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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2022

or

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

For the transition period from to

Commission file number: 001-31262

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

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

Based on the closing price of the registrant's common stock as of June 30, 2022, the aggregate market value of the common stock held by non-affiliates of the registrant was $3.72 billion (based upon the assumption, solely for purposes of this computation, that all of the officers and directors of the registrant were affiliates of the registrant).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of February 23, 2023 was 21,687,409.

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K into which the document is incorporated:

Portions of the registrant's definitive Proxy Statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days after the end of the registrant's fiscal year, are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

ASBURY AUTOMOTIVE GROUP, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED
DECEMBER 31, 2022

PART I.

Forward-Looking Information

Certain of the discussions and information included or incorporated by reference in this report may constitute "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are statements that are not historical in nature and may include statements relating to our goals, plans and projections regarding industry and general economic trends, our expected financial position, results of operations or market position and our business strategy. Such statements can generally be identified by words such as "may," "target," "could," "would," "will," "should," "believe," "expect," "anticipate," "plan," "intend," "foresee," and other similar words or phrases. Forward-looking statements may also relate to our expectations and assumptions with respect to, among other things:

- the seasonally adjusted annual rate of new vehicle sales in the United States;
- general economic conditions and its expected impact on our revenue and expenses;
- our expected parts and service revenue due to, among other things, improvements in vehicle technology;
- our ability to limit our exposure to regional economic downturns due to our geographic diversity and brand mix;
- manufacturers' continued use of incentive programs to drive demand for their product offerings;
- our capital allocation strategy, including as it relates to acquisitions and divestitures, stock repurchases, dividends and capital expenditures;
- our revenue growth strategy;
- the growth of the brands that comprise our portfolio over the long-term;
- disruptions in the production and supply of vehicles and parts from our vehicle and parts manufacturers and other suppliers due to any ongoing impact of supply issues, including the global semiconductor chip shortage, which can disrupt our operations; and
- our estimated future capital expenditures, which can be impacted by increasing prices and labor shortages and acquisitions and divestitures.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual future results, performance or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward-looking statements. Such factors include, but are not limited to:

- the ability to acquire and successfully integrate acquired businesses into our existing operations and realize expected benefits and synergies from such acquisitions;
- the effects of increased expenses or unanticipated liabilities incurred as a result of, or due to activities related to our acquisitions or divestitures;
- changes in general economic and business conditions, including the current inflationary environment, the current rising interest rate environment, changes in employment levels, consumer confidence levels, consumer demand and preferences, the availability and cost of credit, fuel prices and levels of discretionary personal income;
- our ability to generate sufficient cash flows, maintain our liquidity and obtain any necessary additional funds for working capital, capital expenditures, acquisitions, stock repurchases, debt maturity payments and other corporate purposes, if necessary or desirable;
- significant disruptions in the production and delivery of vehicles and parts for any reason, including supply shortages (including semiconductor chips), the ongoing conflict in Russia and Ukraine, including any government sanctions imposed in connection therewith, natural disasters, severe weather, civil unrest, product recalls, work stoppages or other occurrences that are outside of our control;
- our ability to execute our automotive retailing and service business strategy while operating under restrictions and best practices imposed or encouraged by governmental and other regulatory authorities;
- our ability to successfully attract and retain skilled employees;
- our ability to successfully operate, including our ability to maintain, and obtain future necessary regulatory approvals, for Total Care Auto, Powered by Landcar ("TCA"), our F&I product provider;
- adverse conditions affecting the vehicle manufacturers whose brands we sell, and their ability to design, manufacture, deliver and market their vehicles successfully;
- changes in the mix and total number of vehicles we are able to sell;

- our outstanding indebtedness and our continued ability to comply with applicable covenants in our various financing and lease agreements, or to obtain waivers of these covenants as necessary;
- high levels of competition in our industry, which may create pricing and margin pressures on our products and services;
- our relationships with manufacturers of the vehicles we sell and our ability to renew, and enter into new framework and dealer agreements with vehicle manufacturers whose brands we sell, on terms acceptable to us;
- the availability of manufacturer incentive programs and our ability to earn these incentives;
- failure of our, or those of our third-party service providers, management information systems;
- any data security breaches occurring, including with regard to personally identifiable information ("PII");
- changes in laws and regulations governing the operation of automobile franchises, including trade restrictions, consumer protections, accounting standards, taxation requirements and environmental laws;
- changes in, or the imposition of, new tariffs or trade restrictions on imported vehicles or parts;
- adverse results from litigation or other similar proceedings involving us;
- our ability to consummate planned mergers, acquisitions and dispositions;
- any disruptions in the financial markets, which may impact our ability to access capital;
- our relationships with, and the financial stability of, our lenders and lessors;
- our ability to execute our initiatives and other strategies; and
- our ability to leverage scale and cost structure to improve operating efficiencies across our dealership portfolio.

Many of these factors are beyond our ability to control or predict, and their ultimate impact could be material. Moreover, the factors set forth under "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" below and other cautionary statements made in this report should be read and considered as forward-looking statements subject to such uncertainties. We urge you to carefully consider those factors.

Forward-looking statements speak only as of the date of this report. We expressly disclaim any obligation to update any forward-looking statement contained herein.

Additional Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to such reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are made available free of charge on our website at *http://www.asburyauto.com* as soon as practical after such reports are filed with the U.S. Securities and Exchange Commission (the "Commission"). In addition, the proxy statement that will be delivered to our stockholders in connection with our 2023 Annual Meeting of Stockholders, when filed, will also be available on our website, and at the URL stated in such proxy statement. We also make available on our website copies of our certificate of incorporation, bylaws, and other materials that outline our corporate governance policies and practices, including:

- the respective charters of our audit committee, governance and nominating committee, compensation and human resources committee, and capital allocation and risk management committee;
- our criteria for independence of the members of our board of directors, audit committee, and compensation and human resources committee;
- our Corporate Governance Guidelines; and
- our Code of Business Conduct and Ethics for Directors, Officers, and Employees.

We intend to provide any information required by Item 5.05 of Form 8-K (relating to amendments or waivers of our Code of Business Conduct and Ethics for Directors, Officers, and Employees) by disclosure on our website.

You may also obtain a printed copy of the foregoing materials by sending a written request to: Investor Relations Department, Asbury Automotive Group, Inc., 2905 Premiere Parkway, NW, Suite 300, Duluth, Georgia 30097. In addition, the Commission makes available on its website, free of charge, reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the Commission. The Commission's website is *http://www.sec.gov*. Unless otherwise specified, information contained on our website, available by hyperlink from our website or on the Commission's website, is not incorporated into this report or other documents we file with, or furnish to, the Commission.

Except as the context otherwise requires, "we," "our," "us," "Asbury," and "the Company" refer to Asbury Automotive Group, Inc. and its subsidiaries.

Item 1. BUSINESS

Asbury Automotive Group, Inc., a Delaware corporation organized in 2002, is a Fortune 500 company and one of the largest franchised automotive retailers in the United States with 139 new vehicle dealerships across 14 states. Our mission and vision is to put the guest experience first and follow our "North Star" to be the most guest-centric automotive retailer in the industry. We follow three key principles to guide us: (1) have a fun, supportive and inclusive culture where team members thrive personally while building meaningful bonds with one another; (2) be great brand ambassadors and exceptional stewards of capital for our partners who fuel our mission; and (3) be caring professionals who strive to delight our guests and foster love for the brand. Our strong organizational culture and purposeful mission allow us to continuously deliver best-in-class experiences to our guests. As of December 31, 2022, we owned and operated 186 new vehicle franchises, representing 31 brands of automobiles at 139 dealership locations, 32 collision centers, seven stand-alone used vehicle dealerships, one used vehicle wholesale business, one auto auction, and Total Care Auto, Powered by Landcar ("TCA" or "TCA Business"), our finance and insurance ("F&I") product provider, within 14 states. Our store operations are conducted by our subsidiaries.

We offer an extensive range of automotive products and services fulfilling the entire vehicle ownership lifecycle including new and used vehicles, parts and service, which includes vehicle repair and maintenance services, replacement parts and collision repair services (collectively referred to as "parts and services" or "P&S"), and F&I products, including arranging vehicle financing through third parties and aftermarket products, such as extended service contracts, guaranteed asset protection ("GAP") debt cancellation and prepaid maintenance. We strive for a diversified mix of products, services, brands and geographic locations which allows us to reduce our reliance on any one manufacturer, minimize the impact from changes in customer preference and maintain profitability across fluctuations in new vehicle sales. Our diverse revenue base, along with our commitment to operational excellence across our dealership portfolio, provides a resilient business model and strong profit margins.

Our omni-channel platform is designed to engage with customers where and when they want to interact and to increase our market share through digital innovation. We are focused on providing a high level of customer service and have designed our dealerships' services to meet the increasingly sophisticated needs of customers throughout the vehicle ownership lifecycle. Our digital capabilities further enhance our physical dealership network and drive additional revenue. Our ability to provide a low friction experience across our omni-channel platform drives customer satisfaction and repeat business across our dealership portfolio.

In December 2020, we introduced Clicklane, the automotive retail industry's first, end-to-end, 100% online vehicle retail tool. This differentiated platform offers our customers an easy, seamless and transparent approach to completing the purchase or sale of vehicles completely online inclusive of all documentation, loan origination and everything in between. We believe the Clicklane tool will further enhance our physical dealership network and creates a competitive advantage as the vehicle buying process evolves in a digital environment.

Acquisitions

On December 17, 2021, the Company completed the acquisition of the businesses of the Larry H. Miller ("LHM") Dealerships and TCA (collectively, the "LHM acquisition"), thereby acquiring 54 new vehicle dealerships, seven used cars stores, 11 collision centers, a used vehicle wholesale business, the real property related thereto, and the entities comprising the TCA business for a total purchase price of $3.48 billion. The purchase price was financed through a combination of cash, debt, including senior notes, real estate facilities, new and used vehicle floor plan facilities and the proceeds from the issuance of common stock. As a result of the transaction, the Company now operates in two reportable segments, the Dealerships and TCA segments.

In addition to the LHM acquisition, during the year ended December 31, 2021, we acquired the assets of 11 franchises (10 dealership locations) in the Denver, Colorado market and three franchises (one dealership location) in the Indianapolis, Indiana market for a combined purchase price of $485.7 million. We funded these acquisitions with an aggregate of $455.1 million of cash and $9.6 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, these acquisitions included purchase price holdbacks of $21.0 million for potential indemnity claims made by us with respect to the acquired franchises.

On August 24, 2020, the Company, through two of its subsidiaries, acquired substantially all of the assets of, and leased the real property related to, 12 new vehicle dealership franchises (eight dealership locations), two collision centers and an auto auction (collectively, the "Park Place acquisition"). The Park Place acquisition was financed through a combination of cash, floor plan facilities and seller financing. The seller financing comprised $150.0 million in aggregate principal amount of a 4.00% promissory note due August 2021 and $50.0 million in aggregate principal amount of a 4.00% promissory note due

February 2022 (collectively, the "Seller Notes"). In September 2020, the Company redeemed the Seller Notes with proceeds from the offering of 4.50% Notes due 2028 and 4.75% Notes due 2030.

In addition to the Park Place acquisition during the year ended December 31, 2020, we acquired the assets of three franchises (one dealership location) in the Denver, Colorado market for a combined purchase price of $63.6 million. We funded this acquisition with an aggregate of $34.5 million of cash and $27.1 million of floor plan borrowings for the purchase of the related new vehicle inventory.

There were no acquisitions during the year ended December 31, 2022.

Divestitures

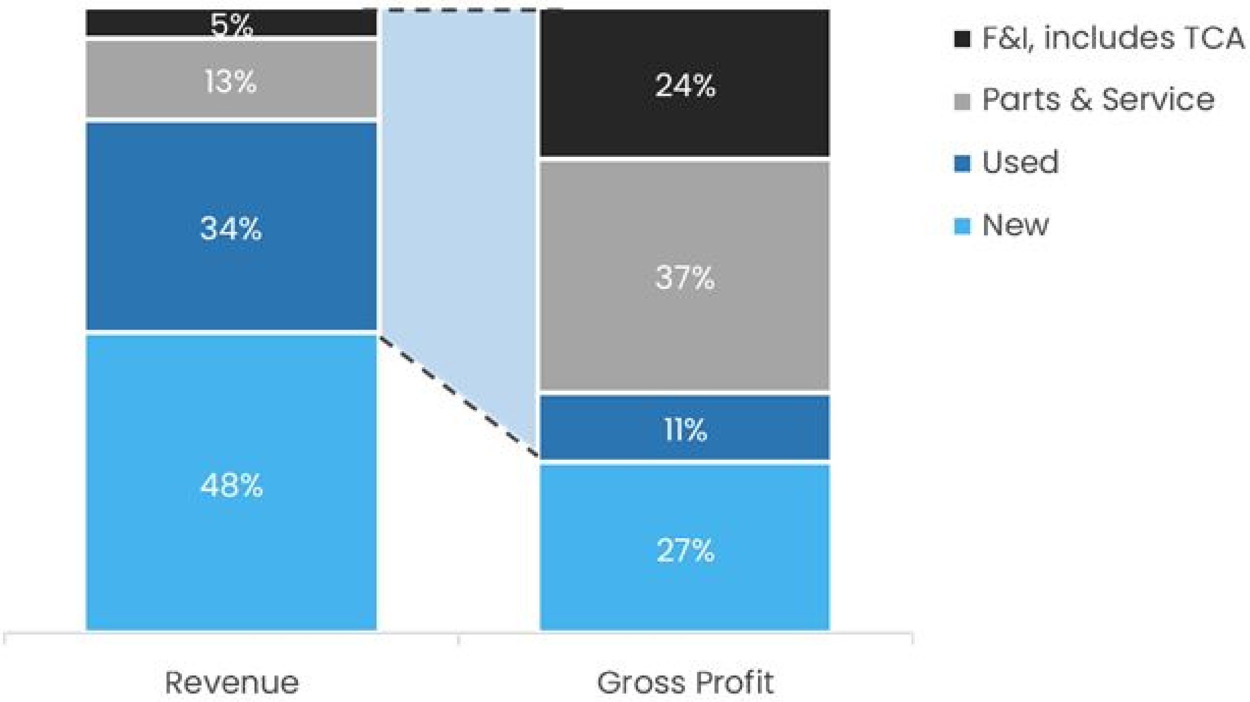
During the year ended December 31, 2022, we sold one franchise (one dealership location) in St. Louis, Missouri, three franchises (three dealership locations) and one collision center in Denver, Colorado, two franchises (two dealership locations) in Spokane, Washington, one franchise (one dealership location) in Albuquerque, New Mexico and 11 franchises (nine dealership locations) and two collision centers in North Carolina. The Company recorded a pre-tax gain totaling $207.1 million.

During the year ended December 31, 2021, we sold one franchise (one dealership location) in the Charlottesville, Virginia market. The Company recorded a pre-tax gain totaling $8.0 million.

During the year ended December 31, 2020, we sold two franchises (two dealership locations) in the Atlanta, Georgia market, six franchises (five dealership locations) and one collision center in the Jackson, Mississippi market, and one franchise (one dealership location) in the Greenville, South Carolina market. The Company recorded a pre-tax gain totaling $62.3 million.

Four Key Components of Our Business

The following chart presents the contribution to total revenue and gross profit by each line of business for the year ended December 31, 2022.



Our new vehicle franchise retail network within our Dealerships segment is made up of dealerships located in 14 states operating primarily under 15 locally branded dealership groups. The following chart provides a detailed breakdown of our states, brand names, and franchises as of December 31, 2022:

Dealership Group Brand Name	State	Franchise
Coggin Automotive Group	Florida	Acura, BMW, Buick, Chevrolet, Ford(a), GMC, Honda(d), Hyundai, Mercedes-Benz, Nissan(a), Toyota
Courtesy Autogroup	Florida	Chrysler, Dodge, Genesis, Honda, Hyundai, Infiniti, Jeep, Kia, Mercedes-Benz, Nissan, Sprinter, Toyota
Crown Automotive Company	South Carolina	Nissan
	Virginia	Acura, BMW(a), MINI
David McDavid Auto Group	Texas	Acura, Ford, Honda(a), Lincoln
Greenville Automotive Group	South Carolina	Jaguar, Land Rover, Porsche, Toyota, Volvo
Hare, Bill Estes & Kahlo Automotive Groups	Indiana	Buick, Chevrolet(b), Chrysler(a), Dodge(a), Ford, GMC, Honda, Isuzu, Jeep(a), Toyota
Larry H. Miller Dealerships	Arizona	Chrysler(b), Dodge(c), Fiat, Ford, Genesis, Hyundai, Jeep(b), Nissan, Toyota, Volkswagen(a)
	California	Toyota(a)
	Colorado	Chrysler(a), Dodge(b), Fiat, Ford, Jeep(a), Nissan(b), Volkswagen
	Idaho	Chrysler, Dodge, Honda, Jeep, Subaru
	New Mexico	Chevrolet, Chrysler(a), Dodge, Genesis, Hyundai(a), Jeep(a), Toyota
	Utah	Chevrolet(a), Chrysler(c), Dodge(c), Ford(b), Honda, Jeep(c), Lexus(a), Lincoln(a), Mercedes-Benz, Toyota, Sprinter
	Washington	Honda
Mike Shaw, Stevinson & Arapahoe Automotive Groups	Colorado	Subaru(a), Chevrolet, Chrysler, Dodge, Hyundai(a), Jaguar, Jeep, Lexus(a), Porsche, Toyota(a)
Nalley Automotive Group	Georgia	Acura, Audi, Bentley, BMW, Chevrolet, Honda, Hyundai, Infiniti(a), Kia, Lexus(a), Nissan, Toyota(b), Volkswagen
Park Place Automotive	Texas	Acura, Jaguar, Lexus(a), Land Rover, Mercedes-Benz(b), Porsche, Volvo, Sprinter(b)
Plaza Motor Company	Missouri	Audi, BMW, Infiniti, Jaguar, Land Rover, Mercedes-Benz(a), Sprinter(a)

(a) This state has two of these franchises.
(b) This state has three of these franchises.
(c) This state has four of these franchises.
(d) This state has five of these franchises.

Operations

New Vehicle Sales

The following table reflects the number of franchises we owned as of December 31, 2022 and the percentage of new vehicle revenues represented by class and franchise for the year ended December 31, 2022:

Class/Franchise	Number of Franchises Owned	% of New Vehicle Revenues
Luxury		
Lexus	8	9
Mercedes-Benz	8	8
Acura	6	2
BMW	5	4
Genesis	3	1
Infiniti	4	1
Jaguar	4	
Land Rover	3	1
Lincoln	3	1
Porsche	3	2
Volvo	2	1
Audi	1	1
Bentley	1	
Total Luxury	51	31
Import		
Toyota	14	17
Honda	13	9
Nissan	9	4
Hyundai	8	5
Sprinter	7	
Volkswagen	4	1
Subaru	3	2
Fiat	2	
Kia	2	2
MINI	1	
Isuzu	1	
Total Import	64	40
Domestic		
Chrysler, Dodge, Jeep, Ram	49	15
Ford	9	9
Chevrolet, Buick, GMC	13	5
Total Domestic	71	29
Total Franchises	186	100

* Franchise accounted for less than 1% of new vehicle revenues for the year ended December 31, 2022.

Our new vehicle revenues include new vehicle sales and lease transactions arranged by our dealerships with third-party financial institutions. We believe that leasing provides a number of benefits to our other business lines, including the historical customer loyalty to the leasing dealership for repairs and maintenance services and the fact that lessors typically give the leasing dealership the first option to purchase the off-lease vehicle.

Used Vehicle Sales

We sell used vehicles at all our franchised dealership locations, seven stand-alone used vehicle dealerships, one used vehicle wholesale business and one auto auction. Used vehicle sales include the sale of used vehicles to individual retail customers ("used retail") and the sale of used vehicles to other dealers at auction ("wholesale") (the terms "used retail" and "wholesale" collectively referred to as "used").

Gross profit from the sale of used vehicles depends primarily on our dealerships' ability to obtain a high quality supply of used vehicles and our use of technology to manage our inventory. Our new vehicle operations typically provide our used vehicle operations with a large supply of trade-ins and off-lease vehicles, which we believe are good sources of high quality used vehicles. We also purchase a portion of our used vehicle inventory at "open" auctions and auctions restricted to new vehicle dealers. Additionally, our used vehicle sales benefit from our ability to sell certified pre-owned vehicles from our franchised dealerships.

Parts and Service

We provide vehicle repair and maintenance services, sell replacement parts, and recondition used vehicles at all of our dealerships. In addition, we provide collision repair services at our 32 free-standing collision repair centers that we operate either on the premises of, or in close proximity to, our dealerships. Historically, parts and service revenues have been more stable than those from vehicle sales. Industry-wide, parts and service revenues have consistently increased over time primarily due to the increased cost of maintaining vehicles, the added technical complexity of vehicles, and the increasing number of vehicles on the road.

The automotive parts and service industry tends to be highly fragmented, with franchised dealerships and independent repair shops competing for this business. We believe, however, that the increased use of advanced technology in vehicles is making it difficult for independent repair shops to compete effectively with franchised dealerships as they may not be able to make the investment necessary to perform major or technical repairs. In an effort to maintain the necessary knowledge to service vehicles and further develop our technician staff, we focus on our internal and manufacturer specific training and development programs for new and existing technicians. We believe our parts and service business is also well-positioned to benefit from the service work potentially generated through the sale of extended service contracts to customers who purchase new and used vehicles from us, as historically these customers tend to have their vehicles serviced at the location where they purchased the extended service contract. In addition, our franchised dealerships benefit from manufacturer policies requiring that warranty and recall related repairs be performed at a franchised dealership. We believe our collision repair centers provide us with an attractive opportunity to grow our business due to the high margins provided by collision repair services and the fact that we are able to source original equipment manufacturer parts from our franchised dealerships.

Finance and Insurance

We offer a wide variety of automotive F&I products to our customers. Through the acquisition of TCA in December 2021, we offer extended vehicle service contracts, prepaid maintenance contracts, key replacement contracts, guaranteed asset protection contracts, paintless dent repair contracts, appearance protection contracts, tire and wheel, and lease wear and tear contracts. These F&I products are sold to our customers via our network of dealerships.

In addition to the TCA F&I products, we offer our customers a variety of vehicle protection products through independent third parties in connection with the purchase of vehicles. These products are underwritten and administered by these third parties. Under our arrangements with the providers of these products, we primarily sell the products on a straight commission basis. We are subject to chargebacks for service and other contracts as a result of early termination, default, or prepayment of the contract. In addition, we participate in future profits associated with the performance of the third-party held underlying portfolio for certain products pursuant to retrospective commission arrangements.

We also arrange third-party financing for the sale or lease of vehicles to our customers in exchange for compensation paid to us by the third-party financial institution. We do not directly finance our customers' vehicle purchases or leases, therefore our exposure to losses in connection with those third-party financing arrangements is limited generally to the compensation we receive. The compensation we receive is subject to chargeback, or repayment, to the third-party finance company if a customer defaults or prepays the retail installment contract typically during some limited time period at the beginning of the contract term. We have negotiated agreements with certain lenders pursuant to which we receive additional compensation upon reaching a certain volume of business.

F&I revenue in our Dealerships segment represents the commissions earned from both TCA and independent third parties related to a broad range of F&I products. This F&I revenue is presented net of third-party chargebacks.

F&I revenue in our TCA segment represents the premium revenue earned from customers for F&I products primarily sold in connection with the purchase of vehicles at our dealerships. The premium revenue is recognized over the life of the F&I product contract as services are provided. We capitalize costs to obtain customer contracts, employee sales commissions, and amortize those costs over the life of the contract. Amortization of costs to obtain customer contracts is included in selling, general and administrative expenses in the consolidated statements of income. The portion of commissions that are paid to affiliated dealerships are eliminated in the TCA segment upon consolidation. Claims paid related to the contracts are recognized in F&I cost of sales.

In addition, F&I revenue includes investment income and other gains and losses related to the performance of our investment portfolio.

Business Strategy

We seek to be the most guest-centric automotive retailer and to create long-term value for our stockholders by striving to drive operational excellence and deploy capital to its highest risk adjusted returns. To achieve these objectives, we employ the strategies described below.

Provide an exceptional customer experience in our stores.

We are guided by our mission and vision to be the most guest-centric automotive retailer in the industry and use that framework as our North Star. We have designed our dealerships' services to meet the needs of an increasingly sophisticated and demanding automotive consumer. We endeavor to establish relationships that we believe will result in both repeat business and additional business through customer referrals. Furthermore, we provide our dealership managers with appropriate incentives to employ efficient selling approaches, engage in extensive follow-up to develop long-term relationships with customers, and extensively train our sales staff to meet customer needs.

Further develop digital and omni-channel capabilities and drive Clicklane penetration across our coast-to-coast footprint.

As part of our omni-channel strategy, we implemented Clicklane, the automotive retail industry's first, end-to-end, 100% online vehicle retail tool, which offers our customers a convenient, seamless and transparent approach to purchase and sell vehicles completely online. Our Clicklane platform provides our customers with the ability to (i) select a new or used vehicle, (ii) arrange for and obtain financing from a variety of lenders, (iii) obtain an offer on their trade-in vehicle, (iv) obtain an exact pay-off amount on any existing loan on a trade-in vehicle, (v) select and purchase F&I products designed for the customer's vehicle and then (vi) complete the vehicle purchase and financing by signing the transaction documents and scheduling in-store pickup or home delivery, with each step performed entirely online. We have implemented Clicklane across all of our stores. The 2021 acquisitions have extended our footprint across seven western U.S. states including Arizona, California, Idaho, New Mexico, Colorado, Utah, and Washington.

Although we developed our Clicklane platform together with a third-party vendor, certain technology elements of the platform were developed solely by us and are subject to trade secret protection. In addition, our other omni-channel tools offer our customers the ability to arrange vehicle service appointments, receive service updates, and pay for maintenance and repair services online. We continue to invest in and develop omni-channel initiatives designed to deliver an exceptional customer experience.

Grow F&I product penetration and expand TCA's service offerings across the full dealership portfolio.

We are positioned to leverage the acquisition of LHM to improve profitability via the ownership of TCA, a highly scalable provider of a full-suite of F&I products. TCA's key offerings include vehicle service contracts, prepaid maintenance, protection plans, key and remote replacement, leased vehicle protection and tire and wheel protection. We are continuing to integrate TCA's service offerings across our full dealership portfolio to increase our F&I product penetration and profitability. We expect to complete the rollout of TCA's service offerings to all of our dealerships in 2023.

Attract, retain and invest in top talent to drive growth and optimize operations.

We believe the core of our business success lies in our talent pool, so we are focused on attracting, hiring and retaining the best people. We also invest in resources to train and develop our employees. Our executive management team has extensive experience in the auto retail sector and is able to leverage experience from all positions throughout the Company. In addition, we believe that local management of dealership operations enables our retail network to provide market specific responses to sales, customer service and inventory requirements. The general manager of each of our dealerships is responsible for the operations, personnel and financial performance of that dealership as well as other day-to-day operations.

Leverage scale and cost structure to improve operating efficiencies.

We are positioned to leverage our significant scale so that we are able to achieve competitive operating margins by centralizing and streamlining various back-office functions. We are able to improve financial controls and lower servicing costs by maintaining key store-level accounting and administrative activities in our shared service centers, and we leverage our scale to reduce costs related to purchasing certain equipment, supplies, and services through national vendor relationships. Similarly, we are able to leverage our scale to implement these best practices when integrating newly acquired dealerships allowing us to continue to improve our operating efficiencies.

Deploy capital to highest returns and continue to invest in the business.

Our capital allocation decisions are made within the context of maintaining sufficient liquidity and a prudent capital structure. We target a 2.5x to 3.5x adjusted net leverage ratio in a normal business environment. The Company’s adjusted net leverage ratio was 1.7x at December 31, 2022, compared to 2.7x at December 31, 2021. We believe our cash position and borrowing capacity, combined with our current and expected future cash generation capability, provides us with financial flexibility to, among other things, reinvest in our business, acquire dealerships and repurchase our stock, when prudent.

We continually evaluate our existing dealership network and seek to make strategic investments that will increase the capacity of our dealerships and improve the customer experience. In addition, we continue to execute on our strategy of selectively acquiring our leased properties where financing rates make it attractive to be an owner and provide us a further means to finance our business.

Evaluate opportunities to refine the dealership portfolio.

We continually evaluate the financial and operating results of our dealerships, as well as each dealership’s geographical location and, based on various financial and strategic rationales, may make decisions to dispose of dealerships to refine our dealership and real estate portfolio. We also evaluate dealership acquisition opportunities based on market position and geography, brand representation and availability, key personnel and other factors. Our approach to dispositions and acquisitions is highly disciplined with a focus on long-term strategic value to stockholders.

Execute our five-year strategic plan to target an increase in our annual revenue to $32 billion by 2025.

We continually evaluate additional opportunities to drive revenue growth while maintaining our disciplined approach to capital allocation. In December 2020, we announced our five-year strategic plan, targeting an increase in our revenue to $20 billion by 2025. In April 2022, the Company announced an update to this plan by increasing the annual revenue target to $32 billion by 2025. We intend to execute on this strategic plan by focusing on a variety of growth efforts including, driving same-store revenue growth, acquiring additional revenue through strategic acquisitions and adding incremental revenue through our Clicklane platform.

Competition

The automotive retail and service industry is highly competitive with respect to price, service, location, and selection. For new vehicle sales, our dealerships compete with other franchised dealerships, primarily in their regions. Our new vehicle store competitors also have franchise agreements with the various vehicle manufacturers, and as such, generally obtain new vehicle inventory from vehicle manufacturers on the same terms as us. The franchise agreements grant the franchised dealership a non-exclusive right to sell the manufacturer's (or distributor's) brand of vehicles and offer related parts and service within a specified market area. State automotive franchise laws restrict competitors from relocating their stores or establishing new stores of a particular vehicle brand within a specified area that is served by our dealership of the same vehicle brand. Recently, certain electric vehicle manufacturers have been permitted to circumvent the state automotive franchise laws of several states in the United States thereby permitting them to sell their new vehicles directly to consumers. We rely on our advertising and merchandising, sales expertise, service reputation, strong local branding, and location of our dealerships to assist in the sale of new vehicles.

Our used vehicle operations compete with other franchised dealerships, non-franchised automotive dealerships, regional and national vehicle rental companies, and internet-based vehicle brokers for the supply and resale of used vehicles.

We compete with other franchised dealerships to perform warranty and recall-related repairs and with other franchised dealerships and independent service centers for non-warranty repair and maintenance services. We compete with other automobile dealers, service stores, and auto parts retailers in our parts operations. We believe that we have a competitive advantage in parts and service sales due to our ability to use factory-approved replacement parts, our skilled manufacturer trained and certified technicians, our competitive prices, our familiarity with manufacturer brands and models, and the quality of our customer service.

We compete with a broad range of financial institutions in arranging financing for our customers' vehicle purchases. In addition, many financial institutions are now offering F&I products through the internet, which has increased competition and may reduce our profits on certain of these items. We believe the principal competitive factors in providing financing are convenience, interest rates, and flexibility in contract length.

Seasonality

The automobile industry has historically been subject to seasonal variations. Demand for new vehicles is generally highest during the second, third, and fourth quarters of each year and, accordingly, we expect our revenues and operating results to generally be higher during these periods. In addition, we typically experience higher sales of luxury vehicles, which have higher average selling prices and gross profit per vehicle retailed, in the fourth quarter. Revenues and operating results may be impacted significantly from quarter to quarter by changing economic conditions, vehicle manufacturer incentive programs, or adverse weather events.

Dealer and Framework Agreements

Each of our dealerships operate pursuant to a dealer agreement between the dealership and the manufacturer (or in some cases the distributor) of each brand of new vehicles sold and/or serviced at the dealership. The dealer agreements grant the franchised dealership a non-exclusive right to sell the manufacturer's (or distributor's) brand of vehicles and offer related parts and service within a specified market area. Each dealer agreement also grants our dealerships the right to use the manufacturer's trademarks and service marks in connection with the dealerships' operations and they also impose numerous operational requirements related to, among other things, the following:

- inventories of new vehicles and manufacturer replacement parts;
- maintenance of minimum net working capital requirements, and in some cases, minimum net worth requirements;
- achievement of certain sales and customer satisfaction targets;
- advertising and marketing practices;
- facilities and signs;
- products offered to customers;
- dealership management;
- personnel training;
- information systems;
- geographic market, including but not limited to requirements to meet sales and service targets within an assigned market area, geographic limitations on where the dealership may locate or advertise, and restrictions on the export of vehicles; and
- dealership monthly and annual financial reporting.

Our dealer agreements are for various terms, ranging from one year to indefinite. We expect that we will be able to renew expiring agreements in the ordinary course of business. However, typical dealer agreements give the manufacturer the right to terminate or the option of non-renewal of the dealer agreement under certain circumstances, subject to applicable state automotive dealership franchise laws, including:

- insolvency or bankruptcy of the dealership;
- failure to adequately operate the dealership or to maintain required capitalization levels;
- impairment of the reputation or financial condition of the dealership;
- change of ownership or management of the dealership without manufacturer consent;
- certain extraordinary corporate transactions such as a merger or sale of all or substantially all of our assets without manufacturer consent;
- failure to complete facility upgrades required by the manufacturer or agreed to by the dealer;
- failure to maintain any license, permits or authorization required to conduct the dealership's business;
- conviction of a dealer/manager or owner for certain crimes; or
- material breach of other provisions of a dealer agreement.

Notwithstanding the terms of any dealer agreement, the states in which we operate have automotive dealership franchise laws which provide that it is unlawful for a manufacturer to terminate or not renew a franchise unless "good cause" exists.

In addition to requirements under dealer agreements, we are subject to provisions contained in supplemental agreements, framework agreements, dealer addenda and manufacturers' policies, collectively referred to as "framework agreements." Framework agreements impose requirements on us in addition to those described above. Such agreements also define other standards and limitations, including:

- company-wide performance criteria;
- capitalization requirements;
- limitations on changes in our ownership or management;
- limitations on the number of a particular manufacturer's franchises owned by us;
- restrictions or prohibitions on our ability to pledge the stock of certain of our subsidiaries; and
- conditions for consent to proposed acquisitions, including sales and customer satisfaction criteria, as well as limitations on the total local, regional, and national market share percentage that would be represented by a particular manufacturer's franchises owned by us after giving effect to a proposed acquisition.

Some dealer agreements and framework agreements grant the manufacturer the right to terminate or not renew our dealer and framework agreements, or to compel us to divest our dealerships, for a number of reasons, including default under the agreement, any unapproved change of control (specific changes vary from manufacturer to manufacturer, but which include material changes in the composition of our Board of Directors during a specified time period, the acquisition of 5% or more of our voting stock by another vehicle manufacturer or distributor, the acquisition of 20% or more of our voting stock by third parties, and the acquisition of an ownership interest sufficient to direct or influence management and policies), or certain other unapproved events (including certain extraordinary corporate transactions such as a merger or sale of all or substantially all of our assets). Triggers of the clauses are often based upon actions by our stockholders and are generally outside of our control. Some of our dealer agreements and framework agreements also give the manufacturer a right of first refusal if we propose to sell any dealership representing the manufacturer's brands to a third-party. These agreements may also attempt to limit the protections available under applicable state laws and require us to resolve disputes through binding arbitration. For additional information, please refer to the risk factor captioned "We are dependent upon our relationships with the manufacturers of vehicles that we sell and are subject to restrictions imposed by, and significant influence from, these vehicle manufacturers. Any of these restrictions or any changes or deterioration of these relationships could have a material adverse effect on our business, financial condition, results of operations, and cash flows."

Our framework agreements with certain manufacturers contain provisions that, among other things, attempt to limit the protections available to dealers under these laws. If these laws are repealed in the states in which we operate, manufacturers may be able to terminate our franchises without providing us with advance notice, an opportunity to cure or a showing of good cause. Without the protection of these laws, it may also be more difficult for us to renew our dealer agreements upon expiration.

Changes in laws that provide manufacturers the ability to terminate our dealer agreements could materially adversely affect our business, financial condition and results of operations. Furthermore, if a manufacturer seeks protection from creditors in bankruptcy, courts have held that the federal bankruptcy laws may supersede these laws, resulting in either the termination, non-renewal or rejection of franchises by such manufacturers, which, in turn, could materially adversely affect our business, financial condition, and results of operations. For additional information, please refer to the risk factor captioned "If state laws that protect automotive retailers are repealed, weakened, or superseded by our framework agreements with manufacturers, our dealerships will be more susceptible to termination, non-renewal or renegotiation of their dealer agreements which could have a materially adverse effect on our business, financial condition, and results of operations."

Regulations

We operate in a highly regulated industry. In every state in which we operate, we must obtain one or more licenses issued by state regulatory authorities in order to operate our business. In addition, we are subject to numerous complex federal, state, and local laws regulating the conduct of our business, including those relating to our sales, operations, finance and insurance, marketing, and employment practices. These laws and regulations include state franchise laws and regulations, product standards and recalls, consumer protection laws, privacy and data security laws, anti-money laundering laws, and other extensive laws and regulations applicable to new and used motor vehicle dealers. These laws also include federal and state wage and hour, anti-discrimination, and other laws governing employment practices.

Industry Regulations

The Federal Trade Commission ("FTC") has regulatory authority over automotive dealers and has implemented enforcement initiatives relating to the marketing practices of automotive dealers. Our operations are also subject to the National

Traffic and Motor Vehicle Safety Act, Federal Motor Vehicle Safety Standards and other product standards promulgated by the United States Department of Transportation, and the rules and regulations of various state motor vehicle regulatory agencies.

Our financing activities with customers are subject to federal truth-in-lending, consumer leasing, and equal credit opportunity laws and regulations, as well as state and local motor vehicle finance laws, leasing laws, installment finance laws, usury laws, and other installment state and leasing laws and regulations. Some U.S. states regulate fees and charges that may be collected as a result of vehicle sales and service. Claims arising out of actual or alleged violations of law may be asserted against us or our stores by individuals or governmental entities and may expose us to significant damages, fines or other penalties, including revocation or suspension of our license to conduct store operations. Our financing activities, as well as our sale of finance and insurance products, may also be impacted indirectly by laws and regulations that govern automotive finance companies and other financial institutions, including regulations adopted by the Consumer Financial Protection Bureau (the "CFPB").

Our TCA Business involves the offer and sale of extended vehicle service contracts, debt protection products, vehicle protection plans and other miscellaneous vehicle protection products, which are subject to a wide range of federal, state and local laws and regulations. The Departments of Insurance of U.S. states have regulatory authority over our TCA Business. Our TCA Business is subject to state licensing and registration requirements, and financial responsibility and security requirements. For additional information, please refer to the risk factors captioned: "Our operations are subject to extensive governmental laws and regulations. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our operations, our business, our reputation, financial condition, results of operations, and prospects could suffer" and "Our TCA Business is subject to a wide range of federal, state and local laws and regulations, some of which we may have not have been previously been subject. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our TCA Business, our business, results of operations, financial condition, cash flows, reputation and prospects could suffer."

Environmental, Health and Safety Laws and Regulations

We are subject to a wide range of environmental laws and regulations, including those governing discharges into water, air emissions, storage of petroleum substances and chemicals, handling and disposal of solid and hazardous wastes, remediation of various types of contamination, and otherwise relating to health, safety and protection of the environment. For example, and without creating an exhaustive list: as with automobile dealerships generally, and service and parts and collision repair center operations in particular, our business involves the generation, use, handling, and disposal of hazardous or toxic substances and wastes and the use of above ground and underground storage tanks (ASTs and USTs). Operations involving the management of wastes and the use of ASTs and USTs are subject to requirements of the Resource Conservation and Recovery Act, analogous state statutes, and their implementing regulations. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storing, treating, transporting, and disposing of regulated substances and wastes with which we must comply. We also are subject to laws and regulations governing responses to any releases of contamination at or from our facilities or at facilities that receive our hazardous wastes for treatment or disposal. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state statutes, can impose strict and joint and several liability for cleanup costs on those that are considered to have contributed to the release of a "hazardous substance." We also are subject to the Clean Water Act, analogous state statutes, and their implementing regulations which, among other things, prohibit discharges of pollutants into regulated waters without permits, require containment of potential discharges of oil or hazardous substances, and require preparation of spill contingency plans.

We have incurred, and will continue to incur, costs and capital expenditures to comply with these laws and regulations. We believe that our operations currently are being conducted in substantial compliance with all applicable regulations. From time to time, we may experience incidents and encounter conditions that are not in compliance with regulations. We may occasionally receive notices from governmental agencies regarding potential violations of these laws or regulations. In such cases, we will work with the agencies to address any issues and to implement appropriate corrective action when necessary. However, none of our dealerships have been subject to any material liabilities in the past, nor do we know of any fact or condition that would result in any material liabilities being incurred in the future.

Human Capital

Mission and Vision

At Asbury, our North Star and our mission is to be the most guest-centric automotive retailer. Our success depends on our employees and their commitment to delivering a consistent and exceptional guest experience. Our employees work at locations in Colorado, Florida, Georgia, Indiana, Missouri, South Carolina, Texas, California, Arizona, New Mexico, Idaho, Utah, Washington and Virginia. We believe that our employees help to set us apart from our competitors, and, therefore, we understand they are our greatest asset. As a result, a critical part of our business strategy is investing in supporting and developing our employees so that they are trained and incentivized to provide best-in-class service to our guests.

As of December 31, 2022, we employed approximately 13,000 full-time and part-time employees, none of whom were covered by collective bargaining agreements. We believe we have good relations with our employees.

Diversity, Equity and Inclusion

We strive to recruit new employees based on their diversity of thought, background and experience as well as diversity of personal characteristics to best reflect our guests and communities we serve.

With the help and guidance of an outside consulting firm, we developed a diversity, equity and inclusion ("DE&I") initiative and launched a company-wide effort in November 2020 to identify our strengths and areas of opportunity related to our DE&I initiative. In May 2022, we hired a Vice President, Chief Diversity Equity and Inclusion Officer to help develop and guide our DEI strategy and practices. The goal of our DE&I initiative is to create more welcoming and inclusive workplaces throughout our dealerships and offices to enable us to attract, retain and develop the careers of diverse, highly talented team members. We intend to continue to learn and develop - working towards building a workplace where every Asbury team member feels included and welcomed.

Community Outreach

Through our Asbury Cares program, we support selected community partner organizations to focus on reducing social inequality. In 2021, to ensure widespread support for our outreach program, we awarded all of our employees with an additional 40 hours of paid time off per year that can only be used to volunteer with our local community partners.

A significant portion of our Asbury Cares Community Initiative revolves around education and making sure that young people in underserved communities have access to a quality education. We formed a partnership with HBCU Change, an app-based organization that lets users round up their spending and donate to historical black colleges and universities ("HBCU"). We learned that many HBCUs historically lag in funding and resources compared to other public or private universities and many have closed their doors in recent years. Many of our Asbury team members are proud HBCU alumni and these institutions provide a unique community of support and understanding for not only African American students, but students of all races and backgrounds.

In partnership with HBCU Change, we launched a campaign to help raise funds for HBCUs across the country and in the local communities where we operate. All the point-of-sale credit card machines in all our locations show a prompt asking our guests if they would like to round up their change or donate $1, $3, $5, or a custom amount to HBCUs in their communities. At the end of each quarter, the funds raised are donated to the HBCUs across the country.

Recruitment and Talent Development

When recruiting for open positions, we search for people of varying backgrounds, perspectives, and experiences in order to support a diverse and inclusive culture. We also partner with local colleges and trade schools to develop apprenticeship and internship programs. This allows us to help provide valuable training to entry-level candidates while also growing our pipeline.

Our goal is to promote employees from within to career growth opportunities whenever possible. We invest resources to train and develop our employees to reach their career goals. In 2022, we launched a training curriculum for all store positions. In addition, we offer our employees access to an online career path tool, which helps them plan their desired career path and see the required performance goals and milestones to be considered for a promotion. Our fixed operations organization encourages technicians to obtain and maintain certification status with our vehicle manufacturers, and in most cases, our dealership pays for the training. Our employees also attend vehicle manufacturer-sponsored and industry training events.

We pride ourselves on rewarding and developing talented and tenured employees.

Compensation and Benefits

We offer competitive compensation and benefits to attract and retain the best people, including the following benefits for our full-time employees:

- Health, dental, and vision benefits;
- Choice of multiple health, dental and vision plans;
- Discount for biometric screening and completion of health survey; and
- Employee assistance program.

Saving and retirement

- Holiday match; and
- 401(k) match.

Paid time off

- Up to 4 weeks paid time off;
- Paid pregnancy leave; and
- Paid parental leave.

Disability and accident insurance

- Short-term disability and long-term disability insurance;
- Accident insurance, hospital indemnity, employee critical illness insurance;
- Employer paid life insurance; and
- Supplemental life insurance.

Scholarships for education

- Annual scholarship program.

Broad employee equity ownership

- We also lead the industry by offering equity awards to frontline employees because we want them to be owners of our Company and committed to our long-term success.

Self-Insurance Programs

Due to the inherent risk in the automotive retail industry, our operations expose us to a variety of liabilities. These risks generally require significant levels of insurance covering liabilities such as claims from employees, customers, or other third parties, for personal injury and property-related losses occurring in the course of our operations. We may be subject to fines and civil and criminal penalties in connection with alleged violations of federal and state laws or regulatory environments. Further, the automobile retail industry is subject to substantial risk of real and personal property loss, due to the significant concentration of property values located at the various dealership locations.

Under our self-insurance programs, including property and casualty, workers' compensation, and medical, the Company retains various levels of aggregate loss limits and per-claim deductibles. In addition, the Company maintains separate insurance policies to address potential cyber and directors and officers exposures. We are self-insured for certain employee medical claims and maintain stop-loss insurance for individual claims.

Provisions for retained losses and deductibles are made by charges to expense based upon periodic evaluations of the estimated ultimate liabilities on reported and unreported claims. The insurance companies that underwrite our insurance require we secure certain of our obligations for deductible reimbursements with collateral. Our collateral requirements are set by the insurance companies and, to date, have been satisfied by posting surety bonds, letters of credit, and/or cash deposits. Our collateral requirements may change from time-to-time based on, among other things, our claims experience.

Item 1A. Risk Factors

In addition to the other information contained, referred to or incorporated by reference into this report, you should consider carefully the following factors when evaluating our business and before making an investment decision. Our business, operations, ability to implement our strategy, reputation, results of operations, financial condition, cash flows, and prospects may be materially adversely affected by the risks described below. In addition, other risks or uncertainties not presently known to us or that we currently do not deem material could arise, any of which could also materially adversely affect us.

Risks Related to Our Business

Operating Risks

Disruptions in the production and delivery of new vehicles and parts from manufacturers due to the lack of availability of parts and key components from suppliers, such as semiconductor chips and other component parts and supplies, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Historically, we have generated a significant portion of our revenue through new vehicle sales, and new vehicle sales also tend to lead to sales of higher-margin products and services, such as F&I products and vehicle-related parts and service. In addition, new vehicle buyers often trade in an owned vehicle, or turn in a leased vehicle, to us at the time of purchase, and these traded vehicles have historically been an important source for our used vehicle inventory. We rely exclusively on the various vehicle manufacturers for our new vehicle inventory and maintenance and replacement parts inventory. As a result, our profitability is dependent to a great extent on various aspects of vehicle manufacturers' operations and timely delivery of new vehicles and parts.

Certain vehicle manufacturers have suspended or slowed production of new vehicles, parts and other supplies due to significant shortages of semiconductor chips, parts and other key components. These production delays have negatively impacted our new vehicle and parts inventory levels, with parts shortages in turn adversely impacting our service and collision repair business. The shortage of new vehicle inventory has increased market demand for, and pricing of, used vehicles raising both revenue and gross profit per used vehicle retailed, but also has increased our costs of acquiring used vehicle inventory. Any prolonged severe shortages or unavailability of new vehicle inventory could have a material adverse effect on our business, results of operations, financial condition, and cash flows. In addition, the abatement of the global supply chain issues relating to semiconductor chips, parts and other key components may lead to an increase in the supply of new vehicles, which could have a material adverse effect on the levels of profitability on both new and used vehicles. We cannot predict with any certainty how long the automotive retail industry will continue to be subject to these shortages or when normalized production will resume at these manufacturers.

The novel coronavirus disease (COVID-19) global pandemic had, and may continue to have, a material impact on our business, financial condition and results of operations.

The COVID-19 global pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. Consumer spending may also be negatively impacted by general macroeconomic conditions, consumer confidence, supply chain disruptions, macroeconomic inflation and efforts to curtail inflation, which may negatively impact revenues.

Our profitability is, to a great extent, dependent on various aspects of vehicle manufacturers' operations. As a result of significant shortages of semiconductor chips, parts and key components, certain vehicle manufacturers have ceased or slowed production of new vehicles. We cannot predict with any certainty how long these production slowdowns in the automotive retail industry will persist and when normalized production will resume at these manufacturers. This disruption in our supply network has negatively impacted, and will continue to impact, our ability to maintain a desirable mix of popular new vehicles and parts that consumers demand at the time and in the volumes desired, all of which would adversely impact our revenues. While the supply disruption has reduced our new vehicle inventory supply, it has positively impacted our gross profit per vehicle retailed. As new vehicle inventories return to historic levels we would expect our new vehicle gross profit to return to pre-COVID levels.

The extent of the impact of the COVID-19 global pandemic on our business will depend on numerous evolving factors that we cannot accurately predict or assess. Even after the COVID-19 global pandemic has subsided, we may continue to experience adverse impacts to our business as a result of an economic recession or depression that has occurred or may occur in the future. These adverse impacts could include the negative impact it has on global and regional economies and economic activity; financial and capital markets, foreign currency exchange rates, inflation, commodity prices and interest rates; changes in consumer behavior and household debt levels, as well as its short and longer-term impact on the levels of consumer confidence.

Property loss or other uninsured liabilities could have a material adverse impact on our results of operations.

We are subject to substantial risk of property loss due to the significant concentration of property at dealership locations, including vehicles and parts. We have historically experienced business interruptions from time to time at several of our dealerships, due to actual or threatened adverse weather conditions or natural disasters, such as hurricanes, earthquakes, tornadoes, floods, hail storms, fires or other extraordinary events. Concentration of property at dealership locations also makes the automotive retail business particularly vulnerable to theft, fraud and misappropriation of assets. Illegal or unethical conduct by employees, customers, vendors, and unaffiliated third parties can result in loss of assets, disrupt operations, impact brand reputation, jeopardize manufacturer and other relationships, result in the imposition of fines or penalties, and subject us to governmental investigations or lawsuits. While we maintain insurance to protect against a number of losses, this insurance coverage often contains significant deductibles. In addition, we "self-insure" a portion of our potential liabilities, meaning we do not carry insurance from a third-party for such liabilities, and are wholly responsible for any related losses including for certain potential liabilities that some states prohibit the maintenance of insurance to protect against. In certain instances, our insurance may not fully cover a loss depending on the applicable deductible or the magnitude and nature of the claim. Additionally, changes in the cost or availability of insurance in the future could substantially increase our costs to maintain our current level of coverage or could cause us to reduce our insurance coverage and increase our self-insured risks. To the extent we incur significant additional costs for insurance, suffer losses that are not covered by in-force insurance or suffer losses for which we are self-insured, our financial condition, results of operations and cash flows could be materially adversely impacted.

If we are unable to acquire and successfully integrate additional businesses into our existing operations, and realize expected benefits and synergies from such acquisitions, our revenue and earnings growth may be adversely affected.

We believe that the automotive retailing industry is a mature industry whose sales are significantly impacted by the prevailing economic climate, both nationally and in local markets. Accordingly, we believe that our future growth depends in part on our ability to manage expansion, control costs in our operations and acquire and effectively integrate acquired dealerships into our organization. Specifically, with the consummation of the LHM acquisition, we have experienced significantly more sales, and have more assets and employees than we did prior to the transaction. The integration process will require us to expend significant capital and significantly expand the scope of our operations and financial systems. Integration also requires support or other actions by third-parties such as vendors, suppliers, and licensing agencies and the untimely or inadequate responses from such third-parties can delay or otherwise negatively impact the integration process.

When seeking to acquire other dealerships, we often compete with several other national, regional and local dealership groups, and other strategic and financial buyers, some of which may have greater financial resources than us. Competition for attractive acquisition targets may result in fewer acquisition opportunities for us and we may have to forgo acquisition opportunities to the extent we cannot negotiate such acquisitions on acceptable terms.

We also face additional risks commonly encountered with growth through acquisitions. These risks include, but are not limited to: (i) failing to obtain manufacturers’ consents to acquisitions of additional franchises; (ii) incurring significant transaction-related costs for both completed and failed acquisitions; (iii) incurring significantly higher capital expenditures and operating expenses; (iv) failing to integrate the operations and personnel of the acquired dealerships and impairing relationships with employees; (v) incorrectly valuing entities to be acquired or incurring undisclosed liabilities at acquired dealerships; (vi) disrupting our ongoing business and diverting our management resources to newly acquired dealerships; (vii) failing to achieve expected performance levels; (viii) impairing relationships with manufacturers and customers as a result of changes in management; (ix) failing to realize expected benefits and synergies from the transaction; and (ix) failing to implement or improve controls, policies and information systems and related security measures in the acquired businesses.

We may not adequately anticipate all the demands that our growth will impose on our personnel, procedures and structures, including our financial and reporting control systems, information technology systems, data processing systems, and management structure. Moreover, our failure to retain qualified management personnel at any acquired dealership may increase the risks associated with integrating the acquired dealership. If we cannot adequately anticipate and respond to these demands, we may fail to realize acquisition synergies and our resources will be focused on incorporating new operations into our structure rather than on areas that may be more profitable.

We are a holding company and as a result are dependent on our operating subsidiaries to generate sufficient cash and distribute cash to us to service our indebtedness and fund our ongoing operations.

Our ability to make payments on our indebtedness and fund our ongoing operations depends on our operating subsidiaries' ability to generate cash in the future and distribute that cash to us. It is possible that our subsidiaries may not generate cash from operations in an amount sufficient to enable us to service our indebtedness. In addition, many of our subsidiaries are required to comply with the provisions of franchise agreements, dealer agreements, other agreements with manufacturers, mortgages, and credit facility providers. Many of these agreements contain minimum working capital or net worth requirements, and are subject to change at least annually. Although the requirements contained in these agreements did not restrict our subsidiaries from distributing cash to us as of December 31, 2022, unexpected changes to our financial metrics or to the terms of our franchise agreements, dealer agreements, or other agreements with manufacturers could require us to alter the manner in which we distribute or use cash. If our operating subsidiaries are unable to generate and distribute sufficient cash to us to service our indebtedness and fund our ongoing operations, our financial condition may be materially adversely affected.

Our inability to execute a substantial portion of our business strategy, including our five-year strategic plan, could have an adverse effect on our business, results of operations, financial condition and cash flows.

Our inability to execute a substantial portion of our business strategy, including our five-year strategic plan, could adversely affect our business, results of operations, financial condition and cash flows. We seek to execute on our strategic plan using a variety of growth efforts including, driving same-store revenue growth, acquiring additional revenue through strategic acquisitions and adding incremental revenue through our Clicklane platform. Many of the factors that impact our ability to execute our strategic plan, such as the advancement of certain technologies, general economic conditions and legal and regulatory obstacles are beyond our control.

Consumers are increasingly shopping for new and used vehicles, automotive repair and maintenance service and other automotive products and services online and through mobile applications, including through third-party online and mobile sales platforms, with which we compete, that are designed to generate consumer sales that are sold to automotive dealers. We have invested and will continue to invest in our Clicklane platform and other online applications in furtherance of our strategic plan. We face increased competition for market share from other automotive retailers and other sales platforms that have also invested in digital channels. There can be no assurance that our initiatives and investments in digital channels will be successful or result in improved financial performance.

We may not adequately anticipate all the demands that our growth will impose on our personnel, procedures and structures, including our financial and reporting control systems, information technology systems, data processing systems, and management structure. Furthermore, we may decide to alter or discontinue aspects of our strategic plan and may adopt alternative or additional strategies in response to business or competitive factors or other factors or events beyond our control. We cannot give assurance that we will be able to execute a substantial portion of our strategic plan which could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

Goodwill and manufacturer franchise rights comprise a significant portion of our total assets. We must test our goodwill and manufacturer franchise rights for impairment at least annually, which could result in a material, non-cash write-down of goodwill or manufacturer franchise rights and could have a material adverse effect on our results of operations and stockholders' equity.

Our principal intangible assets are goodwill and our rights under our franchise agreements with vehicle manufacturers. Goodwill and indefinite-lived intangible assets, including manufacturer franchise rights, are subject to impairment assessments at least annually (or more frequently when events or changes in circumstances indicate that an impairment may have occurred), by applying a qualitative or quantitative assessment. A decrease in our market capitalization or profitability increases the risk of goodwill impairment. The fair value of our manufacturer franchise rights is determined by discounting a subset of the projected cash flows at a dealership that we attribute to the value of the franchise. Changes to the business mix or declining cash flows in a dealership increase the risk of impairment. However, we cannot accurately predict the amount and timing of any impairment charges at this time; however, any such impairment charge could have an adverse effect on our results of operations and stockholders' equity. See Note 10 "Goodwill and Intangible Franchise Rights" of the notes to consolidated financial statements for more information.

The loss of key personnel and limited management and personnel resources could adversely affect our business.

Our success depends, to a significant degree, upon the continued contributions of our management team, and service and sales personnel. In addition, manufacturer dealer or framework agreements may require the prior approval of the applicable manufacturer before any change is made in dealership general managers or other management positions. The loss of the services of one or more of these key employees may materially impair the profitability of our operations, or may result in a violation of an applicable dealer or framework agreement. In addition, the market for qualified employees in the industry and in the states in which we operate, specifically for general managers and sales and service personnel, is highly competitive and may subject us to increased labor costs during periods of low unemployment. The loss of the services of such employees or the inability to attract additional qualified employees may adversely affect the ability of our dealerships to conduct their operations in accordance with the standards set by us or the manufacturers. If we are unable to retain our key personnel, we may be unable to successfully execute our business plans, which may have a material adverse effect on our business.

Risks Related to Macroeconomic and Market Conditions

The automotive retail industry is sensitive to unfavorable changes in general economic conditions and various other factors that could affect demand for our products and services, which could have a material adverse effect on our business, our ability to implement our strategy and our results of operations.

Our future performance will be impacted by general economic conditions including among other things: changes in employment levels; consumer demand, preferences and confidence levels; the availability and cost of credit; fuel prices; levels of discretionary personal income; inflation; and interest rates. Recently, inflation has increased throughout the U.S. economy. Inflation can adversely affect us by increasing the costs of labor, fuel and other costs as well as by reducing demand for automobiles. Sales of certain vehicles, particularly trucks and sport utility vehicles that historically have provided us with higher gross profit per vehicle retailed, may be sensitive to fuel prices. In addition, rapid changes in fuel prices can cause shifts in consumer preferences which are difficult to accommodate given the long lead-time of inventory acquisition. Inflation is also often accompanied by higher interest rates, which could reduce the fair value of our outstanding debt obligations. Changes in interest rates can also significantly impact new and used vehicle sales and vehicle affordability due to the direct relationship between interest rates and monthly loan payments, a critical factor for many vehicle buyers, and the impact interest rates have on customers' borrowing capacity and disposable income. In an inflationary environment, depending on automotive industry and other economic conditions, we may be unable to raise prices to keep up with the rate of inflation, which would reduce our profit margins. We have experienced, and continue to experience, increases in the prices of labor, fuel and other costs of providing service. Continued inflationary pressures could impact our profitability.

We also are subject to economic, competitive, and other conditions prevailing in the various markets in which we operate, even if those conditions are not prominent nationally.

Retail vehicle sales are cyclical and historically have experienced periodic downturns characterized by oversupply and weak demand, which could result in a need for us to lower the prices at which we sell vehicles, which would reduce our revenue per vehicle sold and our margins. Additionally, a shift in consumer’s vehicle preferences driven by pricing, fuel costs or other factors may have a material adverse effect on our revenues, margins and results of operations.

Changes in general economic conditions may make it difficult for us to execute our business strategy. In such an event, we may be required to enter into certain transactions in order to generate additional cash, which may include, but not be limited to, selling certain of our dealerships or other assets or increasing borrowings under our existing, or any future, credit facilities. There can be no assurance that, if necessary, we would be able to enter into any such transactions in a timely manner or on reasonable terms, if at all. Furthermore, in the event we were required to sell dealership assets, the sale of any material portion of such assets could have a material adverse effect on our revenue and profitability.

Adverse conditions affecting one or more of the vehicle manufacturers with which we hold franchises or their inability to deliver a desirable mix of vehicles that our consumers demand could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Historically, we have generated most of our revenue through new vehicle sales, and new vehicle sales also tend to lead to sales of higher-margin products and services, such as finance and insurance products and vehicle-related parts and service. As a result, our profitability is dependent to a great extent on various aspects of vehicle manufacturers’ operations, many of which are outside of our control. Our ability to sell new vehicles is dependent on manufacturers’ ability to design and produce, and willingness to allocate and deliver to our dealerships, a desirable mix of popular new vehicles that consumers demand. For example, improvements in electric, battery-powered and hybrid gas/electric vehicles have increased consumer demand for such vehicles. If consumer demand increases for certain types of vehicles, including electric, battery-powered and hybrid gas/electric, and our manufacturers are not able to adapt and produce such vehicles that meet consumer demands, our new and used vehicle sales volumes, parts and service revenue and our results of operations may be adversely affected. Further, if manufacturers shift significant resources away from traditional production models to invest in clean vehicles and new technologies, we may experience an inadequate supply of historically popular vehicles and other adverse effects on our new and used vehicle sales volume, parts and service revenue and our results of operations until such time as consumer preferences for clean vehicles and other new technologies become widespread. In addition, popular vehicles may often be difficult to obtain from manufacturers for a number of reasons, including the fact that manufacturers generally allocate their vehicles to dealerships based on sales history and capital expenditures associated with such dealerships. Further, if a manufacturer fails to produce desirable vehicles or develops a reputation for producing undesirable vehicles or produces vehicles that do not comply with applicable laws or government regulations, and we own dealerships which sell that manufacturer’s vehicles, our revenues from those dealerships could be adversely affected as consumers shift their vehicle purchases away from that brand.

Although we seek to limit our dependence on any one vehicle manufacturer, there can be no assurance that the brand mix allocated and delivered to our dealerships by the manufacturers will be appropriate or sufficiently diverse, to protect us from a significant decline in the desirability of vehicles manufactured by a particular manufacturer or disruptions in a manufacturer's ability to produce vehicles. For the year ended December 31, 2022, manufacturers representing 5% or more of our revenues from new vehicle sales were as follows:

Manufacturer (Vehicle Brands):	% of Total New Vehicle Revenues
Toyota Motor Sales, U.S.A., Inc. (*Toyota and Lexus*)	26 %
Stellantis N.V. (*Chrysler, Dodge, Jeep, Ram and Fiat*)	15 %
American Honda Motor Co., Inc. (*Honda and Acura*)	11 %
Ford Motor Company (*Ford and Lincoln*)	10 %
Mercedes-Benz USA, LLC (*Mercedes-Benz and Sprinter*)	8 %
Hyundai Motor North America (*Hyundai and Genesis*)	6 %
General Motors Company (*Chevrolet, Buick and GMC)*	5 %
Nissan North America, Inc. (*Nissan and Infiniti*)	5 %

Similar to automotive retailers, vehicle manufacturers may be affected by the long-term U.S. and international economic climate. In addition, we remain vulnerable to other matters that may impact the manufacturers of the vehicles we sell, many of which are outside of our control, including: (i) changes in their respective financial condition; (ii) changes in their respective marketing efforts; (iii) changes in their respective reputation; (iv) manufacturer and other product defects, including recalls; (v) changes in their respective management; (vi) disruptions in the production and delivery of vehicles and parts due to natural disasters or other reasons (for example, shortages in the supply of semiconductor chips may continue to adversely impact the number of vehicles which manufacturers are able to produce); and (vii) issues with respect to labor relations. Our business is highly dependent on consumer demand and brand preferences for our manufacturers' products. Manufacturer recall campaigns are a common occurrence that have accelerated in frequency and scope. Manufacturer recall campaigns could (i) adversely affect our new and used vehicle sales or customer residual trade-in valuations, (ii) cause us to temporarily remove vehicles from our inventory, (iii) force us to incur increased costs, and (iv) expose us to litigation and adverse publicity related to the sale of recalled vehicles, which could have a material adverse effect on our business, results of operations, financial condition and cash flows. Vehicle manufacturers that produce vehicles outside of the U.S. are subject to additional risks including changes in quotas, tariffs or duties, fluctuations in foreign currency exchange rates, regulations governing imports and the costs related thereto, and foreign governmental regulations.

Adverse conditions that materially affect a vehicle manufacturer and its ability to profitably design, market, produce or distribute desirable new vehicles could in turn materially adversely affect our ability to (i) sell vehicles produced by that manufacturer, (ii) obtain or finance our new vehicle inventories, (iii) access or benefit from manufacturer financial assistance programs, (iv) collect in full or on a timely basis any amounts due therefrom, and/or (v) obtain other goods and services provided by the impacted manufacturer. In addition, we depend on manufacturers' ability to design, produce, and supply parts to us and any failure to do so could have a material adverse effect on our parts and services business. Our business, results of operations, financial condition, and cash flows could be materially adversely affected as a result of any event that has an adverse effect on any vehicle manufacturer.

In addition, if a vehicle manufacturer's financial condition worsens and it seeks protection from creditors in bankruptcy or similar proceedings, or otherwise under the laws of its jurisdiction of organization, (i) the manufacturer could seek to terminate or reject all or certain of our franchises, (ii) if the manufacturer is successful in terminating all or certain of our franchises, we may not receive adequate compensation for those franchises, (iii) our cost to obtain financing for our new vehicle inventory may increase or no longer be available from such manufacturer's captive finance subsidiary, (iv) consumer demand for such manufacturer's products could be materially adversely affected, especially if costs related to improving such manufacturer's financial condition are factored into the price of its products, (v) there may be a significant disruption in the availability of consumer credit to purchase or lease that manufacturer's vehicles or negative changes in the terms of such financing, which may negatively impact our sales, or (vi) there may be a reduction in the value of receivables and inventory associated with that manufacturer, among other things. The occurrence of any one or more of these events could have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Furthermore, the automotive manufacturing supply chain spans the globe. As such, supply chain disruptions resulting from natural disasters, adverse weather and other events may affect the flow of vehicle and parts inventories to us or our manufacturing partners. For example, in early 2020, the outbreak of a novel coronavirus in Wuhan, China led to quarantines of a significant number of cities across the United States and other countries and widespread disruptions to travel and economic activity. Until such time as the coronavirus is fully contained and the supply chain shortages of semiconductor chips, parts and other key components are addressed, we may continue to experience disruptions in the supply of vehicle and parts inventories, which could have a material adverse effect on our business, results of operations, financial condition, and cash flows.

Substantial competition in automobile sales and services may have a material adverse effect on our results of operations.

The automotive retail and service industry is highly competitive with respect to price, service, location, and selection. Our competition includes: (i) franchised automobile dealerships in our markets that sell the same or similar new and used vehicles; (ii) privately negotiated sales of used vehicles; (iii) other used vehicle retailers, including regional and national vehicle rental companies; (iv) companies with a primarily internet-based business model, such as Carvana, and used vehicle brokers that sell used vehicles to consumers; (v) service center and parts supply chain stores; and (vi) independent service and repair shops.

We do not have any cost advantage over other retailers in purchasing new vehicles from manufacturers. We typically rely on our advertising, merchandising, sales expertise, service reputation, strong local branding and dealership location to sell new vehicles. Because our dealer agreements only grant us a non-exclusive right to sell a manufacturer's product within a specified market area, our revenues, gross profit and overall profitability may be materially adversely affected if competing dealerships expand their market share. Further, our vehicle manufacturers may decide to award additional franchises in our markets in ways that negatively impact our sales.

The internet has become a significant part of the advertising and sales process in our industry. Customers are using the internet to shop, and compare prices, for new and used vehicles, automotive repair and maintenance services, finance and insurance products and other automotive products. If we are unable to effectively use the internet to attract customers to our own online channels, such as our Clicklane platform, and mobile applications, and, in turn, to our stores, our business, financial condition, results of operations and cash flows could be materially adversely affected. Additionally, the growing use of social media by consumers increases the speed and extent that information and opinions can be shared, and negative posts or comments on social media about us or any of our stores could damage our reputation and brand names, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Additionally, we rely on the protection of state franchise laws in the states in which we operate and if those laws are repealed or weakened, our framework, franchise and related agreements may become more susceptible to termination, nonrenewal or renegotiation. These laws have historically restricted the ability of automobile manufacturers to directly enter the retail market and sell vehicles directly to consumers. However, many states have recently passed or introduced legislation to permit direct to consumer sales of electric vehicles by certain companies, such as Tesla and Rivian, without the requirements of establishing a dealer network. If the state franchise laws are repealed, weakened or amended to permit vehicle manufacturers to sell vehicles (whether electric or not) directly to consumers, they may be able to have a competitive advantage over the traditional dealers, which could have a material adverse effect on our sales in those states, which in turn, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are dependent upon our relationships with the manufacturers of vehicles that we sell and are subject to restrictions imposed by, and significant influence from, these vehicle manufacturers. Any of these restrictions or any changes or deterioration of these relationships could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are dependent on our relationships with the manufacturers of the vehicles we sell, which have the ability to exercise a great deal of control and influence over our day-to-day operations, as a result of the terms of our dealer, framework and related agreements. We may obtain new vehicles from manufacturers, service vehicles, sell new vehicles and display vehicle manufacturers' trademarks only to the extent permitted under these agreements. The terms of these agreements may conflict with our interests and objectives and may impose limitations on key aspects of our operations, including acquisition strategy and capital spending.

For example, manufacturers can set performance standards with respect to sales volume, sales effectiveness and customer satisfaction, and require us to obtain manufacturer consent before we can acquire dealerships selling a manufacturer's automobiles. From time to time, we may be precluded under agreements with certain manufacturers from acquiring additional franchises, or subject to other adverse actions, to the extent we are not meeting certain performance criteria at our existing stores (with respect to matters such as sales volume, customer satisfaction and sales effectiveness) until our performance improves in accordance with the agreements, subject to applicable state franchise laws. In addition, many vehicle manufacturers place limits on the total number of franchises that any group of affiliated dealerships may own and certain manufacturers place limits on the number of franchises or share of total brand vehicle sales that may be maintained by an affiliated dealership group on a national, regional or local basis, as well as limits on store ownership in contiguous markets. If we reach any of these limits, we may be prevented from making further acquisitions, or we may be required to dispose of certain dealerships, which could adversely affect our future growth. We cannot provide assurance that manufacturers will approve future acquisitions timely, if at all, which could significantly impair the execution of our acquisition strategy.

In addition, certain manufacturers use a dealership's manufacturer-determined customer satisfaction index ("CSI") score as a factor governing participation in incentive programs. To the extent we do not meet minimum score requirements, our future payments may be materially reduced or we may be precluded from receiving certain incentives, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Manufacturers also typically establish facilities and minimum capital requirements for dealerships on a case-by-case basis. In certain circumstances, including as a condition to obtaining consent to a proposed acquisition, a manufacturer may require us to remodel, upgrade or move our facilities, and capitalize the subject dealership at levels we would not otherwise choose to fund, causing us to divert our financial resources away from uses that management believes may be of higher long-term value to us. Delays in obtaining, or failing to obtain, manufacturer consent, would impede our ability to execute acquisitions that we believe would integrate well with our overall strategy and limit our ability to expand our business.

Manufacturers can also establish new franchises or relocate existing franchises, subject to applicable state franchise laws. The establishment or relocation of franchises in our markets could have a material adverse effect on the business, financial condition and results of operations of our dealerships in the market in which the action is taken.

Manufacturers may also limit our ability to divest one or more of our franchise dealerships in a timely manner. Most of our dealer agreements provide the manufacturer with a right of first refusal to purchase any of the manufacturer's franchises we seek to sell. Divestitures of our franchise dealerships may also require manufacturer consent and failure to obtain consent would require us to find another potential buyer or wait until the buyer is able to meet the requirements of the manufacturer. A delay in the sale of a dealership could have a negative impact on our business, financial condition, results of operations, and cash flows.

Manufacturers may terminate or may not renew our dealer and framework agreements, or may compel us to divest our dealerships, for a number of reasons, including default under the agreement, any unapproved change of control (which specific changes vary from manufacturer to manufacturer, but which include material changes in the composition of our Board of Directors during a specified time period, the acquisition of 5% or more of our voting stock by another vehicle manufacturer or distributor, the acquisition of 20% or more of our voting stock by third parties, and the acquisition of an ownership interest sufficient to direct or influence management and policies), or certain other unapproved events (including certain extraordinary corporate transactions such as a merger or sale of all or substantially all of our assets). Triggers of these clauses are often based upon actions by our stockholders and are generally outside of our control. Restrictions on any unapproved changes of ownership or management may adversely impact our value, as they may prevent or deter prospective acquirers from gaining control of us. In addition, actions taken by a manufacturer to exploit its bargaining position in negotiating the terms of renewals of franchise agreements or otherwise could also have a material adverse effect on our revenues and profitability.

There can be no assurances that we will be able to renew our dealer and framework agreements on a timely basis, on acceptable terms, or at all. Our business, financial condition and results of operations may be materially adversely affected to the extent that our rights become compromised or our operations are restricted due to the terms of our dealer or framework agreements or if we lose franchises representing a significant percentage of our revenues due to the termination of, or failure to renew, such agreements.

If vehicle manufacturers reduce or discontinue sales incentive, warranty or other promotional programs, our business, financial condition, results of operations and cash flows may be materially adversely affected.

We benefit from certain sales incentive, warranty, and other promotional programs of vehicle manufacturers that are intended to promote and support their respective new vehicle sales. Key incentive programs include: (i) customer rebates on new vehicles; (ii) dealer incentives on new vehicles; (iii) special financing or leasing terms; (iv) warranties on new and used vehicles; and (v) sponsorship of used vehicle sales by authorized new vehicle dealers.

Vehicle manufacturers often make many changes to their incentive programs. Any reduction or discontinuation of manufacturers' incentive programs for any reason, including a supply and demand imbalance, may reduce our sales volume which, in turn, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Technological advances, including electrification of vehicles and adoption of autonomous vehicles in the long-term, could have a material adverse effect on our business.

The automotive industry is predicted to experience change over the long-term. Technological advances are facilitating the development of electric, battery powered and hybrid gas/electric vehicles and autonomous vehicles. While most major vehicle manufacturers have announced plans to electrify some or all of their new vehicle offerings, the eventual timing of widespread availability of electric, battery powered and hybrid gas/electric vehicles and driverless vehicles is uncertain due to regulatory requirements, additional technological requirements, and uncertain consumer acceptance of these vehicles. We expect to continue to sell electric, battery powered and hybrid gas/electric vehicles through our dealerships, however, the effect of these vehicles on the automotive retail business is uncertain and could include changes in the level of the new and used vehicle sales, the price of new and used vehicles and the levels of service required for such vehicles and the profitability of our parts and service business, our finance and insurance business, including our TCA business, and the role of franchised dealers, any of which could materially adversely affect our business, financial condition, results of operations and cash flows.

Risks Related to Our Indebtedness and Financial Matters

Our outstanding indebtedness, ability to incur additional debt and the provisions in the agreements governing our debt, and certain other agreements, could have a material adverse effect on our business, financial condition, results of operations, and cash flows.

As of December 31, 2022, we had total debt of $3.33 billion and total floor plan notes payable, net of $51.0 million. We have the ability to incur substantial additional debt in the future to finance, among other things, acquisitions, working capital and capital expenditures, and new and used vehicle inventory, as well as to refinance new and used vehicle inventory, subject in each case to the restrictions contained in our debt instruments and other agreements existing at the time such indebtedness is incurred. We will continue to have substantial debt service obligations, consisting of required cash payments of principal and interest, for the foreseeable future.

Our debt service obligations could have important consequences to us for the foreseeable future, including the following: (i) our ability to obtain additional financing, or to obtain such financing on attractive terms, for acquisitions, capital expenditures, working capital or other general corporate purposes may be impaired; (ii) a substantial portion of our cash flow from operating activities must be dedicated to the payment of principal and interest on our debt, thereby reducing the funds available to us for our operations and other corporate purposes; (iii) some of our borrowings are and will continue to be at variable rates of interest, which exposes us to certain risks of interest rate increases; and (iv) we may be or become substantially more leveraged than some of our competitors, which may place us at a relative competitive disadvantage and make us more vulnerable to changes in market conditions and governmental regulations.

In addition to our ability to incur additional debt in the future, there are operating and financial restrictions and covenants, such as leverage covenants, in certain of our debt and mortgage agreements, including the agreement governing our 2019 Senior Credit Facility and our mortgage agreements and related mortgage guarantees, as well as certain other agreements to which we are a party that may adversely affect our ability to finance our future operations or capital needs or to pursue certain business activities. These limit, among other things, our ability to incur certain additional debt, create certain liens or other encumbrances and make certain payments (including dividends and repurchases of our common stock and for investments). Certain of these agreements also require us to maintain compliance with certain financial ratios.

Our failure to comply with any of these covenants in the future could constitute a default under the relevant agreement, which could, depending on the relevant agreement, (i) entitle the creditors under such agreement to terminate our ability to borrow under the relevant agreement and accelerate our obligations to repay outstanding borrowings; (ii) require us to repay those borrowings; (iii) entitle the creditors under such agreement to foreclose on the property securing the relevant indebtedness; or (iv) prevent us from making debt service payments on certain of our other indebtedness, any of which would have a material adverse effect on our business, financial condition, results of operations and cash flows. In many cases, a default under one of our debt, mortgage, or other agreements, could trigger cross-default provisions in one or more of our other debt or mortgage agreements. There can be no assurance that our creditors would agree to an amendment or waiver of our covenants. In the event we obtain an amendment or waiver, we would likely incur additional fees and higher interest expense.

In addition to the financial and other covenants contained in our various debt or mortgage agreements, certain of our lease agreements contain covenants that give our landlords the right to terminate the lease, seek significant cash damages, or evict us from the applicable property, if we fail to comply. Similarly, our failure to comply with any financial or other covenants in any of our framework agreements would give the relevant manufacturer certain rights, including the right to reject proposed acquisitions, and may give it the right to repurchase its franchises from us. Events that give rise to such rights, and our inability to acquire additional dealerships or the requirement that we sell one or more of our dealerships at any time, could inhibit the growth of our business, and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Manufacturers may also have the right to restrict our ability to provide guarantees of our operating companies, pledges of the capital stock of our subsidiaries and liens on our assets, which could materially adversely affect our ability to obtain financing for our business and operations on favorable terms or at desired levels, if at all.

The occurrence of any one of these events may limit our ability to take strategic actions that would otherwise enable us to manage our business in a manner in which we otherwise would, absent such limitations, which could materially adversely affect our business, financial condition, results of operations and cash flows.

Our business, financial condition and results of operations may be materially adversely affected by increases in interest rates.

We generally finance our purchases of new vehicle inventory, have the ability to finance the purchases of used vehicle inventory, and have the availability to borrow funds for working capital under our senior secured credit facilities that charge interest at variable rates. Therefore, our interest expense from variable rate debt will rise with increases in interest rates. In addition, a significant rise in interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used vehicle sales and the related profit margins and F&I revenue per vehicle, because most of our customers finance their vehicle purchases. As a result, rising interest rates may have the effect of simultaneously increasing our capital costs and reducing our revenues. Given our variable interest rate debt and floor plan notes payable outstanding as of December 31, 2022, each one percent increase in market interest rates would increase our total annual interest expense by approximately $1.0 million. When considered in connection with reduced expected sales, if interest rates increase, any such increase could materially adversely affect our business, financial condition and results of operations.

Our vehicle sales, financial condition and results of operations may be materially adversely affected by changes in costs or availability of consumer financing.

The majority of vehicles purchased by our customers are financed. Reductions in the availability of credit to consumers have contributed to declines in our vehicle sales in past periods. Reductions in available consumer credit or increased costs of that credit, could result in a decline in our vehicle sales, which would have a material adverse effect on our financial condition and results of operations.

Lenders that have historically provided financing to those buyers who, for various reasons, do not have access to traditional financing, including those buyers who have a poor credit history or lack the down payment necessary to purchase a vehicle, are often referred to as subprime lenders. If market conditions cause subprime lenders to tighten credit standards, or if interest rates increase, the ability to obtain financing from subprime lenders for these consumers to purchase vehicles could become limited, resulting in a decline in our vehicle sales, which in turn, could have a material adverse effect on our financial condition and results of operations.

We have identified a material weakness in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements or otherwise adversely affect the accuracy, reliability or timeliness of our financial statements.

As described under Item 9A. "Controls and Procedures" below, we have concluded that a material weakness in our internal control over financial reporting existed as of December 31, 2022 and, accordingly, internal control over financial reporting and our disclosure controls and procedures were not effective as of such date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis. As a result of management’s evaluation, management identified the material weakness as a result of deficiencies in information technology general controls ("ITGCs") at LHM and TCA, businesses that we acquired in December 2021.

Management has developed its remediation plan and is in the process of implementing it. Until the remediation plan is fully implemented, tested and deemed effective, we cannot provide assurance that our actions will adequately remediate the material weakness or that additional material weaknesses in our internal controls will not be identified in the future. Effective internal control over financial reporting is necessary for us to provide reliable and timely financial reports and, together with adequate disclosure controls and procedures, are designed to reasonably detect and prevent fraud. The occurrence of, or failure to remediate, this material weakness and any future material weaknesses in our internal control over financial reporting may adversely affect the accuracy and reliability and timeliness of our financial statements and have other consequences that could materially and adversely affect our business.

Risks Related to Legal and Regulatory Matters

If state laws that protect automotive retailers are repealed, weakened, or superseded by our framework agreements with manufacturers, our dealerships will be more susceptible to termination, non-renewal, or renegotiation of their dealer agreements, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Applicable state laws generally provide that an automobile manufacturer may not terminate or refuse to renew a dealer agreement unless it has first provided the dealer with written notice setting forth "good cause" and stating the grounds for termination or non-renewal. Many states also limit the circumstances in which an automobile manufacturer may sell vehicles directly to consumers. Some state laws allow dealers to file protests or petitions or allow them to attempt to comply with the manufacturer's criteria within a notice period to avoid the termination or non-renewal. Our framework agreements with certain manufacturers contain provisions that, among other things, attempt to limit the protections available to dealers under these laws, and, though unsuccessful to date, manufacturers' ongoing lobbying efforts may lead to the repeal or revision of these laws. If these laws are repealed in the states in which we operate, manufacturers may be able to terminate our franchises without providing advance notice, an opportunity to cure or a showing of good cause. Without the protection of these state laws, it may also be more difficult for us to renew our dealer agreements upon expiration. Changes in laws that provide manufacturers the ability to terminate our dealer agreements could materially adversely affect our business, results of operations, financial condition and cash flows. Furthermore, if a manufacturer seeks protection from creditors in bankruptcy, courts have held that the federal bankruptcy laws may supersede the state laws that protect automotive retailers resulting in either the termination, non-renewal or rejection of franchises by such manufacturers, which, in turn, could materially adversely affect our business, result of operations, financial condition and cash flows. Market disruptors continue to push for legislation permitting direct-to-consumer sales models; if those lobbying efforts are successful, automotive manufacturers could bypass the traditional franchised dealer network, which in turn could materially adversely affect our business, results of operations, financial condition and cash flows.

New laws, regulations, or governmental policies in response to climate change, including fuel economy and greenhouse gas emission standards, or changes to existing standards, could adversely impact our business, results of operations, financial condition, cash flow, and prospects.

New laws and regulations designed to address climate change concerns could affect vehicle manufacturers' ability to produce cost effective vehicles. For example, laws and regulations enacted that directly or indirectly affect vehicle manufacturers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of sales, operations or demand for the products we sell) could materially adversely impact our business, results of operations, financial condition, cash flow, and prospects. In addition, vehicle manufacturers are subject to government-mandated fuel economy and greenhouse gas, or GHG, emission standards, which continue to change and become more stringent over time. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven or the products we sell or lead to changes in automotive technology.

A failure of any of our information systems or those of our third-party service providers, or a data security breach with regard to personally identifiable information ("PII") about our customers or employees, could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We depend on the efficient operation of our information systems and those of our third-party service providers. We rely on information systems at our dealerships in all aspects of our sales and service efforts, as well in the preparation of our consolidated financial and operating data. All of our dealerships currently operate on a common dealer management system ("DMS"). Our business could be significantly disrupted if (i) the DMS fails to integrate with other third-party information systems, customer relations management tools or other software, or to the extent that any of these systems become unavailable to us or fail to perform as designed for an extended period of time or (ii) our relationship with our DMS provider or any other third-party provider deteriorates. Additionally, any disruption to access and connectivity of our information systems due to natural disasters, power loss or other reasons could disrupt our business operations, impact sales and results of operations, expose us to customer or third-party claims, or result in adverse publicity.

Additionally, in the ordinary course of business, we and our partners receive significant PII about our customers in order to complete the sale or service of a vehicle and related products. We also receive PII from our employees. The regulatory environment surrounding information security and privacy is increasingly demanding, with numerous state and federal regulations, as well as payment card industry and other vendor standards, governing the collection and maintenance of PII from consumers and other individuals. We believe the automotive dealership industry is a particular target of identity thieves, as there are numerous opportunities for a data security breach, including cyber-security breaches, burglary, lost or misplaced data, scams, or misappropriation of data by employees, vendors or unaffiliated third parties. Because of the increasing number and sophistication of cyber-attacks, and despite the security measures we have in place and any additional measures we may implement or adopt in the future, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, lost or misplaced data, programming errors, scams, burglary, human errors, acts of vandalism and/or other events. Alleged or actual data security breaches can increase costs of doing business, negatively affect customer satisfaction and loyalty, expose us to negative publicity, individual claims or consumer class actions, administrative, civil or criminal investigations or actions, and infringe on proprietary information, any of which could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Our dealership operations and facilities are subject to extensive governmental laws and regulations. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our operations, our business, results of operations, financial condition, cash flows, reputation and prospects could suffer.

The automotive retail industry, including our facilities and operations, is subject to a wide range of federal, state, and local laws and regulations, such as those relating to motor vehicle sales, retail installment sales, leasing, finance and insurance, marketing, licensing, consumer protection, consumer privacy, escheatment, anti-money laundering, environmental, vehicle emissions and fuel economy, and health and safety. In addition, with respect to employment practices, we are subject to various laws and regulations, including complex federal, state, and local wage and hour and anti-discrimination laws. The violation of the laws or regulations to which we are subject could result in administrative, civil, or criminal sanctions against us, which may include a cease and desist order against the subject operations or even revocation or suspension of our license to operate the subject business, as well as significant fines and penalties. Violation of certain laws and regulations to which we are subject may also subject us to consumer class action or other lawsuits or governmental investigations and adverse publicity. We currently devote significant resources to comply with applicable federal, state, and local regulation of health, safety, environmental, zoning and land use regulations, and we may need to spend additional time, effort, and money to keep our operations and existing or acquired facilities in compliance therewith.

In addition, there is a risk that our employees could engage in misconduct that violates the laws or regulations to which we are subject. It is not always possible to detect or deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees were to engage in misconduct or were to be accused of such misconduct, our business and reputation could be adversely affected.

The CFPB does not have direct regulatory authority over automotive dealers but could implement additional, indirect regulation of automotive dealers, in particular, their sale and marketing of finance and insurance products, through its regulation of automotive finance companies and other financial institutions. In addition, the CFPB possesses supervisory authority with respect to certain non-bank lenders, including automotive finance companies, participating in automotive financing. The FTC may exercise its additional rule-making authority to expand consumer protection regulations relating to the sale, financing and leasing of motor vehicles. In May 2016, we signed a consent order with the FTC to settle allegations that in certain instances our advertisements did not adequately disclose information about used vehicles with open safety recalls. Under the consent order, we did not agree to make any payments or admit wrong-doing, but we did agree to make certain disclosures in marketing materials and at the point of sale and comply with certain record-keeping obligations. Our failure to comply with the consent order may result in the imposition of significant fines and/or penalties, which could have a material adverse effect on our results of operations.

Continued pressure from the CFPB, FTC, and other federal agencies could lead to significant changes in the manner that dealers are compensated for arranging customer financing and vehicle protection products, and while it is difficult to predict how any such changes might impact us, any adverse changes could have a material adverse impact on our finance and insurance business and results of operations. Furthermore, we expect that new laws and regulations, particularly at the federal level, in other areas may be enacted, which could also materially adversely impact our business.

Environmental laws and regulations govern, among other things, discharges into the air and water, storage of petroleum substances and chemicals, the handling and disposal of solid and hazardous wastes, investigation and remediation of contamination. Similar to many of our competitors, we have incurred and expect to continue to incur capital and operating expenditures and other costs to comply with such federal and state laws and regulations. In addition, we may become subject to broad liabilities arising out of contamination at our currently and formerly owned or operated facilities, at locations to which hazardous substances were transported from such facilities, and at such locations related to entities formerly affiliated with us. Liability under these laws and regulations can be imposed on a joint and several basis and without regard to fault. For such potential liabilities, we believe we are entitled to indemnification from other entities. However, we cannot provide assurance that such entities will view their obligations as we do or will be able or willing to satisfy them. We may have indemnity obligations for liabilities relating to contamination at our currently or formerly owned and/or operated facilities as part of the acquisition or divestiture of certain properties in the ordinary course of business. Failure to comply with applicable laws and regulations, or significant additional expenditures required to maintain compliance therewith, could have a material adverse effect on our business, results of operations, financial condition or cash flows.

A significant judgment against us or the imposition of a significant fine could have a material adverse effect on our business, financial condition and future prospects. We further expect that, from time to time, new laws and regulations, particularly in the environmental area, will be enacted, and compliance with such laws, or penalties for failure to comply, could significantly increase our costs. For example, vehicle manufacturers are subject to government-mandated fuel economy and greenhouse gas emission standards, which continue to change and become more stringent over time. Failure of a manufacturer to develop passenger vehicles and light trucks that meet these and other government standards could subject the manufacturer to substantial penalties, increase the cost of vehicles sold to us, and adversely affect our ability to market and sell vehicles to meet consumer needs and desires, which could have a material adverse effect on our business, results of operations, financial condition or cash flows.

Our TCA Business is subject to a wide range of federal, state, and local laws and regulations, some of which we may not have previously been subject. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our TCA Business, our business, results of operations, financial condition, cash flows, reputation and prospects could suffer.

The TCA Business is, and will continue to be, subject to a wide range of federal, state, and local laws and regulations, some of which Asbury may not have been previously subject. Such laws and regulations include but are not limited to:

- state and local licensing requirements;
- federal and state laws regulating vehicle finance and insurance products; and
- federal and state consumer protection laws.

No assurance can be given that applicable statutes, regulations, and other laws will not be amended or construed differently, that new laws will not be adopted, or that any of these laws will not be enforced more aggressively. For example, changes in the regulatory and supervisory environments could adversely affect the TCA Business in substantial and unpredictable ways. Further, the TCA Business' noncompliance with applicable laws (whether as a result of changes in interpretation or enforcement, system or human errors, or otherwise) could result in the suspension or revocation of licenses or registrations necessary to the operation, or the initiation of enforcement actions or private litigation.

In addition, we are required to set aside an amount of restricted cash sufficient to satisfy potential claims associated with the TCA Business. While we are permitted to invest such cash in fixed income and equity securities, and other investments, we cannot provide any assurance that a loss in such investments would not have a material adverse effect on our ability to honor customers' claims, which could have a material adverse effect on our business.

We are subject to risks related to the provision of employee health care benefits, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

We use a combination of insurance and self-insurance for health care plans. We record expenses under those plans based on estimates of the costs of expected claims, administrative costs, stop-loss insurance premiums, and expected health care trends. Actual costs under these plans are subject to variability that is dependent upon participant enrollment, demographics and the actual costs of claims made. Negative trends in any of these areas could cause us to incur additional unplanned health care costs, which could adversely impact our business, financial condition, results of operations and cash flows. In addition, if enrollment in our health care plans increases significantly, the additional costs that we will incur may be significant enough to materially affect our business, financial condition, results of operations and cash flows.

We are, and expect to continue to be, subject to legal and administrative proceedings, which, if the outcomes are adverse to us, could have a material adverse effect on our business, results of operations, financial condition, cash flows, reputation and prospects.

We are involved and expect to continue to be involved in numerous legal proceedings arising out of the conduct of our business, including litigation with customers, employment-related lawsuits, class actions, purported class actions, and actions brought by governmental authorities. We do not believe that the ultimate resolution of any known matters will have a material adverse effect on our business, reputation, financial condition, results of operations, cash flows or prospects. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our business, financial condition, results of operations and cash flows.

A decline in our credit rating or a general disruption in the credit markets could negatively impact our liquidity and ability to conduct our operations.

A deterioration of our credit rating, or a general disruption in the credit markets, could limit our ability to obtain credit on terms acceptable to us, or at all. In addition, uncertain economic conditions or the re-pricing of certain credit risks may make it more difficult for us to obtain one or more types of funding in the amounts, or at rates considered acceptable to us, at any given time. Our inability to access necessary or desirable funding, or to enter into certain related transactions, at times and at costs deemed appropriate by us, could have a negative impact on our liquidity and our ability to conduct our operations. Any of these developments could also reduce the ability or willingness of the financial institutions that have extended credit commitments to us, or that have entered into hedge or similar transactions with us, to fulfill their obligations to us, which also could have a material adverse effect on our liquidity, our ability to conduct our operations and our prospects.

We are subject to risks associated with imported product restrictions or limitations, foreign trade and currency valuations.

Our business involves the sale of vehicles, parts or vehicles composed of parts that are manufactured outside of the United States. As a result, our operations are subject to risks of doing business outside of the United States and importing merchandise, including import duties, exchange rates, trade restrictions, work stoppages, natural or man-made disasters, and general political and socio-economic conditions in other countries. The United States or the countries from which our products are imported may, from time to time, impose new quotas, duties, tariffs or other restrictions or limitations, or adjust presently prevailing quotas, duties or tariffs. The imposition of new, or adjustments to prevailing, quotas, duties, tariffs or other restrictions or limitations could have a material adverse effect on our business, financial condition, results of operations and cash flows. Relative weakness of the U.S. dollar against foreign currencies in the future may result in an increase in costs to us and in the retail price of such vehicles or parts, which could discourage consumers from purchasing such vehicles and adversely impact our revenues and profitability.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We lease our corporate headquarters, which is located at 2905 Premiere Parkway, NW, Suite 300, Duluth, Georgia 30097. We also have corporate offices in Texas and Utah. The operations of our TCA segment are located in leased office space in Utah.

As of December 31, 2022, our operations encompassed 139 franchised dealership locations, seven used car centers, 32 collision repair centers, one used vehicle wholesale business and one auto auction throughout 14 states as follows:

	Dealerships		Collision Repair Centers	
Dealership Group Brand Name:	**Owned**	**Leased**	**Owned**	**Leased**
Coggin Automotive Group	12	4 (a)	5	2
Courtesy Autogroup	6	2	2	—
Crown Automotive Company	3	2 (b)	—	—
David McDavid Auto Group	5	—	2	—
Greenville Automotive Group	4	—	1	—
Hare, Bill Estes & Kahlo Automotive Groups	9	—	1	—
Larry H. Miller Dealerships	49	6	7	3
Mike Shaw, Stevinson & Arapahoe Automotive Groups	7	5	—	—
Nalley Automotive Group	16	1	4	1
Park Place Automotive	5	4 (c)	2	1
Plaza Motor Company	5	1 (b)	—	1
Total	121	25	24	8

(a) Includes one dealership that leases a new vehicle facility and operates a separate used vehicle facility that is owned.
(b) Includes one dealership location where we lease the underlying land but own the building facilities on that land.
(c) Includes two dealership location where we lease the underlying land but own the building facilities on that land.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "ABG."

We have not paid any dividends since 2008. On February 23, 2023, the last reported sale price of our common stock on the NYSE was $229.39 per share, and there were approximately 505 record holders of our common stock.

Our credit agreement with Bank of America, N.A. ("Bank of America"), as administrative agent, and the other agents and lenders party thereto (the "2019 Senior Credit Facility") and the Indentures governing the Senior Notes (as defined below) (collectively, the "Indentures") currently allow for us to make certain restricted payments, including payments to repurchase shares of our common stock, among other things, subject to our continued compliance with certain covenants. For additional information, see the "Covenants and Defaults" section within "Liquidity and Capital Resources."

Issuer Purchases of Equity Securities

Share repurchases would be implemented through purchases made from time to time in either the open market or private transactions. The share repurchases could include purchases pursuant to a written trading plan in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended, which allows companies to repurchase shares of stock at times when they might otherwise be prevented from doing so by securities laws or under self-imposed trading blackout periods. The extent that the Company repurchases its shares, the number of shares and the timing of any repurchases will depend on general market conditions, legal requirements and other corporate considerations. The repurchase program may be modified, suspended or terminated at any time without prior notice.

Information about the shares of our common stock that we repurchased during the quarter ended December 31, 2022 is set forth below:

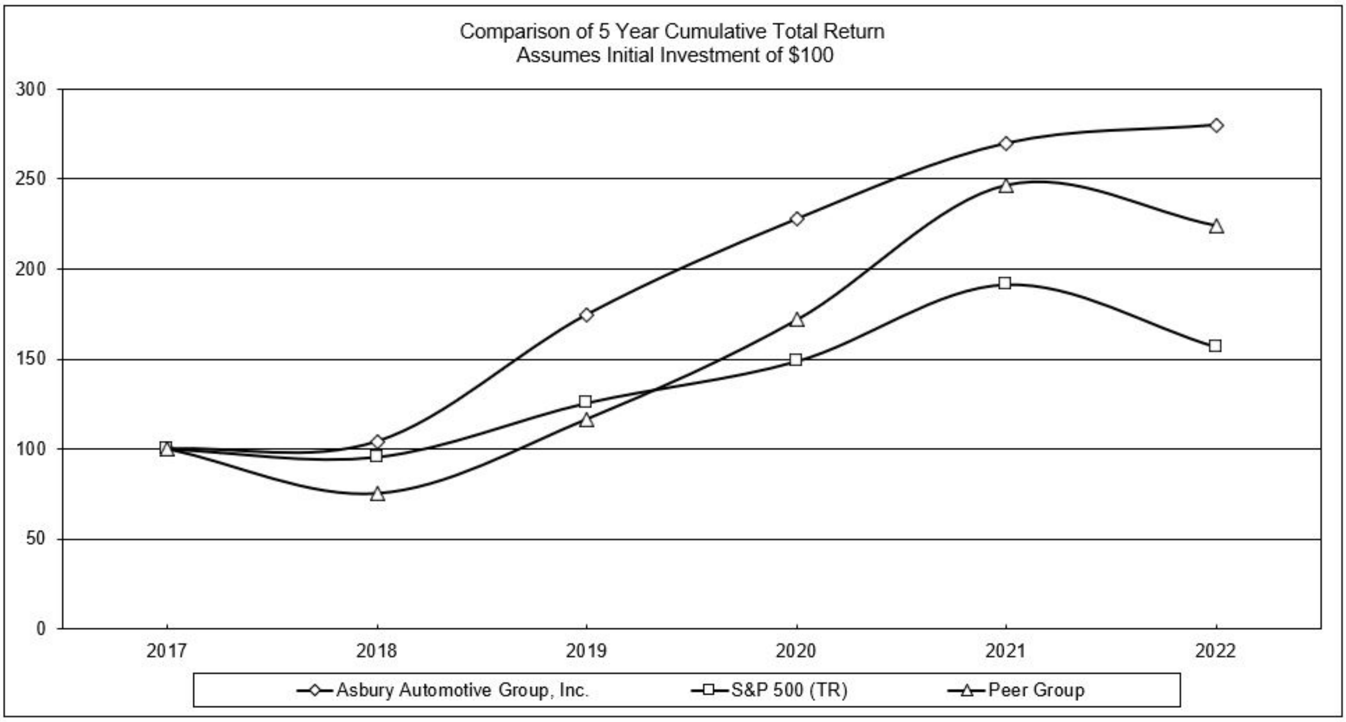
Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
10/01/2022 - 10/31/2022	740	$ 157.95	—	$ 200.0
11/01/2022 - 11/30/2022	38,445	$ 179.64	38,438	$ 193.1
12/01/2022 - 12/31/2022	527,398	$ 170.75	527,389	$ 103.0
Total	566,583		565,827	

On January 26, 2023, our Board of Directors increased the Company's common stock share repurchase authorization by $108.0 million, to $200.0 million for the repurchase of our common stock in open market transactions or privately negotiated transactions or in other manners as permitted by federal security laws and other legal and contractual requirements.

PERFORMANCE GRAPH

The following graph furnished by us shows the value as of December 31, 2022, of a $100 investment in our common stock made on December 31, 2017, as compared with similar investments based on (i) the value of the S&P 500 Index (with dividends reinvested) and (ii) the value of a market-weighted Peer Group Index composed of the common stock of AutoNation, Inc.; Sonic Automotive, Inc.; Group 1 Automotive, Inc.; Penske Automotive Group, Inc.; and Lithia Motors, Inc., in each case on a "total return" basis assuming the reinvestment of any dividends. The market-weighted Peer Group Index values were calculated from the beginning of the performance period. The historical stock performance shown below is not necessarily indicative of future expected performance.

The forgoing graph is not, and shall not be deemed to be, filed as part of our annual report on Form 10-K. Such graph is not, and will not be deemed, filed or incorporated by reference into any filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent specifically incorporated by reference therein by us.



Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This MD&A should be read in conjunction with the accompanying audited consolidated financial statements and notes. Forward-looking statements in this MD&A are not guarantees of future performance and may involve risks and uncertainties that could cause actual results to differ materially from those projected. Refer to the "Forward-Looking Statements" and Part I, Item 1A. Risk Factors for a discussion of these risks and uncertainties. The discussion of our financial condition and results of operations for the year ended December 31, 2020 is included in Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2021.

OVERVIEW

We are one of the largest automotive retailers in the United States. As of December 31, 2022, through our Dealerships segment, we owned and operated 186 new vehicle franchises (139 dealership locations), representing 31 brands of automobiles, within 14 states. We also operated 32 collision centers, seven stand-alone used vehicle stores, one used vehicle wholesale business, one auto auction and Total Care Auto, Powered by Landcar ("TCA"), our F&I product provider. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, which include repair and maintenance services, replacement parts, and collision repair service; and finance and insurance products. The finance and insurance products are provided by both independent third parties and TCA. The F&I products offered by TCA are sold through affiliated dealerships. For the year ended December 31, 2022, our new vehicle revenue brand mix consisted of 40% imports, 31% luxury, and 29% domestic brands. The Company manages its operations in two reportable segments: Dealerships and TCA.

Our Dealerships segment revenues are derived primarily from: (i) the sale of new vehicles; (ii) the sale of used vehicles to individual retail customers ("used retail") and to other dealers at auction ("wholesale") (the terms "used retail" and "wholesale" collectively referred to as "used"); (iii) repair and maintenance services, including collision repair, the sale of automotive replacement parts, and the reconditioning of used vehicles (collectively referred to as "parts and service"); and (iv) the arrangement of third-party vehicle financing and the sale of a number of vehicle protection products. F&I products are offered by dealerships to customers in connection with the purchase of vehicles through either TCA or independent third parties. We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle sold, our parts and service operations based on aggregate gross profit, and our F&I business based on F&I gross profit per vehicle sold. Amounts presented have been calculated using non-rounded amounts for all periods presented and therefore certain amounts may not compute or tie to prior year financial statements due to rounding.

Our dealerships gross profit margin varies with our revenue mix. Historically, the sales of new vehicles generally results in a lower gross profit margin than used vehicle sales, sales of parts and service, and sales of F&I products. As a result, when used vehicle, parts and service, and F&I revenue increase as a percentage of total revenue, we expect our overall gross profit margin to increase. However, recently, new vehicle gross profit margins have been above historical levels and higher than used vehicle gross margins as a result of inventory disruptions caused primarily by a shortage of semiconductor chips required in the vehicle assembly process.

Our TCA segment revenues, reflected in F&I revenue, net, are derived from the sale of various vehicle protection products including vehicle service contracts, GAP, prepaid maintenance contracts, and appearance protection contracts. These products are sold through company-owned dealerships. TCA's F&I revenues also include investment gains or losses and income earned associated with the performance of TCA's investment portfolio.

Our TCA segment gross profit margin can vary due to incurred claims expense and the performance of our investment portfolio. Certain F&I products may result in higher gross profit margins to TCA. Therefore, the product mix of F&I products sold by TCA can affect the gross profits earned. In addition, interest rate volatility based on economic and market conditions outside the control of the Company, may increase or reduce TCA segment gross profit margins as well as the fair market values of certain securities within our investment portfolio. Fair market values typically fluctuate inversely to the fluctuations in interest rates.

Selling, general, and administrative ("SG&A") expenses consist primarily of fixed and incentive-based compensation, advertising, rent, insurance, utilities, and other customary operating expenses. A significant portion of our cost structure is variable (such as sales commissions) or controllable (such as advertising), which we believe allows us to adapt to changes in the retail environment over the long-term. We evaluate commissions paid to salespeople as a percentage of retail vehicle gross profit, advertising expense on a per vehicle retailed ("PVR") basis, and all other SG&A expenses in the aggregate as a percentage of total gross profit. Commissions expense paid by TCA to our affiliated dealerships and reflected as F&I revenue in our Dealerships segment is eliminated in the TCA segment upon consolidation.

Our continued organic growth is dependent upon the execution of our balanced automotive retailing and service business strategy, the continued strength of our brand mix, and the production and allocation of desirable vehicles from the automobile manufacturers whose brands we sell. Our vehicle sales have historically fluctuated with product availability as well as local and national economic conditions, including consumer confidence, availability of consumer credit, fuel prices, and employment levels.

In addition, our ability to sell certain new and used vehicles can be negatively impacted by a number of factors, some of which are outside of our control. Manufacturers continue to be hampered by the lack of availability of parts and key components from suppliers, such as semiconductor chips, which has impacted new vehicle inventory levels and availability of certain parts. We cannot predict with any certainty how long the automotive retail industry will continue to be subject to these production slowdowns or when normalized production will resume at these manufacturers.

Larry H. Miller Acquisition

On December 17, 2021, the Company completed the acquisition of the businesses of the Larry H. Miller ("LHM") Dealerships and TCA (collectively, the "LHM acquisition"), thereby acquiring 54 new vehicle dealerships, seven used cars stores, 11 collision centers, a used vehicle wholesale business, the real property related thereto, and the entities comprising the TCA business for a total purchase price of $3.48 billion. The purchase price was financed through a combination of cash, debt, including senior notes, real estate facilities, new and used vehicle floor plan facilities and the proceeds from the issuance of common stock.

Clicklane

As part of our omni-channel strategy, we implemented Clicklane, the automotive retail industry’s first, end-to-end, 100% online vehicle retail tool, which offers our customers a convenient, seamless and transparent approach to purchase and sell vehicles completely online. Our Clicklane platform provides our customers with the ability to (i) select a new or used vehicle, (ii) arrange for and obtain financing from a variety of lenders, (iii) obtain an offer on their trade-in vehicle, (iv) obtain an exact pay-off amount on any existing loan on a trade-in vehicle, (v) select and purchase F&I products designed for the customer’s vehicle and then (vi) complete the vehicle purchase and financing by signing the transaction documents and scheduling in-store pickup or home delivery, with each step performed entirely online. We have implemented Clicklane across all of our stores. The 2021 acquisitions have extended our footprint across seven western U.S. states including Arizona, California, Idaho, New Mexico, Colorado, Utah, and Washington.

Financial Highlights

Highlights related to our financial condition and results of operations include the following:

- Consolidated revenue for the year ended December 31, 2022 increased to $15.43 billion, compared to $9.84 billion for the prior year.
- Consolidated gross profit for the year ended December 31, 2022 increased to $3.10 billion, compared to $1.90 billion for the prior year.
- The increase in consolidated revenue and gross profit is primarily due to the inclusion of a full year of results related to our acquisitions that were completed in December 2021.
- During the year ended December 31, 2022, we completed the divestitures of sixteen dealerships and received $701.2 million in cash proceeds.
- Our capital allocation priorities were supported by share repurchases of approximately 1.6 million shares for $297.0 million during the year ended December 31, 2022.
- On January 26, 2023, our Board of Directors approved an increase in the Company’s common share repurchase authorization to $200.0 million.

CONSOLIDATED RESULTS OF OPERATIONS

The Company's full year results for 2022 include the results of the dealerships acquired in the fourth quarter of 2021. Accordingly, the significant increases in revenue, gross profit and income from operations for 2022 compared to 2021 are largely a result of these acquisitions.

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

The Year Ended December 31, 2022 Compared to the Year Ended December 31, 2021

	For the Year Ended December 31,			
	2022	2021	Increase (Decrease)	% Change
	(Dollars in millions, except per share data)			
REVENUE:				
New vehicle	$ 7,365.6	$ 4,934.1	$ 2,431.5	49 %
Used vehicle	5,197.1	3,315.6	1,881.4	57 %
Parts and service	2,074.2	1,182.9	891.4	75 %
Finance and insurance, net	797.0	405.1	391.9	97 %
TOTAL REVENUE	15,433.8	9,837.7	5,596.2	57 %
GROSS PROFIT:				
New vehicle	844.0	490.5	353.5	72 %
Used vehicle	353.2	288.3	64.9	22 %
Parts and service	1,152.6	721.9	430.8	60 %
Finance and insurance, net	750.7	401.5	349.2	87 %
TOTAL GROSS PROFIT	3,100.6	1,902.2	1,198.4	63 %
OPERATING EXPENSES:				
Selling, general, and administrative	1,763.4	1,073.9	689.4	64 %
Depreciation and amortization	69.0	41.9	27.1	65 %
Other operating income, net	(4.4)	(5.4)	1.0	(19)%
INCOME FROM OPERATIONS	1,272.6	791.8	480.8	61 %
OTHER (INCOME) EXPENSES:				
Floor plan interest expense	8.4	8.2	0.2	2 %
Other interest expense, net	152.2	93.9	58.3	62 %
Gain on dealership divestitures, net	(207.1)	(8.0)	(199.1)	NM
Total other (income) expenses, net	(46.5)	94.1	(140.6)	NM
INCOME BEFORE INCOME TAXES	1,319.1	697.7	621.4	89 %
Income tax expense	321.8	165.3	156.5	95 %
NET INCOME	$ 997.3	$ 532.4	$ 464.9	87 %
Net income per common share—Diluted	$ 44.61	$ 26.49	$ 18.12	68 %

NM—Not Meaningful

	For the Year Ended December 31,	
	2022	2021
REVENUE MIX PERCENTAGES:		
New vehicles	47.7 %	50.2 %
Used retail vehicles	31.3 %	31.1 %
Used vehicle wholesale	2.4 %	2.6 %
Parts and service	13.4 %	12.0 %
Finance and insurance, net	5.2 %	4.1 %
Total revenue	100.0 %	100.0 %
GROSS PROFIT MIX PERCENTAGES:		
New vehicles	27.2 %	25.8 %
Used retail vehicles	11.2 %	13.8 %
Used vehicle wholesale	0.2 %	1.4 %
Parts and service	37.2 %	38.0 %
Finance and insurance, net	24.2 %	21.1 %
Total gross profit	100.0 %	100.0 %
GROSS PROFIT MARGIN	20.1 %	19.3 %
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	56.9 %	56.5 %

Total revenue during 2022 increased by $5.60 billion (57%) compared to 2021, due to a $2.43 billion (49%) increase in new vehicle revenue, a $1.88 billion (57%) increase in used vehicle revenue, a $891.4 million (75%) increase in parts and service revenue and a $391.9 million (97%) increase in F&I revenue.

The $1.20 billion (63%) increase in gross profit during 2022 was the result of a $353.5 million (72%) increase in new vehicle gross profit, a $64.9 million (22%) increase in used vehicle gross profit, a $430.8 million (60%) increase in parts and service gross profit and a $349.2 million (87%) increase in F&I gross profit. Our total gross profit margin increased 75 basis points from 19.3% in 2021 to 20.1% in 2022.

Income from operations during 2022 increased by $480.8 million (61%) compared to 2021, primarily due to a $1.20 billion (63%) increase in gross profit, partially offset by a 689.4 (64%) increase in selling, general, and administrative expenses and a $27.1 million (65%) increase in depreciation and amortization expenses.

Total other (income) expenses, net decreased by $140.6 million (149%) from expense of $94.1 million in 2021 to $46.5 million of income in 2022, primarily due to a $199.1 million increase in gain on dealership divestitures, partially offset by a $58.3 million increase in other interest expense, net, and a $0.2 million increase in floor plan interest expense. As a result, income before income taxes increased by $621.4 million (89%) to $1.32 billion in 2022. The $156.5 million (95%) increase in income tax expense was primarily attributable to the 89% increase in income before taxes and a 70 basis point increase in the 2022 effective tax rate. Overall, net income increased by $464.9 million (87%) from $532.4 million in 2021 to $997.3 million in 2022.

DEALERSHIP SEGMENT

New Vehicle—

	For the Year Ended December 31, 2022	2021	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Luxury	$ 2,315.7	$ 2,183.0	$ 132.7	6 %
Import	2,914.9	1,935.8	979.2	51 %
Domestic	2,135.0	815.3	1,319.7	162 %
Total new vehicle revenue	$ 7,365.6	$ 4,934.1	$ 2,431.5	49 %
Gross profit:				
Luxury	$ 293.0	$ 241.1	$ 51.9	22 %
Import	338.7	175.3	163.4	93 %
Domestic	212.3	74.1	138.2	187 %
Total new vehicle gross profit	$ 844.0	$ 490.5	$ 353.5	72 %
New vehicle units:				
Luxury	33,904	34,648	(744)	(2)%
Import	78,388	58,413	19,975	34 %
Domestic	38,887	16,849	22,038	131 %
Total new vehicle units	151,179	109,910	41,269	38 %
Same Store:				
Revenue:				
Luxury	$ 1,919.4	$ 2,031.4	$ (112.0)	(6)%
Import	1,532.2	1,739.1	(207.0)	(12)%
Domestic	563.7	652.5	(88.8)	(14)%
Total new vehicle revenue	$ 4,015.2	$ 4,423.0	$ (407.8)	(9)%
Gross profit:				
Luxury	$ 239.1	$ 225.4	$ 13.7	6 %
Import	178.5	156.2	22.3	14 %
Domestic	52.8	57.6	(4.8)	(8)%
Total new vehicle gross profit	$ 470.4	$ 439.2	$ 31.2	7 %
New vehicle units:				
Luxury	27,920	32,005	(4,085)	(13)%
Import	42,179	52,719	(10,540)	(20)%
Domestic	10,799	13,591	(2,792)	(21)%
Total new vehicle units	80,898	98,315	(17,417)	(18)%

New Vehicle Metrics—

	For the Year Ended December 31, 2022	2021	Increase (Decrease)	% Change
As Reported:				
Revenue per new vehicle sold	$ 48,721	$ 44,892	$ 3,829	9 %
Gross profit per new vehicle sold	$ 5,583	$ 4,462	$ 1,120	25 %
New vehicle gross margin	11.5 %	9.9 %	1.5 %	
Luxury:				
Gross profit per new vehicle sold	$ 8,642	$ 6,958	$ 1,684	24 %
New vehicle gross margin	12.7 %	11.0 %	1.6 %	
Import:				
Gross profit per new vehicle sold	$ 4,320	$ 3,001	$ 1,319	44 %
New vehicle gross margin	11.6 %	9.1 %	2.6 %	
Domestic:				
Gross profit per new vehicle sold	$ 5,460	$ 4,397	$ 1,063	24 %
New vehicle gross margin	9.9 %	9.1 %	0.9 %	
Same Store:				
Revenue per new vehicle sold	$ 49,633	$ 44,988	$ 4,645	10 %
Gross profit per new vehicle sold	$ 5,815	$ 4,468	$ 1,348	30 %
New vehicle gross margin	11.7 %	9.9 %	1.8 %	
Luxury:				
Gross profit per new vehicle sold	$ 8,563	$ 7,041	$ 1,522	22 %
New vehicle gross margin	12.5 %	11.1 %	1.4 %	
Import:				
Gross profit per new vehicle sold	$ 4,233	$ 2,964	$ 1,269	43 %
New vehicle gross margin	11.7 %	9.0 %	2.7 %	
Domestic:				
Gross profit per new vehicle sold	$ 4,892	$ 4,241	$ 652	15 %
New vehicle gross margin	9.4 %	8.8 %	0.5 %	

New vehicle revenue increased by $2.43 billion (49%), as a result of a 38% increase in new vehicle unit sales and a 9% increase in revenue per new vehicle sold. Same store new vehicle revenue decreased by $407.8 million (9%) as a result of a 18% decrease in new vehicle units sold offset by a 10% increase in revenue per new vehicle sold.

New vehicle gross profit increased by $353.5 million (72%) as a result of a 25% increase in gross profit per new vehicle sold and a 38% increase in unit volumes. Same store new vehicle gross profit increased by $31.2 million (7%) in 2022, as a result of a 30% increase in gross profit per new vehicle sold partially offset by a 18% decrease in unit volumes. Same store new vehicle gross margin increased 179 basis points to 11.7% in 2022, primarily as a result of supply challenges for much of 2022 caused by a global semi-conductor shortage which led to manufacturer production challenges. We finished 2022 with a 26 day supply of new vehicle inventory which is below our targeted days supply primarily as a result of these manufacturer production challenges.

Used Vehicle—

	For the Year Ended December 31, 2022	2021	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Used vehicle retail revenue	$ 4,828.8	$ 3,055.9	$ 1,772.8	58 %
Used vehicle wholesale revenue	368.3	259.7	108.6	42 %
Used vehicle revenue	$ 5,197.1	$ 3,315.6	$ 1,881.4	57 %
Gross profit:				
Used vehicle retail gross profit	$ 347.1	$ 262.0	$ 85.1	32 %
Used vehicle wholesale gross profit	6.2	26.4	(20.2)	(77)%
Used vehicle gross profit	$ 353.2	$ 288.3	$ 64.9	22 %
Used vehicle retail units:				
Used vehicle retail units	151,464	105,206	46,258	44 %
Same Store:				
Revenue:				
Used vehicle retail revenue	$ 2,988.0	$ 2,761.1	$ 226.9	8 %
Used vehicle wholesale revenue	154.3	232.4	(78.1)	(34)%
Used vehicle revenue	$ 3,142.3	$ 2,993.6	$ 148.7	5 %
Gross profit:				
Used vehicle retail gross profit	$ 190.6	$ 238.0	$ (47.4)	(20)%
Used vehicle wholesale gross profit	1.6	24.5	(22.8)	(93)%
Used vehicle gross profit	$ 192.3	$ 262.5	$ (70.2)	(27)%
Used vehicle retail units:				
Used vehicle retail units	91,433	94,336	(2,903)	(3)%

Used Vehicle Metrics—

	For the Year Ended December 31, 2022	2021	Increase (Decrease)	% Change
As Reported:				
Revenue per used vehicle retailed	$ 31,881	$ 29,047	$ 2,833	10 %
Gross profit per used vehicle retailed	$ 2,291	$ 2,490	$ (199)	(8)%
Used vehicle retail gross margin	7.2 %	8.6 %	(1.4)%	
Same Store:				
Revenue per used vehicle retailed	$ 32,679	$ 29,269	$ 3,411	12 %
Gross profit per used vehicle retailed	$ 2,085	$ 2,523	$ (438)	(17)%
Used vehicle retail gross margin	6.4 %	8.6 %	(2.2)%	

Used vehicle revenue increased by $1.88 billion (57%), due to a $1.77 billion (58%) increase in used retail revenue and a $108.6 million (42%) increase in used vehicle wholesale revenue. Same store used vehicle revenue increased by $148.7 million (5%) due to an $226.9 million (8%) increase in used vehicle retail revenue, partially offset by a $78.1 million (34%) decrease in used vehicle wholesale revenue.

In 2022, total Company and same store used vehicle retail gross profit margins both decreased 139 and 224 basis points to 7.2% and 6.4%, respectively. We attribute the decreases in used vehicle retail gross profit margin to a softening in the used vehicle market, which was at record highs in 2021 as a result of new vehicle inventory shortages caused by semiconductor supply chain issues and COVID-19 disruptions.

We believe that our used vehicle inventory continues to be well-aligned with current consumer demand, with approximately 27 days of supply as of December 31, 2022.

Parts and Service—

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021	Increase (Decrease)	% Change
	(Dollars in millions)			
As Reported:				
Parts and service revenue	$ 2,107.5	$ 1,184.3	$ 923.3	78 %
Parts and service gross profit:				
Customer pay	724.8	434.2	290.6	67 %
Warranty	142.4	98.0	44.4	45 %
Wholesale parts	79.4	34.3	45.1	132 %
Parts and service gross profit, excluding reconditioning and preparation	946.7	566.5	380.2	67 %
Parts and service gross margin, excluding reconditioning and preparation	44.9 %	47.8 %	(2.9)%	
Reconditioning and preparation *	221.1	153.6	67.5	44 %
Total parts and service gross profit	$ 1,167.8	$ 720.1	$ 447.7	62 %
Same Store:				
Parts and service revenue	$ 1,181.8	$ 1,055.5	$ 126.3	12 %
Parts and service gross profit:				
Customer pay	450.3	390.3	60.1	15 %
Warranty	82.5	88.2	(5.7)	(7)%
Wholesale parts	32.9	29.7	3.2	11 %
Parts and service gross profit, excluding reconditioning and preparation	565.7	508.1	57.5	11 %
Parts and service gross margin, excluding reconditioning and preparation	47.9 %	48.1 %	(0.3)%	
Reconditioning and preparation *	141.6	137.6	4.0	3 %
Total parts and service gross profit	$ 707.3	$ 645.7	$ 61.6	10 %

** Reconditioning and preparation represents the gross profit earned by our parts and service departments for internal work performed and is included as a reduction of Parts and service cost of sales within the accompanying consolidated statements of income upon the sale of the vehicle.*

The $923.3 million (78%) increase in parts and service revenue was due to a $568.1 million (70%) increase in customer pay revenue, a $270.2 million (143%) increase in wholesale parts revenue, and a $85.0 million (47%) increase in warranty revenue. Same store parts and service revenue increased $126.3 (12%) from $1.06 billion in 2021 to $1.18 billion in 2022. The increase in same store parts and service revenue was due to a $108.7 million (15%) increase in customer pay revenue and a $26.8 million (17%) increase in wholesale parts revenue, partially offset by a $9.1 million (6%) decrease in warranty revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by $380.2 million (67%) to $946.7 and same store gross profit, excluding reconditioning and preparation, increased by $57.5 million (11%) to $565.7 million. The $57.5 million increase in same store gross profit, excluding reconditioning and preparation, is primarily due to a $60.1 million (15%) increase in customer pay gross profit, and a 3.2 million (11%) increase in wholesale parts gross profit, partially offset by a $5.7 million (7%) decrease in warranty gross profit. As a result of the shortage of new vehicle inventory, many customers have elected to keep their current vehicles longer which has generated additional customer pay and wholesale parts gross profit for the parts and service departments.

Finance and Insurance, net—

	For the Year Ended December 31, 2022	For the Year Ended December 31, 2021	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Finance and insurance, net	$ 670.9	$ 402.7	$ 268.2	67 %
Finance and insurance, net per vehicle sold	$ 2,217	$ 1,872	$ 345	18 %
Same Store:				
Finance and insurance, net	$ 403.0	$ 362.7	$ 40.4	11 %
Finance and insurance, net per vehicle sold	$ 2,339	$ 1,883	$ 456	24 %

F&I revenue, net increased by $268.2 million (67%) in 2022 when compared to 2021 primarily as a result of a 41% increase in new and used retail unit sales and an 18% increase in F&I per vehicle retailed.

On a same store basis F&I revenue, net increased by $40.4 million (11%) in 2022 when compared to 2021 primarily as a result of a 24% increase in F&I per vehicle retailed, partially offset by a 11% decrease in new and used retail unit sales.

During 2022 we continued to benefit from a favorable consumer lending environment, which allowed more of our customers to take advantage of a broader array of F&I products and our continued focus on improving the F&I results at our lower-performing stores through our F&I training programs.

TCA SEGMENT

	For the Year Ended December 31, 2022			2021		
	As Reported	Dealership Inter-company Eliminations	TCA After Dealership Eliminations	As Reported	Dealership Inter-company Eliminations	TCA After Dealership Eliminations
	(Dollars in millions)					
Finance and insurance, revenue	$ 245.8	$ (119.8)	$ 126.0	$ 12.0	$ (9.6)	$ 2.3
Finance and insurance, cost of sales	$ 191.9	$ (145.7)	$ 46.3	$ 6.4	$ (2.8)	$ 3.6
Finance and insurance, gross profit	$ 53.8	$ 25.9	$ 79.7	$ 5.5	$ (6.8)	$ (1.3)

TCA offers a variety of F&I products, such as extended vehicle service contracts, prepaid maintenance contracts, GAP, appearance protection contracts and lease wear-and-tear contracts. TCA's products are sold through our automobile dealerships.

Revenue generated by TCA is earned over the period of the related product contract. The method for recognizing revenue is assigned based on contract type and expected claim patterns. Premium revenues are supplemented with investment gains or losses and income earned associated with the performance of TCA's investment portfolio. During the year ended December 31, 2022, TCA generated $245.8 million of revenue, consisting primarily of earned premium partially offset by a loss of $8.0 million in the investment portfolio.

Direct expenses paid for the acquisition of contracts on which revenue has been received but not yet earned have been deferred and are amortized over the related contract period. During the year ended December 31, 2022, TCA recorded $191.9 million of cost of sales consisting primarily of claims expense. Commissions expense paid by TCA to our affiliated dealerships and reflected as F&I revenue in our Dealerships segment is eliminated in the TCA segment upon consolidation.

As we continue to integrate TCA, we expect a rollout of TCA products to our remaining stores by the end of 2023. With the ownership of TCA, while the overall profitability of the transaction is higher, the timing of revenue and cost recognition is deferred and amortized over the life of the contract. We expect that this rollout will result in lower F&I revenue and gross profit over the next two to three years.

CONSOLIDATED

Selling, General, and Administrative Expense—

	For the Year Ended December 31,					
	2022	% of Gross Profit	2021	% of Gross Profit	Increase (Decrease)	% of Gross Profit Increase (Decrease)
	(Dollars in millions)					
As Reported:						
Personnel costs	$ 938.2	30.3 %	$ 539.7	28.4 %	$ 398.5	1.9 %
Sales compensation	289.8	9.3 %	190.8	10.0 %	99.0	(0.7)%
Share-based compensation	20.6	0.7 %	16.2	0.9 %	4.4	(0.2)%
Outside services	192.2	6.2 %	110.6	5.8 %	81.6	0.4 %
Advertising	50.1	1.6 %	30.7	1.6 %	19.4	— %
Rent	44.8	1.4 %	37.6	2.0 %	7.2	(0.5)%
Utilities	31.3	1.0 %	18.8	1.0 %	12.5	— %
Insurance	25.2	0.8 %	22.5	1.2 %	2.7	(0.4)%
Other	171.3	5.5 %	107.1	5.6 %	64.2	(0.1)%
Selling, general, and administrative expense	$ 1,763.4	56.9 %	$ 1,073.9	56.5 %	$ 689.4	0.4 %
Gross profit	$ 3,100.6		$ 1,902.2			
Same Store:						
Personnel costs	$ 515.6	29.1 %	$ 485.7	28.4 %	$ 29.9	0.7 %
Sales compensation	170.5	9.6 %	172.8	10.1 %	(2.3)	(0.5)%
Share-based compensation	20.6	1.2 %	16.2	0.9 %	4.4	0.2 %
Outside services	113.2	6.4 %	101.6	5.9 %	11.6	0.4 %
Advertising	20.6	1.2 %	25.0	1.5 %	(4.4)	(0.3)%
Rent	33.7	1.9 %	37.5	2.2 %	(3.8)	(0.3)%
Utilities	18.6	1.0 %	17.0	1.0 %	1.6	0.1 %
Insurance	10.6	0.6 %	18.7	1.1 %	(8.1)	(0.5)%
Other	104.9	5.9 %	104.1	6.1 %	0.9	(0.2)%
Selling, general, and administrative expense	$ 1,008.4	56.9 %	$ 978.6	57.2 %	$ 29.8	(0.4)%
Gross profit	$ 1,773.0		$ 1,710.1			

SG&A expense as a percentage of gross profit increased 41 basis points from 56.5% in 2021 to 56.9% in 2022. Same store SG&A expense as a percentage of gross profit decreased 35 basis points from 57.2% in 2021 to 56.9% in 2022. The decrease in SG&A as a percentage of gross profit is primarily the result of higher gross profits earned across our Dealership segment, as well as maintaining expense discipline, particularly in personnel costs, with enhanced productivity of our team members. With respect to the TCA F&I products sold at our dealerships, sales compensation expense is reduced for commission costs that are capitalized and recognized over the life of the contract.

Depreciation and Amortization Expense —

The $27.1 million (65%) increase in depreciation and amortization expense during 2022 compared to 2021, was primarily the result of depreciation associated with dealership acquisitions during 2021 and additional assets placed into service during 2022.

Floor Plan Interest Expense —

Floor plan interest expense increased by $0.2 million (2%) to $8.4 million during 2022 compared to $8.2 million during 2021.

Other Interest Expense —

Other interest expense increased $58.3 million (62%) from $93.9 million in 2021 to $152.2 million in 2022. The increase is due to having a full year of interest expense in 2022 in connection with acquisition-related financing that we entered into during the fourth quarter of 2021.

Gain on Dealership Divestitures —

During the year ended December 31, 2022, we sold one franchise (one dealership location) in St. Louis, Missouri, three franchises (three dealership locations) and one collision center in Colorado, two franchises (two dealership locations) in Spokane, Washington, one franchise (one dealership location) in Albuquerque, New Mexico and 11 franchises (nine dealership locations) and two collision centers in North Carolina. The Company recorded a net pre-tax gain totaling $207.1 million.

During the year ended December 31, 2021, we sold one franchise (one dealership location) in the Charlottesville, Virginia market. The Company recorded a pre-tax gain totaling $8.0 million.

Income Tax Expense —

The $156.5 million (95%) increase in income tax expense was the result of a $621.4 million (89%) increase in income before income taxes. Our effective tax rate increased 70 basis points from 23.7% in 2021 to 24.4% in 2022. The increase in our effective tax rate was primarily due to the apportionment of income to states with higher tax rates we began doing business in as a result of the acquisitions made during the fourth quarter of 2021. We are forecasting our 2023 effective tax rate to be approximately 24.5%.

Refer to Note 16 "Income Taxes" for additional information regarding income taxes.

CONSOLIDATED RESULTS OF OPERATIONS

The Year Ended December 31, 2021 Compared to the Year Ended December 31, 2020

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020	Increase (Decrease)	% Change
	(Dollars in millions, except per share data)			
REVENUE:				
New vehicle	$ 4,934.1	$ 3,767.4	$ 1,166.7	31 %
Used vehicle	3,315.6	2,169.5	1,146.1	53 %
Parts and service	1,182.9	889.8	293.1	33 %
Finance and insurance, net	405.1	305.1	100.0	33 %
TOTAL REVENUE	9,837.7	7,131.8	2,705.9	38 %
GROSS PROFIT:				
New vehicle	490.5	218.5	272.0	124 %
Used vehicle	288.3	156.6	131.7	84 %
Parts and service	721.9	543.2	178.7	33 %
Finance and insurance, net	401.5	305.1	96.4	32 %
TOTAL GROSS PROFIT	1,902.2	1,223.4	678.7	55 %
OPERATING EXPENSES:				
Selling, general, and administrative	1,073.9	781.9	292.0	37 %
Depreciation and amortization	41.9	38.5	3.4	9 %
Franchise rights impairment	—	23.0	(23.0)	(100)%
Other operating (income) expenses, net	(5.4)	9.2	(14.6)	(159)%
INCOME FROM OPERATIONS	791.8	370.8	420.9	114 %
OTHER EXPENSES (INCOME):				
Floor plan interest expense	8.2	17.7	(9.5)	(54)%
Other interest expense, net	93.9	56.8	37.2	65 %
Loss on extinguishment of long-term debt, net	—	20.6	(20.6)	(100)
Gain on dealership divestitures, net	(8.0)	(62.3)	54.3	(87)
Total other expenses, net	94.1	32.7	61.4	188 %
INCOME BEFORE INCOME TAXES	697.7	338.1	359.6	106 %
Income tax expense	165.3	83.8	81.6	97 %
NET INCOME	$ 532.4	$ 254.4	$ 278.0	109 %
Net income per common share—Diluted	$ 26.49	$ 13.18	$ 13.31	101 %

	For the Year Ended December 31, 2021	2020
REVENUE MIX PERCENTAGES:		
New vehicles	50.2 %	52.8 %
Used retail vehicles	31.1 %	27.1 %
Used vehicle wholesale	2.6 %	3.4 %
Parts and service	12.0 %	12.5 %
Finance and insurance, net	4.1 %	4.3 %
Total revenue	100.0 %	100.0 %
GROSS PROFIT MIX PERCENTAGES:		
New vehicles	25.8 %	17.9 %
Used retail vehicles	13.8 %	11.9 %
Used vehicle wholesale	1.4 %	0.9 %
Parts and service	38.0 %	44.4 %
Finance and insurance, net	21.1 %	24.9 %
Total gross profit	100.0 %	100.0 %
GROSS PROFIT MARGIN	19.3 %	17.2 %
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	56.5 %	63.9 %

Total revenue during 2021 increased by $2.71 billion (38%) compared to 2020, due to a $1.17 billion (31%) increase in new vehicle revenue, $1.15 billion (53%) increase in used vehicle revenue, a $293.1 million (33%) increase in parts and service revenue and a $100.0 million (33%) increase in F&I revenue.

The $678.7 million (55%) increase in gross profit during 2021 was the result of a $272.0 million (124%) increase in new vehicle gross profit, a $131.7 million (84%) increase in used vehicle gross profit, a $178.7 million (33%) increase in parts and service gross profit and a $96.4 million (32%) increase in F&I gross profit. Our total gross profit margin increased 210 basis points from 17.2% in 2020 to 19.3% in 2021.

Income from operations during 2021 increased by $420.9 million (114%) compared to 2020, primarily due to a $678.7 million (55%) increase in gross profit, a $23.0 million decrease in franchise rights impairment, a $14.6 million decrease in other operating expenses, net partially offset by a $292.0 million (37%) increase in selling, general, and administrative expenses and a $3.4 million (9%) increase in depreciation and amortization expenses.

Total other expenses, net increased by $61.4 million (188%) in 2021, primarily due to a $54.3 million decrease in gain on dealership divestitures, a $37.2 million increase in other interest expense, net, partially offset by a $9.5 million decrease in floor plan interest expense and a $20.6 million decrease in loss on extinguishment of debt. As a result, income before income taxes increased by $359.6 million (106%) to $697.7 million in 2021. The $81.6 million (97%) increase in income tax expense was primarily attributable to the 106% increase in income before taxes, partially offset by a 110 basis point decrease in the 2021 effective tax rate. Overall, net income increased by $278.0 million (109%) from $254.4 million in 2020 to $532.4 million in 2021.

DEALERSHIP SEGMENT

New Vehicle—

	For the Year Ended December 31,			
	2021	2020	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Luxury	$ 2,183.0	$ 1,450.1	$ 732.9	51 %
Import	1,935.8	1,550.5	385.2	25 %
Domestic	815.3	766.7	48.6	6 %
Total new vehicle revenue	$ 4,934.1	$ 3,767.4	$ 1,166.7	31 %
Gross profit:				
Luxury	$ 241.1	$ 113.7	$ 127.4	112 %
Import	175.3	59.7	115.6	194 %
Domestic	74.1	45.1	29.0	64 %
Total new vehicle gross profit	$ 490.5	$ 218.5	$ 272.0	124 %
New vehicle units:				
Luxury	34,648	25,259	9,389	37 %
Import	58,413	52,201	6,212	12 %
Domestic	16,849	17,705	(856)	(5)%
Total new vehicle units	109,910	95,165	14,745	15 %
Same Store:				
Revenue:				
Luxury	$ 1,597.4	$ 1,409.3	$ 188.1	13 %
Import	1,847.6	1,534.8	312.8	20 %
Domestic	730.2	734.8	(4.6)	(1)%
Total new vehicle revenue	$ 4,175.2	$ 3,678.9	$ 496.3	13 %
Gross profit:				
Luxury	$ 175.2	$ 110.6	$ 64.6	58 %
Import	163.8	59.4	104.4	176 %
Domestic	64.8	43.2	21.6	50 %
Total new vehicle gross profit	$ 403.8	$ 213.2	$ 190.6	89 %
New vehicle units:				
Luxury	25,647	24,526	1,121	5 %
Import	56,227	51,698	4,529	9 %
Domestic	15,316	17,009	(1,693)	(10)%
Total new vehicle units	97,190	93,233	3,957	4 %

New Vehicle Metrics—

	For the Year Ended December 31, 2021	2020	Increase (Decrease)	% Change
As Reported:				
Revenue per new vehicle sold	$ 44,892	$ 39,588	$ 5,304	13 %
Gross profit per new vehicle sold	$ 4,462	$ 2,296	$ 2,166	94 %
New vehicle gross margin	9.9 %	5.8 %	4.1 %	
Luxury:				
Gross profit per new vehicle sold	$ 6,958	$ 4,502	$ 2,456	55 %
New vehicle gross margin	11.0 %	7.8 %	3.2 %	
Import:				
Gross profit per new vehicle sold	$ 3,001	$ 1,144	$ 1,857	162 %
New vehicle gross margin	9.1 %	3.9 %	5.2 %	
Domestic:				
Gross profit per new vehicle sold	$ 4,397	$ 2,546	$ 1,851	73 %
New vehicle gross margin	9.1 %	5.9 %	3.2 %	
Same Store:				
Revenue per new vehicle sold	$ 42,959	$ 39,459	$ 3,500	9 %
Gross profit per new vehicle sold	$ 4,155	$ 2,287	$ 1,868	82 %
New vehicle gross margin	9.7 %	5.8 %	3.9 %	
Luxury:				
Gross profit per new vehicle sold	$ 6,831	$ 4,510	$ 2,321	51 %
New vehicle gross margin	11.0 %	7.8 %	3.2 %	
Import:				
Gross profit per new vehicle sold	$ 2,913	$ 1,149	$ 1,764	154 %
New vehicle gross margin	8.9 %	3.9 %	5.0 %	
Domestic:				
Gross profit per new vehicle sold	$ 4,231	$ 2,540	$ 1,691	67 %
New vehicle gross margin	8.9 %	5.9 %	3.0 %	

New vehicle revenue increased by $1.17 billion (31%), as a result of a 15% increase in new vehicle unit sales and a 13% increase in revenue per new vehicle sold. Same store new vehicle revenue increased by $496.3 million (13%) as a result of a 4% increase in new vehicle units sold and a 9% increase in revenue per new vehicle sold.

Same store new vehicle gross profit in 2021 increased by $190.6 million (89%), as a result of an 82% increase in gross profit per new vehicle sold and a 4% increase in unit volumes. Same store new vehicle gross margin increased 390 basis points to 9.7% in 2021, primarily as a result of a supply shortage for much of 2021 caused by manufacturer production challenges caused by the semi-conductor shortage and the COVID-19 pandemic. We finished 2021 with an eight day supply of new vehicle inventory which is below our targeted day supply primarily as a result of these manufacturer production challenges.

Used Vehicle—

	For the Year Ended December 31, 2021	2020	Increase (Decrease)	% Change
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Revenue:				
Used vehicle retail revenue	$ 3,055.9	$ 1,930.0	$ 1,125.9	58 %
Used vehicle wholesale revenue	259.7	239.5	20.2	8 %
Used vehicle revenue	$ 3,315.6	$ 2,169.5	$ 1,146.1	53 %
Gross profit:				
Used vehicle retail gross profit	$ 262.0	$ 145.3	$ 116.7	80 %
Used vehicle wholesale gross profit	26.4	11.4	15.0	132 %
Used vehicle gross profit	$ 288.3	$ 156.6	$ 131.7	84 %
Used vehicle retail units:				
Used vehicle retail units	105,206	80,537	24,669	31 %
Same Store:				
Revenue:				
Used vehicle retail revenue	$ 2,621.9	$ 1,872.1	$ 749.8	40 %
Used vehicle wholesale revenue	175.1	235.2	(60.1)	(26)%
Used vehicle revenue	$ 2,797.0	$ 2,107.3	$ 689.7	33 %
Gross profit:				
Used vehicle retail gross profit	$ 226.5	$ 141.9	$ 84.6	60 %
Used vehicle wholesale gross profit	18.9	11.4	7.5	66 %
Used vehicle gross profit	$ 245.4	$ 153.3	$ 92.1	60 %
Used vehicle retail units:				
Used vehicle retail units	93,803	78,144	15,659	20 %

Used Vehicle Metrics—

	For the Year Ended December 31, 2021	2020	Increase (Decrease)	% Change
As Reported:				
Revenue per used vehicle retailed	$ 29,047	$ 23,964	$ 5,083	21 %
Gross profit per used vehicle retailed	$ 2,490	$ 1,804	$ 686	38 %
Used vehicle retail gross margin	8.6 %	7.5 %	1.1 %	
Same Store:				
Revenue per used vehicle retailed	$ 27,951	$ 23,957	$ 3,994	17 %
Gross profit per used vehicle retailed	$ 2,415	$ 1,816	$ 599	33 %
Used vehicle retail gross margin	8.6 %	7.6 %	1.0 %	

Used vehicle revenue increased by $1.15 billion (53%), due to a $1.13 billion (58%) increase in used retail revenue and a $20.2 million (8%) increase in used vehicle wholesale revenue. Same store used vehicle revenue increased by $689.7 million (33%) due to an $749.8 million (40%) increase in used vehicle retail revenue, partially offset by a $60.1 million (26%) decrease in used vehicle wholesale revenue.

In 2021, total Company and same store used vehicle retail gross profit margins both increased 110 and 100 basis points, respectively, to 8.6%. We primarily attribute the increases in used vehicle retail gross profit margin to increased demand for used vehicles as a result of new vehicle inventory shortages caused by semiconductor supply chain and COVID-19 disruptions.

We believe that our used vehicle inventory continues to be well-aligned with current consumer demand, with approximately 34 days of supply as of December 31, 2021.

Parts and Service—

	For the Year Ended December 31, 2021	For the Year Ended December 31, 2020	Increase (Decrease)	% Change
	(Dollars in millions)			
As Reported:				
Parts and service revenue	$ 1,184.3	$ 889.8	$ 294.5	33 %
Parts and service gross profit:				
Customer pay	434.2	310.6	123.5	40 %
Warranty	98.0	92.8	5.2	6 %
Wholesale parts	34.3	22.1	12.2	55 %
Parts and service gross profit, excluding reconditioning and preparation	566.5	425.5	141.0	33 %
Parts and service gross margin, excluding reconditioning and preparation	47.8 %	47.8 %	— %	
Reconditioning and preparation *	153.6	117.7	35.9	31 %
Total parts and service gross profit	$ 720.1	$ 543.2	$ 176.9	33 %
Same Store:				
Parts and service revenue	$ 994.5	$ 867.8	$ 126.7	15 %
Parts and service gross profit:				
Customer pay	363.0	303.2	59.8	20 %
Warranty	78.4	90.2	(11.8)	(13)%
Wholesale parts	28.7	21.6	7.1	33 %
Parts and service gross profit, excluding reconditioning and preparation	470.1	415.0	55.1	13 %
Parts and service gross margin, excluding reconditioning and preparation	47.3 %	47.8 %	(0.5)%	
Reconditioning and preparation *	135.8	114.7	21.1	18 %
Total parts and service gross profit	$ 605.9	$ 529.7	$ 76.2	14 %

** Reconditioning and preparation represents the gross profit earned by our parts and service departments for internal work performed and is included as a reduction of Parts and service cost of sales within the accompanying consolidated statements of income upon the sale of the vehicle.*

The $294.5 million (33%) increase in parts and service revenue was due to a $218.7 million (37%) increase in customer pay revenue, a $65.8 million (54%) increase in wholesale parts revenue and a $10.0 million (6%) increase in warranty revenue. Same store parts and service revenue increased $126.7 million (15%) from $867.8 million in 2020 to $994.5 million in 2021. The increase in same store parts and service revenue was due to a $103.7 million (18%) increase in customer pay revenue and a $41.7 million (35%) increase in wholesale parts revenue, partially offset by a $18.7 million (11%) decrease in warranty revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by $141.0 million (33%) to $566.5 million and same store gross profit, excluding reconditioning and preparation, increased by $55.1 million (13%) to $470.1 million. The $55.1 million increase in same store gross profit, excluding reconditioning and preparation, is primarily due to a $59.8 million (20%) increase in customer pay gross profit, a $7.1 million (33%) increase in wholesale parts gross profit, partially offset by an $11.8 million (13%) decrease in warranty gross profit. The parts and service business was negatively impacted by the COVID-19 pandemic in 2020 but has since recovered to pre-pandemic levels. In addition, the shortage of new vehicle inventory has increased demand for used vehicles which in turn has generated additional reconditioning and preparation gross profit for the parts and service departments.

Finance and Insurance, net—

	For the Year Ended December 31,		Increase (Decrease)	% Change
	2021	2020		
	(Dollars in millions, except for per vehicle data)			
As Reported:				
Finance and insurance, net	$ 402.7	$ 305.1	$ 97.6	32 %
Finance and insurance, net per vehicle sold	$ 1,872	$ 1,736	$ 136	8 %
Same Store:				
Finance and insurance, net	$ 364.0	$ 299.1	$ 64.9	22 %
Finance and insurance, net per vehicle sold	$ 1,906	$ 1,745	$ 161	9 %

F&I revenue, net increased by $97.6 million (32%) in 2021 when compared to 2020 primarily as a result of a 22% increase in new and used retail unit sales and an 8% increase in F&I per vehicle retailed.

On a same store basis F&I revenue, net increased by $64.9 million (22%) in 2021 when compared to 2020 primarily as a result of a 11% decrease in new and used retail unit sales and a 9% increase in F&I per vehicle retailed.

During 2021 we continued to benefit from a favorable consumer lending environment, which allowed more of our customers to take advantage of a broader array of F&I products and our continued focus on improving the F&I results at our lower-performing stores through our F&I training programs.

TCA SEGMENT

	For the Year Ended December 31,		Increase (Decrease)	% Change
	2021	2020		
	(Dollars in millions)			
Finance and insurance, revenue	$ 12.0	$ —	$ 12.0	N/A
Finance and insurance, cost of sales	$ 6.4	$ —	$ 6.4	N/A
Finance and insurance, gross profit	$ 5.5	$ —	$ 5.5	N/A

During the 15-day period the Company owned TCA in December 2021, TCA generated $12.0 million of revenue, consisting of both earned premium and investment income.

During the 15-day period the Company owned TCA in December 2021, TCA recorded $6.4 million of cost of sales consisting primarily of claims expense.

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CONSOLIDATED

Selling, General, and Administrative Expense—

	For the Year Ended December 31,					% of Gross Profit
	2021	% of Gross Profit	2020	% of Gross Profit	Increase (Decrease)	(Decrease) Increase
			(Dollars in millions)			
As Reported:						
Personnel costs	$ 539.7	28.4 %	$ 386.5	31.6 %	$ 153.1	(3.2)%
Sales compensation	190.8	10.0 %	121.4	9.9 %	69.3	0.1 %
Share-based compensation	16.2	0.9 %	12.6	1.0 %	3.6	(0.2)%
Outside services	110.6	5.8 %	82.9	6.8 %	27.7	(1.0)%
Advertising	30.7	1.6 %	25.5	2.1 %	5.2	(0.5)%
Rent	37.6	2.0 %	32.2	2.6 %	5.5	(0.7)%
Utilities	18.8	1.0 %	15.8	1.3 %	3.0	(0.3)%
Insurance	22.5	1.2 %	16.7	1.4 %	5.8	(0.2)%
Other	107.1	5.6 %	88.2	7.2 %	18.9	(1.6)%
Selling, general, and administrative expense	$ 1,073.9	56.5 %	$ 781.9	63.9 %	$ 292.0	(7.5)%
Gross profit	$ 1,902.2		$ 1,223.4			
Same Store:						
Personnel costs	$ 460.9	28.5 %	$ 377.5	31.6 %	$ 83.4	(3.1)%
Sales compensation	167.5	10.3 %	118.5	9.9 %	49.0	0.4 %
Share-based compensation	16.2	1.0 %	12.6	1.1 %	3.6	(0.1)%
Outside services	97.1	6.0 %	80.3	6.7 %	16.8	(0.7)%
Advertising	25.8	1.6 %	24.2	2.0 %	1.6	(0.4)%
Rent	37.5	2.3 %	32.0	2.7 %	5.5	(0.4)%
Utilities	16.0	1.0 %	15.3	1.3 %	0.7	(0.3)%
Insurance	18.2	1.1 %	15.7	1.3 %	2.5	(0.2)%
Other	92.0	5.7 %	86.8	7.2 %	5.2	(1.5)%
Selling, general, and administrative expense	$ 931.2	57.5 %	$ 762.9	63.8 %	$ 168.3	(6.3)%
Gross profit	$ 1,619.1		$ 1,195.3			

SG&A expense as a percentage of gross profit decreased 750 basis points from 63.9% in 2020 to 56.5% in 2021. Same store SG&A expense as a percentage of gross profit decreased 630 basis points from 63.8% in 2020 to 57.5% in 2021. The decrease in SG&A as a percentage of gross profit is primarily the result of higher gross profits earned across our Dealerships segments, as well as maintaining expense discipline, particularly in personnel costs, with enhanced productivity of our team members.

Depreciation and Amortization Expense —

The $3.4 million (9%) increase in depreciation and amortization expense during 2021 compared to 2020, was primarily the result of depreciation associated with dealership acquisitions during 2021, additional assets placed into service during 2021, and depreciation expense associated with the purchase of previously leased properties.

Franchise Rights Impairment —

We assessed our manufacturer franchise rights for impairment by comparing the present value of cash flows attributable to each franchise right to its carrying value. As a result of our impairment testing performed, we recognized no impairment charges during the year ended December 31, 2021 and a $23.0 million pre-tax non-cash charge related to eleven dealerships during the year ended December 31, 2020.

Other Operating Expenses (Income), net —

Other operating (income) expenses, net includes gains and losses from the sale of property and equipment, income derived from lease arrangements, and other non-core operating items. During the twelve months ended December 31, 2021, the Company recorded other operating income, net of $5.4 million, which included a $3.5 million gain related to legal settlements and a $1.9 million gain on divestitures of certain real estate.

During the twelve months ended December 31, 2020, the Company recorded other operating expense, net of $9.2 million, which included $12.9 million related to the Park Place acquisition, $0.7 million real estate related impairment partially offset by a $2.1 million gain related to legal settlements and a $0.3 million gain related to the sale of vacant real estate.

Floor Plan Interest Expense —

Floor plan interest expenses decreased by $9.5 million (54%) to $8.2 million during 2021 compared to $17.7 million during 2020, as a result of lower new vehicle inventory levels during 2021 caused by production issues related to the semiconductor shortage and COVID-19.

Other Interest Expense —

Other interest expense increased $37.2 million (65%) from $56.8 million in 2020 to $93.9 million in 2021. In 2021, we incurred approximately $27.5 million in bridge commitment fees related to our acquisition of LHM and TCA. During 2021, we also incurred additional interest expense related to our $800.0 million 2029 Notes (as defined below) and $600.0 million 2032 Notes (as defined below) issued in November 2021, the proceeds of which were also used to finance recent acquisitions. In addition, we incurred interest expense in connection with the 2021 BofA Real Estate Facility, the proceeds of which was used to finance the acquisition of previously leased Park Place Dealership premises.

Gain on Dealership Divestitures —

During the year ended December 31, 2021, we sold one franchise (one dealership location) in the Charlottesville, Virginia market. The Company recorded a pre-tax gain totaling $8.0 million.

During the year ended December 31, 2020, we sold two franchises (two dealership locations) in the Atlanta, Georgia market, six franchises (five dealership locations) and one collision center in the Jackson, Mississippi market, and one franchise (one dealership location) in the Greenville, South Carolina market. The Company recorded a pre-tax gain totaling $62.3 million.

Income Tax Expense —

The $81.6 million (97%) increase in income tax expense was the result of a $359.6 million (106%) increase in income before income taxes. Our effective tax rate decreased 110 basis points from 24.8% in 2020 to 23.7% in 2021. The decrease in our effective tax rate was primarily due to decreases in state rates in jurisdictions in which the Company has significant activity.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2022, we had total available liquidity of $1.54 billion, which consisted of cash and cash equivalents of $181.6 million (excluding $53.7 million held by TCA), available funds in our floor plan offset accounts of $691.0 million of which $627.8 million is offset against new vehicle floor plan notes payable and $63.2 million is netted against loaner vehicle notes payable, $437.3 million of availability under our revolving credit facility (of which $389.0 million is under our new vehicle floorplan facility that is able to be converted to a revolving credit facility), and $230.6 million of availability under our used vehicle revolving floor plan facility. The borrowing capacities under our revolving credit facility and our used vehicle revolving floor plan facility are limited by borrowing base calculations and, from time to time, may be further limited by our required compliance with certain financial covenants. As of December 31, 2022, these financial covenants did not further limit our availability under our other credit facilities. For more information on our financial covenants, see "Covenants and Defaults" and "Share Repurchases and Dividend Restrictions" below.

We continually evaluate our liquidity and capital resources based upon (i) our cash and cash equivalents on hand, (ii) the funds that we expect to generate through future operations, (iii) current and expected borrowing availability under our 2019 Senior Credit Facility (discussed further below), (iv) amounts in our new vehicle floor plan notes payable offset accounts, and (v) the potential impact of our capital allocation strategy and any contemplated or pending future transactions, including, but not limited to, financings, acquisitions, dispositions, equity and/or debt repurchases, dividends, or other capital expenditures. We believe we will have sufficient liquidity to meet our debt service and working capital requirements; commitments and contingencies; debt repayment, maturity and repurchase obligations; acquisitions; capital expenditures; and any operating requirements for at least the next twelve months.

Material Indebtedness

We currently are party to the following material credit facilities and agreements and have the following material indebtedness outstanding. For a more detailed description of the material terms of these agreements and facilities, and this indebtedness, see Note 14 "Debt" footnote included in the notes to consolidated financial statements.

- **2019 Senior Credit Facility**—On September 25, 2019, the Company and certain of its subsidiaries entered into the 2019 third amended and restated credit agreement with Bank of America, as administrative agent, and the other lenders party thereto (the "2019 Senior Credit Facility"). As amended, the 2019 Senior Credit Agreement provides for the following:

  Revolving Credit Facility—A $450.0 million Revolving Credit Facility for, among other things, acquisitions, working capital and capital expenditures, including a $50.0 million sub-limit for letters of credit. As of December 31, 2022, we converted $389.0 million of availability from the Revolving Credit facility to the New Vehicle Floor Plan Facility (as defined below), resulting in $61.0 million of borrowing capacity. In addition, as of December 31, 2022, we had $12.7 million in outstanding letters of credit, resulting in $48.3 million of borrowing availability. We began the year with $169.0 million drawn on our revolving credit facility. During the year ended December 31, 2022, we had additional borrowings of $330.0 million and $499.0 million in repayments, resulting in no outstanding borrowing as of December 31, 2022.

  New Vehicle Floor Plan Facility—A $1.75 billion New Vehicle Floor Plan Facility which allows us to transfer cash as an offset to floor plan notes payable. These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of the use of this floor plan offset account, we experienced a reduction in Floor plan interest expense on our consolidated statements of income. As of December 31, 2022, we had $679.6 million outstanding under the New Vehicle Floor Plan Facility, which includes $2.8 million classified as liabilities associated with assets held for sale and $63.2 million classified in loaner vehicles notes payable which is included in accounts payable and accrued liabilities in our consolidated balance sheets. As of December 31, 2022, we held $777.6 million in the floor plan notes payable offset account of which $100.8 million was reflected within cash and cash equivalents and $63.2 million was shown as an offset to loaner vehicles notes payable which is included in accounts payable and accrued liabilities in the consolidated balance sheets.

  Used Vehicle Floor Plan Facility—A $350.0 million Used Vehicle Floor Plan Facility to finance the acquisition of used vehicle inventory and for working capital and capital expenditures, as well as to refinance used vehicles. We began the year with $294.0 million drawn on our Used Vehicle Floor Plan Facility. As of December 31, 2022, we had additional borrowings of $200.0 million and $494.0 million in repayments resulting in no outstanding borrowings as of December 31, 2022. Our borrowing capacity under the Used

Vehicle Floor Plan Facility was $230.6 million based on our borrowing base calculation as of December 31, 2022.

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

At our option, we have the ability to re-designate a portion of our availability under the Revolving Credit Facility to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility. The maximum amount we are allowed to re-designate is determined based on aggregate commitments under the Revolving Credit Facility, less $50.0 million. In addition, we are able to re-designate any amounts moved to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility back to the Revolving Credit Facility. As of December 31, 2022, $389.0 million of availability under the Revolving Credit Facility was re-designated to the New Vehicle Floor Plan Facility. We re-designated this amount to take advantage of the lower commitment fee rates on the New Vehicle Floor Plan Facility when compared to the Revolving Credit Facility.

On September 30, 2022, the Company and certain of its subsidiaries entered into the fifth amendment to the 2019 Senior Credit Facility. The amendment, among other things, increased the cap that the real estate component of the Revolving Borrowing Base can contribute to the Revolving Borrowing Base from 25% to 40% of the Aggregate Revolving Commitments, increased the amounts that any conversion of the Aggregate Revolving Commitments to Aggregate New Vehicle Floor Plan Commitments and/or Aggregate Used Vehicle Floor Plan Commitments (each way) can contribute to Aggregate Commitments from 20% to 40%, removed the $50 million limit on the portion of the Floorplan Offset Amount that may be subtracted from certain amounts outstanding under the floorplan facility and made certain changes to the criteria for Eligible Borrowing Base Real Property and the deliverables in connection with those properties (such capitalized terms, in each case, as defined in the amendment). The amendment did not update or amend the maturity date, interest rates or total loan commitments under the 2019 Senior Credit Agreement.

On May 25, 2022, the Company and certain of its subsidiaries entered into the fourth amendment to the 2019 Senior Credit Facility with Bank of America, as administrative agent, and the other lenders party thereto, to replace the benchmark reference rate of LIBOR to Secured Overnight Financing Rate ("SOFR"). See Note 14 "Debt" for further details.

In addition to the payment of interest on borrowings outstanding under the 2019 Senior Credit Facility, we are

required to pay a quarterly commitment fee on total unused commitments thereunder. The fee for unused commitments under the Revolving Credit Facility is between 0.15% and 0.40% per year, based on the Company's total lease adjusted leverage ratio, and the fee for unused commitments under the New Vehicle Facility Floor Plan and the Used Vehicle Floor Plan Facility is 0.15% per year.

- **Manufacturer affiliated new vehicle floor plan and other financing facilities—**We have a floor plan facility with the Ford Motor Credit Company ("Ford Credit") to purchase new Ford and Lincoln vehicle inventory. Our floor plan facility with Ford Credit was amended in July 2020 and can be terminated by either the Company or Ford Credit with a 30-day notice period. We have also established a floor plan offset account with Ford Credit, which operates in a similar manner to our floor plan offset account with Bank of America. As of December 31, 2022, we had $51.0 million, which is net of $14.2 million in our floor plan offset account, outstanding under our floor plan facility. Neither our floor plan facility with Ford Credit nor our facilities for loaner vehicles have stated borrowing limitations.

- **2029 and 2032 Senior Notes—**On November 19, 2021, the Company completed its offering of $800.0 million aggregate principal amount of 4.625% senior notes due 2029 (the "2029 Senior Notes") and $600.0 million aggregate principal amount of 5.000% senior notes due 2032 (the "2032 Senior Notes"). The 2029 Senior Notes and 2032 Senior Notes mature on November 15, 2024 and February 15, 2032, respectively. Interest is payable semiannually, on November 15 and May 15 of each year. The 2029 Senior Notes and the 2032 Senior Notes were offered, together with additional borrowings and cash on hand, to (i) fund the LHM Acquisition and (ii) pay related fees and expenses.

  The 2029 Notes and 2032 Notes have been fully and unconditionally guaranteed, on a joint and several basis, by substantially all of our subsidiaries other than the TCA Non-Guarantor Subsidiaries. In addition, the notes are subject to customary covenants, events of default and optional redemption revisions. The 2029 Senior Notes and the 2032 Senior Notes are not required to be registered under the Securities Act of 1933.

- **2028 and 2030 Senior Notes—**On February 19, 2020, the Company completed its offering of senior unsecured notes, consisting of $525.0 million aggregate principal amount of the Existing 2028 Notes and $600.0 million aggregate principal amount of the Existing 2030 Notes. The 2028 Notes and 2030 Notes mature on March 1, 2028 and March 1, 2030, respectively. Interest is payable semiannually, on March 1 and September 1 of each year. The 2028 Notes and the 2030 Notes were offered, together with additional borrowings and cash on hand, to (i) fund the acquisition of substantially all of the assets of Park Place, (ii) redeem all of our outstanding $600.0 million aggregate principal amount of 6.0% Senior Subordinated Notes due 2024 (the "6.0% Notes") and (iii) pay fees and expenses.

On March 24, 2020, the Company redeemed $245.0 million aggregate principal million of the 2028 Notes and $280.0 million aggregate principal amount of the 2030 Notes pursuant to a special mandatory redemption.

In September 2020, the Company completed an add-on issuance of $250.0 million aggregate principal amount of additional senior notes consisting of $125.0 million aggregate principal amount of additional 2028 Notes at a price of 101.00% of par, plus accrued interest from September 1, 2020, and $125.0 million aggregate principal amount of additional 2030 Notes (together with the additional 2028 Notes, the "Additional Notes") at a price of 101.75% of par, plus accrued interest from September 1, 2020 (the "September 2020 Offering"). After deducting the initial purchasers' discounts of $2.8 million, we received net proceeds of approximately $250.6 million from the September 2020 Offering. The $3.5 million premium paid by the initial purchasers of the Additional Notes was recorded as a component of long-term debt on our consolidated balance sheets and is being amortized as a reduction of interest expense over the remaining term of the Notes. The proceeds of the September 2020 Offering were used to redeem the Seller Notes issued in connection with the acquisition of Park Place.

The 2028 Notes and the 2030 Notes are guaranteed, jointly and severally, on a senior unsecured basis, by each of our existing and future restricted subsidiaries, other than the TCA Non-Guarantor Subsidiaries. In addition, the Notes are subject to customary covenants, events of default and optional redemption revisions. The 2028 Notes and the 2030 Notes were required to be registered under the Securities Act of 1933 within 270 days of the closing date for the offering of each respective series. The Company completed the registration of the 2028 Notes and 2030 Notes in October 2020.

- **6.0% Senior Subordinated Notes due 2024—**In connection with the issuance of the Existing 2028 Notes and Existing 2030 Notes, on March 4, 2020, we redeemed all of our 6.0% Notes at 103% of par, plus accrued and unpaid interest up to, but excluding, the date of redemption.

- **Mortgage Financings—**We have multiple mortgage agreements with finance companies affiliated with our vehicle manufacturers ("captive mortgages"). As of December 31, 2022 we had total mortgage notes payable outstanding of $41.0 million which includes $2.7 million classified as liabilities associated with assets held for sale that are collateralized by the associated real estate.

- **2021 Real Estate Facility**—On December 17, 2021, we entered into a real estate term loan credit agreement with Bank of America, N.A., as administrative agent and the other lenders party thereto, which provided for term loans in an aggregate amount equal to $689.7 million (the "2021 Real Estate Facility"). As of December 31, 2022, we had $660.6 million of outstanding borrowings under the 2021 Real Estate Facility. There is no further borrowing availability under the 2021 Real Estate Facility.

- **2021 BofA Real Estate Facility**—On May 10, 2021, we entered into a real estate term loan credit agreement (the "2021 BofA Real Estate Credit Agreement"), by and among the Company and certain of its subsidiaries, Bank of America, N.A., as administrative agent and the various financial institutions party thereto, as lenders, which provided for term loans in an aggregate amount equal to $184.4 million, subject to customary terms and conditions (the "2021 BofA Real Estate Facility"). As of December 31, 2022, we had $173.3 million of outstanding borrowings under the 2021 BofA Real Estate Facility. There is no further borrowing availability under the 2021 BofA Real Estate Credit Agreement. On May 25, 2022, certain of our subsidiaries entered into amendments to our 2021 BofA Real Estate Facility to replace the benchmark reference rate of LIBOR to SOFR, effective June 1, 2022. See Note 14 "Debt" for further details.

- **2018 Bank of America Facility—**On November 13, 2018, we entered into a real estate term loan credit agreement (as amended, restated or supplemented from time to time, the "2018 BofA Real Estate Credit Agreement") with Bank of America, as lender, providing for term loans in an aggregate amount not to exceed $128.1 million, subject to customary terms and conditions (the "2018 BofA Real Estate Facility"). Our right to make draws under the 2018 BofA Real Estate Facility terminated on November 13, 2019. All of the real property financed by an operating dealership subsidiary of the Company under the 2018 BofA Real Estate Facility is collateralized by first priority liens, subject to certain permitted exceptions. As of December 31, 2022, we had $58.6 million, which includes $4.1 million classified as liabilities associated with assets held for sale, of outstanding borrowings under the 2018 Bank of America Facility. There is no further borrowing availability under the 2018 BofA Real Estate Facility. On May 25, 2022, certain of our subsidiaries entered into an amendment to the 2018 BofA Real Estate Credit Agreement to replace the benchmark reference rate of LIBOR to SOFR, effective June 1, 2022. See Note 14 "Debt" for further details.

- **2018 Wells Fargo Master Loan Facility—**On November 16, 2018, certain of our subsidiaries entered into a master loan agreement (the "2018 Wells Fargo Master Loan Agreement") with Wells Fargo as lender, which provides for term loans to certain of our subsidiaries that are borrowers under the 2018 Wells Fargo Master Loan Agreement in an aggregate amount not to exceed $100.0 million (the "2018 Wells Fargo Master Loan Facility"). Our right to make draws under the 2018 Wells Fargo Master Loan Facility terminated on June 30, 2020. On November 16, 2018 and June 26, 2020, we borrowed an aggregate amount of $25.0 million and $69.4 million, respectively, under the 2018 Wells Fargo Master Loan Facility, the proceeds of which were used for general corporate purposes. As of December 31, 2022, we had $76.9 million, outstanding borrowings under the 2018 Wells Fargo Master Loan Facility. There is no further borrowing availability under the 2018 Wells Fargo Master Loan Facility. On and with effect from June 1, 2022, certain of our subsidiaries entered into an amendment to our 2018 Wells Fargo Master Loan Agreement to replace the benchmark reference rate of LIBOR to SOFR. See Note 14 "Debt" for further details.

- **2015 Wells Fargo Master Loan Facility**—On February 3, 2015, certain of our subsidiaries entered into an amended and restated master loan agreement (the "2015 Wells Fargo Master Loan Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), as lender, which provides for term loans to certain of our subsidiaries that are borrowers under the 2015 Wells Fargo Master Loan Agreement in an aggregate amount not to exceed $100.0 million (the "2015 Wells Fargo Master Loan Facility"). Borrowings under the 2015 Wells Fargo Master Loan Facility are guaranteed by us and are collateralized by the real property financed under the 2015 Wells Fargo Master Loan Facility. As of December 31, 2022, the outstanding balance under this agreement was $42.3 million. There is no further borrowing availability under the 2015 Wells Fargo Master Loan Facility. On and with effect from June 1, 2022, certain of our subsidiaries entered into an amendment to our 2015 Wells Fargo Master Loan Agreement to replace the benchmark reference rate of LIBOR to SOFR. See Note 14 "Debt" for further details.

- **2013 BofA Real Estate Facility**—On September 26, 2013, we entered into a real estate term loan credit agreement (the "2013 BofA Real Estate Credit Agreement") with Bank of America, N.A., as lender, providing for term loans in an aggregate amount not to exceed $75.0 million, subject to customary terms and conditions (the "2013 BofA Real Estate Facility"). As of December 31, 2022, we had $24.9 million of outstanding borrowings under the 2013 BofA Real Estate Facility. There is no further borrowing availability under the 2013 Real Estate Facility. On May 25, 2022, certain of our subsidiaries entered into an amendment to our 2013 BofA Real Estate Credit Agreement to replace the benchmark reference rate of LIBOR to SOFR, effective June 1, 2022. See Note 14 "Debt" for further details.

Covenants and Defaults

We are subject to a number of customary covenants in our various debt and lease agreements, including those described below. We were in compliance with all of our covenants as of December 31, 2022. Failure to comply with any of our debt covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings, if any, unless compliance with the covenants were waived. In many cases, defaults under one of our agreements could trigger cross-default provisions in our other agreements. If we are unable to remain in compliance with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. We cannot give any assurance that we would be able to successfully take any of these actions on terms, or at times, that may be necessary or desirable.

The representations and covenants contained in the 2021 Real Estate Facility, 2021 BofA Real Estate Facility, 2018 BofA Real Estate Credit Agreement, 2018 Wells Fargo Master Loan Agreement, 2015 Wells Fargo Master Loan Agreement, 2013 BofA Real Estate Credit Agreement, and the related documents are customary for financing transactions of this nature, including, among others, requirements to comply with a minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case, as applicable. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets. Each of these agreements provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, we could be required by the applicable agreement to immediately repay all amounts outstanding thereunder.

The representations and covenants contained in the agreement governing the 2019 Senior Credit Facility are customary for financing transactions of this nature including, among others, a requirement to comply with a minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the agreement governing the 2019 Senior Credit Facility. In addition, certain other covenants could restrict the Company's ability to incur additional debt, pay dividends or acquire or dispose of assets. The agreement governing the 2019 Senior Credit Facility also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. In certain instances, an event of default under either the Revolving Credit Facility or the Used Vehicle Floor Plan Facility could be, or result in, an event of default under the New Vehicle Floor Plan Facility, and vice versa. Upon the occurrence of an event of default, the Company could be required to immediately repay all amounts outstanding under the applicable facility.

The 2019 Senior Credit Facility and the Indentures currently allow for restricted payments without limit so long as our Consolidated Total Leverage Ratio (as defined in the 2019 Senior Credit Facility and the Indentures) is no greater than 3.0 to 1.0 after giving effect to such proposed restricted payments. Restricted payments generally include items such as dividends, share repurchases, unscheduled repayments of subordinated debt, or purchases of certain investments. Subject to our continued compliance with a consolidated fixed charge coverage ratio and a maximum consolidated total lease adjusted leverage ratio, in each case as set out in the Indentures, restricted payments capacity additions (or subtractions if negative) equal to a base level plus the cumulative amount of (i) 50% of our net income (as defined in the 2019 Senior Credit Facility) plus (ii) 100% of any cash proceeds we receive from the sale of equity interests minus (iii) the dollar amount of share purchases made and dividends paid during the defined measurement periods, subject to certain exceptions. In the event that our Consolidated Total Leverage Ratio does (or would) exceed 3.0 to 1.0, the 2019 Senior Credit Facility and the Indentures would then also allow for restricted payments under mutually exclusive parameters, subject to certain exclusions.

Under the 2028 Senior Notes and 2030 Senior Notes, our most restrictive indentures, these parameters are:

- The Company may repurchase its own shares in an aggregate amount not to exceed $20.0 million in any fiscal year.
- The Company may otherwise make restricted payments only up the cumulative capacity above. Our restricted payment capacity balance as of December 31, 2022 and 2021 was $1.11 billion and $958.6 million, respectively.

Share Repurchases and Dividend Restrictions

Our ability to repurchase shares or pay dividends on our common stock is subject to our compliance with the covenants and restrictions described in "Covenants and Defaults" above.

During the year ended December 31, 2022, we repurchased 1,635,030 shares of our common stock under our repurchase program for a total of $297.0 million and an additional 56,024 shares of our common stock for $9.2 million from employees in connection with a net share settlement feature of employee equity-based awards.

As of December 31, 2022, we had remaining authorization to repurchase up to an additional $103.0 million of our common stock. Any repurchases will be subject to applicable limitations in our debt or other financing agreements that may be in existence from time to time.

On January 26, 2023, the Board of Directors increased the Company’s share repurchase authorization under our Repurchase Program by $108.0 million to $200.0 million. The extent that the Company repurchases its shares, the number of shares and the timing of any repurchases will depend on general market conditions, legal requirements and other corporate considerations. The repurchase program may be modified, suspended or terminated at any time without prior notice.

On August 16, 2022, the U.S. government enacted the Inflation Reduction Act (the "IRA") into law. The IRA, among other things, implements a 1% excise tax on share repurchases, which takes effect in tax years beginning after December 31, 2022. We do not believe the IRA will have a material effect on our reported results, cash flows or financial position. We expect to reflect the excise tax within equity as part of the repurchase price of common stock.

Contractual Obligations

As of December 31, 2022, we had significant contractual obligations related to our floor plan notes payable disclosed in Notes 11 and 12, operating lease liabilities disclosed in Note 19 and long-term debt arrangements discussed in Note 14. Disclosures related to our commitments and contingencies are outlined in Note 21. All note references are to the notes to our consolidated financial statements included elsewhere herein.

Cash Flows

Classification of Cash Flows Associated with Floor Plan Notes Payable

Borrowings and repayments of floor plan notes payable through our 2019 Senior Credit Facility ("Non-Trade"), and all floor plan notes payable relating to used vehicles (together referred to as "Floor Plan Notes Payable—Non-Trade"), are classified as financing activities on the accompanying consolidated statements of cash flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer from which we purchase a particular new vehicle (collectively referred to as "Floor Plan Notes Payable—Trade") is classified as an operating activity on the accompanying consolidated statements of cash flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all acquisitions and repayments made in connection with all divestitures are classified as a financing activity in the accompanying consolidated statement of cash flows. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the manufacturer from which we purchased the related inventory, while the latter are payable to our 2019 Senior Credit Facility that includes lenders affiliated with the manufacturers and lenders not affiliated with the manufacturers from which we purchased the related inventory. The majority of our floor plan notes are payable to our 2019 Senior Credit Facility, with the exception of floor plan notes payable relating to the financing of new Ford and Lincoln vehicles and certain loaner vehicle programs.

Floor plan borrowings are required by all vehicle manufacturers for the purchase of new vehicles, and all floor plan lenders require amounts borrowed for the purchase of a vehicle to be repaid within a short time period after the related vehicle is sold. As a result, we believe that it is important to understand the relationship between the cash flows of all of our floor plan notes payable and new vehicle inventory in order to understand our working capital and operating cash flow and to be able to compare our operating cash flow to that of our competitors (i.e., if our competitors have a different mix of trade and non-trade floor plan financing as compared to us). In addition, we include all floor plan borrowings and repayments in our internal operating cash flow forecasts. As a result, we use the non-GAAP measure "Adjusted cash flow provided by operating activities" (defined below) to compare our results to forecasts. We believe that splitting the cash flows of floor plan notes payable between operating activities and financing activities, while all new vehicle inventory activity is included in operating activities, results in significantly different operating cash flow than if all the cash flows of floor plan notes payable were classified together in operating activities.

Adjusted cash flow provided by operating activities includes borrowings and repayments of floor plan notes payable non-trade and used floor plan notes payable borrowing base changes. Adjusted cash flow provided by operating activities may not be comparable to similarly titled measures of other companies and should not be considered in isolation, or as a substitute for analysis of our operating results in accordance with GAAP. In order to compensate for these potential limitations we also review the related GAAP measures. Adjusted cash flow provided by operating activities for the year ended December 31, 2020 differs from previously disclosed non-GAAP operating cash flow measures presented in Management's Discussion and Analysis due to methodology changes made during the year ended December 31, 2021 stemming from material acquisitions during the 2021 fiscal year. We believe that the additional adjustments related to cash flows associated with our used vehicle borrowing base, floorplan offset accounts and the impact of acquisitions and divestitures eliminates cash flow volatility and provides an adjusted operating cash flow metric that best reflects our results of operations and our management of inventory and related financing activities.

We have provided below a reconciliation of cash flow provided by operating activities, as if all changes in floor plan notes payable, except for (i) borrowings associated with acquisitions and repayments associated with divestitures and (ii) borrowings and repayments associated with the purchase of used vehicle inventory and (iii) changes in the floorplan offset accounts were classified as an operating activity for both floorplan notes payable - non-trade and floor plan notes payable - trade.

	For the Year Ended December 31,		
	2022	**2021**	**2020**
		(In millions)	
Reconciliation of cash provided by operating activities to cash provided by operating activities, as adjusted			
Cash provided by operating activities, as reported	$ 696.0	$ 1,163.7	$ 652.5
Change in Floor Plan Notes Payable Non-Trade, net	(191.1)	(608.7)	(155.3)
Change in Floor Plan Notes Payable Non-Trade associated with floor plan offset, used vehicle borrowing base changes adjusted for acquisition and divestitures	462.4	131.1	9.1
Change in Floor Plan Notes Payable Trade associated with floor plan offset and acquisitions and divestitures, net	19.7	(54.0)	(63.7)
Adjusted cash flow provided by operating activities	$ 987.0	$ 632.1	$ 442.6

Operating Activities—

Net cash provided by operating activities totaled $696.0 million, $1.16 billion, and $652.5 million for the years ended December 31, 2022, 2021, and 2020, respectively. Adjusted cash flow provided by operating activities totaled $987.0 million,

$632.1 million, and $442.6 million for the years ended December 31, 2022, 2021, and 2020, respectively. Adjusted cash flow provided by operating activities includes net income, adjustments to reconcile net income to net cash provided by operating activities, changes in working capital, changes in used vehicle borrowing base, changes in floor plan notes payable - non-trade and trade, excluding the impact of offsets, and excluding operating cash flows associated with acquisitions and divestitures related to loaner vehicles and new vehicle inventories financed through floor plan notes payable - trade.

The $354.9 million increase in adjusted cash flow provided by operating activities for the year ended December 31, 2022 compared to the year ended December 31, 2021, was primarily the result of the following:

- increase in $431.9 million in net income and non-cash adjustments to net income;
- $126.7 million related to an increase in inventory, net of floor plan notes payable, including both trade and non-trade, excluding offset and including used vehicle borrowing base changes adjusted for acquisitions and divestitures; and
- $16.2 million increase in other long term assets and liabilities, net.

The increase in our adjusted cash flow provided by operating activities, was partially offset by:

- $53.2 million related to sale volume and the timing of collection of accounts receivable and contracts-in-transit during 2022 compared to 2021;
- $126.6 million related to the change in other current assets, net;
- $35.3 million related to the change in accounts payable and accrued liabilities; and
- $4.8 million related to the change in operating lease liabilities.

The $189.5 million increase in our adjusted cash flow provided by operating activities for the year ended December 31, 2021 compared to the year ended December 31, 2020, was primarily the result of the following:

- increase in $314.2 million net income and non-cash adjustments to net income primarily related to less gain on dealership divestitures in 2021 when compared to 2020, partially offset by no franchise rights impairment in 2021; and
- $69.7 million related to sales volume and the timing of collection of accounts receivable and contracts-in-transit.

The increase in our adjusted cash flow provided by operating activities, was partially offset by:

- $67.3 million related to a decrease in inventory, net of floor plan notes payable, including both trade and non-trade, excluding offset and including used vehicle borrowing base changes adjusted for acquisitions and divestitures;
- $26.8 million related to the change in other long-term assets and liabilities;
- $43.8 million related to the change in other current assets, net; and
- $56.8 million related to a decrease in accounts payable and accrued liabilities.

Investing Activities—

Net cash provided by investing activities totaled $464.7 million for the year ended December 31, 2022 compared to net cash used in investing activities of $3.92 billion and $820.8 million for the years ended December 31, 2021 and 2020, respectively. Cash flows from investing activities relate primarily to capital expenditures, acquisitions, divestitures, and the sale of property and equipment.

Capital expenditures, excluding the purchase of real estate, were $94.6 million, $74.2 million, and $46.5 million for the years ended December 31, 2022, 2021 and 2020, respectively. Purchases of real estate totaled $13.3 million, $7.8 million, and $2.3 million for the years ended December 31, 2022, 2021, and 2020, respectively. In addition, we purchased previously leased facilities for $217.1 million during the year ended December 31, 2021.

We expect that capital expenditures during 2023 will total approximately $200.0 million to upgrade or replace our existing facilities, construct new facilities, expand our service capacity, and invest in technology and equipment. In addition, as part of our capital allocation strategy, we continually evaluate opportunities to purchase properties currently under lease and acquire properties in connection with future dealership relocations. No assurances can be provided that we will have or be able to access capital at times or on terms in amounts deemed necessary to execute this strategy.

On December 17, 2021, we completed the acquisition of LHM and TCA for a total purchase price of approximately $3.48 billion. The sources of the purchase price included 2029 Notes, 2032 Notes, 2021 Real Estate Facility, proceeds from our common stock offering, new floorplan notes payable trade and non-trade, used vehicle floorplan notes payable, payables to Seller and cash. In addition to these acquisitions, during the year ended December 31, 2021, we acquired the assets of 11 franchises (10 dealership locations) in the Denver, Colorado market and three franchises (one dealership location) in the Indianapolis, Indiana market for a combined purchase price of $485.7 million. We funded these acquisitions with an aggregate of $455.1 million of cash, and $9.6 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, these acquisitions included purchase price holdbacks of $21.0 million for potential indemnity claims made by us with respect to the acquired franchises. In addition to the acquisition amounts above, we released $1.0 million of purchase price holdbacks related to current and prior year acquisitions during the year ended December 31, 2021.

During the year ended December 31, 2020, we acquired substantially all of the assets of, and leased the real property related to 12 new vehicle dealership franchises (eight dealership locations), two collision centers and an auto auction comprising the Park Place Dealership group for a purchase price of $889.9 million. We funded this acquisition with $527.4 million of cash, $200.0 million of Seller Notes, $127.5 million of floor plan borrowings for the purchase of the related new vehicle inventory and $35.0 million of floor plan borrowings for the purchase of the related used vehicle inventory. In addition, we acquired the assets of three franchises (one dealership location) in the Denver, Colorado market for a purchase price of $63.6 million. This acquisition was funded with an aggregate of $34.5 million of cash and $27.1 million of floor plan borrowings for the purchase of the related new vehicle inventory. These acquisitions included purchase price holdbacks of $2.0 million for potential indemnity claims made by us with respect to the acquired franchises. In addition to the acquisition amounts above, we released $2.5 million of purchase price holdbacks related to a prior year acquisition.

During the year ended December 31, 2022, we sold one franchise (one dealership location) in St. Louis, Missouri, three franchises (three dealership locations) and one collision center in Denver, Colorado, two franchises (two dealership locations) in Spokane, Washington, one franchise (one dealership location) in Albuquerque, New Mexico and 11 franchises (nine dealership locations) and two collision centers in North Carolina for proceeds of $701.2 million.

During the year ended December 31, 2021, we divested one franchise (one dealership location) in the Charlottesville, Virginia market for proceeds of $21.3 million.

During the year ended December 31, 2020, we divested two franchises (two dealership locations) in the Atlanta, Georgia market, six franchises (five dealership locations) and one collision center in the Jackson, Mississippi market, and one franchise (one dealership location) in the Greenville, South Carolina market for proceeds of $177.9 million.

Proceeds from the sale of assets, unrelated to a dealership divestiture, were $0.0 million, $21.5 million, and $4.2 million for the years ended December 31, 2022, 2021 and 2020, respectively.

During the years ended December 31, 2022 and 2021, we purchased $202.2 million and $1.1 million of debt securities and $41.4 million and $0.4 million of equity securities, respectively.

During the years ended December 31, 2022 and 2021, we also received proceeds of $69.7 million and $0.8 million from the sale of debt securities and $50.3 million and $0.4 million, from the sale of equity securities, respectively.

We did not hold debt or equity securities during the year ended December 31, 2020.

Financing Activities—

Net cash used in financing activities totaled $1.10 billion for the year ended December 31, 2022. Net cash provided by financing activities totaled $2.93 billion and $166.2 million for the years ended December 31, 2021 and 2020, respectively.

During the years ended December 31, 2022, 2021, and 2020, we had non-trade floor plan borrowings of $7.41 billion, $5.04 billion, and $4.31 billion, respectively. Included in our non-trade floor plan borrowings, were borrowings of $294.0 million, and $220.0 million for the years ended December 31 2021, and 2020, respectively, related to our used vehicle floor plan facility.

During the year ended December 31, 2022 and 2021, we borrowed $330.0 million and $439.0 million and repaid $499.0 million and $270.0 million, respectively, on our revolving line of credit. We did not have any activity under our revolving line of credit in 2020.

In addition, during the years ended December 31, 2021, and 2020, we had non-trade floor plan borrowings of $214.5 million and $131.6 million respectively, related to acquisitions. The majority of our floor plan notes are payable to parties unaffiliated with the entities from which we purchase our new vehicle inventory, with the exception of floor plan notes payable relating to the financing of new Ford and Lincoln vehicles. We did not have any acquisitions in 2022.

During the years ended December 31, 2022, 2021, and 2020, we made non-trade floor plan repayments of $7.89 billion, $5.36 billion, and $4.47 billion, respectively. Included in our non-trade floor plan repayments were repayments of $220.0 million for the years ended December 31, 2020, related to our used vehicle floor plan facility. We had no repayments for the years ended December 31, 2022 and 2021. In addition, during the years ended December 31, 2022, 2021 and 2020, we had floor plan repayments associated with dealership divestitures of $48.4 million, $0.8 million, and $60.4 million, respectively.

During the years ended December 31, 2021, and 2020, we received proceeds from borrowings totaling $2.27 billion and $1.88 billion, respectively. We did not have any proceeds from borrowings in 2022.

Repayments of borrowings totaled $106.2 million, $41.5 million, and $1.62 billion, for the years ended December 31, 2022, 2021, and 2020, respectively.

During the years ended December 31, 2022 and 2021, we received net proceeds from the issuance of common stock totaling $1.4 million and $666.9 million, respectively. We did not have any net proceeds from the issuance of common stock in 2020.

During the year ended December 31, 2022, we repurchased 1,635,030 shares of our common stock under our Repurchase Program for a total of $297.0 million and 56,024 shares of our common stock for $9.2 million from employees in connection with a net share settlement feature of employee equity-based awards. We did not have any share repurchases in 2021 or 2020.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during any of the periods presented other than those disclosed in Note 21 "Commitments and Contingencies" of the Company's consolidated financial statements.

Guarantor Financial Information

As of December 31, 2021, the Company had outstanding $405 million of 4.500% Senior Notes due 2028 and $445 million of 4.750% Senior Notes due 2030. As explained in Note 14 of the Company's consolidated financial statements as of and for the year ended December 31, 2021, the Senior Notes have been fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by each existing and future restricted subsidiary of the Company (the "Guarantor Subsidiaries"), which are listed in Exhibit 22, with the exception of Landcar Administration Company, Landcar Agency, Inc. and Landcar Casualty Company and their respective subsidiaries (collectively, the "TCA Non-Guarantor Subsidiaries").

The following tables present summarized financial information for the Company and the Guarantor Subsidiaries on a combined basis after elimination of (i) intercompany transactions and balances among Asbury and the Guarantor Subsidiaries and (ii) assets, liabilities, and equity in earnings from and investments in any non-guarantor subsidiaries.

Summarized Balance Sheet Data of Asbury and Guarantor Subsidiaries

	As of December 31, 2022 (In millions)
Current assets	$ 1,790.1
Current assets - affiliates	—
Non-current assets	5,380.7
Current liabilities	819.1
Current liabilities - affiliates	10.0
Non-current liabilities	3,566.3

Summarized Statement of Operations Data for Asbury and Guarantor Subsidiaries

	For the Year Ended December 31,
	2022
	(In millions)
Net sales	$ 15,341.1
Gross profit	3,036.0
Income from operations	1,192.5
Net income	925.8

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions, that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities, as of the date of the financial statements, and reported amounts of revenues and expenses during the periods presented. On an ongoing basis, management evaluates their estimates and assumptions and the effects of any such revisions are reflected in the financial statements, in the period in which they are determined to be necessary. Actual outcomes could differ materially from those estimates in a manner that could have a material effect on our consolidated financial statements. Set forth below are the policies and estimates that we have identified as critical to our business operations and understanding our results of operations, based on the high degree of judgment or complexity in their application.

Goodwill and Manufacturer Franchise Rights

Goodwill represents the excess cost of an acquired business over the fair market value of its identifiable assets and liabilities. We have determined, based on how we integrate acquisitions into our business, how the components of our business share resources and interact with one another, and how we review the results of our operations, that we have several geographic market-based operating segments. We have determined the dealerships in each of our operating segments are components that are aggregated into several geographic market-based reporting units for the purpose of testing goodwill for impairment, as they (i) have similar economic characteristics, (ii) offer similar products and services (all of our franchised dealerships offer new and used vehicles, parts and service, and arrange for third-party vehicle financing and the sale of insurance products), (iii) have similar customers, (iv) have similar distribution and marketing practices (all of our dealerships distribute products and services through dealership facilities that market to customers in similar ways) and (v) operate under similar regulatory environments. Our TCA segment also represents a reporting unit for the purpose of testing goodwill for impairment.

Our only other significant identifiable intangible assets are our rights under franchise agreements with manufacturers, which are recorded at an individual franchise level. The fair value of our manufacturer franchise rights are determined at the acquisition date, by discounting the projected cash flows specific to each franchise. We have determined that manufacturer franchise rights have an indefinite life as there are no economic, contractual or other factors that limit their useful lives, and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers' brand names. Furthermore, to the extent that any agreements evidencing our manufacturer franchise rights would expire, we expect that we would be able to renew those agreements in the ordinary course of business. As a result of the effects of the COVID-19 pandemic, we performed quantitative impairment tests as of March 31, 2020, and identified eleven dealerships with franchise rights carrying values that exceeded their fair values, and as a result, recorded non-cash impairment charges of $23.0 million. No franchise right impairments were identified in 2022 or 2021.

We do not amortize goodwill and other intangible assets that are deemed to have indefinite lives. We review goodwill and manufacturer franchise rights for impairment annually as of October 1st, or more often if events or circumstances indicate that any impairment may have occurred. We have the option of performing a qualitative assessment of impairment to determine whether any further quantitative assessment for impairment is necessary. The option of whether or not to perform a qualitative assessment is made annually and may vary by reporting unit. Factors we consider in the qualitative assessment include general macroeconomic conditions, industry and market conditions, cost factors, overall financial performance of our reporting units, events or changes affecting the composition or carrying amount of the net assets of our reporting units, sustained decrease in our share price, and other relevant entity-specific events. If we elect to bypass the qualitative assessment or if we determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, a quantitative test would be required. We believe that the fair value of each of our reporting units is substantially in excess of its carrying amount. We are subject to financial statement risk to the extent that goodwill becomes impaired due to decreases in the fair value of our automotive retail business or manufacturer franchise rights become impaired due to decreases in the fair value of our individual franchises.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to risk from changes in interest rates on a significant portion of our outstanding indebtedness. Based on $102.8 million of total variable interest rate debt, which includes our floor plan notes payable, amounts drawn on our used vehicle floor plan, revolver and certain mortgage liabilities, outstanding as of December 31, 2022, a 100 basis point change in interest rates would result in a change of $1.0 million in annual interest expense.

We periodically receive floor plan assistance from certain automobile manufacturers, which is primarily accounted for as a reduction in our new vehicle inventory cost. Floor plan assistance reduced our cost of sales for the years ended December 31, 2022, 2021, and 2020, by $85.8 million, $57.5 million, and $44.0 million, respectively. We cannot provide assurance as to the future amount of floor plan assistance and these amounts may be negatively impacted due to future changes in interest rates.

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

As of December 31, 2022 we had seven interest rate swap agreements. In January 2022, we entered into two new interest rate swap agreements with a combined notional principal amount of $550.0 million. These swaps are designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in SOFR. All interest rate swap agreements with an inception date of 2021 and prior were amended on June 1, 2022 to provide a hedge against changes in variable rate cash flows regarding fluctuations in SOFR as compared to the previous benchmark rate of one-month LIBOR. The revisions to the interest rate swap agreements did not impact our hedge accounting. The following table provides information on the attributes of each swap as of December 31, 2022:

Inception Date	Notional Value at Inception	Notional Value	Notional Value at Maturity	Maturity Date
	(In millions)	(In millions)	(In millions)	
January 2022	$ 300.0	$ 288.8	$ 228.8	December 2026
January 2022	$ 250.0	$ 250.0	$ 250.0	December 2031
May 2021	$ 184.4	$ 173.3	$ 110.6	May 2031
July 2020	$ 93.5	$ 81.4	$ 50.6	December 2028
July 2020	$ 85.5	$ 73.4	$ 57.3	November 2025
June 2015	$ 100.0	$ 64.0	$ 53.1	February 2025
November 2013	$ 75.0	$ 41.5	$ 38.7	September 2023

These interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in accumulated other comprehensive income and reclassified to other interest expense in the same period or periods during which the hedged transactions affect earnings. For additional information about the effect of our derivative instruments, please refer to Note 15 "Financial Instruments and Fair Value" within the accompanying consolidated financial statements.

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Asbury Automotive Group, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Asbury Automotive Group, Inc. (the Company) as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 1, 2023 expressed an adverse opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Acquired Manufacturer Franchise Rights for Larry H. Miller Dealerships

Description of the Matter	At December 31, 2022, the Company's manufacturer franchise rights for car dealerships had an aggregate carrying value for franchises acquired of approximately $1,800 million, as disclosed on the Consolidated Balance Sheet. Manufacturer franchise rights are an indefinite lived intangible asset and arise as a result of acquisitions of car dealerships accounted for under the acquisition method of accounting. As disclosed in Note 3 to the consolidated financial statements, in 2022 the Company completed its valuation of approximately $1,310 million of acquired franchise rights resulting from the acquisition of Larry H. Miller Dealerships (“LHM”).

Auditing the Company's estimate of fair value of the manufacturer franchise rights acquired in the LHM acquisition is complex due to the significant management judgments and estimates required. The Company's model for estimating the fair value of these assets utilizes market participant assumptions related to the cash flows directly attributable to the franchise rights, including year-over-year and terminal revenue growth rates, weighted average cost of capital, future gross margins, and future selling, general, and administrative expenses, all of which are forward-looking and affected by expectations about economic, industry and company-specific factors. The cash flows are derived on an individual dealership basis adding complexity to the auditor judgments required to test those assumptions.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over the manufacturer franchise rights fair value estimates used in conjunction with its LHM acquisition. This included testing controls over management's review of the model, significant assumptions, other inputs and the completeness and accuracy of the data used in the measurements.

Procedures performed to test the fair value of the Company's manufacturer franchise rights as of the acquisition date included, among others, evaluating the Company's use of the discounted cash flows method, testing of the assumptions and inputs to the valuation model used to develop the projected financial information, involving our valuation specialists to assist in the testing of the weighted average cost of capital utilized and the appropriateness of the model used, and testing the completeness and accuracy of the underlying data. We compared the assumptions to current industry, market and economic trends, as well as to the Company's historical results. In addition, we assessed management's ability to accurately forecast by comparing the first year forecasted cash flows to actual 2022 operating results. We also performed a sensitivity analysis of certain assumptions to evaluate the potential change in the fair value of the manufacturer franchise rights resulting from changes in underlying assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2008.

Atlanta, Georgia
March 1, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Asbury Automotive Group, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Asbury Automotive Group, Inc.’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, Asbury Automotive Group, Inc. (the Company) has not maintained effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company’s annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management’s assessment.

Management identified a material weakness as a result of deficiencies in information technology general controls (ITGCs) identified at the Larry H. Miller Dealerships (LHM) and entities comprising the Finance and Insurance product provider, Total Care Auto, Powered by Landcar (TCA). Specifically, the material weakness is due to control deficiencies in the design of the user access reviews for segregation of duties (SOD) configurations and appropriate administrative access for certain key applications at LHM and TCA. The ineffective ITGCs limit the level of assurance over the completeness and accuracy of information used in certain automated and business process controls.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the consolidated financial statements, and this report does not affect our report dated March 1, 2023 which expressed an unqualified opinion thereon.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Atlanta, Georgia
March 1, 2023

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

	As of December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 235.3	$ 178.9
Short term investments	5.4	11.0
Contracts-in-transit, net	220.8	212.5
Accounts receivable, net	171.9	229.8
Inventories, net	959.2	718.4
Assets held for sale	29.1	375.1
Other current assets	288.1	203.7
Total current assets	1,909.8	1,929.4
INVESTMENTS	235.0	123.5
PROPERTY AND EQUIPMENT, net	1,941.0	1,990.0
OPERATING LEASE RIGHT-OF-USE ASSETS	235.4	261.0
GOODWILL	1,783.4	2,271.7
INTANGIBLE FRANCHISE RIGHTS	1,800.1	1,335.7
DEFERRED INCOME TAXES	—	69.1
OTHER LONG-TERM ASSETS	116.7	22.1
Total assets	$ 8,021.4	$ 8,002.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade, net	$ 51.0	$ 37.3
Floor plan notes payable—non-trade, net	—	527.2
Current maturities of long-term debt	84.5	62.5
Current maturities of operating leases	23.6	25.8
Accounts payable and accrued liabilities	645.0	742.9
Deferred revenue—current	218.9	181.5
Liabilities associated with assets held for sale	10.5	20.8
Total current liabilities	1,033.4	1,597.9
LONG-TERM DEBT	3,216.8	3,520.1
LONG-TERM LEASE LIABILITY	218.4	242.0
DEFERRED REVENUE	495.0	466.3
DEFERRED INCOME TAXES	100.7	—
OTHER LONG-TERM LIABILITIES	53.5	60.8
COMMITMENTS AND CONTINGENCIES (Note 21)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, $.01 par value, 90,000,000 shares authorized; 43,593,809 and 45,052,293 shares issued, including shares held in treasury, respectively	0.4	0.5
Additional paid-in capital	1,281.4	1,278.5
Retained earnings	2,610.1	1,881.2
Treasury stock, at cost; 22,024,479 and 21,914,251 shares, respectively	(1,063.0)	(1,044.2)
Accumulated other comprehensive income (loss)	74.4	(0.5)
Total shareholders' equity	2,903.5	2,115.5
Total liabilities and shareholders' equity	$ 8,021.4	$ 8,002.6

See accompanying Notes to Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share data)

	For the Year Ended December 31,		
	2022	2021	2020
REVENUE:			
New vehicle	$ 7,365.6	$ 4,934.1	$ 3,767.4
Used vehicle	5,197.1	3,315.6	2,169.5
Parts and service	2,074.2	1,182.9	889.8
Finance and insurance, net	797.0	405.1	305.1
TOTAL REVENUE	15,433.8	9,837.7	7,131.8
COST OF SALES:			
New vehicle	6,521.6	4,443.6	3,548.9
Used vehicle	4,843.8	3,027.3	2,012.9
Parts and service	921.6	461.0	346.6
Finance and insurance	46.3	3.6	—
TOTAL COST OF SALES	12,333.3	7,935.5	5,908.4
GROSS PROFIT	3,100.6	1,902.2	1,223.4
OPERATING EXPENSES:			
Selling, general, and administrative	1,763.4	1,073.9	781.9
Depreciation and amortization	69.0	41.9	38.5
Franchise rights impairment	—	—	23.0
Other operating (income) expense, net	(4.4)	(5.4)	9.2
INCOME FROM OPERATIONS	1,272.6	791.8	370.8
OTHER EXPENSES (INCOME):			
Floor plan interest expense	8.4	8.2	17.7
Other interest expense, net	152.2	93.9	56.8
Loss on extinguishment of long-term debt, net	—	—	20.6
Gain on dealership divestitures, net	(207.1)	(8.0)	(62.3)
Total other (income) expenses	(46.5)	94.1	32.7
INCOME BEFORE INCOME TAXES	1,319.1	697.7	338.1
Income tax expense	321.8	165.3	83.8
NET INCOME	$ 997.3	$ 532.4	$ 254.4
EARNINGS PER COMMON SHARE:			
Basic—			
Net Income	$ 44.78	$ 26.75	$ 13.25
Diluted—			
Net Income	$ 44.61	$ 26.49	$ 13.18
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	22.3	19.9	19.2
Restricted stock	0.1	0.1	—
Performance share units	—	0.1	0.1
Diluted	22.4	20.1	19.3

See accompanying Notes to Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	For the Year Ended December 31,		
	2022	**2021**	**2020**
Net income	$ 997.3	$ 532.4	$ 254.4
Other comprehensive income (loss):			
Change in fair value of cash flow swaps	103.3	6.3	(3.6)
Unrealized (losses) gains on available-for-sale debt securities	(4.0)	0.2	—
Income tax (expense) benefit associated with other comprehensive income items	(24.3)	(1.6)	0.9
Comprehensive income	$ 1,072.2	$ 537.3	$ 251.7

See accompanying Notes to Consolidated Financial Statements

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ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in millions)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Income (Loss)	Total
	Shares	**Amount**			**Shares**	**Amount**		
Balances, December 31, 2019	41,072,080	$ 0.4	$ 582.9	$ 1,094.5	21,791,707	$ (1,028.6)	$ (2.9)	$ 646.3
Comprehensive Income:								
Net income	—	—	—	254.4	—	—	—	254.4
Change in fair value of cash flow swaps, net of reclassification adjustment and $0.9 tax benefit	—	—	—	—	—	—	(2.7)	(2.7)
Comprehensive income	—	—	—	254.4	—	—	(2.7)	251.7
Share-based compensation	—	—	12.6			—	—	12.6
Issuance of common stock, net of forfeitures, in connection with share-based payment arrangements	61,588	—	—	—	—	—	—	—
Repurchase of common stock associated with net share settlements of employee share-based awards	—	—	—	—	56,607	(5.1)	—	(5.1)
Balances, December 31, 2020	41,133,668	$ 0.4	$ 595.5	$ 1,348.9	21,848,314	$ (1,033.7)	$ (5.6)	$ 905.5
Comprehensive Income:								
Net income	—	—	—	532.4	—	—	—	532.4
Unrealized gains on available-for-sale debt securities, net of $0 tax charge	—	—	—	—	—	—	0.2	0.2
Change in fair value of cash flow swaps, net of reclassification adjustment and $1.6 tax expense	—	—	—	—	—	—	4.7	4.7
Comprehensive income	—	—	—	532.4	—	—	4.9	537.3
Share-based compensation	—	—	16.2	—	—	—	—	16.2
Proceeds from secondary offering of common stock, net	3,795,000	—	666.9	—	—	—	—	666.9
Issuance of common stock, net of forfeitures, in connection with share-based payment arrangements	123,625	—	—	—	—	—	—	—
Repurchase of common stock associated with net share settlements of employee share-based awards	—	—	—	—	65,937	(10.4)	—	(10.4)
Balances, December 31, 2021	45,052,293	$ 0.4	$ 1,278.6	$ 1,881.3	21,914,251	$ (1,044.1)	$ (0.7)	$ 2,115.5
Comprehensive Income:								
Net income	—	—	—	997.3	—	—	—	997.3
Change in fair value of cash flow swaps, net of reclassification adjustment and $25.1 tax expense	—	—	—	—	—	—	78.1	78.1
Unrealized loss on changes in fair value of debt securities, net of $0.8 tax benefit	—	—	—	—	—	—	(3.2)	(3.2)
Comprehensive income	—	—	—	997.3	—	—	74.9	1,072.2
Share-based compensation	—	—	20.6	—	—	—	—	20.6
Issuance of common stock, net of forfeitures, in connection with share-based payment arrangements	122,342	—	—	—	—	—	—	—
Share issues (repurchases)	—	—	1.4	—	1,635,030	(297.0)	—	(295.6)
Repurchase of common stock associated with net share settlements of employee share-based awards	—	—	—	—	56,024	(9.2)	—	(9.2)
Retirement of common stock	(1,580,826)	—	(19.1)	(268.3)	(1,580,826)	287.4	—	—
Balances, December 31, 2022	43,593,809	$ 0.4	$ 1,281.4	$ 2,610.1	22,024,479	$ (1,063.0)	$ 74.4	$ 2,903.5

See accompanying Notes to Consolidated Financial Statements

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

	For the Year Ended December 31,		
	2022	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	$ 997.3	$ 532.4	$ 254.4
Adjustments to reconcile net income to net cash provided by operating activities—			
Depreciation and amortization	69.0	41.9	38.5
Share-based compensation	20.6	16.2	12.6
Deferred income taxes	148.5	31.2	9.5
Franchise rights impairment	—	—	23.0
Unrealized loss (gain) on investments	14.1	(1.0)	—
Loss on extinguishment of debt	—	—	20.6
Loaner vehicle amortization	14.7	20.9	21.8
Gain on divestitures, net	(207.1)	(8.0)	(62.3)
Change in right-of-use asset	25.3	22.3	21.5
Other adjustments, net	4.6	(0.8)	1.3
Changes in operating assets and liabilities, net of acquisitions and divestitures—			
Contracts-in-transit	(17.0)	48.5	33.2
Accounts receivable	47.6	35.3	(19.1)
Inventories	6.9	670.5	428.0
Other current assets	(353.7)	(227.1)	(183.3)
Floor plan notes payable—trade, net	13.8	(27.6)	(64.5)
Deferred revenue	42.9	3.6	—
Accounts payable and accrued liabilities	(69.8)	39.2	121.0
Operating lease liabilities	(25.4)	(20.6)	(20.9)
Other long-term assets and liabilities, net	(36.3)	(13.2)	17.2
Net cash provided by operating activities	696.0	1,163.7	652.5
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures—excluding real estate	(94.6)	(74.2)	(46.5)
Capital expenditures—real estate	(13.3)	(7.8)	(2.3)
Purchases of previously leased real estate	—	(217.1)	—
Acquisitions, net of cash acquired	(5.0)	(3,660.4)	(954.1)
Proceeds from dealership divestitures	701.2	21.3	177.9
Purchases of debt securities—available-for-sale	(202.2)	(1.1)	—
Purchases of equity securities	(41.4)	(0.4)	—
Proceeds from the sale of debt securities—available-for-sale	69.7	0.8	—
Proceeds from the sale of equity securities	50.3	0.4	—
Proceeds from the sale of assets	—	21.5	4.2
Net cash provided by (used in) investing activities	464.7	(3,917.0)	(820.8)
CASH FLOW FROM FINANCING ACTIVITIES:			
Floor plan borrowings—non-trade	7,406.5	5,042.8	4,312.0
Floor plan borrowings—acquisitions	—	214.5	131.6
Floor plan repayments—non-trade	(7,891.6)	(5,357.5)	(4,467.3)
Floor plan repayments—divestitures	(48.4)	(0.8)	(60.4)
Proceeds from borrowings	—	2,274.0	1,875.3
Repayments of borrowings	(106.2)	(41.5)	(1,622.5)
Proceeds from revolving credit facility	330.0	439.0	—
Repayments of revolving credit facility	(499.0)	(270.0)	—

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	For the Year Ended December 31,		
	2022	2021	2020
Sale and leaseback transaction	—	—	7.3
Proceeds from issuance of common stock	1.4	666.9	—
Payment of debt issuance costs	(0.4)	(26.2)	(4.7)
Purchase of treasury stock	(287.4)	—	—
Repurchases of common stock, including amounts associated with net share settlements of employee share-based awards	(9.2)	(10.4)	(5.1)
Net cash (used in) provided by financing activities	(1,104.3)	2,930.8	166.2
Net increase (decrease) in cash and cash equivalents	56.4	177.5	(2.1)
CASH AND CASH EQUIVALENTS, beginning of period	178.9	1.4	3.5
CASH AND CASH EQUIVALENTS, end of period	$ 235.3	$ 178.9	$ 1.4

See Note 18 for supplemental cash flow information
See accompanying Notes to Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(December 31, 2022, 2021, and 2020)

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Asbury Automotive Group, Inc., a Delaware corporation organized in 2002, is one of the largest automotive retailers in the United States. Our store operations are conducted by our subsidiaries.

As of December 31, 2022, we owned and operated 186 new vehicle franchises, representing 31 brands of automobiles at 139 new vehicle dealership locations in 14 states. We also operated 32 collision centers, seven stand-alone used vehicle stores, one used vehicle wholesale business, one auto auction and Total Care Auto, Powered by Landcar ("TCA"), a finance and insurance (F&I") product provider. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, which includes repair and maintenance services, replacement parts and collision repair services (collectively referred to as "parts and services" or "P&S"); and F&I, including arranging vehicle financing through third parties and aftermarket products, such as extended service contracts, guaranteed asset protection ("GAP") debt cancellation and prepaid maintenance. The finance and insurance products are provided by independent third parties and TCA. The F&I products offered by TCA are sold through our dealerships. The Company manages its operations in two reportable segments: Dealerships and TCA.

Our operating results are generally subject to seasonal variations. Demand for new vehicles is generally highest during the second, third, and fourth quarters of each year and, accordingly, we expect our revenues to generally be higher during these periods. In addition, we typically experience higher sales of luxury vehicles in the fourth quarter, which have higher average selling prices and gross profit per vehicle retailed. Revenues and operating results may be impacted significantly from quarter to quarter by changing economic conditions, inventory availability, vehicle manufacturer incentive programs, or adverse weather events.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and reflect the consolidated accounts of Asbury Automotive Group, Inc. (the "Company") and our wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. If necessary, reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements in order to conform to current presentation. Amounts presented have been calculated using non-rounded amounts for all periods presented and therefore certain amounts may not compute or tie to prior year financial statements due to rounding.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the periods presented. Actual results could differ materially from these estimates. Estimates and assumptions are reviewed quarterly, and the effects of any revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Estimates made in the accompanying consolidated financial statements include, but are not limited to, those relating to inventory valuation reserves, reserves for chargebacks against revenue recognized from the sale of finance and insurance products, reserves for self-insurance programs, and certain assumptions related to goodwill and dealership franchise rights intangible assets.

Cash and Cash Equivalents

Cash and cash equivalents include investments in money market accounts and short-term certificates of deposit, which have maturity dates of less than 90 days when purchased.

Restricted Cash and Securities

TCA places securities on statutory deposit with certain state agencies to retain the right to do business in those states. Securities held on deposit with various state regulatory authorities had a fair value of $3.4 million at December 31, 2022.

Short-Term Investments

Short-term investments consist of debt securities that are callable or have a maturity date within the next 12 months and are classified as current assets. Debt securities classified as short-term investments are designated as available-for-sale as management intends to hold these securities for indefinite periods of time or may sell the securities in response to changes in interest rates, prepayments, or other similar factors. Available-for-sale debt securities are reported at fair market value with any unrealized gain or loss, net of applicable income tax, reported in other comprehensive income, as a separate component of shareholders' equity. Premiums and discounts on debt securities classified as short-term investments are amortized or accreted using the effective interest method over the period from the purchase date to the expected maturity or call date of the related security and are reported in net income.

Investments

Investments consist of available-for-sale debt securities, equity securities, and other investments. These securities are classified as non-current investments as they are not intended to fund current operations or have stated call dates or maturity dates beyond the next 12 months. Equity securities may consist of both preferred stock and common stock.

Debt securities classified as non-current investments are designated as available-for-sale as management intends to hold these securities for indefinite periods of time or may sell the securities in response to changes in interest rates, prepayments, or other similar factors. Available-for-sale debt securities included in non-current investments are reported at fair market value with any unrealized gain or loss, net of applicable income tax, reported in other comprehensive income, as a separate component of shareholders' equity. Premiums and discounts on debt securities included in non-current investments are amortized or accreted, as applicable, using the effective interest method over the period from the purchase date to the expected maturity or call date of the related security and are reported in net income.

Equity securities included in non-current investments are reported at fair market value with the change in value, during the reporting period, recognized in net income.

We review the debt securities portfolio at the security level on a quarterly basis for potential credit losses, which takes into consideration numerous factors. Some factors evaluated include changes in credit ratings, financial conditions of the issuer, recent payment activity, and other industry specific economic conditions. If a security is considered to have a potential credit loss, we compare the present value of expected cash flows to the amortized cost basis of the security to estimate the allowance for credit losses. The amount of the allowance is limited to the gross unrealized loss on an individual security. An unrealized loss on a debt security is generally considered to not be related to credit when the fair value of the security is below the carrying value of the security primarily due to changes in risk-free interest rates and when there has not been a significant deterioration in the financial condition of the issuer. If the Company no longer has the intent or ability to hold a security in an unrealized loss position until recovery of the security's cost basis, a loss is realized immediately in net income.

Contracts-In-Transit

Contracts-in-transit represent receivables from third-party finance companies for the portion of new and used vehicle purchase price financed by customers through sources arranged by us.

Inventories

Inventories are stated at the lower of cost and net realizable value. We use the specific identification method to value vehicle inventories and parts and accessories are valued at the lower of cost or net realizable value. Our new vehicle sales history indicates that the vast majority of the new vehicles we sell are sold for, or in excess of, our cost to purchase those vehicles. Therefore, we generally do not maintain a reserve for new vehicle inventory. We maintain a reserve for used vehicle inventory where cost basis exceeds net realizable value. In assessing lower of cost and net realizable value for used vehicles, we consider (i) the aging of our used vehicles, (ii) historical sales experience of used vehicles, and (iii) current market conditions and trends in used vehicle sales. We also review and consider the following metrics related to used vehicle sales (both on a recent and longer-term historical basis): (i) days of supply in our used vehicle inventory, (ii) used vehicle units sold at less than original cost as a percentage of total used vehicles sold, and (iii) average vehicle selling price of used vehicle units sold at less than original cost. We then determine the appropriate level of reserve required to reduce our used vehicle inventory to the lower of cost and net realizable value, and record the resulting adjustment in the period in which we determine a loss has occurred. The level of reserve determined to be appropriate for each reporting period is considered to be a permanent inventory write-down, and therefore is only released upon the sale of the related inventory.

We receive assistance from certain automobile manufacturers in the form of advertising and floor plan interest credits. Manufacturer advertising credits that are reimbursements of costs associated with specific advertising programs are recognized as a reduction of advertising expense in the period they are earned. All other manufacturer advertising and certain floor plan interest credits are accounted for as purchase discounts, and are recorded as a reduction of inventory and recognized as a reduction to new vehicle cost of sales in the accompanying consolidated statements of income in the period the related vehicle is sold. Certain floor plan interest credits are reflected as a reduction in floor plan interest expense in the accompanying consolidated statements of income.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Depreciation is included in depreciation and amortization on the accompanying consolidated statements of income. Leasehold improvements are capitalized and amortized over the lesser of the remaining lease term or the useful life of the related asset. The ranges of estimated useful lives are as follows (in years):

Buildings and improvements	10-40
Machinery and equipment	5-10
Furniture and fixtures	3-10
Company vehicles	3-5

Expenditures for major additions or improvements, which extend the useful lives of assets, are capitalized. Minor replacements, maintenance and repairs, which do not improve or extend the lives of such assets, are expensed as incurred. We capitalize interest on borrowings during the active construction period of capital projects. Capitalized interest is added to the cost of the assets and is depreciated over the estimated useful lives of the assets.

We review property and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. When we test our long-lived assets for impairment, we first compare the carrying amount of the underlying assets to their net recoverable value by reviewing the undiscounted cash flows expected from the use and eventual disposition of the underlying assets. If the carrying amount of the underlying assets is less than their net recoverable value, then we calculate an impairment equal to the excess of the carrying amount over the fair market value, and the impairment loss would be charged to operations in the period identified. During the year ended December 31, 2020, we recorded a $0.7 million impairment charge related to a vacant property. We did not record an impairment charge related to our property and equipment in 2022 and 2021.

Acquisitions

Acquisitions are accounted for under the acquisition method of accounting and the assets acquired and liabilities assumed are recorded at their fair value at the acquisition date. Results of acquired businesses, which are primarily dealerships, are included in our accompanying consolidated statements of income commencing on the date of acquisition. Our acquisitions are accounted for such that the assets acquired and liabilities assumed are recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Upon the completion of purchase accounting, the fair value of our manufacturer franchise rights are determined as of the acquisition date, by discounting the projected cash flows specific to each franchise. Included in this analysis are market participant assumptions related to the cash flows directly attributable to the franchise rights, including year-over-year and terminal growth rates, working capital requirements, weighted average cost of capital, future gross margins, and future selling, general, and administrative expenses.

Goodwill and Franchise Rights

Goodwill represents the excess cost of an acquired business over the estimated fair market value of its identifiable net assets. We have determined that, based on how we integrate acquisitions into our business, how the components of our business share resources and interact with one another, and how we review the results of our operations, that we have several geographic market-based operating segments which consist of our dealerships. We have determined that the dealerships in each of our operating segments are components that are aggregated into several geographic market-based reporting units for the purpose of testing goodwill for impairment, as they (i) have similar economic characteristics, (ii) offer similar products and services (all of our dealerships offer new and used vehicles, service, parts and third-party finance and insurance products), (iii) have similar customers, (iv) have similar distribution and marketing practices (all of our dealerships distribute products and services through dealership facilities that market to customers in similar ways), and (v) operate under similar regulatory environments. Our dealership operating segments are aggregated into our single dealerships reportable segment. Goodwill associated with TCA is tested for impairment at the operating segment level which is the same as the reporting unit for this business.

The fair value of our manufacturer franchise rights are determined as of the acquisition date, by discounting the projected cash flows specific to each franchise. We have determined that manufacturer franchise rights have an indefinite life, as there are no economic, contractual or other factors that limit their useful lives, and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers' brand names. Furthermore, to the extent that any agreements evidencing our manufacturer franchise rights would expire, we expect that we would be able to renew those agreements in the ordinary course of business.

Goodwill and manufacturer franchise rights are deemed to have indefinite lives and therefore are not subject to amortization. We review goodwill and manufacturer franchise rights for impairment annually as of October 1st, or more often if events or circumstances indicate that impairment may have occurred. We are subject to financial statement risk to the extent that goodwill becomes impaired due to decreases in the fair value of our automotive retail business or manufacturer franchise rights become impaired due to decreases in the fair value of our individual franchises.

Our identifiable intangible assets, other than goodwill, are our rights under franchise agreements with manufacturers, which are recorded at an individual franchise level, and the value of business acquired ("VOBA") which is recorded at the TCA segment level. We recorded VOBA of $5.6 million in connection with the acquisition of TCA. VOBA reflects the estimated fair value of the expected future profits in unearned premium for in-force service contracts acquired in the LHM acquisition. VOBA is based on actuarially determined projections, by each type of service contract, of future charges, premiums, claims, operating expenses, investment returns and other factors. VOBA is reflected in other long-term assets within the consolidated balance sheets and is amortized over five years, which represents the period of the underlying contracts.

Debt Issuance Costs

Debt issuance costs are presented as a contra-liability within current maturities of long-term debt or long-term debt on our consolidated balance sheets, except for debt issuance costs associated with our line-of-credit arrangements, which are presented as an asset within other current assets or other long-term assets on our consolidated balance sheets. Debt issuance costs are amortized to floor plan interest expense and other interest expense, net in the accompanying consolidated statements of income through maturity using the effective interest method or the straight-line method for our line-of-credit arrangements.

Derivative Instruments and Hedging Activities

From time to time, we utilize derivative financial instruments to manage our interest rate risk. The types of risks hedged are those relating to the variability of cash flows caused by fluctuations in interest rates. We document our risk management strategy and assess hedge effectiveness at each interest rate swap's inception and during the term of each hedge. Derivatives are reported at fair value on the accompanying consolidated balance sheets.

The changes in fair value on our hedges is reported as a component of accumulated other comprehensive loss on the accompanying consolidated balance sheets, and reclassified to other interest expense, net in the accompanying consolidated statements of income in the period during which the hedged transaction affects earnings.

Self-insurance Programs

We are self-insured for employee medical claims and maintain stop-loss insurance for large-dollar individual claims. We have high deductible insurance programs for workers compensation, property and general liability claims. We maintain and review our claim and loss history to assist in assessing our expected future liability for these claims. We also use professional service providers, such as account administrators and actuaries, to help us accumulate and assess this information. Provisions for retained losses and deductibles are made by charges to expense based upon periodic evaluations of the estimated ultimate liabilities on reported and unreported claims.

Revenue Recognition

We recognize revenue in accordance with ASC 606, *Revenue from Contracts with Customers* ("Topic 606"). Under that guidance, the transaction price is attributed to the underlying performance obligations in the contract and revenue is deferred and recognized as income as the Company satisfies the performance obligations in the contract. Incremental costs of obtaining a contract with a customer are capitalized and amortized to the extent that the Company expects to recover those costs. The Company satisfies performance obligations either over time or at a point in time as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised good or performing a service. Sales and other taxes we collect, concurrent with revenue-producing activities, are excluded from revenue.

New vehicle and used vehicle retail

Revenue from the sale of new and used vehicles is recognized when the terms of the customer contract are satisfied which generally occurs with the signing of the sales contract and transfer of control of the vehicle to the customer. Payment is generally received at the time of sale or from a third-party financial institution within a short period of time following the sale of the vehicle. Amounts due from third-party financial institutions are reflected in contracts-in-transit or vehicle receivables within accounts receivable, net on our consolidated balance sheets. Costs associated with incidental items that are immaterial in the context of the contract are accrued at the time of sale.

Used vehicle wholesale

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

Sale of vehicle parts and accessories

The Company recognizes revenue upon transfer of control to the customer which occurs at a point in time. Payment is typically received when control of the parts and accessories transfers to the customer or within 30 days of such time. When the Company performs shipping and handling activities after the transfer of control to the customer (e.g., when control transfers prior to delivery), they are considered as fulfillment activities, and accordingly, the costs are accrued when the related revenue is recognized.

Vehicle repair and maintenance services

The Company provides vehicle repair and maintenance services to its customers pursuant to the terms and conditions included within the customer contract ("repair order"). Payment for services are typically received upon completion of the services or within 30 days following the completion of the services. Certain of these services are provided by the Dealerships segment to TCA customers in connection with claims related to TCA's vehicle protection products. Revenues recorded by the Dealerships segment and the associated claims expenses recorded by the TCA segment are eliminated upon consolidation. Satisfaction of this performance obligation creates an asset with no alternative use for which an enforceable right to payment for performance to date exists within our contractual agreements. As such, the Company recognizes revenue over time as the Company satisfies its performance obligation. Additionally, the Company has determined that parts and labor are not individually distinct in the context of a repair order and therefore treated as a single performance obligation.

Finance and Insurance, net

Within the Dealership segment, we receive commissions from third-party lending and insurance institutions for arranging customer financing and from the sale of vehicle service contracts, guaranteed asset protection debt cancellation, and other products, to end-users. In addition, we record commissions received from our TCA segment related to the sale of TCA's various vehicle protection F&I products. TCA offers extended vehicle service contracts, prepaid maintenance contracts, key replacement contracts, guaranteed asset protection contracts, paintless dent repair contracts, appearance protection contracts, tire and wheel, and lease wear and tear contracts. In addition, TCA provides the required contractual liability insurance if needed. The majority of these service contracts are sold through affiliated automobile dealerships. Finance and insurance commission revenue is recognized at the point of sale since our performance obligation is to arrange financing or facilitating the sale of a third party's products or services to our customers.

The dealerships commission arrangements with TCA, third-party lenders and insurance administrators consists of fixed ("upfront") and variable consideration. Variable consideration includes commission chargebacks ("chargebacks") in the event a contract is prepaid, defaulted upon, or terminated by the end-user. The Company reserves for future chargebacks based on historical chargeback experience and the termination provisions of the applicable contract, and these reserves are established in the same period that the related revenue is recognized. Commissions revenue and related reserves for future chargebacks in connection with the sale of TCA F&I products by our dealerships, are eliminated in consolidation.

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

Within our TCA segment, all revenue, other than investment and interest income, is the result of contracts with customers. Each contract is considered to have a single performance obligation which extends over the life of the contract. Revenue is recognized ratably over the contract term based on earnings factors that align with the performance obligation. We capitalize costs to obtain customer contracts, employee sales commissions, and amortize those costs over the life of the contract. Amortization of costs to obtain customer contracts is included in selling, general and administrative expenses. The portion of commissions that are paid to affiliated dealerships are eliminated upon consolidation. Unearned premium reserves are established to cover the unexpired portion of premiums written.

Deferred Revenue

We earn and recognize premium revenue related to the TCA segment over the period of the related service contract. Accordingly, we record deferred revenue as we ratably recognize revenue over the service contract period.

Unpaid Losses and Loss Adjustment Expense Reserve

Losses and loss adjustment expense reserves represent management's best estimate of the ultimate net cost of all reported and unreported losses incurred through December 31, 2022. The Company does not discount liabilities for unpaid losses or unpaid loss adjustment expense reserves. The reserves for unpaid losses and loss adjustment expenses are estimated using individual case-basis valuation and statistical analysis. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for losses and loss adjustment expenses are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in income from operations.

Claims are counted when incidents that may result in a liability are reported and are based on policy coverage.

Internal Profit

Revenues and expenses associated with internal work performed by our parts and service departments on new and used vehicle inventory are eliminated in consolidation. The gross profit earned by our parts and service departments for internal work performed is included as a reduction of parts and service cost of sales on the accompanying consolidated statements of income upon the sale of the vehicle. The costs incurred by our new and used vehicle departments for work performed by our parts and service departments is included in either new vehicle cost of sales or used vehicle cost of sales on the accompanying consolidated statements of income, depending on the classification of the vehicle serviced. We eliminate the internal profit on vehicles that remain in inventory at period end.

Intersegment Elimination

TCA's vehicle protection products are sold through affiliated dealerships and the revenue from the related commissions are included in finance and insurance, net revenues in the Dealerships segment before consolidation. The corresponding claims expense incurred and the amortization of deferred acquisition costs is recorded as a cost of sales in the TCA segment. The Dealerships segment also provides vehicle repair and maintenance services to TCA customers in connection with claims related to TCA's vehicle protection products. Revenues recorded by the Dealerships segment and the associated claims expenses recorded by the TCA segment are eliminated upon consolidation. Intersegment revenues and profits from contracts and services are eliminated in consolidation. See Note 20 "Segment Information" for further details.

Share-Based Compensation

We record share-based compensation expense under the fair value method on a straight-line basis over the vesting period, unless the awards are subject to performance conditions, in which case we recognize the expense over the requisite service period of each separate vesting tranche. In addition, we account for the forfeiture of share-based awards as they occur.

Share Repurchases

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

During the year ended December 31, 2022, the Company repurchased 1,635,030 and retired 1,580,826 shares of our common stock under our share repurchase program. The Company did not repurchase any shares under the repurchase program or retire any treasury shares during 2021 or 2020. On January 26, 2023, our Board of Directors approved an increase in the Company’s common share repurchase authorization to $200.0 million.

Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted-average common shares outstanding during the period. Diluted earnings per common share is computed by dividing net income by the weighted-average common shares and common share equivalents outstanding during the period. For all periods presented, there were no adjustments to the numerator necessary to compute diluted earnings per share.

Advertising

We expense costs of advertising as incurred and production costs when the advertising initially takes place, net of certain advertising credits and other discounts received from certain automobile manufacturers. Advertising expense totaled $50.1 million, $30.7 million and $25.5 million for the years ended December 31, 2022, 2021 and 2020, which was net of earned advertising credits of $35.5 million, $22.4 million, and $19.6 million, respectively, and is included in selling, general, and administrative expense in the accompanying consolidated statements of income.

Income Taxes

We use the liability method to account for income taxes. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax basis using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all the deferred tax assets will not be realized.

Assets Held for Sale and Liabilities Associated with Assets Held for Sale

Certain amounts have been classified as assets held for sale as of December 31, 2022 and 2021 in the accompanying consolidated balance sheets. Assets and liabilities classified as held for sale include assets and liabilities associated with pending dealership disposals, real estate we are actively marketing to sell, and any related mortgage notes payable or other liabilities, if applicable. Classification as held for sale begins on the date that we have met all of the criteria for classification as held for sale.

At the time of classifying assets as held for sale, we compare the carrying value of these assets to estimates of fair value to assess for impairment. We compare the carrying value to estimates of fair value utilizing the assistance of third-party broker opinions of value and third-party desktop appraisals to assist in our fair value estimates related to real estate properties.

Statements of Cash Flows

Borrowings and repayments of floor plan notes payable through our senior secured credit agreement with Bank of America, as administrative agent, and the other agents and lenders party thereto (as amended, the "2019 Senior Credit Facility") and all floor plan notes payable relating to used vehicles (together referred to as "Floor Plan Notes Payable—Non-Trade"), are classified as financing activities in the accompanying consolidated statements of cash flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer from which we purchase a particular new vehicle (collectively referred to as "Floor Plan Notes Payable—Trade") is classified as an operating activity in the accompanying consolidated statements of cash flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all acquisitions and repayments made in connection with all divestitures are classified as a financing activity. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the manufacturer from which we purchased the related inventory, while the latter are payable to our 2019 Senior Credit Facility that includes lenders affiliated with the manufacturers and lenders not affiliated with the manufacturers from which we purchased the related inventory. The majority of our floor plan notes are payable to our 2019 Senior Credit Facility, with the exception of floor plan notes payable relating to the financing of new Ford and Lincoln vehicles.

Loaner vehicles account for a significant portion of other current assets. We acquire loaner vehicles either with available cash or through borrowings from either our manufacturer affiliated lenders or through our 2019 Senior Credit Facility. Loaner vehicles are initially used by our service department for a short period of time (typically 6 to 12 months) before we seek to sell them. Therefore, we classify the acquisition of loaner vehicles in other current assets and the borrowings and repayments of loaner vehicle notes payable in accounts payable and accrued liabilities in the accompanying consolidated statements of cash flows. Loaner vehicles are depreciated over the service period to their estimated value. At the end of the loaner service period, loaner vehicles are transferred from other current assets to used vehicle inventory. These transfers are reflected as non-cash transfers between other current assets and inventory in the accompanying consolidated statements of cash flows.

Business and Credit Concentration Risk

Financial instruments, which potentially subject us to a concentration of credit risk, consist principally of cash deposits and investments. We maintain cash balances at financial institutions with strong credit ratings. Generally, amounts maintained with these financial institutions are in excess of FDIC insurance limits. In addition, we maintain a diverse investment portfolio across various asset categories and limit our exposure through the kind, quality and concentration of these investments. As of December 31, 2022, the Company had total investments of $240.4 million.

We have substantial debt service obligations. As of December 31, 2022, we had total debt of $3.33 billion, which excludes floor plan notes payable, debt issuance costs, and the debt premium on the 4.5% Senior Notes (the "4.5% Notes") and 4.75% Senior Notes (the "4.75% Notes") due 2028 and 2030, respectively. In addition, we and our subsidiaries have the ability to obtain additional debt from time to time to finance acquisitions, real property purchases, capital expenditures, share repurchases or for other purposes, although such borrowings are subject to the restrictions contained in the third amended and restated senior secured credit agreement with Bank of America, N.A. ("Bank of America"), as administrative agent, and the other lenders party thereto the 2019 Senior Credit Facility, the indentures governing our 4.5% Notes, 4.625% Notes, 4.75% Notes and 5.0% Notes (the "Indentures"), and our other debt instruments. We will have substantial debt service obligations, consisting of required cash payments of principal and interest, for the foreseeable future.

We are subject to operating and financial restrictions and covenants in certain of our leases and in our debt instruments, including the 2019 Senior Credit Facility, the Indentures, and the credit agreements covering our mortgage obligations. These agreements contain restrictions on, among other things, our ability to incur additional indebtedness, to create liens or other encumbrances, and to make certain payments (including dividends and repurchases of our shares and investments). These agreements may also require us to maintain compliance with certain financial and other ratios. Our failure to comply with any of these covenants in the future would constitute a default under the relevant agreement, which would, depending on the relevant agreement, (i) entitle the creditors under such agreement to terminate our ability to borrow under the relevant agreement and accelerate our obligations to repay outstanding borrowings; (ii) require us to apply our available cash to repay these borrowings; (iii) entitle the creditors under such agreement to foreclose on the property securing the relevant indebtedness; and/or (iv) prevent us from making debt service payments on certain of our other indebtedness, any of which would have a material adverse effect on our business, financial condition or results of operations. In many cases, a default under one of our debt or mortgage agreements could trigger cross-default provisions in one or more of our other debt or mortgages.

A number of our dealerships are located on properties that we lease. Each of the leases governing such properties has certain covenants with which we must comply. If we fail to comply with the covenants under our leases, the respective landlords could terminate the leases and seek damages from us.

Concentrations of credit risk with respect to contracts-in-transit and accounts receivable are limited primarily to automotive manufacturers and financial institutions. Credit risk arising from receivables with commercial customers is minimal due to the large number of customers comprising our customer base.

A significant portion of our new vehicle sales are derived from a limited number of automotive manufacturers. For the year ended December 31, 2022, manufacturers representing 5% or more of our revenues from new vehicle sales were as follows:

Manufacturer (Vehicle Brands):	**% of Total New Vehicle Revenues**
Toyota Motor Sales, U.S.A., Inc. *(Toyota and Lexus)*	26 %
Stellantis N.V. (*Chrysler, Dodge, Jeep, Ram and Fiat*)	15 %
American Honda Motor Co., Inc. *(Honda and Acura)*	11 %
Ford Motor Company *(Ford and Lincoln)*	10 %
Mercedes-Benz USA, LLC (*Mercedes-Benz and Sprinter*)	8 %
Hyundai Motor North America (*Hyundai and Genesis*)	6 %
General Motors Company (*Chevrolet, Buick and GMC)*	5 %
Nissan North America, Inc. *(Nissan and Infiniti)*	5 %

No other manufacturers individually accounted for more than 5% of our total new vehicle revenue for the year ended December 31, 2022.

Recent Accounting Pronouncements

In September 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-04, *Liabilities-Supplier Finance Programs.* This standard serves to improve transparency about supplier finance programs. The ASU requires certain disclosures around key terms of outstanding supply chain finance programs and changes in obligations during a reporting period related to vendors participating in these programs. The new disclosure requirements do not affect the recognition, measurement or financial statement presentation of any amounts due. The guidance is effective for fiscal years beginning after December 15, 2022, except for rollforward information, which is effective in the first quarter of 2024. Early adoption is permitted. We are evaluating the impact of this new guidance on our consolidated financial statements.

Effective October 1, 2021, the Company adopted ASU 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires an acquiring entity to apply ASC Topic 606 to recognize and measure contract assets acquired and contract liabilities assumed in a business combination. The Company applied ASC Topic 606 in recording contract assets acquired and contract liabilities assumed in business combinations that occurred in the quarter ended December 31, 2021. We assumed contract liabilities or deferred revenue of $667.6 million in connection with the LHM acquisition which closed in December 2021.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarified the scope and application of the original guidance. The guidance in these standards apply to contract accounting, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met, and provides optional expedients and exceptions for a limited time to ease the potential burden in accounting for reference rate reform. The amendments apply only to contracts and hedging relationships that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. ASU 2020-04 is effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. LIBOR benchmarking is utilized in our debt (including mortgages), revolving credit facilities, floorplan facilities, and interest rate swaps.

During the quarter ended June 30, 2022, we amended our LIBOR-based debt arrangements and related hedging financial instruments to revise their interest basis from LIBOR to a Secured Overnight Financing Rate ("SOFR"). See Note 14 "Debt" for further details. The impact of these amendments to our debt arrangements and related interest rate swap derivative agreements, along with the adoption of the provisions from this standard, did not have a material impact on our consolidated financial statements.

2. REVENUE RECOGNITION

Disaggregation of Revenue

Revenue from contracts with customers consists of the following:

	For the year ended December 31,		
	2022	2021	2020
	(In millions)		
Revenue:			
New vehicle	$ 7,365.6	$ 4,934.1	$ 3,767.4
Used vehicle retail	4,828.8	3,055.9	1,930.0
Used vehicle wholesale	368.3	259.7	239.5
New and used vehicle	12,562.6	8,249.7	5,936.9
Sale of vehicle parts and accessories	510.2	212.0	140.1
Vehicle repair and maintenance services	1,564.1	970.9	749.7
Parts and services	2,074.2	1,182.9	889.8
Finance and insurance, net	797.0	405.1	305.1
Total revenue	$ 15,433.8	$ 9,837.7	$ 7,131.8

Contract Assets

Changes in contract assets during the period are reflected in the table below. Contract assets related to vehicle repair and maintenance services are transferred to receivables when a repair order is completed and invoiced to the customer. Certain incremental sales commissions payable to obtain an F&I revenue contract with a customer have been capitalized and are amortized using the same pattern of recognition applicable to the associated F&I revenue contract.

	Vehicle Repair and Maintenance Services	Finance and Insurance, net	Deferred Sales Commissions	Total
		(In millions)		
Contract Assets (Current), December 31, 2020	$ 7.1	$ 13.3	$ —	$ 20.4
Transferred to receivables from contract assets recognized at the beginning of the period	(7.1)	(14.7)	—	(21.8)
Increases related to revenue recognized, inclusive of adjustments to constraint, during the period	12.3	14.9	1.4	28.6
Contract Assets (Current), December 31, 2021	$ 12.3	$ 13.5	$ 1.4	$ 27.2
Transferred to receivables from contract assets recognized at the beginning of the period	(12.3)	(13.5)	—	(25.8)
Amortization of costs incurred to obtain a contract with a customer	—	—	(4.6)	(4.6)
Costs incurred to obtain a contract with a customer	—	—	40.3	40.3
Increases related to revenue recognized, inclusive of adjustments to constraint, during the period	14.7	14.7	—	29.4
Contract Assets, December 31, 2022	$ 14.7	$ 14.7	$ 37.2	$ 66.6
Contract Assets (current), December 31, 2022	$ 14.7	$ 14.7	$ 11.1	$ 40.5
Contract Assets (long-term), December 31, 2022	$ —	$ —	$ 26.1	$ 26.1

Contract Liabilities

The Company acquired $667.6 million in deferred revenue as part of the Larry H. Miller and TCA acquisition in December 2021. The consolidated balance sheet reflects $713.9 million and $647.8 million as of December 31, 2022 and 2021, respectively. Approximately $209.6 million of deferred revenue at December 31, 2021 was recorded in finance and insurance, net revenue in the consolidated statement of income for the year ended December 31, 2022.

3. ACQUISITIONS AND DIVESTITURES

LHM Acquisition

On December 17, 2021, we completed the acquisition of the equity interests of, and the real property related to the businesses of the Larry H. Miller Dealerships and TCA (the "LHM acquisition"). The results of the LHM Dealerships and TCA business have been included in the consolidated financial statements since that date. The acquisition diversifies Asbury's geographic mix, with entry into six Western states; Arizona, Utah, New Mexico, Idaho, California and Washington, and adds to the Company’s growing Colorado presence.

As a result of the LHM acquisition, we acquired 54 new vehicle dealerships, seven used car stores, 11 collision centers, a used vehicle wholesale business, the real property related thereto, and the entities comprising the TCA business for a total purchase price of approximately $3.48 billion. The purchase price was paid in cash.

The sources of the purchase consideration are as follows:

	(In millions)
Cash, net of cash acquired	$ 195.0
Common stock offering	666.9
Senior notes	1,378.5
Revolving credit facility	200.0
Real estate facility	513.0
New vehicle floor plan facility	183.5
Used vehicle floor plan facility	51.0
Payable to sellers	6.0
Purchase price, net of cash acquired	$ 3,193.9

Under the acquisition method of accounting, the tangible and intangible assets acquired and liabilities assumed are recorded at their estimated fair value based on information currently available. The following table summarizes the amounts recorded based on final estimates of fair value:

	(In millions)
Summary of Assets Acquired and Liabilities Assumed	
Assets	
Cash and cash equivalents	$ 287.4
Investments	133.5
Contracts-in-transit, net	99.5
Accounts receivable, net	110.0
Inventories, net	282.1
Other current assets	25.0
Total current assets	937.5
Property and equipment, net	805.6
Goodwill	1,205.3
Intangible franchise rights	1,309.7
Operating lease right-of-use assets	34.1
Deferred income taxes	139.7
Other long-term assets	5.6
Total assets acquired	4,437.6
Liabilities	
Accounts payable and accrued liabilities	229.5
Operating lease liabilities	34.1
Deferred revenue	667.6
Other long-term liabilities	25.2
Total liabilities assumed	956.4
Net assets acquired	$ 3,481.2

The acquisition accounting is based upon the Company’s estimates of fair value. The estimated fair values of the assets acquired and liabilities assumed and the related acquisition accounting are based on management’s estimates and assumptions, as well as other information compiled by management, including the books and records of LHM and TCA. The effects of the measurement-period adjustments on our consolidated statement of income for the year ended December 31, 2022 were not material.

Approximately $1.31 billion of the purchase price was assigned to the indefinite lived franchise rights intangible assets related to the dealer agreements applicable to each new vehicle dealership. In addition, goodwill of $1.21 billion was recognized and is primarily attributable to the anticipated synergies that Asbury expects to derive from the LHM acquisition as well as the acquired assembled workforce of LHM and TCA. Goodwill of $536.6 million was assigned to the TCA segment while $668.7 million was assigned to the Dealerships segment.

The Company recorded $4.9 million of acquisition related costs during the year ended December 31, 2021. These costs are included in selling, general, and administrative in the consolidated statements of income. The Company did not incur acquisition related costs during the year ended December 31, 2022.

The Company's consolidated statements of income included revenue and net income attributable to LHM from December 17, 2021 through December 31, 2021 of $256.4 million and $15.7 million, respectively.

The following represents the unaudited pro forma information as if the LHM acquisition had been included in the consolidated results of the Company since January 1, 2020:

	For the Year Ended December 31,	
	2021	2020
	(In millions) (Unaudited)	
Pro forma revenue	$ 15,431.5	$ 12,927.3
Pro forma net income	$ 777.3	$ 359.9

This pro forma information incorporates the Company's accounting policies and adjusts the results of the LHM acquisition for depreciation, rent expense, and interest expense assuming that the fair value adjustments and indebtedness incurred in connection with the LHM acquisition had occurred on January 1, 2020. They have also been adjusted to reflect the $4.9 million of acquisition related costs incurred during 2021 as having occurred on January 1, 2020.

Park Place Acquisition

On December 11, 2019, we announced the proposed acquisition of substantially all of the assets of the businesses of the Park Place Dealership family of entities (collectively, "Park Place") pursuant to that certain Asset Purchase Agreement, dated as of December 11, 2019, among the Company, Park Place and the other parties thereto (the "2019 Asset Purchase Agreement"), and related agreements and transactions (collectively, the "2019 Acquisition"). On March 24, 2020, as a result of the uncertainties related to the COVID-19 pandemic we delivered notice to the sellers terminating the 2019 Acquisition pursuant to the terms of the related agreements and transactions in exchange for the payment of $10.0 million of liquidated damages which is reflected in our accompanying consolidated statements of income as other operating (income) expense, net. See Note 14 "Debt" for details related to the impact on certain financing arrangements as a result of terminating the 2019 Acquisition.

On July 6, 2020, the Company, through two of its subsidiaries, entered into an Asset Purchase Agreement with certain members of the Park Place Dealership group, to acquire substantially all of the assets of, and lease the real property related to, 12 new vehicle dealership franchises (8 dealership locations), two collision centers and an auto auction (collectively, the "Park Place Acquisition"). The Park Place acquisition was completed on August 24, 2020 and financed through a combination of cash, floor plan facilities and seller financing. The seller financing comprised $150.0 million in aggregate principal amount of a 4.00% promissory note due August 2021 and $50.0 million in aggregate principal amount of a 4.00% promissory note due February 2022 (collectively, the "Seller Notes"). In September 2020, the Company redeemed the Seller Notes with proceeds from the offering of 4.50% Notes due 2028 and 4.75% Notes due 2030.

The sources of the purchase consideration are as follows:

	(In millions)
Cash	$ 527.4
Seller notes	200.0
New vehicle floor plan facility	127.5
Used vehicle floor plan facility	35.0
Purchase price	$ 889.9

Under the acquisition method of accounting, the purchase price is allocated to the tangible and intangible assets acquired and liabilities assumed. The following table summarizes the final allocation of the purchase price:

		(In millions)
Summary of Assets Acquired and Liabilities Assumed		
Inventories	$	120.8
Loaner vehicles		57.0
Property and equipment		36.5
Goodwill		360.4
Manufacturer franchise rights		324.0
Operating lease right-of-use assets		202.7
Total assets acquired		1,101.4
Operating lease liabilities		(202.2)
Other liabilities		(9.3)
Total liabilities assumed		(211.5)
Net assets acquired	$	889.9

On May 20, 2021, we exercised the purchase option for certain Park Place real estate leases whose original operating lease right-of-use assets and liabilities totaled $99.5 million. We acquired these properties for $217.1 million which was partly financed through the 2021 BofA Real Estate Facility.

The Company's consolidated statements of income included revenue attributable to Park Place for the year ended December 31, 2021 of $1.79 billion.

The Company recorded $1.3 million of acquisition related costs during the year ended December 31, 2020. These costs are included in selling, general, and administrative in the consolidated statements of income.

The Company's consolidated statements of income included revenue and net income attributable to Park Place from August 24, 2020 through December 31, 2020 of $589.6 million and $27.6 million, respectively.

The following represents the unaudited pro forma information as if Park Place had been included in the consolidated results of the Company since January 1, 2019:

		For the Year Ended December 31, 2020 (In millions) (Unaudited)
Pro forma revenue	$	7,989.6
Pro forma net income	$	276.2

This pro forma information incorporates the Company's accounting policies and adjusts the results of Park Place for depreciation, rent expense, and interest expense assuming that the fair value adjustments and indebtedness incurred in connection with the Park Place Acquisition had occurred on January 1, 2019. They have also been adjusted to reflect the $1.3 million of acquisition related costs incurred during 2020 as having occurred on January 1, 2019. The pro forma information also assumes that the September 2020 divestiture of the Lexus Greenville dealership, which was related to the Park Place Acquisition, occurred on January 1, 2019.

Other Acquisitions and Divestitures

In addition to the LHM acquisition during the year ended December 31, 2021, we acquired the assets of 11 franchises (10 dealership locations) in the Denver, Colorado market and three franchises (one dealership location) in the Indianapolis, Indiana market for a combined purchase price of $485.7 million. We funded these acquisitions with an aggregate of $455.1 million of cash and $9.6 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, these acquisitions included purchase price holdbacks of $21.0 million for potential indemnity claims made by us with respect to the acquired franchises.

In addition to the Park Place Acquisition during the year ended December 31, 2020, we acquired the assets of three franchises (one dealership location) in the Denver, Colorado market for a combined purchase price of $63.6 million. We funded this acquisition with an aggregate of $34.5 million of cash and $27.1 million of floor plan borrowings for the purchase of the related new vehicle inventory. In the aggregate, this acquisition included purchase price holdbacks of $2.0 million for potential indemnity claims made by us with respect to the acquired franchises. In addition to the acquisition amounts above, we released $2.5 million of purchase price holdbacks related to current and prior year acquisitions during the year ended December 31, 2020.

Goodwill and manufacturer franchise rights associated with our Dealership segment acquisitions is deductible for federal and state income tax purposes ratably over a 15-year period.

Below is the allocation of the purchase price for the acquisitions (other than the LHM acquisition and the Park Place acquisition) for the years ended December 31, 2021 and 2020. The estimated fair values of the assets acquired and liabilities assumed and the related acquisition accounting are based on management's estimates and assumptions, as well as other information compiled by management.

	For the Year Ended December 31,	
	2021	2020
	(In millions)	
Inventory	$ 37.5	$ 29.8
Real estate	99.9	14.5
Property and equipment	4.2	0.4
Goodwill	110.5	5.4
Manufacturer franchise rights	228.2	13.8
Loaner vehicles	8.9	—
Other	(3.5)	(0.3)
Total purchase price	$ 485.7	$ 63.6

During the year ended December 31, 2022, we sold one franchise (one dealership location) in St. Louis, Missouri, three franchises (three dealership locations) and one collision center in Denver, Colorado, two franchises (two dealership locations) in Spokane, Washington, one franchise (one dealership location) in Albuquerque, New Mexico and 11 franchises (nine dealership locations) and two collision centers in North Carolina. The Company recorded a pre-tax gain totaling $207.1 million.

During the year ended December 31, 2021, we sold one franchise (one dealership location) in the Charlottesville, Virginia market. The Company recorded a pre-tax gain totaling $8.0 million.

During the year ended December 31, 2020, we sold two franchises (two dealership locations) in the Atlanta, Georgia market, six franchises (five dealership locations) and one collision center in the Jackson, Mississippi market, and one franchise (one dealership location) in the Greenville, South Carolina market. The Company recorded a pre-tax gain totaling $62.3 million.

4. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	As of December 31,	
	2022	2021
	(In millions)	
Vehicle receivables	$ 50.4	$ 73.1
Manufacturer receivables	43.3	44.0
Other receivables	80.5	114.3
Total accounts receivable	174.1	231.4
Less—Allowance for credit losses	(2.2)	(1.6)
Accounts receivable, net	$ 171.9	$ 229.8

5. INVENTORIES

Inventories consisted of the following:

	As of December 31, 2022	As of December 31, 2021
	(In millions)	
New vehicles	$ 527.7	$ 206.5
Used vehicles	304.4	402.0
Parts and accessories	127.2	109.9
Total inventories, net (a)	$ 959.2	$ 718.4

(a) Inventories, net as of December 31, 2022 and December 31, 2021, excluded $3.4 million and $24.1 million classified as assets held for sale, respectively.

The lower of cost and net realizable value reserves reduced total inventory cost by $10.7 million and $7.7 million, respectively as of December 31, 2022 and December 31, 2021. As of December 31, 2022 and December 31, 2021, certain automobile manufacturer incentives reduced new vehicle inventory cost by $2.7 million and $1.2 million, respectively, and reduced new vehicle cost of sales for the year ended December 31, 2022, 2021, and 2020 by $91.5 million, $60.4 million, and $47.0 million, respectively.

6. ASSETS HELD FOR SALE

Assets and liabilities classified as held for sale include (i) assets and liabilities associated with pending dealership disposals,(ii) real estate not currently used in our operations that we are actively marketing to sell and (iii) the related mortgage notes payable, if applicable.

A summary of assets held for sale and liabilities associated with assets held for sale is as follows:

	As of December 31, 2022	As of December 31, 2021
	(In millions)	
Assets:		
Inventory	$ 3.4	$ 24.1
Loaners, net	0.9	4.6
Property and equipment, net	24.0	110.8
Operating lease right-of-use assets	—	7.1
Goodwill	0.9	118.5
Franchise rights	—	110.0
Total assets held for sale	29.1	375.1
Liabilities:		
Floor plan notes payable—non-trade	2.8	9.1
Loaners/ Notes payable	0.8	4.6
Current maturities of long-term debt	0.6	—
Current maturities of operating leases	—	2.7
Long-term debt	6.2	—
Operating lease liabilities	—	4.4
Total liabilities associated with assets held for sale	10.5	20.8
Net assets held for sale	$ 18.7	$ 354.3

As of December 31, 2022, assets held for sale consisted of one franchise (one dealership location) in addition to one real estate property not currently used in our operations.

As of December 31, 2021, assets held for sale consisted of eight franchises (eight dealership locations) in addition to one real estate property not currently used in our operations.

During the year ended December 31, 2022, the Company sold 18 franchises (16 dealership locations) and three collision centers for a pre-tax gain totaling $207.1 million.

During the year ended December 31, 2021, the Company sold one franchise (one dealership location) for a pre-tax gain totaling $8.0 million and two vacant properties with a net book value of $12.5 million.

7. OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As of December 31,	
	2022	2021
	(In millions)	
Loaner vehicles	$ 178.2	$ 150.3
Contract assets (see Note 2)	40.5	27.2
Prepaid expenses	43.0	12.7
Notes receivable	12.9	6.3
Prepaid taxes	5.8	4.6
Deposits	4.1	1.5
Other	3.6	1.1
Other current assets	$ 288.1	$ 203.7

8. INVESTMENTS

TCA has an investment portfolio funded primarily by product premiums. The amortized cost, gross unrealized gains and losses and estimated fair values of debt securities available-for-sale, equity securities, and other investments measured at net asset value are as follows:

	As of December 31, 2022				
	Amortized Cost	Allowance For Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)				
Short-term investments	$ 5.4	$ —	$ —	$ —	$ 5.4
U.S Treasury	11.8	—	—	(0.2)	11.6
Municipal	22.8	—	—	(0.4)	22.4
Corporate	81.8	—	0.2	(2.3)	79.7
Mortgage and other asset-backed securities	73.8	—	0.3	(1.4)	72.7
Total debt securities	195.5	—	0.5	(4.4)	191.7
Common stock	48.7	—	—	—	48.7
Total investments	$ 244.2	$ —	$ 0.5	$ (4.4)	$ 240.4

	As of December 31, 2021				
	Amortized Cost	Allowance For Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In millions)				
Short-term investments	$ 11.0	$ —	$ —	$ —	$ 11.0
U.S Treasury	7.5	—	—	(0.1)	7.4
Municipal	27.9	—	0.4	(0.1)	28.2
Corporate	9.5	—	0.1	(0.1)	9.5
Mortgage and other asset-backed securities	8.8	—	0.1	(0.1)	8.8
Total debt securities	64.7	—	0.6	(0.4)	64.9
Common stock	65.2	—	—	—	65.2
Other investments measured at net asset value	4.4	—	—	—	4.4
Total investments	$ 134.3	$ —	$ 0.6	$ (0.4)	$ 134.5

The Company recorded an unrealized loss of $0.4 million during the year ended December 31, 2022 and an unrealized gain of $18.3 million for the year ended December 31, 2021 related to equity securities held as of December 31, 2022 and December 31, 2021, respectively.

As of December 31, 2022 and December 31, 2021, the Company had $1.3 million and $0.6 million of accrued interest receivable, which was included in other current assets on the consolidated balance sheets. The Company does not consider accrued interest receivable in the carrying amount of financial assets held at amortized cost basis or in the allowance for credit losses.

A summary of amortized costs and fair value of investments by time to maturity, is as follows:

	As of December 31, 2022	
	Amortized Costs	Fair Value
	(In millions)	
Due in 1 year or less	$ 5.4	$ 5.4
Due in 1-5 years	68.5	66.8
Due in 5-10 years	45.2	44.2
Due after 10 years	2.6	2.6
Total by maturity	121.7	119.0
Mortgage and other asset-backed securities	73.8	72.7
Common stock	48.7	48.7
Total investment securities	$ 244.2	$ 240.4

There were no gross gains and losses realized related to the sales of available-for-sale debt securities carried at fair value from the acquisition date of December 17, 2021 to December 31, 2021. During the year ended December 31, 2022, we recorded $0.1 million gross gains and $2.0 million gross losses related to the sales of available-for-sale debt securities.

The following tables summarize the amount of unrealized losses, defined as the amount by which the amortized cost exceeds fair value, and the related fair value of investments with unrealized losses. The investments were segregated into two categories: those that have been in a continuous unrealized loss position for less than 12 months and those that have been in a continuous unrealized loss position of 12 or more months. The reference point for determining how long an investment was in an unrealized loss position was December 31, 2022. Investments held as of December 31, 2021 were acquired in the LHM acquisition on December 17, 2021, therefore there are no unrealized losses greater than 12 months at December 31, 2021.

	As of December 31, 2022					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
U.S Treasury	9.2	(0.2)	—	—	9.2	(0.2)
Municipal	19.0	(0.4)	—	—	19.0	(0.4)
Corporate	66.2	(0.1)	5.2	(0.3)	71.4	(0.4)
Mortgage and other asset-backed securities	51.4	(1.3)	1.5	(0.2)	52.9	(1.5)
Total debt securities	$ 145.7	$ (2.0)	$ 6.8	$ (0.5)	$ 152.6	$ (2.5)

	As of December 31, 2021					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
U.S Treasury	7.1	(0.1)	—	—	7.1	(0.1)
Municipal	10.0	(0.1)	—	—	10.0	(0.1)
Corporate	6.4	(0.1)	—	—	6.4	(0.1)
Mortgage and other asset-backed securities	5.8	(0.1)	—	—	5.8	(0.1)
Total debt securities	$ 29.3	$ (0.4)	$ —	$ —	$ 29.3	$ (0.4)

On January 1, 2020, the Company adopted the amendments within ASU 2016-13, which replaced the legacy GAAP other-than-temporary impairment ("OTTI") model with a credit loss model. The credit loss model under ASC 326-30, applicable to the available-for-sale debt securities, requires the recognition of credit losses through an allowance account, but retains the concept from the OTTI model that credit losses are recognized once securities become impaired. The Company reviews the investment securities portfolio at the security level on a quarterly basis for potential credit losses, which takes into consideration numerous factors as described in Note 1. The decline in fair value identified in the tables above are a result of widening market spreads and not a result of credit quality. Additionally, the Company has determined it has both the intent and ability to hold these investments until the market price recovers or until maturity and does not believe it will be required to sell the securities before maturity. Accordingly, no credit losses were recognized on these securities during the years ended December 31, 2022 and 2021.

9. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	As of December 31,	
	2022	2021
	(In millions)	
Land	$ 673.8	$ 704.3
Buildings and leasehold improvements	1,318.8	1,338.4
Machinery and equipment	145.4	128.8
Furniture and fixtures	91.1	87.3
Company vehicles	14.0	12.1
Construction in progress	36.5	46.9
Gross property and equipment	2,279.5	2,317.9
Less—Accumulated depreciation	(338.5)	(327.9)
Property and equipment, net (a)	$ 1,941.0	$ 1,990.0

(a) Property and equipment, net as of December 31, 2022 and 2021, excluded $24.0 million and $110.8 million, respectively classified as assets held for sale. In addition, property and equipment, net as of December 31, 2022 and 2021 included finance leases of $8.1 million and $8.4 million, respectively.

Depreciation expense was $69.0 million, $41.9 million, and $38.5 million for the years ended December 31, 2022, 2021, and 2020, respectively.

10. GOODWILL AND INTANGIBLE FRANCHISE RIGHTS

Our acquisitions have resulted in the recording of goodwill and intangible franchise rights. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Intangible franchise rights is an asset representing our rights under franchise agreements with vehicle manufacturers. Goodwill and intangible franchise rights are tested annually as of October 1st, or more frequently in the event that facts and circumstances indicate a triggering event has occurred.

In connection with the LHM acquisition, we recorded goodwill of $1.21 billion, franchise rights of $1.31 billion and VOBA of $5.6 million. Approximately $536.6 million of goodwill was allocated to the TCA segment and $668.7 million was allocated to the Dealerships segment.

The changes in goodwill and intangible franchise rights for the years ended December 31, 2022 and 2021 are as follows:

	Goodwill		
	Dealerships	TCA	Total
		(In millions)	
Balance as of December 31, 2020 (a)	$ 562.2	$ —	$ 562.2
Acquisitions	1,118.3	710.3	1,828.6
Divestitures	(0.6)	—	(0.6)
Reclassified to assets held for sale	(118.5)	—	(118.5)
Balance as of December 31, 2021 (a)	$ 1,561.4	$ 710.3	$ 2,271.7
Reclassified from assets held for sale	118.5	—	118.5
Acquisitions - measurement-period adjustments	(337.0)	(173.7)	(510.7)
Divestitures	(95.2)	—	(95.2)
Reclassified to assets held for sale	(0.9)	—	(0.9)
Balance as of December 31, 2022 (a)	$ 1,246.8	$ 536.6	$ 1,783.4

(a) Net of accumulated impairment losses of $537.7 million recorded prior to the year ended December 31, 2020.

		Intangible Franchise Rights
		(In millions)
Balance as of December 31, 2020	$	425.2
Acquisitions		1,020.5
Reclassified to assets held for sale		(110.0)
Balance as of December 31, 2021	$	1,335.7
Reclassified from assets held for sale		110.0
Acquisitions - measurement-period adjustments		517.7
Divestitures		(163.3)
Balance as of December 31, 2022	$	1,800.1

We elected to perform a qualitative assessment for our October 1, 2022 goodwill and franchise rights impairment testing and determined that it was more likely than not that the fair value of our reporting units exceeded their carrying value. We did not record an impairment charge for goodwill or franchise rights during the year ended December 31, 2022.

As a result of the adverse impact on our dealership operations caused by the COVID-19 pandemic in the first quarter of 2020, the Company considered the extent to which the COVID-19 impacts combined with other relevant circumstances (e.g., the results of the Company's impairment test) could affect the significant inputs used to determine the fair value of the Company's franchise rights and goodwill associated with the Company's reporting units.

To the extent that we determined that the totality of events and circumstances, and their effect on the significant inputs into the fair value determination of our franchise rights and reporting units, would more likely than not lead to an impairment of the carrying value of the franchise rights or goodwill reporting units, we performed quantitative impairment tests as of March 31, 2020. The quantitative impairment tests for franchise rights included a comparison of the estimated fair value to the carrying value of each franchise right asset. The Company estimates fair value by using a discounted cash flow model (income approach) based on market participant assumptions related to the cash flows directly attributable to the franchise. These assumptions include year-over-year and terminal growth rates, working capital requirements, weighted average cost of capital, future gross margins, and future selling, general, and administrative expenses. The results of the quantitative impairment testing identified that the carrying values of certain of our franchise rights intangible assets exceeded their fair value. As a result, we recognized a $23.0 million pre-tax non-cash impairment charge during the three months ended March 31, 2020.

We also performed qualitative assessments on the remaining franchise rights and goodwill reporting units as of March 31, 2020. The results of our quantitative and qualitative assessments indicated that the carrying value of goodwill related to all reporting units did not exceed their fair value.

11. FLOOR PLAN NOTES PAYABLE—TRADE

We consider floor plan notes payable to a party that is affiliated with the entity from which we purchase our new vehicle inventory as Floor Plan Notes Payable—Trade on our consolidated balance sheets. Floor plan notes payable—trade, net consisted of the following:

	As of December 31,			
	2022		2021	
	(In millions)			
Floor plan notes payable—trade	$	65.1	$	39.3
Floor plan notes payable offset account		(14.2)		(2.0)
Total floor plan notes payable—trade, net	$	51.0	$	37.3

We have a floor plan facility with Ford Motor Credit Company ("Ford Credit") to purchase new Ford and Lincoln vehicle inventory. Our floor plan facility with Ford Credit was amended in July 2020 and can be terminated by either the Company or Ford Credit with a 30-day notice period.

We have established a floor plan notes payable offset account with Ford Credit that allows us to transfer cash to the account as an offset to our outstanding floor plan notes payable—trade. These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of using our floor plan offset account, we experienced a reduction in floor plan interest expense in our consolidated statements of income.

The representations and covenants contained in the agreement governing our floor plan facility with Ford Credit are customary for financing transactions of this nature. Further, the agreement governing our floor plan facility with Ford Credit also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, the Company could be required to immediately repay all outstanding amounts under our floor plan facility with Ford Credit.

12. FLOOR PLAN NOTES PAYABLE—NON-TRADE

We consider floor plan notes payable to a party that is not affiliated with the entity from which we purchase our new vehicle inventory as floor plan notes payable—non-trade on our consolidated balance sheets. Floor plan notes payable—non-trade, net consisted of the following:

	As of December 31,	
	2022	2021
	(In millions)	
Floor plan notes payable—new non-trade (a)	$ 613.6	$ 314.7
Floor plan notes payable—used non-trade	—	294.0
Floor plan notes payable offset account (b)	(613.6)	(81.5)
Total floor plan notes payable—non-trade, net	$ —	$ 527.2

(a) Floor plan notes payable—new non-trade as of December 31, 2022 and 2021 excludes $2.8 million and $9.1 million, respectively, classified as liabilities associated with assets held for sale.

(b) In addition to the $613.6 million shown above, we held $164.0 million in the floor plan notes payable offset account of which $100.8 million was reflected within cash and cash equivalents and $63.2 million was shown as an offset to loaner vehicles notes payable which is included in accounts payable and accrued liabilities within the consolidated balance sheets.

2019 Senior Credit Facility

In connection with the LHM acquisition, on October 29, 2021, we entered into a Third Amendment (the "October 29, 2021 Amendment") to the Third Amended and Restated Credit Agreement dated September 25, 2019 with Bank of America, N.A. ("Bank of America"), as administrative agent, and the other lenders party thereto (the "2019 Senior Credit Facility").

As a result of the October 29, 2021 Amendment, among other things, the 2019 Senior Credit Facility (1) increased the aggregate commitments under the Revolving Credit Facility to $450.0 million (2) increased the aggregate commitments under the Used Vehicle Floorplan Facility to $350.0 million, (3) increased the aggregate commitments under the New Vehicle Floorplan Facility to $1.75 billion, (4) removed our minimum consolidated current ratio covenant, and (5) permitted the use of borrowings under the 2021 Senior Credit Facility to fund a portion of the consideration for the LHM acquisition.

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

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

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

On May 25, 2022, we and certain of our subsidiaries, as applicable, entered into an amendment to our 2019 Senior Credit Facility to revise the benchmark reference rate of LIBOR to SOFR applicable to interest payable under the New Vehicle Floor Plan Facility and the Used Vehicle Floor Plan Facility. See Note 14 "Debt" for further details of the revisions to the applicable facility.

On May 27, 2022, $389.0 million of our availability under the Revolving Credit Facility was re-designated to the New Vehicle Floor Plan Facility to take advantage of lower commitment fee rates.

On September 30, 2022, the Company and certain of its subsidiaries entered into the fifth amendment to the 2019 Senior Credit Facility. The amendment, among other things, increased the cap that the real estate component of the Revolving Borrowing Base can contribute to the Revolving Borrowing Base from 25% to 40% of the Aggregate Revolving Commitments, increased the amounts that any conversion of the Aggregate Revolving Commitments to Aggregate New Vehicle Floor Plan Commitments and/or Aggregate Used Vehicle Floor Plan Commitments (each way) can contribute to Aggregate Commitments from 20% to 40%, removed the $50 million limit on the portion of the Floorplan Offset Amount that may be subtracted from certain amounts outstanding under the floorplan facility and made certain changes to the criteria for Eligible Borrowing Base Real Property and the deliverables in connection with those properties (such capitalized terms, in each case, as defined in the amendment). The amendment did not update or amend the maturity date, interest rates or total loan commitments under the 2019 Senior Credit Agreement.

In connection with the New Vehicle Floor Plan Facility, we continue to maintain an offset account with Bank of America that allows us to transfer cash as an offset to floor plan notes payable. These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of the use of our floor plan offset account, we experienced a reduction in floor plan interest expense in our consolidated statements of income.

Borrowings under the 2019 Senior Credit Facility bear interest, at our option, based on Daily Simple SOFR, as defined within the agreement, or the Base Rate, in each case plus an Applicable Rate. The Base Rate is the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) SOFR plus 0.10%, plus 1.00%, and (iv) 1.00%. Applicable Rate means with respect to the Revolving Credit Facility, a range from 1.00% to 2.00% for Daily Simple SOFR loans and 0.15% to 1.00% for Base Rate loans, in each case based on the Company's consolidated total lease adjusted leverage ratio. Borrowings under the New Vehicle Floorplan Facility bear interest, at our option, based on SOFR plus 0.10%, plus 1.10% or the Base Rate plus 0.10%. Borrowings under the Used Vehicle Floorplan Facility bear interest, at our option, based on SOFR plus 0.10%, plus 1.40% or the Base Rate plus 0.40%.

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

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

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

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

See the "Representations and Covenants" section below under our "Long-Term Debt" footnote for a description of the representations, covenants and events of default contained in the 2019 Senior Credit Facility.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

	As of December 31,	
	2022	2021
	(In millions)	
Accounts payable	$ 147.4	$ 163.9
Loaner vehicles notes payable (a)	94.5	146.3
Taxes payable	91.8	125.7
Accrued compensation	89.0	118.5
Accrued insurance	39.2	31.5
Accrued interest	33.0	24.3
Accrued finance and insurance chargebacks	29.1	27.9
Customer deposits	23.5	23.2
Acquisition related liabilities	21.3	16.2
Unearned premium	13.6	13.0
Accrued licenses and regulatory fees	9.9	9.6
Customer we owe liabilities	7.0	7.0
Accrued advertising	4.3	3.3
Other	41.5	32.4
Accounts payable and accrued liabilities	$ 645.0	$ 742.9

(a) Loaner vehicles notes payable as of December 31, 2022 and 2021 excluded $0.8 million and $4.6 million classified as liabilities associated with assets held for sale, respectively. The December 31, 2022 balance also reflects a $63.2 million floor plan offset.

14. DEBT

Long-term debt consisted of the following:

	As of December 31,	
	2022	2021
	(In millions)	
4.50% Senior Notes due 2028	$ 405.0	$ 405.0
4.625% Senior Notes due 2029	800.0	800.0
4.75% Senior Notes due 2030	445.0	445.0
5.00% Senior Notes due 2032	600.0	600.0
Mortgage notes payable bearing interest at fixed rates (the weighted average interest rates were 5.4% and 4.6% for the year ended December 31, 2022 and 2021, respectively) (a)	38.3	71.8
2021 Real Estate Facility	660.6	689.7
2021 BofA Real Estate Facility	173.3	180.7
2018 Bank of America Facility (b)	54.5	78.8
2018 Wells Fargo Master Loan Facility	76.9	81.9
2013 BofA Real Estate Facility	24.9	31.1
2015 Wells Fargo Master Loan Facility	42.3	53.2
2019 Syndicated Revolving Credit Facility	—	169.0
Finance lease liability	8.4	8.4
Total debt outstanding	3,329.2	3,614.5
Add—unamortized premium on 4.50% Senior Notes due 2028	0.8	1.0
Add—unamortized premium on 4.75% Senior Notes due 2030	1.6	1.8
Less—debt issuance costs	(30.4)	(34.7)
Long-term debt, including current portion	3,301.2	3,582.6
Less—current portion, net of debt issuance costs	(84.5)	(62.5)
Long-term debt	$ 3,216.8	$ 3,520.1

(a) Mortgage notes payable as of December 31, 2022 excludes $2.7 million classified as liabilities associated with assets held for sale.

(b) Amounts reflected for the 2018 Bank of America Facility as of December 31, 2022 exclude $4.1 million classified as liabilities associated with assets held for sale.

The aggregate maturities of long-term debt as of December 31, 2022 are as follows (in millions):

2023	$ 63.1
2024	86.0
2025	148.2
2026	569.9
2027	12.8
Thereafter	2,449.2
Total maturities of long-term debt	$ 3,329.2

Senior Notes issued in 2021

In connection with the LHM acquisition, on November 19, 2021, the Company completed its offering of $800 million aggregate principal amount of 4.625% senior notes due 2029 (the "2029 Notes") and $600 million aggregate principal amount of 5.000% senior notes due 2032 (the "2032 Notes").

The Company paid lender fees of $17.5 million in conjunction with the offering of the 2029 Notes and 2032 Notes and incurred additional debt issuance costs of $4.0 million.

The lender fees and other debt issuance costs incurred are being amortized over the terms of the 2029 and 2032 Notes using the effective interest method.

The 2029 Notes will mature on November 15, 2029. We may redeem some or all of the 2029 Notes at any time on and after November 15, 2024 at redemption prices specified in the 2029 Notes Indenture. Prior to November 15, 2024, we may also redeem up to 40% of the aggregate principal amount of the 2029 Notes using the proceeds from certain equity offerings at a redemption price of 104.625% of their principal amount plus accrued and unpaid interest, if any, to, but not including the redemption date. In addition, we may redeem some or all of the 2029 Notes at any time prior to November 15, 2024 at a price equal to 100% of the principal amount thereof plus a make-whole premium set forth in the 2029 Notes Indenture, and accrued and unpaid interest, if any. If we sell certain of our assets or experience specific kinds of changes of control, we must offer to repurchase the 2029 Notes.

The 2032 Notes mature on February 15, 2032. We may redeem some or all of the 2032 Notes at any time on and after November 15, 2026 at redemption prices specified in the 2032 Notes Indenture. Prior to November 15, 2026, we may also redeem up to 40% of the aggregate principal amount of the 2032 Notes using the proceeds from certain equity offerings at a redemption price of 105.000% of their principal amount plus accrued and unpaid interest to, if any, but not including the redemption date. In addition, we may redeem some or all of the 2032 Notes at any time prior to November 15, 2026 at a price equal to 100% of the principal amount thereof plus a make-whole premium set forth in the 2032 Notes Indenture, and accrued and unpaid interest, if any. If we sell certain of our assets or experience specific kinds of changes of control, we must offer to repurchase the 2032 Notes.

We are a holding company with no independent assets or operations. For all relevant periods presented, our 2029 Notes and 2032 Notes have been fully and unconditionally guaranteed, on a joint and several basis, by substantially all of our subsidiaries other than Landcar Administration Company, Landcar Agency, Inc., and Landcar Casualty Company (collectively, the "TCA Non-Guarantor Subsidiaries").

Senior Notes issued in 2020

In connection with the 2019 Acquisition, on February 19, 2020, the Company completed its offering of senior unsecured notes (the "February 2020 Offering"), consisting of $525.0 million aggregate principal amount of 4.50% Senior Notes due 2028 (the "Existing 2028 Notes") and together with the Additional 2028 Notes ((as defined below), the "2028 Notes") and $600.0 million aggregate principal amount of 4.75% Senior Notes due 2030 (the "Existing 2030 Notes" and, together with the Existing 2028 Notes, the "Existing Notes") and together with the Additional 2030 Notes ((as defined below), the "2030 Notes"). The Company paid lender fees of $6.8 million in conjunction with the February 2020 Offering and incurred additional debt issuance costs of $3.1 million.

As a result of the termination of the 2019 Acquisition, the Company delivered a notice of special mandatory redemption to holders of its Existing 2028 Notes and Existing 2030 Notes pursuant to which it would redeem on a pro rata basis (1) $245.0 million of the Existing 2028 Notes and (2) $280.0 million of the 2030 Existing Notes, in each case, at 100% of the respective principal amount plus accrued and unpaid interest to but excluding, the special mandatory redemption date. On March 30, 2020, the Company completed the redemption and recorded a write-off of unamortized debt issuance costs of $1.5 million.

In September 2020, the Company completed an issuance of $250.0 million aggregate principal amount of additional senior unsecured notes (the "September 2020 Offering") consisting of $125.0 million aggregate principal amount of additional 4.50% Senior Notes due 2028 (the "Additional 2028 Notes") at a price of 101.00% of par, plus accrued interest from September 1, 2020, and $125.0 million aggregate principal amount of additional 4.75% Senior Notes due 2030 (the "Additional 2030 Notes" and together with the Additional 2028 Notes, the "Additional Notes") at a price of 101.75% of par, plus accrued interest from September 1, 2020. After deducting the initial purchasers' discounts of $2.8 million, we received net proceeds of approximately $250.6 million from the September 2020 Offering. The $3.5 million premium paid by the initial purchasers of the Additional Notes was recorded as a component of long-term debt on our consolidated balance sheet and is being amortized as a reduction of interest expense over the remaining term of the Additional Notes. The proceeds of the September 2020 Offering were used to redeem the Seller Notes issued in connection with the Park Place Acquisition and repay approximately $50.0 million in aggregate principal amount outstanding under our Revolving Credit Facility.

The lender fees and other debt issuance costs incurred are being amortized over the terms of the Notes using the effective interest method.

The 2028 Notes and 2030 Notes mature on March 1, 2028 and March 1, 2030, respectively. Interest is payable semiannually, on March 1 and September 1 of each year. The February 2020 Offering, together with additional borrowings and cash on hand, was incurred to (i) fund the acquisition of substantially all of the assets of Park Place, (ii) redeem all of our outstanding $600.0 million aggregate principal amount of the 6.0% Notes (the "6.0% Notes") and (iii) pay fees and expenses in connection with the foregoing.

The remaining outstanding 2028 Notes and 2030 Notes are subject to customary covenants, events of default and optional redemption provisions. In addition, the remaining outstanding 2028 Notes and 2030 Notes were required to be registered under the Securities Act of 1933 within 270 days of the closing date for the offering. The Company completed the registration of the 2028 Notes and 2030 Notes in October 2020.

We are a holding company with no independent assets or operations. For all relevant periods presented, our 2028 Notes and 2030 Notes have been fully and unconditionally guaranteed, on a joint and several basis, by substantially all of our subsidiaries other than the TCA Non-Guarantor Subsidiaries.

6.0% Senior Subordinated Notes due 2024

On February 3, 2020, we issued a conditional notice of redemption to the holders of our 6.0% Senior Subordinated Notes due 2024, notifying such holders that we intended to redeem all of the 6.0% Notes. On March 4, 2020, the 6.0% Notes were redeemed at 103% of par, plus accrued and unpaid interest to, but excluding, the date of redemption. We recorded a loss on extinguishment of the 6.0% Notes of $19.1 million which comprised a redemption premium of $18.0 million and the net write-off of the unamortized premium and debt issuance costs of $1.1 million related to the 6.0% Notes on the redemption date.

Mortgage Financings

We have multiple mortgage agreements with finance companies affiliated with our vehicle manufacturers ("captive mortgages"). As of December 31, 2022 and 2021, we had total mortgage notes payable outstanding of $38.3 million and $71.8 million, respectively, that are collateralized by the associated real estate, which excludes amounts classified as liabilities associated with assets held for sale.

2021 Real Estate Facility

On December 17, 2021, we entered into a real estate term loan credit agreement with Bank of America, N.A., as administrative agent and the various financial institutions party thereto, as lenders, which provides for term loans in an aggregate amount equal to $689.7 million (the "2021 Real Estate Facility"). The Company used the proceeds from these borrowings to finance the purchase of the real property in connection with the LHM acquisition as well as other recent acquisitions and other unencumbered real property.

Term loans under the 2021 Real Estate Facility bear interest, at our option, based on (1) Daily Simple SOFR plus 1.55% - 1.95% per annum (as determined by the consolidated total lease adjusted leverage ratio), or (2) the Base Rate (as described below) plus 0.55% - 0.95% per annum (as determined by the consolidated total lease adjusted leverage ratio). The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, (iii) the Daily Simple SOFR plus 1.0% and (iv) 1.00%. We will be required to make 20 consecutive quarterly principal payments of 1.25% of the initial amount of each loan, with a balloon repayment of the outstanding principal amount of loans due on the maturity date. The 2021 Real Estate Facility matures five years from the initial funding date. Borrowings under the 2021 Real Estate Facility are guaranteed by us, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

As of December 31, 2022 and 2021, we had $660.6 million and $689.7 million, respectively, in term loans outstanding under the 2021 Real Estate Facility.

2021 BofA Real Estate Facility

On May 25, 2022, we entered into the second amendment to the credit agreement to, among other things, revise the benchmark interest rate payable on term loans under our 2021 BofA Real Estate Facility. Interest is payable, at our option, based on (1) SOFR plus 0.10%, plus 1.65% per annum or (2) the Base Rate plus 0.65% per annum. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, (iii) SOFR plus 0.10%, plus 1.00%, and (iv) 1.00%.

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

Term loans under our 2021 BofA Real Estate Facility bear interest, at our option, based on (1) LIBOR plus 1.65% per annum or (2) the Base Rate (as described below) plus 0.65% per annum. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.0%. We will be required to make 39 consecutive quarterly principal payments of 1.00% of the initial amount of each loan, with a balloon repayment of the outstanding principal amount of loans due on the maturity date. The 2021 BofA Real Estate Facility matures ten years from the initial funding date. Borrowings under the 2021 BofA Real Estate Facility are guaranteed by us and each of our operating dealership subsidiaries that leased the real estate now financed under the 2021 BofA Real Estate Facility, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

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

As of December 31, 2022 and 2021, we had $173.3 million and $180.7 million, respectively, in term loans outstanding under the 2021 BofA Real Estate Facility.

2018 BofA Real Estate Facility

On May 25, 2022, we entered into the third amendment to the credit agreement to revise the benchmark interest rate payable on term loans under our 2018 BofA Real Estate Facility. Interest is payable, at our option, based on SOFR plus 0.10%, plus 1.50% or the Base Rate plus 0.50%. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, (iii) SOFR plus 0.10%, plus 1.00%, and (iv) 1.00%.

On November 13, 2018, we entered into a real estate term loan credit agreement (as amended, restated or supplemented from time to time, the "2018 BofA Real Estate Credit Agreement") with Bank of America, as lender, providing for term loans in an aggregate amount not to exceed $128.1 million, subject to customary terms and conditions (the "2018 BofA Real Estate Facility"). Our right to make draws under the 2018 BofA Real Estate Facility terminated on November 13, 2019. Term loans under our 2018 BofA Real Estate Facility bear interest, at our option, based on LIBOR plus 1.50% or the Base Rate (as described below) plus 0.50%. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.0%. We are required to make quarterly principal payments of 1.25% of the initial amount of each loan on a twenty-year repayment schedule, with a balloon repayment of the outstanding principal amount of loans due on November 13, 2025. Borrowings under the 2018 BofA Real Estate Facility are guaranteed by each of our operating dealership subsidiaries whose real estate is financed under the 2018 BofA Real Estate Facility, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

As of December 31, 2022 and 2021, we had $54.5 million and $78.8 million, respectively, in term loans outstanding under the 2018 BofA Real Estate Facility, which excludes amounts classified as liabilities associated with assets held for sale.

2018 Wells Fargo Master Loan Facility

On June 1, 2022, certain of our subsidiaries entered into the second amendment to the master loan agreement that revised interest payable from a LIBOR reference rate to SOFR plus 0.10%, plus an applicable margin based on a pricing grid ranging from 1.50% to 1.85% per annum based on our consolidated total lease adjusted leverage ratio.

On November 16, 2018, certain of our subsidiaries entered into a master loan agreement (the "2018 Wells Fargo Master Loan Agreement" and, together with the 2013 BofA Real Estate Credit Agreement, the 2015 Wells Fargo Master Loan Agreement and the 2018 BofA Real Estate Agreement, the "Existing Real Estate Credit Agreements") with Wells Fargo Bank, National Association, as lender, which provides for term loans to certain of our subsidiaries that are borrowers under the Wells Fargo Master Loan Agreement in an aggregate amount not to exceed $100.0 million (the "Wells Fargo Master Loan Facility"), subject to customary terms and conditions (the "2018 Wells Fargo Master Loan Facility" and, together with the 2013 BofA Real Estate Facility, the 2015 Wells Fargo Master Loan Facility and the 2018 BofA Real Estate Facility, the "Existing Real Estate Facilities"). Our right to make draws under the 2018 Wells Fargo Master Loan Facility terminated on June 30, 2020. Term loans under the 2018 Wells Fargo Master Loan Facility bear interest based on LIBOR plus an applicable margin based on a pricing grid ranging from 1.50% per annum to 1.85% per annum based on our consolidated total lease adjusted leverage ratio. We are required to make quarterly principal payments with respect to the initial amount of each loan in 108 equal monthly principal payments based on a hypothetical nineteen-year amortization schedule, with a balloon repayment of the outstanding principal amount of loans due on December 1, 2028. Borrowings under the 2018 Wells Fargo Master Loan Facility can be voluntarily prepaid in whole or in part any time without premium or penalty. Borrowings under the 2018 Wells Fargo Master

Loan Facility are guaranteed by us pursuant to an unconditional guaranty, and all of the real property financed by any of our operating dealership subsidiaries under the 2018 Wells Fargo Master Loan Facility is collateralized by first priority liens, subject to certain permitted exceptions.

On June 26, 2020, the Company borrowed an additional $69.4 million under the 2018 Wells Fargo Master Loan Facility. As of December 31, 2022 and 2021, we had $76.9 million and $81.9 million, respectively, outstanding borrowings under the 2018 Wells Fargo Master Loan Facility.

2015 Wells Fargo Master Loan Facility

On June 1, 2022, certain of our subsidiaries entered into the second amendment to the master loan agreement that revised interest payable from a LIBOR reference rate to SOFR plus 0.10%, plus 1.85% per annum.

On February 3, 2015, certain of our subsidiaries entered into an amended and restated master loan agreement (as amended, restated or supplemented from time to time, the "2015 Wells Fargo Master Loan Agreement") with Wells Fargo Bank, National Association ("Wells Fargo"), as lender, which provides form term loans to certain of our subsidiaries that are borrowers under the 2015 Wells Fargo Master Loan Agreement in an aggregate amount not to exceed $100.0 million (the "2015 Wells Fargo Master Loan Facility"). Our right to make draws under the 2015 Wells Fargo Master Loan Facility terminated on February 1, 2016. Term loans under the 2015 Wells Fargo Master Loan Facility bear interest based on LIBOR plus 1.85%. We are required to make quarterly principal payments with respect to the initial amount of each loan in 108 equal monthly principal payments based on a hypothetical nineteen-year amortization schedule, with a balloon repayment of the outstanding principal amount of loans due on February 1, 2025. Borrowings under the 2015 Wells Fargo Master Loan Facility can be voluntarily prepaid in whole or in part any time without premium or penalty. Borrowings under the 2015 Wells Fargo Master Loan Facility are guaranteed by us pursuant to an unconditional guaranty, and all of the real property financed by any of our operating dealership subsidiaries under the 2015 Wells Fargo Master Loan Facility is collateralized by first priority liens, subject to certain permitted exceptions.

As of December 31, 2022 and 2021, we had $42.3 million and $53.2 million, respectively, outstanding under the 2015 Wells Fargo Master Loan Facility.

2013 BofA Real Estate Facility

On May 25, 2022, we entered into the third amendment to the credit agreement to revise the benchmark interest rate payable on term loans under our 2013 BofA Real Estate Facility. Interest is payable, at our option, based on SOFR plus 0.10%, plus 1.50% or the Base Rate plus 0.50%. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, (iii) SOFR plus 0.10%, plus 1.00%, and (iv) 1.00%. Our right to make draws under the 2013 BofA Real Estate Facility terminated on December 26, 2013.

On September 26, 2013, we entered into a real estate term loan credit agreement (the "2013 BofA Real Estate Credit Agreement") with Bank of America, N.A. ("Bank of America"), as lender, providing for term loans in an aggregate amount not to exceed $75.0 million, subject to customary terms and conditions (the "2013 BofA Real Estate Facility"). Term loans under our 2013 BofA Real Estate Facility bear interest, at our option, based on LIBOR plus 1.50% or the Base Rate (as described below) plus 0.50%. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.0%. Our right to make draws under the 2013 BofA Real Estate Facility terminated on December 26, 2013. We are required to make quarterly principal payments of 1.25% of the initial amount of each loan on a twenty-year repayment schedule, with a balloon repayment of the outstanding principal amount of loans due on September 26, 2023. Borrowings under the 2013 BofA Real Estate Facility are guaranteed by each of our operating dealership subsidiaries whose real estate is financed under the 2013 BofA Real Estate Facility, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

As of December 31, 2022 and 2021, we had $24.9 million and $31.1 million, respectively, in term loans outstanding under the 2013 BofA Real Estate Facility.

Summary of Mortgages

Below is a summary of our outstanding mortgage notes payable, the carrying values of the related collateralized real estate, and year of maturity as of December 31, 2022 and 2021:

	As of December 31, 2022			As of December 31, 2021		
Mortgage Agreement	Aggregate Principal Outstanding	Carrying Value of Collateralized Related Real Estate	Maturity Dates	Aggregate Principal Outstanding	Carrying Value of Collateralized Related Real Estate	Maturity Dates
Captive mortgages	$ 38.3	$ 98.0	2023-2024	$ 70.9	$ 152.2	2022-2024
Other mortgage debt (a)	—	—	N/A	0.8	42.8	2022
2021 Real Estate Facility	660.6	864.6	2026	689.7	928.9	2026
2021 BofA Real Estate Facility	173.3	197.3	2031	180.7	199.4	2031
2018 BofA Real Estate Facility (b)	54.5	78.7	2025	78.8	105.0	2025
2018 Wells Fargo Master Loan Facility	76.9	105.0	2028	81.9	105.3	2028
2013 BofA Real Estate Facility	24.9	61.7	2023	31.1	71.8	2023
2015 Wells Fargo Master Loan Facility	42.3	84.2	2025	53.2	95.3	2025
Total mortgage debt	$ 1,070.8	$ 1,489.5		$ 1,187.1	$ 1,700.7	

(a) Amounts reflected for the mortgage notes payable as of December 31, 2022, exclude $2.7 million classified as liabilities associated with assets held for sale.

(b) Amounts reflected for the 2018 Bank of America Facility as of December 31, 2022, exclude $4.1 million classified as liabilities associated with assets held for sale.

2019 Senior Credit Facility

On September 30, 2022, the Company and certain of its subsidiaries entered into the fifth amendment to the 2019 Senior Credit Facility. The amendment, among other things, increased the cap that the real estate component of the Revolving Borrowing Base can contribute to the Revolving Borrowing Base from 25% to 40% of the Aggregate Revolving Commitments, increased the amounts that any conversion of the Aggregate Revolving Commitments to Aggregate New Vehicle Floorplan Commitments and/or Aggregate Used Vehicle Floorplan Commitments (each way) can contribute to Aggregate Commitments from 20% to 40%, removed the $50 million limit on the portion of the Floorplan Offset Amount that may be subtracted from certain amounts outstanding under the floorplan facility and made certain changes to the criteria for Eligible Borrowing Base Real Property and the deliverables in connection with those properties (such capitalized terms, in each case, as defined in the amendment). The amendment did not update or amend the maturity date, interest rates or total loan commitments under the 2019 Senior Credit Facility.

On May 25, 2022, the Company and certain of its subsidiaries entered into the fourth amendment to the 2019 Senior Credit Facility. The fourth amendment revised the benchmark reference rate from one-month LIBOR to SOFR. Borrowings under the 2019 Senior Credit Facility bear interest, at our option, based on Daily Simple SOFR, as defined within the agreement, or the Base Rate, in each case, plus an Applicable Rate. The Base Rate is the highest of (i) the Federal Funds Rate plus 0.50%, (ii) the Bank of America prime rate, (iii) SOFR plus 0.10%, plus 1.00%, and (iv) 1.00%. Applicable Rate means with respect to the revolving credit facility under the 2019 Senior Credit Facility, a range from 1.00% to 2.00% for Daily Simple SOFR loans and 0.15% to 1.00% for Base Rate loans, in each case based on the Company's consolidated total lease adjusted leverage ratio. Borrowings under the new vehicle floorplan facility under the 2019 Senior Credit Facility bear interest, at our option, based on SOFR plus 0.10%, plus 1.10% or the Base Rate plus 0.10%. Borrowings under the used vehicle floorplan facility under the 2019 Senior Credit Facility bear interest, at our option, based on SOFR plus 0.10%, plus 1.40% or the Base Rate plus 0.40%.

Revolving Credit Facility

As discussed above under our "Floor Plan Notes Payable—Non-Trade" footnote, the 2019 Senior Credit Facility includes a $450.0 million Revolving Credit Facility. We may request Bank of America to issue letters of credit on our behalf thereunder up to $50.0 million. Availability under the Revolving Credit Facility is limited by borrowing base calculations and is reduced on a dollar-for-dollar basis by the aggregate face amount of any outstanding letters of credit. As of December 31, 2022, we had

$12.7 million in outstanding letters of credit, nothing drawn on our Revolving Credit Facility and $48.3 million of borrowing availability, with an additional $389.0 million available to convert from our new vehicle floorplan facility. As of December 31, 2021, we had $10.8 million in outstanding letters of credit, $169.0 million drawn on our Revolving Credit Facility and $270.2 million of borrowing availability. Proceeds from borrowings from time to time under the revolving credit facility may be used for among other things, acquisitions, working capital and capital expenditures.

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

Stock Repurchase and Dividend Restrictions

The 2019 Senior Credit Facility and the Indentures currently allow for restricted payments without limit so long as our Consolidated Total Leverage Ratio (as defined in the 2019 Senior Credit Facility and the Indentures) is no greater than 3.0 to 1.0 after giving effect to such proposed restricted payments. Restricted payments generally include items such as dividends, share repurchases, unscheduled repayments of subordinated debt, or purchases of certain investments. Subject to our continued compliance with a consolidated fixed charge coverage ratio and a maximum consolidated total lease adjusted leverage ratio, in each case as set out in the Indentures, restricted payments capacity additions (or subtractions if negative) equal to a base level plus the cumulative amount of (i) 50% of our net income (as defined in the 2019 Senior Credit Facility) plus (ii) 100% of any cash proceeds we receive from the sale of equity interests minus (iii) the dollar amount of share purchases made and dividends paid during the defined measurement periods, subject to certain exceptions. In the event that our Consolidated Total Leverage Ratio does (or would) exceed 3.0 to 1.0, the 2019 Senior Credit Facility and the Indentures would then also allow for restricted payments under mutually exclusive parameters, subject to certain exclusions.

Under the 2028 Senior Notes and 2030 Senior Notes, our most restrictive indentures, these parameters are:

- The Company may repurchase its own shares in an aggregate amount not to exceed $20.0 million in any fiscal year.
- The Company may otherwise make restricted payments only up the cumulative capacity above. Our restricted payment capacity balance as of December 31, 2022 and 2021 was $1.11 billion and $958.6 million, respectively.

Representations and Covenants

We are subject to a number of covenants in our various debt and lease agreements, including those described below. We were in compliance with all of our covenants throughout 2022. Failure to comply with any of our debt covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings, if any, unless compliance with the covenants is waived. In many cases, defaults under one of our agreements could trigger cross-default provisions in our other agreements. If we are unable to remain in compliance with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. We cannot give any assurance that we would be able to successfully take any of these actions on terms, or at times, that may be necessary or desirable.

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

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

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

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

The representations and covenants contained in the 2018 BofA Real Estate Credit Agreement are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the 2018 BofA Real Estate Credit Agreement. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets. The 2018 BofA Real Estate Credit Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, we could be required by the 2018 BofA Real Estate Credit Agreement to immediately repay all amounts outstanding thereunder.

The representations, warranties and covenants contained in the 2018 Wells Fargo Master Loan Agreement and the related documents are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets. The 2018 Wells Fargo Master Loan Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, we could be required by the 2018 Wells Fargo Master Loan Facility to immediately repay all amounts outstanding thereunder.

The representations, warranties and covenants contained in the 2015 Wells Fargo Master Loan Agreement and the related documents are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets. The 2015 Wells Fargo Master Loan Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, we could be required by the 2015 Wells Fargo Master Loan Facility to immediately repay all amounts outstanding thereunder.

The representations and covenants contained in the 2013 BofA Real Estate Credit Agreement are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the 2013 BofA Real Estate Credit Agreement. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets. The 2013 BofA Real Estate Credit Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, we could be required by the 2013 BofA Real Estate Credit Agreement to immediately repay all amounts outstanding thereunder.

15. FINANCIAL INSTRUMENTS AND FAIR VALUE

In determining fair value, we use various valuation approaches, including market and income approaches. Accounting standards establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our assumptions about the assumptions market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1-Valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access.

Level 2-Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Assets and liabilities utilizing Level 2 inputs include interest rate swap instruments, exchange-traded debt securities that are not actively traded or do not have a high trading volume, mortgage notes payable, and certain real estate properties on a non-recurring basis.

Level 3-Valuations based on inputs that are unobservable and significant to the overall fair value measurement. Asset and liability measurements utilizing Level 3 inputs include those used in estimating the fair value of certain non-financial assets and non-financial liabilities in purchase acquisitions and those used in the assessment of impairment for goodwill and intangible franchise rights.

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment required to determine fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement is disclosed is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based exit price measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, our assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. We use inputs that are current as of the measurement date, including during periods of significant market fluctuations.

Financial instruments consist primarily of cash and cash equivalents, investments, contracts-in-transit, accounts receivable, cash surrender value of corporate-owned life insurance policies, accounts payable, floor plan notes payable, subordinated long-term debt, mortgage notes payable, and interest rate swap instruments. The carrying values of our financial instruments, with the exception of subordinated long-term debt and mortgage notes payable, approximate fair value primarily due to (i) their short-term nature, (ii) recently completed market transactions, or (iii) existence of variable interest rates, which approximate market rates. The fair value of our subordinated long-term debt is based on reported market prices in an inactive market that reflects Level 2 inputs. We estimate the fair value of our mortgage notes payable using a present value technique based on current market interest rates for similar types of financial instruments that reflect Level 2 inputs.

A summary of the carrying values and fair values of our Notes and our mortgage notes payable is as follows:

	As of December 31,	
	2022	2021
	(In millions)	
Carrying Value:		
4.50% Senior Notes due 2028	$ 409.5	$ 401.6
4.625% Senior Notes due 2029	789.1	787.9
4.75% Senior Notes due 2030	441.7	441.2
5.00% Senior Notes due 2032	591.5	590.9
Mortgage notes payable (a)	1,061.1	1,183.6
Total carrying value	$ 3,292.9	$ 3,405.2
Fair Value:		
4.50% Senior Notes due 2028	$ 354.4	$ 413.6
4.625% Senior Notes due 2029	672.0	815.0
4.75% Senior Notes due 2030	372.7	455.0
5.00% Senior Notes due 2032	492.0	621.8
Mortgage notes payable (a)	1,069.8	1,196.6
Total fair value	$ 2,960.9	$ 3,502.0

(a) Mortgage notes payable as of December 31, 2022, excludes $6.8 million classified as liabilities associated with assets held for sale.

Interest Rate Swap Agreements

We currently have seven interest rate swap agreements. In January 2022, we entered into two new interest rate swap agreements with a combined notional principal amount of $550.0 million. These swaps are designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the SOFR rate. All interest rate swap agreements with an inception date of 2021 and prior were amended on June 1, 2022 to provide a hedge against changes in variable rate cash flows regarding fluctuations in SOFR as compared to the previous benchmark rate of one-month LIBOR. The revisions to the interest rate swap agreements did not impact our hedge accounting because we applied the accounting expedients outlined in ASU 2020-04 and ASU 2021-01 of ASC Topic 848, *Reference Rate Reform*. The following table provides information on the attributes of each swap as of December 31, 2022:

Inception Date	Notional Value at Inception	Notional Value as of December 31, 2022	Notional Value at Maturity	Maturity Date
	(In millions)			
January 2022	$ 300.0	$ 288.8	$ 228.8	December 2026
January 2022	$ 250.0	$ 250.0	$ 250.0	December 2031
May 2021	$ 184.4	$ 173.3	$ 110.6	May 2031
July 2020	$ 93.5	$ 81.4	$ 50.6	December 2028
July 2020	$ 85.5	$ 73.4	$ 57.3	November 2025
June 2015	$ 100.0	$ 64.0	$ 53.1	February 2025
November 2013	$ 75.0	$ 41.5	$ 38.7	September 2023

The fair value of cash flow swaps is calculated as the present value of expected future cash flows, determined on the basis of forward interest rates and present value factors. Fair value estimates reflect a credit adjustment to the discount rate applied to all expected cash flows under the swaps. Other than this input, all other inputs used in the valuation for these swaps are designated to be Level 2 fair values. The fair value of our swaps for the years ended December 31, 2022 and 2021, reflect a net asset of $102.4 million and net liability of $0.9 million, respectively.

The following table provides information regarding the fair value of our interest rate swap agreements and the impact on the consolidated balance sheets:

	As of December 31,	
	2022	2021
	(In millions)	
Other current assets	$ 29.6	$ —
Other current liabilities	—	(3.8)
Other long-term assets	72.8	5.5
Other long-term liabilities	—	(2.6)
Total fair value	$ 102.4	$ (0.9)

Our interest rate swaps qualify for cash flow hedge accounting treatment. These interest rate swaps are marked to market at each reporting date and any unrealized gains or losses are included in accumulated other comprehensive income and reclassified to interest expense in the same period or periods during which the hedged transactions affect earnings. Information about the effect of our interest rate swap agreements in the accompanying consolidated statements of income and consolidated statements of comprehensive income, is as follows (in millions):

For the Year Ended December 31,	Results Recognized in Accumulated Other Comprehensive Loss (Effective Portion)	Location of Results Reclassified from Accumulated Other Comprehensive Loss to Earnings	Results Reclassified from Accumulated Other Comprehensive Loss to Earnings
2022	$ 100.8	Other interest expense, net	$ (2.4)
2021	$ 11.0	Other interest expense, net	$ 4.7
2020	$ (6.1)	Other interest expense, net	$ (2.5)

On the basis of yield curve conditions as of December 31, 2022 and including assumptions about future changes in fair value, we expect the amount to be reclassified out of accumulated other comprehensive loss into earnings within the next 12 months will be losses of $29.6 million.

Investments

The table below presents the Company's investment securities that are measured at fair value on a recurring basis aggregated by the level in the fair value hierarchy within which those measurements fall:

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Cash equivalents	$ 6.6	$ —	$ —	$ 6.6
Short-term investments	0.6	4.8	—	5.4
U.S Treasury	11.6	—	—	11.6
Municipal	—	22.4	—	22.4
Corporate	—	79.7	—	79.7
Mortgage and other asset backed securities	—	72.6	—	72.6
Total debt securities	12.2	179.5	—	191.7
Common stock	48.7	—	—	48.7
Total	$ 60.9	$ 179.5	$ —	$ 240.4
Total Investments, at fair value				$ 240.4

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
	(In millions)			
Cash equivalents	$ 6.0	$ —	$ —	$ 6.0
Short-term investments	2.9	8.1	—	11.0
U.S Treasury	7.4	—	—	7.4
Municipal	—	28.2	—	28.2
Corporate	—	9.5	—	9.5
Mortgage and other asset backed securities	—	8.8	—	8.8
Total debt securities	10.3	54.6	—	64.9
Common stock	65.2	—	—	65.2
Total	$ 75.5	$ 54.6	$ —	$ 130.1
Investments measured at net asset value (a)				4.4
Total Investments, at fair value				$ 134.5

(a) In accordance with ASC 820-10, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The NAV is based on the fair value of the underlying assets owned by the fund, minus its liabilities, divided by the number of units outstanding and is determined by the fund investment manager or custodian.

We review the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain investments. Such reclassifications are reported as transfers in and out of Level 3, or between other levels, at the beginning fair value for the reporting period in which the changes occur.

Available-for-sale debt securities are recorded at fair value and any unrealized gains or losses are included in accumulated other comprehensive income and reclassified to finance and insurance, net revenue in the period or periods during which the debt securities are sold and the gains or losses are realized. Information about the effect of our available-for-sale debt securities in the accompanying consolidated statements of income and consolidated statements of comprehensive income, is as follows (in millions):

For the Year Ended December 31,	Results Recognized in Accumulated Other Comprehensive Loss (Effective Portion)	Location of Results Reclassified from Accumulated Other Comprehensive Loss to Earnings	Results Reclassified from Accumulated Other Comprehensive Loss to Earnings
2022	$ (6.0)	Revenue-Finance and Insurance, net	$ (1.9)
2021	$ —	Revenue-Finance and Insurance, net	$ —
2020	$ —	Revenue-Finance and Insurance, net	$ —

16. INCOME TAXES

The components of income tax expense are as follows:

	For the Year Ended December 31,		
	2022	2021	2020
	(In millions)		
Current:			
Federal	$ 142.0	$ 113.9	$ 64.5
State	30.8	20.8	9.8
Total current income tax expense	172.8	134.7	74.3
Deferred:			
Federal	130.7	24.8	9.2
State	18.3	5.8	0.2
Total deferred income tax expense	149.0	30.6	9.4
Total income tax expense	$ 321.8	$ 165.3	$ 83.8

A reconciliation of the statutory federal rate to the effective tax rate is as follows (dollar amounts shown in millions):

	For the Year Ended December 31,					
	2022	%	2021	%	2020	%
Income tax provision at the statutory rate	$ 277.0	21.0	$ 146.5	21.0	$ 71.0	21.0
State income tax expense, net of federal benefit	42.7	3.2	21.0	3.0	10.1	3.0
Non-deductible items	1.6	0.1	0.6	0.1	1.3	0.4
Other, net	0.5	0.1	(2.8)	(0.4)	1.3	0.4
Income tax expense	$ 321.8	24.4	$ 165.3	23.7	$ 83.8	24.8

Deferred income tax asset and liability components consisted of the following:

	As of December 31, 2022	As of December 31, 2021
	(In millions)	
Deferred income tax assets:		
Deferred revenue	$ 35.7	$ 139.4
F&I chargeback liabilities	13.2	$ 11.9
Other accrued liabilities	6.6	2.2
Stock-based compensation	3.1	2.7
Operating lease right-of-use assets	59.1	67.2
Other, net	9.4	10.4
Total deferred income tax assets	$ 127.1	$ 233.8
Deferred income tax liabilities:		
Intangible asset amortization	(91.0)	(43.5)
Depreciation	(52.1)	(51.7)
Operating lease liabilities	(57.5)	(65.6)
Investments, net	(24.0)	(1.9)
Other, net	(3.2)	(2.0)
Total deferred income tax liabilities	$ (227.8)	$ (164.7)
Net deferred income tax (liabilities)/ assets	$ (100.7)	$ 69.1

There were no valuation allowances recorded against the deferred tax assets as of December 31, 2022 or 2021.

As of December 31, 2022 and 2021, we had income taxes payable of $21.5 million and $47.0 million, respectively included in accounts payable and accrued liabilities.

As of December 31, 2022, we had a state net operating loss ("NOL") carryforward of $30.3 million and a deferred tax asset of $1.3 million to reflect the benefit. This NOL will expire in 2042.

The statutes of limitation related to our consolidated Federal income tax returns are closed for all tax years up to and including 2018. The expiration of the statutes of limitation related to the various state income tax returns that we and our subsidiaries file varies by state. The 2017 through 2021 tax years generally remain subject to examination by most state tax authorities. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters.

17. OTHER LONG-TERM LIABILITIES

Other long-term liabilities consisted of the following:

	As of December 31, 2022	As of December 31, 2021
	(In millions)	
Unearned premiums	$ 23.1	$ 24.0
Accrued finance and insurance chargebacks	24.9	22.4
Unclaimed property	5.1	4.6
Interest rate swap	—	2.6
Other	0.5	7.1
Other long-term liabilities	$ 53.5	$ 60.8

18. SUPPLEMENTAL CASH FLOW INFORMATION

During the years ended December 31, 2022, 2021, and 2020, we made interest payments, including amounts capitalized, totaling $147.2 million, $92.2 million, and $62.6 million, respectively. Included in these interest payments are $8.4 million, $8.7 million, and $19.4 million, of floor plan interest payments for the years ended December 31, 2022, 2021, and 2020, respectively.

During the years ended December 31, 2022, 2021, and 2020 we made income tax payments, net of refunds received, totaling $198.4 million, $114.2 million, and $48.6 million, respectively.

During the years ended December 31, 2022, 2021, and 2020, we transferred $281.4 million, $216.3 million, and $163.5 million, respectively, of loaner vehicles from other current assets to inventory in our consolidated balance sheets.

19. LEASES

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

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

Balance Sheet Presentation

Leases	Classification	As of December 31, 2022	As of December 31, 2021
		(In millions)	
Assets:			
Current			
Operating	Assets held for sale	$ —	$ 7.1
Non-Current			
Operating	Operating lease right-of-use assets	235.4	261.0
Finance	Property and equipment, net	8.1	8.4
Total right-of-use assets		$ 243.5	$ 276.5
Liabilities:			
Current			
Operating	Current maturities of operating leases	$ 23.6	$ 25.8
Operating	Liabilities held for sale	—	2.7
Finance	Current maturities of long-term debt	—	—
Non-Current			
Operating	Operating lease liabilities	218.4	242.0
Operating	Liabilities held for sale	—	4.4
Finance	Long-term debt	8.4	8.4
Total lease liabilities		$ 250.4	$ 283.3

Lease Term and Discount Rate

	As of December 31, 2022	As of December 31, 2021
Weighted Average Lease Term - Operating Leases	14.4 years	14.4 years
Weighted Average Lease Term - Finance Lease	37.7 years	38.7 years
Weighted Average Discount Rate - Operating Leases	4.7 %	4.5 %
Weighted Average Discount Rate - Finance Lease	4.4 %	4.3 %

Lease Costs

The following table provides certain information related to the lease costs for finance and operating leases during the years ended December 31, 2022 and 2021.

	For the Year Ended December 31,	
	2022	2021
	(In millions)	
Finance lease cost (Interest)	$ 0.4	$ 0.4
Operating lease cost	38.1	33.9
Short-term lease cost	4.3	1.1
Variable lease cost	2.4	2.5
	$ 45.1	$ 37.9

Supplemental Cash Flow Information

The following table presents supplemental cash flow information for leases during the years ended December 31, 2022 and 2021.

	For the Year Ended December 31,	
	2022	2021
	(In millions)	
Supplemental Cash Flow:		
Cash paid for amounts included in the measurements of lease liabilities		
Operating cash flows from finance lease	$ 0.4	$ 0.4
Operating cash flows from operating leases	38.1	32.9
Financing cash flows from finance lease	—	0.1
Right-of-use assets obtained in exchange for new finance lease liabilities	—	8.4
Right-of-use assets obtained in exchange for new operating lease liabilities	6.2	69.2
Changes to finance lease right-of-use asset resulting from lease reassessment event	—	(14.6)

During the years ended December 31, 2022 and 2021, we obtained $6.2 million and $69.2 million, respectively, of right-of-use assets in exchange for new operating lease liabilities. The activity during the year ended December 31, 2021 was primarily as a result of business combinations.

During the twelve months ended December 31, 2021, we reassessed and remeasured an existing real estate lease, which was previously accounted for as a finance lease due to the presence of a purchase price option which we concluded we are no longer reasonably certain to exercise.

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the finance lease liabilities and operating lease liabilities as of December 31, 2022, including leases related to liabilities associated with assets held for sale.

	Finance	Operating
	(In millions)	
2023	$ 0.4	$ 34.2
2024	0.4	27.6
2025	0.4	26.2
2026	0.4	24.6
2027	0.4	21.7
Thereafter	16.1	205.7
Total minimum lease payments	$ 18.1	$ 340.1
Less: Amount of lease payments representing interest	(9.7)	(98.1)
Present value of future minimum lease payments	$ 8.4	$ 242.0
Less: current obligations under leases	—	(23.6)
Long-term lease obligation	$ 8.4	$ 218.4

Certain of our lease agreements include financial covenants and incorporate by reference the financial covenants set forth in the 2019 Senior Credit Facility. A breach of any of these covenants could immediately give rise to certain landlord remedies under our various lease agreements, the most severe of which include the following: (i) termination of the applicable lease and/or other leases with the same or an affiliated landlord under a cross-default provision, (ii) eviction from the premises; and (iii) the landlord having a claim for various damages.

20. SEGMENT INFORMATION

As of December 31, 2022, the Company had two reportable segments: (1) Dealerships and (2) TCA. Our dealership operations are organized by management into geographic market-based groups within the Dealerships segment. The operations of our F&I product provider is reflected within our TCA segment. Our Chief Operating Decision Maker is our Chief Executive Officer who manages the business, regularly reviews financial information and allocates resources at the geographic market level for our dealerships and at the TCA segment level for our F&I product provider's operations. The geographic dealership group operating segments have been aggregated into one reportable segment as their operations (i) have similar economic characteristics (our markets all have similar long-term average gross margins), (ii) offer similar products and services (all of our markets offer new and used vehicles, parts and service, and finance and insurance products), (iii) have similar customers, (iv) have similar distribution and marketing practices (all of our markets distribute products and services through dealership facilities that market to customers in similar ways), and (v) operate under similar regulatory environments.

Goodwill acquired in the LHM Acquisition of $668.7 million and $536.6 million was allocated to the Dealership and TCA segments, respectively. The allocation was based on the net assets acquired in the Dealership and TCA segments.

The majority of TCA’s revenue arises from sales through our affiliated dealerships. Intercompany profits and losses are eliminated in consolidation.

Reportable segment financial information for the years ended December 31, 2022 and 2021 is as follows:

	As of and for the year ended December 31, 2022			
	Dealerships	TCA	Eliminations	Total Company
	(In millions)			
Revenue	$ 15,341.1	$ 245.8	$ (153.0)	$ 15,433.8
Gross profit	3,036.0	53.8	10.8	3,100.6
Depreciation and amortization	68.2	0.8	—	69.0
Selling, general and administrative expense	1,786.3	7.0	(30.0)	1,763.4
Interest expense				
Floor plan interest expense	8.4	—	—	8.4
Other interest expense, net	152.2	—	—	152.2
Total interest expense	$ 160.6	$ —	$ —	$ 160.6
Capital expenditures	94.6	—	—	94.6
Total assets	$ 7,170.8	$ 869.2	$ (18.6)	$ 8,021.4

	As of and for the year ended December 31, 2021			
	Dealerships	TCA	Eliminations	Total Company
	(In millions)			
Revenue	$ 9,836.7	$ 12.0	$ (11.0)	$ 9,837.7
Gross profit	1,901.7	5.5	(5.0)	1,902.2
Depreciation and amortization	41.9	—	—	41.9
Selling, general and administrative expense	1,076.9	0.3	(3.3)	1,073.9
Interest expense				
Floor plan interest expense	8.2	—	—	8.2
Other interest expense, net	93.9	—	—	93.9
Total interest expense	$ 102.1	$ —	$ —	$ 102.1
Capital expenditures	74.2	—	—	74.2
Total assets	$ 7,289.7	$ 762.6	$ (49.7)	$ 8,002.6

21. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

We had $12.7 million of letters of credit outstanding as of December 31, 2022, which are required by certain of our insurance providers. In addition, as of December 31, 2022, we maintained a $17.2 million surety bond line in the ordinary course of our business. Our letters of credit and surety bond line are considered to be off balance sheet arrangements.

Our other material commitments include (i) floor plan notes payable, (ii) operating leases, (iii) long-term debt and (iv) interest on long-term debt, as described elsewhere herein.

22. SHARE-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS

On March 13, 2012, our Board of Directors, upon the recommendation of our Compensation and Human Resources Committee, approved the 2012 Equity Incentive Plan (the "2012 Plan"). On April 18, 2012, our shareholders approved the 2012 Plan, which replaced our previous equity incentive plan. The 2012 Plan expired on March 13, 2022 and provided for the grant of options, performance share units, restricted share units, and shares of restricted stock to our directors, officers, and employees in the total amount of 1.5 million shares.

On April 17, 2019, the stockholders of the Company approved the Asbury Automotive Group, Inc. 2019 Equity and Incentive Compensation Plan (the "2019 Plan") and authorized a total of 1,590,000 shares of common stock for issuance under the 2019 Plan ("Plan Shares"). The Plan Shares include 641,363 shares of common stock which remained unissued under the 2012 Plan. No further grants of awards will be made under the 2012 Plan; however outstanding awards under the 2012 Plan will continue in effect in accordance with their terms and conditions. There were approximately 1.4 million shares available for grant in accordance with the 2019 Plan as of December 31, 2022.

We issue shares of our common stock upon the vesting of performance share units or restricted share units. These shares are issued from our authorized and not outstanding common stock. In addition, in connection with the vesting of equity-based awards, we repurchase a portion of the shares issued equal to the amount of employee income tax withholding.

We recognized $20.6 million ($5.0 million tax benefit), $16.2 million ($3.9 million tax benefit), and $12.6 million ($3.2 million tax benefit) in share-based compensation expense for the years ended December 31, 2022, 2021, and 2020, respectively. As of December 31, 2022, there was $16.1 million of total unrecognized share-based compensation expense related to non-vested share-based awards granted under the 2012 Plan and 2019 Plan, and the weighted average period over which it is expected to be recognized is 1.6 years. Further, we expect to recognize $2.1 million of this expense in 2023, $8.8 million in 2024, $5.2 million in 2025.

Performance Share Units

During the year ended December 31, 2022, the Compensation and Human Resources Committee of the Board of Directors approved the grant of up to 71,502 performance share units, which represents 150% of the target award. Performance share units provide an opportunity for the employee-recipient to receive a number of shares of our common stock based on our performance during a specified year period following the grant as measured against objective performance goals as determined by the Compensation and Human Resources Committee of our Board of Directors. The actual number of units earned may range from 0% to 150% of the target number of units depending upon achievement of the performance goals. Performance share units vest in three equal annual installments with one-third of the award vesting on each of the (i) later of the first anniversary of the grant date, or the date the Compensation and Human Resources Committee determines the actual award, (ii) second anniversary of the grant date and (iii) third anniversary of the grant date. Upon vesting, each performance share unit equals one share of common stock of the Company. Compensation cost for performance share units is based on the closing price of our common stock on the date of grant and the ultimate performance level achieved, and is recognized on a graded basis over the three-year vesting period.

The following table summarizes information about performance share units for 2022:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2022	137,729	$ 118.07
Granted	71,502	185.05
Vested	(57,563)	99.65
Forfeited or unearned	(48,009)	130.53
Non-vested at December 31, 2022	103,659	$ 165.94

The weighted average grant-date fair value of performance share units and total fair value of performance share units vested are summarized in the following table:

	For the Year Ended December 31,		
	2022	2021	2020
Weighted average grant-date fair value of performance share units granted	$ 185.05	$ 132.52	$ 96.31
Total fair value of performance share units vested (in millions)	$ 5.7	$ 5.7	$ 4.9

Restricted Share Units

During the year ended December 31, 2022, the Compensation and Human Resources Committee of the Board of Directors approved the grant of 82,603 shares of restricted share units. Restricted share units vest in three equal annual installments commencing on the first anniversary of the grant date. Compensation cost for restricted share units is based on the closing price of our common stock on the date of grant and is recognized on a straight-line basis over the three-year vesting period.

The following table summarizes information about restricted share units for 2022:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2022	116,747	$ 125.33
Granted	82,603	184.67
Vested	(64,923)	130.63
Forfeited	(15,662)	149.94
Non-vested at December 31, 2022	118,765	$ 157.34

The weighted average grant-date fair value of restricted share units and total fair value of restricted share units vested are summarized in the following table:

	For the Year Ended December 31,		
	2022	2021	2020
Weighted average grant-date fair value of restricted share units granted	$ 184.67	$ 150.38	$ 94.07
Total fair value of restricted share units vested (in millions)	$ 8.5	$ 3.8	$ 0.3

Restricted Stock Awards

Restricted stock awards vest in three equal annual installments commencing on the first anniversary of the grant date. Compensation cost for restricted stock awards is based on the closing price of our common stock on the date of grant and is recognized on a straight-line basis over the three-year vesting period. The Company's most recent grant of restricted stock awards occurred in 2019 and has since been replaced with restricted share units.

The following table summarizes information about restricted stock awards for 2022:

	Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2022	38,535	$ 68.61
Granted	—	—
Vested	(33,347)	68.54
Forfeited	(121)	69.18
Non-vested at December 31, 2022	5,067	$ 69.08

The weighted average grant-date fair value of restricted stock awards and total fair value of restricted stock awards vested are summarized in the following table:

	For the Year Ended December 31,		
	2022	2021	2020
Weighted average grant-date fair value of restricted stock granted	$ —	$ —	$ —
Total fair value of restricted stock awards vested (in millions)	$ 2.3	$ 8.6	$ 5.1

Employee Retirement Plan

The Company sponsors the Asbury Automotive Retirement Savings Plan (the "Retirement Savings Plan"), a 401(k) plan, for eligible employees. Employees electing to participate in the Retirement Savings Plan may contribute up to 75% of their annual eligible compensation. IRS rules limited total participant contributions during 2022 to $20,500, or $27,000 if age 50 or more. After one year of employment, we match 50% of employees' contributions up to 6% of their eligible compensation. Employer contributions vest on a graded basis over 4 years after the date of hire. The Company's match was suspended during part of 2020 as a result of the economic uncertainty associated with the COVID-19 pandemic. The Company's expense related to employer matching contributions totaled $18.0 million, $5.3 million, and $2.5 million for the years ended December 31, 2022, 2021, and 2020, respectively.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

As of the end of the period covered by this report, we conducted an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of December 31, 2022, solely as a result of the material weakness described below.

Notwithstanding the foregoing, there were no changes to previously issued financial statements and management did not identify any misstatements in our financial statements as a result of this material weakness. Our principal executive officer and principal financial officer believe that the consolidated financial statements included in this Annual Report on Form 10-K fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, as such term is defined in Exchange Act Rule 13(a)-15(f). Our management, including the principal executive officer and the principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Based on our assessment under the framework in Internal Control—Integrated Framework issued by COSO, and solely due to the material weakness described below, our management concluded that our internal control over financial reporting was not effective as of December 31, 2022.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

Our auditors, Ernst & Young LLP, an independent registered public accounting firm, have audited and reported on our consolidated financial statements and on the effectiveness of our internal control over financial reporting. Ernst & Young LLP has issued a report expressing an adverse opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. Their reports are contained herein.

Material Weakness

The Larry H. Miller Dealerships ("LHM") and entities comprising the Finance and Insurance product provider, Total Care Auto, Powered by Landcar ("TCA") were acquired on December 17, 2021 and represent approximately 34% of the Company’s total revenues for the year ended December 31, 2022. LHM and TCA were not included in the Company's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2021, as the Securities and Exchange Commission ("SEC") rules provide companies one year to assess controls at an acquired entity. Additionally, prior to being acquired by the Company, LHM and TCA were not required to file reports with the SEC. Accordingly, during the year ended December 31, 2022, we performed our first comprehensive assessment of the design and effectiveness of internal controls at LHM and TCA.

As a result of deficiencies in information technology general controls ("ITGCs") identified at LHM and TCA that constitute a material weakness, we determined that the Company’s internal control over financial reporting was not effective as of December 31, 2022. Specifically, the material weakness is due to control deficiencies in the design of the user access reviews for segregation of duties ("SOD") configurations and appropriate administrative access for certain key applications at LHM and TCA. The ineffective ITGCs limited the level of assurance over the completeness and accuracy of information used in certain automated and manual business process controls.

Remediation Efforts

Management has and will continue to evaluate the design of user access controls and SOD configurations for key applications at LHM and TCA. Where needed, access rights and assigned job responsibilities are being changed to resolve instances of inappropriate or excessive user access capabilities, and SOD conflicts. Additionally, key applications at LHM and TCA will follow the same standards of the Company’s legacy ITGC environment.

We expect that the material weakness will be fully remediated in 2023, once the remediated controls have operated for a sufficient period for management to conclude, through testing, that the controls are designed and operating effectively.

Changes in Internal Control Over Financial Reporting

Other than the ongoing remediation efforts described above, there were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the quarter ended December 31, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdiction that Prevent Inspection

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

Reference is made to the information to be set forth in the "Proposal No. 1 Election of Directors," "Governance of the Company," "2022 Director Compensation Table-Code of Business Conduct and Ethics and Corporate Governance Guidelines," and "Executive Officers" sections of our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 11. Executive Compensation.

Reference is made to the information to be set forth in the "Compensation Discussion & Analysis," "Compensation and Human Resources Committee Report," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation," "2022 Director Compensation Table," and "Governance of the Company" sections of our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Reference is made to the information to be set forth in the "Securities Owned by Management and Certain Beneficial Owners" and "Securities Authorized for Issuance under Equity Compensation Plans" sections of our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Reference is made to the information to be set forth in the "Related Person Transactions" and "Governance of the Company" sections of our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

Reference is made to the information to be set forth in the "Independent Auditors' Fees" section of our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as a part of this annual report on Form 10-K:

(1) Financial Statements: See index to Consolidated Financial Statements.
(2) Financial Statement Schedules: None required.
(3) Exhibits required to be filed by Item 601 of Regulation S-K:

The Exhibits listed below are identified by numbers corresponding to the Exhibit Table of Item 601 of Regulation S-K.

Exhibit Number	Description of Documents
2.1	Purchase Agreement, dated September 28, 2021, by and among Asbury Automotive Group, LLC, through one of its subsidiaries, and certain identified members of the Larry H. Mill Dealership family of entities (incorporated by reference to Exhibit 2.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)*+
2.2	Real Estate Purchase Agreement, dated September 28, 2021, by and between Asbury Automotive Group, LLC, through one of its subsidiaries, and Miller Family Real Estate L.L.C. (incorporated by reference to Exhibit 2.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)* +
2.3	Purchase Agreement, dated September 28, 2021, by and between Asbury Automotive Group, LLC, through one of its subsidiaries, and certain identified equity owners of the Total Care Auto, Powered by Landcar insurance business affiliated with the Larry H. Miller Dealership family of entities (incorporated by reference to Exhibit 2.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)* +
3.2	Bylaws of Asbury Automotive Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 21, 2014)*
4.1	Indenture relating to the Senior Notes due 2028, dated as of February 19, 2020, among Asbury Automotive Group, Inc., each of the Guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.2	First Supplemental Indenture relating to the Senior Notes due 2028, dated as of September 3, 2021, among Asbury CO HG, LLC, Asbury Noblesville CDJR, LLC, Asbury Greeley SUB, LLC, Asbury CO GEN, LLC, Asbury Risk Services, LLC, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)*
4.3	Second Supplemental Indenture relating to the Senior Notes due 2028, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
4.4	Form of 4.50% Senior Note due 2028 (included as Exhibit A in Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.5	Indenture relating to the Senior Notes due 2030, dated as of February 19, 2020, among Asbury Automotive Group, Inc., each of the Guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.6	First Supplemental Indenture relating to the Senior Notes due 2030, dated as of September 3, 2021, among Asbury CO HG, LLC, Asbury Noblesville CDJR, LLC, Asbury Greeley SUB, LLC, Asbury CO GEN, LLC, Asbury Risk Services, LLC, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)*
4.7	Second Supplemental Indenture relating to the Senior Notes due 2030, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*

4.8	Form of 4.75% Senior Note due 2030 (included as Exhibit A in Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.9	Officer’s Certificate of Asbury Automotive Group, Inc. pursuant to the 2028 Notes Indenture, dated September 16, 2020 (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on September 16, 2020)*
4.10	Officer’s Certificate of Asbury Automotive Group, Inc. pursuant to the 2030 Notes Indenture, dated September 16, 2020 (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K filed on September 16, 2020)*
4.11	Indenture relating to the Senior Notes 2029, dated as of November 19, 2021, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 19, 2021)*
4.12	First Supplemental Indenture relating to the Senior Notes due 2029, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.12 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
4.13	Form of 4.625% Senior Note due 2029 (included as Exhibit A in Exhibit 4.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 19, 2021)*
4.14	Indenture relating to the Senior Notes 2032, dated as of November 19, 2021, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company’s Current Report on Form 8-K filed with the SEC on November 19, 2021)*
4.15	First Supplemental Indenture relating to the Senior Notes due 2032, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
4.16	Form of 5.000% Senior Note due 2029 (included as Exhibit A in Exhibit 4.2 to the Company’s Current Report on Form 8-K filed with the SEC on November 19, 2021)*
74.19	Description of Registrant's Securities (incorporated by reference to Exhibit 4.9 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.1**	Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2012)*
10.2**	2012 Equity Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 16, 2012)*
10.3**	First Amendment to 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 27, 2017)*
10.4**	Amended and Restated Key Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 4, 2009)*
10.5**	Amendment No. 1 to Amended and Restated Key Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed on April 26, 2018)*
10.6**	Form of Officer/Director Indemnification Agreement (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on April 30, 2010)*
10.7**	Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of October 23, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2014)*
10.8**	First Amendment to Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of August 21, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 22, 2017)*

10.9**	Second Amendment to Employment Agreement between Asbury Automotive Group, Inc., dated as of June 5, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 5, 2020)*
10.10**	Amended and Restated Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and George A. Villasana, dated as of February 21, 2017 (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 23, 2017)*
10.11**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Jed M. Milstein, dated as of February 21, 2017 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 23, 2017)*
10.12**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and William F. Stax, dated as of February 21, 2017 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 23, 2017)*
10.13**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Patrick J. Guido, dated as of May 11, 2020 (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.14**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Daniel Clara dated as of July 28, 2022 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.15**	2019 Equity and Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 14, 2019)*
10.16**	Form of Equity Award Agreement under the 2019 Equity and Incentive Plan (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.17**	Asbury Automotive Group, Inc. Deferred Compensation Plan (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2017)*
10.18**	Letter Agreement between Asbury Automotive Group, Inc. and Michael Welch, dated as of June 14, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 6, 2021)*
10.19**	Letter Agreement between Asbury Automotive Group, Inc. and Nathan Briesemeister, dated as of October 10, 2022. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 7, 2022)*
10.20	Credit Agreement, dated as of September 26, 2013, among Asbury Automotive Group, Inc., certain of subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2013)*
10.21	Third Amended and Restated Credit Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., as a Borrower, certain of its subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swingline Lender and an L/C Issuer, and the other Lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as Co-Documentation Agents, and BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.22	Third Amended and Restated Company Guaranty Agreement, dated as of September 25, 2019, between Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.23	Third Amended and Restated Subsidiary Guaranty Agreement, dated as of September 25, 2019, among certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.24	Third Amended and Restated Security Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*

10.25	Third Amended and Restated Escrow and Security Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.26	Third Amended and Restated Securities Pledge Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.27	First Amendment to the Third Amended and Restated Credit Agreement, dated January 31, 2020, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swingline Lender and an L/C Issuer, and the other lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as Co-Documentation Agents, and BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 3, 2020)*
10.28	Second Amendment to the Third Amended and Restated Credit Agreement, dated August 10, 2020, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, the other guarantors party thereto, the other lenders party thereto and Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swing line lender and an l/c issuer (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 filed on November 3, 2020)*
10.29	Third Amendment to the Third Amended and Restated Credit Agreement, dated October 29, 2021, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swingline lender and an L/C issuer, and the other lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as co-syndication agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as co-documentation agents, and BofA Securities, Inc. as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
10.30	Fourth Amendment to the Third Amended and Restated Credit Agreement, dated as of May 25, 2022, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, the guarantors party thereto, Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swingline lender and an L/C issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.31	Amended and Restated Master Loan Agreement, dated as of February 3, 2015, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)*
10.32	Second Amended and Restated Unconditional Guaranty, dated as of February 3, 2015, by and between Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)*
10.33	Credit Agreement, dated as of November 13, 2018, among Asbury Automotive Group, Inc., certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 28, 2019)*
10.34	Master Loan Agreement, dated as of November 16, 2018, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 28, 2019)*
10.35	Unconditional Guaranty, dated as of November 16, 2018, between Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 28, 2019)*
10.36	First Amendment to Master Loan Agreement, dated as of December 31, 2019, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on March 2, 2020)*

10.37	Second Amendment to the Amended and Restated Master Loan Agreement, dated as of June 1, 2022, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)
10.38	Credit Agreement, dated as of February 7, 2020, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 13, 2020)*
10.39	Amended and Restated Commitment Letter, dated as of December, 30, 2019, by and among Asbury Automotive Group, Inc., Bank of America, N.A., BofA Securities, Inc., JPMorgan Chase Bank, N.A., Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Santander Bank, N.A., SunTrust Robinson Humphrey, Inc., Trust Bank and U.S. Bank National Association (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019)*
10.40	Credit Agreement, dated May 10, 2021, by and among Asbury Automotive Group, Inc., certain subsidiaries party thereto, the various financial institutions party thereto as lenders, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on May 20, 2021)*
10.41	Second Amendment to the Master Loan Agreement, dated as of June 1, 2022, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.42	Third Amendment to the Credit Agreement, dated as of May 25, 2022, among Asbury Automotive Group, Inc., as borrower, certain of subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.43	Third Amendment to the Credit Agreement, dated as of May 25, 2022, among Asbury Automotive Group, Inc., as borrower, certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.44	Second Amendment to the Credit Agreement, dated as of May 25, 2022, by and among Asbury Automotive Group, Inc., certain subsidiaries party thereto as borrowers, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.45	Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swingline lender and an l/c issuer, and the other lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as co-syndication agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as co-documentation agents, and BofA Securities, Inc. as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on October 4, 2022)*
21	Subsidiaries of the Company
23.1	Consent of Ernst & Young LLP
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document

101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from Asbury Automotive Group, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 has been formatted in Inline XBRL.
*	Incorporated by reference.
**	Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

		Asbury Automotive Group, Inc.	
Date:	March 1, 2023	By:	/s/ David W. Hult
		Name:	**David W. Hult**
		Title:	**Chief Executive Officer and President**

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

Signature	Title	Date
/s/ David W. Hult **(David W. Hult)**	Chief Executive Officer, President and Director	March 1, 2023
/s/ Michael D. Welch **(Michael D. Welch)**	Senior Vice President and Chief Financial Officer	March 1, 2023
/s/ Nathan E. Briesemeister **(Nathan E. Briesemeister)**	Vice President, Chief Accounting Officer and Controller	March 1, 2023
/s/ Thomas J. Reddin **(Thomas J. Reddin)**	Director Non-Executive Chairman of the Board	March 1, 2023
/s/ Joel Alsfine **(Joel Alsfine)**	Director	March 1, 2023
/s/ William D. Fay **(William D. Fay)**	Director	March 1, 2023
/s/ Juanita T. James **(Juanita T. James)**	Director	March 1, 2023
/s/ Philip F. Maritz **(Philip F. Maritz)**	Director	March 1, 2023
/s/ Maureen F. Morrison **(Maureen F. Morrison)**	Director	March 1, 2023
/s/ Bridget M. Ryan-Berman **(Bridget M. Ryan-Berman)**	Director	March 1, 2023
/s/ Hilliard C. Terry, III **(Hilliard C. Terry, III)**	Director	March 1, 2023

INDEX TO EXHIBITS

Exhibit Number	Description of Documents
2.1	Purchase Agreement, dated September 28, 2021, by and among Asbury Automotive Group, LLC, through one of its subsidiaries, and certain identified members of the Larry H. Mill Dealership family of entities (incorporated by reference to Exhibit 2.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)*+
2.2	Real Estate Purchase Agreement, dated September 28, 2021, by and between Asbury Automotive Group, LLC, through one of its subsidiaries, and Miller Family Real Estate L.L.C. (incorporated by reference to Exhibit 2.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)* +
2.3	Purchase Agreement, dated September 28, 2021, by and between Asbury Automotive Group, LLC, through one of its subsidiaries, and certain identified equity owners of the Total Care Auto, Powered by Landcar insurance business affiliated with the Larry H. Miller Dealership family of entities (incorporated by reference to Exhibit 2.3 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)* +
3.2	Bylaws of Asbury Automotive Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 21, 2014)*
4.1	Indenture relating to the Senior Notes due 2028, dated as of February 19, 2020, among Asbury Automotive Group, Inc., each of the Guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.2	First Supplemental Indenture relating to the Senior Notes due 2028, dated as of September 3, 2021, among Asbury CO HG, LLC, Asbury Noblesville CDJR, LLC, Asbury Greeley SUB, LLC, Asbury CO GEN, LLC, Asbury Risk Services, LLC, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)*
4.3	Second Supplemental Indenture relating to the Senior Notes due 2028, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
4.4	Form of 4.50% Senior Note due 2028 (included as Exhibit A in Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.5	Indenture relating to the Senior Notes due 2030, dated as of February 19, 2020, among Asbury Automotive Group, Inc., each of the Guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.6	First Supplemental Indenture relating to the Senior Notes due 2030, dated as of September 3, 2021, among Asbury CO HG, LLC, Asbury Noblesville CDJR, LLC, Asbury Greeley SUB, LLC, Asbury CO GEN, LLC, Asbury Risk Services, LLC, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.2 to the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2021 filed on October 26, 2021)*
4.7	Second Supplemental Indenture relating to the Senior Notes due 2030, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
4.8	Form of 4.75% Senior Note due 2030 (included as Exhibit A in Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on February 20, 2020)*
4.9	Officer’s Certificate of Asbury Automotive Group, Inc. pursuant to the 2028 Notes Indenture, dated September 16, 2020 (incorporated by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on September 16, 2020)*
4.10	Officer’s Certificate of Asbury Automotive Group, Inc. pursuant to the 2030 Notes Indenture, dated September 16, 2020 (incorporated by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K filed on September 16, 2020)*

4.11	Indenture relating to the Senior Notes 2029, dated as of November 19, 2021, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2021)*
4.12	Second Supplemental Indenture relating to the Senior Notes due 2030, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.12 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
4.13	Form of 4.625% Senior Note due 2029 (included as Exhibit A in Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2021)*
4.14	Indenture relating to the Senior Notes 2032, dated as of November 19, 2021, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2021)*
4.15	First Supplemental Indenture relating to the Senior Notes due 2032, dated as of December 23, 2021, among the guaranteeing subsidiaries listed thereto, Asbury Automotive Group, Inc. and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
4.16	Form of 5.000% Senior Note due 2029 (included as Exhibit A in Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on November 19, 2021)*
74.19	Description of Registrant's Securities (incorporated by reference to Exhibit 4.9 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.1**	Amended and Restated 2002 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2012)*
10.2**	2012 Equity Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 16, 2012)*
10.3**	First Amendment to 2012 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 27, 2017)*
10.4**	Amended and Restated Key Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 4, 2009)*
10.5**	Amendment No. 1 to Amended and Restated Key Executive Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018 filed on April 26, 2018)*
10.6**	Form of Officer/Director Indemnification Agreement (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on April 30, 2010)*
10.7**	Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of October 23, 2014 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2014)*
10.8**	First Amendment to Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of August 21, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 22, 2017)*
10.9**	Second Amendment to Employment Agreement between Asbury Automotive Group, Inc., dated as of June 5, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 5, 2020)*
10.10**	Amended and Restated Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and George A. Villasana, dated as of February 21, 2017 (incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 23, 2017)*
10.11**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Jed M. Milstein, dated as of February 21, 2017 (incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 23, 2017)*

10.12**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and William F. Stax, dated as of February 21, 2017 (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 2016 filed on February 23, 2017)*
10.13**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Patrick J. Guido, dated as of May 11, 2020 (incorporated by reference to Exhibit 10.13 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.14**	Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Daniel Clara dated as of July 28, 2022 (incorporated by reference to Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.15**	2019 Equity and Incentive Plan (incorporated by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 14, 2019)*
10.16**	Form of Equity Award Agreement under the 2019 Equity and Incentive Plan (incorporated by reference to Exhibit 10.15 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 1, 2021)
10.17**	Asbury Automotive Group, Inc. Deferred Compensation Plan (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2017)*
10.18**	Letter Agreement between Asbury Automotive Group, Inc. and Michael Welch, dated as of June 14, 2021 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on July 6, 2021)*
10.19**	Letter Agreement between Asbury Automotive Group, Inc. and Nathan Briesemeister, dated as of October 10, 2022. (incorporated by reference to Exhibit 10.1 to the Company’s Current Report on Form 8-K filed with the SEC on November 7, 2022)*
10.20	Credit Agreement, dated as of September 26, 2013, among Asbury Automotive Group, Inc., certain of subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 30, 2013)*
10.21	Third Amended and Restated Credit Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., as a Borrower, certain of its subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swingline Lender and an L/C Issuer, and the other Lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as Co-Documentation Agents, and BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.22	Third Amended and Restated Company Guaranty Agreement, dated as of September 25, 2019, between Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.23	Third Amended and Restated Subsidiary Guaranty Agreement, dated as of September 25, 2019, among certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.24	Third Amended and Restated Security Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.25	Third Amended and Restated Escrow and Security Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*
10.26	Third Amended and Restated Securities Pledge Agreement, dated as of September 25, 2019, among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on September 26, 2019)*

10.27	First Amendment to the Third Amended and Restated Credit Agreement, dated January 31, 2020, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swingline Lender and an L/C Issuer, and the other lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as Co-Documentation Agents, and BofA Securities, Inc. as Sole Lead Arranger and Sole Bookrunner (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 3, 2020)*
10.28	Second Amendment to the Third Amended and Restated Credit Agreement, dated August 10, 2020, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, the other guarantors party thereto, the other lenders party thereto and Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swing line lender and an l/c issuer (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020 filed on November 3, 2020)*
10.29	Third Amendment to the Third Amended and Restated Credit Agreement, dated October 29, 2021, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swingline lender and an L/C issuer, and the other lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as co-syndication agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as co-documentation agents, and BofA Securities, Inc. as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.28 of the Company's Annual Report on Form 10-K for the year ended December 31, 2021 filed on March 1, 2022)*
10.30	Fourth Amendment to the Third Amended and Restated Credit Agreement, dated as of May 25, 2022, among Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, the guarantors party thereto, Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swingline lender and an L/C issuer, and the other lenders party thereto (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.31	Amended and Restated Master Loan Agreement, dated as of February 3, 2015, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)*
10.32	Second Amended and Restated Unconditional Guaranty, dated as of February 3, 2015, by and between Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)*
10.33	Credit Agreement, dated as of November 13, 2018, among Asbury Automotive Group, Inc., certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 28, 2019)*
10.34	Master Loan Agreement, dated as of November 16, 2018, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.34 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 28, 2019)*
10.35	Unconditional Guaranty, dated as of November 16, 2018, between Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.35 to the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed on February 28, 2019)*
10.36	First Amendment to Master Loan Agreement, dated as of December 31, 2019, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 filed on March 2, 2020)*
10.37	Second Amendment to the Amended and Restated Master Loan Agreement, dated as of June 1, 2022, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)
10.38	Credit Agreement, dated as of February 7, 2020, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 13, 2020)*

10.39	Amended and Restated Commitment Letter, dated as of December, 30, 2019, by and among Asbury Automotive Group, Inc., Bank of America, N.A., BofA Securities, Inc., JPMorgan Chase Bank, N.A., Wells Fargo Securities, LLC, Wells Fargo Bank, National Association, Santander Bank, N.A., SunTrust Robinson Humphrey, Inc., Trust Bank and U.S. Bank National Association (incorporated by reference to Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019)*
10.40	Credit Agreement, dated May 10, 2021, by and among Asbury Automotive Group, Inc., certain subsidiaries party thereto, the various financial institutions party thereto as lenders, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on May 20, 2021)*
10.41	Second Amendment to the Master Loan Agreement, dated as of June 1, 2022, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.42	Third Amendment to the Credit Agreement, dated as of May 25, 2022, among Asbury Automotive Group, Inc., as borrower, certain of subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.43	Third Amendment to the Credit Agreement, dated as of May 25, 2022, among Asbury Automotive Group, Inc., as borrower, certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A. (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.44	Second Amendment to the Credit Agreement, dated as of May 25, 2022, by and among Asbury Automotive Group, Inc., certain subsidiaries party thereto as borrowers, the guarantors party thereto, the lenders party thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 filed on July 28, 2022)*
10.45	Asbury Automotive Group, Inc., as a borrower, certain of its subsidiaries, as vehicle borrowers, Bank of America, N.A., as administrative agent, revolving swing line lender, new vehicle floorplan swing line lender, used vehicle floorplan swingline lender and an l/c issuer, and the other lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as co-syndication agents, Mercedes-Benz Financial Services USA LLC and Toyota Motor Credit Corporation, as co-documentation agents, and BofA Securities, Inc. as sole lead arranger and sole bookrunner (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed on October 4, 2022)*
21	Subsidiaries of the Company
23.1	Consent of Ernst & Young LLP
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

104	The cover page from Asbury Automotive Group, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 has been formatted in Inline XBRL.
*	Incorporated by reference.
**	Management contract or compensatory plan or arrangement.