

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2023

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-13107

**AUTONATION, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**200 SW 1st Avenue**

**Fort Lauderdale , Florida**

(Address of principal executive offices)

**73-1105145**

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

**33301**

(Zip Code)

**(954)769-6000**

(Registrant's telephone number, including area code)

**N/A**

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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. ☐

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

As of April 18, 2023, the registrant had 45,608,396 shares of common stock outstanding.

**FORM 10-Q**

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# PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

### AUTONATION, INC. UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (In millions, except share and per share data)

	March 31, 2023	December 31, 2022
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 58.3	\$ 72.6
Receivables, net	742.7	858.8
Inventory	2,196.2	2,048.3
Other current assets	155.8	158.3
Total Current Assets	3,153.0	3,138.0
AUTO LOANS RECEIVABLE, net of allowance for credit losses of \$61.3 million and \$57.5 million respectively.	326.9	303.1
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$2.0 billion and \$1.9 billion, respectively	3,656.0	3,607.2
OPERATING LEASE ASSETS	328.8	323.5
GOODWILL	1,450.2	1,320.1
OTHER INTANGIBLE ASSETS, NET	880.3	837.0
OTHER ASSETS	565.6	530.8
Total Assets	\$ 10,360.8	\$ 10,059.7
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Vehicle floorplan payable - trade	\$ 1,088.6	\$ 946.6
Vehicle floorplan payable - non-trade	1,097.1	1,162.7
Accounts payable	347.1	327.6
Commercial paper	285.0	50.0
Current maturities of long-term debt	12.7	12.6
Current portion of non-recourse debt	12.0	10.7
Accrued payroll and benefits	228.0	238.0
Other current liabilities	710.3	657.5
Total Current Liabilities	3,780.8	3,405.7
LONG-TERM DEBT, NET OF CURRENT MATURITIES	3,584.7	3,586.9
NON-RECOURSE DEBT, NET OF CURRENT PORTION	271.4	312.9
NONCURRENT OPERATING LEASE LIABILITIES	300.1	296.9
DEFERRED INCOME TAXES	58.1	76.5
OTHER LIABILITIES	345.4	333.0
COMMITMENTS AND CONTINGENCIES (Note 14)		
SHAREHOLDERS' EQUITY:		
Common stock, par value \$0.01 per share; 1,500,000,000 shares authorized; 63,562,149 shares issued at March 31, 2023, and December 31, 2022, including shares held in treasury	0.6	0.6
Additional paid-in capital	3.0	3.1
Retained earnings	3,910.6	3,663.7
Treasury stock, at cost; 17,953,753 and 15,915,358 shares held, respectively	(1,893.9)	(1,619.6)
Total Shareholders' Equity	2,020.3	2,047.8
Total Liabilities and Shareholders' Equity	\$ 10,360.8	\$ 10,059.7

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**AUTONATION, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per share data)

	Three Months Ended March 31,	
	2023	2022
Revenue:		
New vehicle	\$ 2,931.9	\$ 2,807.2
Used vehicle	2,032.6	2,572.4
Parts and service	1,089.8	1,003.9
Finance and insurance, net	332.4	363.9
Other	12.0	5.4
<b>TOTAL REVENUE</b>	<b>6,398.7</b>	<b>6,752.8</b>
Cost of sales:		
New vehicle	2,645.0	2,462.2
Used vehicle	1,878.2	2,435.8
Parts and service	578.7	542.8
Other	10.4	3.1
<b>TOTAL COST OF SALES</b>	<b>5,112.3</b>	<b>5,443.9</b>
Gross profit:		
New vehicle	286.9	345.0
Used vehicle	154.4	136.6
Parts and service	511.1	461.1
Finance and insurance	332.4	363.9
Other	1.6	2.3
<b>TOTAL GROSS PROFIT</b>	<b>1,286.4</b>	<b>1,308.9</b>
Selling, general, and administrative expenses	782.7	741.4
Depreciation and amortization	52.8	50.0
Other (income) expense, net	7.6	(1.5)
<b>OPERATING INCOME</b>	<b>443.3</b>	<b>519.0</b>
Non-operating income (expense) items:		
Floorplan interest expense	(27.1)	(5.2)
Other interest expense	(41.1)	(29.6)
Other income (loss), net	5.2	(6.4)
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>380.3</b>	<b>477.8</b>
Income tax provision	92.5	115.7
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>287.8</b>	<b>362.1</b>
Income from discontinued operations, net of income taxes	0.9	—
<b>NET INCOME</b>	<b>\$ 288.7</b>	<b>\$ 362.1</b>
<b>BASIC EARNINGS PER SHARE:</b>		
Continuing operations	\$ 6.10	\$ 5.83
Discontinued operations	\$ 0.02	\$ —
Net income	\$ 6.12	\$ 5.83
Weighted average common shares outstanding	47.2	62.1
<b>DILUTED EARNINGS PER SHARE:</b>		
Continuing operations	\$ 6.05	\$ 5.78
Discontinued operations	\$ 0.02	\$ —
Net income	\$ 6.07	\$ 5.78
Weighted average common shares outstanding	47.6	62.6
<b>COMMON SHARES OUTSTANDING, net of treasury stock, at period end</b>	<b>45.6</b>	<b>59.7</b>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**AUTONATION, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In millions, except share data)

Three Months Ended March 31, 2023						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares	Amount				
BALANCE AT DECEMBER 31, 2022	63,562,149	\$ 0.6	\$ 3.1	\$ 3,663.7	\$ (1,619.6)	\$ 2,047.8
Net income	—	—	—	288.7	—	288.7
Repurchases of common stock, including excise tax	—	—	—	—	(307.5)	(307.5)
Stock-based compensation expense	—	—	15.1	—	—	15.1
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(15.2)	(41.8)	33.2	(23.8)
BALANCE AT MARCH 31, 2023	63,562,149	\$ 0.6	\$ 3.0	\$ 3,910.6	\$ (1,893.9)	\$ 2,020.3

  

Three Months Ended March 31, 2022						
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares	Amount				
BALANCE AT DECEMBER 31, 2021	86,562,149	\$ 0.8	\$ 3.2	\$ 4,639.9	\$ (2,266.9)	\$ 2,377.0
Net income	—	—	—	362.1	—	362.1
Repurchases of common stock	—	—	—	—	(380.9)	(380.9)
Stock-based compensation expense	—	—	15.9	—	—	15.9
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(16.7)	(58.1)	46.3	(28.5)
BALANCE AT MARCH 31, 2022	86,562,149	\$ 0.8	\$ 2.4	\$ 4,943.9	\$ (2,601.5)	\$ 2,345.6

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**AUTONATION, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net income	\$ 288.7	\$ 362.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	(0.9)	—
Depreciation and amortization	52.8	50.0
Amortization of debt issuance costs and accretion of debt discounts	2.5	1.4
Stock-based compensation expense	15.1	15.9
Provision for credit losses on auto loans receivable	12.8	—
Deferred income tax provision	2.8	3.2
Net gain related to business/property dispositions	(1.0)	(0.3)
Non-cash impairment charges	1.4	0.4
Loss on equity investments	1.1	0.1
Loss (gain) on corporate-owned life insurance asset	(4.7)	6.7
(Increase) decrease, net of effects from business acquisitions and divestitures:		
Receivables	119.5	(18.2)
Inventory	(147.5)	142.6
Other assets	(28.6)	14.6
Increase (decrease), net of effects from business acquisitions and divestitures:		
Vehicle floorplan payable - trade	142.0	(43.3)
Accounts payable	12.6	(6.6)
Other liabilities	41.7	114.6
Net cash provided by continuing operations	510.3	643.2
Net cash used in discontinued operations	(0.3)	—
Net cash provided by operating activities	510.0	643.2
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(95.3)	(56.6)
Proceeds from the sale of property and equipment	1.8	—
Proceeds from the disposal of assets held for sale	2.5	—
Insurance recoveries on property and equipment	—	0.3
Cash used in business acquisitions, net of cash acquired	(191.0)	—
Originations of auto loans receivable acquired through third-party dealers	(55.3)	—
Collections on auto loans receivable acquired through third-party dealers	39.3	—
Other	(7.9)	(2.7)
Net cash used in continuing operations	(305.9)	(59.0)
Net cash used in discontinued operations	—	—
Net cash used in investing activities	(305.9)	(59.0)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**AUTONATION, INC.**  
**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Continued)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:</b>		
Repurchases of common stock	(315.7)	(342.3)
Proceeds from 3.85% Senior Notes due 2032	—	698.8
Net proceeds from (payments of) commercial paper	235.0	(340.0)
Proceeds from non-recourse debt	39.3	—
Payments of non-recourse debt	(80.5)	—
Payment of debt issuance costs	—	(6.4)
Net payments of vehicle floorplan payable - non-trade	(67.3)	(15.1)
Payments of other debt obligations	(3.1)	(3.0)
Proceeds from the exercise of stock options	1.3	0.9
Payments of tax withholdings for stock-based awards	(25.1)	(29.4)
Net cash used in continuing operations	(216.1)	(36.5)
Net cash used in discontinued operations	—	—
Net cash used in financing activities	(216.1)	(36.5)
<b>INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(12.0)</b>	<b>547.7</b>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at beginning of period	95.4	60.6
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at end of period	<u><u>\$ 83.4</u></u>	<u><u>\$ 608.3</u></u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In millions, except per share data)**

**1. INTERIM FINANCIAL STATEMENTS**

**Business and Basis of Presentation**

AutoNation, Inc., through its subsidiaries, is one of the largest automotive retailers in the United States. As of March 31, 2023, we owned and operated 344 new vehicle franchises from 248 stores located in the United States, predominantly in major metropolitan markets in the Sunbelt region. Our stores, which we believe include some of the most recognizable and well-known in our key markets, sell 33 different new vehicle brands. The core brands of new vehicles that we sell, representing approximately 89% of the new vehicles that we sold during the three months ended March 31, 2023, are manufactured by Toyota (including Lexus), Honda, Ford, BMW, General Motors, Mercedes-Benz, Stellantis, and Volkswagen (including Audi and Porsche). As of March 31, 2023, we also owned and operated 53 AutoNation-branded collision centers, 15 AutoNation USA used vehicle stores, 4 AutoNation-branded automotive auction operations, 3 parts distribution centers, an auto finance company, and a mobile automotive repair and maintenance business.

We offer a diversified range of automotive products and services, including new vehicles, used vehicles, “parts and service” (also referred to as “After-Sales”), which includes automotive repair and maintenance services as well as wholesale parts and collision businesses, and automotive “finance and insurance” products (also referred to as “Customer Financial Services”), which include vehicle service and other protection products, as well as the arranging of financing for vehicle purchases through third-party finance sources. We also offer indirect financing on certain vehicles we sell, as well as on installment contracts acquired by our captive finance company through third-party independent dealers. For convenience, the terms “AutoNation,” “Company,” and “we” are used to refer collectively to AutoNation, Inc. and its subsidiaries, unless otherwise required by the context. Our store and other operations are conducted by our subsidiaries.

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of AutoNation, Inc. and its subsidiaries; intercompany accounts and transactions have been eliminated. The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. Additionally, operating results for interim periods are not necessarily indicative of the results that can be expected for a full year. The Unaudited Condensed Consolidated Financial Statements herein should be read in conjunction with our audited Consolidated Financial Statements and notes thereto included within our most recent Annual Report on Form 10-K. These Unaudited Condensed Consolidated Financial Statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state, in all material respects, our financial position and results of operations for the periods presented.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We periodically evaluate estimates and assumptions used in the preparation of the financial statements and make changes on a prospective basis when adjustments are necessary. Such estimates and assumptions affect, among other things, our goodwill, indefinite-lived intangible asset, and long-lived asset valuations; inventory valuation; equity investment valuation; assets held for sale; assessments of variable consideration and related constraints related to retrospective commissions; accruals for chargebacks against revenue recognized from the sale of finance and insurance products; accruals related to self-insurance programs; certain legal proceedings; assessment of the annual income tax expense; valuation of deferred income taxes and income tax contingencies; the allowance for expected credit losses; and measurement of performance-based compensation costs.



**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

## 2. REVENUE RECOGNITION

### *Disaggregation of Revenue*

The significant majority of our revenue is from contracts with customers. Taxes assessed by governmental authorities that are directly imposed on revenue transactions are excluded from revenue. In the following tables, revenue is disaggregated by major lines of goods and services and timing of transfer of goods and services. We have determined that these categories depict how the nature, amount, timing, and uncertainty of our revenue and cash flows are affected by economic factors. The tables below also include a reconciliation of the disaggregated revenue to reportable segment revenue.

Three Months Ended March 31, 2023					
	Domestic	Import	Premium Luxury	Corporate and other <sup>(1)</sup>	Total
<u>Major Goods/Service Lines</u>					
New vehicle	\$ 828.0	\$ 856.4	\$ 1,247.5	\$ —	\$ 2,931.9
Used vehicle	612.3	542.1	745.8	132.4	2,032.6
Parts and service	287.6	268.4	386.2	147.6	1,089.8
Finance and insurance, net	102.3	112.4	105.0	12.7	332.4
Other	0.9	10.0	0.4	0.7	12.0
	<u>\$ 1,831.1</u>	<u>\$ 1,789.3</u>	<u>\$ 2,484.9</u>	<u>\$ 293.4</u>	<u>\$ 6,398.7</u>

<u>Timing of Revenue Recognition</u>					
Goods and services transferred at a point in time	\$ 1,629.3	\$ 1,586.9	\$ 2,159.3	\$ 194.8	\$ 5,570.3
Goods and services transferred over time <sup>(2)</sup>	201.8	202.4	325.6	98.6	828.4
	<u>\$ 1,831.1</u>	<u>\$ 1,789.3</u>	<u>\$ 2,484.9</u>	<u>\$ 293.4</u>	<u>\$ 6,398.7</u>

Three Months Ended March 31, 2022					
	Domestic	Import	Premium Luxury	Corporate and other <sup>(1)</sup>	Total
<u>Major Goods/Service Lines</u>					
New vehicle	\$ 822.5	\$ 881.6	\$ 1,103.1	\$ —	\$ 2,807.2
Used vehicle	823.1	707.6	916.1	125.6	2,572.4
Parts and service	268.7	255.5	351.9	127.8	1,003.9
Finance and insurance, net	119.2	126.4	107.2	11.1	363.9
Other	0.9	3.0	0.4	1.1	5.4
	<u>\$ 2,034.4</u>	<u>\$ 1,974.1</u>	<u>\$ 2,478.7</u>	<u>\$ 265.6</u>	<u>\$ 6,752.8</u>

<u>Timing of Revenue Recognition</u>					
Goods and services transferred at a point in time	\$ 1,850.7	\$ 1,783.8	\$ 2,186.4	\$ 186.5	\$ 6,007.4
Goods and services transferred over time <sup>(2)</sup>	183.7	190.3	292.3	79.1	745.4
	<u>\$ 2,034.4</u>	<u>\$ 1,974.1</u>	<u>\$ 2,478.7</u>	<u>\$ 265.6</u>	<u>\$ 6,752.8</u>

<sup>(1)</sup> “Corporate and other” is comprised of our other businesses, including AutoNation USA used vehicle stores, collision centers, parts distribution centers, auction operations, and RepairSmith, our mobile automotive repair and maintenance business.

<sup>(2)</sup> Represents revenue recognized during the period for automotive repair and maintenance services.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

***Transaction Price Allocated to Remaining Performance Obligations***

We sell a vehicle maintenance program (the AutoNation Vehicle Care Program or “VCP”) under which a customer purchases a specific number of maintenance services to be redeemed at an AutoNation location over a five-year term from the date of purchase. We satisfy our performance obligations related to this program and recognize revenue as the maintenance services are rendered, since the customer benefits when we have completed the maintenance service.

The following table includes estimated revenue expected to be recognized in the future related to VCP performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period:

	<b>Revenue Expected to Be Recognized by Period</b>			
	<b>Total</b>	<b>Next 12 Months</b>	<b>13 - 36 Months</b>	<b>37 - 60 Months</b>
Revenue expected to be recognized on VCP contracts sold as of period end	\$ 102.2	\$ 35.1	\$ 49.3	\$ 17.8

As a practical expedient, since automotive repair and maintenance services are performed within one year or less, we do not disclose estimated revenue expected to be recognized in the future for automotive repair and maintenance performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period or when we expect to recognize such revenue.

***Contract Assets and Liabilities***

When the timing of our provision of goods or services is different from the timing of payments made by our customers, we recognize either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). Contract assets primarily relate to our right to consideration for work in process not yet billed at the reporting date associated with automotive repair and maintenance services, as well as our estimate of variable consideration that has been included in the transaction price for certain finance and insurance products (retrospective commissions). These contract assets are reclassified to receivables when the right to consideration becomes unconditional. Contract liabilities primarily relate to upfront payments received from customers for the sale of VCP contracts.

Our receivables from contracts with customers are included in Receivables, net, our current contract asset is included in Other Current Assets, our long-term contract asset is included in Other Assets, our current contract liability is included in Other Current Liabilities, and our long-term contract liability is included in Other Liabilities in our Unaudited Condensed Consolidated Balance Sheets.

The following table provides the balances of our receivables from contracts with customers and our current and long-term contract assets and contract liabilities:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Receivables from contracts with customers, net	\$ 541.8	\$ 634.5
Contract Asset (Current)	\$ 21.0	\$ 27.7
Contract Asset (Long-Term)	\$ 4.4	\$ 8.6
Contract Liability (Current)	\$ 41.2	\$ 41.8
Contract Liability (Long-Term)	\$ 67.1	\$ 66.6

The change in the balances of our contract assets and contract liabilities primarily result from the timing differences between our performance and the customer’s payment, as well as changes in the estimated transaction price related to variable consideration for performance obligations satisfied in previous periods. The following table presents revenue recognized during

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

the period from amounts included in the contract liability balance at the beginning of the period and adjustments to revenue related to performance obligations satisfied in previous periods:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Amounts included in contract liability at the beginning of the period	\$ 9.4	\$ 9.0
Performance obligations satisfied in previous periods	\$ (2.3)	\$ 3.8

Other significant changes include contract assets reclassified to receivables of \$25.7 million for the three months ended March 31, 2023, and \$28.0 million for the three months ended March 31, 2022.

### 3. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period, including vested restricted stock unit ("RSU") awards. Diluted EPS is computed by dividing net income by the weighted average number of shares outstanding, noted above, adjusted for the dilutive effect of unvested RSU awards and stock options.

The following table presents the calculation of basic and diluted EPS:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net income from continuing operations	\$ 287.8	\$ 362.1
Income from discontinued operations, net of income taxes	0.9	—
Net income	\$ 288.7	\$ 362.1
Basic weighted average common shares outstanding	47.2	62.1
Dilutive effect of unvested RSUs and stock options	0.4	0.5
Diluted weighted average common shares outstanding	47.6	62.6
<b>Basic EPS amounts<sup>(1)</sup>:</b>		
Continuing operations	\$ 6.10	\$ 5.83
Discontinued operations	\$ 0.02	\$ —
Net income	\$ 6.12	\$ 5.83
<b>Diluted EPS amounts<sup>(1)</sup>:</b>		
Continuing operations	\$ 6.05	\$ 5.78
Discontinued operations	\$ 0.02	\$ —
Net income	\$ 6.07	\$ 5.78

<sup>(1)</sup> EPS amounts are calculated discretely and, therefore, may not add up to the total due to rounding.

A summary of anti-dilutive equity instruments excluded from the computation of diluted EPS is as follows:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Anti-dilutive equity instruments excluded from the computation of diluted EPS	0.1	0.1

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**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**4. RECEIVABLES, NET**

The components of receivables, net of allowances for expected credit losses, are as follows:

	March 31, 2023	December 31, 2022
Contracts-in-transit and vehicle receivables	\$ 334.7	\$ 441.1
Trade receivables	167.3	156.6
Manufacturer receivables	179.6	174.4
Income taxes receivable (see Note 9)	—	20.2
Other	62.8	68.2
	744.4	860.5
Less: allowances for expected credit losses	(1.7)	(1.7)
Receivables, net	\$ 742.7	\$ 858.8

Contracts-in-transit and vehicle receivables primarily represent receivables from financial institutions for the portion of the vehicle sales price financed by our customers. Trade receivables represent amounts due for parts and services sold, excluding amounts due from manufacturers, as well as receivables from finance organizations for commissions on the sale of finance and insurance products. Manufacturer receivables represent amounts due from manufacturers for holdbacks, rebates, incentives, floorplan assistance, and warranty claims. We evaluate our receivables for collectability based on past collection experience, current information, and reasonable and supportable forecasts.

**5. AUTO LOANS RECEIVABLE**

Auto loans receivable include amounts due from customers related to retail vehicle sales financed through our auto finance company (referred to as AutoNation Finance), as well as retail vehicle installment sales contracts acquired through third-party independent dealers. Auto loans receivable are presented net of an allowance for expected credit losses. Auto loans receivable represent a large group of smaller-balance homogeneous loans, which we consider to be part of one class of financing receivable and one portfolio segment for purposes of determining our allowance for expected credit losses.

Interest income and expenses related to auto loans represent AutoNation Finance income (loss), which is included as a component of Other (Income) Expense, Net (within Operating Income). Interest income on auto loans receivable is recognized when earned based on contractual loan terms. Direct costs associated with loan originations are capitalized and amortized using the effective interest method.

***Auto Loans Receivable, Net***

The components of auto loans receivable, net of unearned discounts and allowances for expected credit losses, at March 31, 2023, and December 31, 2022, are as follows:

	March 31, 2023	December 31, 2022
Total auto loans receivable	\$ 403.2	\$ 377.0
Accrued interest and fees	4.4	4.4
Deferred loan origination costs	0.7	0.5
Less: unearned discounts	(20.1)	(21.3)
Less: allowances for expected credit losses	(61.3)	(57.5)
Auto loans receivable, net	\$ 326.9	\$ 303.1

***Credit Quality***

We utilize proprietary credit scoring models to rate the risk of default for customers that apply for financing by evaluating customer credit history and certain credit application information. Our evaluation considers information such as payment history for prior or existing credit accounts, as well as application information such as income, collateral, and down payment.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The scoring models yield credit program tiers that represent the relative likelihood of repayment. Customers with the highest probability of repayment are “Platinum” customers. Customers assigned a lower credit tier are determined to have a lower probability of repayment. For loans that are approved, the assigned credit tier influences the terms of the agreement, such as the required loan-to-value ratio and interest rate. After origination, credit tier assignments by customer are generally not updated.

We monitor the credit quality of the auto loans receivable on an ongoing basis and also validate the accuracy of the credit scoring models periodically. Loan performance is reviewed on a recurring basis to identify whether the assigned credit tiers adequately reflect the customers’ likelihood of repayment, and if needed, adjustments are made to the scoring models on a prospective basis.

***Auto Loans Receivable by Major Credit Program***

The following table presents auto loans receivable as of March 31, 2023, disaggregated by major credit program tier:

	Fiscal Year of Origination <sup>(1)</sup>						Total
	2023	2022	2021	2020	2019	Prior to 2019	
Credit Program Tier:							
Platinum	\$ 13.0	\$ 19.9	\$ 11.6	\$ 5.4	\$ 6.2	\$ 1.6	\$ 57.7
Gold	18.1	49.1	26.4	11.1	8.8	2.6	116.1
Silver	22.7	54.9	26.2	8.8	6.4	1.4	120.4
Bronze	14.6	36.3	14.7	6.3	3.0	0.7	75.6
Copper	6.3	16.4	6.6	2.1	1.5	0.5	33.4
Total auto loans receivable	<u>\$ 74.7</u>	<u>\$ 176.6</u>	<u>\$ 85.5</u>	<u>\$ 33.7</u>	<u>\$ 25.9</u>	<u>\$ 6.8</u>	<u>\$ 403.2</u>
Current-period gross write-offs	\$ —	\$ 8.0	\$ 5.4	\$ 1.4	\$ 0.9	\$ 0.3	\$ 16.0

<sup>(1)</sup> Classified based on credit grade assigned when customer was initially approved for financing.

**Allowance for Credit Losses**

The allowance for credit losses represents the net credit losses expected over the remaining contractual life of our auto loans receivable. The allowance for credit losses is determined using a vintage-level statistical model that captures the relationship between historical changes in gross losses and the lifetime loss curves by month on book, credit tiers at origination, and seasonality, adjusted for expected recoveries based on historical recovery trends. The credit loss model also incorporates reasonable and supportable forecasts about the future utilizing a forecast of a macroeconomic variable, specifically, the change in U.S. disposable personal income, which we believe is most strongly correlated to evaluating and predicting expected credit losses of our auto loans receivable. We utilize a reasonable and supportable forecast period of one year, after which we immediately revert to historical experience.

We periodically consider whether the use of alternative variables would result in improved credit loss model accuracy and revise the model when appropriate. We also consider whether qualitative adjustments are necessary for factors that are not reflected in the quantitative methods but impact the measurement of estimated credit losses. Such adjustments include the expectations of the impact of recent economic trends on customer behavior.

The net loss estimate is calculated by applying the loss rates developed using the methods described above to the amortized cost basis of the auto loans receivable. The change in the allowance for credit losses is recognized through an adjustment to the provision for credit losses.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

**Rollforward of Allowance for Credit Losses**

The following is a rollforward of our allowance for expected credit losses for auto loans receivable for the three months ended March 31, 2023:

	<b>Three Months Ended</b>	
	<b>March 31, 2023</b>	
Balance as of beginning of year	\$	57.5
Provision for credit losses		12.8
Write-offs		(16.0)
Recoveries <sup>(1)</sup>		7.0
Balance as of March 31, 2023	\$	61.3

<sup>(1)</sup> Net of costs incurred to recover vehicle collateral.

**Past Due Auto Loans Receivable**

An account is considered delinquent if 95% of the required principal and interest payments have not been received as of the date such payments were due. All loans continue to accrue interest until repayment, write-off, or when a loan reaches 75 days past due. If payment is received after a loan has stopped accruing interest due to reaching 75 days past due, the loan will be deemed current and the accrual of interest resumes. When a write-off occurs, accrued interest is written off by reversing interest income. Payments received on nonaccrual assets are recorded using a combination of the cost recovery method and the cash basis method depending on whether the related loan has been written off. In general, accounts are written off on the last business day of the month during which the earliest of the following occurs: the receivable is 120 days or more delinquent as of the last business day of the month, the vehicle has been repossessed and liquidated, or the related vehicle has been in repossession inventory for at least 60 days. The following tables present past due auto loans receivable, as of March 31, 2023, and December 31, 2022:

	<b>Age Analysis of Past-Due Auto Loans</b>	
	<b>Receivable as of</b>	
	<b>March 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
31-60 Days	\$ 13.8	\$ 13.0
61-90 Days	4.0	4.1
Greater than 90 Days	2.2	2.6
Total Past Due	\$ 20.0	\$ 19.7
Current	383.2	357.3
Total	\$ 403.2	\$ 377.0

**6. INVENTORY AND VEHICLE FLOORPLAN PAYABLE**

The components of inventory are as follows:

	<b>March 31,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
New vehicles	\$ 1,248.3	\$ 1,009.7
Used vehicles	693.3	789.1
Parts, accessories, and other	254.6	249.5
Inventory	\$ 2,196.2	\$ 2,048.3

**AUTONATION, INC.**  
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The components of vehicle floorplan payable are as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Vehicle floorplan payable - trade	\$ 1,088.6	\$ 946.6
Vehicle floorplan payable - non-trade	1,097.1	1,162.7
Vehicle floorplan payable	<u>\$ 2,185.7</u>	<u>\$ 2,109.3</u>

Vehicle floorplan payable-trade reflects amounts borrowed to finance the purchase of specific new and, to a lesser extent, used vehicle inventories with the corresponding manufacturers' captive finance subsidiaries ("trade lenders"). Vehicle floorplan payable-non-trade represents amounts borrowed to finance the purchase of specific new and, to a lesser extent, used vehicle inventories with non-trade lenders, as well as amounts borrowed under our secured used vehicle floorplan facilities. Changes in vehicle floorplan payable-trade are reported as operating cash flows and changes in vehicle floorplan payable-non-trade are reported as financing cash flows in the accompanying Unaudited Condensed Consolidated Statements of Cash Flows.

Our inventory costs are generally reduced by manufacturer holdbacks, incentives, floorplan assistance, and non-reimbursement-based manufacturer advertising rebates, while the related vehicle floorplan payables are reflective of the gross cost of the vehicle. The vehicle floorplan payables, as shown in the above table, may also be higher than the inventory cost due to the timing of the sale of a vehicle and payment of the related liability.

Vehicle floorplan facilities are due on demand, but in the case of new vehicle inventories, are generally paid within several business days after the related vehicles are sold. Vehicle floorplan facilities are primarily collateralized by vehicle inventories and related receivables.

At March 31, 2023, our new vehicle floorplan facilities utilized LIBOR-based, Prime-based, and SOFR-based interest rates. Our new vehicle floorplan outstanding had a weighted-average interest rate of 6.5% at March 31, 2023, and 5.9% at December 31, 2022. As of March 31, 2023, the aggregate capacity under our new vehicle floorplan facilities to finance our new vehicle inventory was approximately \$4.6 billion, of which \$1.7 billion had been borrowed.

At March 31, 2023, our used vehicle floorplan facilities utilized LIBOR-based, Prime-based, and SOFR-based interest rates. Our used vehicle floorplan outstanding had a weighted-average interest rate of 6.5% at March 31, 2023, and 5.9% at December 31, 2022. As of March 31, 2023, the aggregate capacity under our used vehicle floorplan facilities with various lenders to finance a portion of our used vehicle inventory was \$683.6 million, of which \$443.7 million had been borrowed. The remaining borrowing capacity of \$239.9 million was limited to \$0.4 million based on the eligible used vehicle inventory that could have been pledged as collateral.

## 7. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and intangible assets, net, consist of the following:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Goodwill <sup>(1)</sup>	<u>\$ 1,450.2</u>	<u>\$ 1,320.1</u>
Franchise rights - indefinite-lived	\$ 821.0	\$ 816.2
Other intangibles	70.8	30.7
	<u>891.8</u>	<u>846.9</u>
Less: accumulated amortization	(11.5)	(9.9)
Other intangible assets, net	<u>\$ 880.3</u>	<u>\$ 837.0</u>

<sup>(1)</sup> The change in goodwill from the prior period is due to the acquisition of the mobile repair and maintenance business we acquired in January 2023. Such goodwill is reflected in our Mobile Service reporting unit.

See Note 13 of the Notes to Unaudited Condensed Consolidated Financial Statements for information about our annual impairment tests of goodwill and franchise rights.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. DEBT**

Non-vehicle long-term debt consisted of the following:

Debt Description	Maturity Date	Interest Payable	March 31, 2023	December 31, 2022
3.5% Senior Notes	November 15, 2024	May 15 and November 15	\$ 450.0	\$ 450.0
4.5% Senior Notes	October 1, 2025	April 1 and October 1	450.0	450.0
3.8% Senior Notes	November 15, 2027	May 15 and November 15	300.0	300.0
1.95% Senior Notes	August 1, 2028	February 1 and August 1	400.0	400.0
4.75% Senior Notes	June 1, 2030	June 1 and December 1	500.0	500.0
2.4% Senior Notes	August 1, 2031	February 1 and August 1	450.0	450.0
3.85% Senior Notes	March 1, 2032	March 1 and September 1	700.0	700.0
Revolving credit facility	March 26, 2025	Monthly	—	—
Finance leases and other debt	Various dates through 2041		372.4	375.5
			3,622.4	3,625.5
Less: unamortized debt discounts and debt issuance costs			(25.0)	(26.0)
Less: current maturities			(12.7)	(12.6)
Long-term debt, net of current maturities			\$ 3,584.7	\$ 3,586.9

**Senior Unsecured Notes and Credit Agreement**

The interest rates payable on our 3.5% Senior Notes, 4.5% Senior Notes, 3.8% Senior Notes, and 4.75% Senior Notes are subject to adjustment upon the occurrence of certain credit rating events as provided in the indentures for these senior unsecured notes.

Under our amended and restated credit agreement, we have a \$1.8 billion revolving credit facility that matures on March 26, 2025. The credit agreement also contains an accordion feature that allows us, subject to credit availability and certain other conditions, to increase the amount of the revolving credit facility, together with any added term loans, by up to \$500.0 million in the aggregate. As of March 31, 2023, we had no borrowings outstanding under our revolving credit facility. We have a \$200.0 million letter of credit sublimit as part of our revolving credit facility. The amount available to be borrowed under the revolving credit facility is reduced on a dollar-for-dollar basis by the cumulative amount of any outstanding letters of credit, which was \$0.7 million at March 31, 2023, leaving a borrowing capacity under the revolving credit facility of \$1.8 billion at March 31, 2023.

Our revolving credit facility under the amended credit agreement provides for a commitment fee on undrawn amounts ranging from 0.125% to 0.20% and interest on borrowings at SOFR plus a credit spread adjustment of 0.10% or the base rate, in each case plus an applicable margin. The applicable margin ranges from 1.125% to 1.50% for SOFR borrowings and 0.125% to 0.50% for base rate borrowings. The interest rate charged for our revolving credit facility is affected by our leverage ratio.

Within the meaning of Regulation S-X, Rule 3-10, AutoNation, Inc. (the parent company) has no independent assets or operations. If guarantees of our subsidiaries were to be issued under our existing registration statement, we expect that such guarantees would be full and unconditional and joint and several, and any subsidiaries other than the guarantor subsidiaries would be minor.

**Other Long-Term Debt**

At March 31, 2023, we had finance leases and other debt obligations of \$372.4 million, which are due at various dates through 2041.

**Commercial Paper**

We have a commercial paper program pursuant to which we may issue short-term, unsecured commercial paper notes on a private placement basis up to a maximum aggregate amount outstanding at any time of \$1.0 billion. The interest rate for the commercial paper notes varies based on duration and market conditions. The maturities of the commercial paper notes may vary, but may not exceed 397 days from the date of issuance. Proceeds from the issuance of commercial paper notes are used to



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repay borrowings under the revolving credit facility, to finance acquisitions, and for strategic initiatives, working capital, capital expenditures, share repurchases, and/or other general corporate purposes. We plan to use the revolving credit facility under our credit agreement as a liquidity backstop for borrowings under the commercial paper program. A downgrade in our credit ratings could negatively impact our ability to issue, or the interest rates for, commercial paper notes.

At March 31, 2023, we had \$285.0 million of commercial paper notes outstanding with a weighted-average annual interest rate of 5.55% and a weighted-average remaining term of 3 days. At December 31, 2022, we had \$50.0 million of commercial paper notes outstanding with a weighted-average annual interest rate of 4.30% and a weighted-average remaining term of 1 day.

**Non-Recourse Debt**

Non-recourse debt relates to auto loans receivable of our captive auto finance company funded through non-recourse funding facilities, including warehouse facilities and asset-backed term funding transactions.

We have two warehouse facility agreements with certain banking institutions through wholly-owned, bankruptcy-remote, special purpose entities, primarily to finance the purchase and origination of auto loans receivable. We fund auto loans receivable through these warehouse facilities, which are secured by the eligible auto loans receivable pledged as collateral.

Additionally, we have term securitizations that were put in place to provide long-term funding for certain auto loans receivable initially funded through the warehouse facilities. In these transactions, a pool of auto loans receivable is sold to a bankruptcy-remote, special purpose entity that, in turn, transfers the receivables to a special purpose securitization trust ("term securitization trust"). The term securitization trust issues asset-backed securities, secured or otherwise supported by the transferred receivables, and the proceeds from the sale of the asset-backed securities are used to finance the securitized receivables.

We are required to evaluate the term securitization trusts for consolidation. We retain the servicing rights for the auto loans receivable that were funded through the term securitizations. In our capacity as servicer of the underlying auto loans receivable, we have the power to direct the activities of the trusts that most significantly impact the economic performance of the trusts. In addition, we have the obligation to absorb losses (subject to limitations) and the rights to receive any returns of the trusts, which could be significant. Accordingly, we are the primary beneficiary of the trusts and are required to consolidate them.

We recognize transfers of auto loans receivable into the warehouse facilities and term securitizations (together, "non-recourse debt") as secured borrowings, which result in recording the auto loans receivable and the related non-recourse debt on our Unaudited Condensed Consolidated Balance Sheets. The non-recourse debt is structured to legally isolate the auto loans receivable, which can only be used as collateral to settle obligations of the related non-recourse debt. The term securitization trusts and investors and the creditors of the warehouse facilities have no recourse to our assets for payment of the debt beyond the related receivables, the amounts on deposit in reserve accounts, and the restricted cash from collections on auto loans receivable.

Non-recourse debt outstanding at March 31, 2023, and December 31, 2022, consisted of the following:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Warehouse facilities	\$ 162.3	\$ 181.8
Term securitization debt of consolidated VIEs	125.3	146.9
	287.6	328.7
Less: unamortized debt discounts and debt issuance costs	(4.2)	(5.1)
Less: current maturities	(12.0)	(10.7)
Non-recourse debt, net of current maturities	<u>\$ 271.4</u>	<u>\$ 312.9</u>

The timing of principal payments on the non-recourse debt is based on the timing of principal collections and defaults on the related auto loans receivable. The current portion of non-recourse debt represents the portion of the payments received from the auto loans receivable that are due to be distributed as principal payments on the non-recourse debt in the following period.

**AUTONATION, INC.**  
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One of the warehouse facilities matures on October 1, 2023, and the other matures on December 17, 2023. Aggregate commitments under the warehouse facilities total \$350.0 million.

The term securitization debt of consolidated VIEs consists of various notes with interest rates ranging from 0.69% to 4.85% and maturity dates ranging from August 2024 to May 2028. Term securitization debt is expected to become due and be paid prior to the final legal maturities based on amortization of the auto loans receivable pledged as collateral. The term securitization agreements require certain funds to be held in restricted cash accounts to provide additional collateral for the borrowings or to be applied to make payments on the securitization debt. Restricted cash of consolidated VIEs under the various term securitization agreements totaled \$15.5 million as of March 31, 2023, and \$14.9 million as of December 31, 2022, and is included in Other Current Assets and Other Assets in our Unaudited Condensed Consolidated Balance Sheets. Auto loans receivable pledged to the term securitization debt of consolidated VIEs totaled \$127.9 million as of March 31, 2023, and \$151.4 million as of December 31, 2022.

## 9. INCOME TAXES

Income taxes payable included in Other Current Liabilities totaled \$68.8 million at March 31, 2023, and income taxes receivable included in Receivables, net totaled \$20.2 million at December 31, 2022.

We file income tax returns in the U.S. federal jurisdiction and various states. As a matter of course, various taxing authorities, including the IRS, regularly audit us. These audits may culminate in proposed assessments which may ultimately result in our owing additional taxes. With few exceptions, we are no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2018. Currently, no tax years are under examination by the IRS, and tax years from 2019 to 2021 are under examination by U.S. state jurisdictions. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters.

It is our policy to account for interest and penalties associated with income tax obligations as a component of Income Tax Provision in the accompanying Unaudited Condensed Consolidated Statements of Income.

## 10. SHAREHOLDERS' EQUITY

A summary of shares repurchased under our stock repurchase program authorized by our Board of Directors follows:

	Three Months Ended March 31,	
	2023	2022
Shares repurchased	2.4	3.5
Aggregate purchase price <sup>(1)</sup>	\$ 305.0	\$ 380.9
Average purchase price per share	\$ 126.37	\$ 110.04

<sup>(1)</sup> Excludes excise tax accrual imposed under the Inflation Reduction Act of \$2.5 million for the three months ended March 31, 2023.

As of March 31, 2023, \$879.4 million remained available under our stock repurchase limit most recently authorized by our Board of Directors.

We have 5.0 million authorized shares of preferred stock, par value \$0.01 per share, none of which are issued or outstanding. The Board of Directors has the authority to issue the preferred stock in one or more series and to establish the rights, preferences, and dividends of such preferred stock.

A summary of shares of common stock issued in connection with the exercise of stock options follows:

	Three Months Ended March 31,	
	2023	2022
Shares issued (in actual number of shares)	27,135	22,396
Proceeds from the exercise of stock options	\$ 1.3	\$ 0.9
Average exercise price per share	\$ 47.57	\$ 38.21

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**(Continued)**

The following table presents a summary of shares of common stock issued in connection with the settlement of RSUs, as well as shares surrendered to AutoNation to satisfy tax withholding obligations in connection with the settlement of RSUs:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Shares issued	0.5	0.8
Shares surrendered to AutoNation to satisfy tax withholding obligations	0.2	0.3

## 11. ACQUISITIONS

During the three months ended March 31, 2023, we acquired RepairSmith, a mobile solution for automotive repair and maintenance, and we also purchased one store. Acquisitions are included in the Unaudited Condensed Consolidated Financial Statements from the date of acquisition. The purchase price allocations for these business combinations are preliminary and subject to final adjustments, primarily related to the valuation of working capital, deferred tax assets and liabilities, and residual goodwill. We did not purchase any stores during the three months ended March 31, 2022.

The acquisitions that occurred during the three months ended March 31, 2023, were not material to our financial condition or results of operations. Additionally, on a pro forma basis as if the results of these acquisitions had been included in our consolidated results for the entire three month periods ended March 31, 2023 and 2022, revenue and net income would not have been materially different from our reported revenue and net income for these periods.

## 12. CASH FLOW INFORMATION

### *Cash, Cash Equivalents, and Restricted Cash*

The total amounts presented on our statements of cash flows include cash, cash equivalents, and restricted cash. Restricted cash includes additional collateral for non-recourse debt borrowings and collections on auto loans receivable that are due to be distributed to non-recourse debt holders in the following period. The following table provides a reconciliation of cash and cash equivalents reported on our Unaudited Condensed Consolidated Balance Sheets to the total amounts reported on our Unaudited Condensed Consolidated Statements of Cash Flows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents	\$ 58.3	\$ 72.6
Restricted cash included in Other Current Assets	17.8	15.6
Restricted cash included in Other Assets	7.3	7.2
Total cash, cash equivalents, and restricted cash	<u>\$ 83.4</u>	<u>\$ 95.4</u>

### *Non-Cash Investing and Financing Activities*

We had accrued purchases of property and equipment of \$33.7 million at March 31, 2023, and \$20.1 million at March 31, 2022.

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Supplemental noncash information on adjustments to right-of-use assets, including right-of-use assets obtained in exchange for new:		
Operating lease liabilities	\$ 15.8	\$ 9.6
Finance lease liabilities	\$ 13.5	\$ 4.7

**AUTONATION, INC.**  
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**Interest and Income Taxes Paid**

We made interest payments, net of amounts capitalized and including interest on vehicle inventory financing, of \$58.1 million during the three months ended March 31, 2023, and \$18.4 million during the three months ended March 31, 2022. We made income tax payments, net of income tax refunds, of \$0.7 million during the three months ended March 31, 2023, and \$0.5 million during the three months ended March 31, 2022.

**13. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS**

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgment, and therefore cannot be determined with precision.

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

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity can access at the measurement date
Level 2	Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly
Level 3	Unobservable inputs

The following methods and assumptions were used by us in estimating fair value disclosures for financial instruments:

- *Cash and cash equivalents, receivables, other current assets, vehicle floorplan payable, accounts payable, other current liabilities, commercial paper, warehouse credit facilities, and variable rate debt:* The amounts reported in the accompanying Unaudited Condensed Consolidated Balance Sheets approximate fair value due to their short-term nature or the existence of variable interest rates that approximate prevailing market rates.
- *Auto loans receivable, net:* Auto loans receivable are presented net of an allowance for expected credit losses, which we believe approximates fair value.
- *Investments in Equity Securities:* Our equity investments with readily determinable fair values are measured at fair value using Level 1 inputs. The fair value of our equity investments with readily determinable fair values totaled \$14.3 million at March 31, 2023, and \$15.4 million at December 31, 2022.

Our equity investment that does not have a readily determinable fair value is measured using the measurement alternative as permitted by accounting standards and was recorded at cost, to be subsequently adjusted for observable price changes. The carrying amount of our equity investment without a readily determinable fair value was \$56.7 million at March 31, 2023, and \$56.7 million at December 31, 2022. This equity investment reflects a cumulative upward adjustment of \$3.4 million based on an observable price change. We did not record any upward adjustments during the three months ended March 31, 2023. Additionally, we have not recorded any impairments or downward adjustments to the carrying amount of this equity investment as of and for the three months ended March 31, 2023.

Investments in equity securities are reported in Other Current Assets and Other Assets in the accompanying Unaudited Condensed Consolidated Balance Sheets. Realized and unrealized gains and losses are reported in Other Income (Loss), Net (non-operating) in the Unaudited Condensed Consolidated Statements of Income and in the "Corporate and other" category of our segment information.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net losses recognized during the period on equity securities	\$ (1.1)	\$ (0.1)
Less: Net losses recognized during the period on equity securities sold during the period	—	—
Unrealized losses recognized during the reporting period on equity securities still held at the reporting date	\$ (1.1)	\$ (0.1)

- *Fixed rate long-term debt:* Our fixed rate long-term debt consists primarily of amounts outstanding under our senior unsecured notes. We estimate the fair value of our senior unsecured notes using quoted prices for the identical liability (Level 1). A summary of the aggregate carrying values and fair values of our senior unsecured notes is as follows:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Carrying value	\$ 3,225.0	\$ 3,224.0
Fair value	\$ 2,907.2	\$ 2,803.6

Nonfinancial assets such as goodwill, other intangible assets, and long-lived assets held and used, are measured at fair value when there is an indicator of impairment and recorded at fair value only when impairment is recognized or for a business combination. The fair values less costs to sell of long-lived assets or disposal groups held for sale are assessed each reporting period they remain classified as held for sale. Subsequent changes in the held for sale long-lived asset's or disposal group's fair value less cost to sell (increase or decrease) are reported as an adjustment to its carrying amount, except that the adjusted carrying amount cannot exceed the carrying amount of the long-lived asset or disposal group at the time it was initially classified as held for sale.

The following table presents assets measured and recorded at fair value on a nonrecurring basis during the three months ended March 31, 2023 and 2022:

<b>Description</b>	<b>2023</b>		<b>2022</b>	
	<b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b>	<b>Gain/(Loss)</b>	<b>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</b>	<b>Gain/(Loss)</b>
Long-lived assets held and used	\$ —	\$ (1.4)	\$ —	\$ (0.4)

***Long-Lived Assets and Right-of-Use Assets***

Fair value measurements for our long-lived assets and right-of-use assets are based on Level 3 inputs. Changes in fair value measurements are reviewed and assessed each quarter for properties classified as held for sale, or when an indicator of impairment exists for properties classified as held and used or for right-of-use assets. The valuation process is generally based on a combination of the market and replacement cost approaches. In certain cases, fair value measurements are based on pending agreements to sell the related assets.

In a market approach, we use transaction prices for comparable properties that have recently been sold. These transaction prices are adjusted for factors related to a specific property. We evaluate changes in local real estate markets, and/or recent market interest or negotiations related to a specific property. In a replacement cost approach, the cost to replace a specific long-lived asset is considered, which is adjusted for depreciation from physical deterioration, as well as functional and economic obsolescence, if present and measurable.

To validate the fair values determined under the valuation process noted above, we also obtain independent third-party appraisals for our properties and/or third-party brokers' opinions of value, which are generally developed using the same valuation approaches described above, and we evaluate any recent negotiations or discussions with third-party real estate brokers related to a specific long-lived asset or market.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The non-cash impairment charges related to right-of-use assets and long-lived assets held and used are included in Other (Income) Expense, Net in our Unaudited Condensed Consolidated Statements of Income and in the “Corporate and other” category of our segment information.

We had assets held for sale in continuing operations of \$5.7 million as of March 31, 2023, and \$5.7 million as of December 31, 2022, related to property held for sale. We had no assets held for sale in discontinued operations as of March 31, 2023, and \$1.1 million as of December 31, 2022, which was related to property held for sale. Assets held for sale are included in Other Current Assets in our Unaudited Condensed Consolidated Balance Sheets.

***Reposessed assets***

Reposessed assets consists of vehicles reposessed in the event of non-payment of the related auto loans receivable. Reposessed assets are recorded at their estimated fair values, based on Level 3 inputs, less estimated costs to sell. The fair value is determined based on comparable recent sales and adjusted for various factors, including the age of the vehicle and known changes in the market and in the collateral. We had reposessed assets of \$3.2 million as of March 31, 2023, and \$2.7 million as of December 31, 2022. Reposessed assets are included in Other Assets in our Consolidated Balance Sheets.

**14. COMMITMENTS AND CONTINGENCIES**

***Legal Proceedings***

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business, including litigation with customers, third-party dealers, wage and hour and other employment-related lawsuits, and actions brought by governmental authorities. Some of these lawsuits purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Our accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. We disclose the amount accrued if material or if such disclosure is necessary for our financial statements to not be misleading. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, we disclose the estimate of the possible loss or range of loss if it is material or a statement that such an estimate cannot be made. Our evaluation of whether a loss is reasonably possible or probable is based on our assessment and consultation with legal counsel regarding the ultimate outcome of the matter.

As of March 31, 2023 and 2022, we have accrued for the potential impact of loss contingencies that are probable and reasonably estimable, and there was no indication of a reasonable possibility that a material loss, or additional material loss, may have been incurred. We do not believe that the ultimate resolution of these matters will have a material adverse effect on our results of operations, financial condition, or cash flows. 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 results of operations, financial condition, or cash flows.

***Other Matters***

AutoNation, acting through its subsidiaries, is the lessee under many real estate leases that provide for the use by our subsidiaries of their respective store premises. Pursuant to these leases, our subsidiaries generally agree to indemnify the lessor and other related parties from certain liabilities arising as a result of the use of the leased premises, including environmental liabilities, or a breach of the lease by the lessee. Additionally, from time to time, we enter into agreements with third parties in connection with the sale of assets or businesses in which we agree to indemnify the purchaser or related parties from certain liabilities or costs arising in connection with the assets or business. Also, in the ordinary course of business in connection with purchases or sales of goods and services, we enter into agreements that may contain indemnification provisions. In the event that an indemnification claim is asserted, our liability would be limited by the terms of the applicable agreement.

From time to time, primarily in connection with dispositions of automotive stores, our subsidiaries assign or sublet to the store purchaser the subsidiaries' interests in any real property leases associated with such stores. In general, our subsidiaries retain responsibility for the performance of certain obligations under such leases to the extent that the assignee or sublessee does not perform, whether such performance is required prior to or following the assignment or subletting of the lease. Additionally, AutoNation and its subsidiaries generally remain subject to the terms of any guarantees made by us and our

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

subsidiaries in connection with such leases. We generally have indemnification rights against the assignee or sublessee in the event of non-performance under these leases, as well as certain defenses. We presently have no reason to believe that we or our subsidiaries will be called on to perform under any such remaining assigned leases or subleases. We estimate that lessee rental payment obligations during the remaining terms of these leases with expirations ranging from 2024 to 2034 are approximately \$6 million at March 31, 2023. There can be no assurance that any performance of AutoNation or its subsidiaries required under these leases would not have a material adverse effect on our business, financial condition, and cash flows.

At March 31, 2023, surety bonds, letters of credit, and cash deposits totaled \$111.2 million, of which \$0.7 million were letters of credit. In the ordinary course of business, we are required to post performance and surety bonds, letters of credit, and/or cash deposits as financial guarantees of our performance. We do not currently provide cash collateral for outstanding letters of credit.

In the ordinary course of business, we are subject to numerous laws and regulations, including automotive, environmental, health and safety, and other laws and regulations. We do not anticipate that the costs of compliance with such laws will have a material adverse effect on our business, results of operations, cash flows, or financial condition, although such outcome is possible given the nature of our operations and the extensive legal and regulatory framework applicable to our business. We do not have any material known environmental commitments or contingencies.

#### **15. BUSINESS AND CREDIT CONCENTRATIONS**

We own and operate franchised automotive stores in the United States pursuant to franchise agreements with vehicle manufacturers. During the three months ended March 31, 2023, approximately 63% of our total retail new vehicle unit sales was generated by our stores in Florida, Texas, and California. We are subject to a concentration of risk in the event of financial distress of or other adverse event related to a major vehicle manufacturer or related lender or supplier. The core brands of vehicles that we sell, representing approximately 89% of the new vehicles that we sold during the three months ended March 31, 2023, are manufactured by Toyota (including Lexus), Honda, Ford, BMW, General Motors, Mercedes-Benz, Stellantis, and Volkswagen (including Audi and Porsche). Our business could be materially adversely impacted by a bankruptcy of or other adverse event related to a major vehicle manufacturer or related lender or supplier.

We had receivables from manufacturers or distributors of \$179.6 million at March 31, 2023, and \$174.4 million at December 31, 2022. Additionally, a large portion of our contracts-in-transit included in Receivables, net, in the accompanying Unaudited Condensed Consolidated Balance Sheets, are due from automotive manufacturers' captive finance subsidiaries, which provide financing directly to our new and used vehicle customers. Concentrations of credit risk with respect to non-manufacturer trade receivables are limited due to the wide variety of customers and markets in which our products are sold as well as their dispersion across many different geographic areas in the United States. Consequently, at March 31, 2023, we do not consider AutoNation to have any significant non-manufacturer concentrations of credit risk.

#### **16. SEGMENT INFORMATION**

At March 31, 2023 and 2022, we had three reportable segments: (1) Domestic, (2) Import, and (3) Premium Luxury. Our Domestic segment is comprised of retail automotive franchises that sell new vehicles manufactured by Ford, General Motors, and Stellantis. Our Import segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Toyota, Honda, Hyundai, Subaru, and Nissan. Our Premium Luxury segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Mercedes-Benz, BMW, Lexus, Audi, and Jaguar Land Rover. The franchises in each segment also sell used vehicles, parts and automotive repair and maintenance services, and automotive finance and insurance products.

"Corporate and other" is comprised of our other businesses, including AutoNation USA used vehicle stores, collision centers, parts distribution centers, auction operations, and RepairSmith, our mobile automotive repair and maintenance business, all of which generate revenues but do not meet the quantitative thresholds for reportable segments, as well as the results of our auto finance company, unallocated corporate overhead expenses, and other income items.

The reportable segments identified above are the business activities of the Company for which discrete financial information is available and for which operating results are regularly reviewed by our chief operating decision maker to allocate resources and assess performance. Our chief operating decision maker is our Chief Executive Officer.

**AUTONATION, INC.**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Continued)**

The following table provides information on revenues from external customers and segment income of our reportable segments:

<b>Three Months Ended March 31, 2023</b>				
	<b>Domestic</b>		<b>Import</b>	<b>Premium Luxury</b>
Revenues from external customers	\$ 1,831.1	\$	1,789.3	\$ 2,484.9
Segment income <sup>(1)</sup>	\$ 118.5	\$	160.4	\$ 226.8

  

<b>Three Months Ended March 31, 2022</b>				
	<b>Domestic</b>		<b>Import</b>	<b>Premium Luxury</b>
Revenues from external customers	\$ 2,034.4	\$	1,974.1	\$ 2,478.7
Segment income <sup>(1)</sup>	\$ 149.4	\$	186.2	\$ 229.5

<sup>(1)</sup> Segment income represents income for each of our reportable segments and is defined as operating income less floorplan interest expense.

The following is a reconciliation of total segment income for reportable segments to our consolidated income from continuing operations before income taxes:

<b>Three Months Ended March 31,</b>			
	<b>2023</b>		<b>2022</b>
Total segment income for reportable segments	\$ 505.7	\$	565.1
Corporate and other	(89.5)		(51.3)
Other interest expense	(41.1)		(29.6)
Other income (loss), net	5.2		(6.4)
Income from continuing operations before income taxes	\$ 380.3	\$	477.8



## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and notes thereto included under Part I, Item 1 of this Quarterly Report on Form 10-Q. In addition, reference should be made to our audited Consolidated Financial Statements and notes thereto and related "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our most recent Annual Report on Form 10-K.

### Overview

AutoNation, Inc., through its subsidiaries, is one of the largest automotive retailers in the United States. As of March 31, 2023, we owned and operated 344 new vehicle franchises from 248 stores located in the United States, predominantly in major metropolitan markets in the Sunbelt region. Our stores, which we believe include some of the most recognizable and well known in our key markets, sell 33 different new vehicle brands. The core brands of new vehicles that we sell, representing approximately 89% of the new vehicles that we sold during the three months ended March 31, 2023, are manufactured by Toyota (including Lexus), Honda, Ford, BMW, General Motors, Mercedes-Benz, Stellantis, and Volkswagen (including Audi and Porsche). As of March 31, 2023, we also owned and operated 53 AutoNation-branded collision centers, 15 AutoNation USA used vehicle stores, 4 AutoNation-branded automotive auction operations, 3 parts distribution centers, an auto finance company, and a mobile automotive repair and maintenance business.

We offer a diversified range of automotive products and services, including new vehicles, used vehicles, "parts and service" (also referred to as "After-Sales"), which includes automotive repair and maintenance services as well as wholesale parts and collision businesses, and automotive "finance and insurance" products (also referred to as "Customer Financial Services"), which include vehicle service and other protection products, as well as the arranging of financing for vehicle purchases through third-party finance sources. We also offer indirect financing on certain vehicles we sell, as well as on installment contracts acquired by our captive finance company through third-party independent dealers. We believe that the significant scale of our operations and the quality of our managerial talent allow us to achieve efficiencies in our key markets by, among other things, leveraging the AutoNation retail brand and advertising, implementing standardized processes, and increasing productivity across all of our stores.

At March 31, 2023, we had three reportable segments: (1) Domestic, (2) Import, and (3) Premium Luxury. Our Domestic segment is comprised of retail automotive franchises that sell new vehicles manufactured by Ford, General Motors, and Stellantis. Our Import segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Toyota, Honda, Hyundai, Subaru, and Nissan. Our Premium Luxury segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Mercedes-Benz, BMW, Lexus, Audi, and Jaguar Land Rover. The franchises in each segment also sell used vehicles, parts and automotive repair and maintenance services, and automotive finance and insurance products.

For the three months ended March 31, 2023, new vehicle sales accounted for 46% of our total revenue and 22% of our total gross profit. Used vehicle sales accounted for 32% of our total revenue and 12% of our total gross profit. Our parts and service operations, while comprising 17% of our total revenue, contributed 40% of our total gross profit. Our finance and insurance sales, while comprising 5% of our total revenue, contributed 26% of our total gross profit.

### Market Conditions

In the first quarter of 2023, U.S. industry retail new vehicle unit sales increased 2% as compared to the first quarter of 2022, primarily as a result of increasing supply of new vehicle inventory. Although new vehicle inventory levels for certain manufacturers and models improved slightly during the first quarter of 2023, there continues to be a shortage of available new vehicles for sale as compared to historical inventory levels, particularly for certain models, driven largely by disruptions in the manufacturers' supply chains. The decline in new vehicle unit volume in recent periods has adversely impacted the availability of nearly new vehicle inventory, which has had an adverse impact on our used vehicle sales volume. Additionally, worsening economic conditions, including rising interest rates, could adversely impact consumer demand for vehicles.

### Results of Operations

During the three months ended March 31, 2023, we had net income of \$288.7 million and diluted earnings per share of \$6.07, as compared to net income of \$362.1 million and diluted earnings per share of \$5.78 during the same period in 2022.

Our total gross profit decreased 1.7% during the first quarter of 2023 compared to the first quarter of 2022, driven by decreases in new vehicle gross profit of 16.8% and finance and insurance gross profit of 8.7%, each as compared to the first quarter of 2022. New vehicle gross profit was adversely impacted by a decrease in gross profit per vehicle retailed ("PVR")

resulting from improving supply of new vehicle inventory. Finance and insurance gross profit was adversely impacted by a decrease in new and used vehicle unit volume. The decreases in gross profit were partially offset by increases in used vehicle gross profit of 13.0% and parts and service gross profit of 10.8%, each as compared to the first quarter of 2022. Used vehicle gross profit increased due to an increase in gross profit PVR, partially offset by a decrease in used vehicle unit volume. Used vehicle gross profit PVR benefited from a disciplined sourcing and pricing strategy as we focused on efficient internal sourcing of our used vehicle inventory and balancing gross profit PVR and unit volume. Parts and service results benefited primarily from increases in gross profit from customer-pay service and warranty service.

SG&A expenses increased largely due to acquisitions and newly opened stores and expenditures associated with investments in technology and strategic initiatives. Floorplan interest expense increased due to higher average interest rates and higher average floorplan balances. Other interest expense increased due to higher average interest rates and higher average debt balances.

### **Strategic Initiatives**

To better service the personal transportation needs of our customers, we continue to expand our footprint through dealership acquisitions and the expansion of our AutoNation USA stores. We also continue to invest in various strategic partnerships and initiatives to expand the scope and scale of our business, broaden our product offerings, expand our reach to customers, and continue to provide a peerless customer experience.

On January 26, 2023, we acquired RepairSmith, a mobile solution for automotive repair and maintenance. RepairSmith expands AutoNation's ability to penetrate the extensive After-Sales service market and conveniently responds to our customers' needs by broadening the reach of our existing After-Sales network.

### **Inventory Management**

Our new and used vehicle inventories are stated at the lower of cost or net realizable value in our consolidated balance sheets. We monitor our vehicle inventory levels based on current economic conditions and seasonal sales trends. Our new vehicle inventory units at March 31, 2023 and 2022, were 21,176 and 9,055, respectively. While our new vehicle inventory units have increased compared to the prior year, by historical standards, our inventory unit levels are significantly lower driven largely by disruptions in the manufacturers' supply chains. Inadequate levels of new vehicle availability could adversely affect our financial results.

We have typically not experienced significant losses on the sale of new vehicle inventory, in part due to incentives provided by manufacturers to promote sales of new vehicles and our inventory management practices. We monitor our new vehicle inventory values as compared to net realizable values, and had no new vehicle inventory write-downs at March 31, 2023, or at December 31, 2022.

We recondition the majority of used vehicles acquired for retail sale in our parts and service departments and capitalize the related costs to the used vehicle inventory. We monitor our used vehicle inventory values as compared to net realizable values. Typically, used vehicles that are not sold on a retail basis are sold at wholesale auctions. Our used vehicle inventory balance was net of cumulative write-downs of \$5.1 million at March 31, 2023, and \$7.4 million at December 31, 2022.

Parts, accessories, and other inventory are carried at the lower of cost or net realizable value. We estimate the amount of potentially damaged and/or excess and obsolete inventory based upon historical experience, manufacturer return policies, and industry trends. Our parts, accessories, and other inventory balance was net of cumulative write-downs of \$7.2 million at March 31, 2023, and \$7.4 million at December 31, 2022.

### **Critical Accounting Estimates**

We prepare our Unaudited Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles ("GAAP"), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates on an ongoing basis, and we base our estimates on historical experience and various other assumptions we believe to be reasonable. Actual outcomes could differ materially from those estimates in a manner that could have a material effect on our Unaudited Condensed Consolidated Financial Statements. For additional discussion of our critical accounting estimates, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K.

### ***Goodwill***

Goodwill for our reporting units is tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. We are scheduled to complete our annual goodwill impairment test as of April 30, 2023.

We may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. When assessing goodwill for impairment, our decision to perform a qualitative assessment for an individual reporting unit is influenced by a number of factors, including the carrying value of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments, macroeconomic conditions, automotive industry and market conditions, and our operating performance.

If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we calculate the estimated fair value of the reporting unit using an "income" valuation approach, which discounts projected free cash flows of the reporting unit at a computed weighted average cost of capital as the discount rate. The income valuation approach requires the use of significant estimates and assumptions, which include revenue growth rates and future operating margins used to calculate projected future cash flows, weighted average cost of capital, and future economic and market conditions. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization, including consideration of a control premium based upon our stock price and/or average stock price over a reasonable period as of the measurement date. We base our cash flow forecasts on our knowledge of the automotive industry, our recent performance, our expectations of our future performance, and other assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. We also make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

As of March 31, 2023, we have \$236.3 million of goodwill related to the Domestic reporting unit, \$518.7 million related to the Import reporting unit, \$482.1 million related to the Premium Luxury reporting unit, \$130.1 million related to the Mobile Service reporting unit, \$78.4 million related to the AutoNation Finance reporting unit, and \$4.6 million related to the Collision Centers reporting unit.

### ***Other Intangible Assets***

Our principal identifiable intangible assets are individual store rights under franchise agreements with vehicle manufacturers, which have indefinite lives and are tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that impairment may have occurred. We are scheduled to complete our annual impairment test of our franchise rights as of April 30, 2023.

We may first perform a qualitative assessment to determine whether it is more likely than not that a franchise right asset is impaired. The quantitative impairment test for franchise rights requires the comparison of the franchise rights' estimated fair value to carrying value by store. Fair values of rights under franchise agreements are estimated using unobservable (Level 3) inputs by discounting expected future cash flows of the store. The forecasted cash flows contain inherent uncertainties, including significant estimates and assumptions related to growth rates, margins, working capital requirements, capital expenditures, and cost of capital, for which we utilize certain market participant-based assumptions, using third-party industry projections, economic projections, and other marketplace data we believe to be reasonable.

## Reported Operating Data

Historical operating results include the results of acquired businesses from the date of acquisition.

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 2,931.9	\$ 2,807.2	\$ 124.7	4.4
Retail used vehicle	1,884.1	2,392.2	(508.1)	(21.2)
Wholesale	148.5	180.2	(31.7)	(17.6)
Used vehicle	2,032.6	2,572.4	(539.8)	(21.0)
Finance and insurance, net	332.4	363.9	(31.5)	(8.7)
Total variable operations <sup>(1)</sup>	5,296.9	5,743.5	(446.6)	(7.8)
Parts and service	1,089.8	1,003.9	85.9	8.6
Other	12.0	5.4	6.6	
Total revenue	\$ 6,398.7	\$ 6,752.8	\$ (354.1)	(5.2)
Gross profit:				
New vehicle	\$ 286.9	\$ 345.0	\$ (58.1)	(16.8)
Retail used vehicle	143.0	124.9	18.1	14.5
Wholesale	11.4	11.7	(0.3)	
Used vehicle	154.4	136.6	17.8	13.0
Finance and insurance	332.4	363.9	(31.5)	(8.7)
Total variable operations <sup>(1)</sup>	773.7	845.5	(71.8)	(8.5)
Parts and service	511.1	461.1	50.0	10.8
Other	1.6	2.3	(0.7)	
Total gross profit	1,286.4	1,308.9	(22.5)	(1.7)
Selling, general, and administrative expenses	782.7	741.4	(41.3)	(5.6)
Depreciation and amortization	52.8	50.0	(2.8)	
Other (income) expense, net	7.6	(1.5)	(9.1)	
Operating income	443.3	519.0	(75.7)	(14.6)
Non-operating income (expense) items:				
Floorplan interest expense	(27.1)	(5.2)	(21.9)	
Other interest expense	(41.1)	(29.6)	(11.5)	
Other income (loss), net	5.2	(6.4)	11.6	
Income from continuing operations before income taxes	\$ 380.3	\$ 477.8	\$ (97.5)	(20.4)
Retail vehicle unit sales:				
New vehicle	55,065	56,442	(1,377)	(2.4)
Used vehicle	67,539	79,763	(12,224)	(15.3)
	122,604	136,205	(13,601)	(10.0)
Revenue per vehicle retailed:				
New vehicle	\$ 53,244	\$ 49,736	\$ 3,508	7.1
Used vehicle	\$ 27,896	\$ 29,991	\$ (2,095)	(7.0)
Gross profit per vehicle retailed:				
New vehicle	\$ 5,210	\$ 6,112	\$ (902)	(14.8)
Used vehicle	\$ 2,117	\$ 1,566	\$ 551	35.2
Finance and insurance	\$ 2,711	\$ 2,672	\$ 39	1.5
Total variable operations <sup>(2)</sup>	\$ 6,218	\$ 6,122	\$ 96	1.6

<sup>(1)</sup> Total variable operations includes new vehicle, used vehicle (retail and wholesale), and finance and insurance results.

<sup>(2)</sup> Total variable operations gross profit per vehicle retailed is calculated by dividing the sum of new vehicle, retail used vehicle, and finance and insurance gross profit by total retail vehicle unit sales.

	Three Months Ended March 31,	
	2023 (%)	2022 (%)
Revenue mix percentages:		
New vehicle	45.8	41.6
Used vehicle	31.8	38.1
Parts and service	17.0	14.9
Finance and insurance, net	5.2	5.4
Other	0.2	—
Total	100.0	100.0
Gross profit mix percentages:		
New vehicle	22.3	26.4
Used vehicle	12.0	10.4
Parts and service	39.7	35.2
Finance and insurance	25.8	27.8
Other	0.2	0.2
Total	100.0	100.0
Operating items as a percentage of revenue:		
Gross profit:		
New vehicle	9.8	12.3
Used vehicle - retail	7.6	5.2
Parts and service	46.9	45.9
Total	20.1	19.4
Selling, general, and administrative expenses	12.2	11.0
Operating income	6.9	7.7
Other operating items as a percentage of total gross profit:		
Selling, general, and administrative expenses	60.8	56.6
Operating income	34.5	39.7
	March 31,	
	2023	2022
Inventory days supply:		
New vehicle (industry standard of selling days)	25 days	8 days
Used vehicle (trailing calendar month days)	29 days	30 days

### Same Store Operating Data

We have presented below our operating results on a same store basis to reflect our internal performance. The “Same Store” amounts presented below include the results of our stores for the identical months in each period presented in the comparison, commencing with the first full month in which the store was owned by us. Results from divested stores are excluded from both current and prior periods. Therefore, the amounts presented in the 2022 columns may differ from the same store amounts presented for 2022 in the prior year. We believe the presentation of this information provides a meaningful comparison of period-over-period results of our operations.

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Revenue:</b>				
New vehicle	\$ 2,909.8	\$ 2,792.1	\$ 117.7	4.2
Retail used vehicle	1,832.3	2,378.1	(545.8)	(23.0)
Wholesale	146.3	179.5	(33.2)	(18.5)
Used vehicle	1,978.6	2,557.6	(579.0)	(22.6)
Finance and insurance, net	326.4	362.5	(36.1)	(10.0)
Total variable operations <sup>(1)</sup>	5,214.8	5,712.2	(497.4)	(8.7)
Parts and service	1,072.9	997.4	75.5	7.6
Other	11.9	5.3	6.6	
Total revenue	\$ 6,299.6	\$ 6,714.9	\$ (415.3)	(6.2)
<b>Gross profit:</b>				
New vehicle	\$ 284.8	\$ 343.5	\$ (58.7)	(17.1)
Retail used vehicle	139.0	124.3	14.7	11.8
Wholesale	11.5	11.8	(0.3)	
Used vehicle	150.5	136.1	14.4	10.6
Finance and insurance	326.4	362.5	(36.1)	(10.0)
Total variable operations <sup>(1)</sup>	761.7	842.1	(80.4)	(9.5)
Parts and service	503.1	457.9	45.2	9.9
Other	1.3	2.2	(0.9)	
Total gross profit	\$ 1,266.1	\$ 1,302.2	\$ (36.1)	(2.8)
<b>Retail vehicle unit sales:</b>				
New vehicle	54,654	56,224	(1,570)	(2.8)
Used vehicle	65,474	79,375	(13,901)	(17.5)
	120,128	135,599	(15,471)	(11.4)
<b>Revenue per vehicle retailed:</b>				
New vehicle	\$ 53,240	\$ 49,660	\$ 3,580	7.2
Used vehicle	\$ 27,985	\$ 29,960	\$ (1,975)	(6.6)
<b>Gross profit per vehicle retailed:</b>				
New vehicle	\$ 5,211	\$ 6,109	\$ (898)	(14.7)
Used vehicle	\$ 2,123	\$ 1,566	\$ 557	35.6
Finance and insurance	\$ 2,717	\$ 2,673	\$ 44	1.6
Total variable operations <sup>(2)</sup>	\$ 6,245	\$ 6,123	\$ 122	2.0

<sup>(1)</sup> Total variable operations includes new vehicle, used vehicle (retail and wholesale), and finance and insurance results.

<sup>(2)</sup> Total variable operations gross profit per vehicle retailed is calculated by dividing the sum of new vehicle, retail used vehicle, and finance and insurance gross profit by total retail vehicle unit sales.

	Three Months Ended March 31,	
	2023 (%)	2022 (%)
Revenue mix percentages:		
New vehicle	46.2	41.6
Used vehicle	31.4	38.1
Parts and service	17.0	14.9
Finance and insurance, net	5.2	5.4
Other	0.2	—
Total	100.0	100.0
Gross profit mix percentages:		
New vehicle	22.5	26.4
Used vehicle	11.9	10.5
Parts and service	39.7	35.2
Finance and insurance	25.8	27.8
Other	0.1	0.1
Total	100.0	100.0
Operating items as a percentage of revenue:		
Gross profit:		
New vehicle	9.8	12.3
Used vehicle - retail	7.6	5.2
Parts and service	46.9	45.9
Total	20.1	19.4

## New Vehicle

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Reported:</b>				
Revenue	\$ 2,931.9	\$ 2,807.2	\$ 124.7	4.4
Gross profit	\$ 286.9	\$ 345.0	\$ (58.1)	(16.8)
Retail vehicle unit sales	55,065	56,442	(1,377)	(2.4)
Revenue per vehicle retailed	\$ 53,244	\$ 49,736	\$ 3,508	7.1
Gross profit per vehicle retailed	\$ 5,210	\$ 6,112	\$ (902)	(14.8)
Gross profit as a percentage of revenue	9.8%	12.3%		
Inventory days supply (industry standard of selling days)	25 days	8 days		
	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Same Store:</b>				
Revenue	\$ 2,909.8	\$ 2,792.1	\$ 117.7	4.2
Gross profit	\$ 284.8	\$ 343.5	\$ (58.7)	(17.1)
Retail vehicle unit sales	54,654	56,224	(1,570)	(2.8)
Revenue per vehicle retailed	\$ 53,240	\$ 49,660	\$ 3,580	7.2
Gross profit per vehicle retailed	\$ 5,211	\$ 6,109	\$ (898)	(14.7)
Gross profit as a percentage of revenue	9.8%	12.3%		

The following discussion of new vehicle results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of \$22.1 million and \$15.1 million in new vehicle revenue and \$2.1 million and \$1.5 million in new vehicle gross profit for the three months ended March 31, 2023 and 2022, respectively, is related to acquisition and divestiture activity.

### First Quarter 2023 compared to First Quarter 2022

Same store new vehicle revenue increased during the three months ended March 31, 2023, as compared to the same period in 2022, due to an increase in same store revenue PVR, partially offset by a decrease in same store unit volume in our Domestic and Import segments. Same store unit volume was adversely impacted by historically low inventory levels due to manufacturer supply shortages for certain vehicle models, particularly for Import manufacturers.

Same store revenue PVR increased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to increases in the manufacturers' suggested retail prices for Domestic and Premium Luxury vehicles and a shift in mix to Premium Luxury vehicles, which have relatively higher average selling prices.

Same store gross profit PVR decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to increasing supply of new vehicle inventory. The decrease in gross profit PVR was partially offset by a shift in mix to Premium Luxury vehicles, which have relatively higher average gross profit PVR.

### New Vehicle Inventory Carrying Benefit

The following table details net new vehicle inventory carrying benefit, consisting of new vehicle floorplan interest expense, net of floorplan assistance earned (amounts received from manufacturers specifically to support store financing of new vehicle inventory). Floorplan assistance is accounted for as a component of new vehicle gross profit in accordance with GAAP.

(\$ in millions)	Three Months Ended March 31,		
	2023	2022	Variance
Floorplan assistance	\$ 28.3	\$ 27.6	\$ 0.7
New vehicle floorplan interest expense	(24.4)	(3.7)	(20.7)
Net new vehicle inventory carrying benefit	\$ 3.9	\$ 23.9	\$ (20.0)



*First Quarter 2023 compared to First Quarter 2022*

The net new vehicle inventory carrying benefit decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to an increase in floorplan interest expense resulting from higher average interest rates and higher average floorplan balances. Floorplan interest rates are variable and, therefore, increase and decrease with changes in the underlying benchmark interest rates.

### Used Vehicle

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Reported:</b>				
Retail revenue	\$ 1,884.1	\$ 2,392.2	\$ (508.1)	(21.2)
Wholesale revenue	148.5	180.2	(31.7)	(17.6)
Total revenue	\$ 2,032.6	\$ 2,572.4	\$ (539.8)	(21.0)
Retail gross profit	\$ 143.0	\$ 124.9	\$ 18.1	14.5
Wholesale gross profit	11.4	11.7	(0.3)	
Total gross profit	\$ 154.4	\$ 136.6	\$ 17.8	13.0
Retail vehicle unit sales	67,539	79,763	(12,224)	(15.3)
Revenue per vehicle retailed	\$ 27,896	\$ 29,991	\$ (2,095)	(7.0)
Gross profit per vehicle retailed	\$ 2,117	\$ 1,566	\$ 551	35.2
Retail gross profit as a percentage of retail revenue	7.6%	5.2%		
Inventory days supply (trailing calendar month days)	29 days	30 days		
<b>Three Months Ended March 31,</b>				
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Same Store:</b>				
Retail revenue	\$ 1,832.3	\$ 2,378.1	\$ (545.8)	(23.0)
Wholesale revenue	146.3	179.5	(33.2)	(18.5)
Total revenue	\$ 1,978.6	\$ 2,557.6	\$ (579.0)	(22.6)
Retail gross profit	\$ 139.0	\$ 124.3	\$ 14.7	11.8
Wholesale gross profit	11.5	11.8	(0.3)	
Total gross profit	\$ 150.5	\$ 136.1	\$ 14.4	10.6
Retail vehicle unit sales	65,474	79,375	(13,901)	(17.5)
Revenue per vehicle retailed	\$ 27,985	\$ 29,960	\$ (1,975)	(6.6)
Gross profit per vehicle retailed	\$ 2,123	\$ 1,566	\$ 557	35.6
Retail gross profit as a percentage of retail revenue	7.6%	5.2%		

The following discussion of used vehicle results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of \$54.0 million and \$14.8 million in total used vehicle revenue and \$3.9 million and \$0.5 million in total used vehicle gross profit for the three months ended March 31, 2023 and 2022, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

#### First Quarter 2023 compared to First Quarter 2022

Same store retail used vehicle revenue decreased during the three months ended March 31, 2023, as compared to the same period in 2022, due to a decrease in same store unit volume and a decrease in same store revenue PVR. The decrease in same store unit volume, particularly for mid- to higher-priced used vehicles, is due in part to lower availability and levels of nearly new vehicle inventory.

Same store revenue PVR decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to a shift in mix towards lower-priced entry-level vehicles.

Same store gross profit PVR increased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to a disciplined sourcing and pricing strategy as we focused on efficient internal sourcing of our used vehicle inventory and balancing gross profit PVR and unit volume.

## Parts and Service

(\$ in millions)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Reported:</b>				
Revenue	\$ 1,089.8	\$ 1,003.9	\$ 85.9	8.6
Gross Profit	\$ 511.1	\$ 461.1	\$ 50.0	10.8
Gross profit as a percentage of revenue	46.9%	45.9%		
<b>Same Store:</b>				
Revenue	\$ 1,072.9	\$ 997.4	\$ 75.5	7.6
Gross Profit	\$ 503.1	\$ 457.9	\$ 45.2	9.9
Gross profit as a percentage of revenue	46.9%	45.9%		

Parts and service revenue is primarily derived from vehicle repairs paid directly by customers or via reimbursement from manufacturers and others under warranty programs, as well as from wholesale parts sales, collision services, and the preparation of vehicles for sale.

The following discussion of parts and service results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of \$16.9 million and \$6.5 million in parts and service revenue and \$8.0 million and \$3.2 million in parts and service gross profit for the three months ended March 31, 2023 and 2022, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

### *First Quarter 2023 compared to First Quarter 2022*

During the three months ended March 31, 2023, same store parts and service gross profit increased compared to the same period in 2022, primarily due to increases in gross profit associated with customer-pay service of \$27.2 million and warranty service of \$11.7 million. Gross profit associated with customer-pay service benefited from higher value repair orders. Warranty service gross profit benefited from higher value repair orders and improved margin performance largely due to improved parts and labor rates negotiated with certain manufacturers.

# Finance and Insurance

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Reported:</b>				
Revenue and gross profit	\$ 332.4	\$ 363.9	\$ (31.5)	(8.7)
Gross profit per vehicle retailed	\$ 2,711	\$ 2,672	\$ 39	1.5
<b>Same Store:</b>				
Revenue and gross profit	\$ 326.4	\$ 362.5	\$ (36.1)	(10.0)
Gross profit per vehicle retailed	\$ 2,717	\$ 2,673	\$ 44	1.6

Revenue on finance and insurance products represents commissions earned by us for the placement of: (i) loans and leases with financial institutions in connection with customer vehicle purchases financed, (ii) vehicle service contracts with third-party providers, and (iii) other vehicle protection products with third-party providers. We sell these products on a commission basis, and we also participate in the future underwriting profit on certain products pursuant to retrospective commission arrangements with the issuers of those products.

The following discussion of finance and insurance results is on a same store basis. The difference between reported amounts and same store amounts in finance and insurance revenue and gross profit in the above tables of \$6.0 million and \$1.4 million for the three months ended March 31, 2023 and 2022, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

## First Quarter 2023 compared to First Quarter 2022

Same store finance and insurance revenue and gross profit decreased during the three months ended March 31, 2023, as compared to the same period in 2022, due to a decrease in new and used vehicle unit volume, partially offset by an increase in finance and insurance gross profit PVR. The increase in finance and insurance gross profit PVR was primarily due to higher realized margins on vehicle protection products, partially offset by a decrease in gross profit per transaction associated with arranging customer financing and decreases in finance and product penetration.

## Segment Results

In the following table of financial data, revenue and segment income of our reportable segments are reconciled to consolidated revenue and consolidated operating income, respectively. The following discussions of segment results are on a reported basis.

(\$ in millions)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Revenue:</b>				
Domestic	\$ 1,831.1	\$ 2,034.4	\$ (203.3)	(10.0)
Import	1,789.3	1,974.1	(184.8)	(9.4)
Premium Luxury	2,484.9	2,478.7	6.2	0.3
Total	6,105.3	6,487.2	(381.9)	(5.9)
Corporate and other	293.4	265.6	27.8	10.5
Total consolidated revenue	\$ 6,398.7	\$ 6,752.8	\$ (354.1)	(5.2)
<b>Segment income<sup>(1)</sup>:</b>				
Domestic	\$ 118.5	\$ 149.4	\$ (30.9)	(20.7)
Import	160.4	186.2	(25.8)	(13.9)
Premium Luxury	226.8	229.5	(2.7)	(1.2)
Total	505.7	565.1	(59.4)	(10.5)
Corporate and other	(89.5)	(51.3)	(38.2)	
Floorplan interest expense	27.1	5.2	(21.9)	
Operating income	\$ 443.3	\$ 519.0	\$ (75.7)	(14.6)
<b>Retail new vehicle unit sales:</b>				
Domestic	15,849	16,365	(516)	(3.2)
Import	23,098	24,536	(1,438)	(5.9)
Premium Luxury	16,118	15,541	577	3.7
	55,065	56,442	(1,377)	(2.4)
<b>Retail used vehicle unit sales:</b>				
Domestic	21,203	26,596	(5,393)	(20.3)
Import	22,063	26,529	(4,466)	(16.8)
Premium Luxury	18,768	21,949	(3,181)	(14.5)
	62,034	75,074	(13,040)	(17.4)

<sup>(1)</sup> Segment income represents income for each of our reportable segments and is defined as operating income less floorplan interest expense.

### Domestic

The Domestic segment operating results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 828.0	\$ 822.5	\$ 5.5	0.7
Used vehicle	612.3	823.1	(210.8)	(25.6)
Parts and service	287.6	268.7	18.9	7.0
Finance and insurance, net	102.3	119.2	(16.9)	(14.2)
Other	0.9	0.9	—	
Total Revenue	<u>\$ 1,831.1</u>	<u>\$ 2,034.4</u>	<u>\$ (203.3)</u>	<u>(10.0)</u>
Segment income	\$ 118.5	\$ 149.4	\$ (30.9)	(20.7)
Retail new vehicle unit sales	15,849	16,365	(516)	(3.2)
Retail used vehicle unit sales	21,203	26,596	(5,393)	(20.3)

#### First Quarter 2023 compared to First Quarter 2022

Domestic revenue decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to decreases in used vehicle unit volume and used vehicle revenue PVR. The decrease in used vehicle unit volume is due in part to lower availability and levels of nearly new vehicle inventory. The decrease in used vehicle revenue PVR is primarily due to a shift in mix towards lower-priced entry-level vehicles.

Domestic segment income decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to decreases in new vehicle gross profit and finance and insurance gross profit. New vehicle gross profit was adversely impacted by increasing supply of new vehicle inventory. Finance and insurance gross profit was adversely impacted by the decrease in vehicle unit volume. Domestic segment income was also adversely impacted by an increase in floorplan interest expense. Decreases in segment income were partially offset by increases in parts and service gross profit associated with customer-pay service and warranty service and used vehicle gross profit due to improvements in used vehicle gross profit PVR as we focused on efficient internal sourcing of our used vehicle inventory and balancing gross profit PVR and unit volume.

### Import

The Import segment operating results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 856.4	\$ 881.6	\$ (25.2)	(2.9)
Used vehicle	542.1	707.6	(165.5)	(23.4)
Parts and service	268.4	255.5	12.9	5.0
Finance and insurance, net	112.4	126.4	(14.0)	(11.1)
Other	10.0	3.0	7.0	
Total Revenue	<u>\$ 1,789.3</u>	<u>\$ 1,974.1</u>	<u>\$ (184.8)</u>	(9.4)
Segment income	\$ 160.4	\$ 186.2	\$ (25.8)	(13.9)
Retail new vehicle unit sales	23,098	24,536	(1,438)	(5.9)
Retail used vehicle unit sales	22,063	26,529	(4,466)	(16.8)

#### First Quarter 2023 compared to First Quarter 2022

Import revenue decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to decreases in used vehicle unit volume and used vehicle revenue PVR. The decrease in used vehicle unit volume is due in part to lower availability and levels of nearly new vehicle inventory. The decrease in used vehicle revenue PVR is primarily due to a shift in mix towards lower-priced entry-level vehicles.

Import segment income decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to decreases in new vehicle gross profit and finance and insurance gross profit. New vehicle gross profit was adversely impacted by increasing supply of new vehicle inventory. Finance and insurance gross profit was adversely impacted by the decrease in vehicle unit volume. Import segment income was also adversely impacted by an increase in floorplan interest expense. Decreases in segment income were partially offset by increases in parts and service gross profit associated with customer-pay service and used vehicle gross profit due to improvements in used vehicle gross profit PVR as we focused on efficient internal sourcing of our used vehicle inventory and balancing gross profit PVR and unit volume.

### Premium Luxury

The Premium Luxury segment operating results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 1,247.5	\$ 1,103.1	\$ 144.4	13.1
Used vehicle	745.8	916.1	(170.3)	(18.6)
Parts and service	386.2	351.9	34.3	9.7
Finance and insurance, net	105.0	107.2	(2.2)	(2.1)
Other	0.4	0.4	—	
Total Revenue	<u>\$ 2,484.9</u>	<u>\$ 2,478.7</u>	<u>\$ 6.2</u>	<u>0.3</u>
Segment income	\$ 226.8	\$ 229.5	\$ (2.7)	(1.2)
Retail new vehicle unit sales	16,118	15,541	577	3.7
Retail used vehicle unit sales	18,768	21,949	(3,181)	(14.5)

#### First Quarter 2023 compared to First Quarter 2022

Premium Luxury revenue increased slightly during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to increases in new vehicle revenue PVR, new vehicle unit volume, and parts and service revenue associated with customer-pay service and warranty service. New vehicle revenue PVR benefited from increases in manufacturers' suggested retail prices, and new vehicle unit volume benefited from increasing supply of new vehicle inventory. These increases were largely offset primarily by a decrease in used vehicle unit volume due in part to lower availability and levels of nearly new vehicle inventory.

Premium Luxury segment income decreased slightly during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to a decrease in new vehicle gross profit and increases in floorplan interest expense and SG&A expenses, partially offset by increases in used vehicle gross profit and parts and service gross profit associated with customer-pay service and warranty service. New vehicle gross profit was adversely impacted by increasing supply of new vehicle inventory. Used vehicle gross profit benefited from improvements in used vehicle gross profit PVR as we focused on efficient internal sourcing of our used vehicle inventory and balancing gross profit PVR and unit volume.



### Corporate and other

Corporate and other results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
Used vehicle	\$ 132.4	\$ 125.6	\$ 6.8	5.4
Parts and service	147.6	127.8	19.8	15.5
Finance and insurance, net	12.7	11.1	1.6	14.4
Other	0.7	1.1	(0.4)	
Revenue	<u>\$ 293.4</u>	<u>\$ 265.6</u>	<u>\$ 27.8</u>	10.5
Income (loss)	<u>\$ (89.5)</u>	<u>\$ (51.3)</u>	<u>\$ (38.2)</u>	

“Corporate and other” is comprised of our other businesses, including AutoNation USA used vehicle stores, collision centers, parts distribution centers, auction operations, and RepairSmith, our mobile automotive repair and maintenance business, all of which generate revenues but do not meet the quantitative thresholds for reportable segments, as well as the results of our auto finance company, unallocated corporate overhead expenses, and other income items.

As of March 31, 2023, we had 53 AutoNation-branded collision centers, 15 AutoNation USA stores, 4 AutoNation-branded automotive auction operations, 3 parts distribution centers, a mobile automotive repair and maintenance business, and an auto finance company, referred to as AutoNation Finance.

#### AutoNation USA Stores

During the three months ended March 31, 2023, we opened two AutoNation USA used vehicle stores and currently have over 20 stores under development. These stores play an integral part of both our long-term growth plans and the achievement of scale, scope, and density in markets to better serve and meet the needs of customers. We are targeting to have over 130 stores throughout the country. A number of variables may impact the implementation of our expansion plans, including customer adoption, market conditions, availability of used vehicle inventory, availability and cost of building supplies and materials, and our ability to identify, acquire, and build out suitable locations in a timely manner.

#### RepairSmith

In the first quarter of 2023, we acquired RepairSmith, a mobile solution for automotive repair and maintenance services. Revenue and gross profit from this business are included within “parts and service.”

#### AutoNation Finance

AutoNation Finance, our captive auto finance company, provides financing to qualified retail customers on certain vehicles we sell, as well as on installment contracts acquired through third-party independent dealers. AutoNation Finance operating results include the interest and fee income generated by auto loans receivable less the interest expense associated with the debt issued to fund these receivables, a provision for estimated credit losses on the auto loans receivable originated or acquired, and direct expenses. AutoNation Finance results are included in Other (Income) Expense, Net in our Unaudited Condensed Consolidated Statements of Income. See Notes 5 and 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on auto loans receivable, the related allowance for credit losses, and the related debt of our auto finance company.

## Selling, General, and Administrative Expenses

Our Selling, General, and Administrative (“SG&A”) expenses consist primarily of compensation, including store and corporate salaries, commissions, and incentive-based compensation, as well as advertising (net of reimbursement-based manufacturer advertising rebates), and store and corporate overhead expenses, which include occupancy costs, outside service costs, information technology expenses, service loaner and rental inventory expenses, legal, accounting, and professional services, and general corporate expenses. The following table presents the major components of our SG&A expenses.

(\$ in millions)	Three Months Ended March 31,			
	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<b>Reported:</b>				
Compensation	\$ 522.3	\$ 515.8	\$ (6.5)	(1.3)
Advertising	50.7	39.9	(10.8)	(27.1)
Store and corporate overhead	209.7	185.7	(24.0)	(12.9)
Total	<u>\$ 782.7</u>	<u>\$ 741.4</u>	<u>\$ (41.3)</u>	(5.6)
<b>SG&amp;A as a % of total gross profit:</b>				
Compensation	40.6	39.4	(120)	bps
Advertising	3.9	3.0	(90)	bps
Store and corporate overhead	16.3	14.2	(210)	bps
Total	<u>60.8</u>	<u>56.6</u>	<u>(420)</u>	bps

### First Quarter 2023 compared to First Quarter 2022

SG&A expenses increased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to acquisitions and newly opened stores and expenditures associated with investments in technology and strategic initiatives, combined with modest inflationary pressures, partially offset by a decrease in performance-driven compensation expense. Additionally, gross advertising expenses increased \$12.3 million, partially offset by an increase in advertising reimbursements from manufacturers of \$1.5 million. As a percentage of total gross profit, SG&A expenses increased to 60.8% during the three months ended March 31, 2023, from 56.6% in the same period in 2022, primarily due to gross margin pressure and an increase in SG&A expenses related to newly acquired and opened stores and investments in technology and strategic initiatives.

## Other (Income) Expense, Net (Operating)

Other (Income) Expense, Net includes the gains or losses associated with business/property divestitures, legal settlements, and asset impairments, among other items, and for the first quarter of 2023, the results of our recently acquired auto finance company, including net interest margin, the provision for expected credit losses, and direct expenses. See “Segment Results - Corporate and other” above and Notes 5 and 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information about our auto finance company.

## Non-Operating Income (Expense)

### Floorplan Interest Expense

#### First Quarter 2023 compared to First Quarter 2022

Floorplan interest expense was \$27.1 million for the three months ended March 31, 2023, compared to \$5.2 million for the same period in 2022. The increase in floorplan interest expense of \$21.9 million was the result of higher average interest rates and higher average floorplan balances. Floorplan interest rates are variable and, therefore, increase and decrease with changes in the underlying benchmark interest rates.

### ***Interest Expense***

#### ***First Quarter 2023 compared to First Quarter 2022***

Other interest expense was \$41.1 million for the three months ended March 31, 2023, compared to \$29.6 million for the same period in 2022. The increase in interest expense of \$11.5 million was driven by higher average interest rates and higher average debt balances.

### ***Other Income (Loss), Net (included in Non-Operating Income)***

We recognized a net gain of \$4.7 million and a net loss of \$6.7 million for the three months ended March 31, 2023, and March 31, 2022, respectively, related to changes in the cash surrender value of corporate-owned life insurance ("COLI") for deferred compensation plan participants as a result of changes in market performance of the underlying investments. Gains and losses related to the COLI are substantially offset by corresponding increases and decreases, respectively, in the deferred compensation obligations, which are reflected in SG&A expenses.

During the first quarter of 2023, we recorded an unrealized loss of \$1.1 million related to the change in fair value of the underlying securities of our minority equity investments. During the period that we hold our minority equity investments, unrealized gains and losses will be recorded as the fair market values of securities with readily determinable fair values change over time, or as observable price changes are identified for securities without readily determinable fair values. See Note 13 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

### ***Income Tax Provision***

Income taxes are provided based upon our anticipated underlying annual blended federal and state income tax rates adjusted, as necessary, for any discrete tax matters occurring during the period. As we operate in various states, our effective tax rate is also dependent upon our geographic revenue mix.

Our effective income tax rate was 24.3% for the three months ended March 31, 2023, and 24.2% for the three months ended March 31, 2022.

### ***Discontinued Operations***

Discontinued operations are related to stores that were sold or terminated prior to January 1, 2014. Results from discontinued operations, net of income taxes, were primarily related to a gain on the sale of real estate in the first quarter of 2023 associated with a store that was closed prior to January 1, 2014, and other adjustments related to disposed operations.

### ***Liquidity and Capital Resources***

We manage our liquidity to ensure access to sufficient funding at acceptable costs to fund our ongoing operating requirements and future capital expenditures while continuing to meet our financial obligations. We believe that our cash and cash equivalents, funds generated through operations, and amounts available under our revolving credit facility, commercial paper program, and secured used vehicle floorplan facilities will be sufficient to fund our working capital requirements, service our debt, pay our tax obligations and commitments and contingencies, and meet any seasonal operating requirements for the foreseeable future. Depending on market conditions, we may from time to time issue debt, including in private or public offerings, to augment our liquidity, to reduce our cost of capital, or for general corporate purposes.

### Available Liquidity Resources

We had the following sources of liquidity available:

(In millions)	March 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 58.3	\$ 72.6
Revolving credit facility	\$ 1,799.3 <sup>(1)</sup>	\$ 1,799.6
Secured used vehicle floorplan facilities <sup>(2)</sup>	\$ 0.4	\$ 0.3

<sup>(1)</sup> At March 31, 2023, we had \$0.7 million of letters of credit outstanding. In addition, we use the revolving credit facility under our credit agreement as a liquidity backstop for borrowings under our commercial paper program. We had \$285.0 million of commercial paper notes outstanding at March 31, 2023. See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

<sup>(2)</sup> Based on the eligible used vehicle inventory that could have been pledged as collateral. See Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

In the ordinary course of business, we are required to post performance and surety bonds, letters of credit, and/or cash deposits as financial guarantees of our performance primarily relating to insurance matters. At March 31, 2023, surety bonds, letters of credit, and cash deposits totaled \$111.2 million, of which \$0.7 million were letters of credit. We do not currently provide cash collateral for outstanding letters of credit.

In February 2022, we filed an automatic shelf registration statement with the SEC that enables us to offer for sale, from time to time and as the capital markets permit, an unspecified amount of common stock, preferred stock, debt securities, warrants, subscription rights, depositary shares, stock purchase contracts, and units.

### Capital Allocation

Our capital allocation strategy is focused on growing long-term value per share. We invest capital in our business to maintain and upgrade our existing facilities and to build new facilities for existing franchises and new AutoNation USA used vehicle stores, as well as for other strategic and technology initiatives. We also deploy capital opportunistically to complete acquisitions or investments, build facilities for newly awarded franchises, and/or repurchase our common stock and/or debt. Our capital allocation decisions are based on factors such as the expected rate of return on our investment, the market price of our common stock versus our view of its intrinsic value, the market price of our debt, the potential impact on our capital structure, our ability to complete acquisitions that meet our market and vehicle brand criteria and/or return on investment threshold, and limitations set forth in our debt agreements.

### Share Repurchases

Our Board of Directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. A summary of shares repurchased under our stock repurchase program authorized by our Board of Directors follows:

(In millions, except per share data)	Three Months Ended March 31,	
	2023	2022
Shares repurchased	2.4	3.5
Aggregate purchase price <sup>(1)</sup>	\$ 305.0	\$ 380.9
Average purchase price per share	\$ 126.37	\$ 110.04

<sup>(1)</sup> Excludes excise tax accrual imposed under the Inflation Reduction Act of \$2.5 million for the three months ended March 31, 2023.

As of March 31, 2023, \$879.4 million remained available for share repurchases under the program.

The decision to repurchase shares at any given point in time is based on factors such as the market price of our common stock versus our view of its intrinsic value, the potential impact on our capital structure (including compliance with our maximum leverage ratio and other financial covenants in our debt agreements as well as our available liquidity), and the

expected return on competing uses of capital such as acquisitions or investments, capital investments in our current businesses, or repurchases of our debt.

### Capital Expenditures

The following table sets forth information regarding our capital expenditures:

(In millions)	Three Months Ended March 31,	
	2023	2022
Purchases of property and equipment, including operating lease buy-outs <sup>(1)</sup>	\$ 95.9	\$ 50.8

<sup>(1)</sup> Includes accrued construction in progress and excludes property associated with leases entered into during the year.

At March 31, 2023, we owned approximately 80% of our new vehicle franchise store locations with a net book value of \$2.4 billion, as well as other properties associated with our collision centers, AutoNation USA used vehicle stores, parts distribution centers, auction operations, and other excess properties with a net book value of \$712.3 million. None of these properties are mortgaged or encumbered.

We continue to expand our AutoNation USA used vehicle stores and are targeting to have over 130 stores. The planned expansion may be impacted by a number of variables, including customer adoption, market conditions, availability of used vehicle inventory, availability and cost of building supplies and materials, and our ability to identify, acquire, and build out suitable locations in a timely manner.

### Acquisitions and Divestitures

During the three months ended March 31, 2023, we acquired RepairSmith, a mobile solution for automotive repair and maintenance, and we also purchased one store. We did not purchase any stores during the three months ended March 31, 2022. We did not divest any stores during the three months ended March 31, 2023, or March 31, 2022.

(In millions)	Three Months Ended March 31,	
	2023	2022
Cash received from (used in) business acquisitions, net	\$ (191.0)	\$ —

### Debt

The following table sets forth our non-vehicle long-term debt, as of March 31, 2023, and December 31, 2022.

Debt Description	Maturity Date	Interest Payable	March 31, 2023	December 31, 2022
3.5% Senior Notes	November 15, 2024	May 15 and November 15	\$ 450.0	\$ 450.0
4.5% Senior Notes	October 1, 2025	April 1 and October 1	450.0	450.0
3.8% Senior Notes	November 15, 2027	May 15 and November 15	300.0	300.0
1.95% Senior Notes	August 1, 2028	February 1 and August 1	400.0	400.0
4.75% Senior Notes	June 1, 2030	June 1 and December 1	500.0	500.0
2.40% Senior Notes	August 1, 2031	February 1 and August 1	450.0	450.0
3.85% Senior Notes	March 1, 2032	March 1 and September 1	700.0	700.0
Revolving credit facility	March 26, 2025	Monthly	—	—
Finance leases and other debt	Various dates through 2041		372.4	375.5
			3,622.4	3,625.5
Less: unamortized debt discounts and debt issuance costs			(25.0)	(26.0)
Less: current maturities			(12.7)	(12.6)
Long-term debt, net of current maturities			\$ 3,584.7	\$ 3,586.9

We had commercial paper notes outstanding of \$285.0 million at March 31, 2023, and \$50.0 million at December 31, 2022. We also had non-recourse debt under our warehouse facilities of \$162.3 million at March 31, 2023, and \$181.8 million at

December 31, 2022, and non-recourse debt under term securitizations of consolidated variable interest entities (“VIEs”) of \$125.3 million at March 31, 2023, and \$146.9 million at December 31, 2022.

A downgrade in our credit ratings could negatively impact the interest rate payable on our 3.5% Senior Notes, 4.5% Senior Notes, 3.8% Senior Notes, and 4.75% Senior Notes and could negatively impact our ability to issue, or the interest rates for, commercial paper notes. Additionally, an increase in our leverage ratio could negatively impact the interest rates charged for borrowings under our revolving credit facility.

See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on our non-vehicle long-term debt, commercial paper, and non-recourse debt.

#### *Restrictions and Covenants*

Our credit agreement and the indentures for our senior unsecured notes contain customary financial and operating covenants that place restrictions on us, including our ability to incur additional indebtedness to create liens or other encumbrances, to sell (or otherwise dispose of) assets, and to merge or consolidate with other entities.

Under our credit agreement, we are required to remain in compliance with a maximum leverage ratio and maximum capitalization ratio. The leverage ratio is a contractually defined amount principally reflecting non-vehicle debt divided by a contractually defined measure of earnings with certain adjustments. The capitalization ratio is a contractually defined amount principally reflecting vehicle floorplan payable and non-vehicle debt divided by our total capitalization including vehicle floorplan payable. The specific terms of these covenants can be found in our credit agreement, which we filed with our Current Report on Form 8-K on March 26, 2020.

The indentures for our senior unsecured notes contain certain limited covenants, including limitations on liens and sale and leaseback transactions.

In addition, our failure to comply with the covenants contained in our credit agreement and the indentures for our senior unsecured notes could result in the acceleration of other indebtedness of AutoNation.

As of March 31, 2023, we were in compliance with the requirements of the financial covenants under our credit agreement and the indentures for our senior unsecured notes. Under the terms of our credit agreement, at March 31, 2023, our leverage ratio and capitalization ratio were as follows:

	<b>March 31, 2023</b>	
	<b>Requirement</b>	<b>Actual</b>
Leverage ratio	≤ 3.75x	1.82x
Capitalization ratio	≤ 70.0%	61.3%

#### *Vehicle Floorplan Payable*

The components of vehicle floorplan payable are as follows:

<b>(In millions)</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Vehicle floorplan payable - trade	\$ 1,088.6	\$ 946.6
Vehicle floorplan payable - non-trade	1,097.1	1,162.7
Vehicle floorplan payable	<u>\$ 2,185.7</u>	<u>\$ 2,109.3</u>

Vehicle floorplan facilities are due on demand, but in the case of new vehicle inventories, are generally paid within several business days after the related vehicles are sold. Vehicle floorplan facilities are primarily collateralized by vehicle inventories and related receivables.

Prior to October 2021, our vehicle floorplan facilities utilized LIBOR-based interest rates. In connection with global reference rate reform initiatives, particularly related to LIBOR, in October 2021, we began modifying our floorplan agreements to replace the reference rate from LIBOR to an alternative reference rate. The floorplan agreement modifications will be accounted for by prospectively adjusting the effective interest rate in accordance with accounting standards. We do not expect the change from LIBOR to an alternative reference rate to have a material impact on our annual floorplan interest expense. See Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on our vehicle floorplan payable.

## Cash Flows

The following table summarizes the changes in our cash provided by (used in) operating, investing, and financing activities:

(In millions)	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 510.0	\$ 643.2
Net cash used in investing activities	\$ (305.9)	\$ (59.0)
Net cash used in financing activities	\$ (216.1)	\$ (36.5)

### *Cash Flows from Operating Activities*

Our primary sources of operating cash flows result from the sale of vehicles and finance and insurance products, collections from customers for the sale of parts and services, and proceeds from vehicle floorplan payable-trade. Our primary uses of cash from operating activities are repayments of vehicle floorplan payable-trade, purchases of inventory, personnel-related expenditures, and payments related to taxes and leased properties.

Net cash provided by operating activities decreased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to a decrease in earnings and an increase in working capital requirements.

### *Cash Flows from Investing Activities*

Net cash flows from investing activities consist primarily of cash used in capital additions and activity from business acquisitions, business divestitures, property dispositions, originations and collections of auto loans receivable acquired through third party dealers, and other transactions.

We will make facility and infrastructure upgrades and improvements from time to time as we identify projects that are required to maintain our current business or that we expect to provide us with acceptable rates of return.

Net cash used in investing activities increased during the three months ended March 31, 2023, as compared to the same period in 2022, primarily due to an increase in cash used in acquisitions, net of cash acquired, and purchases of property and equipment.

### *Cash Flows from Financing Activities*

Net cash flows from financing activities primarily include repurchases of common stock, debt activity, and changes in vehicle floorplan payable-non-trade.

During the three months ended March 31, 2023, we repurchased 2.4 million shares of common stock for an aggregate purchase price of \$305.0 million (average purchase price per share of \$126.37), excluding the 1% excise tax imposed under the Inflation Reduction Act. During the three months ended March 31, 2022, we repurchased 3.5 million shares of common stock for an aggregate purchase price of \$380.9 million (average purchase price per share of \$110.04), including repurchases for which settlement occurred subsequent to March 31, 2022.

Cash flows from financing activities include changes in commercial paper notes outstanding totaling net proceeds of \$235.0 million during the three months ended March 31, 2023, and net payments of \$340.0 million during the three months ended March 31, 2022, and vehicle floorplan payable-non-trade totaling net repayments of \$67.3 million and \$15.1 million during the three months ended March 31, 2023 and 2022, respectively.

During the three months ended March 31, 2022, we issued \$700.0 million aggregate principal amount of 3.85% Senior Notes due 2032.

## Forward-Looking Statements

Our business, financial condition, results of operations, cash flows, and prospects, and the prevailing market price and performance of our common stock may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Quarterly Report on Form 10-Q, including, without limitation, statements regarding our strategic acquisitions, initiatives, partnerships, or investments, including the planned expansion of our AutoNation USA used vehicle stores and our investments in digital and online capabilities and mobility solutions; our

expectations for the future performance of our business and the automotive retail industry; as well as other written or oral statements made from time to time by us or by our authorized executive officers on our behalf that describe our objectives, goals, or plans constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact, including statements that describe our objectives, plans or goals are, or may be deemed to be, forward-looking statements. Words such as “anticipate,” “expect,” “intend,” “goal,” “target,” “project,” “plan,” “believe,” “continue,” “may,” “will,” “could,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Our forward-looking statements reflect our current expectations concerning future results and events, and they involve known and unknown risks, uncertainties and other factors that are difficult to predict and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these statements. These forward-looking statements speak only as of the date of this report, and we undertake no obligation to revise or update these statements to reflect subsequent events or circumstances. The risks, uncertainties, and other factors that our stockholders and prospective investors should consider include, but are not limited to, the following:

- The automotive retail industry is sensitive to changing economic conditions and various other factors, including, but not limited to, unemployment levels, consumer confidence, fuel prices, interest rates, and tariffs. Our business and results of operations are substantially dependent on new and used vehicle sales levels in the United States and in our particular geographic markets, as well as the gross profit margins that we can achieve on our sales of vehicles, all of which are very difficult to predict.
- The COVID-19 pandemic disrupted, and may continue to disrupt, our business, results of operations, and financial condition going forward. Future epidemics, pandemics, and other outbreaks could also disrupt our business, results of operations, and financial condition.
- Our new vehicle sales are impacted by the incentive, marketing, and other programs of vehicle manufacturers.
- We are dependent upon the success and continued financial viability of the vehicle manufacturers and distributors with which we hold franchises.
- We are subject to restrictions imposed by, and significant influence from, vehicle manufacturers that may adversely impact our business, financial condition, results of operations, cash flows, and prospects, including our ability to acquire additional stores.
- We are investing significantly in various strategic initiatives, including the planned expansion of our AutoNation USA stores, and if they are not successful, we will have incurred significant expenses without the benefit of improved financial results.
- If we are not able to maintain and enhance our retail brands and reputation or to attract consumers to our own digital channels, or if events occur that damage our retail brands, reputation, or sales channels, our business and financial results may be harmed.
- We are subject to various risks associated with originating and servicing auto finance loans through indirect lending to customers, any of which could have an adverse effect on our business.
- 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.
- We are subject to numerous legal and administrative proceedings, which, if the outcomes are adverse to us, could materially adversely affect our business, results of operations, financial condition, cash flows, and prospects.
- 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, operating results, and prospects could suffer.
- A failure of our information systems or any security breach or unauthorized disclosure of confidential information could have a material adverse effect on our business.
- Our debt agreements contain certain financial ratios and other restrictions on our ability to conduct our business, and our substantial indebtedness could adversely affect our financial condition and operations and prevent us from fulfilling our debt service obligations.
- We are subject to interest rate risk in connection with our vehicle floorplan payables, revolving credit facility, commercial paper program, and warehouse facilities that could have a material adverse effect on our profitability.



- Goodwill and other intangible assets comprise a significant portion of our total assets. We must test our goodwill and other intangible assets for impairment at least annually, which could result in a material, non-cash write-down of goodwill or franchise rights and could have a material adverse impact on our results of operations and shareholders' equity.
- Our minority equity investments with readily determinable fair values are required to be measured at fair value each reporting period, which could adversely impact our results of operations and financial condition. The carrying value of our minority equity investment that does not have a readily determinable fair value is required to be adjusted for observable price changes or impairments, both of which could adversely impact our results of operations and financial condition.
- Our largest stockholders, as a result of their ownership stakes in us, may have the ability to exert substantial influence over actions to be taken or approved by our stockholders. In addition, future share repurchases and fluctuations in the levels of ownership of our largest stockholders could impact the volume of trading, liquidity, and market price of our common stock.
- Natural disasters and adverse weather events, including the effects of climate change, can disrupt our business.

Please refer to our most recent Annual Report on Form 10-K for additional discussion of the foregoing risks. These forward-looking statements speak only as of the date of this report, and we undertake no obligation to update any forward-looking statements to reflect subsequent events or circumstances.

#### **Additional Information**

Investors and others should note that we announce material financial information using our company website ([www.autonation.com](http://www.autonation.com)), our investor relations website ([investors.autonation.com](http://investors.autonation.com)), SEC filings, press releases, public conference calls, and webcasts. Information about AutoNation, its business, and its results of operations may also be announced by posts on AutoNation's Twitter feed, [www.twitter.com/autonation](https://www.twitter.com/autonation).

The information that we post on our websites and social media channels could be deemed to be material information. As a result, we encourage investors, the media, and others interested in AutoNation to review the information that we post on those websites and social media channels. Our social media channels may be updated from time to time on our investor relations website. The information on or accessible through our websites and social media channels is not incorporated by reference in this Quarterly Report on Form 10-Q.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

#### **Interest Rate Risk**

We have market risk exposure on various instruments that are based on variable interest rates. Interest rate derivatives may be used to hedge a portion of our variable rate debt, when appropriate, based on market conditions.

We had \$2.2 billion of variable rate vehicle floorplan payable at March 31, 2023, and \$2.1 billion at December 31, 2022. Based on these amounts, a 100 basis point change in interest rates would result in an approximate change to our annual floorplan interest expense of \$21.9 million at March 31, 2023, and \$21.1 million at December 31, 2022. Our exposure to changes in interest rates with respect to total vehicle floorplan payable is partially mitigated by manufacturers' floorplan assistance, which in some cases is based on variable interest rates.

We had \$285.0 million of commercial paper notes outstanding at March 31, 2023, and \$50.0 million at December 31, 2022. Based on the amount outstanding, a 100 basis point change in interest rates would result in an approximate change to our annual interest expense of \$2.9 million at March 31, 2023, and \$0.5 million at December 31, 2022.

Our fixed rate senior unsecured notes totaled \$3.2 billion and had a fair value of \$2.9 billion as of March 31, 2023, and totaled \$3.2 billion and had a fair value of \$2.8 billion as of December 31, 2022.

As of March 31, 2023, all auto loans receivable outstanding were fixed-rate installment contracts. Financing for these receivables was achieved through both variable- and fixed-rate non-recourse debt. Non-recourse debt includes warehouse facilities and asset-backed term securitizations. Borrowings under the warehouse facilities are variable-rate debt and are secured by the related auto loans receivable. Certain auto loans receivable were funded through term securitizations, which issued notes payable that accrue interest at fixed rates, and are also secured by the related auto loans receivable.

## **Equity Price Risk**

We are subject to equity price risk with respect to minority equity investments. Certain of our equity investments have readily determinable fair values. During the period that we hold these equity investments, unrealized gains and losses will be recorded as the fair market value of the securities change over time. The fair value of these equity investments was \$14.3 million at March 31, 2023. A hypothetical 10% change in the equity prices of these securities with readily determinable fair values would result in an approximate change to gain or loss of \$1.4 million. We also have a minority equity investment without a readily determinable fair value. This equity investment is measured using a measurement alternative as permitted by accounting standards and was initially recorded at cost, to be subsequently adjusted for observable price changes. During the period that we hold this investment, unrealized gains and losses may be recorded if we identify observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The carrying amount of our equity investment without a readily determinable fair value was \$56.7 million at March 31, 2023. A hypothetical 10% observable price change for this equity investment would result in an approximate change to gain or loss of \$5.7 million. The selected 10% hypothetical change in equity prices is not intended to reflect a best or worst case scenario, as equity price changes could be smaller or larger due to the nature of equity markets.

## **ITEM 4. CONTROLS AND PROCEDURES**

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1A. RISK FACTORS

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, which could materially affect our business, financial condition, or future results.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth information with respect to shares of common stock repurchased by AutoNation, Inc. during the three months ended March 31, 2023.

Period	Total Number of Shares Purchased <sup>(1)</sup>	Avg. Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Plans or Programs (in millions) <sup>(1)</sup>
January 1, 2023 - January 31, 2023	835,555	\$ 111.56	835,555	\$ 1,091.2
February 1, 2023 - February 28, 2023	—	\$ —	—	\$ 1,091.2
March 1, 2023 - March 31, 2023	1,577,918	\$ 134.22	1,577,918	\$ 879.4
Total	2,413,473		2,413,473	

<sup>(1)</sup> Our Board of Directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. As of March 31, 2023, \$879.4 million remained available under our stock repurchase limit. Our stock repurchase program does not have an expiration date.

### ITEM 6. EXHIBITS

Exhibit No.	Description
10.1	<a href="#">Second Amendment, dated as of March 2, 2023, to the Third Amended and Restated Credit Agreement, dated as of March 26, 2020, by and among AutoNation, Inc., each lender party thereto, and JPMorgan Chase Bank, N.A., as administrative agent for the lenders.</a>
10.2	<a href="#">Form of AutoNation, Inc. Stock Unit Award Agreement for grants in 2023.</a>
31.1	<a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act.</a>
31.2	<a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act.</a>
32.1	<a href="#">Certification of Chief Executive Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350.</a>
32.2	<a href="#">Certification of Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350.</a>
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	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

**SIGNATURE**

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

AUTONATION, INC.

Date: April 20, 2023

By: /s/ Kimberly R. Dees  
Kimberly R. Dees  
Senior Vice President and Chief Accounting Officer  
(Duly Authorized Officer and  
Principal Accounting Officer)

## SECOND AMENDMENT

SECOND AMENDMENT, dated as of March 2, 2023 (this “Second Amendment”), to the Third Amended and Restated Credit Agreement, dated as of March 26, 2020 (as amended by the First Amendment, dated as of September 29, 2022, and as may be further amended, supplemented or otherwise modified from time to time, the “Credit Agreement”; and as amended, supplemented or otherwise modified prior to the date hereof, the “Existing Credit Agreement”), by and among AutoNation, Inc., a Delaware corporation (the “Borrower”), each lender party thereto (including in their capacity as Issuing Banks, if applicable, the “Lenders”) and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders (in such capacity, the “Administrative Agent”), among the Borrower, the Administrative Agent and the Lenders party hereto that represent all of the Lenders under the Existing Credit Agreement.

The Existing Credit Agreement, as amended by this Second Amendment, is referred to in this Second Amendment as the “Amended Credit Agreement”.

### WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Existing Credit Agreement;

WHEREAS, pursuant to Section 11.6 of the Existing Credit Agreement, the Borrower has requested certain amendments to the Existing Credit Agreement as set forth herein; and

WHEREAS, each Lender that executes this Second Amendment is willing to agree to such amendments, subject to the terms and conditions set forth herein;

NOW THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Defined Terms. Terms defined in the Existing Credit Agreement and used herein (including, without limitation, in the recitals hereto) shall have the meanings given to them in the Existing Credit Agreement unless otherwise defined herein.

2. Amendments to the Existing Credit Agreement. Effective as of the Second Amendment Effective Date (as defined below), Section 9.1 of the Existing Credit Agreement is hereby amended by deleting the body of paragraph (e) thereof and replacing it with the following:

“(e) if a default shall occur, which is not cured or waived, (i) in the payment of any principal, interest, premium or other amounts with respect to any Indebtedness (other than the Loans or any Vehicle Receivables Indebtedness) of the Borrower or of any Subsidiary (other than any Eligible Special Purpose Entity) in an outstanding aggregate amount not less than \$100,000,000, or (ii) in the performance, observance or fulfillment of any term or covenant (other than any term or covenant in any way restricting the Borrower’s or any such Subsidiary’s right or ability to sell, pledge or otherwise dispose of Margin Capital Stock) contained in any agreement or instrument under or pursuant to which any such Indebtedness described in clause (i) above may have been issued, created, assumed, guaranteed or secured by the Borrower or any Subsidiary (other than any Eligible Special Purpose Entity), and in the case of each of clauses (i) and (ii) such default shall continue for more than the period of grace, if any, therein specified,

and if such default shall permit the holder of any such Indebtedness to accelerate the maturity thereof; or”

3. Conditions to Effectiveness of this Amendment. This Second Amendment shall become effective (the date of such effectiveness, the “Second Amendment Effective Date”) on the date on which the following conditions precedent are satisfied:

(a) Execution of Counterparts. (i) This Second Amendment shall have been executed and delivered by a duly authorized officer of each of the Borrower and the Administrative Agent and (ii) the Administrative Agent shall have received an executed counterpart hereof (or a copy thereof by facsimile transmission) from Lenders constituting the Required Lenders.

(b) Representations and Warranties. All representations and warranties made by the Borrower (other than in Section 6.1(e)(ii) of the Existing Credit Agreement) in each of the Loan Documents (including, for the avoidance of doubt, this Second Amendment) shall be true and correct in all material respects on and as of the Second Amendment Effective Date as if made on and as of such date, except to the extent that such representations and warranties expressly relate to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects as of such earlier date) and except that the financial statements referred to in Section 6.1(e)(i) of the Existing Credit Agreement shall be deemed to be those financial statements most recently delivered to the Administrative Agent and the Lenders pursuant to Section 7.1 of the Existing Credit Agreement.

(c) No Default. No Default or Event of Default shall have occurred and be continuing after giving effect to this Second Amendment.

(d) Fees and Expenses. All expenses required to be paid by the Borrower under Section 11.5 of the Credit Agreement on or prior to the Second Amendment Effective Date in connection with this Second Amendment shall have been paid; provided that any legal fees and expenses incurred in connection with the negotiation, execution, preparation and delivery of this Second Amendment, an invoice in respect of which is not provided to the Borrower at least 2 Business Days prior to the date of this Second Amendment, shall not be reimbursed by the Borrower unless an invoice with respect thereto shall be provided to the Borrower within 30 days after the date of this Second Amendment. All fees required to be paid by the Borrower on or prior to the Second Amendment Effective Date in connection with this Second Amendment shall have been paid.

4. Representation and Warranties. To induce the Administrative Agent and the Lenders to enter into this Second Amendment, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

(a) The execution, delivery, and performance by the Borrower of this Second Amendment is within its corporate powers, has been duly authorized by all necessary corporate action, and do not violate any provision of applicable law or any material agreement, indenture, or other instrument to which the Borrower is a party or by which the properties or assets of the Borrower is bound or the Organizational Documents or Operating Documents of the Borrower or give cause for acceleration of any of its Indebtedness, except to the extent that such violation or acceleration would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) All material authorizations and approvals by, notices to and filings with all Governmental Authorities required for the due execution, delivery and performance of this Second Amendment have been obtained or made and are in full force and effect, except to the

extent that the failure to obtain or make, or to have in full force and effect, such authorizations, approvals, notices and filings would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

(c) This Second Amendment is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting the enforceability of creditors' rights generally or equitable principles which may limit the availability of equitable remedies (whether in a proceeding at law or in equity).

5. Effect. Except as expressly amended hereby, all of the representations, warranties, terms, covenants and conditions of the Loan Documents shall remain unamended and not waived and shall continue to be in full force and effect. On and after the Second Amendment Effective Date, any reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and any reference to the Credit Agreement in any other Loan Document, shall mean and be a reference to the Amended Credit Agreement. The execution, delivery and effectiveness of this Second Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Administrative Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

6. Counterparts; Electronic Execution. The provisions of Section 11.7 of the Existing Credit Agreement are hereby incorporated by reference and shall apply to this Second Amendment, *mutatis mutandis*.

7. Severability. Any provision of this Second Amendment which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

8. Integration. This Second Amendment shall constitute a Loan Document. This Second Amendment and the other Loan Documents represent the agreement among the parties with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

9. Governing Law, Waivers of Jury Trial, Submission to Jurisdiction. The provisions of Section 11.14 of the Existing Credit Agreement captioned "Governing Law; Waiver of Jury Trial" are hereby incorporated by reference as if fully set forth herein, *mutatis mutandis*.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

AUTONATION, INC.

By /s/ V. Mathew Giunta  
Name: V. Mathew Giunta  
Title: Vice President, BOS

[SIGNATURE PAGE TO SECOND AMENDMENT]

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JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent and as a Lender

By: /s/ Jonathan Bennett  
Name: Jonathan Bennett  
Title: Executive Director

[SIGNATURE PAGE TO SECOND AMENDMENT]

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Bank of America, N.A., as a Lender

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

[SIGNATURE PAGE TO SECOND AMENDMENT]

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Truist Bank, as a Lender

By: /s/ John P. Wofford  
Name: John P. Wofford  
Title: Authorized Officer

[SIGNATURE PAGE TO SECOND AMENDMENT]

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Wells Fargo Bank, National Association, as a Lender

By: /s/ Ryan Kunzler  
Name: Ryan Kunzler  
Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT]

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TOYOTA MOTOR CREDIT CORPORATION, as a Lender

By: /s/ David Boskey  
Name: David Boskey  
Title: National Accounts Manager

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Mercedes-Benz Financial Services USA LLC, as a Lender

By: /s/ Farrah Vaughn-Dixon  
Name: Farrah Vaughn-Dixon  
Title: Regional Dealer Credit Manager – National Accounts

[SIGNATURE PAGE TO SECOND AMENDMENT]

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MIZUHO BANK, LTD., as a Lender

By: /s/ Donna DeMagistris  
Name: Donna DeMagistris  
Title: Executive Director

[SIGNATURE PAGE TO SECOND AMENDMENT]

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US Bank National Association, as a Lender

By: /s/ Brett M. Justman  
Name: Brett M. Justman  
Title: Vice President

[SIGNATURE PAGE TO SECOND AMENDMENT]

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PNC Bank National Association, as a Lender

By: /s/ James Cullen  
Name: James Cullen  
Title: Senior Vice President

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Citizens Bank, N.A., as a Lender

By: /s/ Dora Yagudayeva  
Name: Dora Yagudayeva  
Title: Vice President

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BMW Financial Services NA, LLC, as a Lender

By: /s/ Emily Adams  
Name: Emily Adams  
Title: Credit Manager

By: /s/ Michael Ferguson  
Name: Michael Ferguson  
Title: General Manager, Credit

[SIGNATURE PAGE TO SECOND AMENDMENT]

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American Honda Finance Corporation, as a Lender

By: /s/ Melissa Olmos  
Name: Melissa Olmos  
Title: DFS Assistant Manager

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TD Bank N.A., as a Lender

By: /s/ Edward A. Palek, Jr.  
Name: Edward A. Palek, Jr.  
Title: VP, Market Credit Manager

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Ally Bank, as a Lender

By: /s/ Richard Taylor  
Name: Richard Taylor  
Title: Authorized Representative

Ally Bank, as Lender:

By: /s/ Richard Taylor  
Name: Richard Taylor  
Title: Authorized Representative

[SIGNATURE PAGE TO SECOND AMENDMENT]

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Santander Bank, N.A., as a Lender

By: /s/ Scott Bernstein  
Name: Scott Bernstein  
Title: SVP

[SIGNATURE PAGE TO SECOND AMENDMENT]

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Nissan Motor Acceptance Company LLC, as a Lender

By: /s/ Todd Voorhies

Name: Todd Voorhies

Title: Sr. Manager, Dealer Credit

[SIGNATURE PAGE TO SECOND AMENDMENT]



FORM OF AUTONATION, INC.  
STOCK UNIT AWARDS AGREEMENT

THIS STOCK UNIT AWARDS AGREEMENT (this “Agreement”) is entered into as of \_\_\_\_\_, \_\_\_\_ (the “Date of Grant”), by and between the Company and \_\_\_\_\_ (the “Participant”) who accepts the Awards of the Restricted Stock Units (the “RSUs”) and the three-year performance-based Restricted Stock Units (the “PSUs”) made hereby, and agrees to be bound by this Agreement.

RECITALS

- A. The Company has established the AutoNation, Inc. 2017 Employee Equity and Incentive Plan (the “Plan”) in order to provide valued employees of the Company incentives to create and maintain long-term stockholder value; and
- B. The Compensation Committee of the Board of Directors of the Company has approved the grant to the Participant of RSUs and PSUs on the terms and conditions set forth in this Agreement.

TERMS OF AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. Definitions and Schedules. All capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan. In addition, terms in respect of these Awards that are not addressed in this Agreement shall be set forth on one or more Schedules attached hereto.
2. Award of RSUs and PSUs Pursuant to Plan. Subject to the terms and conditions, including the restrictions and risk of forfeiture, set forth herein and in the Plan, the Participant is hereby granted under the Plan, as of the Date of Grant, an Award of RSUs and two (2) grants of PSUs, the number of each of which is set forth for the Participant on the BOL System under the Grant Information tab (for the Date of Grant) and on the applicable Schedule attached hereto.
3. Number of Shares. The Company will establish a bookkeeping account to reflect the number of shares of Stock that are subject to each of the Participant’s Awards. The Participant shall not be deemed to be the holder of, or to have any of the rights of a stockholder with respect to, any shares of Stock subject to each of the Participant’s Awards unless and until the shares have been delivered in accordance with Section 7 of this Agreement.
4. Vesting.
  - (a) *RSUs Grant 1* – Except as otherwise provided in Section 5 of this Agreement or in the Plan, the RSUs shall become vested on the applicable vesting date set forth on Schedule 1, subject to the Participant’s continued employment with the Company, its Subsidiaries or its Affiliates, through such vesting date.
  - (b) *PSUs.* Except as otherwise provided in Section 5 of this Agreement or in the Plan:
    - (i) *Grant 2* – the PSUs in respect of this Grant 2 shall be earned based on the achievement of the Performance Goal set forth on Schedule 2 attached hereto and become vested on the date that the Board certifies the level at which such Performance Goal has been achieved, subject to the Participant’s continued employment with the Company, its Subsidiaries or its Affiliates through the end of the Performance Period set forth on such Schedule. If the Performance Goal set forth on Schedule 2 is not achieved, the PSUs in respect of this Grant 2 shall be immediately forfeited.
    - (ii) *Grant 3* – the PSUs in respect of this Grant 3 shall be earned based on the achievement of the Performance Goal set forth on Schedule 3 attached hereto and become vested on the

date the Board certifies the level at which such Performance Goal has been achieved, subject to the Participant's continued employment with the Company, its Subsidiaries or its Affiliates through the end of the Performance Period set forth on such Schedule. If the Performance Goal set forth on Schedule 3 is not achieved, the PSUs in respect of this Grant 3 shall be immediately forfeited.

- (c) Without limiting the generality of the foregoing, the Board may exercise negative discretion in respect of the final determination of each Award as set forth on each Schedule to the extent the Board determines such adjustment to be equitable in good faith.

5. Termination of Employment. Except as set forth in this Section 5 or as may otherwise be provided in a written employment agreement with the Participant (if applicable), upon the Participant's termination of employment for any reason, any RSUs or PSUs that have not been earned or that have not become vested, in each case in accordance with the applicable Schedule, shall be immediately forfeited. Notwithstanding the foregoing, the following provisions shall apply to the Awards:

- (a) Termination of Employment for Cause. Upon the termination of the Participant's employment for Cause by the Company, its Subsidiaries or its Affiliates, this Agreement shall terminate and all rights of the Participant with respect to all RSUs or PSUs that have not been settled shall immediately terminate. The RSUs and PSUs shall be forfeited without payment of any consideration, and neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such RSUs or PSUs.
- (b) Qualifying Termination of Employment.
  - (i) [Termination of Employment without Cause or Resignation for Good Reason. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof without Cause, or upon the Participant's resignation from the Company, its Subsidiaries or its Affiliates thereof for Good Reason, and provided that the Participant executes a reasonable and mutually acceptable severance agreement with the Company that includes a release of the Company, a covenant not to compete for one-year and non-solicitation, confidentiality and non-disparagement covenants for five years (the "Separation Agreement"), the Participant shall immediately vest in full in the RSUs and in a pro-rated portion of the PSUs, subject to the achievement of the Performance Goal as set forth on the applicable Schedule and the immediately following sentence. The pro-rated portion of the PSUs shall continue to vest only if the Participant fully complies with any non-compete, non-solicitation, confidentiality, non-disparagement and other restrictive covenants set forth in the Separation Agreement. The Board shall determine whether the Participant has complied with such restrictive covenants. Any portion of the PSUs that do not vest in accordance with the foregoing shall automatically be forfeited. For purposes of the foregoing, the pro-rated portion of the PSUs shall equal the number of full months in the Performance Period during which the Participant was employed by the Company, its Subsidiaries or its Affiliates divided by thirty-six (36). For purposes of this subsection, a resignation for Good Reason shall be defined as a resignation within a reasonable period of time following a material decrease in compensation, a material change in duties or responsibilities and/or a relocation of the Participant's place of employment of more than 50 miles, which reason has not been cured within 10 days of notice by the Participant to the Company.]<sup>1</sup>
  - (ii) Death – RSUs and PSUs. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof on account of death, the Participant shall immediately vest in full in the RSUs and shall continue to vest in the PSUs (as if the

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<sup>1</sup> For awards made to Gianluca Camplone.

Participant's employment had not been terminated), subject to the achievement of the Performance Goals as set forth on the applicable Schedule and the immediately following sentence. Any portion of the PSUs that does not vest in accordance with the foregoing shall automatically be forfeited.

- (iii) Disability and Retirement – RSUs and PSUs. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof (i) due to Disability or (ii) by the Participant due to Retirement, the Participant shall continue to vest (as if the Participant's employment had not been terminated) in the RSUs and the PSUs, subject to the achievement of the Performance Goals as set forth on the applicable Schedule and the immediately following sentence. The RSUs and the PSUs shall continue to vest only if the Participant fully complies with any non-compete, non-disparagement, confidentiality and other restrictive covenants set forth in any agreement entered into between the Participant and the Company or its Subsidiaries or its Affiliates from time to time (including, but not limited to any Restrictive Covenants and Confidentiality Agreement entered into between the Participant and the Company) determined, notwithstanding the time periods set forth therein, as if all such restrictive covenants applied at all times while the Awards are outstanding. The Board shall determine whether the Participant has complied with such restrictive covenants. Any portion of the RSUs or PSUs that does not vest in accordance with the foregoing shall automatically be forfeited.

6. Dividend Equivalents. On each date on which a dividend is paid with respect to shares of Stock, dividend equivalents shall be credited hereunder in respect of the shares subject to the Awards. Such dividend equivalents shall be credited as a number of additional RSUs or PSUs equal to (i) the aggregate amount or value of the dividends paid with respect to that number of shares equal to the number of shares subject to such Award on the record date of such dividend, divided by (ii) the Fair Market Value per share on the payment date for such dividend. Such additional RSUs or PSUs shall be subject to all the terms and conditions of this Agreement and shall vest at the same time that the related Award vests, and the shares subject to such additional RSUs or PSUs shall be distributed only upon the distribution of the underlying shares with respect to which the dividend equivalents were granted.

7. Payment.

- (a) RSU Payment. The Company shall deliver to the Participant either, in its sole and absolute discretion (a) a number of shares of Stock equal to the number of vested shares subject to the RSU Award, including dividend equivalents credited with respect to such shares, or (b) an amount of cash equal to the Fair Market Value of such shares on the date of the distribution, in either case, on or as soon as administratively practical following the date of vesting of the applicable portion of the total RSUs pursuant to the terms hereof (and in all events within thirty (30) days of the vesting date).
- (b) PSU Payment. The Company shall deliver to the Participant either, in its sole and absolute discretion (a) a number of shares of Stock equal to the number of shares of Stock earned and vested with respect to each applicable PSU Award, including dividend equivalents credited with respect to such shares, or (b) an amount of cash equal to the Fair Market Value of such shares on the date of the distribution, in either case, on or as soon as administratively practical following expiration of the applicable Performance Period (and in all events within seventy-five (75) days thereof).

8. Participant Bound by Terms of Plan. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms, conditions and provisions thereof.

9. Withholding. The Company is authorized to withhold from these Awards, any payment relating to the Award, including from a distribution of Stock, or any other payment to the Participant, amounts of withholding and other taxes due in connection with any transaction involving the Award, and to take such other action as the Company may deem advisable to enable the Company and the Participant to satisfy obligations for the payment of

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withholding taxes and other tax obligations relating to these Awards. This authority shall include the authority to withhold or receive Stock or other property in an amount that will not cause adverse accounting consequences for the Company and is permitted under applicable withholding rules promulgated by the Internal Revenue Service or another governmental entity and to make cash payments in respect thereof in satisfaction of the Participant's tax obligations.

10. Governing Law. This Agreement shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

11. Severability. The invalidity or enforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Notices. All notices, requests, demands, claims and other communications by the Participant with respect to this Award shall be in writing and shall be deemed given if delivered by certified or registered mail (first class postage prepaid), guaranteed overnight delivery or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage prepaid) or guaranteed overnight delivery, to the following address (or to such other addresses or telecopy numbers which the Company shall designate in writing to the Participant from time to time):

AutoNation, Inc.  
200 SW 1st Avenue, Suite 1400  
Fort Lauderdale, Florida 33301  
Attention: Human Resources  
Telecopy: (954) 769-xxxx

*with a copy to:*

AutoNation, Inc.  
200 SW 1st Avenue, Suite 1600  
Fort Lauderdale, Florida 33301  
Attention: General Counsel  
Telecopy: (954) 769-xxxx

13. Binding Effect. This Agreement shall not constitute a binding obligation of the Company or the Participant unless it is accepted by the Participant on the BOL System by the Acceptance Deadline. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company and to the Participant's heirs, legatees, distributees and personal representatives. No handmarked or interlineated modifications shall constitute a part of this Agreement.

14. Conflict with Terms of the Plan. These Awards are subject to the terms of the Plan, which provisions are hereby incorporated herein as if fully set forth herein. In the event that any provision of this Agreement conflicts with any provision of the Plan and cannot reasonably be interpreted to be a clarification of such provision of the Plan or an exercise of the authority granted to the Plan's administrator pursuant to the Plan, the provision of the Plan shall govern and be controlling.

15. 409A. This Agreement is intended to be exempt from, or to the extent subject thereto, comply with, the requirements of Section 409A of the Code, and shall in all respects be administered and interpreted in accordance with such intent. Notwithstanding anything to the contrary in this Agreement, to the extent necessary to avoid the imposition of any individual penalty tax and late interest charges imposed under Section 409A of the Code, such payment shall instead be made on the first business day after the date that is six (6) months following such separation from service (or upon the Participant's death, if earlier).

16. Integration. This Agreement supersedes all prior agreements and understandings between the Participant and the Company, its Subsidiaries and its Affiliates relating to the grant of these Awards, whether oral or otherwise; provided, however, that this Agreement shall not supersede any agreement (including any employment

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agreement) with the Company, its Subsidiaries and its Affiliates or policy of the Company, its Subsidiaries and its Affiliates relating to confidentiality, no-solicitation, no-hire, non-competition, non-disparagement or recoupment of compensation, including but not limited to the Restrictive Covenants and Confidentiality Agreement previously entered into between the Company and the Participant; provided, further, that this Agreement shall not supersede any written employment agreement with the Participant relating to the treatment of this Award upon the Participant's termination of employment, if applicable.

[Signature page follows]

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

By:

By: AUTONATION, INC.

Name:

Title:

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Schedule 1  
Grant 1 — RSUs

Award:

Vesting:

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Schedule 2  
Grant 2 — PSUs

Award:

Vesting:

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Schedule 3  
Grant 3 — PSUs

Award:

Vesting:

**CERTIFICATION**

I, Mike Manley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoNation, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mike Manley

Mike Manley

*Chief Executive Officer and Director*

Date: April 20, 2023

**CERTIFICATION**

I, Joseph T. Lower, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoNation, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph T. Lower

Joseph T. Lower

*Executive Vice President and Chief Financial Officer*

Date: April 20, 2023

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

In connection with the Quarterly Report on Form 10-Q of AutoNation, Inc. (the “Company”) for the quarter ended March 31, 2023, as filed with the U.S. Securities and Exchange Commission (the “Report”), I, Mike Manley, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Mike Manley

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Mike Manley

*Chief Executive Officer and Director*

Date: April 20, 2023

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

In connection with the Quarterly Report on Form 10-Q of AutoNation, Inc. (the “Company”) for the quarter ended March 31, 2023, as filed with the U.S. Securities and Exchange Commission (the “Report”), I, Joseph T. Lower, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph T. Lower

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Joseph T. Lower

*Executive Vice President and Chief Financial Officer*

Date: April 20, 2023