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

# FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 1-13107

# AUTONATION, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **73-1105145** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **200 SW 1st Avenue**<br>**Fort Lauderdale , Florida** | **33301** |
| (Address of principal executive offices) | (Zip Code) |

**(954)769-6000**
(Registrant's telephone number, including area code)

**N/A**
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☑ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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

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

As of April 24, 2024, the registrant had 40,266,545 shares of common stock outstanding.

**AUTONATION, INC.**

**FORM 10-Q**

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## PART I. FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 60.3 | $ 60.8 |
| Receivables, net | 880.0 | 1,040.4 |
| Inventory | 3,002.7 | 3,033.4 |
| Other current assets | 298.9 | 172.3 |
| Total Current Assets | 4,241.9 | 4,306.9 |
| AUTO LOANS RECEIVABLE, net of allowance for credit losses of $48.1 million and $46.3 million, respectively | 517.9 | 402.4 |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of $2.1 billion and $2.1 billion, respectively | 3,774.0 | 3,791.6 |
| OPERATING LEASE ASSETS | 416.3 | 392.1 |
| GOODWILL | 1,454.7 | 1,465.8 |
| OTHER INTANGIBLE ASSETS, NET | 925.6 | 927.8 |
| OTHER ASSETS | 710.9 | 693.4 |
| Total Assets | $ 12,041.3 | $ 11,980.0 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Vehicle floorplan payable - trade | $ 1,774.0 | $ 1,760.0 |
| Vehicle floorplan payable - non-trade | 1,496.9 | 1,622.4 |
| Accounts payable | 346.7 | 344.7 |
| Commercial paper | 285.0 | 440.0 |
| Current maturities of long-term debt | 462.7 | 462.4 |
| Current portion of non-recourse debt | 10.9 | 8.8 |
| Other current liabilities | 1,008.1 | 944.2 |
| Total Current Liabilities | 5,384.3 | 5,582.5 |
| LONG-TERM DEBT, NET OF CURRENT MATURITIES | 3,126.1 | 3,127.9 |
| NON-RECOURSE DEBT, NET OF CURRENT PORTION | 334.3 | 249.6 |
| NONCURRENT OPERATING LEASE LIABILITIES | 383.5 | 363.2 |
| DEFERRED INCOME TAXES | 86.3 | 85.0 |
| OTHER LIABILITIES | 367.0 | 360.4 |
| COMMITMENTS AND CONTINGENCIES (Note 14) | | |
| SHAREHOLDERS' EQUITY: | | |
| Common stock, par value $0.01 per share; 1,500,000,000 shares authorized; 63,562,149 shares issued at March 31, 2024, and December 31, 2023, including shares held in treasury | 0.6 | 0.6 |
| Additional paid-in capital | 2.0 | 22.4 |
| Retained earnings | 4,829.7 | 4,643.0 |
| Treasury stock, at cost; 21,938,716 and 21,917,635 shares held, respectively | (2,472.5) | (2,454.6) |
| Total Shareholders' Equity | 2,359.8 | 2,211.4 |
| Total Liabilities and Shareholders' Equity | $ 12,041.3 | $ 11,980.0 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| Revenue: | | |
| New vehicle | $ 2,979.3 | $ 2,931.9 |
| Used vehicle | 1,996.1 | 2,032.6 |
| Parts and service | 1,172.4 | 1,089.8 |
| Finance and insurance, net | 334.7 | 332.4 |
| Other | 3.2 | 12.0 |
| TOTAL REVENUE | 6,485.7 | 6,398.7 |
| Cost of sales: | | |
| New vehicle | 2,783.4 | 2,645.0 |
| Used vehicle | 1,884.6 | 1,878.2 |
| Parts and service | 616.6 | 578.7 |
| Other | 3.2 | 10.4 |
| TOTAL COST OF SALES | 5,287.8 | 5,112.3 |
| Gross profit: | | |
| New vehicle | 195.9 | 286.9 |
| Used vehicle | 111.5 | 154.4 |
| Parts and service | 555.8 | 511.1 |
| Finance and insurance | 334.7 | 332.4 |
| Other | — | 1.6 |
| TOTAL GROSS PROFIT | 1,197.9 | 1,286.4 |
| Selling, general, and administrative expenses | 793.1 | 782.7 |
| Depreciation and amortization | 58.3 | 52.8 |
| Other expense, net | 6.2 | 7.6 |
| OPERATING INCOME | 340.3 | 443.3 |
| Non-operating income (expense) items: | | |
| Floorplan interest expense | (49.4) | (27.1) |
| Other interest expense | (44.6) | (41.1) |
| Other income, net | 7.0 | 5.2 |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 253.3 | 380.3 |
| Income tax provision | 63.2 | 92.5 |
| NET INCOME FROM CONTINUING OPERATIONS | 190.1 | 287.8 |
| Income from discontinued operations, net of income taxes | — | 0.9 |
| NET INCOME | $ 190.1 | $ 288.7 |
| BASIC EARNINGS PER SHARE: | | |
| Continuing operations | $ 4.53 | $ 6.10 |
| Discontinued operations | $ — | $ 0.02 |
| Net income | $ 4.53 | $ 6.12 |
| Weighted average common shares outstanding | 42.0 | 47.2 |
| DILUTED EARNINGS PER SHARE: | | |
| Continuing operations | $ 4.49 | $ 6.05 |
| Discontinued operations | $ — | $ 0.02 |
| Net income | $ 4.49 | $ 6.07 |
| Weighted average common shares outstanding | 42.3 | 47.6 |
| COMMON SHARES OUTSTANDING, net of treasury stock, at period end | 41.6 | 45.6 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Common Stock | | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Total |
| | Shares | Amount | | | | |
| BALANCE AT DECEMBER 31, 2023 | 63,562,149 | $ 0.6 | $ 22.4 | $ 4,643.0 | $ (2,454.6) | $ 2,211.4 |
| Net income | — | — | — | 190.1 | — | 190.1 |
| Repurchases of common stock, including excise tax | — | — | — | — | (38.8) | (38.8) |
| Stock-based compensation expense | — | — | 14.1 | — | — | 14.1 |
| Shares awarded under stock-based compensation plans, net of shares withheld for taxes | — | — | (34.5) | (3.4) | 20.9 | (17.0) |
| BALANCE AT MARCH 31, 2024 | 63,562,149 | $ 0.6 | $ 2.0 | $ 4,829.7 | $ (2,472.5) | $ 2,359.8 |

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

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| Net income | $ 190.1 | $ 288.7 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Income from discontinued operations | — | (0.9) |
| Depreciation and amortization | 58.3 | 52.8 |
| Amortization of debt issuance costs and accretion of debt discounts | 2.3 | 2.5 |
| Stock-based compensation expense | 14.1 | 15.1 |
| Provision for credit losses on auto loans receivable | 10.2 | 12.8 |
| Deferred income tax provision | 1.3 | 2.8 |
| Gain on corporate-owned life insurance asset | (7.3) | (4.7) |
| Other | 1.1 | 1.5 |
| (Increase) decrease, net of effects from business acquisitions and divestitures: | | |
| Receivables | 160.4 | 119.5 |
| Auto loans receivable, net | (149.5) | (20.4) |
| Inventory | (26.1) | (147.5) |
| Other assets | (11.9) | (8.2) |
| Increase (decrease), net of effects from business acquisitions and divestitures: | | |
| Vehicle floorplan payable - trade | 36.0 | 142.0 |
| Accounts payable | 2.2 | 12.6 |
| Other liabilities | 13.3 | 41.7 |
| Net cash provided by continuing operations | 294.5 | 510.3 |
| Net cash used in discontinued operations | — | (0.3) |
| Net cash provided by operating activities | 294.5 | 510.0 |
| CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (93.7) | (95.3) |
| Cash used in business acquisitions, net of cash acquired | — | (191.0) |
| Originations of auto loans receivable acquired through third-party dealers | — | (55.3) |
| Collections on auto loans receivable acquired through third-party dealers | 23.9 | 39.3 |
| Other | 0.5 | (3.6) |
| Net cash used in continuing operations | (69.3) | (305.9) |
| Net cash used in discontinued operations | — | — |
| Net cash used in investing activities | (69.3) | (305.9) |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

**(Continued)**

| | Three Months Ended March 31, | |
|---|---|---|
| | **2024** | **2023** |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES: | | |
| Repurchases of common stock | (38.7) | (315.7) |
| Net proceeds from (payments of) commercial paper | (155.0) | 235.0 |
| Proceeds from non-recourse debt | 214.0 | 39.3 |
| Payments of non-recourse debt | (127.7) | (80.5) |
| Net payments of vehicle floorplan payable - non-trade | (93.5) | (67.3) |
| Payments of other debt obligations | (3.2) | (3.1) |
| Proceeds from the exercise of stock options | 0.1 | 1.3 |
| Payments of tax withholdings for stock-based awards | (17.1) | (25.1) |
| Net cash used in continuing operations | (221.1) | (216.1) |
| Net cash used in discontinued operations | — | — |
| Net cash used in financing activities | (221.1) | (216.1) |
| INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH | 4.1 | (12.0) |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at beginning of period | 77.0 | 95.4 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at end of period | $ 81.1 | $ 83.4 |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

## 1. INTERIM FINANCIAL STATEMENTS

### Business and Basis of Presentation

AutoNation, Inc., through its subsidiaries, is one of the largest automotive retailers in the United States. As of March 31, 2024, we owned and operated 347 new vehicle franchises from 251 stores located in the United States, predominantly in major metropolitan markets in the Sunbelt region. Our stores, which we believe include some of the most recognizable and well-known in our key markets, sell 32 different new vehicle brands. The core brands of new vehicles that we sell, representing approximately 88% of the new vehicles that we sold during the three months ended March 31, 2024, are manufactured by Toyota (including Lexus), Honda, Ford, General Motors, BMW, Mercedes-Benz, Stellantis, and Volkswagen (including Audi and Porsche). As of March 31, 2024, we also owned and operated 52 AutoNation-branded collision centers, 23 AutoNation USA used vehicle stores, 4 AutoNation-branded automotive auction operations, 3 parts distribution centers, a mobile automotive repair and maintenance business, and an auto finance company.

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

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

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

Certain reclassifications of amounts previously reported have been made to the accompanying Unaudited Condensed Consolidated Financial Statements in order to maintain consistency and comparability between periods presented.

***Recent Accounting Pronouncements***

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, that requires presentation of specific categories of reconciling items, as well as reconciling items that meet a quantitative threshold, in the reconciliation between the income tax provision and the income tax provision using statutory tax rates. The standard also requires disclosure of income taxes paid disaggregated by jurisdiction with separate disclosure of income taxes paid to individual jurisdictions that meet a quantitative threshold. The amendments in this accounting standard are effective for fiscal years beginning after December 15, 2024, on a prospective basis. Early adoption and retrospective application are permitted. We do not expect the adoption of this accounting standard to have an impact on our consolidated financial statements, but will require certain additional disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, that requires disclosure of significant segment expenses that are regularly reviewed by the chief operating decision maker and included within each reported measure of segment profit or loss. The standard also requires disclosure of the composition of other segment items included in the measure of segment profit or loss that are not separately disclosed. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We do not expect the adoption of this accounting standard to have an impact on our consolidated financial statements, but will require certain additional disclosures.

## 2. REVENUE RECOGNITION

### *Disaggregation of Revenue*

The significant majority of our revenue is from contracts with customers. Taxes assessed by governmental authorities that are directly imposed on revenue transactions are excluded from revenue and expenses. In the following tables, revenue is disaggregated by major lines of goods and services and timing of transfer of goods and services. The tables also include a reconciliation of the disaggregated revenue to reportable segment revenue.

| | Three Months Ended March 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Domestic | Import | Premium Luxury | Corporate and other[1] | Total |
| Major Goods/Service Lines | | | | | |
| New vehicle | $ 814.4 | $ 1,006.8 | $ 1,158.1 | $ — | $ 2,979.3 |
| Used vehicle | 543.0 | 557.2 | 736.2 | 159.7 | 1,996.1 |
| Parts and service | 302.1 | 294.7 | 417.2 | 158.4 | 1,172.4 |
| Finance and insurance, net | 97.0 | 119.2 | 103.3 | 15.2 | 334.7 |
| Other | 0.2 | 1.6 | 0.1 | 1.3 | 3.2 |
| | $ 1,756.7 | $ 1,979.5 | $ 2,414.9 | $ 334.6 | $ 6,485.7 |
| Timing of Revenue Recognition | | | | | |
| Goods and services transferred at a point in time | $ 1,538.3 | $ 1,748.3 | $ 2,057.9 | $ 229.1 | $ 5,573.6 |
| Goods and services transferred over time[2] | 218.4 | 231.2 | 357.0 | 105.5 | 912.1 |
| | $ 1,756.7 | $ 1,979.5 | $ 2,414.9 | $ 334.6 | $ 6,485.7 |

| | Three Months Ended March 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Domestic | Import | Premium Luxury | Corporate and other[1] | Total |
| Major Goods/Service Lines | | | | | |
| New vehicle | $ 828.0 | $ 856.4 | $ 1,247.5 | $ — | $ 2,931.9 |
| Used vehicle | 612.3 | 542.1 | 745.8 | 132.4 | 2,032.6 |
| Parts and service | 287.6 | 268.4 | 386.2 | 147.6 | 1,089.8 |
| Finance and insurance, net | 102.3 | 112.4 | 105.0 | 12.7 | 332.4 |
| Other | 0.9 | 10.0 | 0.4 | 0.7 | 12.0 |
| | $ 1,831.1 | $ 1,789.3 | $ 2,484.9 | $ 293.4 | $ 6,398.7 |
| Timing of Revenue Recognition | | | | | |
| Goods and services transferred at a point in time | $ 1,629.3 | $ 1,586.9 | $ 2,159.3 | $ 194.8 | $ 5,570.3 |
| Goods and services transferred over time[2] | 201.8 | 202.4 | 325.6 | 98.6 | 828.4 |
| | $ 1,831.1 | $ 1,789.3 | $ 2,484.9 | $ 293.4 | $ 6,398.7 |

[1] "Corporate and other" is comprised of our non-franchised businesses, including AutoNation USA used vehicle stores, collision centers, parts distribution centers, auction operations, and AutoNation Mobile Service.

[2] Represents revenue recognized during the period for automotive repair and maintenance services.

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

We sell a vehicle maintenance program (the AutoNation Vehicle Care Program or "VCP") under which a customer purchases a specific number of maintenance services to be redeemed at an AutoNation location over a five-year term from the

date of purchase. We satisfy our performance obligations related to this program and recognize revenue as the maintenance services are rendered, since the customer benefits when we have completed the maintenance service.

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

| | Revenue Expected to Be Recognized by Period | | | |
|---|---|---|---|---|
| | Total | Next 12 Months | 13 - 36 Months | 37 - 60 Months |
| Revenue expected to be recognized on VCP contracts sold as of period end | $ 108.5 | $ 37.2 | $ 53.0 | $ 18.3 |

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

***Contract Assets and Liabilities***

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

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

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Receivables from contracts with customers, net | $ 642.9 | $ 762.0 |
| Contract Asset (Current) | $ 22.2 | $ 23.1 |
| Contract Asset (Long-Term) | $ 3.3 | $ 3.2 |
| Contract Liability (Current) | $ 42.3 | $ 42.5 |
| Contract Liability (Long-Term) | $ 71.3 | $ 70.6 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Amounts included in contract liability at the beginning of the period | $ 9.8 | $ 9.4 |
| Performance obligations satisfied in previous periods | $ 0.3 | $ (2.3) |

Other significant changes include contract assets reclassified to receivables of $16.9 million for the three months ended March 31, 2024, and $25.7 million for the three months ended March 31, 2023.

## 3. EARNINGS PER SHARE

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

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net income from continuing operations | $ 190.1 | $ 287.8 |
| Income from discontinued operations, net of income taxes | — | 0.9 |
| Net income | $ 190.1 | $ 288.7 |
| | | |
| Basic weighted average common shares outstanding | 42.0 | 47.2 |
| Dilutive effect of unvested RSUs and stock options | 0.3 | 0.4 |
| Diluted weighted average common shares outstanding | 42.3 | 47.6 |
| | | |
| **Basic EPS amounts[1]:** | | |
| Continuing operations | $ 4.53 | $ 6.10 |
| Discontinued operations | $ — | $ 0.02 |
| Net income | $ 4.53 | $ 6.12 |
| | | |
| **Diluted EPS amounts[1]:** | | |
| Continuing operations | $ 4.49 | $ 6.05 |
| Discontinued operations | $ — | $ 0.02 |
| Net income | $ 4.49 | $ 6.07 |

[1] EPS amounts are calculated discretely and, therefore, may not add up to the total due to rounding.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Anti-dilutive equity instruments excluded from the computation of diluted EPS | 0.1 | 0.1 |

## 4. RECEIVABLES, NET

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Contracts-in-transit and vehicle receivables | $ 425.0 | $ 553.8 |
| Trade receivables | 169.7 | 173.2 |
| Manufacturer receivables | 212.0 | 240.5 |
| Income taxes receivable (see Note 9) | — | 11.1 |
| Other | 75.3 | 63.9 |
| | 882.0 | 1,042.5 |
| Less: allowances for expected credit losses | (2.0) | (2.1) |
| Receivables, net | $ 880.0 | $ 1,040.4 |

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

## 5. AUTO LOANS RECEIVABLE

Auto loans receivable include amounts due from customers related to retail vehicle sales financed through our auto finance company (referred to as AutoNation Finance), as well as retail vehicle installment sales contracts acquired through third-party independent dealers prior to October 2023. Auto loans receivable are presented net of an allowance for expected credit losses. Auto loans receivable represent a large group of smaller-balance homogeneous loans, which we consider to be part of one class of financing receivable and one portfolio segment for purposes of determining our allowance for expected credit losses.

AutoNation Finance operating results include the interest and fee income generated by auto loans receivable less the interest expense associated with the debt issued to fund these receivables, a provision for estimated credit losses, and direct expenses. AutoNation Finance operating results are included as a component of Other Expense, Net (within Operating Income). Interest income on auto loans receivable is recognized when earned based on contractual loan terms. Direct costs associated with loan originations are capitalized and amortized using the effective interest method.

### *Auto Loans Receivable, Net*

The components of auto loans receivable, net of unearned discounts and allowances for expected credit losses, at March 31, 2024, and December 31, 2023, are as follows:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Total auto loans receivable | $ 566.5 | $ 451.2 |
| Accrued interest and fees | 5.2 | 4.8 |
| Deferred loan origination costs | 2.0 | 1.6 |
| Less: unearned discounts | (7.7) | (8.9) |
| Less: allowances for expected credit losses | (48.1) | (46.3) |
| Auto loans receivable, net | $ 517.9 | $ 402.4 |

### *Credit Quality*

We utilize proprietary credit scoring models to rate the risk of default for customers that apply for financing by evaluating customer credit history and certain credit application information, including information such as income, collateral, and down payment. The scoring models yield credit program tiers that reflect our internal credit risk ratings and represent the relative likelihood of repayment. The assigned credit tier influences the terms of the agreement, such as the required loan-to-value ratio and interest rate. After origination, credit tier assignments by customer are generally not updated. Loan performance is reviewed on a recurring basis to identify whether the assigned credit tiers adequately reflect the customers' likelihood of repayment, and if needed, adjustments are made to the scoring models on a prospective basis.

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

The following tables present auto loans receivable as of March 31, 2024, and December 31, 2023, disaggregated by major credit program tier, in descending order of highest likelihood of repayment:

| | Fiscal Year of Origination | | | | | | |
|---|---|---|---|---|---|---|---|
| **As of March 31, 2024** | **2024** | **2023** | **2022** | **2021** | **2020** | **Prior to 2020** | **Total** |
| Credit Program Tier[1]: | | | | | | | |
| Palladium | $ 15.8 | $ — | $ — | $ — | $ — | $ — | $ 15.8 |
| Rhodium | 27.6 | 23.1 | 0.1 | — | — | — | 50.8 |
| Platinum | 112.7 | 118.5 | 13.2 | 7.2 | 2.8 | 2.6 | 257.0 |
| Gold | 17.9 | 57.6 | 31.8 | 16.1 | 5.6 | 4.0 | 133.0 |
| Silver | 0.2 | 45.0 | 28.7 | 13.7 | 4.2 | 2.1 | 93.9 |
| Bronze | — | 5.9 | 0.6 | 5.0 | 1.3 | 0.1 | 12.9 |
| Copper | — | 0.2 | 0.1 | 2.3 | 0.4 | 0.1 | 3.1 |
| Total auto loans receivable | $ 174.2 | $ 250.3 | $ 74.5 | $ 44.3 | $ 14.3 | $ 8.9 | $ 566.5 |
| | | | | | | | |
| Current-period gross write-offs | $ 0.1 | $ 5.9 | $ 4.3 | $ 2.7 | $ 0.8 | $ 0.2 | $ 14.0 |

| | Fiscal Year of Origination | | | | | | |
|---|---|---|---|---|---|---|---|
| **As of December 31, 2023** | **2023** | **2022** | **2021** | **2020** | **2019** | **Prior to 2019** | **Total** |
| Credit Program Tier[1]: | | | | | | | |
| Rhodium | $ 27.6 | $ 0.1 | $ — | $ — | $ — | $ — | $ 27.7 |
| Platinum | 136.3 | 14.7 | 8.2 | 3.3 | 3.1 | 0.5 | 166.1 |
| Gold | 64.3 | 35.9 | 18.5 | 6.8 | 4.5 | 0.8 | 130.8 |
| Silver | 50.2 | 33.0 | 16.2 | 5.2 | 2.8 | 0.3 | 107.7 |
| Bronze | 6.7 | 0.7 | 6.0 | 1.5 | 0.1 | — | 15.0 |
| Copper | 0.3 | 0.2 | 2.8 | 0.5 | 0.1 | — | 3.9 |
| Total auto loans receivable | $ 285.4 | $ 84.6 | $ 51.7 | $ 17.3 | $ 10.6 | $ 1.6 | $ 451.2 |

[1] Classified based on credit grade assigned when customer was initially approved for financing.

**Allowance for Credit Losses**

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

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

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

***Rollforward of Allowance for Credit Losses***

The following is a rollforward of our allowance for expected credit losses for auto loans receivable for the three months ended March 31, 2024 and 2023:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Balance as of beginning of year | $ 46.3 | $ 57.5 |
| Provision for credit losses | 10.2 | 12.8 |
| Write-offs | (14.0) | (16.0) |
| Recoveries[(1)] | 5.6 | 7.0 |
| Balance as of end of period | $ 48.1 | $ 61.3 |

[(1)] Includes proceeds from the recovery of vehicle collateral, net of costs incurred.

**Past Due Auto Loans Receivable**

An account is considered delinquent if 95% of the required principal and interest payments have not been received as of the date such payments were due. All loans continue to accrue interest until repayment, write-off, or when a loan reaches 75 days past due. If payment is received after a loan has stopped accruing interest due to reaching 75 days past due, the loan will be deemed current and the accrual of interest resumes. When a write-off occurs, accrued interest is written off by reversing interest income. Payments received on nonaccrual assets are recorded using a combination of the cost recovery method and the cash basis method depending on whether the related loan has been written off. In general, accounts are written off on the last business day of the month during which the earliest of the following occurs: the receivable is 120 days or more delinquent as of the last business day of the month, the vehicle has been repossessed and liquidated, or the related vehicle has been in repossession inventory for at least 60 days. The following table presents past due auto loans receivable, as of March 31, 2024, and December 31, 2023:

| | Age Analysis of Past-Due Auto Loans Receivable as of | |
|---|---|---|
| | March 31, 2024 | December 31, 2023 |
| 31-60 Days | $ 16.4 | $ 20.7 |
| 61-90 Days | 4.7 | 5.4 |
| Greater than 90 Days | 2.9 | 3.1 |
| Total Past Due | $ 24.0 | $ 29.2 |
| | | |
| Current | 542.5 | 422.0 |
| Total | $ 566.5 | $ 451.2 |

## 6. INVENTORY AND VEHICLE FLOORPLAN PAYABLE

The components of inventory are as follows:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| New vehicles | $ 2,054.1 | $ 1,948.6 |
| Used vehicles | 680.7 | 815.3 |
| Parts, accessories, and other | 267.9 | 269.5 |
| Inventory | $ 3,002.7 | $ 3,033.4 |

The components of vehicle floorplan payable are as follows:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Vehicle floorplan payable - trade | $ 1,774.0 | $ 1,760.0 |
| Vehicle floorplan payable - non-trade | 1,496.9 | 1,622.4 |
| Vehicle floorplan payable | $ 3,270.9 | $ 3,382.4 |

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

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

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

At March 31, 2024, our new vehicle floorplan facilities utilized Prime-based and SOFR-based interest rates. Our new vehicle floorplan outstanding had a weighted-average interest rate of 7.0% at March 31, 2024, and 7.1% at December 31, 2023. As of March 31, 2024, the aggregate capacity under our new vehicle floorplan facilities to finance our new vehicle inventory was approximately $4.7 billion, of which $2.8 billion had been borrowed.

At March 31, 2024, our used vehicle floorplan facilities utilized Prime-based and SOFR-based interest rates. Our used vehicle floorplan outstanding had a weighted-average interest rate of 6.8% at March 31, 2024, and 6.9% at December 31, 2023. As of March 31, 2024, the aggregate capacity under our used vehicle floorplan facilities with various lenders to finance a portion of our used vehicle inventory was $810.0 million, of which $499.6 million had been borrowed. The remaining borrowing capacity of $310.4 million was limited to $0.3 million based on the eligible used vehicle inventory that could have been pledged as collateral.

## 7. GOODWILL AND INTANGIBLE ASSETS, NET

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Goodwill | $ 1,454.7 | $ 1,465.8 |
| | | |
| Franchise rights - indefinite-lived | $ 875.7 | $ 876.2 |
| Other intangibles | 68.0 | 68.0 |
| | 943.7 | 944.2 |
| Less: accumulated amortization | (18.1) | (16.4) |
| Other intangible assets, net | $ 925.6 | $ 927.8 |

## 8. DEBT

**Non-Vehicle Long-Term Debt**

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

| Debt Description | Maturity Date | Interest Payable | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| 3.5% Senior Notes | November 15, 2024 | May 15 and November 15 | $ 450.0 | $ 450.0 |
| 4.5% Senior Notes | October 1, 2025 | April 1 and October 1 | 450.0 | 450.0 |
| 3.8% Senior Notes | November 15, 2027 | May 15 and November 15 | 300.0 | 300.0 |
| 1.95% Senior Notes | August 1, 2028 | February 1 and August 1 | 400.0 | 400.0 |
| 4.75% Senior Notes | June 1, 2030 | June 1 and December 1 | 500.0 | 500.0 |
| 2.4% Senior Notes | August 1, 2031 | February 1 and August 1 | 450.0 | 450.0 |
| 3.85% Senior Notes | March 1, 2032 | March 1 and September 1 | 700.0 | 700.0 |
| Revolving credit facility | July 18, 2028 | Monthly | — | — |
| Finance leases and other debt | Various dates through 2041 | | 359.7 | 362.2 |
| | | | 3,609.7 | 3,612.2 |
| Less: unamortized debt discounts and debt issuance costs | | | (20.9) | (21.9) |
| Less: current maturities | | | (462.7) | (462.4) |
| Long-term debt, net of current maturities | | | $ 3,126.1 | $ 3,127.9 |

***Senior Unsecured Notes and Credit Agreement***

Our 3.5% Senior Notes due 2024 will mature on November 15, 2024, and were, therefore, reclassified to current during the fourth quarter of 2023.

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

Under our amended and restated credit agreement, we have a $1.9 billion revolving credit facility that matures on July 18, 2028. The credit agreement also contains an accordion feature that allows us, subject to credit availability and certain other conditions, to increase the amount of the revolving credit facility, together with any added term loans, by up to $500.0 million in the aggregate. As of March 31, 2024, we had no borrowings outstanding under our revolving credit facility. We have a $200.0 million letter of credit sublimit as part of the revolving credit facility. The amount available to be borrowed under the revolving credit facility is reduced on a dollar-for-dollar basis by the cumulative amount of any outstanding letters of credit,

which was $0.8 million at March 31, 2024, leaving a borrowing capacity under our credit agreement of $1.9 billion at March 31, 2024.

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

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

***Other Long-Term Debt***

At March 31, 2024, we had finance leases and other debt obligations of $359.7 million, which are due at various dates through 2041.

**Commercial Paper**

We have a commercial paper program pursuant to which we may issue short-term, unsecured commercial paper notes on a private placement basis up to a maximum aggregate amount outstanding at any time of $1.9 billion. The interest rate for the commercial paper notes varies based on duration and market conditions. The maturities of the commercial paper notes may vary, but may not exceed 397 days from the date of issuance. Proceeds from the issuance of commercial paper notes are used to repay borrowings under the revolving credit facility, to finance acquisitions, and for strategic initiatives, working capital, capital expenditures, share repurchases, and/or other general corporate purposes. We plan to use the revolving credit facility under our credit agreement as a liquidity backstop for borrowings under the commercial paper program. A downgrade in our credit ratings could negatively impact our ability to issue, or the interest rates for, commercial paper notes.

At March 31, 2024, we had $285.0 million of commercial paper notes outstanding with a weighted-average annual interest rate of 5.9% and a weighted-average remaining term of 4 days. At December 31, 2023, we had $440.0 million of commercial paper notes outstanding with a weighted-average annual interest rate of 5.9% and a weighted-average remaining term of 6 days.

**Non-Recourse Debt**

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

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

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

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

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

Non-recourse debt outstanding at March 31, 2024, and December 31, 2023, consisted of the following:

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Warehouse facilities | $ 303.5 | $ 209.4 |
| Term securitization debt of consolidated VIEs | 42.8 | 50.5 |
| | 346.3 | 259.9 |
| Less: unamortized debt discounts and debt issuance costs | (1.1) | (1.5) |
| Less: current maturities | (10.9) | (8.8) |
| Non-recourse debt, net of current maturities | $ 334.3 | $ 249.6 |

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

We generally enter into warehouse facility agreements for one-year terms and typically renew the agreements annually. One of the warehouse facilities matures in October 2024, and another matures in January 2025. In February 2024, we entered into a new warehouse facility that matures in February 2025. Aggregate commitments under the warehouse facilities total $450.0 million.

The term securitization debt of consolidated VIEs consists of various notes with interest rates ranging from 1.79% to 4.45% and maturity dates ranging from April 2027 to May 2028. Term securitization debt is expected to become due and be paid prior to the final legal maturities based on amortization of the auto loans receivable pledged as collateral. The term securitization agreements require certain funds to be held in restricted cash accounts to provide additional collateral for the borrowings or to be applied to make payments on the securitization debt. Restricted cash of consolidated VIEs under the various term securitization agreements totaled $4.0 million as of March 31, 2024, and $4.3 million as of December 31, 2023, and is included in Other Current Assets and Other Assets in our Unaudited Condensed Consolidated Balance Sheets. Auto loans receivable pledged to the term securitization debt of consolidated VIEs totaled $43.1 million as of March 31, 2024, and $50.8 million as of December 31, 2023.

## 9. INCOME TAXES

Income taxes payable included in Other Current Liabilities totaled $50.1 million at March 31, 2024, and income taxes receivable included in Receivables, net totaled $11.1 million at December 31, 2023.

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

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

## 10. SHAREHOLDERS' EQUITY

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Shares repurchased | 0.2 | 2.4 |
| Aggregate purchase price [1] | $ 38.7 | $ 305.0 |
| Average purchase price per share | $ 158.40 | $ 126.37 |

[1] Excludes excise taxes imposed under the Inflation Reduction Act of $0.1 million and $2.5 million for the three months ended March 31, 2024, and March 31, 2023, respectively.

As of March 31, 2024, $282.1 million remained available under our stock repurchase limit authorized by our Board of Directors. From April 1, 2024, through April 24, 2024, we repurchased 1.4 million shares of common stock for an aggregate purchase price of $211.3 million (average purchase price per share of $155.74). In April 2024, our Board of Directors authorized the repurchase of up to an additional $1.0 billion of common stock.

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

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Shares issued (in actual number of shares) | 965 | 27,135 |
| Proceeds from the exercise of stock options | $ 0.1 | $ 1.3 |
| Average exercise price per share | $ 64.48 | $ 47.57 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Shares issued | 0.3 | 0.5 |
| Shares surrendered to AutoNation to satisfy tax withholding obligations | 0.1 | 0.2 |

## 11. ACQUISITIONS AND DIVESTITURES

We did not purchase any stores during the three months ended March 31, 2024. During the three months ended March 31, 2023, we acquired RepairSmith, a mobile solution for automotive repair and maintenance, which we renamed AutoNation Mobile Service, and we also purchased one store. Acquisitions are included in the Unaudited Condensed Consolidated Financial Statements from the date of acquisition.

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

We did not divest stores during the three months ended March 31, 2024 or 2023. We terminated two franchises during the three months ended March 31, 2024.

## 12. CASH FLOW INFORMATION

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

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 60.3 | $ 60.8 |
| Restricted cash included in Other Current Assets | 18.9 | 14.3 |
| Restricted cash included in Other Assets | 1.9 | 1.9 |
| Total cash, cash equivalents, and restricted cash | $ 81.1 | $ 77.0 |

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

We had accrued purchases of property and equipment of $26.7 million at March 31, 2024, and $33.7 million at March 31, 2023.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Supplemental noncash information on adjustments to right-of-use assets, including right-of-use assets obtained in exchange for new: | | |
| Operating lease liabilities | $ 35.2 | $ 15.8 |
| Finance lease liabilities | $ 6.9 | $ 13.5 |

### *Interest and Income Taxes Paid*

We made interest payments, net of amounts capitalized and including interest on vehicle inventory financing, of $86.1 million during the three months ended March 31, 2024, and $58.1 million during the three months ended March 31, 2023. We made income tax payments, net of income tax refunds, of $0.2 million during the three months ended March 31, 2024, and $0.7 million during the three months ended March 31, 2023.

## 13. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

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

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

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

- *Cash and cash equivalents, receivables, other current assets, vehicle floorplan payable, accounts payable, other current liabilities, commercial paper, warehouse credit facilities, and variable rate debt*: The amounts reported in the accompanying Unaudited Condensed Consolidated Balance Sheets approximate fair value due to their short-term nature or the existence of variable interest rates that approximate prevailing market rates.
- *Auto loans receivable, net*: Auto loans receivable are presented net of an allowance for expected credit losses, which we believe approximates fair value.
- *Investments in Equity Securities:* Our equity investments with readily determinable fair values are measured at fair value using Level 1 inputs. The fair value of our equity investments with readily determinable fair values totaled $22.8 million at March 31, 2024, and $22.8 million at December 31, 2023.

  Our equity investment that does not have a readily determinable fair value is measured using the measurement alternative as permitted by accounting standards and was recorded at cost, to be subsequently adjusted for observable price changes. The carrying amount of our equity investment without a readily determinable fair value was $56.7 million at March 31, 2024, and $56.7 million at December 31, 2023. This equity investment reflects a cumulative upward adjustment of $3.4 million based on an observable price change that occurred in the second quarter of 2021. We did not record any upward adjustments during the three months ended March 31, 2024. Additionally, we have not recorded any impairments or downward adjustments to the carrying amount of this equity investment as of and for the three months ended March 31, 2024.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net losses recognized during the period on equity securities | $ (0.4) | $ (1.1) |
| Less: Net gains (losses) recognized during the period on equity securities sold during the period | — | — |
| Unrealized losses recognized during the reporting period on equity securities still held at the reporting date | $ (0.4) | $ (1.1) |

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

| | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Carrying value | $ 3,229.1 | $ 3,228.1 |
| Fair value | $ 2,984.8 | $ 2,979.3 |

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

The following table presents assets measured and recorded at fair value on a nonrecurring basis during the three months ended March 31, 2024 and 2023:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| Description | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | Gain/(Loss) | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | Gain/(Loss) |
| Long-lived assets held and used | $ — | $ (1.1) | $ — | $ (1.4) |

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

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

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

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

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

We had assets held for sale in continuing operations of $134.2 million as of March 31, 2024, and $21.3 million as of December 31, 2023, primarily related to inventory, goodwill, and property of disposal groups held for sale, as well as property held for sale. We had no assets held for sale in discontinued operations as of March 31, 2024 and December 31, 2023. Assets held for sale are included in Other Current Assets in our Unaudited Condensed Consolidated Balance Sheets.

## 14. COMMITMENTS AND CONTINGENCIES

***Legal Proceedings***

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

As of March 31, 2024 and 2023, we have accrued for the potential impact of loss contingencies that are probable and reasonably estimable, and there was no indication of a reasonable possibility that a material loss, or additional material loss, may have been incurred. We do not believe that the ultimate resolution of these matters will have a material adverse effect on our results of operations, financial condition, or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our results of operations, financial condition, or cash flows.

***Other Matters***

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

From time to time, primarily in connection with dispositions of automotive stores, we assign or sublet to the store purchaser our interests in any real property leases associated with such stores. In general, we retain responsibility for the performance of certain obligations under such leases to the extent that the assignee or sublessee does not perform, whether such performance is required prior to or following the assignment or subletting of the lease. Additionally, we generally remain subject to the terms of any guarantees made by us in connection with such leases. We generally have indemnification rights against the assignee or sublessee in the event of non-performance under these leases, as well as certain defenses. We presently have no reason to believe that we will be called on to perform under any such remaining assigned leases or subleases. We estimate that lessee rental payment obligations during the remaining terms of these leases with expirations ranging from 2024 to 2034 are approximately $5 million at March 31, 2024. There can be no assurance that any performance required of us under these leases would not have a material adverse effect on our business, financial condition, and cash flows.

At March 31, 2024, surety bonds, letters of credit, and cash deposits totaled $119.3 million, of which $0.8 million were letters of credit. In the ordinary course of business, we are required to post performance and surety bonds, letters of credit, and/or cash deposits as financial guarantees of our performance. We do not currently provide cash collateral for outstanding letters of credit.

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

## 15. BUSINESS AND CREDIT CONCENTRATIONS

We own and operate franchised automotive stores in the United States pursuant to franchise agreements with vehicle manufacturers. During the three months ended March 31, 2024, approximately 65% of our total retail new vehicle unit sales was generated by our stores in Florida, Texas, and California. We are subject to a concentration of risk in the event of financial distress of or other adverse event related to a major vehicle manufacturer or related lender or supplier. The core brands of vehicles that we sell, representing approximately 88% of the new vehicles that we sold during the three months ended March 31, 2024, are manufactured by Toyota (including Lexus), Honda, Ford, General Motors, BMW, Mercedes-Benz, Stellantis, and Volkswagen (including Audi and Porsche). Our business could be materially adversely impacted by a bankruptcy of or other adverse event related to a major vehicle manufacturer or related lender or supplier.

We had receivables from manufacturers or distributors of $212.0 million at March 31, 2024, and $240.5 million at December 31, 2023. Additionally, a large portion of our contracts-in-transit included in Receivables, net, in the accompanying Unaudited Condensed Consolidated Balance Sheets, are due from automotive manufacturers' captive finance subsidiaries, which provide financing directly to our new and used vehicle customers. Concentrations of credit risk with respect to non-manufacturer trade receivables are limited due to the wide variety of customers and markets in which our products are sold as

well as their dispersion across many different geographic areas in the United States. Consequently, at March 31, 2024, we do not consider AutoNation to have any significant non-manufacturer concentrations of credit risk.

## 16. SEGMENT INFORMATION

At March 31, 2024 and 2023, we had three reportable segments: (1) Domestic, (2) Import, and (3) Premium Luxury. Our Domestic segment is comprised of retail automotive franchises that sell new vehicles manufactured by Ford, General Motors, and Stellantis. Our Import segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Toyota, Honda, Hyundai, Subaru, and Nissan. Our Premium Luxury segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Mercedes-Benz, BMW, Lexus, Audi, and Jaguar Land Rover. The franchises in each segment also sell used vehicles, parts and automotive repair and maintenance services, and automotive finance and insurance products.

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

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

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

| | Three Months Ended March 31, 2024 | | |
|---|---|---|---|
| | Domestic | Import | Premium Luxury |
| Revenues from external customers | $ 1,756.7 | $ 1,979.5 | $ 2,414.9 |
| Segment income [1] | $ 75.2 | $ 128.8 | $ 171.6 |

| | Three Months Ended March 31, 2023 | | |
|---|---|---|---|
| | Domestic | Import | Premium Luxury |
| Revenues from external customers | $ 1,831.1 | $ 1,789.3 | $ 2,484.9 |
| Segment income [1] | $ 118.5 | $ 160.4 | $ 226.8 |

[1] Segment income represents income for each of our reportable segments and is defined as operating income less floorplan interest expense.

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Total segment income for reportable segments | $ 375.6 | $ 505.7 |
| Corporate and other | (84.7) | (89.5) |
| Other interest expense | (44.6) | (41.1) |
| Other income, net | 7.0 | 5.2 |
| Income from continuing operations before income taxes | $ 253.3 | $ 380.3 |

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

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

### Overview

AutoNation, Inc., through its subsidiaries, is one of the largest automotive retailers in the United States. As of March 31, 2024, we owned and operated 347 new vehicle franchises from 251 stores located in the United States, predominantly in major metropolitan markets in the Sunbelt region. Our stores, which we believe include some of the most recognizable and well known in our key markets, sell 32 different new vehicle brands. The core brands of new vehicles that we sell, representing approximately 88% of the new vehicles that we sold during the three months ended March 31, 2024, are manufactured by Toyota (including Lexus), Honda, Ford, General Motors, BMW, Mercedes-Benz, Stellantis, and Volkswagen (including Audi and Porsche). As of March 31, 2024, we also owned and operated 52 AutoNation-branded collision centers, 23 AutoNation USA used vehicle stores, 4 AutoNation-branded automotive auction operations, 3 parts distribution centers, a mobile automotive repair and maintenance business, and an auto finance company.

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

At March 31, 2024, we had three reportable segments: (1) Domestic, (2) Import, and (3) Premium Luxury. Our Domestic segment is comprised of retail automotive franchises that sell new vehicles manufactured by Ford, General Motors, and Stellantis. Our Import segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Toyota, Honda, Hyundai, Subaru, and Nissan. Our Premium Luxury segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Mercedes-Benz, BMW, Lexus, Audi, and Jaguar Land Rover. The franchises in each segment also sell used vehicles, parts and automotive repair and maintenance services, and automotive finance and insurance products.

For the three months ended March 31, 2024, new vehicle sales accounted for 46% of our total revenue and 16% of our total gross profit. Used vehicle sales accounted for 31% of our total revenue and 9% of our total gross profit. Our parts and service operations, while comprising 18% of our total revenue, contributed 46% of our total gross profit. Our finance and insurance sales, while comprising 5% of our total revenue, contributed 28% of our total gross profit.

### Market Conditions

In the first quarter of 2024, U.S. industry retail new vehicle unit sales increased approximately 5% as compared to the first quarter of 2023. Although still below historical levels, new vehicle inventory levels continued to increase during the first quarter of 2024 due to higher levels of manufacturer vehicle production. The increasing supply and availability of new vehicle inventory, which varies by make and model, has resulted in moderation of new vehicle unit profitability, which we expect will continue throughout 2024. Additionally, the increased availability of new vehicles and an increase in manufacturer new vehicle incentives, including low-interest financing and customer rebates, has adversely impacted market demand for used vehicles, particularly for higher-priced, nearly new vehicle inventory, and stabilization of used vehicle value trends, as compared to the prior year period, has resulted in moderation of used vehicle unit profitability.

### Results of Operations

During the three months ended March 31, 2024, we had net income of $190.1 million and diluted earnings per share of $4.49, as compared to net income of $288.7 million and diluted earnings per share of $6.07 during the same period in 2023.

Our total gross profit decreased 6.9% during the first quarter of 2024 compared to the first quarter of 2023, driven by decreases in new vehicle gross profit of 31.7% and used vehicle gross profit of 27.8%, each as compared to the first quarter of

2023. New vehicle gross profit was adversely impacted by a decrease in gross profit per vehicle retailed ("PVR") resulting from increasing supply and availability of new vehicle inventory, which has resulted in moderation of pricing and margins. Used vehicle gross profit was adversely impacted by a decrease in gross profit PVR primarily due to stabilization of used vehicle value trends, as compared to the prior year period, as well as certain actions we took in the beginning of the first quarter of 2024 to better align used vehicle inventory with market demand and achieve a more optimal inventory supply. The decreases in gross profit were partially offset by an increase in parts and service gross profit of 8.7%, as compared to the first quarter of 2023. Parts and service results benefited primarily from increases in gross profit from the preparation of vehicles for sale, warranty service, and customer-pay service. Floorplan interest expense increased due to higher average floorplan balances and higher average interest rates.

**Inventory Management**

Our new and used vehicle inventories are stated at the lower of cost or net realizable value in our Unaudited Condensed Consolidated Balance Sheets. We monitor our vehicle inventory levels based on current economic conditions and seasonal sales trends.

Our new vehicle inventory units at March 31, 2024 and 2023, were 38,185 and 21,176, respectively. We have typically not experienced significant losses on the sale of new vehicle inventory, in part due to incentives provided by manufacturers to promote sales of new vehicles and our inventory management practices. We monitor our new vehicle inventory values as compared to net realizable values. We had no new vehicle inventory write-downs at March 31, 2024 and December 31, 2023.

We recondition the majority of used vehicles acquired for retail sale in our parts and service departments and capitalize the related costs to the used vehicle inventory. We monitor our used vehicle inventory values as compared to net realizable values. Typically, used vehicles that are not sold on a retail basis are sold at wholesale auctions. Our used vehicle inventory balance was net of cumulative write-downs of $6.5 million at March 31, 2024, and $12.2 million at December 31, 2023.

Parts, accessories, and other inventory are carried at the lower of cost or net realizable value. We estimate the amount of potentially damaged and/or excess and obsolete inventory based upon historical experience, manufacturer return policies, and industry trends. Our parts, accessories, and other inventory balance was net of cumulative write-downs of $7.9 million at March 31, 2024, and $7.8 million at December 31, 2023.

**Critical Accounting Estimates**

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

***Goodwill***

Goodwill for our reporting units is tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that the carrying value of a reporting unit exceeds its fair value. We are scheduled to complete our annual goodwill impairment test as of April 30, 2024.

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

If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we calculate the estimated fair value of the reporting unit using an "income" valuation approach, which discounts projected free cash flows of the reporting unit at a computed weighted average cost of capital as the discount rate. The income valuation approach requires the use of significant estimates and assumptions, which include revenue growth rates and future operating margins used to calculate projected future cash flows, weighted average cost of capital, and future economic and market conditions. In connection with this process, we also reconcile the estimated

aggregate fair values of our reporting units to our market capitalization, including consideration of a control premium based upon our stock price and/or average stock price over a reasonable period as of the measurement date. We base our cash flow forecasts on our knowledge of the automotive industry, our recent performance, our expectations of our future performance, and other assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. We also make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

As of March 31, 2024, we have $225.0 million of goodwill related to the Domestic reporting unit, $524.1 million related to the Import reporting unit, $482.1 million related to the Premium Luxury reporting unit, $140.5 million related to the Mobile Service reporting unit, $78.4 million related to the AutoNation Finance reporting unit, and $4.6 million related to the Collision Centers reporting unit.

***Other Intangible Assets***

Our principal identifiable intangible assets are individual store rights under franchise agreements with vehicle manufacturers, which have indefinite lives and are tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that impairment may have occurred. We are scheduled to complete our annual impairment test of our franchise rights as of April 30, 2024.

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

**Reported Operating Data**

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

| ($ in millions, except per vehicle data) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| Revenue: | | | | |
| New vehicle | $ 2,979.3 | $ 2,931.9 | $ 47.4 | 1.6 |
| Retail used vehicle | 1,833.8 | 1,884.1 | (50.3) | (2.7) |
| Wholesale | 162.3 | 148.5 | 13.8 | 9.3 |
| Used vehicle | 1,996.1 | 2,032.6 | (36.5) | (1.8) |
| Finance and insurance, net | 334.7 | 332.4 | 2.3 | 0.7 |
| Total variable operations[1] | 5,310.1 | 5,296.9 | 13.2 | 0.2 |
| Parts and service | 1,172.4 | 1,089.8 | 82.6 | 7.6 |
| Other | 3.2 | 12.0 | (8.8) | |
| Total revenue | $ 6,485.7 | $ 6,398.7 | $ 87.0 | 1.4 |
| Gross profit: | | | | |
| New vehicle | $ 195.9 | $ 286.9 | $ (91.0) | (31.7) |
| Retail used vehicle | 101.8 | 143.0 | (41.2) | (28.8) |
| Wholesale | 9.7 | 11.4 | (1.7) | |
| Used vehicle | 111.5 | 154.4 | (42.9) | (27.8) |
| Finance and insurance | 334.7 | 332.4 | 2.3 | 0.7 |
| Total variable operations[1] | 642.1 | 773.7 | (131.6) | (17.0) |
| Parts and service | 555.8 | 511.1 | 44.7 | 8.7 |
| Other | — | 1.6 | (1.6) | |
| Total gross profit | 1,197.9 | 1,286.4 | (88.5) | (6.9) |
| Selling, general, and administrative expenses | 793.1 | 782.7 | (10.4) | (1.3) |
| Depreciation and amortization | 58.3 | 52.8 | (5.5) | |
| Other expense, net | 6.2 | 7.6 | 1.4 | |
| Operating income | 340.3 | 443.3 | (103.0) | (23.2) |
| Non-operating income (expense) items: | | | | |
| Floorplan interest expense | (49.4) | (27.1) | (22.3) | |
| Other interest expense | (44.6) | (41.1) | (3.5) | |
| Other income, net | 7.0 | 5.2 | 1.8 | |
| Income from continuing operations before income taxes | $ 253.3 | $ 380.3 | $ (127.0) | (33.4) |
| Retail vehicle unit sales: | | | | |
| New vehicle | 58,863 | 55,065 | 3,798 | 6.9 |
| Used vehicle | 69,121 | 67,539 | 1,582 | 2.3 |
| | 127,984 | 122,604 | 5,380 | 4.4 |
| Revenue per vehicle retailed: | | | | |
| New vehicle | $ 50,614 | $ 53,244 | $ (2,630) | (4.9) |
| Used vehicle | $ 26,530 | $ 27,896 | $ (1,366) | (4.9) |
| Gross profit per vehicle retailed: | | | | |
| New vehicle | $ 3,328 | $ 5,210 | $ (1,882) | (36.1) |
| Used vehicle | $ 1,473 | $ 2,117 | $ (644) | (30.4) |
| Finance and insurance | $ 2,615 | $ 2,711 | $ (96) | (3.5) |
| Total variable operations[2] | $ 4,941 | $ 6,218 | $ (1,277) | (20.5) |

[1] Total variable operations includes new vehicle, used vehicle (retail and wholesale), and finance and insurance results.

[2] Total variable operations gross profit per vehicle retailed is calculated by dividing the sum of new vehicle, retail used vehicle, and finance and insurance gross profit by total retail vehicle unit sales.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 (%) | 2023 (%) |
| Revenue mix percentages: | | |
| New vehicle | 45.9 | 45.8 |
| Used vehicle | 30.8 | 31.8 |
| Parts and service | 18.1 | 17.0 |
| Finance and insurance, net | 5.2 | 5.2 |
| Other | — | 0.2 |
| Total | 100.0 | 100.0 |
| Gross profit mix percentages: | | |
| New vehicle | 16.4 | 22.3 |
| Used vehicle | 9.3 | 12.0 |
| Parts and service | 46.4 | 39.7 |
| Finance and insurance | 27.9 | 25.8 |
| Other | — | 0.2 |
| Total | 100.0 | 100.0 |
| Operating items as a percentage of revenue: | | |
| Gross profit: | | |
| New vehicle | 6.6 | 9.8 |
| Used vehicle - retail | 5.6 | 7.6 |
| Parts and service | 47.4 | 46.9 |
| Total | 18.5 | 20.1 |
| Selling, general, and administrative expenses | 12.2 | 12.2 |
| Operating income | 5.2 | 6.9 |
| Other operating items as a percentage of total gross profit: | | |
| Selling, general, and administrative expenses | 66.2 | 60.8 |
| Operating income | 28.4 | 34.5 |

| | March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Inventory days supply: | | |
| New vehicle (industry standard of selling days) | 44 days | 25 days |
| Used vehicle (trailing calendar month days) | 31 days | 29 days |

**Same Store Operating Data**

We have presented below our operating results on a same store basis to reflect our internal performance. The "Same Store" amounts presented below include the results of our stores for the identical months in each period presented in the comparison, commencing with the first full month in which the store was owned by us. Results from divested stores are excluded from both current and prior periods. Therefore, the amounts presented in the 2023 column may differ from the same store amounts presented for 2023 in the prior year. We believe the presentation of this information provides a meaningful comparison of period-over-period results of our operations.

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| **($ in millions, except per vehicle data)** | **2024** | **2023** | **Variance Favorable / (Unfavorable)** | **% Variance** |
| Revenue: | | | | |
| New vehicle | $ 2,937.2 | $ 2,927.5 | $ 9.7 | 0.3 |
| Retail used vehicle | 1,768.9 | 1,877.8 | (108.9) | (5.8) |
| Wholesale | 156.9 | 147.8 | 9.1 | 6.2 |
| Used vehicle | 1,925.8 | 2,025.6 | (99.8) | (4.9) |
| Finance and insurance, net | 326.1 | 331.8 | (5.7) | (1.7) |
| Total variable operations[1] | 5,189.1 | 5,284.9 | (95.8) | (1.8) |
| Parts and service | 1,155.9 | 1,085.8 | 70.1 | 6.5 |
| Other | 3.2 | 12.2 | (9.0) | |
| Total revenue | $ 6,348.2 | $ 6,382.9 | $ (34.7) | (0.5) |
| Gross profit: | | | | |
| New vehicle | $ 194.4 | $ 286.7 | $ (92.3) | (32.2) |
| Retail used vehicle | 99.1 | 142.8 | (43.7) | (30.6) |
| Wholesale | 9.6 | 11.4 | (1.8) | |
| Used vehicle | 108.7 | 154.2 | (45.5) | (29.5) |
| Finance and insurance | 326.1 | 331.8 | (5.7) | (1.7) |
| Total variable operations[1] | 629.2 | 772.7 | (143.5) | (18.6) |
| Parts and service | 547.3 | 509.0 | 38.3 | 7.5 |
| Other | — | 1.6 | (1.6) | |
| Total gross profit | $ 1,176.5 | $ 1,283.3 | $ (106.8) | (8.3) |
| Retail vehicle unit sales: | | | | |
| New vehicle | 57,842 | 54,985 | 2,857 | 5.2 |
| Used vehicle | 66,163 | 67,318 | (1,155) | (1.7) |
| | 124,005 | 122,303 | 1,702 | 1.4 |
| Revenue per vehicle retailed: | | | | |
| New vehicle | $ 50,780 | $ 53,242 | $ (2,462) | (4.6) |
| Used vehicle | $ 26,735 | $ 27,894 | $ (1,159) | (4.2) |
| Gross profit per vehicle retailed: | | | | |
| New vehicle | $ 3,361 | $ 5,214 | $ (1,853) | (35.5) |
| Used vehicle | $ 1,498 | $ 2,121 | $ (623) | (29.4) |
| Finance and insurance | $ 2,630 | $ 2,713 | $ (83) | (3.1) |
| Total variable operations[2] | $ 4,997 | $ 6,225 | $ (1,228) | (19.7) |

[1] Total variable operations includes new vehicle, used vehicle (retail and wholesale), and finance and insurance results.

[2] Total variable operations gross profit per vehicle retailed is calculated by dividing the sum of new vehicle, retail used vehicle, and finance and insurance gross profit by total retail vehicle unit sales.

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 (%) | 2023 (%) |
| Revenue mix percentages: | | |
| New vehicle | 46.3 | 45.9 |
| Used vehicle | 30.3 | 31.7 |
| Parts and service | 18.2 | 17.0 |
| Finance and insurance, net | 5.1 | 5.2 |
| Other | 0.1 | 0.2 |
| Total | 100.0 | 100.0 |
| Gross profit mix percentages: | | |
| New vehicle | 16.5 | 22.3 |
| Used vehicle | 9.2 | 12.0 |
| Parts and service | 46.5 | 39.7 |
| Finance and insurance | 27.7 | 25.9 |
| Other | 0.1 | 0.1 |
| Total | 100.0 | 100.0 |
| Operating items as a percentage of revenue: | | |
| Gross profit: | | |
| New vehicle | 6.6 | 9.8 |
| Used vehicle - retail | 5.6 | 7.6 |
| Parts and service | 47.3 | 46.9 |
| Total | 18.5 | 20.1 |

*New Vehicle*

| ($ in millions, except per vehicle data) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| **Reported:** | | | | |
| Revenue | $ 2,979.3 | $ 2,931.9 | $ 47.4 | 1.6 |
| Gross profit | $ 195.9 | $ 286.9 | $ (91.0) | (31.7) |
| Retail vehicle unit sales | 58,863 | 55,065 | 3,798 | 6.9 |
| Revenue per vehicle retailed | $ 50,614 | $ 53,244 | $ (2,630) | (4.9) |
| Gross profit per vehicle retailed | $ 3,328 | $ 5,210 | $ (1,882) | (36.1) |
| Gross profit as a percentage of revenue | 6.6% | 9.8% | | |
| Inventory days supply (industry standard of selling days) | 44 days | 25 days | | |

| | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| **Same Store:** | | | | |
| Revenue | $ 2,937.2 | $ 2,927.5 | $ 9.7 | 0.3 |
| Gross profit | $ 194.4 | $ 286.7 | $ (92.3) | (32.2) |
| Retail vehicle unit sales | 57,842 | 54,985 | 2,857 | 5.2 |
| Revenue per vehicle retailed | $ 50,780 | $ 53,242 | $ (2,462) | (4.6) |
| Gross profit per vehicle retailed | $ 3,361 | $ 5,214 | $ (1,853) | (35.5) |
| Gross profit as a percentage of revenue | 6.6% | 9.8% | | |

The following discussion of new vehicle results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of $42.1 million and $4.4 million in new vehicle revenue and $1.5 million and $0.2 million in new vehicle gross profit for the three months ended March 31, 2024 and 2023, respectively, is related to acquisition and divestiture activity.

*First Quarter 2024 compared to First Quarter 2023*

Same store new vehicle revenue increased during the three months ended March 31, 2024, as compared to the same period in 2023, due to an increase in same store unit volume, partially offset by a decrease in same store revenue PVR. Same store unit volume benefited from increasing supply of new vehicle inventory, particularly for Import manufacturers, an increase in manufacturer incentives, including low-interest financing and rebates, and sustained consumer demand.

Same store new vehicle revenue and gross profit PVR decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to increasing supply and availability of new vehicle inventory and sustained consumer demand, which has resulted in moderation of pricing and margins, as well as a shift in mix towards Import vehicles that have relatively lower average selling prices and gross profit PVR.

**New Vehicle Inventory Carrying Benefit (Expense)**

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

| | Three Months Ended March 31, | | |
|---|---|---|---|
| **($ in millions)** | **2024** | **2023** | **Variance** |
| Floorplan assistance | $ 31.9 | $ 28.3 | $ 3.6 |
| New vehicle floorplan interest expense | (46.6) | (24.4) | (22.2) |
| Net new vehicle inventory carrying benefit (expense) | $ (14.7) | $ 3.9 | $ (18.6) |

*First Quarter 2024 compared to First Quarter 2023*

During the three months ended March 31, 2024, we had a net new vehicle inventory carrying expense of $14.7 million compared to a net new vehicle inventory carrying benefit of $3.9 million for the same period in 2023.

Floorplan interest rates are variable and, therefore, increase and decrease with changes in the underlying benchmark interest rates. Up until the third quarter of 2023, since the first quarter of 2020, when the Federal Reserve cut interest rates to near 0%, we had a net new vehicle inventory carrying benefit. Additionally, over this same period, our average floorplan balances were significantly lower than historical standards due to manufacturers' new vehicle inventory supply constraints. With the increases in new vehicle inventory supply and interest rates, floorplan interest expense has increased, resulting in a net new vehicle inventory carrying expense for the three months ended March 31, 2024. If interest rates remain at their current levels or continue to increase without a corresponding increase in floorplan assistance or a decrease in average new vehicle inventory levels, we would expect that we will continue to incur a net new vehicle inventory carrying expense.

***Used Vehicle***

| ($ in millions, except per vehicle data) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| **Reported:** | | | | |
| Retail revenue | $ 1,833.8 | $ 1,884.1 | $ (50.3) | (2.7) |
| Wholesale revenue | 162.3 | 148.5 | 13.8 | 9.3 |
| Total revenue | $ 1,996.1 | $ 2,032.6 | $ (36.5) | (1.8) |
| Retail gross profit | $ 101.8 | $ 143.0 | $ (41.2) | (28.8) |
| Wholesale gross profit | 9.7 | 11.4 | (1.7) | |
| Total gross profit | $ 111.5 | $ 154.4 | $ (42.9) | (27.8) |
| Retail vehicle unit sales | 69,121 | 67,539 | 1,582 | 2.3 |
| Revenue per vehicle retailed | $ 26,530 | $ 27,896 | $ (1,366) | (4.9) |
| Gross profit per vehicle retailed | $ 1,473 | $ 2,117 | $ (644) | (30.4) |
| Retail gross profit as a percentage of retail revenue | 5.6% | 7.6% | | |
| Inventory days supply (trailing calendar month days) | 31 days | 29 days | | |

| | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| **Same Store:** | | | | |
| Retail revenue | $ 1,768.9 | $ 1,877.8 | $ (108.9) | (5.8) |
| Wholesale revenue | 156.9 | 147.8 | 9.1 | 6.2 |
| Total revenue | $ 1,925.8 | $ 2,025.6 | $ (99.8) | (4.9) |
| Retail gross profit | $ 99.1 | $ 142.8 | $ (43.7) | (30.6) |
| Wholesale gross profit | 9.6 | 11.4 | (1.8) | |
| Total gross profit | $ 108.7 | $ 154.2 | $ (45.5) | (29.5) |
| Retail vehicle unit sales | 66,163 | 67,318 | (1,155) | (1.7) |
| Revenue per vehicle retailed | $ 26,735 | $ 27,894 | $ (1,159) | (4.2) |
| Gross profit per vehicle retailed | $ 1,498 | $ 2,121 | $ (623) | (29.4) |
| Retail gross profit as a percentage of retail revenue | 5.6% | 7.6% | | |

The following discussion of used vehicle results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of $70.3 million and $7.0 million in total used vehicle revenue and $2.8 million and $0.2 million in total used vehicle gross profit for the three months ended March 31, 2024 and 2023, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

*First Quarter 2024 compared to First Quarter 2023*

Same store retail used vehicle revenue decreased during the three months ended March 31, 2024, as compared to the same period in 2023, due to a decrease in same store revenue PVR and a decrease in same store unit volume. The decrease in same store unit volume, particularly for mid- to higher-priced used vehicles, is due in part to the shift in mix from used vehicles to new vehicles. In addition, used vehicle unit volume was adversely impacted by lower availability of lower-priced used vehicles.

Same store used vehicle revenue and gross profit PVR decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to stabilization of used vehicle value trends, as compared to the prior year period, and a shift in mix towards lower-priced entry-level vehicles, which have lower average selling prices and gross profit PVR. In the beginning of the first quarter, we took certain actions to better align used vehicle inventory with market demand and achieve a more optimal inventory supply. These actions adversely impacted used vehicle gross profit PVR for the first quarter 2024, with sequential monthly improvement within the quarter, resulting in an increase in gross profit PVR from the fourth quarter of 2023.

***Parts and Service***

| ($ in millions) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| **Reported:** | | | | |
| Revenue | $ 1,172.4 | $ 1,089.8 | $ 82.6 | 7.6 |
| Gross Profit | $ 555.8 | $ 511.1 | $ 44.7 | 8.7 |
| Gross profit as a percentage of revenue | 47.4% | 46.9% | | |
| | | | | |
| **Same Store:** | | | | |
| Revenue | $ 1,155.9 | $ 1,085.8 | $ 70.1 | 6.5 |
| Gross Profit | $ 547.3 | $ 509.0 | $ 38.3 | 7.5 |
| Gross profit as a percentage of revenue | 47.3% | 46.9% | | |

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

The following discussion of parts and service results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of $16.5 million and $4.0 million in parts and service revenue and $8.5 million and $2.1 million in parts and service gross profit for the three months ended March 31, 2024 and 2023, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

*First Quarter 2024 compared to First Quarter 2023*

During the three months ended March 31, 2024, same store parts and service revenue increased compared to the same period in 2023, primarily due to increases in revenue associated with the preparation of vehicles for sale of $33.9 million, warranty service of $19.6 million, and customer-pay service of $18.2 million.

During the three months ended March 31, 2024, same store parts and service gross profit increased compared to the same period in 2023, primarily due to increases in gross profit associated with the preparation of vehicles for sale of $17.0 million, warranty service of $14.4 million, and customer-pay service of $7.7 million. Revenue and gross profit associated with the preparation of vehicles for sale benefited from an increase in vehicle unit volume and higher value repair orders. Warranty service revenue and gross profit benefited from higher value repair orders and improved parts and labor rates, partially offset by a decrease in repair order volume. Customer-pay service revenue and gross profit benefited from higher value repair orders.

***Finance and Insurance***

| ($ in millions, except per vehicle data) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| **Reported:** | | | | |
| Revenue and gross profit | $ 334.7 | $ 332.4 | $ 2.3 | 0.7 |
| Gross profit per vehicle retailed | $ 2,615 | $ 2,711 | $ (96) | (3.5) |
| | | | | |
| **Same Store:** | | | | |
| Revenue and gross profit | $ 326.1 | $ 331.8 | $ (5.7) | (1.7) |
| Gross profit per vehicle retailed | $ 2,630 | $ 2,713 | $ (83) | (3.1) |

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

As we continue to grow our AutoNation Finance business and increase our finance penetration rates associated with vehicles sold through our stores, we expect that income related to arranging customer financing will shift to AutoNation Finance and that the resulting decrease in finance and insurance gross profit will be offset by greater profitability generated by our AutoNation Finance business. Interest income on financing provided through AutoNation Finance is recognized over the contractual term of the related loans. See "Corporate and Other" for additional information related to AutoNation Finance.

The following discussion of finance and insurance results is on a same store basis. The difference between reported amounts and same store amounts in finance and insurance revenue and gross profit in the above tables of $8.6 million and $0.6 million for the three months ended March 31, 2024 and 2023, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

*First Quarter 2024 compared to First Quarter 2023*

Same store finance and insurance revenue and gross profit decreased slightly during the three months ended March 31, 2024, as compared to the same period in 2023, due to decreases in finance and insurance gross profit PVR and used vehicle unit volume, partially offset by an increase in new vehicle unit volume. The decrease in finance and insurance gross profit PVR was primarily due to an increase in retail vehicle sales financed through our captive auto finance company. In addition, finance and insurance gross profit PVR was adversely impacted by a decrease in amount financed per transaction and a decrease in gross profit per transaction associated with arranging customer financing through third-party finance sources primarily due to the higher interest rate environment. The decreases in finance and insurance gross profit PVR were partially offset by an increase in product penetration.

**Segment Results**

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

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| **($ in millions)** | **2024** | **2023** | **Variance Favorable / (Unfavorable)** | **% Variance** |
| **Revenue:** | | | | |
| Domestic | $ 1,756.7 | $ 1,831.1 | $ (74.4) | (4.1) |
| Import | 1,979.5 | 1,789.3 | 190.2 | 10.6 |
| Premium Luxury | 2,414.9 | 2,484.9 | (70.0) | (2.8) |
| Total | 6,151.1 | 6,105.3 | 45.8 | 0.8 |
| Corporate and other | 334.6 | 293.4 | 41.2 | 14.0 |
| Total consolidated revenue | $ 6,485.7 | $ 6,398.7 | $ 87.0 | 1.4 |
| **Segment income[1]:** | | | | |
| Domestic | $ 75.2 | $ 118.5 | $ (43.3) | (36.5) |
| Import | 128.8 | 160.4 | (31.6) | (19.7) |
| Premium Luxury | 171.6 | 226.8 | (55.2) | (24.3) |
| Total | 375.6 | 505.7 | (130.1) | (25.7) |
| Corporate and other | (84.7) | (89.5) | 4.8 | |
| Floorplan interest expense | 49.4 | 27.1 | (22.3) | |
| Operating income | $ 340.3 | $ 443.3 | $ (103.0) | (23.2) |
| | | | | |
| Retail new vehicle unit sales: | | | | |
| Domestic | 15,902 | 15,849 | 53 | 0.3 |
| Import | 27,568 | 23,098 | 4,470 | 19.4 |
| Premium Luxury | 15,393 | 16,118 | (725) | (4.5) |
| | 58,863 | 55,065 | 3,798 | 6.9 |
| | | | | |
| Retail used vehicle unit sales: | | | | |
| Domestic | 19,763 | 21,203 | (1,440) | (6.8) |
| Import | 23,765 | 22,063 | 1,702 | 7.7 |
| Premium Luxury | 18,963 | 18,768 | 195 | 1.0 |
| Other | 6,630 | 5,505 | 1,125 | |
| | 69,121 | 67,539 | 1,582 | 2.3 |

[1] Segment income represents income for each of our reportable segments and is defined as operating income less floorplan interest expense.

***Domestic***

The Domestic segment operating results included the following:

| ($ in millions) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| Revenue: | | | | |
| New vehicle | $ 814.4 | $ 828.0 | $ (13.6) | (1.6) |
| Used vehicle | 543.0 | 612.3 | (69.3) | (11.3) |
| Parts and service | 302.1 | 287.6 | 14.5 | 5.0 |
| Finance and insurance, net | 97.0 | 102.3 | (5.3) | (5.2) |
| Other | 0.2 | 0.9 | (0.7) | |
| Total Revenue | $ 1,756.7 | $ 1,831.1 | $ (74.4) | (4.1) |
| Segment income | $ 75.2 | $ 118.5 | $ (43.3) | (36.5) |
| Retail new vehicle unit sales | 15,902 | 15,849 | 53 | 0.3 |
| Retail used vehicle unit sales | 19,763 | 21,203 | (1,440) | (6.8) |

*First Quarter 2024 compared to First Quarter 2023*

Domestic revenue decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to a decrease in used vehicle revenue. Used vehicle revenue was adversely impacted by a decrease in used vehicle unit volume due in part to a shift in mix from used vehicles to new vehicles, and lower availability of lower-priced used vehicles. In addition, used vehicle revenue PVR decreased primarily due to a shift in mix towards lower-priced entry-level vehicles.

Domestic segment income decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to decreases in new and used vehicle gross profit PVR. New vehicle gross profit PVR was adversely impacted by continued moderation of margins resulting from the increasing supply of new vehicle inventory. Used vehicle gross profit PVR was adversely impacted by stabilization of used vehicle value trends, as well as certain actions we took in the beginning of the first quarter of 2024 to better align used vehicle inventory with market demand and achieve a more optimal inventory supply. Domestic segment income was also adversely impacted by an increase in floorplan interest expense. Decreases in segment income were partially offset by an increase in parts and service gross profit associated with warranty service and customer-pay service.

***Import***

The Import segment operating results included the following:

| ($ in millions) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| Revenue: | | | | |
| New vehicle | $ 1,006.8 | $ 856.4 | $ 150.4 | 17.6 |
| Used vehicle | 557.2 | 542.1 | 15.1 | 2.8 |
| Parts and service | 294.7 | 268.4 | 26.3 | 9.8 |
| Finance and insurance, net | 119.2 | 112.4 | 6.8 | 6.0 |
| Other | 1.6 | 10.0 | (8.4) | |
| Total Revenue | $ 1,979.5 | $ 1,789.3 | $ 190.2 | 10.6 |
| Segment income | $ 128.8 | $ 160.4 | $ (31.6) | (19.7) |
| Retail new vehicle unit sales | 27,568 | 23,098 | 4,470 | 19.4 |
| Retail used vehicle unit sales | 23,765 | 22,063 | 1,702 | 7.7 |

*First Quarter 2024 compared to First Quarter 2023*

Import revenue increased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to an increase in new vehicle unit volume due to the increasing supply of new vehicle inventory and sustained consumer demand. Import revenue also benefited from the acquisitions we completed in 2023.

Import segment income decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to decreases in new and used vehicle gross profit PVR. New vehicle gross profit PVR was adversely impacted by continued moderation of pricing and margins resulting from the increasing supply of new vehicle inventory. Used vehicle gross profit PVR was adversely impacted by stabilization of used vehicle value trends, as well as certain actions we took in the beginning of the first quarter of 2024 to better align used vehicle inventory with market demand and achieve a more optimal inventory supply. Import segment income was also adversely impacted by an increase in SG&A expenses, largely driven by the acquisitions we completed in 2023. Decreases in segment income were partially offset by an increase in parts and service gross profit associated with the preparation of vehicles for sale.

***Premium Luxury***

The Premium Luxury segment operating results included the following:

| ($ in millions) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| Revenue: | | | | |
| New vehicle | $ 1,158.1 | $ 1,247.5 | $ (89.4) | (7.2) |
| Used vehicle | 736.2 | 745.8 | (9.6) | (1.3) |
| Parts and service | 417.2 | 386.2 | 31.0 | 8.0 |
| Finance and insurance, net | 103.3 | 105.0 | (1.7) | (1.6) |
| Other | 0.1 | 0.4 | (0.3) | |
| Total Revenue | $ 2,414.9 | $ 2,484.9 | $ (70.0) | (2.8) |
| Segment income | $ 171.6 | $ 226.8 | $ (55.2) | (24.3) |
| Retail new vehicle unit sales | 15,393 | 16,118 | (725) | (4.5) |
| Retail used vehicle unit sales | 18,963 | 18,768 | 195 | 1.0 |

*First Quarter 2024 compared to First Quarter 2023*

Premium Luxury revenue decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to decreases in new vehicle unit volume and new vehicle revenue PVR. New vehicle unit volume was adversely impacted by lower availability of higher demand vehicle models in certain markets. New vehicle revenue PVR was adversely impacted by continued moderation of pricing resulting from the increasing supply of new vehicle inventory. Decreases in Premium Luxury revenue from vehicle sales were partially offset by an increase in parts and service revenue associated with customer-pay service and the preparation of vehicles for sale.

Premium Luxury segment income decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to decreases in new and used vehicle gross profit. New vehicle gross profit PVR was adversely impacted by continued moderation of margins resulting from the increasing supply of new vehicle inventory. Used vehicle gross profit PVR was adversely impacted by stabilization of used vehicle value trends, as well as certain actions we took in the beginning of the first quarter of 2024 to better align used vehicle inventory with market demand and achieve a more optimal inventory supply. Decreases in Premium Luxury segment income from vehicle sales were partially offset by increases in parts and service gross profit associated with customer-pay service and warranty service.

***Corporate and other***

Corporate and other results included the following:

| ($ in millions) | Three Months Ended March 31, 2024 | 2023 | Variance Favorable / (Unfavorable) | % Variance |
|---|---|---|---|---|
| Revenue: | | | | |
| Used vehicle | $ 159.7 | $ 132.4 | $ 27.3 | 20.6 |
| Parts and service | 158.4 | 147.6 | 10.8 | 7.3 |
| Finance and insurance, net | 15.2 | 12.7 | 2.5 | 19.7 |
| Other | 1.3 | 0.7 | 0.6 | |
| Revenue | $ 334.6 | $ 293.4 | $ 41.2 | 14.0 |
| Income (loss) | $ (84.7) | $ (89.5) | $ 4.8 | |

"Corporate and other" is comprised of our non-franchised businesses, all of which do not meet the quantitative thresholds for reportable segments, as well as unallocated corporate overhead expenses and other income items. As of March 31, 2024, we had 52 AutoNation-branded collision centers, 23 AutoNation USA stores, 4 AutoNation-branded automotive auction operations, 3 parts distribution centers, a mobile automotive repair and maintenance business, referred to as AutoNation Mobile Service, and an auto finance company, referred to as AutoNation Finance.

Revenue from "Corporate and other" increased for the three months ended March 31, 2024, as compared to the same periods in 2023, primarily due to newly opened AutoNation USA stores and increases in revenue from parts distribution centers and automotive auction operations.

The loss from "Corporate and other" decreased for the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to increases in gross profit from automotive auction operations and collision centers, improved operating results for our auto finance company, and a decrease in costs associated with our self-insurance programs due to favorable claims experience. The decreases in loss from "Corporate and other" were partially offset by expenditures associated with newly opened AutoNation USA stores and an increase in advertising expenses to support our new non-franchised businesses.

***AutoNation USA Stores***

During the three months ended March 31, 2024, we opened 4 AutoNation USA used vehicle stores and currently have over 20 stores under development. These stores play an integral part of both our long-term growth plans and the achievement of scale, scope, and density in markets to better serve and meet the needs of customers. A number of variables may impact the implementation of our expansion plans, including customer adoption, market conditions, availability of used vehicle inventory, availability and cost of building supplies and materials, and our ability to identify, acquire, and build out suitable locations in a timely manner.

***AutoNation Mobile Service***

AutoNation Mobile Service, our mobile solution for automotive repair and maintenance services, provides customers the convenience of services and repairs at their home, workplace, or on-site for fleet vehicles. Revenue and gross profit from this business are included within "parts and service."

***AutoNation Finance***

AutoNation Finance, our captive auto finance company, provides indirect financing to qualified retail customers on vehicles we sell. This business provides us an opportunity to extend our relationship with the customer beyond the vehicle sale and participate in the customer's entire vehicle ownership cycle. As a result, we are able to diversify our revenues and create a low-volatility earnings stream, generate additional profits, cash flows, and sales, and increase customer retention. AutoNation Finance operating results include the interest and fee income generated by auto loans receivable less the interest expense associated with the debt issued to fund these receivables, a provision for estimated credit losses on the auto loans receivable originated or acquired, and direct expenses. Interest income on auto loans receivable is recognized over the contractual term of the related loans.

In September 2023, we discontinued acquiring installment contracts from third-party independent dealers. We plan to continue to increase finance penetration rates for retail vehicle sales through our stores, which we expect will favorably impact the operating results of our auto finance business over time. AutoNation Finance results are included in Other Expense, Net in our Unaudited Condensed Consolidated Statements of Income. See Notes 5 and 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on auto loans receivable, the related allowance for credit losses, and the related debt of our auto finance company.

**Selling, General, and Administrative Expenses**

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

| | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| **($ in millions)** | **2024** | **2023** | **Variance Favorable / (Unfavorable)** | **% Variance** |
| **Reported:** | | | | |
| Compensation | $ 516.7 | $ 522.3 | $ 5.6 | 1.1 |
| Advertising | 58.1 | 50.7 | (7.4) | (14.6) |
| Store and corporate overhead | 218.3 | 209.7 | (8.6) | (4.1) |
| Total | $ 793.1 | $ 782.7 | $ (10.4) | (1.3) |
| | | | | |
| **SG&A as a % of total gross profit:** | | | | |
| Compensation | 43.1 | 40.6 | (250) bps | |
| Advertising | 4.9 | 3.9 | (100) bps | |
| Store and corporate overhead | 18.2 | 16.3 | (190) bps | |
| Total | 66.2 | 60.8 | (540) bps | |

*First Quarter 2024 compared to First Quarter 2023*

SG&A expenses increased slightly during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to acquisitions and newly opened stores, an increase in advertising expenses to support our used vehicle internal sourcing strategy and growth in our new non-franchised businesses, and an increase in transportation-related costs for parts and service customers. These increases in SG&A expenses were partially offset by a decrease in performance-driven compensation expense. As a percentage of total gross profit, SG&A expenses increased to 66.2% during the three months ended March 31, 2024, from 60.8% in the same period in 2023, due to the moderation of gross profit and increases in SG&A expenses as described above.

**Other Expense, Net (Operating)**

Other Expense, Net includes the gains associated with property divestitures and asset impairments, among other items and the results of our captive auto finance company, including net interest margin, the provision for expected credit losses, and direct expenses. See "Segment Results - Corporate and other" above and Notes 5 and 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information about our auto finance company.

**Non-Operating Income (Expense)**

***Floorplan Interest Expense***

Floorplan interest rates are variable and, therefore, increase and decrease with changes in the underlying benchmark interest rates.

*First Quarter 2024 compared to First Quarter 2023*

Floorplan interest expense was $49.4 million for the three months ended March 31, 2024, compared to $27.1 million for the same period in 2023. The increase in floorplan interest expense of $22.3 million was the result of higher average vehicle floorplan balances and higher average interest rates.

***Interest Expense***

*First Quarter 2024 compared to First Quarter 2023*

Interest expense includes the interest related to non-vehicle long-term debt and finance lease obligations. Other interest expense was $44.6 million for the three months ended March 31, 2024, compared to $41.1 million for the same period in 2023. The increase in interest expense of $3.5 million was driven by higher average interest rates and higher average debt balances.

***Other Income, Net***

We recognized a net gain of $7.3 million and $4.7 million for the three months ended March 31, 2024 and 2023, respectively, related to changes in the cash surrender value of corporate-owned life insurance ("COLI") for deferred compensation plan participants as a result of changes in market performance of the underlying investments. Gains and losses related to the COLI are substantially offset by corresponding increases and decreases, respectively, in the deferred compensation obligations, which are reflected in SG&A expenses.

We recorded unrealized losses of $0.4 million and $1.1 million for the three months ended March 31, 2024 and 2023, respectively, related to the change in fair value of the underlying securities of our minority equity investments. During the period that we hold our minority equity investments, unrealized gains and losses will be recorded as the fair market values of securities with readily determinable fair values change over time, or as observable price changes are identified for securities without readily determinable fair values. See Note 13 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

***Income Tax Provision***

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

Our effective income tax rate was 25.0% for the three months ended March 31, 2024, and 24.3% for the three months ended March 31, 2023.

**Discontinued Operations**

Results from discontinued operations, net of income taxes, for the three months ended March 31, 2023, were primarily related to a gain on the sale of real estate in the first quarter of 2023 associated with a store that was closed prior to January 1, 2014. Upon the sale of this real estate, we have no remaining discontinued operations.

**Liquidity and Capital Resources**

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

***Available Liquidity Resources***

We had the following sources of liquidity available:

| (In millions) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | $ 60.3 | $ 60.8 |
| Revolving credit facility | $ 1,899.2 (1) | $ 1,899.2 |
| Secured used vehicle floorplan facilities (2) | $ 0.3 | $ 0.9 |

(1) At March 31, 2024, we had $0.8 million of letters of credit outstanding. In addition, we use the revolving credit facility under our credit agreement as a liquidity backstop for borrowings under our commercial paper program. We had $285.0 million of commercial paper notes outstanding at March 31, 2024. See Note 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

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

In the ordinary course of business, we are required to post performance and surety bonds, letters of credit, and/or cash deposits as financial guarantees of our performance primarily relating to insurance matters. At March 31, 2024, surety bonds, letters of credit, and cash deposits totaled $119.3 million, of which $0.8 million were letters of credit. We do not currently provide cash collateral for outstanding letters of credit.

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

***Capital Allocation***

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

*Share Repurchases*

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In millions, except per share data) | 2024 | 2023 |
| Shares repurchased | 0.2 | 2.4 |
| Aggregate purchase price (1) | $ 38.7 | $ 305.0 |
| Average purchase price per share | $ 158.40 | $ 126.37 |

(1) Excludes excise taxes imposed under the Inflation Reduction Act of $0.1 million and $2.5 million for the three months ended March 31, 2024 and 2023, respectively.

In April 2024, our Board of Directors authorized the repurchase of up to an additional $1.0 billion of common stock. From April 1, 2024, through April 24, 2024, we repurchased 1.4 million shares of common stock for an aggregate purchase price of $211.3 million (average purchase price per share of $155.74). As of April 24, 2024, $1.1 billion remained available for share repurchases under the program.

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

*Capital Expenditures*

The following table sets forth information regarding our capital expenditures:

| | Three Months Ended March 31, | |
|---|---|---|
| **(In millions)** | **2024** | **2023** |
| Purchases of property and equipment | $ 93.7 | $ 95.3 |

At March 31, 2024, we owned approximately 79% of our new vehicle franchise store locations with a net book value of $2.4 billion, as well as other properties associated with our collision centers, AutoNation USA used vehicle stores, parts distribution centers, auction operations, and other excess properties with a net book value of $718.0 million. None of these properties are mortgaged or encumbered.

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

*Acquisitions and Divestitures*

We did not purchase or divest any stores during the three months ended March 31, 2024. During the three months ended March 31, 2023, we acquired RepairSmith, a mobile solution for automotive repair and maintenance, which we renamed AutoNation Mobile Service, and we also purchased one store. We did not divest any stores during the three months ended March 31, 2023.

| | Three Months Ended March 31, | |
|---|---|---|
| **(In millions)** | **2024** | **2023** |
| Cash used in business acquisitions, net | $ — | $ (191.0) |

We regularly review our store portfolio and may acquire or divest stores to optimize our operations and footprint. We typically utilize proceeds related to asset sales, including business and real estate divestitures, to fund our capital investments and strategic initiatives or for other general corporate purposes.

***Debt***

The following table sets forth our non-vehicle long-term debt, as of March 31, 2024, and December 31, 2023.

| Debt Description | Maturity Date | Interest Payable | March 31, 2024 | December 31, 2023 |
|---|---|---|---|---|
| 3.5% Senior Notes | November 15, 2024 | May 15 and November 15 | $ 450.0 | $ 450 |
| 4.5% Senior Notes | October 1, 2025 | April 1 and October 1 | 450.0 | 450 |
| 3.8% Senior Notes | November 15, 2027 | May 15 and November 15 | 300.0 | 300 |
| 1.95% Senior Notes | August 1, 2028 | February 1 and August 1 | 400.0 | 400 |
| 4.75% Senior Notes | June 1, 2030 | June 1 and December 1 | 500.0 | 500 |
| 2.40% Senior Notes | August 1, 2031 | February 1 and August 1 | 450.0 | 450 |
| 3.85% Senior Notes | March 1, 2032 | March 1 and September 1 | 700.0 | 700 |
| Revolving credit facility | July 18, 2028 | Monthly | — | |
| Finance leases and other debt | Various dates through 2041 | | 359.7 | 362 |
| | | | 3,609.7 | 3,612 |
| Less: unamortized debt discounts and debt issuance costs | | | (20.9) | (21 |
| Less: current maturities | | | (462.7) | (462 |
| Long-term debt, net of current maturities | | | $ 3,126.1 | $ 3,127 |

Our 3.5% Senior Notes due 2024 will mature on November 15, 2024, and were, therefore, reclassified to current during the fourth quarter of 2023.

We had commercial paper notes outstanding of $285.0 million at March 31, 2024, and $440.0 million at December 31, 2023.

We had non-recourse debt under our warehouse facilities of $303.5 million at March 31, 2024, and $209.4 million at December 31, 2023, and non-recourse debt under term securitizations of consolidated variable interest entities ("VIEs") of $42.8 million at March 31, 2024, and $50.5 million at December 31, 2023.

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

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

*Restrictions and Covenants*

Our amended and restated credit agreement and the indentures for our senior unsecured notes contain customary covenants that place restrictions on us, including our ability to incur additional or guarantee other indebtedness, to create liens or other encumbrances, to engage in sale and leaseback transactions, to sell (or otherwise dispose of) assets, and to merge or consolidate with other entities. Our failure to comply with the covenants contained in our amended and restated credit agreement and the indentures for our senior unsecured notes could result in the acceleration of other indebtedness of AutoNation.

Under our amended and restated credit agreement, we are required to remain in compliance with a maximum leverage ratio and a minimum interest coverage ratio. The leverage ratio is a contractually defined amount principally reflecting non-vehicle debt divided by a measure of earnings. The interest coverage ratio is a contractually defined amount reflecting a measure of earnings divided by certain interest expense principally associated with vehicle floorplan payable and non-vehicle debt. The specific terms of the leverage and interest coverage ratios can be found in our amended and restated credit agreement, which is filed with our Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.

As of March 31, 2024, we were in compliance with the covenants under our credit agreement and the indentures for our senior unsecured notes. At March 31, 2024, our leverage and interest coverage ratios were as follows:

| | March 31, 2024 | |
|---|---|---|
| | Requirement | Actual |
| Leverage ratio | ≤ 3.75x | 2.25x |
| Interest coverage ratio | ≥ 3.00x | 5.30x |

***Vehicle Floorplan Payable***

The components of vehicle floorplan payable are as follows:

| (In millions) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Vehicle floorplan payable - trade | $ 1,774.0 | $ 1,760.0 |
| Vehicle floorplan payable - non-trade | 1,496.9 | 1,622.4 |
| Vehicle floorplan payable | $ 3,270.9 | $ 3,382.4 |

Vehicle floorplan facilities are due on demand, but in the case of new vehicle inventories, are generally paid within several business days after the related vehicles are sold. Vehicle floorplan facilities are primarily collateralized by vehicle inventories and related receivables. See Note 6 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on our vehicle floorplan payable.

**Cash Flows**

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

| | Three Months Ended March 31, | |
|---|---|---|
| (In millions) | 2024 | 2023 |
| Net cash provided by operating activities | $ 294.5 | $ 510.0 |
| Net cash used in investing activities | $ (69.3) | $ (305.9) |
| Net cash used in financing activities | $ (221.1) | $ (216.1) |

***Cash Flows from Operating Activities***

Our primary sources of operating cash flows result from the sale of vehicles, finance and insurance products, and parts and automotive repair and maintenance services, proceeds from vehicle floorplan payable-trade, and collections on auto loans receivable for vehicles sold through our stores. Our primary uses of cash from operating activities are repayments of vehicle floorplan payable-trade, purchases of inventory, personnel-related expenditures, originations of loans receivable for vehicles sold through our stores, and payments related to taxes and leased properties.

Net cash provided by operating activities decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to an increase in originations of loans receivable for vehicles sold through our stores and a decrease in earnings, partially offset by a decrease in working capital requirements.

***Cash Flows from Investing Activities***

Net cash flows from investing activities consist primarily of cash used in capital additions and activity from business acquisitions, business divestitures, property dispositions, originations of and collections on auto loans receivable acquired through third-party dealers, and other transactions. In September 2023, we discontinued acquiring installment contracts from third-party dealers.

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

Net cash used in investing activities decreased during the three months ended March 31, 2024, as compared to the same period in 2023, primarily due to a decrease in cash used in acquisitions and a decrease in originations of loans receivable acquired through third-party dealers.

***Cash Flows from Financing Activities***

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

Cash flows from financing activities include changes in commercial paper notes outstanding totaling net payments of $155.0 million and net proceeds of $235.0 million during the three months ended March 31, 2024 and 2023, respectively, and changes in vehicle floorplan payable-non-trade totaling net payments of $93.5 million and $67.3 million during the three months ended March 31, 2024 and 2023, respectively.

During the three months ended March 31, 2024, we repurchased 0.2 million shares of common stock for an aggregate purchase price of $38.7 million (average purchase price per share of $158.40), excluding the excise tax imposed under the Inflation Reduction Act. During the three months ended March 31, 2023, we repurchased 2.4 million shares of common stock for an aggregate purchase price of $305.0 million (average purchase price per share of $126.37), excluding the excise tax imposed under the Inflation Reduction Act.

During the three months ended March 31, 2024, we borrowed $214.0 million and repaid $127.7 million under our non-recourse debt facilities. During the three months ended March 31, 2023, we borrowed $39.3 million and repaid $80.5 million under our non-recourse debt facilities.

**Forward-Looking Statements**

Our business, financial condition, results of operations, cash flows, and prospects, and the prevailing market price and performance of our common stock may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Quarterly Report on Form 10-Q, including, without limitation, statements regarding our strategic acquisitions, initiatives, partnerships, or investments, including AutoNation USA, AutoNation Finance, and AutoNation Mobile Service; statements regarding our investments in digital and online capabilities and mobility solutions; our expectations for the future performance of our business and the automotive retail industry; as well as other written or oral statements made from time to time by us or by our authorized executive officers on our behalf that describe our objectives, goals, or plans constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact, including statements that describe our objectives, plans or goals are, or may be deemed to be, forward-looking statements. Words such as "anticipate," "expect," "intend," "goal," "target," "project," "plan," "believe," "continue," "may," "will," "could," and variations of such words and similar expressions are intended to identify such forward-looking statements. Our forward-looking statements reflect our current expectations concerning future results and events, and they involve known and unknown risks, uncertainties and other factors that are difficult to predict and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these statements. These forward-looking statements speak only as of the date of this report, and we undertake no obligation to revise or update these statements to reflect subsequent events or circumstances. The risks, uncertainties, and other factors that our stockholders and prospective investors should consider include, but are not limited to, the following:

- The automotive retail industry is sensitive to changing economic conditions and various other factors, including, but not limited to, unemployment levels, consumer confidence, fuel prices, interest rates, and tariffs. Our business and results of operations are substantially dependent on new and used vehicle sales levels in the United States and in our particular geographic markets, as well as the gross profit margins that we can achieve on our sales of vehicles, all of which are very difficult to predict.
- Our new vehicle sales are impacted by the incentive, marketing, and other programs of vehicle manufacturers.
- We are dependent upon the success and continued financial viability of the vehicle manufacturers and distributors with which we hold franchises. In addition, we rely on various third-party suppliers for key products and services.
- We are subject to restrictions imposed by, and significant influence from, vehicle manufacturers that may adversely impact our business, financial condition, results of operations, cash flows, and prospects, including our ability to acquire additional stores.

- We are investing significantly in various strategic initiatives, including the planned expansion of our AutoNation USA stores, our AutoNation Finance business, and our AutoNation Mobile Service business, and if they are not successful, we will have incurred significant expenses without the benefit of improved financial results.
- If we are not able to maintain and enhance our retail brands and reputation or to attract consumers to our own digital channels, or if events occur that damage our retail brands, reputation, or sales channels, our business and financial results may be harmed.
- We are subject to various risks associated with originating and servicing auto finance loans through indirect lending to customers, any of which could have an adverse effect on our business.
- New laws, regulations, or governmental policies in response to climate change, including fuel economy and greenhouse gas emission standards, or changes to existing standards, could adversely impact our business, results of operations, financial condition, cash flow, and prospects.
- We are subject to numerous legal and administrative proceedings, which, if the outcomes are adverse to us, could materially adversely affect our business, results of operations, financial condition, cash flows, and prospects.
- Our operations are subject to extensive governmental laws and regulations. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our operations, our business, operating results, and prospects could suffer.
- A failure of our information systems or any security breach or unauthorized disclosure of confidential information could have a material adverse effect on our business.
- Our debt agreements contain certain financial ratios and other restrictions on our ability to conduct our business, and our substantial indebtedness could adversely affect our financial condition and operations and prevent us from fulfilling our debt service obligations.
- We are subject to interest rate risk in connection with our vehicle floorplan payables, revolving credit facility, commercial paper program, and warehouse facilities that could have a material adverse effect on our profitability.
- Goodwill and other intangible assets comprise a significant portion of our total assets. We must test our goodwill and other intangible assets for impairment at least annually, which could result in a material, non-cash write-down of goodwill or franchise rights and could have a material adverse impact on our results of operations and shareholders' equity.
- Our minority equity investments with readily determinable fair values are required to be measured at fair value each reporting period, which could adversely impact our results of operations and financial condition. The carrying value of our minority equity investment that does not have a readily determinable fair value is required to be adjusted for observable price changes or impairments, both of which could adversely impact our results of operations and financial condition.
- Our largest stockholders, as a result of their ownership stakes in us, may have the ability to exert substantial influence over actions to be taken or approved by our stockholders. In addition, future share repurchases and fluctuations in the levels of ownership of our largest stockholders could impact the volume of trading, liquidity, and market price of our common stock.
- Natural disasters and adverse weather events, including the effects of climate change, can disrupt our business.

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

**Additional Information**

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

The information that we post on our websites and social media channels could be deemed to be material information. As a result, we encourage investors, the media, and others interested in AutoNation to review the information that we post on those websites and social media channels. Our social media channels may be updated from time to time on our investor relations

website. The information on or accessible through our websites and social media channels is not incorporated by reference in this Quarterly Report on Form 10-Q.

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

### Interest Rate Risk

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

We had $3.3 billion of variable rate vehicle floorplan payable at March 31, 2024, and $3.4 billion at December 31, 2023. Based on these amounts, a 100 basis point change in interest rates would result in an approximate change to our annual floorplan interest expense of $32.7 million at March 31, 2024, and $33.8 million at December 31, 2023. Our exposure to changes in interest rates with respect to total vehicle floorplan payable is partially mitigated by manufacturers' floorplan assistance, which in some cases is based on variable interest rates.

We had $285.0 million of commercial paper notes outstanding at March 31, 2024, and $440.0 million at December 31, 2023. Based on the amount outstanding, a 100 basis point change in interest rates would result in an approximate change to our annual interest expense of $2.9 million at March 31, 2024, and $4.4 million at December 31, 2023.

Our fixed rate senior unsecured notes totaled $3.2 billion and had a fair value of $3.0 billion as of March 31, 2024, and totaled $3.2 billion and had a fair value of $3.0 billion as of December 31, 2023.

As of March 31, 2024, all auto loans receivable outstanding were fixed-rate installment contracts. Financing for these receivables was achieved primarily through both variable- and fixed-rate non-recourse debt. Non-recourse debt includes warehouse facilities and asset-backed term securitizations. Borrowings under the warehouse facilities are variable-rate debt and are secured by the related auto loans receivable. Certain auto loans receivable were funded through term securitizations, which issued notes payable that accrue interest at fixed rates, and are also secured by the related auto loans receivable.

### Equity Price Risk

We are subject to equity price risk with respect to minority equity investments. Certain of our equity investments have readily determinable fair values. During the period that we hold these equity investments, unrealized gains and losses will be recorded as the fair market value of the securities change over time. The fair value of these equity investments was $22.8 million at March 31, 2024, and December 31, 2023. A hypothetical 10% change in the equity prices of these securities with readily determinable fair values would result in an approximate change to gain or loss of $2.3 million at March 31, 2024, and December 31, 2023. We also have a minority equity investment without a readily determinable fair value. This equity investment is measured using a measurement alternative as permitted by accounting standards and was initially recorded at cost, to be subsequently adjusted for observable price changes. During the period that we hold this investment, unrealized gains and losses may be recorded if we identify observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The carrying amount of our equity investment without a readily determinable fair value was $56.7 million at March 31, 2024, and December 31, 2023. A hypothetical 10% observable price change for this equity investment would result in an approximate change to gain or loss of $5.7 million at March 31, 2024, and December 31, 2023. The selected 10% hypothetical change in equity prices is not intended to reflect a best or worst case scenario, as equity price changes could be smaller or larger due to the nature of equity markets.

## ITEM 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

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

### Changes in Internal Control over Financial Reporting

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

## PART II. OTHER INFORMATION

### ITEM 1A. RISK FACTORS

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, which could materially affect our business, financial condition, or future results.

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

The table below sets forth information with respect to shares of common stock repurchased by AutoNation, Inc. during the three months ended March 31, 2024.

| Period | Total Number of Shares Purchased[1] | Avg. Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Approximate Dollar Value of Shares That May Yet Be Purchased Under The Plans or Programs (in millions)[1] |
|---|---|---|---|---|
| January 1, 2024 - January 31, 2024 | — | $ — | — | $ 320.8 |
| February 1, 2024 - February 29, 2024 | — | $ — | — | $ 320.8 |
| March 1, 2024 - March 31, 2024 | 244,177 | $ 158.40 | 244,177 | $ 282.1 |
| Total | 244,177 | | 244,177 | |

(1) Our Board of Directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. During the fiscal quarter ended March 31, 2024, all of the shares that we repurchased were repurchased under our stock repurchase program. In April 2024, our Board of Directors authorized the repurchase of up to an additional $1.0 billion of common stock under the share repurchase program. Our stock repurchase program does not have an expiration date.

### ITEM 5. OTHER INFORMATION

During the fiscal quarter ended March 31, 2024, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (in each case, as defined in Item 408 of Regulation S-K).

**ITEM 6. EXHIBITS**

| Exhibit No. | Description |
|---|---|
| 3.1* | Fourth Amended and Restated Certificate of Incorporation of AutoNation, Inc. |
| 10.1* | AutoNation, Inc. 2024 Non-Employee Director Equity Plan. |
| 31.1* | Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act. |
| 31.2* | Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act. |
| 32.1** | Certification of Chief Executive Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350. |
| 32.2** | Certification of Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350. |
| 101* | Inline XBRL Document Set for the condensed consolidated financial statements and accompanying notes in Part I, Item 1, "Financial Statements" of this Quarterly Report on Form 10-Q. |
| 104* | Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set. |

* Filed herewith.

** Furnished herewith.

**SIGNATURE**

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

AUTONATION, INC.

Date: April 26, 2024

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