

ASBURY AUTOMOTIVE GROUP INC

Form 10-Q

April 22, 2015

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2015

OR

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

For the transition period from _____ to _____

Commission file number: 001-31262

ASBURY AUTOMOTIVE GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

01-0609375
(I.R.S. Employer
Identification No.)

2905 Premiere Parkway NW, Suite 300
Duluth, Georgia
(Address of principal executive offices)
(770) 418-8200

30097
(Zip Code)

(Registrant's telephone number, including area code)

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 and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large Accelerated Filer ☒

Accelerated Filer ☐

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Non-Accelerated Filer ☐

Smaller Reporting Company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of April 21, 2015 was 27,247,974.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

ASBURY AUTOMOTIVE GROUP, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except par value and share data)

(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$1.1	\$2.9
Contracts-in-transit	151.7	155.6
Accounts receivable (net of allowance of \$1.0 and \$1.2, respectively)	97.9	107.0
Inventories	870.5	886.0
Deferred income taxes	13.8	10.2
Assets held for sale	53.9	6.4
Other current assets	95.4	108.6
Total current assets	1,284.3	1,276.7
PROPERTY AND EQUIPMENT, net	726.1	741.6
GOODWILL	102.9	104.0
OTHER LONG-TERM ASSETS	64.3	69.7
Total assets	\$2,177.6	\$2,192.0
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade	\$102.8	\$116.5
Floor plan notes payable—non-trade	674.8	650.3
Current maturities of long-term debt	10.9	28.7
Accounts payable and accrued liabilities	273.2	245.6
Liabilities associated with assets held for sale	27.1	—
Total current liabilities	1,088.8	1,041.1
LONG-TERM DEBT	679.8	678.7
DEFERRED INCOME TAXES	5.3	3.9
OTHER LONG-TERM LIABILITIES	25.2	23.4
COMMITMENTS AND CONTINGENCIES (Note 8)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$.01 par value, 90,000,000 shares authorized; 40,484,280 and 40,327,625 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	529.1	522.6
Retained earnings	311.0	275.1
Treasury stock, at cost; 13,232,469 and 11,803,711 shares, respectively	(459.9)	(351.7)
Accumulated other comprehensive loss	(2.1)	(1.5)
Total shareholders' equity	378.5	444.9
Total liabilities and shareholders' equity	\$2,177.6	\$2,192.0

See accompanying Notes to Condensed Consolidated Financial Statements

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

	For the Three Months Ended March 31,	
	2015	2014
REVENUES:		
New vehicle	\$830.5	\$726.0
Used vehicle	473.4	416.9
Parts and service	176.7	159.4
Finance and insurance, net	61.2	53.4
Total revenues	1,541.8	1,355.7
COST OF SALES:		
New vehicle	780.9	680.6
Used vehicle	438.1	382.9
Parts and service	66.4	62.1
Total cost of sales	1,285.4	1,125.6
GROSS PROFIT	256.4	230.1
OPERATING EXPENSES:		
Selling, general and administrative	175.7	159.8
Depreciation and amortization	7.3	6.3
Other operating expense (income), net	0.3	(0.2)
Income from operations	73.1	64.2
OTHER EXPENSES:		
Floor plan interest expense	(3.9)	(3.0)
Other interest expense, net	(10.3)	(9.1)
Swap interest expense	(0.5)	(0.6)
Total other expenses, net	(14.7)	(12.7)
Income before income taxes	58.4	51.5
INCOME TAX EXPENSE	22.5	20.0
INCOME FROM CONTINUING OPERATIONS	35.9	31.5
DISCONTINUED OPERATIONS, net of tax	—	(0.1)
NET INCOME	\$35.9	\$31.4
EARNINGS PER COMMON SHARE:		
Basic—		
Continuing operations	\$1.31	\$1.04
Discontinued operations	—	(0.01)
Net income	\$1.31	\$1.03
Diluted—		
Continuing operations	\$1.30	\$1.03
Discontinued operations	—	(0.01)
Net income	\$1.30	\$1.02
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	27.5	30.4
Restricted stock	0.1	0.2
Performance share units	0.1	0.1
Diluted	27.7	30.7

See accompanying Notes to Condensed Consolidated Financial Statements

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ASBURY AUTOMOTIVE GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
Net income	\$35.9	\$31.4
Other comprehensive income - net of tax:		
Change in fair value of cash flow swaps	(1.0)	(0.8)
Income tax benefit associated with cash flow swaps	0.4	0.3
Comprehensive income	\$35.3	\$30.9

See accompanying Notes to Condensed Consolidated Financial Statements

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ASBURY AUTOMOTIVE GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

(Unaudited)

	For the Three Months Ended March 31,	
	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$35.9	\$31.4
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	7.3	6.3
Stock-based compensation	3.3	2.5
Deferred income taxes	(1.8)	) 0.1
Loaner vehicle amortization	4.3	3.1
Excess tax benefit on share-based arrangements	(3.1)	) (2.4)
Loss on disposal of fixed assets	0.5	—
Other adjustments, net	0.8	0.3
Changes in operating assets and liabilities, net of acquisitions and divestitures—		
Contracts-in-transit	3.9	9.0
Accounts receivable	9.3	5.7
Proceeds from the sale of accounts receivable	—	2.0
Inventories	27.3	12.6
Other current assets	(23.2)	) (12.7)
Floor plan notes payable—trade	(13.7)	) (14.4)
Accounts payable and accrued liabilities	28.6	11.0
Other long-term assets and liabilities, net	0.7	0.1
Net cash provided by operating activities	80.1	54.6
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures—excluding real estate	(8.6)	) (13.3)
Capital expenditures—real estate	(1.8)	) —
Capital expenditures—capitalized interest	—	(0.4)
Acquisitions	—	(4.6)
Net cash used in investing activities	(10.4)	) (18.3)
CASH FLOW FROM FINANCING ACTIVITIES:		
Floor plan borrowings—non-trade	945.0	759.0
Floor plan borrowings—non-trade acquisitions	—	0.5
Floor plan repayments—non-trade	(907.2)	) (780.5)
Repayments of borrowings	(2.9)	) (2.3)
Payment of debt issuance costs	(1.3)	) —
Repurchases of common stock, including those associated with net share settlement of employee share-based awards	(108.2)	) (14.7)
Excess tax benefit on share-based arrangements	3.1	2.4
Net cash used in financing activities	(71.5)	) (35.6)
Net (decrease) increase in cash and cash equivalents	(1.8)	) 0.7
CASH AND CASH EQUIVALENTS, beginning of period	2.9	5.4
CASH AND CASH EQUIVALENTS, end of period	\$1.1	\$6.1

See Note 7 for supplemental cash flow information

See accompanying Notes to Condensed Consolidated Financial Statements

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ASBURY AUTOMOTIVE GROUP, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. DESCRIPTION OF BUSINESS

We are one of the largest automotive retailers in the United States, operating 104 franchises (83 dealership locations) in 18 metropolitan markets within 10 states as of March 31, 2015. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. As of March 31, 2015, we offered 29 domestic and foreign brands of new vehicles. Our current new vehicle revenue brand mix consists of 45% mid-line imports, 37% luxury, and 18% domestic brands. We also operate 25 collision repair centers that serve customers in our local markets.

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

• Coggin dealerships, operating primarily in Jacksonville, Fort Pierce and Orlando, Florida;

• Courtesy dealerships operating in Tampa, Florida;

• Crown dealerships operating in New Jersey, North Carolina, South Carolina and Virginia;

• Nalley dealerships operating in metropolitan Atlanta, Georgia;

• McDavid dealerships operating in Austin, Dallas and Houston, Texas;

• North Point dealerships operating in the Little Rock, Arkansas area;

• Plaza dealerships operating in metropolitan St. Louis, Missouri; and

• Gray-Daniels dealerships operating in the Jackson, Mississippi area.

In addition, we own and operate three stand-alone used vehicle stores under the “Q auto” brand name in Florida.

Our operating results are generally subject to changes in the economic environment as well as seasonal variations. Historically, we have generated more revenue and operating income in the second, third and fourth quarters than in the first quarter of the calendar year. Generally, the seasonal variations in our operations are caused by factors related to weather conditions, changes in manufacturer incentive programs, model changeovers and consumer buying patterns, among other things.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and reflect the consolidated accounts of Asbury Automotive Group, Inc. and our wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation.

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 disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Actual results could differ materially from these estimates. Estimates and assumptions are reviewed

quarterly and the effects of any revisions are reflected in the condensed consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying condensed consolidated financial statements include, but are not limited to, those relating to inventory valuation reserves, reserves for chargebacks against revenue recognized from the sale of finance and insurance products, certain assumptions related to intangible and long-lived assets, reserves for insurance programs, reserves for certain legal or similar proceedings relating to our business operations, and realization of deferred tax assets.

In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements as of March 31, 2015, and for the three months ended March 31, 2015 and 2014, have been included. The results of operations for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for any other interim period, or any full year period. Our condensed consolidated financial statements should be read together with our consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2014.

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Contracts-In-Transit

Contracts-in-transit represent receivables from third-party finance companies for the portion of new and used vehicle purchase price financed by customers through sources arranged by us. Amounts due from contracts-in-transit are generally collected within two weeks following the date of sale of the related vehicle.

Revenue Recognition

Revenue from the sale of new and used vehicles (which excludes sales tax) is recognized upon the latest of delivery, passage of title, signing of the sales contract or approval of financing. Revenue from the sale of parts, service and collision repair work (which excludes sales tax) is recognized upon delivery of parts to the customer or at the time vehicle service or repair work is completed, as applicable. Manufacturer incentives and rebates, including manufacturer holdbacks, floor plan interest assistance and certain advertising assistance, are recognized as a reduction of new vehicle cost of sales at the time the related vehicles are sold.

We receive commissions from third-party lending and insurance institutions for arranging customer financing and from the sale of vehicle service contracts, credit life insurance and disability insurance, and other insurance, to customers (collectively "F&I"). We may be charged back ("chargebacks") for F&I commissions in the event a contract is prepaid, defaulted upon or terminated. F&I commissions are recorded at the time a vehicle is sold and a reserve for future chargebacks is established based on historical chargeback experience and the termination provisions of the applicable contract. F&I commissions, net of estimated future chargebacks, are included in Finance and Insurance, net in the accompanying Condensed Consolidated Statements of Income.

Earnings per Common Share

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

Assets Held for Sale and Discontinued Operations

Certain amounts reflected in the accompanying Condensed Consolidated Balance Sheets have been classified as Assets Held for Sale and associated liabilities, if any, as Liabilities Associated with Assets Held for Sale, with such classification beginning on the date that the assets and any associated liabilities were first considered held for sale which we intend to sell within one year.

In April 2014, the Financial Accounting Standards Board (the "FASB") issued an accounting standard which raised the threshold for asset disposals, occurring on or after January 1, 2015, to qualify as discontinued operations and requires new disclosures of both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. The standard revised the definition of a discontinued operation to cover only asset disposals that are considered to be a strategic shift with a major impact on an entity's operations and finances, such as the disposal of a major geographic area or a significant line of business.

We adopted the standard in January 2015 and currently do not have any pending dealership disposals that meet the new criteria to be classified as discontinued operations.

Statements of Cash Flows

Borrowings and repayments of floor plan notes payable to a lender unaffiliated with the manufacturer from which we purchase a particular new vehicle ("Non-Trade"), and all floor plan notes payable relating to used vehicles (together referred to as "Floor Plan Notes Payable-Non-Trade"), are classified as financing activities on the accompanying Condensed Consolidated Statements of Cash Flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer from which we purchase a particular new vehicle (collectively referred to as "Floor Plan Notes Payable - Trade") is classified as an operating activity on the accompanying Condensed Consolidated Statements of Cash Flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all acquisitions are classified as a financing activity. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the manufacturer from which we purchased the related inventory, while the latter are payable to a lender not affiliated with the manufacturer from which we purchased the related inventory. Repayments of Floor Plan Notes Payable -

Trade associated with divestitures are classified as an operating activity. Repayments of Floor Plan Notes Payable - Non-Trade associated with divestitures are classified as a financing activity.

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Loaner vehicles account for a significant portion of Other Current Assets. We acquire loaner vehicles either with available cash or through borrowings from manufacturer affiliated lenders. Loaner vehicles are initially used by our service department for only a short period of time (typically six to twelve months) before we seek to sell them. Therefore, we classify the acquisition of loaner vehicles and the related borrowings and repayments as operating activities in the accompanying Condensed Consolidated Statements of Cash Flows. The cash outflow to acquire loaner vehicles is presented in Other Current Assets in the accompanying Condensed Consolidated Statements of Cash Flows. Borrowings and repayments of loaner vehicle notes payable are presented in Accounts Payable and Accrued Liabilities in the accompanying Condensed Consolidated Statements of Cash Flows. When loaner vehicles are taken out of loaner status they are transferred to used vehicle inventory at amortized cost, which is reflected as a non-cash transfer in the accompanying Condensed Consolidated Statements of Cash Flows. The cash inflow from the sale of loaner vehicles is reflected in Inventories in the accompanying Condensed Consolidated Statements of Cash Flows.

Recent Accounting Pronouncements

In May 2014, the FASB issued their new standard on revenue recognition. The new standard will supersede existing revenue recognition guidance and apply to all entities that enter into contracts to provide goods or services to customers. The guidance also addresses the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as real estate, property and equipment. The new standard will become effective beginning with the first quarter of 2017 and can be adopted either retrospectively to each reporting period presented or as a cumulative effect adjustment as of the date of adoption. On April 1, 2015, the FASB proposed deferring the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. The FASB also proposed permitting early adoption of the standard, but not before the original effective date of December 15, 2016. We are currently evaluating the impact of adopting this new guidance on our consolidated financial statements.

In April 2015, the FASB issued an accounting standard that requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the debt liability rather than as an asset.

Application of the standard, which is required to be applied retrospectively, is required for fiscal years beginning on or after December 31, 2015 and for interim periods within that year. We are currently evaluating the impact of adopting this new guidance on our consolidated financial statements.

3. INVENTORIES

Inventories consisted of the following:

	As of March 31, 2015	December 31, 2014
	(In millions)	
New vehicles	\$673.4	\$699.5
Used vehicles	153.0	141.7
Parts and accessories	44.1	44.8
Total inventories	\$870.5	\$886.0

The lower of cost or market reserves reduced total inventory cost by \$6.4 million as of March 31, 2015 and December 31, 2014, respectively. In addition to the inventories shown above, as of March 31, 2015 we had \$16.3 million of inventories classified as Assets Held for Sale on the accompanying Condensed Consolidated Balance sheet as they were associated with dealerships held for sale. As of March 31, 2015 and December 31, 2014, certain automobile manufacturer incentives reduced new vehicle inventory cost by \$8.2 million and \$8.0 million, respectively, and reduced new vehicle cost of sales from continuing operations for the three months ended March 31, 2015 and March 31, 2014 by \$8.4 million and \$7.0 million respectively.

4. ASSETS AND LIABILITIES HELD FOR SALE

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

As of March 31, 2015, there were two franchises (two dealership locations) where dispositions were pending. Assets and liabilities associated with pending dispositions as of March 31, 2015 totaled \$47.5 million and \$27.1 million,

respectively. There were no assets or liabilities associated with pending dispositions as of December 31, 2014.

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Real estate not currently used in our operations that we are actively marketing to sell totaled \$6.4 million as of March 31, 2015 and December 31, 2014, respectively. There were no liabilities associated with our real estate assets held for sale as of March 31, 2015 or December 31, 2014.

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

	As of March 31, 2015 (In millions)	December 31, 2014
Assets:		
Inventories	\$ 16.3	\$—
Property and equipment, net	30.4	6.4
Franchise rights	6.1	—
Goodwill	1.1	—
Total assets	53.9	6.4
Liabilities:		
Floor plan notes payable	13.3	—
Mortgage notes payable	13.8	—
Total liabilities	27.1	—
Net assets held for sale	\$ 26.8	\$6.4

5. LONG-TERM DEBT

Long-term debt consists of the following:

	As of March 31, 2015 (In millions)	December 31, 2014
6.0% Senior Subordinated Notes due 2024	\$400.0	\$400.0
Mortgage notes payable bearing interest at fixed and variable rates (a)	199.5	232.3
Real estate credit agreement	70.5	71.5
Master Loan Agreement	17.1	—
Capital lease obligations	3.6	3.6
Long-term debt, including current portion	690.7	707.4
Less: current portion	(10.9)	(28.7)
Long-term debt	\$679.8	\$678.7

(a) Mortgage notes payable do not include \$13.8 million classified as Liabilities Associated with Assets Held for Sale as of March 31, 2015.

Master Loan Agreement

On February 3, 2015, we amended and restated our Master Loan Agreement (the “Master Loan Agreement”) with Wells Fargo. The Master Loan Agreement provides for term loans to certain of the Company’s subsidiaries in an aggregate amount not to exceed \$100.0 million (the “Master Loan Facility”), subject to customary terms and conditions.

Borrowings under the Master Loan Facility are guaranteed by the Company pursuant to a second amended and restated unconditional guaranty (the “Company Guaranty”), and each operating dealership subsidiary of the Company whose real estate is financed under the Master Loan Facility, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed under the Master Loan Agreement.

Under the Master Loan Facility we may borrow from time to time during the period beginning on February 3, 2015 until and including February 1, 2016 (the “Draw Termination Date”). As of March 31, 2015, there was \$17.1 million outstanding under the Master Loan Facility. The proceeds from future borrowings under from the Master Loan Facility are expected to be used for

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general corporate purposes. Term loans under the Master Loan Facility bear interest based on LIBOR plus 2.50%. After the Draw Termination Date, we are required to make equal monthly principal payments based on a hypothetical 19 year amortization schedule, with a balloon repayment of the outstanding principal amount of loans due on February 1, 2025. We can voluntarily prepay any loan in whole or in part any time without premium or penalty. We paid a total of \$1.2 million in debt issuance costs associated with the Master Loan Agreement.

Asbury Automotive Group, Inc. is a holding company with no independent assets or operations. For all relevant periods presented, our 6.0% Notes have been fully and unconditionally guaranteed, on a joint and several basis, by substantially all of our subsidiaries. Any subsidiaries which have not guaranteed such notes are “minor” (as defined in Rule 3-10(h) of Regulation S-X). As of March 31, 2015, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

6. FINANCIAL INSTRUMENTS AND FAIR VALUE

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

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

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

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

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

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

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

technique based on current market interest rates for similar types of financial instruments which reflect Level 2 inputs. A summary of the carrying values and fair values of our 6.0% Notes and our mortgage notes payable is as follows:

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	As of March 31, 2015 (In millions)	December 31, 2014
Carrying Value:		
6.0% Senior Subordinated Notes due 2024	\$400.0	\$400.0
Mortgage notes payable (a)	287.1	303.8
Total carrying value	\$687.1	\$703.8
Fair Value:		
6.0% Senior Subordinated Notes due 2024	\$416.0	\$407.0
Mortgage notes payable	\$300.7	\$318.0
Total fair value	\$716.7	\$725.0
(a) Mortgages notes payable do not include \$13.8 million classified as Liabilities Associated with Assets Held for Sale as of March 31, 2015.		

In November 2013, we entered into an interest rate swap agreement with a notional principal amount of \$75.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows through maturity in September 2023. The notional value of this swap was \$70.5 million as of March 31, 2015 and is reducing over its remaining term to \$38.7 million at maturity.

We are also party to an interest rate swap agreement that had a notional principal amount of \$16.9 million as of March 31, 2015. This swap is designed to provide a hedge against changes in variable interest rate cash flows through maturity in October 2015. The notional value of this swap is reducing over the remaining term to \$16.1 million at maturity.

Both of our interest rate swaps qualify for cash flow hedge accounting treatment and do not, and will not, contain any ineffectiveness.

Information about the effect of derivative instruments on the accompanying Condensed Consolidated Statements of Income, including the impact on Accumulated Other Comprehensive Income ("AOCI") (in millions):

For the Three Months Ended March 31,	Derivative in Cash Flow Hedging Relationships	Results Recognized in AOCI (Effective Portion)	Location of Results Reclassified from AOCI to Earnings	Amount Reclassified from AOCI to Earnings—Active Swaps	Amount Reclassified from AOCI to Earnings—Terminated Swaps	Ineffective Results Recognized in Earnings	Location of Ineffective
2015	Interest rate swaps	\$(1.5)	Swap interest expense	\$(0.5)	\$—	\$—	N/A
2014	Interest rate swaps	\$(1.3)	Swap interest expense	\$(0.5)	\$—	\$—	N/A

On the basis of yield curve conditions as of March 31, 2015 and including assumptions about future changes in fair value, we expect the amount to be reclassified out of AOCI into earnings in the next 12 calendar months will be a loss of \$1.6 million.

Fair value estimates reflect a credit adjustment to the discount rate applied to all expected cash flows under the swaps. Other than that assumption, all other inputs reflect Level 2 inputs.

Information about amounts reclassified out of AOCI	(In millions)
Accumulated other comprehensive loss—December 31, 2014	\$(1.5)
Change in fair value of cash flow swaps	(1.0)
Income tax impact associated with cash flow swaps	0.4

Accumulated other comprehensive loss—March 31, 2015 \$(2.1)

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Market Risk Disclosures as of March 31, 2015:

Instruments entered into for trading purposes—None

Instruments entered into for hedging purposes (in millions)—

Type of Derivative	Notional Size	Underlying Rate	Expiration	Fair Value
Interest Rate Swap*	\$70.5	1 month LIBOR	September 2023	\$(3.6)
Interest Rate Swap*	\$16.9	1 month LIBOR	October 2015	\$(0.1)

* The total fair value of our swaps is a \$3.7 million net liability, of which \$1.6 million is included in Accounts Payable and Accrued Liabilities and \$2.1 million is included in Other Long-Term Liabilities on the accompanying Condensed Consolidated Balance Sheet.

Market Risk Disclosures as of December 31, 2014:

Instruments entered into for trading purposes—None

Instruments entered into for hedging purposes (in millions)—

Type of Derivative	Notional Size	Underlying Rate	Expiration	Fair Value
Interest Rate Swap*	\$71.5	1 month LIBOR	September 2023	\$(2.5)
Interest Rate Swap*	\$17.2	1 month LIBOR	October 2015	\$(0.2)

* The total fair value of our swap is a \$2.7 million net liability, of which \$1.8 million is included in Accounts Payable and Accrued Liabilities, \$0.9 million is included in Other Long-Term Liabilities on the accompanying Condensed Consolidated Balance Sheet.

7. SUPPLEMENTAL CASH FLOW INFORMATION

During the three months ended March 31, 2015 and 2014, we made interest payments, including amounts capitalized, totaling \$7.9 million and \$6.5 million, respectively. Included in these interest payments are \$3.8 million and \$3.3 million, of floor plan interest payments for the three months ended March 31, 2015 and 2014, respectively.

During the three months ended March 31, 2015 and 2014, we did not make any material income tax payments or receive any income tax refunds.

During the three months ended March 31, 2015 and 2014, we transferred \$28.0 million and \$16.6 million, respectively, of loaner vehicles from Other Current Assets to Inventory on our Condensed Consolidated Balance Sheets.

8. COMMITMENTS AND CONTINGENCIES

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

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

From time to time, we and our dealerships are or may become involved in various claims relating to, and arising out of, our business and our operations. These claims may involve, but not be limited to, financial and other audits by vehicle manufacturers, lenders and certain federal, state and local government authorities, which have historically related primarily to (a) incentive and warranty payments received from vehicle manufacturers, or allegations of violations of manufacturer agreements or policies, (b) compliance with lender rules and covenants and (c) payments made to government authorities relating to federal, state and local taxes, as well as compliance with other government regulations. Claims may also arise through litigation, government proceedings and other dispute resolution processes.

Such claims, including class actions, could relate to, but may not be limited to, the practice of charging administrative fees and other fees and commissions, employment-

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related matters, truth-in-lending and other dealer assisted financing obligations, contractual disputes, actions brought by governmental authorities and other matters. We evaluate pending and threatened claims and establish loss contingency reserves based upon outcomes we currently believe to be probable and reasonably estimable.

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

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

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

We had \$10.3 million of letters of credit outstanding as of March 31, 2015, which are required by certain of our insurance providers. In addition, as of March 31, 2015, we maintained a \$5.0 million surety bond line in the ordinary course of our business. Our letters of credit and surety bond line are considered to be off balance sheet arrangements. Our other material commitments include (i) floor plan notes payable, (ii) operating leases, (iii) long-term debt and (iv) interest on long-term debt, as described elsewhere herein.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Information

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

- our ability to execute our business strategy;
- the seasonally adjusted annual rate (“SAAR”) of new vehicle sales in the U.S.;
- our ability to further improve our operating cash flows, and the availability of capital and liquidity;
- our estimated future capital expenditures;
- the duration of the economic recovery process and its impact on our revenues and expenses;
- our parts and service revenue due to, among other things, improvements in manufacturing quality;
- the variable nature of significant components of our cost structure;
- our ability to limit our exposure to regional economic downturns due to our geographic diversity and brand mix;
- manufacturers’ willingness to continue to use incentive programs to drive demand for their product offerings;
- our ability to leverage our common systems, infrastructure and processes in a cost-efficient manner;
- our capital allocation strategy, including acquisitions and divestitures, stock repurchases and capital expenditures;
- the continued availability of financing, including floor plan financing for inventory;
- the ability of consumers to secure vehicle financing, including at favorable rates;
- the growth of mid-line import and luxury brands over the long-term;
- our ability to mitigate any future negative trends in new vehicle sales; and
- our ability to increase our cash flow and net income as a result of the foregoing and other factors.

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

- our ability to execute our balanced automotive retailing and service business strategy;
- changes in the mix, and total number, of vehicles we are able to sell;
- changes in general economic and business conditions, including changes in consumer confidence levels, interest rates, consumer credit availability and employment levels;
- changes in laws and regulations governing the operation of automobile franchises, including trade restrictions, consumer protections, accounting standards, taxation requirements and environmental laws;
- changes in the price of oil and gasoline;
- the timing and extent of any manufacturer recalls;
- our ability to generate sufficient cash flows, maintain our liquidity and obtain any necessary additional funds for working capital, capital expenditures, acquisitions, stock repurchases, debt maturity payments and other corporate purposes, if necessary or desirable;
- our continued ability to comply with applicable covenants in various of our financing and lease agreements, or to obtain waivers of these covenants as necessary;
- our relationships with, and the reputation and financial health and viability of, the vehicle manufacturers whose brands we sell, and their ability to design, manufacture, deliver and market their vehicles successfully;

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- significant disruptions in the production and delivery of vehicles and parts for any reason, including natural disasters, product recalls, work stoppages or other occurrences that are outside of our control;
- adverse results from litigation or other similar proceedings involving us;
- our relationships with, and the financial stability of, our lenders and lessors;
- our ability to execute our initiatives and other strategies;
- high levels of competition in our industry, which may create pricing and margin pressures on our products and services;
- our ability to renew, and enter into new, framework and dealer agreements with vehicle manufacturers whose brands we sell, on terms acceptable to us;
- our ability to attract and to retain key personnel;
- our ability to leverage gains from our dealership portfolio; and
- any disruptions in the financial markets, which may impact our ability to access capital.

Many of these factors are beyond our ability to control or predict, and their ultimate impact could be material.

Moreover, the factors set forth in the discussion and analysis below and under Item 1A entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014 and other cautionary statements made in this report should be read and considered as forward-looking statements subject to such uncertainties. Forward-looking statements speak only as of the date they are made, and we assume no obligation to update any forward-looking statements.

OVERVIEW

We are one of the largest automotive retailers in the United States, operating 104 franchises (83 dealership locations) in 18 metropolitan markets within 10 states as of March 31, 2015. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. As of March 31, 2015, we offered 29 domestic and foreign brands of new vehicles. Our current new vehicle revenue brand mix consists of 45% mid-line, 37% luxury and 18% domestic brands. We also operate 25 collision repair centers that serve customers in our local markets.

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

• Coggin dealerships, operating primarily in Jacksonville, Fort Pierce and Orlando, Florida;

• Courtesy dealerships operating in Tampa, Florida;

• Crown dealerships operating in New Jersey, North Carolina, South Carolina and Virginia;

• Nalley dealerships operating in metropolitan Atlanta, Georgia;

• McDavid dealerships operating in Austin, Dallas and Houston, Texas;

• North Point dealerships operating in the Little Rock, Arkansas area;

• Plaza dealerships operating in metropolitan St. Louis, Missouri; and

• Gray-Daniels dealerships operating in the Jackson, Mississippi area.

In addition, we own and operate three stand-alone used vehicle stores under the “Q auto” brand name in Florida.

Our revenues are derived primarily from: (i) the sale of new vehicles to individual retail customers (“new vehicle retail”) and commercial customers (“fleet”) (the terms “new vehicle retail” and “fleet” being together referred to as “new”); (ii) the sale of used vehicles to individual retail customers (“used retail”) and to other dealers at auction (“wholesale”) (the terms “used retail” and “wholesale” being together referred to as “used”); (iii) maintenance and collision repair services and the

sale of automotive parts (together referred to as “parts and service”); and (iv) the arrangement of vehicle financing and the sale of a number of aftermarket products, such as insurance and service contracts (collectively referred to as “F&I”). We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle sold, our parts and service operations based on aggregate gross profit, and F&I based on dealership generated F&I gross profit per vehicle sold. We assess the organic growth of our revenue and gross profit by comparing the year-to-year results of stores that we have operated for at least twelve full months (“same store”).

Our organic growth is dependent upon the execution of our balanced automotive retailing and service business strategy, the continued strength of our brand mix and the production of desirable vehicles by automobile manufacturers whose brands we

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sell. Our vehicle sales have historically fluctuated with product availability as well as local and national economic conditions, including consumer confidence, availability of consumer credit, fuel prices and employment levels. We believe that the impact on our business of any future negative trends in new vehicle sales would be partially mitigated by (i) the expected relative stability of our parts and service operations over the long-term, (ii) the variable nature of significant components of our cost structure and (iii) our brand mix. We believe that our diversified new vehicle revenue brand mix is well positioned for growth over the long term.

Our operating results are generally subject to changes in the economic environment as well as seasonal variations. Historically, we have generated more revenue and operating income in the second, third and fourth quarters than in the first quarter of the calendar year. Generally, the seasonal variations in our operations are caused by factors related to weather conditions, changes in manufacturer incentive programs, model changeovers and consumer buying patterns, among other things.

Our gross profit margin varies with our revenue mix. The sale of new vehicles generally results in lower gross profit margin than used vehicle sales and sales of parts and service. As a result, when used vehicle and parts and service revenue increase as a percentage of total revenue, we expect our overall gross profit margin to increase.

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

The United States automotive retail market showed continued year-over-year improvement through the first quarter of 2015, with new vehicle SAAR increasing to 16.7 million during the first three months of 2015 as compared to 15.7 million during the first three months of 2014. We continued to benefit from improving general economic and industry specific conditions in the first quarter of 2015, which we attribute to improved consumer confidence, the continued availability of credit at terms favorable to consumers resulting primarily from the current low interest rate environment, continued incremental improvements in overall unemployment levels, favorable fuel prices and the age of the U.S. automotive fleet. We believe that the overall long-term economic recovery continues to be uncertain, and may be subject to changes based on consumer confidence, interest rates, unemployment levels, instability in fuel prices and other macro-economic factors.

We had total available liquidity of \$271.7 million as of March 31, 2015, which consisted of cash and cash equivalents of \$1.1 million, \$15.9 million of availability under our floor plan offset account, and borrowing availability of \$164.7 million and \$90.0 million under our revolving credit facility and our used vehicle revolving floor plan facility, respectively. For further discussion of our liquidity, please refer to "Liquidity and Capital Resources" below.

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RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared to the Three Months Ended March 31, 2014

	For the Three Months Ended March 31,		Increase (Decrease)	% Change	
	2015	2014			
(Dollars in millions, except per share data)					
REVENUES:					
New vehicle	\$830.5	\$726.0	\$104.5	14	%
Used vehicle	473.4	416.9	56.5	14	%
Parts and service	176.7	159.4	17.3	11	%
Finance and insurance, net	61.2	53.4	7.8	15	%
Total revenues	1,541.8	1,355.7	186.1	14	%
GROSS PROFIT:					
New vehicle	49.6	45.4	4.2	9	%
Used vehicle	35.3	34.0	1.3	4	%
Parts and service	110.3	97.3	13.0	13	%
Finance and insurance, net	61.2	53.4	7.8	15	%
Total gross profit	256.4	230.1	26.3	11	%
OPERATING EXPENSES:					
Selling, general and administrative	175.7	159.8	15.9	10	%
Depreciation and amortization	7.3	6.3	1.0	16	%
Other operating expense, net	0.3	(0.2)	) 0.5	(250)	)%
Income from operations	73.1	64.2	8.9	14	%
OTHER EXPENSES:					
Floor plan interest expense	(3.9)	) (3.0)	) 0.9	30	%
Other interest expense, net	(10.3)	) (9.1)	) 1.2	13	%
Swap interest expense	(0.5)	) (0.6)	) (0.1)	) (17)	)%
Total other expense, net	(14.7)	) (12.7)	) 2.0	16	%
Income before income taxes	58.4	51.5	6.9	13	%
INCOME TAX EXPENSE	22.5	20.0	2.5	13	%
INCOME FROM CONTINUING OPERATIONS	35.9	31.5	4.4	14	%
DISCONTINUED OPERATIONS, net of tax	—	(0.1)	) 0.1	(100)	)%
NET INCOME	\$35.9	\$31.4	\$4.5	14	%
Income from continuing operations per common share—Diluted	\$1.30	\$1.03	\$0.27	26	%
Net income per common share—Diluted	\$1.30	\$1.02	\$0.28	27	%

 NM—Not Meaningful

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	For the Three Months Ended March 31,			
	2015		2014	
REVENUE MIX PERCENTAGES:				
New vehicles	53.9	%	53.6	%
Used retail vehicles	27.1	%	27.0	%
Used vehicle wholesale	3.5	%	3.7	%
Parts and service	11.5	%	11.8	%
Finance and insurance, net	4.0	%	3.9	%
Total revenue	100.0	%	100.0	%
GROSS PROFIT MIX PERCENTAGES:				
New vehicles	19.3	%	19.7	%
Used retail vehicles	13.8	%	14.5	%
Used vehicle wholesale	—	%	0.3	%
Parts and service	43.0	%	42.3	%
Finance and insurance, net	23.9	%	23.2	%
Total gross profit	100.0	%	100.0	%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	68.5	%	69.4	%

Net income and income from continuing operations increased by \$4.5 million (14%) and \$4.4 million (14%), respectively, during the first quarter of 2015 as compared to the first quarter of 2014. The increase in income from continuing operations was primarily the result of a \$26.3 million (11%) increase in gross profit, which was partially offset by a \$15.9 million (10%) increase in SG&A expenses and a \$2.5 million (13%) increase in income tax expense. The \$186.1 million (14%) increase in total revenue was the result of (i) a \$104.5 million (14%) increase in new vehicle revenue, (ii) a \$56.5 million (14%) increase in used vehicle revenue, (iii) a \$17.3 million (11%) increase in parts and service revenue and (iv) a \$7.8 million (15%) increase in finance and insurance, net.

Gross profit increased across all four of our business lines and was driven by (i) a \$13.0 million (13%) increase in parts and service gross profit, (ii) a \$7.8 million (15%) increase in F&I gross profit, (iii) a \$4.2 million (9%) increase in new vehicle gross profit, and (iv) a \$1.3 million (4%) increase in used vehicle gross profit. Our total gross profit margin decreased 40 basis points to 16.6%, primarily as a result of 40 basis point and 50 basis point decreases in our new vehicle and used vehicle same store gross margin, respectively.

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New Vehicle—

	For the Three Months Ended March 31,		Increase	%	
	2015	2014	(Decrease)	Change	
(Dollars in millions, except for per vehicle data)					
Revenue:					
New vehicle revenue—same store(1)					
Luxury	\$303.3	\$276.3	\$27.0	10	%
Mid-line import	373.1	344.7	28.4	8	%
Mid-line domestic	113.7	105.0	8.7	8	%
Total new vehicle revenue—same store(1)	790.1	726.0	64.1	9	%
New vehicle revenue—acquisitions	40.4	—			
New vehicle revenue, as reported	\$830.5	\$726.0	\$104.5	14	%
Gross profit:					
New vehicle gross profit—same store(1)					
Luxury	\$21.9	\$20.5	\$1.4	7	%
Mid-line import	18.0	18.1	(0.1)	(1)	)%
Mid-line domestic	7.1	6.8	0.3	4	%
Total new vehicle gross profit—same store(1)	47.0	45.4	1.6	4	%
New vehicle gross profit—acquisitions	2.6	—			
New vehicle gross profit, as reported	\$49.6	\$45.4	\$4.2	9	%

	For the Three Months Ended March 31,		Increase	%	
	2015	2014	(Decrease)	Change	
New vehicle units:					
New vehicle retail units—same store(1)					
Luxury	5,875	5,388	487	9	%
Mid-line import	13,812	13,008	804	6	%
Mid-line domestic	3,021	2,697	324	12	%
Total new vehicle retail units—same store(1)	22,708	21,093	1,615	8	%
Fleet vehicles	223	563	(340)	(60)	)%
Total new vehicle units—same store(1)	22,931	21,656	1,275	6	%
New vehicle units—acquisitions	1,127	—			
New vehicle units—actual	24,058	21,656	2,402	11	%

New Vehicle Metrics—

	For the Three Months Ended March 31,		Increase	%	
	2015	2014	(Decrease)	Change	
Revenue per new vehicle sold—same store(1)	\$34,456	\$33,524	\$932	3	%
Gross profit per new vehicle sold—same store(1)	\$2,050	\$2,096	\$(46)	(2)	)%
New vehicle gross margin—same store(1)	5.9	% 6.3	% (0.4)	)%	(6) %)

(1) Same store amounts consist of information from dealerships for the identical months of each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

The \$104.5 million (14%) increase in new vehicle revenue was primarily a result of a 6% increase in same store new vehicle unit sales, combined with a 3% increase in same store revenue per new vehicle sold. Our total new vehicle revenue also benefited from \$40.4 million in revenue derived from acquisitions. Same store revenues increased across

each of our three brand categories, driven primarily by corresponding new vehicle unit sale increases.

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Total new vehicle gross profit increased by \$4.2 million (9%), largely driven by the 6% increase in same store new vehicle unit sales, and \$2.6 million in gross profit derived from acquisitions. Our new vehicle gross profit margin was 5.9%. Our same store gross profit per new vehicle sold decreased by \$46 (2)%, as a result of margin declines in each of our brand segments.

Same store unit volumes for our luxury, mid-line import and domestic brands increased 9%, 6%, and 12%, respectively, reflecting (i) an increase in consumer demand, (ii) the continued availability of credit at terms favorable to our customers and (iii) an improvement in the availability of new vehicle inventory from which to choose. New vehicle SAAR increased by 6% to 16.7 million for the first quarter of 2015 as compared to 15.7 million in the first quarter of 2014.

Used Vehicle—

	For the Three Months Ended March 31, 2015		2014	Increase (Decrease)	% Change
(Dollars in millions, except for per vehicle data)					
Revenue:					
Used vehicle retail revenues—same store(1)	\$391.5	\$367.3	\$24.2	7	%
Used vehicle retail revenues—acquisitions and new stores	27.7	—			
Total used vehicle retail revenues	419.2	367.3	51.9	14	%
Used vehicle wholesale revenues—same store(1)	51.4	49.6	1.8	4	%
Used vehicle wholesale revenues—acquisitions and new stores	2.8	—			
Total used vehicle wholesale revenues	54.2	49.6	4.6	9	%
Used vehicle revenue, as reported	\$473.4	\$416.9	\$56.5	14	%
Gross profit:					
Used vehicle retail gross profit—same store(1)	\$33.3	\$33.2	\$0.1	—	%
Used vehicle retail gross profit—acquisitions and new stores	2.1	—			
Total used vehicle retail gross profit	35.4	33.2	2.2	7	%
Used vehicle wholesale gross profit—same store(1)	0.1	0.8	(0.7)	(88)	%
Used vehicle wholesale gross profit—acquisitions and new stores	(0.2)	—			
Total used vehicle wholesale gross profit	(0.1)	0.8	(0.9)	(113)	%
Used vehicle gross profit, as reported	\$35.3	\$34.0	\$1.3	4	%
Used vehicle retail units:					
Used vehicle retail units—same store(1)	19,048	18,503	545	3	%
Used vehicle retail units—acquisitions and new stores	1,419	—			
Used vehicle retail units—actual	20,467	18,503	1,964	11	%

Used Vehicle Metrics—

	For the Three Months Ended March 31, 2015 2014		Increase (Decrease)	% Change	
Revenue per used vehicle retailed—same store(1)	\$20,553	\$19,851	\$702	4	%
Gross profit per used vehicle retailed—same store(1)	\$1,748	\$1,794	\$(46)	(3)	%
Used vehicle retail gross margin—same store(1)	8.5	% 9.0	% (0.5)	)% (6	)%

(1) Same store amounts consist of information from dealerships for the identical months of each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

The \$56.5 million (14%) increase in used vehicle revenue was the result of a \$24.2 million (7%) increase in same store used vehicle retail revenue, a \$1.8 million (4%) increase in same store used vehicle wholesale revenue and \$30.5 million in retail and wholesale revenues derived from acquisitions and new stores. Additionally, same store used retail unit sales increased by 545 units (3%) and same store revenue per used vehicle retailed increased by \$702 (4%) to \$20,553 per unit. The 3% increase in

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same store used vehicle retail unit sales reflects increased consumer demand, the continued availability of credit at terms favorable to the customer and the ongoing impact of our "Asbury 1-2-1" program, a volume-driven initiative with a goal of retailing one used vehicle for every new vehicle retailed. This program is designed to drive not only used retail volume, but to increase revenues from associated parts and service reconditioning and F&I as well. The \$2.2 million (7%) increase in used vehicle retail gross profit was driven primarily by an 11% increase in used vehicle retail units, partially offset by a 50 basis point decrease in our same store used vehicle retail gross margin. We believe that our used vehicle inventory continues to be well-aligned with current consumer demand, with approximately

34 days of supply in our inventory as of March 31, 2015.

Parts and Service—

	For the Three Months Ended March 31, 2015 2014 (Dollars in millions)		Increase (Decrease)	% Change	
Revenue:					
Parts and service revenue—same store(1)	\$172.6	\$159.4	\$13.2	8	%
Parts and service revenues—acquisitions and new stores	4.1	—			
Parts and service revenue, as reported	\$176.7	\$159.4	\$17.3	11	%
Gross profit:					
Parts and service gross profit—same store(1)					
Customer pay	\$58.4	\$56.0	\$2.4	4	%
Reconditioning and preparation	27.5	23.2	4.3	19	%
Warranty	16.3	12.9	3.4	26	%
Wholesale parts	5.2	5.2	—	—	%
Total parts and service gross profit—same store(1)	107.4	97.3	10.1	10	%
Parts and service gross profit—acquisitions and new stores	2.9	—			
Parts and service gross profit, as reported	\$110.3	\$97.3	\$13.0	13	%
Parts and service gross margin—same store(1)	62.2	% 61.0	% 1.2	% 2	%

(1) Same store amounts consist of information from dealerships for the identical months of each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

The \$17.3 million (11%) increase in parts and service revenue was the result of (i) a \$6.7 million (6%) increase in same store customer pay revenue, (ii) a \$6.1 million (25%) increase in same store warranty revenue, (iii) a \$0.4 million (1%) increase in wholesale parts and (iv) \$4.1 million derived from acquisitions.

The 120 basis point increase in our same store parts and service gross margin was primarily the result of increases in our higher margin parts and service businesses, including reconditioning and preparation of vehicles, warranty work and customer pay. The \$4.3 million (19%) increase in reconditioning and preparation gross profit was primarily driven by a 3% increase in our same store used vehicle retail unit sales and a 8% increase in our same store new vehicle retail unit sales, as well as increases in the amount of work being performed per vehicle. Gross profit associated with warranty work increased by \$3.4 million (26%), primarily due to certain manufacturer recall campaigns that occurred in the first quarter of 2015, as well as increased units in operation as sales of new vehicles in the United States have continued to increase over the past few years.

We continue to focus on increasing our parts and service revenue, and specifically our customer pay business, over the long-term by (i) continuing to invest in additional service capacity, where appropriate, (ii) upgrading equipment, (iii) focusing on improving customer retention and customer satisfaction and (iv) capitalizing on our dealer training programs.

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Finance and Insurance, net—

	For the Three Months Ended March 31, 2015 2014		Increase (Decrease)	% Change	
	(Dollars in millions, except for per vehicle data)				
Finance and insurance, net—same store(1)	\$57.3	\$53.4	\$3.9	7	%
Finance and insurance, net—acquisitions and new stores	3.9	—			
Finance and insurance, net as reported	\$61.2	\$53.4	\$7.8	15	%
Finance and insurance, net per vehicle sold—same store(1)	\$1,365	\$1,330	\$35	3	%

(1) Same store amounts consist of information from dealerships for the identical months of each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

F&I increased by \$7.8 million (15%) during the first quarter of 2015 as compared to the first quarter of 2014, primarily due to a 5% increase in same store retail unit sales and \$3.9 million derived from acquisitions and other new stores. During the first quarter of 2015 we continued to benefit from a favorable consumer lending environment, which allowed more of our customers to take advantage of a broader array of F&I products and our continued focus on improving the F&I results at our lower-performing stores through our F&I training programs, which include implementing a certification process and certain best practices initiatives.

Selling, General and Administrative Expense—

	For the Three Months Ended March 31,					% of Gross Profit (Decrease) Increase	
	2015	% of Gross Profit	2014	% of Gross Profit	Increase (Decrease)		
	(Dollars in millions)						
Personnel costs	\$78.5	32.0 %	\$75.9	33.0 %	\$2.6	(1.0)	)%
Sales compensation	25.4	10.4 %	23.7	10.3 %	1.7	0.1	%
Share-based compensation	3.3	1.3 %	2.5	1.1 %	0.8	0.2	%
Outside services	17.6	7.2 %	16.7	7.3 %	0.9	(0.1)	)%
Advertising	8.1	3.3 %	7.6	3.3 %	0.5	—	%
Rent	7.7	3.1 %	7.6	3.3 %	0.1	(0.2)	)%
Utilities	4.0	1.6 %	3.9	1.7 %	0.1	(0.1)	)%
Insurance	2.8	1.1 %	1.8	0.8 %	1.0	0.3	%
Other	20.8	8.6 %	20.1	8.6 %	0.7	—	%
Selling, general and administrative expense—same store(1)	168.2	68.6 %	159.8	69.4 %	8.4	(0.8)	)%
Acquisitions and new stores	7.5		—				
Selling, general and administrative—actual	\$175.7	68.5 %	\$159.8	69.4 %	\$15.9	(0.9)	)%
Gross profit—same store(1)	\$245.1		\$230.1				
Gross profit—actual	\$256.4		\$230.1				

(1) Same store amounts consist of information from dealerships for the identical months of each period presented in the comparison, commencing with the first full month in which the dealership was owned by us.

Same store SG&A expense as a percentage of gross profit was 68.6% during the first quarter of 2015 compared to 69.4% for the first quarter of 2014. The 80 basis point decrease was primarily attributable to a 100 basis point decrease in personnel costs as a result of leveraging our fixed cost structure, partially offset by a 30 basis point increase in insurance expense.

We continue to be engaged in numerous productivity initiatives designed to further reduce our fixed cost structure and improve our profitability and are currently focused on fully leveraging our single dealer management system with our other

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technology platforms and centralizing additional back office processes. We also continuously evaluate opportunities to purchase real estate properties that we lease.

Depreciation and Amortization Expense —

The \$1.0 million (16%) increase in depreciation and amortization expense during the first quarter of 2015 when compared to the first quarter of 2014 was primarily the result of (i) additional fixed assets acquired in acquisitions, (ii) the completion of certain construction projects that resulted in newly depreciable assets placed into service during the past year and (iii) our purchase of certain previously leased real estate throughout 2014.

Other Operating Expense, net —

Other operating expense, net includes gains and losses from the sale of property and equipment, income derived from lease arrangements and other non-core operating items. Included in the results of the first quarter of 2015 were \$0.5 million of charges related to property and equipment disposals.

Floor Plan Interest Expense —

The \$0.9 million (30%) increase in floor plan interest expense during the first quarter of 2015 when compared to the first quarter of 2014 was primarily driven by higher new vehicle inventory levels as a result of acquisitions made since the first quarter of 2014.

Other Interest Expense —

Other interest expense increased \$1.2 million (13%) from \$9.1 million in 2014 to \$10.3 million in 2015. During the first quarter of 2015 our mortgage interest expense increased approximately \$0.7 million (26%) as result of our decision to mortgage certain owned dealership properties during 2014.

Swap Interest Expense —

We have historically entered into various derivative financial instruments, including fair value and cash flow interest rate swaps, which have been designed to provide hedges against changes in fair value of certain debt obligations and variable rate cash flows. Our earnings have been impacted by these interest rate swaps in the form of (i) amounts reclassified from AOCI to earnings for active swaps, (ii) amortization of amounts reclassified from AOCI to earnings for terminated cash flow swaps and (iii) amortization of terminated fair value swaps. The pre-tax impact on earnings related to our various derivative financial instruments during the first quarter of 2015 and 2014 was \$0.5 million and \$0.6 million, respectively.

Income Tax Expense—

The \$2.5 million (13%) increase in income tax expense was primarily a result of the \$6.9 million (13%) increase in income before income taxes in the first quarter of 2015 compared to the first quarter of 2014. Our effective tax rate was 39% for both 2015 and 2014. Our effective tax rate is highly dependent on our level of income before income taxes and permanent differences between book and tax income. As a result, it is difficult to project our overall effective tax rate for any given period. Based upon our current expectation of 2015 income before income taxes, we expect our effective income tax rate will be between 38% and 40% in 2015.

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LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2015, we had total available liquidity of \$271.7 million, which consisted of cash and cash equivalents of \$1.1 million, \$15.9 million of availability under our floor plan offset account, and borrowing availability of \$164.7 million and \$90.0 million under our revolving credit facility and our used vehicle revolving floor plan facility, respectively. The total borrowing capacity under our revolving credit facilities is limited by borrowing base calculations and, from time to time, may be further limited by our required compliance with certain financial covenants. As of March 31, 2015, these financial covenants did not further limit our availability under our credit facilities. For more information on our financial covenants, see “Covenants” below.

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

We currently have the following material credit facilities, floor plan facilities, real estate credit agreement, Master Loan Facility, mortgage notes and senior subordinated notes. For a more detailed description of the material terms of our senior secured credit facilities, real estate credit agreement, mortgage notes and senior subordinated notes, refer to the “Long-Term Debt” footnote included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (the “2014 Form 10-K”).

Revolving credit facility — a \$175.0 million senior secured revolving credit facility for, among other things, acquisitions, working capital and capital expenditures, including a \$50.0 million sublimit for letters of credit. Our borrowing capacity under the revolving credit facility is limited by a borrowing base calculation and any outstanding letters of credit. As of March 31, 2015, we had \$10.3 million in outstanding letters of credit, resulting in \$164.7 million of borrowing availability under our revolving credit facility. There were no amounts drawn under our revolving credit facility as of March 31, 2015.

New inventory floor plan facilities — an \$825.0 million senior secured new vehicle revolving floor plan facility. In connection with the new vehicle floor plan facility, we established an account with Bank of America, N.A. (“Bank of America”) that allows us to transfer cash to an account as an offset to floor plan notes payable (a “floor plan offset account”). These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of the use of our floor plan offset account, we experience a reduction in floor plan interest expense on our Condensed Consolidated Statements of Income. As of March 31, 2015, we had \$15.9 million in this floor plan offset account. We also have a floor plan facility with Ford to purchase new Ford and Lincoln vehicle inventory, as well as facilities with certain other manufacturers for loaner vehicles. Neither our floor plan facility with Ford nor our facilities for loaner vehicles have stated borrowing limitations. As of March 31, 2015, we had \$688.1 million, net, outstanding under our senior secured new vehicle revolving floor plan facility (including \$13.3 classified as Liabilities associated with assets held for sale) and \$102.8 million outstanding under our floor plan facility with Ford.

Used vehicle floor plan facility — a \$100.0 million senior secured used vehicle revolving floor plan facility to finance the acquisition of used vehicle inventory and for, among other things, working capital and capital expenditures, as well as to refinance used vehicles. Our borrowing capacity under the used vehicle floor plan facility is limited by a borrowing base calculation. As of March 31, 2015, we had \$10.0 million outstanding under our used vehicle revolving floor plan facility, which was drawn for general corporate purposes, and \$90.0 million of remaining borrowing availability.

Real estate credit agreement — a real estate term loan credit agreement with an initial principal value of \$75.0 million collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed

thereunder. As of March 31, 2015, the outstanding balance under the real estate credit agreement was \$70.5 million. Master Loan Facility — provides for term loans to certain of the Company's subsidiaries in an aggregate amount not to exceed \$100.0 million. Borrowings under the Master Loan Facility are guaranteed by the Company and are collateralized by the real property financed under the Master Loan Agreement. As of March 31, 2015, we had \$17.1 million of mortgage note obligations, with the ability to draw an additional \$82.9 million until February 1, 2016.

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Mortgage notes — as of March 31, 2015, we had \$199.5 million of mortgage note obligations (excluding amounts outstanding under our real estate credit agreement and Master Loan Facility). These obligations are collateralized by the related real estate at our applicable owned dealership locations.

6.0% Senior Subordinated Notes due 2024 (“6.0% Notes”) — as of March 31, 2015 we had \$400.0 million in aggregate principal amount of our 6.0% Notes outstanding. We are required to pay interest on the 6.0% Notes on June 15 and December 15 of each year until their maturity on December 15, 2024.

Under the terms of the senior secured credit facilities and certain mortgage notes payable, our ability to incur new indebtedness is currently limited to (i) permitted floor plan indebtedness, (ii) certain refinancings, refunds, renewals or extensions of existing indebtedness, and (iii) other customary permitted indebtedness.

Master Loan Agreement

On February 3, 2015, we amended and restated our Master Loan Agreement (the “Master Loan Agreement”) with Wells Fargo. The Master Loan Agreement provides for term loans in an aggregate amount not to exceed \$100.0 million (the restated “Master Loan Facility”), subject to customary terms and conditions.

Borrowings under the Master Loan Facility are guaranteed by the Company pursuant to a second amended and restated unconditional guaranty, and each operating dealership subsidiary of the Company whose real estate is financed under the Master Loan Facility, and are collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed under the Master Loan Agreement.

Under the Master Loan Facility we may borrow from time to time during the period beginning on February 3, 2015 until and including February 1, 2016 (the “Draw Termination Date”). As of March 31, 2015, there was \$17.1 million outstanding under the Master Loan Facility. The proceeds from future borrowings under from the Master Loan Facility are expected to be used for general corporate purposes. Term loans under the Master Loan Facility bear interest based on LIBOR plus 2.50%. After the Draw Termination Date, we are required to make equal monthly principal payments based on a hypothetical 19 year amortization schedule, with a balloon repayment of the outstanding principal amount of loans due on February 1, 2025. We can voluntarily prepay any loan in whole or in part any time without premium or penalty.

Covenants

We are subject to a number of customary covenants in our various debt and lease agreements. We were in compliance with all of our covenants as of March 31, 2015.

Share Repurchases and Dividend Restrictions

Our ability to repurchase shares or pay dividends on our common stock is subject to our compliance with the covenants and restrictions.

On January 30, 2014, our Board of Directors authorized our current share repurchase program (the “Repurchase Program”). As of January 28, 2015, the date of the most recent amendment to the Repurchase Program, we have the authority to repurchase up to an aggregate of \$300.0 million of common stock under the Repurchase Program in open market transactions or privately negotiated transactions from time to time. During the three months ended March 31, 2015, we repurchased a total of 1,349,517 shares of our common stock under the Repurchase Program for a total of \$101.9 million. As of March 31, 2015 we had remaining authorization to repurchase \$252.0 million in shares of our common stock.

During the three months ended March 31, 2015, we also repurchased 79,241 shares of our common stock for \$6.3 million from employees in connection with a net share settlement feature of employee equity-based awards.

Cash Flows

Classification of Cash Flows Associated with Floor Plan Notes Payable

Borrowings and repayments of floor plan notes payable to a lender unaffiliated with the manufacturer from which we purchase a particular new vehicle (“Non-Trade”), and all floor plan notes payable relating to pre-owned vehicles (together referred to as “Floor Plan Notes Payable - Non-Trade”), are classified as financing activities on the accompanying Condensed Consolidated Statements of Cash Flows, with borrowings reflected separately from repayments. The net change in floor plan notes payable to a lender affiliated with the manufacturer from which we purchase a particular new vehicle (collectively referred to as “Floor Plan Notes Payable - Trade”) is classified as an

operating activity on the accompanying Condensed Consolidated Statements of Cash Flows. Borrowings of floor plan notes payable associated with inventory acquired in connection with all

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acquisitions are classified as a financing activity in the accompanying Condensed Consolidated Statement of Cash Flows. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the manufacturer from which we purchased the related inventory, while the latter are payable to a lender not affiliated with the manufacturer from which we purchased the related inventory. The majority of our floor plan notes are payable to parties unaffiliated with the entities from which we purchase our new vehicle inventory, with the exception of floor plan notes payable relating to the financing of new Ford and Lincoln vehicles. Repayments of Floor Plan Notes Payable - Trade associated with divestitures are classified as an operating activity. Repayments of Floor Plan Notes Payable - Non-Trade associated with divestitures are classified as a financing activity.

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

Cash provided by operating activities, as adjusted, includes borrowings and repayments of floor plan notes payable to lenders not affiliated with the manufacturer from which we purchase the related new vehicles and all floor plan notes payable relating to pre-owned vehicles. Cash provided by operating activities, as adjusted, has material limitations, and therefore, may not be comparable to similarly titled measures of other companies and should not be considered in isolation, or as a substitute for analysis of our operating results in accordance with GAAP. In order to compensate for these potential limitations we also review the related GAAP measures.

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

	For the Three Months Ended March 31,	
	2015	2014
	(In millions)	
Reconciliation of Cash provided by (used in) operating activities to Cash provided by operating activities, as adjusted		
Cash provided by operating activities, as reported	\$80.1	\$54.6
New and pre-owned vehicle floor plan borrowings (repayments) - non-trade, net	37.8	(21.5)
Cash provided by operating activities, as adjusted	\$117.9	\$33.1
Operating Activities—		

Net cash provided by operating activities totaled \$80.1 million and \$54.6 million for the three months ended March 31, 2015 and 2014 respectively. Net cash provided by operating activities, as adjusted, totaled \$117.9 million and \$33.1 million for the three months ended March 31, 2015 and 2014, respectively. Net cash provided by operating activities, as adjusted, includes net income, adjustments to reconcile net income to net cash used in operating activities and changes in working capital, including changes in floor plan notes payable and inventory.

The \$84.8 million increase in our net cash provided by operating activities, as adjusted, for the three months ended March 31, 2015 as compared to the three months ended March 31, 2014 was primarily the result of the following:

\$74.7 million related to a decrease in inventory, net of floor plan notes payable, primarily as a result of an \$59.3 million net increase in both our trade and non-trade floor plan borrowings during the three months ended March 31, 2015 when compared to the three months ended March 31, 2014;

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\$17.6 million related to an increase in accounts payable and accrued expenses; and

a \$5.9 million increase in net income adjusted for non-cash items.

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

\$10.5 million related to a net increase in other current assets, primarily related to an increase in our loaner vehicle inventory and the turnover of that inventory; and

\$3.5 million related to (i) sales volume and the timing of collection of accounts receivable and contracts-in-transit and (ii) a decrease in proceeds from the sale of accounts receivable,

Investing Activities—

Net cash used in investing activities totaled \$10.4 million and \$18.3 million for the three months ended March 31, 2015 and 2014, respectively. Cash flows from investing activities relate primarily to capital expenditures, acquisition and divestiture activity and sales of property and equipment.

Capital expenditures, excluding the purchase of real estate, lease buyouts and capitalized interest, were \$8.6 million and \$13.3 million for the three months ended March 31, 2015 and 2014, respectively. Purchases of real estate totaled \$1.8 million for the three months ended March 31, 2015.

During the three months ended March 31, 2014, we acquired one franchise in our existing market of Greenville, South Carolina for an aggregate purchase price of \$4.6 million. Upon the acquisition, this franchise was integrated with one of our existing dealership locations in Greenville.

We expect that capital expenditures, excluding the purchase of real estate, will total approximately \$65.0 million during 2015 to upgrade our existing facilities, build new facilities, expand our service capacity and invest in technology and equipment.

As part of our capital allocation strategy, we continuously evaluate opportunities to purchase properties currently under lease and acquire real estate in anticipation of lease terminations. No assurances can be provided that we will have or be able to access capital at times or on terms in amounts deemed necessary to execute this strategy.

Financing Activities—

Net cash used in financing activities totaled \$71.5 million and \$35.6 million for the three months ended March 31, 2015 and 2014, respectively.

During the three months ended March 31, 2015 and 2014, we had non-trade floor plan borrowings of \$945.0 million and \$759.0 million, respectively. Included in the \$945.0 million of non-trade floor plan borrowings was a \$10.0 million decrease in our floor plan offset account for the three months ended March 31, 2015. In addition, during three months ended March 31, 2014 we had non-trade floor plan borrowings of \$0.5 million related to our acquisition of one franchises.

During the three months ended March 31, 2015 and 2014, we made non-trade floor plan repayments of \$907.2 million and \$780.5 million, respectively. Included in the \$780.5 million of non-trade floor plan repayments was a \$18.4 million increase in our floor plan offset account for the three months ended March 31, 2014.

During the three months ended March 31, 2015, we paid a total of \$1.3 million in debt issuance costs associated with the Master Loan Agreement and other borrowings.

Repayments of borrowings totaled \$2.9 million and \$2.3 million for the three months ended March 31, 2015 and 2014, respectively.

During the three months ended March 31, 2015, we repurchased a total of 1,349,517 shares of our common stock under our authorized repurchase programs for a total of \$101.9 million and 79,241 shares of our common stock for \$6.3 million from employees in connection with a net share settlement feature of employee equity-based awards.

Off Balance Sheet Arrangements

We had no off balance sheet arrangements during any of the periods presented other than those disclosed in Note 8 of our accompanying condensed consolidated financial statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We are exposed to market risk from changes in interest rates on a significant portion of our outstanding indebtedness. Based on \$791.1 million of total variable interest rate debt (including floor plan notes payable) outstanding as of March 31, 2015, a 1% change in interest rates could result in a change of as much as \$7.9 million to our annual other interest expense.

We received \$7.7 million of floor plan assistance from certain automobile manufacturers during the three months ended March 31, 2015. Floor plan assistance reduced cost of sales (including amounts classified as discontinued operations) for the three months ended March 31, 2015 by \$7.3 million and reduced new vehicle inventory by \$6.7 million and \$6.3 million as of March 31, 2015 and December 31, 2014, respectively. Although we can provide no assurance as to the amount of future floor plan assistance, it is our expectation, based on historical data that an increase in prevailing interest rates would result in increased floor plan assistance from certain automobile manufacturers.

Hedging Risk

In November 2013, we entered into an interest rate swap agreement with a notional principal amount of \$75.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows through maturity in September 2023. The notional value of this swap was \$70.5 million as of March 31, 2015 and is reducing over its remaining term to \$38.7 million at maturity.

We are also party to an interest rate swap agreement which had a notional principal amount of \$16.9 million as of March 31, 2015. This swap was designed to provide a hedge against changes in variable interest rate cash flows through maturity in October 2015. The notional value of this swap is reducing over the remaining term to \$16.1 million at maturity. This interest rate swap qualifies for cash flow hedge accounting treatment and does not, and will not, contain any ineffectiveness.

For additional information about the effect of our derivative instruments on the accompanying condensed consolidated financial statements, see Note 6 “Financial Instruments and Fair Value” of the notes thereto.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2015 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II

Item 1. Legal Proceedings

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

We currently do not anticipate that any known claim will materially adversely affect our financial condition, liquidity or results of operations. However, the outcome of any matter cannot be predicted with certainty, and an unfavorable resolution of one or more matters presently known or arising in the future could have a material adverse effect on our financial condition, liquidity or results of operations.

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

On January 30, 2014, our Board of Directors authorized our current share Repurchase Program. As of January 28, 2015, the date of the most recent amendment to the Repurchase Program, we have the authority to repurchase up to an aggregate of \$300.0 million of common stock under the Repurchase Program in open market transactions or privately negotiated transactions from time to time. During the three months ended March 31, 2015, we repurchased a total of 1,349,517 shares of our common stock under the Repurchase Program for a total of \$101.9 million. As of March 31, 2015, we had remaining authorization to repurchase \$252.0 million in shares of our common stock.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Program (in millions)
01/01/2015 - 01/31/2015	803,200	\$73.96	803,200	\$294.5
02/01/2015 - 02/28/2015	364,500	\$77.76	364,500	\$266.2
03/01/2015 - 03/31/2015	181,817	\$77.86	181,817	\$252.0

Item 4. Mine Safety Disclosures

Not applicable.

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Item 6. Exhibits

Exhibit Number	Description of Documents
10.1	Amended and Restated Master Loan Agreement, dated as of February 3, 2015, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2015)*
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Incorporated by reference.

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SIGNATURES

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

Asbury Automotive Group, Inc.

Date: April 22, 2015

By: /s/ Craig T. Monaghan
Name: Craig T. Monaghan
Title: Chief Executive Officer and President

Asbury Automotive Group, Inc.

Date: April 22, 2015

By: /s/ Keith R. Style
Name: Keith R. Style
Title: Senior Vice President and Chief Financial Officer

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INDEX TO EXHIBITS

Exhibit Number	Description of Documents
10.1	Amended and Restated Master Loan Agreement, dated as of February 3, 2015, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 4, 2015)*
31.1	Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
*	Incorporated by reference.