the Corporation shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the total number of directors then serving on the Board of Directors (including for this purpose in such total any vacancies), but in no event shall the number of directors be fixed at less than three. Election of directors need not be by written ballot unless the Bylaws so provide.

The directors, other than those who may be elected by the holders of any series of Preferred Stock or any other series or class of stock, as provided herein or in any Preferred Stock Series Resolution, elected at any annual meeting of stockholders shall be elected for a term expiring at the next succeeding annual meeting of stockholders and until such director's successor shall have been duly elected and qualified, or until such director's earlier death, resignation or removal.

Subject to the rights of the holders of any series of Preferred Stock or any other series or class of stock, as provided herein or in any Preferred Stock Series Resolution, to elect directors under specific circumstances, any director may be removed from office at any time, with or without cause, by the affirmative vote of the holders of a majority of the voting power of the then outstanding capital stock of the Corporation entitled to vote generally in the election of directors (the "Voting Stock"), voting together as a single class.

II. Power to Amend Bylaws

The Bylaws may be altered or repealed and any new Bylaws may be adopted (a) at any annual or special meeting of stockholders if notice of the proposed alteration, repeal or adoption of the new Bylaw or Bylaws be contained in the notice of such annual or special meeting by the affirmative vote of a majority of the stock issued and outstanding and entitled to vote thereat, voting together as a single class, provided, however, that any proposed alteration or repeal of, or the adoption of any Bylaw inconsistent with, Section 1, 3 or 4 of Article III of the Bylaws by the stockholders shall require the affirmative vote of at least 80% of the stock issued and outstanding and entitled to vote thereat, voting together as a single class, or (b) by the affirmative vote of a majority of the members present at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors, without any action on the part of the stockholders.

III. Stockholders' Action — Only by Meeting; Special Meetings

Any action required or permitted to be taken by the stockholders of the Corporation after the date of the closing of the first public offering of Common Stock of the Corporation registered under the Securities Act of 1933, as amended must be taken at an annual or special meeting of such stockholders and may not be taken by any consent in writing of such stockholders. Special meetings of the stockholders after the date set forth in the immediately preceding sentence for any purpose or purposes shall be called only upon a request in writing therefor, stating the purpose or purposes thereof, delivered to the Chairman of the Board, the President, or the Secretary, signed by a majority of the directors, or by resolution of the Board of Directors.

SIXTH: Elimination of Certain Liability of Directors and Indemnification.

I. Elimination of Certain Liability of Directors and Officers

No director or officer shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty by such director or officer acting in such capacity, except for liability (a) of a director or officer for any breach of the director's or officer's duty of loyalty to the Corporation or its stockholders, (b) of a director or officer for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (c) of a director under Section 174 of the General Corporation Law of the State of Delaware, (d) of a director or officer for any transaction from which the director or officer derived an improper personal benefit, or (e) of an officer in any action by or in the right of the Corporation. Any amendment or repeal of this Section I of this Article Sixth: shall be prospective only, and neither the amendment nor repeal of this Section I of this Article Sixth: shall eliminate or reduce the effect of this Section I of this Article Sixth: in respect of any matter occurring, or any cause of action, suit or claim that, but for this Section I of this Article Sixth: would accrue or arise, prior to such amendment or repeal. If the Delaware General Corporation Law hereafter is amended to authorize corporate action further eliminating or limiting the liability of directors or officers, then the liability of a director or officer of the Corporation, in addition to the limitation on personal liability provided herein, shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended from time to time.

II. Indemnification and Insurance

(a) *Right to Indemnification.* Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a “proceeding”), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was or has agreed to become a director or officer of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director or officer, or in any other capacity while serving or having agreed to serve as a director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said Law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including, without limitation, attorneys’ fees, judgments, fines, excise taxes pursuant to the Employee Retirement Income Security Act of 1974 or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith and such indemnification shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder and shall inure to the benefit of his or her heirs, executors and administrators. The right to indemnification conferred in this Section II of this Article Sixth shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the Delaware General Corporation Law requires, the payment of such expenses incurred by a current, former or proposed director or officer in his or her capacity as a director or officer or proposed director or officer (and not in any other capacity in which service was or is or has been agreed to be rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such indemnified person, to repay all amounts so advanced if it shall ultimately be determined that such indemnified person is not entitled to be indemnified under this Section II or otherwise. The Corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the Corporation, individually or as a group, with the same scope and effect as the foregoing indemnification of directors and officers.

(b) *Right of Claimant to Bring Suit.* If a written claim from or on behalf of an indemnified party under paragraph (a) of this Section II is not paid in full by the Corporation within thirty days after such written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the Delaware General Corporation Law for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

(c) *Non-Exclusivity of Rights.* The right to indemnification and the advancement and payment of expenses conferred in this Section II shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of this Certificate of Incorporation, Bylaw, agreement, vote of stockholders or disinterested directors or otherwise.

(d) *Insurance.* The Corporation may maintain insurance, at its expense, to protect itself and any person who is or was serving as a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

(e) *Savings Clause.* If this Section II or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each director and officer of the Corporation, as to costs, charges and expenses (including attorneys’ fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Section II that shall not have been invalidated and to the fullest extent permitted by applicable law.

(f) *Definitions.* For purposes of this Section II, references to the “Corporation” shall include, in addition to the Corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger prior to (or, in the case of an entity specifically designated in a resolution of the Board of Directors, after) the adoption hereof and which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Section II with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

SEVENTH: The Corporation reserves the right to amend, change, or repeal any provision contained in the Certificate of Incorporation in the manner now or hereafter prescribed by law, and all rights and powers conferred herein on stockholders, directors, and officers are subject to this reserved power. Notwithstanding anything contained in this Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least 80% of the voting power of then outstanding Voting Stock, voting together as a single class, shall be required to amend or repeal Article Fifth or adopt any provision inconsistent therewith or to amend or repeal this Article Seventh or adopt any provision inconsistent herewith.

IN WITNESS WHEREOF, the Corporation has caused this Third Amended and Restated Certificate of Incorporation to be signed this 18th day of May, 2023.

By: /s/ Gillian A. Hobson
Name: Gillian A. Hobson
Title: Corporate Secretary

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

I, Daryl A. Kenningham, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2023 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/ Daryl A. Kenningham

Daryl A. Kenningham

Chief Executive Officer

Date: July 28, 2023

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, 2023 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

Daniel J. McHenry

Chief Financial Officer

Date: July 28, 2023

**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, 2023 filed with the Securities and Exchange Commission on the date hereof ("Report"), I, Daryl A. Kenningham, 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/ Daryl A. Kenningham

Daryl A. Kenningham
Chief Executive Officer

Date: July 28, 2023

**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, 2023 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

Daniel J. McHenry
Chief Financial Officer

Date: July 28, 2023