

REFINITIV

DELTA REPORT

10-Q

AN - AUTONATION, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1677

█	CHANGES	390
█	DELETIONS	545
█	ADDITIONS	742

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 **September 30, 2023** **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

33301

Fort Lauderdale , Florida

(Zip Code)

(Address of principal executive offices)

(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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of **October 25, 2023** **April 24, 2024**, the registrant had **42,520,469** **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)

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
ASSETS	ASSETS				
CURRENT ASSETS:	CURRENT ASSETS:				
Cash and cash equivalents	Cash and cash equivalents	\$ 64.0	\$ 72.6		
Receivables, net	Receivables, net	877.3	858.8		
Inventory	Inventory	2,645.6	2,048.3		
Other current assets	Other current assets	186.2	158.3		
Total Current Assets	Total Current Assets	3,773.1	3,138.0		
AUTO LOANS RECEIVABLE, net of allowance for credit losses of \$47.9 million and \$57.5 million, respectively		320.0	303.1		
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$2.1 billion and \$1.9 billion, respectively		3,723.5	3,607.2		
AUTO LOANS RECEIVABLE, net of allowance for credit losses of \$48.1 million and \$46.3 million, respectively					

PROPERTY AND
EQUIPMENT,
net of
accumulated
depreciation of
\$2.1 billion and
\$2.1 billion,
respectively

OPERATING LEASE ASSETS	OPERATING LEASE ASSETS	371.0	323.5
GOODWILL	GOODWILL	1,455.7	1,320.1
OTHER INTANGIBLE ASSETS, NET	OTHER INTANGIBLE ASSETS, NET	931.8	837.0
OTHER ASSETS	OTHER ASSETS	665.9	530.8
Total Assets	Total Assets	\$ 11,241.0	\$10,059.7

LIABILITIES AND
SHAREHOLDERS' EQUITY

CURRENT
LIABILITIES:

CURRENT LIABILITIES:

Vehicle floorplan payable - trade

Vehicle floorplan payable - trade

Vehicle floorplan payable - trade	Vehicle floorplan payable - trade	\$ 1,358.7	\$ 946.6
Vehicle floorplan payable - non- trade	Vehicle floorplan payable - non- trade	1,456.1	1,162.7
Accounts payable	Accounts payable	341.6	327.6
Commercial paper	Commercial paper	350.0	50.0
Current maturities of long-term debt	Current maturities of long-term debt	12.8	12.6
Current portion of non-recourse debt	Current portion of non-recourse debt	7.2	10.7
Accrued payroll and benefits		282.7	238.0

Other current liabilities

Other current liabilities

Other current liabilities	Other current liabilities	722.7	657.5
Total Current Liabilities	Total Current Liabilities	4,531.8	3,405.7

LONG-TERM	LONG-TERM		
DEBT, NET OF	DEBT, NET OF		
CURRENT	CURRENT		
MATURITIES	MATURITIES	3,579.6	3,586.9
NON-RECURSE	NON-RECURSE		
DEBT, NET OF	DEBT, NET OF		
CURRENT	CURRENT		
PORTION	PORTION	238.9	312.9
NONCURRENT	NONCURRENT		
OPERATING	OPERATING		
LEASE	LEASE		
LIABILITIES	LIABILITIES	339.3	296.9
DEFERRED	DEFERRED		
INCOME TAXES	INCOME TAXES	60.4	76.5
OTHER	OTHER		
LIABILITIES	LIABILITIES	349.0	333.0
COMMITMENTS	COMMITMENTS		
AND	AND		
CONTINGENCIES	CONTINGENCIES		
(Note 14)	(Note 14)		
SHAREHOLDERS'	SHAREHOLDERS'		
EQUITY:	EQUITY:		
Common stock, par value \$0.01 per share; 1,500,000,000 shares authorized; 63,562,149 shares issued at September 30, 2023, and December 31, 2022, including shares held in treasury		0.6	0.6
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			
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			
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			
Additional paid-in capital	Additional paid-in capital	18.6	3.1
Retained earnings	Retained earnings	4,426.8	3,663.7

Treasury stock, at cost; 20,790,347 and 15,915,358 shares held, respectively	(2,304.0)	(1,619.6)
Treasury stock, at cost; 21,938,716 and 21,917,635 shares held, respectively		
Total Shareholders' Equity	Total Shareholders' Equity	
	2,142.0	2,047.8
Total Liabilities and Shareholders' Equity	Total Liabilities and Shareholders' Equity	
	\$ 11,241.0	\$ 10,059.7

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Revenue:	Three Months Ended		Nine Months Ended	
		Three Months Ended		Nine Months Ended	
		September 30,	2023	September 30,	2023
Revenue:	Revenue:				
Revenue:					
Revenue:					
New vehicle					
New vehicle					
New vehicle	New vehicle	\$ 3,187.6	\$ 2,863.9	\$ 9,400.5	\$ 8,606.9
Used vehicle	Used vehicle	2,172.1	2,401.7	6,292.7	7,494.5
Used vehicle					
Used vehicle					
Parts and service					
Parts and service					
Parts and service	Parts and service	1,157.4	1,032.1	3,392.5	3,072.3
Finance and insurance, net	Finance and insurance, net	369.5	360.7	1,071.4	1,092.2

Finance and insurance, net					
Finance and insurance, net					
Other					
Other					
Other	Other	6.1	7.6	24.4	22.1
TOTAL REVENUE	TOTAL REVENUE	6,892.7	6,666.0	20,181.5	20,288.0
TOTAL REVENUE					
TOTAL REVENUE					
Cost of sales:					
Cost of sales:					
Cost of sales:	Cost of sales:				
New vehicle	New vehicle	2,936.9	2,534.2	8,575.2	7,578.7
New vehicle					
New vehicle					
Used vehicle					
Used vehicle					
Used vehicle	Used vehicle	2,044.3	2,259.7	5,876.2	7,059.4
Parts and service	Parts and service	611.6	553.5	1,793.1	1,650.9
Parts and service					
Parts and service					
Other					
Other					
Other	Other	5.3	5.8	20.7	15.6
TOTAL COST OF SALES	TOTAL COST OF SALES	5,598.1	5,353.2	16,265.2	16,304.6
TOTAL COST OF SALES					
TOTAL COST OF SALES					
Gross profit:					
Gross profit:					
Gross profit:	Gross profit:				
New vehicle	New vehicle	250.7	329.7	825.3	1,028.2
New vehicle					
New vehicle					
Used vehicle					
Used vehicle					
Used vehicle	Used vehicle	127.8	142.0	416.5	435.1
Parts and service	Parts and service	545.8	478.6	1,599.4	1,421.4
Parts and service					
Parts and service					
Finance and insurance					
Finance and insurance					
Finance and insurance	Finance and insurance	369.5	360.7	1,071.4	1,092.2

Other	Other	0.8	1.8	3.7	6.5
Other					
Other					
TOTAL GROSS PROFIT					
TOTAL GROSS PROFIT					
TOTAL GROSS PROFIT	TOTAL GROSS PROFIT				
Selling, general, and administrative expenses	Selling, general, and administrative expenses	1,294.6	1,312.8	3,916.3	3,983.4
Selling, general, and administrative expenses		819.3	763.2	2,444.9	2,259.4
Selling, general, and administrative expenses					
Depreciation and amortization	Depreciation and amortization				
Depreciation and amortization		55.7	50.1	163.1	148.9
Other (income) expense, net		0.1	(23.0)	6.3	(24.5)
Other expense, net					
Other expense, net					
Other expense, net					
OPERATING INCOME	OPERATING INCOME				
OPERATING INCOME	OPERATING INCOME	419.5	522.5	1,302.0	1,599.6
Non-operating income (expense) items:	Non-operating income (expense) items:				
Non-operating income (expense) items:					
Floorplan interest expense	Floorplan interest expense				
Floorplan interest expense					
Floorplan interest expense	Floorplan interest expense	(38.3)	(10.7)	(98.2)	(21.7)
Other interest expense	Other interest expense				
Other interest expense		(48.8)	(33.7)	(135.9)	(97.4)
Other income (loss), net		(5.0)	(4.6)	4.6	(24.7)
Other interest expense					
Other interest expense					
Other income, net					
Other income, net					
Other income, net					
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES					
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES					

INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	327.4	473.5	1,072.5	1,455.8
Income tax provision	Income tax provision	83.7	120.8	268.5	364.5
Income tax provision					
Income tax provision					
NET INCOME FROM CONTINUING OPERATIONS	NET INCOME FROM CONTINUING OPERATIONS	243.7	352.7	804.0	1,091.3
Income (loss) from discontinued operations, net of income taxes	—	(0.1)	0.9	(0.3)	
NET INCOME FROM CONTINUING OPERATIONS					
NET INCOME FROM CONTINUING OPERATIONS					
Income from discontinued operations, net of income taxes					
Income from discontinued operations, net of income taxes					
Income from discontinued operations, net of income taxes					
NET INCOME	NET INCOME	\$ 243.7	\$ 352.6	\$ 804.9	\$ 1,091.0
BASIC EARNINGS (LOSS) PER SHARE:					
NET INCOME					
NET INCOME					
BASIC EARNINGS PER SHARE:					
BASIC EARNINGS PER SHARE:					
BASIC EARNINGS PER SHARE:					
Continuing operations					
Continuing operations					
Continuing operations	Continuing operations	\$ 5.59	\$ 6.35	\$ 17.75	\$ 18.65
Discontinued operations	Discontinued operations	\$ —	\$ —	\$ 0.02	\$ (0.01)
Discontinued operations					
Discontinued operations					
Net income					
Net income					
Net income	Net income	\$ 5.59	\$ 6.35	\$ 17.77	\$ 18.65
Weighted average common shares outstanding	Weighted average common shares outstanding	43.6	55.5	45.3	58.5
DILUTED EARNINGS (LOSS) PER SHARE:					
Weighted average common shares outstanding					
Weighted average common shares outstanding					

DILUTED EARNINGS PER SHARE:									
DILUTED EARNINGS PER SHARE:									
DILUTED EARNINGS PER SHARE:									
Continuing operations									
Continuing operations	Continuing operations	\$	5.54	\$	6.31	\$	17.63	\$	18.53
Discontinued operations	Discontinued operations	\$	—	\$	—	\$	0.02	\$	(0.01)
Discontinued operations									
Discontinued operations									
Net income									
Net income	Net income	\$	5.54	\$	6.31	\$	17.65	\$	18.52
Weighted average common shares outstanding	Weighted average common shares outstanding								
Weighted average common shares outstanding			44.0		55.9		45.6		58.9
Weighted average common shares outstanding									
Weighted average common shares outstanding									
COMMON SHARES OUTSTANDING, net of treasury stock, at period end	COMMON SHARES OUTSTANDING, net of treasury stock, at period end								
COMMON SHARES OUTSTANDING, net of treasury stock, at period end	COMMON SHARES OUTSTANDING, net of treasury stock, at period end		42.8		52.3		42.8		52.3
COMMON SHARES OUTSTANDING, net of treasury stock, at period end	COMMON SHARES OUTSTANDING, net of treasury stock, at period end								
COMMON SHARES OUTSTANDING, net of treasury stock, at period end	COMMON SHARES OUTSTANDING, net of treasury stock, at period end								

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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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 Retained Treasury									
Capital Earnings Stock Total									
Three Months Ended March 31, 2024									
Common Stock Additional Paid-In Retained Treasury									
Capital Earnings Stock Total									
Nine Months Ended September 30, 2023									
Common Stock Additional Paid-In Retained Treasury									
Shares Amount Capital Earnings Stock Total									

BALANCE AT DECEMBER 31, 2022	63,562,149	\$ 0.6	\$ 3.1	\$ 3,663.7	\$ (1,619.6)	\$ 2,047.8
BALANCE AT DECEMBER 31, 2023						
BALANCE AT DECEMBER 31, 2023						
BALANCE AT DECEMBER 31, 2023						
Net income	Net income	—	—	—	288.7	— 288.7
Repurchases of common stock, including excise tax	Repurchases of common stock, including excise tax	—	—	—	—	(307.5) (307.5)
Stock-based compensation expense	Stock-based compensation expense	—	—	15.1	—	— 15.1
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	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
Net income	—	—	—	272.5	—	272.5
Repurchases of common stock, including excise tax	—	—	—	—	(209.5)	(209.5)
Stock-based compensation expense	—	—	8.3	—	—	8.3
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(0.3)	—	0.5	0.2
BALANCE AT JUNE 30, 2023	63,562,149	\$ 0.6	\$ 11.0	\$ 4,183.1	\$ (2,102.9)	\$ 2,091.8
Net income	—	—	—	243.7	—	243.7
Repurchases of common stock, including excise tax	—	—	—	—	(202.0)	(202.0)
Stock-based compensation expense	—	—	8.2	—	—	8.2
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(0.6)	—	0.9	0.3
BALANCE AT SEPTEMBER 30, 2023	63,562,149	\$ 0.6	\$ 18.6	\$ 4,426.8	\$ (2,304.0)	\$ 2,142.0
BALANCE AT MARCH 31, 2024						
BALANCE AT MARCH 31, 2024						
BALANCE AT MARCH 31, 2024						

				Three Months Ended March 31, 2023	Three Months Ended March 31, 2023			
				Common Stock	Additional Paid-In Earnings	Retained Earnings	Treasury Stock	Total

Nine Months Ended September 30, 2022							Capital
	Common Stock		Additional			Treasury Stock	Total
	Shares	Amount	Paid-In Capital	Retained Earnings			
BALANCE AT DECEMBER 31, 2021	86,562,149	\$ 0.8	\$ 3.2	\$ 4,639.9	\$ (2,266.9)	\$ 2,377.0	
BALANCE AT DECEMBER 31, 2022							
BALANCE AT DECEMBER 31, 2022							
BALANCE AT DECEMBER 31, 2022							
Net income	Net income	—	—	—	362.1	—	362.1
Repurchases of common stock	—	—	—	—	(380.9)	(380.9)	
Repurchases of common stock, including excise tax	—	—	—	—	(380.9)	(380.9)	
Stock-based compensation expense	Stock-based compensation expense	—	—	15.9	—	—	15.9
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(16.7)	(58.1)	46.3	(28.5)
BALANCE AT MARCH 31, 2022	86,562,149	\$ 0.8	\$ 2.4	\$ 4,943.9	\$ (2,601.5)	\$ 2,345.6	
Net income	—	—	—	376.3	—	—	376.3
Repurchases of common stock	—	—	—	—	(403.9)	(403.9)	
Stock-based compensation expense	—	—	5.3	—	—	—	5.3
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(2.5)	—	4.2	—	1.7
BALANCE AT JUNE 30, 2022	86,562,149	\$ 0.8	\$ 5.2	\$ 5,320.2	\$ (3,001.2)	\$ 2,325.0	
Net income	—	—	—	352.6	—	—	352.6
Repurchases of common stock	—	—	—	—	(428.2)	(428.2)	
Stock-based compensation expense	—	—	5.1	—	—	—	5.1
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(1.0)	—	1.7	—	0.7
BALANCE AT SEPTEMBER 30, 2022	86,562,149	\$ 0.8	\$ 9.3	\$ 5,672.8	\$ (3,427.7)	\$ 2,255.2	
BALANCE AT MARCH 31, 2023							
BALANCE AT MARCH 31, 2023							
BALANCE AT MARCH 31, 2023							

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine Months Ended		Three Months Ended		2023
	Three Months Ended		September 30, 2023	March 31, 2024	
	2023	2022			
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:	CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:				
Net income	Net income	\$804.9	\$1,091.0		
Net income					
Net income					
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:				
(Income) loss from discontinued operations	(Income) loss from discontinued operations	(0.9)	0.3		
Income from discontinued operations					
Income from discontinued operations					
Income from discontinued operations					
Depreciation and amortization	Depreciation and amortization	163.1	148.9		
Amortization of debt issuance costs and accretion of debt discounts	Amortization of debt issuance costs and accretion of debt discounts	7.0	4.5		
Stock-based compensation expense	Stock-based compensation expense	31.6	26.3		
Provision for credit losses on auto loans receivable	Provision for credit losses on auto loans receivable	36.0	—		

Deferred income tax provision	Deferred income tax provision	5.1	5.5
Net gain related to business/property dispositions		(1.1)	(17.1)
(Gain) loss on corporate-owned life insurance asset		(4.9)	26.0
Gain on sale of auto loans receivable		(8.1)	—
Gain on corporate-owned life insurance asset			
Gain on corporate-owned life insurance asset			
Gain on corporate-owned life insurance asset			
Other			
Other			
Other	Other	6.2	1.1
(Increase) decrease, net of effects from business acquisitions and divestitures:	(Increase) decrease, net of effects from business acquisitions and divestitures:		
Receivables			
Receivables			
Receivables	Receivables	(15.1)	80.3
Auto loans receivable, net	Auto loans receivable, net	(112.7)	—
Inventory	Inventory	(563.0)	(9.1)
Other assets	Other assets	(108.2)	(28.6)
Increase (decrease), net of effects from business acquisitions and divestitures:	Increase (decrease), net of effects from business acquisitions and divestitures:		
Vehicle floorplan payable - trade			
Vehicle floorplan payable - trade			

Vehicle floorplan payable - trade	Vehicle floorplan payable - trade	412.0	124.0
Accounts payable	Accounts payable	6.4	(52.2)
Other liabilities	Other liabilities	104.6	42.7
Net cash provided by continuing operations	Net cash provided by continuing operations	762.9	1,443.6
Net cash used in discontinued operations	Net cash used in discontinued operations	(0.3)	(0.3)
Net cash provided by operating activities	Net cash provided by operating activities	762.6	1,443.3
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:	CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of property and equipment	Purchases of property and equipment	(286.0)	(236.2)
Purchases of property and equipment	Purchases of property and equipment		
Proceeds from the disposal of assets held for sale		2.5	22.8
Cash received from business divestitures, net of cash relinquished		—	55.2
Cash used in business acquisitions, net of cash acquired	Cash used in business acquisitions, net of cash acquired		
Cash used in business acquisitions, net of cash acquired	Cash used in business acquisitions, net of cash acquired		
Cash used in business acquisitions, net of cash acquired	Cash used in business acquisitions, net of cash acquired	(271.1)	—
Originations of auto loans receivable acquired through third-party dealers	Originations of auto loans receivable acquired through third-party dealers	(110.9)	—

Collections on auto loans receivable acquired through third-party dealers	Collections on auto loans receivable acquired through third-party dealers	110.1	—
Proceeds from the sale of auto loans receivable		68.7	—
Deposits for investment		—	(81.6)
Other			
Other	Other	(10.3)	(7.5)
Net cash used in continuing operations	Net cash used in continuing operations	(497.0)	(247.3)
Net cash used in discontinued operations	Net cash used in discontinued operations	—	—
Net cash used in investing activities	Net cash used in investing activities	(497.0)	(247.3)

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2024		2023	
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:				
Repurchases of common stock				
Repurchases of common stock				
Repurchases of common stock				
	Nine Months Ended			

		September 30,	
		2023	2022
CASH PROVIDED BY (USED IN)			
FINANCING ACTIVITIES:			
Repurchases of common stock		(723.2)	(1,177.4)
Net proceeds from (payments of) commercial paper			
Proceeds from 3.85% Senior Notes due 2032		—	698.8
Net proceeds from (payments of) commercial paper			
Net proceeds from (payments of) commercial paper	Net proceeds from (payments of) commercial paper	300.0	(340.0)
Proceeds from non-recourse debt	Proceeds from non-recourse debt	151.6	—
Payments of non-recourse debt	Payments of non-recourse debt	(232.1)	—
Payment of debt issuance costs		(6.6)	(6.6)
Net proceeds from vehicle floorplan payable - non-trade		260.4	46.4
Net payments of vehicle floorplan payable - non-trade			
Net payments of vehicle floorplan payable - non-trade			
Net payments of vehicle floorplan payable - non-trade			
Payments of other debt obligations	Payments of other debt obligations	(9.4)	(8.7)
Proceeds from the exercise of stock options	Proceeds from the exercise of stock options	1.9	3.4
Payments of tax withholdings for stock-based awards	Payments of tax withholdings for stock-based awards	(25.2)	(29.5)
Net cash used in continuing operations			
Net cash used in continuing operations			
Net cash used in continuing operations	Net cash used in continuing operations	(282.6)	(813.6)

Net cash used in discontinued operations	Net cash used in discontinued operations	—	—
Net cash used in financing activities	Net cash used in financing activities	(282.6)	(813.6)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at beginning of period	CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at beginning of period	95.4	60.6
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at end of period	CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at end of period	<u>\$ 78.4</u>	<u>\$ 443.0</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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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 **September 30, 2023** **March 31, 2024**, we owned and operated **354** **347** new vehicle franchises from **253** **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 **34** **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 **nine** **three** months ended **September 30, 2023** **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 **September 30, 2023** **March 31, 2024**, we also owned and operated **53** **52** AutoNation-branded collision centers, **17** **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 on certain vehicles we sell through our captive finance company, 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 related to 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.

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

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.

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

2. REVENUE RECOGNITION

Disaggregation of Revenue

The significant majority of our revenue is from contracts with customers. Taxes assessed by governmental authorities that are directly imposed on revenue transactions are excluded from revenue 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 September 30, 2023						Three Months Ended March 31, 2024						
		Corporate					Three Months Ended March 31, 2024					
		Domestic	Import	Luxury	other⁽¹⁾	Total			Premium	Corporate and		
<u>Major</u>	<u>Major</u>						<u>Domestic</u>	<u>Import</u>	<u>Luxury</u>	<u>other⁽¹⁾</u>	<u>Total</u>	
<u>Goods/Service</u>	<u>Goods/Service</u>											
<u>Lines</u>	<u>Lines</u>											
New vehicle												
New vehicle												
New vehicle	New vehicle	\$ 916.1	\$ 1,042.5	\$ 1,229.0	\$ —	\$ 3,187.6						
Used vehicle	Used vehicle	649.1	602.4	773.1	147.5	2,172.1						
Parts and service	Parts and service	301.7	299.6	402.4	153.7	1,157.4						
Finance and insurance, net	Finance and insurance, net	115.6	129.1	111.5	13.3	369.5						
Other	Other	1.4	3.6	0.1	1.0	6.1						
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
		\$ 1,983.9	\$ 2,077.2	\$ 2,516.1	\$ 315.5	\$ 6,892.7						
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
		\$										
<u>Timing of Revenue</u>												
<u>Revenue</u>												
<u>Recognition</u>												
<u>Timing of Revenue</u>												
<u>Recognition</u>												
<u>Timing of Revenue</u>												
<u>Recognition</u>												

Goods and services transferred at a point in time	Goods and services transferred at a point in time	\$ 1,765.2	\$ 1,841.7	\$ 2,175.5	\$ 211.3	\$ 5,993.7
Goods and services transferred over time ⁽²⁾	Goods and services transferred over time ⁽²⁾	218.7	235.5	340.6	104.2	899.0
		\$ 1,983.9	\$ 2,077.2	\$ 2,516.1	\$ 315.5	\$ 6,892.7
		\$				

	Three Months Ended September 30, 2022						
	Domestic		Import		Premium Luxury	Corporate and other ⁽¹⁾	Total
	Major Goods/Service Lines						
New vehicle	\$ 875.0	\$ 814.1	\$ 1,174.8	\$ —	\$ 2,863.9		
Used vehicle	764.3	667.4	853.0	117.0	2,401.7		
Parts and service	275.8	266.2	364.5	125.6	1,032.1		
Finance and insurance, net	117.1	123.1	112.5	8.0	360.7		
Other	0.6	4.4	1.6	1.0	7.6		
	\$ 2,032.8	\$ 1,875.2	\$ 2,506.4	\$ 251.6	\$ 6,666.0		
<u>Timing of Revenue Recognition</u>							
Goods and services transferred at a point in time	\$ 1,839.4	\$ 1,673.0	\$ 2,199.8	\$ 169.9	\$ 5,882.1		
Goods and services transferred over time ⁽²⁾	193.4	202.2	306.6	81.7	783.9		
	\$ 2,032.8	\$ 1,875.2	\$ 2,506.4	\$ 251.6	\$ 6,666.0		

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

	Nine Months Ended September 30, 2023						
	Domestic		Import		Premium Luxury	Corporate and other ⁽¹⁾	Total
	Major Goods/Service Lines						
New vehicle	\$ 2,667.1	\$ 2,910.1	\$ 3,823.3	\$ —	\$ 9,400.5		
Used vehicle	1,880.4	1,707.7	2,275.8	428.8	6,292.7		

Parts and service	888.0	859.3	1,188.9	456.3	3,392.5
Finance and insurance, net	332.2	369.5	332.3	37.4	1,071.4
Other	2.8	17.6	1.2	2.8	24.4
	<u>\$ 5,770.5</u>	<u>\$ 5,864.2</u>	<u>\$ 7,621.5</u>	<u>\$ 925.3</u>	<u>\$ 20,181.5</u>

Timing of Revenue Recognition

Goods and services transferred at a point in time	\$ 5,134.6	\$ 5,200.1	\$ 6,613.1	\$ 616.7	\$ 17,564.5
Goods and services transferred over time ⁽²⁾	635.9	664.1	1,008.4	308.6	2,617.0
	<u>\$ 5,770.5</u>	<u>\$ 5,864.2</u>	<u>\$ 7,621.5</u>	<u>\$ 925.3</u>	<u>\$ 20,181.5</u>

Nine Months Ended September 30, 2022

Corporate						Three Months Ended March 31, 2023					
Premium and other ⁽¹⁾						Premium and Corporate and other ⁽¹⁾					
Domestic Import Luxury Total						Domestic Import Luxury Total					
Three Months Ended March 31, 2023						Three Months Ended March 31, 2023					
Domestic						Domestic					
<u>Major</u>	<u>Major</u>					<u>Major</u>	<u>Major</u>				
<u>Goods/Service</u>	<u>Goods/Service</u>					<u>Goods/Service</u>	<u>Goods/Service</u>				
<u>Lines</u>	<u>Lines</u>					<u>Lines</u>	<u>Lines</u>				
New vehicle						New vehicle					
New vehicle						New vehicle					
New vehicle	New vehicle	\$ 2,555.6	\$ 2,548.1	\$ 3,503.2	\$ —	\$ 8,606.9					
Used vehicle	Used vehicle	2,374.2	2,074.6	2,673.7	372.0	7,494.5					
Parts and service	Parts and service	820.0	788.0	1,083.4	380.9	3,072.3					
Finance and insurance, net	Finance and insurance, net	355.7	375.2	338.1	23.2	1,092.2					
Other	Other	2.6	13.1	3.3	3.1	22.1					
		<u>\$ 6,108.1</u>	<u>\$ 5,799.0</u>	<u>\$ 7,601.7</u>	<u>\$ 779.2</u>	<u>\$ 20,288.0</u>					
\$						\$					
<u>Timing of Revenue Recognition</u>	<u>Timing of Revenue Recognition</u>					<u>Timing of Revenue Recognition</u>	<u>Timing of Revenue Recognition</u>				
<u>Timing of Revenue Recognition</u>	<u>Timing of Revenue Recognition</u>					<u>Timing of Revenue Recognition</u>	<u>Timing of Revenue Recognition</u>				
Goods and services transferred at a point in time						Goods and services transferred at a point in time					
Goods and services transferred at a point in time						Goods and services transferred at a point in time					

Goods and services transferred at a point in time	Goods and services transferred at a point in time	\$ 5,538.8	\$ 5,205.8	\$ 6,697.5	\$ 536.0	\$ 17,978.1
Goods and services transferred over time ⁽²⁾	Goods and services transferred over time ⁽²⁾	569.3	593.2	904.2	243.2	2,309.9
		\$ 6,108.1	\$ 5,799.0	\$ 7,601.7	\$ 779.2	\$ 20,288.0

⁽¹⁾ "Corporate and other" is comprised of our other non-franchised businesses, including AutoNation USA used vehicle stores, collision centers, parts distribution centers, auction operations, and our mobile automotive repair and maintenance business, 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

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

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.

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

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				
	Next 12 Months				
	Total	13 - 36 Months	37 - 60 Months	37 - 60 Months	
Revenue expected to be recognized on VCP contracts sold as of period end	\$ 106.2	\$ 36.2	\$ 51.6	\$ 18.4	

Revenue Expected to Be Recognized by Period

	Total	Next 12 Months			13 - 36 Months	37 - 60 Months
		\$ 108.5	\$ 37.2	\$ 53.0		
Revenue expected to be recognized on VCP contracts sold as of period end						

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:

		September 30, 2023	December 31, 2022		
		March 31, 2024		March 31, 2024	December 31, 2023
Receivables from contracts with customers, net	Receivables from contracts with customers, net				
Contract Asset (Current)	Contract Asset (Current)	\$ 629.1	\$ 634.5		
Contract Asset (Long-Term)	Contract Asset (Long-Term)	\$ 22.5	\$ 27.7		
Contract Liability (Current)	Contract Liability (Current)	\$ 3.4	\$ 8.6		
Contract Liability (Long-Term)	Contract Liability (Long-Term)	\$ 41.9	\$ 41.8		
Contract Liability (Long-Term)	Contract Liability (Long-Term)	\$ 70.0	\$ 66.6		

The change in the balances of our contract assets and contract liabilities primarily result from the timing differences between our performance and the customer's payment, as well as changes in the estimated transaction price related to variable consideration for performance obligations satisfied in previous periods. The following table presents revenue recognized during 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 September 30,	Nine Months Ended September 30,
-------------------------------------	------------------------------------

	2023	2022	2023	2022
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	2024			
	2024			
	2024			
Amounts included in contract liability at the beginning of the period				
Amounts included in contract liability at the beginning of the period				
Amounts included in contract liability at the beginning of the period				
Performance obligations satisfied in previous periods	\$ 8.5	\$ 8.1	\$ 26.9	\$ 25.9
Performance obligations satisfied in previous periods	\$ 4.1	\$ (0.9)	\$ 1.5	\$ 3.8
Performance obligations satisfied in previous periods				
Performance obligations satisfied in previous periods				

Other significant changes include contract assets reclassified to receivables of \$28.7 million \$16.9 million for the nine three months ended September 30, 2023 March 31, 2024, and \$30.5 million \$25.7 million for the nine three months ended September 30, 2022 March 31, 2023.

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

3. EARNINGS PER SHARE

Basic earnings per share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the period, including vested restricted stock unit ("RSU") awards. Diluted EPS is computed 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**

		Three Months Ended		Three Months Ended		March 31, March 31, March 31,	
		Three Months Ended		Nine Months Ended			
		September 30, 2023		September 30, 2022			
Net income from continuing operations	Net income from continuing operations	2023	2022	2023	2022		
Net income from continuing operations	Net income from continuing operations	\$243.7	\$352.7	\$804.0	\$1,091.3		
Income (loss) from discontinued operations, net of income taxes		—	(0.1)	0.9	(0.3)		
Net income from continuing operations							
Net income from continuing operations							
Income from discontinued operations, net of income taxes							
Income from discontinued operations, net of income taxes							
Income from discontinued operations, net of income taxes							
Net income							
Net income							
Net income	Net income	\$243.7	\$352.6	\$804.9	\$1,091.0		
Basic weighted average common shares outstanding	Basic weighted average common shares outstanding	43.6	55.5	45.3	58.5		
Basic weighted average common shares outstanding							
Basic weighted average common shares outstanding							

Dilutive effect of unvested RSUs and stock options	Dilutive effect of unvested RSUs and stock options	0.4	0.4	0.3	0.4
--	--	-----	-----	-----	-----

Dilutive effect of unvested RSUs and stock options
 Dilutive effect of unvested RSUs and stock options
 Diluted weighted average common shares outstanding
 Diluted weighted average common shares outstanding

Diluted weighted average common shares outstanding	Diluted weighted average common shares outstanding	44.0	55.9	45.6	58.9
--	--	------	------	------	------

Basic EPS amounts⁽¹⁾:

Basic EPS amounts⁽¹⁾:

Continuing operations

Continuing operations

Continuing operations	Continuing operations	\$ 5.59	\$ 6.35	\$ 17.75	\$ 18.65
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Discontinued operations	Discontinued operations	\$ —	\$ —	\$ 0.02	\$ (0.01)
-------------------------	-------------------------	------	------	---------	-----------

Discontinued operations

Discontinued operations

Net income

Net income

Net income	Net income	\$ 5.59	\$ 6.35	\$ 17.77	\$ 18.65
------------	------------	---------	---------	----------	----------

Diluted EPS amounts⁽¹⁾:

Diluted EPS amounts⁽¹⁾:

Continuing operations

Continuing operations

Continuing operations	Continuing operations	\$ 5.54	\$ 6.31	\$ 17.63	\$ 18.53
-----------------------	-----------------------	---------	---------	----------	----------

Discontinued operations	Discontinued operations	\$ —	\$ —	\$ 0.02	\$ (0.01)
-------------------------	-------------------------	------	------	---------	-----------

Discontinued operations

Discontinued operations

Net income

Net income

Net income	Net income	\$ 5.54	\$ 6.31	\$ 17.65	\$ 18.52
------------	------------	---------	---------	----------	----------

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

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

(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		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Anti-dilutive equity instruments excluded from the computation of diluted EPS	—	0.1	—	0.1

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

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

4. RECEIVABLES, NET

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

	September		December	
	30,	31,	2023	2022
	2023	2022		
	March 31,	2024	March 31,	2024
				December 31, 2023
Contracts-in-transit and vehicle receivables	Contracts-in-transit and vehicle receivables	\$ 408.0	\$ 441.1	
Trade receivables	Trade receivables	172.4	156.6	
Manufacturer receivables	Manufacturer receivables	212.3	174.4	

Income taxes receivable (see Note 9)	Income taxes receivable (see Note 9)	24.8	20.2
Other	Other	61.8	68.2
		879.3	860.5
		882.0	
Less: allowances for expected credit losses	Less: allowances for expected credit losses	(2.0)	(1.7)
Receivables, net	Receivables, net	\$ 877.3	\$ 858.8

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

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. In September 2023, we discontinued acquiring installment sales contracts 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, as well as gains or losses on the sale of auto loans receivable. AutoNation Finance income (loss) is operating results are included as a component of Other (Income) Expense, Net (within Operating Income). Interest income on auto loans receivable is recognized when earned based on contractual loan terms. Direct costs associated with loan originations are capitalized and amortized using the effective interest method.

Auto Loans Receivable, Net

The components of auto loans receivable, net of unearned discounts and allowances for expected credit losses, at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, are as follows:

	September 30, 2023	December 31, 2022
Total auto loans receivable	\$ 373.6	\$ 377.0
Accrued interest and fees	4.1	4.4
Deferred loan origination costs	0.7	0.5
Less: unearned discounts	(10.5)	(21.3)

Less: allowances for expected credit losses	(47.9)	(57.5)
Auto loans receivable, net	\$ 320.0	\$ 303.1

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

	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	<u>\$ 517.9</u>	<u>\$ 402.4</u>

Credit Quality

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

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

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AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Auto Loans Receivable by Major Credit Program

The following tables present auto loans receivable as of September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, disaggregated by major credit program tier, in descending order of highest likelihood of repayment:

As of September 30, 2023	Fiscal Year of Origination						Prior to Total	
	2023	2022	2021	2020	2019	Total		
Fiscal Year of Origination								
Fiscal Year of Origination								
Fiscal Year of Origination								

As of March 31, 2024								
As of March 31, 2024		2024	2023	2022	2021	2020	Prior to 2020	Total
Credit	Credit							
Program	Program							
Tier ⁽¹⁾ :	Tier ⁽¹⁾ :							
Palladium								
Palladium								
Palladium								
Rhodium								
Platinum	Platinum	\$ 70.4	\$16.5	\$ 9.2	\$ 4.0	\$ 4.0	\$0.7	\$104.8
Gold	Gold	52.8	39.8	21.0	8.2	5.8	1.2	128.8
Silver	Silver	50.4	37.4	19.2	6.3	3.9	0.6	117.8
Bronze	Bronze	6.2	1.4	7.3	1.9	0.1	0.1	17.0
Copper	Copper	0.4	0.4	3.5	0.7	0.1	0.1	5.2
Total auto loans	Total auto loans							
receivable	receivable	\$180.2	\$95.5	\$60.2	\$21.1	\$13.9	\$2.7	\$373.6
Current-period gross write-offs	Current-period gross write-offs	\$ 4.5	\$27.3	\$12.5	\$ 3.7	\$ 2.1	\$0.6	\$ 50.7
Current-period gross write-offs	Current-period gross write-offs							
Fiscal Year of Origination								
As of December 31, 2022		2022	2021	2020	2019	2018	Prior to 2018	Total
Fiscal Year of Origination								
Fiscal Year of Origination								
Fiscal Year of Origination								
As of December 31, 2023								
As of December 31, 2023								
As of December 31, 2023		2023	2022	2021	2020	2019	Prior to 2019	Total
Credit	Credit							
Program	Program							
Tier ⁽¹⁾ :	Tier ⁽¹⁾ :							
Rhodium								

Rhodium											
Rhodium											
Platinum	Platinum	\$ 21.9	\$12.9	\$ 6.4	\$ 7.4	\$ 2.2	\$0.2	\$ 51.0			
Gold	Gold	53.7	30.0	12.9	10.6	3.2	0.4	110.8			
Silver	Silver	61.9	29.8	10.4	8.0	1.9	0.1	112.1			
Bronze	Bronze	41.4	17.1	7.4	3.7	1.0	0.1	70.7			
Copper	Copper	19.2	8.0	2.6	1.8	0.7	0.1	32.4			
Total auto loans	Total auto loans										
receivable	receivable	\$198.1	\$97.8	\$39.7	\$31.5	\$ 9.0	\$0.9	\$377.0			

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

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

⁽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

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

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.

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

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 **nine** **three** months ended **September 30, 2023**: **March 31, 2024** and **2023**:

	Nine Months Ended
	September 30, 2023
Balance as of beginning of year	\$ 57.5
Provision for credit losses	36.0
Write-offs	(50.7)
Recoveries ⁽¹⁾	21.2
Sold loans	(16.1)
Balance as of September 30, 2023	\$ 47.9

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

During the three and nine months ended September 30, 2023, we sold loans with an aggregate amortized cost of \$60.6 million, net of allowance for expected credit losses of \$16.1 million, for cash proceeds of \$68.7 million. We recorded a net gain on sale of \$8.1 million pre-tax. We have no continuing involvement in the sold loans as they were sold without recourse to us for their post-sale performance.

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

	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 **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**:

		Age Analysis of Past-Due Auto Loans Receivable as of	
		September 30, 2023	December 31, 2022
Age Analysis of Past-Due Auto Loans Receivable as of			
March 31, 2024		March 31, 2024	December 31, 2023
31-60 Days	31-60 Days	\$ 18.6	\$ 13.0
61-90 Days	61-90 Days	5.5	4.1
Greater than 90 Days	Greater than 90 Days	3.7	2.6
Total Past Due	Total Current	\$ 27.8	\$ 19.7
Current	Current	345.8	357.3
Current			
Current		542.5	422.0
Total	Total	\$ 373.6	\$ 377.0

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

6. INVENTORY AND VEHICLE FLOORPLAN PAYABLE

The components of inventory are as follows:

		September 30, 2023	December 31, 2022	
		March 31, 2024	March 31, 2024	December 31, 2023
New vehicles	New vehicles	\$ 1,578.7	\$ 1,009.7	
Used vehicles	Used vehicles	801.0	789.1	

Parts, accessories, and other	Parts, accessories, and other	265.9	249.5
Inventory	Inventory	\$ 2,645.6	\$ 2,048.3

The components of vehicle floorplan payable are as follows:

	September December		March 31, 2024	March 31, 2024	December 31, 2023
	30, 2023	31, 2022			
Vehicle floorplan payable - trade	Vehicle floorplan payable - trade	\$ 1,358.7	\$ 946.6		
Vehicle floorplan payable - non-trade	Vehicle floorplan payable - non-trade	1,456.1	1,162.7		
Vehicle floorplan payable	Vehicle floorplan payable	\$ 2,814.8	\$ 2,109.3		

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

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

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 **September 30, 2023** **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 **September 30, 2023** **March 31, 2024**, and **5.9%** **7.1%** at **December 31, 2022** **December 31, 2023**. As of **September 30, 2023** **March 31, 2024**, the aggregate capacity under our new vehicle floorplan facilities to finance our new vehicle inventory was approximately **\$4.6 billion** **\$4.7 billion**, of which **\$2.2 billion** **\$2.8 billion** had been borrowed.

At **September 30, 2023** **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 **7.0%** **6.8%** at **September 30, 2023** **March 31, 2024**, and **5.9%** **6.9%** at **December 31, 2022** **December 31, 2023**. As of **September 30, 2023** **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 **\$775.6** **\$810.0** million, of which **\$591.3** **\$499.6** million had been borrowed. The remaining borrowing capacity of **\$184.3** million **\$310.4** million was limited to \$0.3 million based on the eligible used vehicle inventory that could have been pledged as collateral.

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

7. GOODWILL AND INTANGIBLE ASSETS, NET

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

	September 30, 2023	December 31, 2022
Goodwill ⁽¹⁾	\$ 1,455.7	\$ 1,320.1
Franchise rights - indefinite-lived	\$ 876.2	\$ 816.2
Other intangibles	70.7	30.7
	946.9	846.9
Less: accumulated amortization	(15.1)	(9.9)
Other intangible assets, net	\$ 931.8	\$ 837.0

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

Goodwill and our franchise rights assets are tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that impairment may exist.

Under accounting standards, we chose to make a qualitative evaluation about the likelihood of goodwill impairment for our annual impairment testing as of April 30, 2023, and we determined that it was not more likely than not that the fair values of our reporting units were less than their carrying amounts. We elected to perform quantitative franchise rights impairment tests as of April 30, 2023, and no impairment charges resulted from these quantitative tests.

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

	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

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

8. DEBT

Non-Vehicle Long-Term Debt

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

Debt Description	Maturity Date	Interest Payable	September 30,		December 31,	
			2023	2022	2023	2022
3.5% Senior Notes	November 15, 2024	May 15 and November 15	\$ 450.0	\$ 450.0		
4.5% Senior Notes	October 1, 2025	April 1 and October 1	450.0	450.0		
3.8% Senior Notes	November 15, 2027	May 15 and November 15	300.0	300.0		
1.95% Senior Notes	August 1, 2028	February 1 and August 1	400.0	400.0		
4.75% Senior Notes	June 1, 2030	June 1 and December 1	500.0	500.0		
2.4% Senior Notes	August 1, 2031	February 1 and August 1	450.0	450.0		
3.85% Senior Notes	March 1, 2032	March 1 and September 1	700.0	700.0		
Revolving credit facility	July 18, 2028	Monthly	—	—		
Finance leases and other debt	Various dates through 2041		365.3	375.5		
			3,615.3	3,625.5		
Less: unamortized debt discounts and debt issuance costs			(22.9)	(26.0)		
Less: current maturities			(12.8)	(12.6)		
Long-term debt, net of current maturities			\$ 3,579.6	\$ 3,586.9		

Debt Refinancing Transaction

On July 18, 2023, we amended and restated our unsecured credit agreement to, among other things, (1) increase the revolving credit facility (the "facility") commitment from \$1.8 billion to \$1.9 billion, (2) extend the maturity date of the facility to July 18, 2028, (3) allow for the maximum leverage ratio covenant to increase from 3.75x to 4.25x for four fiscal quarters in the event that we complete a material acquisition, and (4) replace the maximum capitalization ratio covenant with a minimum interest coverage ratio covenant.

Debt Description	Maturity Date	Interest Payable	March 31,		December 31,	
			2024	2023	2024	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 **September 30, 2023** **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.

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

which was \$0.8 million at **September 30, 2023** **March 31, 2024**, leaving a borrowing capacity under our credit agreement of \$1.9 billion at **September 30, 2023** **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

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

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 **September 30, 2023** **March 31, 2024**, we had finance leases and other debt obligations of **\$365.3 million** **\$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. On August 16, 2023, we increased the basis up to a maximum aggregate principal amount that may be outstanding at any time under the commercial paper program from \$1.0 billion to 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 September 30, 2023 March 31, 2024, we had \$350.0 million \$285.0 million of commercial paper notes outstanding with a weighted-average annual interest rate of 5.05% 5.9% and a weighted-average remaining term of 16.4 days. At December 31, 2022 December 31, 2023, we had \$50.0 million \$440.0 million of commercial paper notes outstanding with a weighted-average annual interest rate of 4.30% 5.9% and a weighted-average remaining term of 1 day.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 two 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.

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

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.

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

Non-recourse debt outstanding at **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**, consisted of the following:

		September		
		30, 2023	December 31, 2022	
		March 31, 2024	March 31, 2024	December 31, 2023
Warehouse facilities	Warehouse facilities	\$ 189.0	\$ 181.8	
Term securitization debt of consolidated VIEs	Term securitization debt of consolidated VIEs	59.2	146.9	
		248.2	328.7	
		346.3		
Less: unamortized debt discounts and debt issuance costs	Less: unamortized debt discounts and debt issuance costs	(2.1)	(5.1)	
Less: current maturities	Less: current maturities	(7.2)	(10.7)	
Non-recourse debt, net of current maturities	Non-recourse debt, net of current maturities	\$ 238.9	\$ 312.9	

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 **on October 1, 2024**, in **October 2024**, and **the other another** matures **on December 17, 2023**, 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 **\$350.0** **\$450.0** million.

The term securitization debt of consolidated VIEs consists of various notes with interest rates ranging from **1.49%** **1.79%** to 4.45% and maturity dates ranging from **August 2026** **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 **\$4.6** **\$4.0** million as of **September 30, 2023** **March 31, 2024**, and **\$14.9** **\$4.3** million as of **December 31, 2022** **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 **\$59.8** **\$43.1** million as of **September 30, 2023** **March 31, 2024**, and **\$151.4** **\$50.8** million as of **December 31, 2022** **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 \$24.8 million \$11.1 million at September 30, 2023 and \$20.2 million at December 31, 2022 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 2018, 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.

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

10. SHAREHOLDERS' EQUITY

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

		Three Months Ended		Nine Months Ended	
		September 30, 2023		September 30, 2022	
Shares repurchased	Shares repurchased	1.3	3.8	5.3	10.9
Shares repurchased					
Shares repurchased					
Aggregate purchase price (1)					
Aggregate purchase price (1)					
Aggregate purchase price (1)	Aggregate purchase price (1)	\$ 200.0	\$ 428.2	\$ 712.4	\$ 1,213.1
Average purchase price per share	Average purchase price per share	\$155.91	\$113.51	\$135.38	\$ 110.96
Average purchase price per share					
Average purchase price per share					

(1) Excludes excise tax accrual imposed under the Inflation Reduction Act of \$2.0 million and \$6.6 million for the three and nine months ended September 30, 2023, respectively.

(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.

(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.

(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 **September 30, 2023** **March 31, 2024**, **\$472.0** **\$282.1** million remained available under our stock repurchase limit **most recently** 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		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	2024	2024	2024	2024
Shares issued (in actual number of shares)				
Shares issued (in actual number of shares)				
Shares issued (in actual number of shares)	Shares issued (in actual number of shares)			
Proceeds from the exercise of stock options	Proceeds from the exercise of stock options	\$ 0.4	\$ 0.8	\$ 1.9
Proceeds from the exercise of stock options				\$ 3.4
Proceeds from the exercise of stock options				
Proceeds from the exercise of stock options				

Average exercise price per share	Average exercise price per share	\$ 57.15	\$ 48.15	\$ 50.34	\$ 47.94
Average exercise price per share					
Average exercise price per share					

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		Nine Months Ended	
	Three Months Ended		September 30,	
	Three Months Ended		September 30,	
	2023	2022	2023	2022
(In actual number of shares)				
	2024			
	2024			
	2024			
Shares issued				
Shares issued				
Shares issued	Shares issued	987	1,227	531,994
Shares surrendered to AutoNation to satisfy tax withholding obligations	Shares surrendered to AutoNation to satisfy tax withholding obligations	278	570	182,527
Shares surrendered to AutoNation to satisfy tax withholding obligations				775,312
Shares surrendered to AutoNation to satisfy tax withholding obligations				263,521

11. ACQUISITIONS AND DIVESTITURES

We did not purchase any stores during the three months ended March 31, 2024. During the nine three months ended September 30, 2023 March 31, 2023, we acquired RepairSmith, a mobile solution for automotive repair and maintenance, which we renamed AutoNation Mobile Service, and we also purchased seven stores, one store. Acquisitions are included in the Unaudited Condensed Consolidated Financial Statements from the date of acquisition. The purchase price allocations for these business combinations are preliminary and subject to final adjustments, primarily related to the valuation of working capital, deferred tax assets and liabilities, and residual goodwill. We did not purchase any stores during the nine months ended September 30, 2022.

The acquisitions that occurred during the nine three months ended September 30, 2023 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 nine three month periods period ended September 30, 2023 and 2022, March 31, 2023, revenue and net income would not have been materially different from our reported revenue and net income for these periods. this period.

We did not divest any stores during the nine three months ended September 30, 2023, March 31, 2024 or 2023. We divested three stores terminated two franchises during the nine three months ended September 30, 2022 March 31, 2024. We recognized net gains related to divestitures of \$16.1 million during the nine months

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(Continued)

ended September 30, 2022, which are included in Other Income, Net (within Operating Income) in our Consolidated Statement of Operations. The financial condition and results of operations of these businesses were not material to our consolidated financial statements.

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:

	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2024	December 31, 2023
Cash and cash equivalents	Cash and cash equivalents		\$ 64.0	\$ 72.6	
Restricted cash included in Other Current Assets	Restricted cash included in Other Current Assets		12.6	15.6	
Restricted cash included in Other Assets	Restricted cash included in Other Assets		1.8	7.2	
Total cash, cash equivalents, and restricted cash	Total cash, cash equivalents, and restricted cash		\$ 78.4	\$ 95.4	

Non-Cash Investing and Financing Activities

We had accrued purchases of property and equipment of \$33.5 million \$26.7 million at September 30, 2023 March 31, 2024, and \$29.7 million \$33.7 million at September 30, 2022 March 31, 2023.

	Nine Months Ended September 30, 2023	Three Months Ended March 31,	Three Months Ended March 31,

	2024	2024	2023
Supplemental noncash information on adjustments to right-of-use assets, including right-of-use assets obtained in exchange for new:	Supplemental noncash information on adjustments to right-of-use assets, including right-of-use assets obtained in exchange for new:		
Operating lease liabilities	Operating lease liabilities	\$78.6	\$53.2
Operating lease liabilities	Operating lease liabilities		
Finance lease liabilities	Finance lease liabilities	\$40.3	\$20.2

Interest and Income Taxes Paid

We made interest payments, net of amounts capitalized and including interest on vehicle inventory financing, of **\$218.2 million** **\$86.1 million** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, and **\$96.7 million** **\$58.1 million** during the **nine** **three** months ended **September 30, 2022** **March 31, 2023**. We made income tax payments, net of income tax refunds, of **\$267.2 million** **\$0.2 million** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, and **\$368.0 million** **\$0.7 million** during the **nine** **three** months ended **September 30, 2022** **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.

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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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

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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 ~~\$13.3~~ ~~\$22.8~~ million at ~~September 30, 2023~~ ~~March 31, 2024~~, and ~~\$15.4~~ ~~\$22.8~~ million at ~~December 31, 2022~~ ~~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 ~~September 30, 2023~~ ~~March 31, 2024~~, and \$56.7 million at ~~December 31, 2022~~ ~~December 31, 2023~~. This equity investment reflects a cumulative upward adjustment of \$3.4 million based on an observable price ~~change~~ ~~change that occurred in the second quarter of 2021~~. We did not record any upward adjustments during the ~~nine~~ ~~three~~ months ended ~~September 30, 2023~~ ~~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 ~~nine~~ ~~three~~ months ended ~~September 30, 2023~~ ~~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, (Loss), Net (non-operating) in the Unaudited Condensed Consolidated Statements of Income and in the "Corporate and other" category of our segment information.

Nine Months Ended September 30, 2023 2022	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
	2024	2024		2023

Net losses recognized during the period on equity securities	Net losses recognized during the period on equity securities	\$(2.3)	\$(0.1)
Less: Net losses recognized during the period on equity securities sold during the period	—	—	—
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	Unrealized losses recognized during the reporting period on equity securities still held at the reporting date	\$(2.3)	\$(0.1)

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

	September 30, 2023	December 31, 2022
Carrying value	\$ 3,227.1	\$ 3,224.0
Fair value	\$ 2,817.8	\$ 2,803.6

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NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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March 31, 2024	December 31, 2023
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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 or 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.

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The following table presents assets measured and recorded at fair value on a nonrecurring basis during the nine three months ended September 30, 2023 March 31, 2024 and 2022: 2023:

Description	2023		2022	
	Fair Value		Fair Value	
	Measurements Using		Measurements Using	
	Significant		Significant	
	Unobservable Inputs		Unobservable Inputs	
Long-lived assets held and used	\$ (Level 3)	Gain/(Loss)	\$ (Level 3)	Gain/(Loss)
Long-lived assets held and used	\$ —	\$ (2.7)	\$ —	\$ (1.0)

Goodwill and Other Intangible Assets

Goodwill for our reporting units and our indefinite-lived intangible assets are tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that impairment may exist. Our principal identifiable intangible assets are individual store rights under franchise agreements with vehicle manufacturers, which have indefinite lives.

Under accounting standards, we chose to make a qualitative evaluation about the likelihood of goodwill impairment for our annual impairment testing as of April 30, 2023 and 2022, and we determined that it was not more likely than not that the fair values of our reporting units were less than their carrying amounts. We elected to perform quantitative franchise rights impairment tests as of April 30, 2023 and 2022, and no impairment charges resulted from these quantitative tests.

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 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.

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

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AUTONATION, INC.
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(Continued)

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

We had assets held for sale in continuing operations of \$41.6 million \$134.2 million as of September 30, 2023 March 31, 2024, and \$5.7 million \$21.3 million as of December 31, 2022 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 September 30, 2023, March 31, 2024 and \$1.1 million as of December 31, 2022, which was related to property held for sale. 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.

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As of September 30, 2023 March 31, 2024 and 2022, 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 **September 30, 2023** **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.

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AUTONATION, INC.
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(Continued)

At **September 30, 2023** **March 31, 2024**, surety bonds, letters of credit, and cash deposits totaled **\$111.5 million** **\$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 **nine** **three** months ended **September 30, 2023** **March 31, 2024**, approximately **63%** **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 **nine** **three** months ended **September 30, 2023** **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 **\$212.3 million** **\$212.0 million** at **September 30, 2023** **March 31, 2024**, and **\$174.4 million** **\$240.5 million** at **December 31, 2022** **December 31, 2023**. Additionally, a large portion of our contracts-in-transit included in Receivables, net, in the accompanying Unaudited Condensed 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

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well as their dispersion across many different geographic areas in the United States. Consequently, at **September 30, 2023** **March 31, 2024**, we do not consider AutoNation to have any significant non-manufacturer concentrations of credit risk.

16. SEGMENT INFORMATION

At **September 30, 2023** **March 31, 2024** and **2022, 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 **other** 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.

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

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

	Three Months Ended					
	Three Months Ended			Nine Months Ended		
	September 30, 2023		September 30, 2023			
	Domestic	Import	Premium	Domestic	Import	Premium
Revenues from external customers	\$ 1,983.9	\$ 2,077.2	\$ 2,516.1	\$ 5,770.5	\$ 5,864.2	\$ 7,621.5
Revenues from external customers						
Revenues from external customers						

Segment income (1)	Segment income (1)	\$ 107.2	\$ 164.7	\$ 192.9	\$ 341.5	\$ 498.1	\$ 641.2
Segment income (1)							
Segment income (1)							
Three Months Ended							
Three Months Ended							
Three Months Ended							
Revenues from external customers	Three Months Ended			Nine Months Ended			
	September 30, 2022			September 30, 2022			
	Domestic	Import	Luxury	Domestic	Import	Luxury	
Revenues from external customers	\$ 2,032.8	\$ 1,875.2	\$ 2,506.4	\$ 6,108.1	\$ 5,799.0	\$ 7,601.7	
Revenues from external customers							
Revenues from external customers							
Segment income (1)							
Segment income (1)							

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

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

(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		Nine Months Ended	
	Three Months Ended		September 30,	
	September 30,		September 30,	
	2023	2022	2023	2022
Total segment income for reportable segments	\$ 464.8	\$ 558.2	\$ 1,480.8	\$ 1,726.4

Total segment income for reportable segments					
Total segment income for reportable segments					
Corporate and other					
Corporate and other					
Corporate and other	Corporate and other	(83.6)	(46.4)	(277.0)	(148.5)
Other interest expense	Other interest expense	(48.8)	(33.7)	(135.9)	(97.4)
Other income (loss), net		(5.0)	(4.6)	4.6	(24.7)
Other interest expense					
Other interest expense					
Other income, net					
Other income, net					
Other income, net					
Income from continuing operations before income taxes	Income from continuing operations before income taxes	\$ 327.4	\$ 473.5	\$ 1,072.5	\$ 1,455.8
Income from continuing operations before income taxes					
Income from continuing operations before income taxes					

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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 September 30, 2023 March 31, 2024, we owned and operated 354 347 new vehicle franchises from 253 251 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 34 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 nine three months ended September 30, 2023 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 September 30, 2023 March 31, 2024, we also owned and operated 53 52 AutoNation-branded collision centers, 17 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 on certain vehicles we sell through our captive finance company 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 September 30, 2023 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 nine three months ended September 30, 2023 March 31, 2024, new vehicle sales accounted for 47% 46% of our total revenue and 21% 16% of our total gross profit. Used vehicle sales accounted for 31% of our total revenue and 11% 9% of our total gross profit. Our parts and service operations, while comprising 17% 18% of our total revenue, contributed 41% 46% of our total gross profit. Our finance and insurance sales, while comprising 5% of our total revenue, contributed 27% 28% of our total gross profit.

Market Conditions

In the third first quarter of 2023, 2024, U.S. industry retail new vehicle unit sales increased approximately 12% 5% as compared to the third first quarter of 2022, 2023. Although still below historical levels, new vehicle inventory levels for certain manufacturers and models increased continued to increase during the third first quarter of 2023, there continues 2024 due to be a shortage higher levels of available manufacturer vehicle production. The increasing supply and availability of new vehicles for sale as compared to historical vehicle inventory, levels for certain manufacturers which varies by make and models, driven largely by disruptions model, has resulted in the manufacturers' supply chains. The decline in moderation of new vehicle unit volume profitability, which we expect will continue throughout 2024. Additionally, the increased availability of new vehicles and an increase in recent years manufacturer new vehicle incentives, including low-interest financing and customer rebates, has adversely impacted the availability of market demand for used vehicles, particularly for higher-priced, nearly new vehicle inventory, which has had an adverse impact on our and stabilization of used vehicle sales volume. Additionally, worsening economic conditions, including rising interest rates, could adversely impact consumer demand for vehicles.

On September 15, 2023, value trends, as compared to the United Auto Workers launched strikes against Ford, General Motors ("GM"), and Stellantis (the parent company prior year period, has resulted in moderation of Chrysler). We have 34 Ford stores, 32 GM stores, and 24 Chrysler stores in our portfolio. There were no material impacts to our results during the third quarter of 2023. However, if the strikes continue for a prolonged period of time, it could adversely impact parts inventory supply and the availability of certain used vehicle models.

unit profitability.

Results of Operations

During the three months ended September 30, 2023 March 31, 2024, we had net income of \$243.7 million \$190.1 million and diluted earnings per share of \$5.54, \$4.49, as compared to net income of \$352.6 million \$288.7 million and diluted earnings per share of \$6.31 \$6.07 during the same period in 2022, 2023.

Our total gross profit decreased 1.4% 6.9% during the third first quarter of 2023 2024 compared to the third first quarter of 2022, 2023, driven by decreases in new vehicle gross profit of 24.0% 31.7% and used vehicle gross profit of 10.0% 27.8%, each as compared to the third first quarter of 2022.

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 primarily by a decrease in gross profit PVR primarily due to stabilization of used vehicle unit volume due to value trends, as compared to the prior year period, as well as certain actions we took in part the beginning of the first quarter of 2024 to lower availability and levels of nearly new better align used vehicle inventory as with market demand and achieve a result of the decline in new vehicle unit volume in recent years, more optimal inventory supply. The decreases in gross profit were partially offset by an increase in parts and service gross profit of 14.0% 8.7%, as compared to the third first quarter of 2022, 2023. Parts and service results benefited primarily from increases in gross profit from customer-pay service, the preparation of vehicles for sale, warranty service, and warranty customer-pay service.

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

Net income during the three months ended September 30, 2022, benefited from after-tax gains related to store/property divestitures of \$12.1 million and a legal settlement of \$4.9 million. rates.

Inventory Management

Our new and used vehicle inventories are stated at the lower of cost or net realizable value in our consolidated balance sheets. 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 September 30, 2023 March 31, 2024 and 2022, 2023, were 27,544 38,185 and 13,303, 21,176, respectively. While our new vehicle inventory units have increased compared to the prior year, by historical standards, our inventory unit levels are significantly lower driven largely by disruptions in the manufacturers' supply chains. Inadequate levels of new vehicle availability could adversely affect our financial results.

We have typically not experienced significant losses on the sale of new vehicle inventory, in part due to incentives provided by manufacturers to promote sales of new vehicles and our inventory management practices. We monitor our new vehicle inventory values as compared to net realizable values. Our new vehicle inventory balance was net of cumulative write-downs of \$0.9 million at September 30, 2023. We had no new vehicle inventory write-downs at December 31, 2022 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 \$7.0 million \$6.5 million at September 30, 2023 March 31, 2024, and \$7.4 million \$12.2 million at December 31, 2022 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 \$7.3 million \$7.9 million at September 30, 2023 March 31, 2024, and \$7.4 million \$7.8 million at December 31, 2022 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 for our reporting units is tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that the carrying value of a reporting unit **more likely than not** exceeds its fair value. **We are scheduled to complete our annual goodwill impairment test as of April 30, 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.

Under accounting standards, If we chose to make do not perform a qualitative evaluation about the likelihood of goodwill impairment for our annual impairment testing as of April 30, 2023, and assessment, or if we determined determine that it was 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 **were less than their** 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 amounts, values for each of our reporting units.

As of **September 30, 2023** **March 31, 2024**, we have **\$234.6 million** **\$225.0 million** of goodwill related to the Domestic reporting unit, **\$526.6 million** **\$524.1 million** related to the Import reporting unit, **\$482.1 million** related to the Premium Luxury reporting unit, **\$129.4 million** **\$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.

We elected to perform quantitative tests for our annual franchise rights impairment testing as of April 30, 2023, and no impairment charges resulted from these quantitative tests.

If the fair value of each of our franchise rights had been determined to be a hypothetical 10% lower as of the valuation date of April 30, 2023, the resulting impairment charge would have been less than \$0.5 million. The effect of a hypothetical 10% decrease in fair value estimates is not intended to provide a sensitivity analysis of every potential outcome.

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 September 30,				Nine Months Ended September 30,			
			Variance				Variance	
	2023	2022	Favorable / (Unfavorable)	% Variance	2023	2022	Favorable / (Unfavorable)	% Variance
Revenue:								
New vehicle	\$ 3,187.6	\$ 2,863.9	\$ 323.7	11.3	\$ 9,400.5	\$ 8,606.9	\$ 793.6	9.2
Retail used vehicle	2,025.1	2,253.1	(228.0)	(10.1)	5,858.4	7,007.5	(1,149.1)	(16.4)
Wholesale	147.0	148.6	(1.6)	(1.1)	434.3	487.0	(52.7)	(10.8)
Used vehicle	2,172.1	2,401.7	(229.6)	(9.6)	6,292.7	7,494.5	(1,201.8)	(16.0)
Finance and insurance, net	369.5	360.7	8.8	2.4	1,071.4	1,092.2	(20.8)	(1.9)
Total variable operations ⁽¹⁾	5,729.2	5,626.3	102.9	1.8	16,764.6	17,193.6	(429.0)	(2.5)
Parts and service	1,157.4	1,032.1	125.3	12.1	3,392.5	3,072.3	320.2	10.4
Other	6.1	7.6	(1.5)		24.4	22.1	2.3	
Total revenue	\$ 6,892.7	\$ 6,666.0	\$ 226.7	3.4	\$ 20,181.5	\$ 20,288.0	\$ (106.5)	(0.5)
Gross profit:								
New vehicle	\$ 250.7	\$ 329.7	\$ (79.0)	(24.0)	\$ 825.3	\$ 1,028.2	\$ (202.9)	(19.7)
Retail used vehicle	126.6	140.9	(14.3)	(10.1)	398.3	413.4	(15.1)	(3.7)
Wholesale	1.2	1.1	0.1		18.2	21.7	(3.5)	
Used vehicle	127.8	142.0	(14.2)	(10.0)	416.5	435.1	(18.6)	(4.3)
Finance and insurance	369.5	360.7	8.8	2.4	1,071.4	1,092.2	(20.8)	(1.9)
Total variable operations ⁽¹⁾	748.0	832.4	(84.4)	(10.1)	2,313.2	2,555.5	(242.3)	(9.5)
Parts and service	545.8	478.6	67.2	14.0	1,599.4	1,421.4	178.0	12.5
Other	0.8	1.8	(1.0)		3.7	6.5	(2.8)	
Total gross profit	1,294.6	1,312.8	(18.2)	(1.4)	3,916.3	3,983.4	(67.1)	(1.7)
Selling, general, and administrative expenses	819.3	763.2	(56.1)	(7.4)	2,444.9	2,259.4	(185.5)	(8.2)
Depreciation and amortization	55.7	50.1	(5.6)		163.1	148.9	(14.2)	
Other (income) expense, net	0.1	(23.0)	(23.1)		6.3	(24.5)	(30.8)	
Operating income	419.5	522.5	(103.0)	(19.7)	1,302.0	1,599.6	(297.6)	(18.6)
Non-operating income (expense) items:								
Floorplan interest expense	(38.3)	(10.7)	(27.6)		(98.2)	(21.7)	(76.5)	
Other interest expense	(48.8)	(33.7)	(15.1)		(135.9)	(97.4)	(38.5)	
Other income (loss), net	(5.0)	(4.6)	(0.4)		4.6	(24.7)	29.3	
Income from continuing operations before								
income taxes	\$ 327.4	\$ 473.5	\$ (146.1)	(30.9)	\$ 1,072.5	\$ 1,455.8	\$ (383.3)	(26.3)
Retail vehicle unit sales:								
New vehicle	62,289	55,565	6,724	12.1	179,798	169,897	9,901	5.8
Used vehicle	72,517	75,355	(2,838)	(3.8)	208,868	232,198	(23,330)	(10.0)

	<u>134,806</u>	<u>130,920</u>	<u>3,886</u>	3.0	<u>388,666</u>	<u>402,095</u>	<u>(13,429)</u>	(3.3)
Revenue per vehicle retailed:								
New vehicle	\$ 51,174	\$ 51,541	\$ (367)	(0.7)	\$ 52,284	\$ 50,660	\$ 1,624	3.2
Used vehicle	\$ 27,926	\$ 29,900	\$ (1,974)	(6.6)	\$ 28,048	\$ 30,179	\$ (2,131)	(7.1)
Gross profit per vehicle retailed:								
New vehicle	\$ 4,025	\$ 5,934	\$ (1,909)	(32.2)	\$ 4,590	\$ 6,052	\$ (1,462)	(24.2)
Used vehicle	\$ 1,746	\$ 1,870	\$ (124)	(6.6)	\$ 1,907	\$ 1,780	\$ 127	7.1
Finance and insurance	\$ 2,741	\$ 2,755	\$ (14)	(0.5)	\$ 2,757	\$ 2,716	\$ 41	1.5
Total variable operations ⁽¹⁾	\$ 5,540	\$ 6,350	\$ (810)	(12.8)	\$ 5,905	\$ 6,301	\$ (396)	(6.3)
(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.								

(\$ in millions, except per vehicle data)	Three Months Ended March 31,				
	2024		2023		Variance Favorable / (Unfavorable)
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	<u>\$ 6,485.7</u>	<u>\$ 6,398.7</u>	<u>\$ 87.0</u>		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	<u>\$ 253.3</u>	<u>\$ 380.3</u>	<u>\$ (127.0)</u>	<u>(33.4)</u>
Retail vehicle unit sales:				
New vehicle	58,863	55,065	3,798	6.9
Used vehicle	<u>69,121</u>	<u>67,539</u>	<u>1,582</u>	<u>2.3</u>
	<u>127,984</u>	<u>122,604</u>	<u>5,380</u>	<u>4.4</u>
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.

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	Revenue mix percentages:	Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2023 (%)	2022 (%)	2023 (%)	2022 (%)
Revenue mix percentages:	Revenue mix percentages:				
Revenue mix percentages:	New vehicle				
Revenue mix percentages:	New vehicle				
New vehicle	New vehicle	46.2	43.0	46.6	42.4
Used vehicle	Used vehicle	31.5	36.0	31.2	36.9
Used vehicle					
Used vehicle					

Parts and service					
Parts and service					
Parts and service	Parts and service	16.8	15.5	16.8	15.1
Finance and insurance, net	Finance and insurance, net	5.4	5.4	5.3	5.4
Finance and insurance, net					
Finance and insurance, net					
Other					
Other					
Other	Other	0.1	0.1	0.1	0.2
Total	Total	100.0	100.0	100.0	100.0
Total					
Total					
Gross profit mix percentages:					
Gross profit mix percentages:					
Gross profit mix percentages:	Gross profit mix percentages:				
New vehicle	New vehicle	19.4	25.1	21.1	25.8
New vehicle					
New vehicle					
Used vehicle					
Used vehicle					
Used vehicle	Used vehicle	9.9	10.8	10.6	10.9
Parts and service	Parts and service	42.2	36.5	40.8	35.7
Parts and service					
Parts and service					
Finance and insurance					
Finance and insurance					
Finance and insurance	Finance and insurance	28.5	27.5	27.4	27.4
Other	Other	—	0.1	0.1	0.2
Other					
Other					
Total					
Total					
Total	Total	100.0	100.0	100.0	100.0
Operating items as a percentage of revenue:	Operating items as a percentage of revenue:				
Operating items as a percentage of revenue:					
Gross profit:					
Gross profit:					
Gross profit:	Gross profit:				

New vehicle	New vehicle	7.9	11.5	8.8	11.9
New vehicle					
New vehicle					
Used vehicle - retail					
Used vehicle - retail					
Used vehicle - retail	Used vehicle - retail	6.3	6.3	6.8	5.9
Parts and service	Parts and service	47.2	46.4	47.1	46.3
Parts and service					
Parts and service					
Total					
Total					
Total	Total	18.8	19.7	19.4	19.6
Selling, general, and administrative expenses	Selling, general, and administrative expenses	11.9	11.4	12.1	11.1
Selling, general, and administrative expenses					
Selling, general, and administrative expenses					
Operating income					
Operating income					
Operating income	Operating income	6.1	7.8	6.5	7.9
Other operating items as a percentage of total gross profit:	Other operating items as a percentage of total gross profit:				
Other operating items as a percentage of total gross profit:					
Other operating items as a percentage of total gross profit:					
Other operating items as a percentage of total gross profit:					
Selling, general, and administrative expenses					
Selling, general, and administrative expenses					
Selling, general, and administrative expenses					
Selling, general, and administrative expenses	Selling, general, and administrative expenses	63.3	58.1	62.4	56.7
Operating income	Operating income	32.4	39.8	33.2	40.2
Operating income					
Operating income					
		March 31,			
		September 30,			
		March 31,			
		2023	2022		
		March 31,			

		2024	2024	2024
Inventory days supply:				
Inventory days supply:				
Inventory days supply:	Inventory days supply:			
New vehicle (industry standard of selling days)	New vehicle (industry standard of selling days)	31 days		15 days
New vehicle (industry standard of selling days)				
New vehicle (industry standard of selling days)				
Used vehicle (trailing calendar month days)				
Used vehicle (trailing calendar month days)				
Used vehicle (trailing calendar month days)	Used vehicle (trailing calendar month days)	33 days		34 days

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Same Store Operating Data

We have presented below our operating results on a same store basis to reflect our internal performance. The "Same Store" amounts presented below include the results of our stores for the identical months in each period presented in the comparison, commencing with the first full month in which the store was owned by us. Results from divested stores are excluded from both current and prior periods. Therefore, the amounts presented in the 2022 column 2023 column may differ from the same store amounts presented for 2022 2023 in the prior year. We believe the presentation of this information provides a meaningful comparison of period-over-period results of our operations.

(\$ in millions, except per vehicle data)	Three Months Ended September 30,			Nine Months Ended September 30,					
	(\$ in millions, except per vehicle data)	Variance		Variance					
		2023	2022	(Unfavorable) Variance	2023	2022	(Unfavorable) Variance		
(\$ in millions, except per vehicle data)									
(\$ in millions, except per vehicle data)									
Revenue:	Revenue:								
Revenue:									
Revenue:	Revenue:								
New vehicle	New vehicle	\$ 3,117.8	\$ 2,856.9	\$ 260.9	9.1	\$ 9,273.4	\$ 8,572.1	\$ 701.3	8.2
New vehicle									
New vehicle									

Retail used vehicle									
Retail used vehicle									
Retail used vehicle	Retail used vehicle	1,955.5	2,248.4	(292.9)	(13.0)	5,685.7	6,976.6	(1,290.9)	(18.5)
Wholesale	Wholesale	142.6	147.7	(5.1)	(3.5)	424.8	484.3	(59.5)	(12.3)
Wholesale									
Wholesale									
Used vehicle									
Used vehicle									
Used vehicle	Used vehicle	2,098.1	2,396.1	(298.0)	(12.4)	6,110.5	7,460.9	(1,350.4)	(18.1)
Finance and insurance, net	Finance and insurance, net	359.7	360.1	(0.4)	(0.1)	1,047.8	1,088.5	(40.7)	(3.7)
Finance and insurance, net									
Finance and insurance, net									
Total variable operations ⁽¹⁾									
Total variable operations ⁽¹⁾									
Total variable operations ⁽¹⁾	Total variable operations ⁽¹⁾	5,575.6	5,613.1	(37.5)	(0.7)	16,431.7	17,121.5	(689.8)	(4.0)
Parts and service	Parts and service	1,127.3	1,027.6	99.7	9.7	3,321.6	3,052.7	268.9	8.8
Parts and service									
Parts and service									
Other	Other	5.9	7.6	(1.7)		24.1	22.1	2.0	
Total revenue	Total revenue	\$ 6,708.8	\$ 6,648.3	\$ 60.5	0.9	\$ 19,777.4	\$ 20,196.3	\$ (418.9)	(2.1)
Total revenue									
Total revenue									
Gross profit:									
Gross profit:									
Gross profit:	Gross profit:								
New vehicle	New vehicle	\$ 245.7	\$ 328.9	\$ (83.2)	(25.3)	\$ 815.2	\$ 1,024.4	\$ (209.2)	(20.4)
New vehicle									
New vehicle									
Retail used vehicle									
Retail used vehicle									
Retail used vehicle	Retail used vehicle	121.8	140.9	(19.1)	(13.6)	386.5	412.5	(26.0)	(6.3)
Wholesale	Wholesale	1.6	1.2	0.4		18.8	21.9	(3.1)	

Wholesale									
Wholesale									
Used vehicle									
Used vehicle									
Used vehicle	Used vehicle	123.4	142.1	(18.7)	(13.2)	405.3	434.4	(29.1)	(6.7)
Finance and insurance	Finance and insurance	359.7	360.1	(0.4)	(0.1)	1,047.8	1,088.5	(40.7)	(3.7)
Finance and insurance									
Finance and insurance									
Finance and insurance									
Total variable operations ⁽¹⁾									
Total variable operations ⁽¹⁾									
Total variable operations ⁽¹⁾	Total variable operations ⁽¹⁾	728.8	831.1	(102.3)	(12.3)	2,268.3	2,547.3	(279.0)	(11.0)
Parts and service	Parts and service	534.1	475.2	58.9	12.4	1,568.7	1,408.9	159.8	11.3
Parts and service									
Other									
Other	Other	0.6	1.7	(1.1)		3.5	6.4	(2.9)	
Total gross profit	Total gross profit	\$ 1,263.5	\$ 1,308.0	\$ (44.5)	(3.4)	\$ 3,840.5	\$ 3,962.6	\$ (122.1)	(3.1)
Total gross profit									
Retail vehicle unit sales:									
Retail vehicle unit sales:									
Retail vehicle unit sales:	Retail vehicle unit sales:								
New vehicle	New vehicle	60,690	55,464	5,226	9.4	177,094	169,391	7,703	4.5
New vehicle									
New vehicle									
Used vehicle	Used vehicle	69,670	75,235	(5,565)	(7.4)	201,875	231,367	(29,492)	(12.7)
		130,360	130,699	(339)	(0.3)	378,969	400,758	(21,789)	(5.4)
Used vehicle									
Used vehicle									
		<u>124,005</u>							
		<u>124,005</u>							
		<u>124,005</u>							
Revenue per vehicle retailed:									

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

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

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

<p>(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.</p>		<p>(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.</p>
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		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2023 (%)	2022 (%)	2023 (%)	2022 (%)
Revenue mix percentages:	Revenue mix percentages:				
Revenue mix percentages:					
Revenue mix percentages:					
New vehicle	New vehicle	46.5	43.0	46.9	42.4
New vehicle	New vehicle	31.3	36.0	30.9	36.9
Used vehicle	Used vehicle				
Used vehicle	Used vehicle				
Parts and service	Parts and service				
Parts and service	Parts and service				
Parts and service	Parts and service	16.8	15.5	16.8	15.1
Finance and insurance, net	Finance and insurance, net	5.4	5.4	5.3	5.4
Finance and insurance, net	Finance and insurance, net				

Finance and insurance, net					
Other					
Other					
Other	Other	—	0.1	0.1	0.2
Total	Total	100.0	100.0	100.0	100.0
Total					
Total					
Gross profit mix percentages:					
Gross profit mix percentages:					
Gross profit mix percentages:	Gross profit mix percentages:	—	—	—	—
New vehicle	New vehicle	19.4	25.1	21.2	25.9
New vehicle	New vehicle	—	—	—	—
New vehicle	New vehicle	—	—	—	—
Used vehicle	Used vehicle	9.8	10.9	10.6	11.0
Used vehicle	Used vehicle	—	—	—	—
Parts and service	Parts and service	42.3	36.3	40.8	35.6
Parts and service	Parts and service	—	—	—	—
Parts and service	Parts and service	—	—	—	—
Finance and insurance	Finance and insurance	—	—	—	—
Finance and insurance	Finance and insurance	—	—	—	—
Finance and insurance	Finance and insurance	28.5	27.5	27.3	27.5
Other	Other	—	0.2	0.1	—
Other	Other	—	—	—	—
Total	Total	100.0	100.0	100.0	100.0
Operating items as a percentage of revenue:	Operating items as a percentage of revenue:	—	—	—	—
Operating items as a percentage of revenue:	Operating items as a percentage of revenue:	—	—	—	—
Operating items as a percentage of revenue:	Operating items as a percentage of revenue:	—	—	—	—
Gross profit:	Gross profit:	—	—	—	—
Gross profit:	Gross profit:	—	—	—	—
Gross profit:	Gross profit:	—	—	—	—
New vehicle	New vehicle	7.9	11.5	8.8	12.0
New vehicle	New vehicle	—	—	—	—
New vehicle	New vehicle	—	—	—	—
Used vehicle - retail	Used vehicle - retail	—	—	—	—

Used vehicle - retail					
Used vehicle - retail	Used vehicle - retail	6.2	6.3	6.8	5.9
Parts and service	Parts and service	47.4	46.2	47.2	46.2
Parts and service					
Parts and service					
Total	Total	18.8	19.7	19.4	19.6
Total					
Total					

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New Vehicle

(\$ in millions, except per vehicle data)	(\$ in millions, except per vehicle data)	Three Months Ended September 30,				Nine Months Ended September 30,				
				Variance				Variance		
		2023	2022	Favorable / (Unfavorable)	% Variance	2023	2022	Favorable / (Unfavorable)	% Variance	
(\$ in millions, except per vehicle data)										
(\$ in millions, except per vehicle data)										
Reported:										
Reported:										
Revenue	Revenue	\$ 3,187.6	\$ 2,863.9	\$ 323.7	11.3	\$ 9,400.5	\$ 8,606.9	\$ 793.6	9.2	
Revenue										
Revenue										
Gross profit										
Gross profit										
Gross profit	Gross profit	\$ 250.7	\$ 329.7	\$ (79.0)	(24.0)	\$ 825.3	\$ 1,028.2	\$ (202.9)	(19.7)	
Retail vehicle unit sales	Retail vehicle unit sales	62,289	55,565	6,724	12.1	179,798	169,897	9,901	5.8	
Retail vehicle unit sales										
Retail vehicle unit sales										
Revenue per vehicle retailed										

Gross profit												
Gross profit												
Gross profit	Gross profit	\$	245.7	\$	328.9	\$	(83.2)	(25.3)	\$	815.2	\$	1,024.4
Retail vehicle unit sales	Retail vehicle unit sales		60,690		55,464		5,226	9.4		177,094		169,391
Retail vehicle unit sales	Retail vehicle unit sales											7,703
Revenue per vehicle retailed	Revenue per vehicle retailed											4.5
Revenue per vehicle retailed	Revenue per vehicle retailed											
Revenue per vehicle retailed	Revenue per vehicle retailed	\$	51,373	\$	51,509	\$	(136)	(0.3)	\$	52,364	\$	50,605
Gross profit per vehicle retailed	Gross profit per vehicle retailed	\$	4,048	\$	5,930	\$	(1,882)	(31.7)	\$	4,603	\$	6,048
Gross profit per vehicle retailed	Gross profit per vehicle retailed											
Gross profit as a percentage of revenue	Gross profit as a percentage of revenue		7.9%		11.5%					8.8%		12.0%
Gross profit as a percentage of revenue	Gross profit as a percentage of revenue											

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 **\$69.8 million** **\$42.1 million** and **\$7.0 million** **\$4.4 million** in new vehicle revenue and **\$5.0 million** **\$1.5 million** and **\$0.8 million** **\$0.2 million** in new vehicle gross profit for the three months ended **September 30, 2023** **March 31, 2024** and **2022**, respectively, and **\$127.1 million** and **\$34.8 million** in new vehicle revenue and **\$10.1 million** and **\$3.8 million** in new vehicle gross profit for the nine months ended **September 30, 2023** and **2022, 2023**, respectively, is related to acquisition and divestiture activity.

Third First Quarter 2023 2024 compared to **Third First Quarter 2022 2023**

Same store new vehicle revenue increased during the three months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022, 2023**, due to an increase in same store unit volume, which benefited from increasing supply of new vehicle inventory, particularly for Import manufacturers, and sustained consumer demand.

Same store revenue PVR was relatively flat during the three months ended September 30, 2023, as compared to the same period in 2022. Same store revenue PVR was adversely impacted by a shift in mix to Import vehicles, which have relatively lower average selling prices. The decrease in revenue PVR was partially offset by increases a decrease in manufacturers' suggested retail prices, particularly for Premium Luxury vehicles.

Same store gross profit PVR decreased during the three months ended September 30, 2023, as compared to the same period in 2022. The prior year was impacted by a shortage of new vehicles available for sale due to disruptions in the manufacturers' supply chains, which resulted in higher levels of profitability for new vehicle sales due to the demand and supply imbalance. In 2023, the increasing supply and availability of new vehicle

inventory has resulted in moderation of pricing and margins. In addition, same store gross profit PVR was adversely impacted by the shift in mix to Import vehicles, which have a relatively lower average gross profit PVR.

First Nine Months 2023 compared to First Nine Months 2022

Same store new vehicle revenue increased during the nine months ended September 30, 2023, as compared to the same period in 2022, due to increases in same store unit volume and 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 increased decreased during the nine months ended September 30, 2023 March 31, 2024, as compared to the same period in 2022, primarily due to increases in manufacturers' suggested retail prices, particularly for Premium Luxury vehicles.

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Same store gross profit PVR decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, 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.

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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 September 30,			Nine Months Ended September 30,		
(\$ in millions)	(\$ in millions)	2023	2022	Variance	2023	2022	Variance
(\$ in millions)							
Floorplan assistance							
Floorplan assistance							
Floorplan assistance	Floorplan assistance	\$ 31.5	\$ 26.3	\$ 5.2	\$ 92.1	\$ 81.1	\$ 11.0
New vehicle floorplan interest expense	New vehicle floorplan interest expense	(35.1)	(9.4)	(25.7)	(89.1)	(18.2)	(70.9)
New vehicle floorplan interest expense							

New vehicle floorplan interest expense								
Net new vehicle inventory carrying benefit (expense)	Net new vehicle inventory carrying benefit (expense)	\$ (3.6)	\$ 16.9	\$ (20.5)	\$ 3.0	\$ 62.9	\$ (59.9)	
Net new vehicle inventory carrying benefit (expense)								
Net new vehicle inventory carrying benefit (expense)								

Third First Quarter 2024 compared to First Quarter 2023 compared to Third Quarter 2022

During the three months ended September 30, 2023 March 31, 2024, we had a net new vehicle inventory carrying expense of \$3.6 million \$14.7 million compared to a net new vehicle inventory carrying benefit of \$16.9 million \$3.9 million for the same period in 2022, 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 have had a net new vehicle inventory carrying benefit. Additionally, over this same period, our average floorplan balances have been were significantly lower than historical standards due to manufacturers' new vehicle inventory supply constraints. Increases to floorplan interest expense were partially offset by an increase in floorplan assistance due to an increase in unit volume and an increase in the average floorplan assistance rate per unit. With the increases in interest rates and 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 September 30, 2023 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.

First Nine Months 2023 compared to First Nine Months 2022

The net new vehicle inventory carrying benefit decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to an increase in floorplan interest expense, partially offset by an increase in floorplan assistance. Floorplan interest expense increased due to higher average interest rates and higher average floorplan balances. Floorplan assistance increased due to an increase in the average floorplan assistance rate per unit and an increase in unit volume. As noted above, floorplan interest rates are variable and, therefore, increase and decrease with changes in the underlying benchmark interest rates. If interest rates 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 incur a net new vehicle inventory carrying expense.

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Used Vehicle

		Three Months Ended September 30,				Nine Months Ended September 30,			
(\$ in millions, except per vehicle data)	(\$ in millions, except per vehicle data)	2023	2022	Variance Favorable / (Unfavorable)	% Variance	2023	2022	Variance Favorable / (Unfavorable)	% Variance
(\$ in millions, except per vehicle data)									

(\$ in millions, except
per vehicle data)

Reported:

Reported:

Reported: **Reported:**

Retail revenue	Retail revenue	\$ 2,025.1	\$ 2,253.1	\$ (228.0)	(10.1)	\$ 5,858.4	\$ 7,007.5	\$ (1,149.1)	(16.4)
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Retail revenue

Retail revenue

Wholesale revenue

Wholesale revenue

Wholesale revenue	Wholesale revenue	147.0	148.6	(1.6)	(1.1)	434.3	487.0	(52.7)	(10.8)
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Total revenue	Total revenue	\$ 2,172.1	\$ 2,401.7	\$ (229.6)	(9.6)	\$ 6,292.7	\$ 7,494.5	\$ (1,201.8)	(16.0)
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Total revenue

Total revenue

Retail gross profit

Retail gross profit

Retail gross profit	Retail gross profit	\$ 126.6	\$ 140.9	\$ (14.3)	(10.1)	\$ 398.3	\$ 413.4	\$ (15.1)	(3.7)
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Wholesale gross profit	Wholesale gross profit	1.2	1.1	0.1		18.2	21.7		(3.5)
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Wholesale gross profit

Wholesale gross profit

Total gross profit

Total gross profit

Total gross profit	Total gross profit	\$ 127.8	\$ 142.0	\$ (14.2)	(10.0)	\$ 416.5	\$ 435.1	\$ (18.6)	(4.3)
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Retail vehicle unit sales	Retail vehicle unit sales	72,517	75,355	(2,838)	(3.8)	208,868	232,198	(23,330)	(10.0)
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Retail vehicle unit sales

Retail vehicle unit sales

Revenue per vehicle

retailed

Revenue per vehicle

retailed

Revenue per vehicle retailed	Revenue per vehicle retailed	\$ 27,926	\$ 29,900	\$ (1,974)	(6.6)	\$ 28,048	\$ 30,179	\$ (2,131)	(7.1)
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Gross profit per vehicle retailed	Gross profit per vehicle retailed	\$ 1,746	\$ 1,870	\$ (124)	(6.6)	\$ 1,907	\$ 1,780	\$ 127	7.1
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Gross profit per vehicle

retailed

Gross profit per vehicle

retailed

Retail gross profit as a percentage of retail revenue	Retail gross profit as a percentage of retail revenue	6.3%	6.3%	6.8%	5.9%
Retail gross profit as a percentage of retail revenue					
Retail gross profit as a percentage of retail revenue					
Inventory days supply (trailing calendar month days)					
Inventory days supply (trailing calendar month days)					
Inventory days supply (trailing calendar month days)	Inventory days supply (trailing calendar month days)	33 days	34 days		
Three Months Ended September 30,					
Nine Months Ended September 30,					
Variance					
Favorable / (Unfavorable)					
%					
Variance					
Favorable / (Unfavorable)					
%					
2023					
2022					
2024					
2024					
2024					
Same Store:					
Same Store:					
Same Store:	Same Store:				
Retail revenue	Retail revenue	\$ 1,955.5	\$ 2,248.4	\$ (292.9)	\$ (13.0)
Retail revenue	Retail revenue	\$ 5,685.7	\$ 6,976.6	\$ (1,290.9)	\$ (18.5)
Retail revenue					
Retail revenue					
Wholesale revenue					
Wholesale revenue					
Wholesale revenue	Wholesale revenue	142.6	147.7	(5.1)	(3.5)
Total revenue	Total revenue			424.8	484.3
Total revenue	Total revenue	\$ 2,098.1	\$ 2,396.1	\$ (298.0)	\$ (12.4)
Total revenue	Total revenue	\$ 6,110.5	\$ 7,460.9	\$ (1,350.4)	\$ (18.1)
Total revenue					
Total revenue					
Retail gross profit					
Retail gross profit					

Retail gross profit	Retail gross profit	\$ 121.8	\$ 140.9	\$ (19.1)	(13.6)	\$ 386.5	\$ 412.5	\$ (26.0)	(6.3)
Wholesale gross profit	Wholesale gross profit	1.6	1.2	0.4		18.8	21.9	(3.1)	
Wholesale gross profit									
Wholesale gross profit									
Total gross profit									
Total gross profit									
Total gross profit	Total gross profit	\$ 123.4	\$ 142.1	\$ (18.7)	(13.2)	\$ 405.3	\$ 434.4	\$ (29.1)	(6.7)
Retail vehicle unit sales	Retail vehicle unit sales	69,670	75,235	(5,565)	(7.4)	201,875	231,367	(29,492)	(12.7)
Retail vehicle unit sales									
Retail vehicle unit sales									
Revenue per vehicle retailed									
Revenue per vehicle retailed									
Revenue per vehicle retailed	Revenue per vehicle retailed	\$ 28,068	\$ 29,885	\$ (1,817)	(6.1)	\$ 28,164	\$ 30,154	\$ (1,990)	(6.6)
Gross profit per vehicle retailed	Gross profit per vehicle retailed	\$ 1,748	\$ 1,873	\$ (125)	(6.7)	\$ 1,915	\$ 1,783	\$ 132	7.4
Gross profit per vehicle retailed									
Retail gross profit as a percentage of retail revenue									
Retail gross profit as a percentage of retail revenue	Retail gross profit as a percentage of retail revenue	6.2%	6.3%			6.8%	5.9%		
Retail gross profit as a percentage of retail revenue									

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 \$74.0 million \$70.3 million and \$5.6 million \$7.0 million in total used vehicle revenue and \$4.4 million \$2.8 million and \$0.1 million \$0.2 million in total used vehicle gross profit for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$182.2 million and \$33.6 million in total used vehicle revenue and \$11.2 million and \$0.7 million in total used vehicle gross profit for the nine months ended September 30, 2023 and 2022, 2023, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

Third First Quarter 2023 2024 compared to Third First Quarter 2022 2023

Same store retail used vehicle revenue decreased during the three months ended September 30, 2023 March 31, 2024, as compared to the same period in 2022, 2023, due to a decrease in same store unit volume revenue PVR and a decrease in same store revenue PVR unit volume. The decrease in same store unit volume, particularly for mid- to higher-priced used vehicles, is due in part to lower availability and levels of nearly new

vehicle inventory as a result of the decline in new vehicle unit volume in recent years. Additionally, increasing supply of new vehicle inventory resulted in a 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 PVR decreased during the three months ended September 30, 2023, as compared to the same period in 2022, primarily due to a shift in mix towards lower-priced entry-level vehicles.

Same store and gross profit PVR decreased during the three months ended September 30, 2023 March 31, 2024, as compared to the same period in 2022 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 a lower average selling prices and gross profit PVR.

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First Nine Months 2023 compared In the beginning of the first quarter, we took certain actions to First Nine Months 2022

Same store retail better align used vehicle revenue decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, due to inventory with market demand and achieve a decrease in same store unit volume and a decrease in same store revenue PVR. The decrease in same store unit volume, particularly for mid- to higher-priced more optimal inventory supply. These actions adversely impacted used vehicles, is due in part to lower availability and levels of nearly new vehicle inventory as a result of the decline in new vehicle unit volume in recent years. Additionally, increasing supply of new vehicle inventory resulted in a shift in mix from used vehicles to new vehicles.

Same store revenue PVR decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to a shift in mix towards lower-priced entry-level vehicles.

Same store gross profit PVR increased during for the nine months ended September 30, 2023, as compared to first quarter 2024, with sequential monthly improvement within the same period quarter, resulting in 2022, primarily due to a disciplined sourcing and pricing strategy as we focused on efficient internal sourcing of our used vehicle inventory and balancing gross profit PVR and unit volume. The an increase in gross profit PVR was partially offset by from the shift in mix towards lower-priced entry-level vehicles, which have a lower average gross profit PVR, fourth quarter of 2023.

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Parts and Service

(\$ in millions)	(\$ in millions)	Three Months Ended September 30,				Nine Months Ended September 30,				
		2023	2022	Variance Favorable / (Unfavorable)	%	2023	2022	Variance Favorable / (Unfavorable)	%	
Reported:										
Reported:										
Reported: Revenue										
Revenue	Revenue	\$ 1,157.4	\$ 1,032.1	\$ 125.3	12.1	\$ 3,392.5	\$ 3,072.3	\$ 320.2	10.4	
Revenue										
Revenue										

Gross Profit	Gross Profit	\$ 545.8	\$ 478.6	\$ 67.2	14.0	\$ 1,599.4	\$ 1,421.4	\$ 178.0	12.5
Gross Profit									
Gross profit as a percentage of revenue									
Gross profit as a percentage of revenue									
Gross profit as a percentage of revenue									
Gross profit as a percentage of revenue	Gross profit as a percentage of revenue	47.2%	46.4%			47.1%	46.3%		
<u>Same Store:</u>									
Same Store:									
Same Store:									
Revenue									
Revenue									
Revenue	Revenue	\$ 1,127.3	\$ 1,027.6	\$ 99.7	9.7	\$ 3,321.6	\$ 3,052.7	\$ 268.9	8.8
Gross Profit	Gross Profit	\$ 534.1	\$ 475.2	\$ 58.9	12.4	\$ 1,568.7	\$ 1,408.9	\$ 159.8	11.3
Gross Profit									
Gross profit as a percentage of revenue									
Gross profit as a percentage of revenue	Gross profit as a percentage of revenue	47.4%	46.2%			47.2%	46.2%		
Gross profit as a percentage of revenue									
Gross profit as a percentage of revenue									

Parts and service revenue is primarily derived from vehicle repairs paid directly by customers or via reimbursement from manufacturers and others under warranty programs, as well as from wholesale parts sales, collision services, and the preparation of vehicles for sale, 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 \$30.1 million \$16.5 million and \$4.5 million \$4.0 million in parts and service revenue and \$11.7 million \$8.5 million and \$3.4 million \$2.1 million in parts and service gross profit for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$70.9 million and \$19.6 million in parts and service revenue and \$30.7 million and \$12.5 million in parts and service gross profit for the nine months ended September 30, 2023 and 2022, 2023, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

Third First Quarter 2023 2024 compared to Third First Quarter 2022 2023

During the three months ended September 30, 2023 March 31, 2024, same store parts and service revenue increased compared to the same period in 2022, 2023, primarily due to increases in revenue associated with customer-pay service of \$40.5 million, the preparation of vehicles for sale of \$27.1 million \$33.9 million, and warranty service of \$16.2 million \$19.6 million, and customer-pay service of \$18.2 million.

During the three months ended **September 30, 2023** **March 31, 2024**, same store parts and service gross profit increased compared to the same period in **2022, 2023**, primarily due to increases in gross profit associated with **customer-pay service of \$25.4 million**, the preparation of vehicles for sale of **\$13.8 million** **\$17.0 million**, and warranty service of **\$12.6 million** **\$14.4 million**, and customer-pay service of **\$7.7 million**. Revenue and gross profit associated with **customer-pay service** and the preparation of vehicles for sale benefited from **higher value repair orders** and an increase in **repair order volume**. Warranty service revenue vehicle unit volume and gross profit benefited from higher value repair orders and improved parts and labor rates.

First Nine Months 2023 compared to First Nine Months 2022

During the nine months ended September 30, 2023, same store parts and service revenue increased compared to the same period in 2022, primarily due to increases in revenue associated with customer-pay service of \$127.3 million, warranty service of \$51.5 million, and the preparation of vehicles for sale of \$50.2 million. During the nine months ended September 30, 2023, same store parts and service gross profit increased compared to the same period in 2022, primarily due to increases in gross profit associated with customer-pay service of \$76.2 million, warranty service of \$37.3 million, and the preparation of vehicles for sale of \$22.0 million. Revenue and gross profit associated with customer-pay service benefited from higher value repair orders. Warranty service revenue and gross profit benefited from higher value repair orders and improved parts and labor rates. Revenue rates, partially offset by a decrease in repair order volume. Customer-pay service revenue and gross profit associated with the preparation of vehicles for sale benefited from higher value repair orders and an increase in repair order volume. orders.

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Finance and Insurance

(\$ in millions, except per vehicle data)	(\$ in millions, except per vehicle data)	Three Months Ended September 30,				Nine Months Ended September 30,				
		2023	2022	Variance Favorable / (Unfavorable)	% Variance	2023	2022	Variance Favorable / (Unfavorable)	% Variance	
(\$ in millions, except per vehicle data)										
(\$ in millions, except per vehicle data)										
Reported:										
Reported:										
Reported:	Reported:									
Revenue and gross profit	Revenue and gross profit	\$ 369.5	\$ 360.7	\$ 8.8	2.4	\$ 1,071.4	\$ 1,092.2	\$ (20.8)	(1.9)	
Revenue and gross profit	Revenue and gross profit									
Gross profit per vehicle retailed										

Gross profit per vehicle retailed													
Gross profit per vehicle retailed													
retailed	retailed	\$	2,741	\$	2,755	\$	(14)	(0.5)	\$	2,757	\$	2,716	\$
<u>Same Store: Same Store:</u>													
<u>Same Store:</u>													
<u>Same Store:</u>													
Revenue and gross profit													
Revenue and gross profit													
Revenue and gross profit	Revenue and gross profit	\$	359.7	\$	360.1	\$	(0.4)	(0.1)	\$	1,047.8	\$	1,088.5	\$
Gross profit per vehicle retailed	Gross profit per vehicle retailed	\$	2,759	\$	2,755	\$	4	0.1	\$	2,765	\$	2,716	\$
Gross profit per vehicle retailed													
Gross profit per vehicle retailed													

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 \$9.8 million \$8.6 million and \$0.6 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$23.6 million and \$3.7 million for the nine months ended September 30, 2023 and 2022, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

Third First Quarter 2023 2024 compared to Third First Quarter 2022 2023

Same store finance and insurance revenue and gross profit decreased slightly during the three months ended September 30, 2023 March 31, 2024, as compared to the same period in 2022, 2023, due to a decrease in used vehicle unit volume, largely offset by increases in new vehicle unit volume and finance and insurance gross profit PVR. Finance and insurance gross profit PVR benefited from an increase in product penetration on vehicle protection products, as well as a shift in mix from used vehicles to new vehicles, which typically generate a higher average finance and insurance gross profit PVR. The increases decreases in finance and insurance gross profit PVR were largely offset by a decrease in gross profit associated with arranging customer financing.

First Nine Months 2023 compared to First Nine Months 2022

Same store finance and insurance revenue and gross profit decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, due to a decrease in used vehicle unit volume, partially offset by increases an increase in new vehicle unit volume and finance and insurance gross profit PVR. The increase decrease in finance and insurance gross profit PVR was primarily due to an increase in product penetration and higher realized margins on retail vehicle protection products, as well as a shift in mix from used vehicles to new vehicles, which

typically generate a higher average 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 increases decreases in finance and insurance gross profit PVR were partially offset by a decrease an increase in gross profit associated with arranging customer financing product penetration.

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Segment Results

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

(\$ in millions)	(\$ in millions)	Three Months Ended September 30,				Nine Months Ended September 30,				
				Variance				Variance		
		2023	2022	Favorable / (Unfavorable)	%	2023	2022	Favorable / (Unfavorable)	%	
Revenue:										
Revenue:										
Revenue:	Revenue:									
Domestic	Domestic	\$1,983.9	\$2,032.8	\$ (48.9)	(2.4)	\$ 5,770.5	\$ 6,108.1	\$ (337.6)	(5.5)	
Domestic										
Domestic										
Import	Import	2,077.2	1,875.2	202.0	10.8	5,864.2	5,799.0	65.2	1.1	
Premium	Premium									
Luxury	Luxury	2,516.1	2,506.4	9.7	0.4	7,621.5	7,601.7	19.8	0.3	
Premium Luxury										
Premium Luxury										
Total	Total									
Total	Total	6,577.2	6,414.4	162.8	2.5	19,256.2	19,508.8	(252.6)	(1.3)	
Corporate and other	Corporate and other									
Corporate and other	Corporate and other	315.5	251.6	63.9	25.4	925.3	779.2	146.1	18.8	
Corporate and other										
Corporate and other										
Total consolidated revenue										
Total consolidated revenue										

Total consolidated revenue	Total consolidated revenue	\$ 6,892.7	\$ 6,666.0	\$ 226.7	3.4	\$ 20,181.5	\$ 20,288.0	\$ (106.5)	(0.5)
Segment income ⁽¹⁾ :	Segment income ⁽¹⁾ :								
Segment income ⁽¹⁾ :	Segment income ⁽¹⁾ :								
Domestic	Domestic								
Domestic	Domestic	\$ 107.2	\$ 142.7	\$ (35.5)	(24.9)	\$ 341.5	\$ 445.2	\$ (103.7)	(23.3)
Import	Import	164.7	180.3	(15.6)	(8.7)	498.1	559.0	(60.9)	(10.9)
Import	Import								
Premium Luxury	Premium Luxury								
Premium Luxury	Premium Luxury	192.9	235.2	(42.3)	(18.0)	641.2	722.2	(81.0)	(11.2)
Total	Total	464.8	558.2	(93.4)	(16.7)	1,480.8	1,726.4	(245.6)	(14.2)
Total	Total								
Corporate and other	Corporate and other								
Corporate and other	Corporate and other	(83.6)	(46.4)	(37.2)		(277.0)	(148.5)	(128.5)	
Floorplan interest expense	Floorplan interest expense	38.3	10.7	(27.6)		98.2	21.7	(76.5)	
Floorplan interest expense	Floorplan interest expense								
Operating income	Operating income	\$ 419.5	\$ 522.5	\$ (103.0)	(19.7)	\$ 1,302.0	\$ 1,599.6	\$ (297.6)	(18.6)
Operating income	Operating income								
Retail new vehicle unit sales:	Retail new vehicle unit sales:								
Domestic	Domestic	17,766	16,859	907	5.4	51,110	49,984	1,126	2.3
Import	Import	28,232	22,309	5,923	26.5	78,502	70,457	8,045	11.4
Import	Import								
Premium Luxury	Premium Luxury	16,291	16,397	(106)	(0.6)	50,186	49,456	730	1.5
Premium Luxury	Premium Luxury								
		58,863							

		58,863							
		58,863							
		62,289	55,565	6,724	12.1	179,798	169,897	9,901	5.8
Retail used vehicle unit sales:									
Retail used vehicle unit sales:									
Domestic	Domestic	22,406	24,827	(2,421)	(9.8)	64,914	76,603	(11,689)	(15.3)
Import	Import	24,548	25,416	(868)	(3.4)	69,241	77,731	(8,490)	(10.9)
Import									
Import									
Premium	Premium								
Luxury	Luxury	19,710	20,677	(967)	(4.7)	57,409	64,007	(6,598)	(10.3)
		66,664	70,920	(4,256)	(6.0)	191,564	218,341	(26,777)	(12.3)
Premium Luxury									
Premium Luxury									
Other									
Other									
Other									
		69,121							
		69,121							
		69,121							

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

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

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

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Domestic

The Domestic segment operating results included the following:

(\$ in millions)

Revenue:

Revenue:

Revenue:	Revenue:												
New vehicle	New vehicle	\$ 916.1	\$ 875.0	\$ 41.1	4.7	\$ 2,667.1	\$ 2,555.6	\$ 111.5					4.4

New vehicle

New vehicle

Used vehicle

Used vehicle

Used vehicle	Used vehicle	649.1	764.3	(115.2)	(15.1)	1,880.4	2,374.2	(493.8)	(20.8)				
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Parts and service	Parts and service	301.7	275.8	25.9	9.4	888.0	820.0	68.0	8.3				
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Parts and service

Parts and service

Finance and insurance, net

Finance and insurance, net

Finance and insurance, net	Finance and insurance, net	115.6	117.1	(1.5)	(1.3)	332.2	355.7	(23.5)	(6.6)				
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Other	Other	1.4	0.6	0.8		2.8	2.6	0.2					
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Other

Other

Total Revenue

Total Revenue

Total Revenue	Total Revenue	\$ 1,983.9	\$ 2,032.8	\$ (48.9)	(2.4)	\$ 5,770.5	\$ 6,108.1	\$ (337.6)	(5.5)				
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Segment income	Segment income	\$ 107.2	\$ 142.7	\$ (35.5)	(24.9)	\$ 341.5	\$ 445.2	\$ (103.7)	(23.3)				
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Segment income

Segment income

Retail new vehicle unit sales

Retail new vehicle unit sales

Retail new vehicle unit sales	Retail new vehicle unit sales	17,766	16,859	907	5.4	51,110	49,984	1,126	2.3				
-------------------------------	-------------------------------	--------	--------	-----	-----	--------	--------	-------	-----	--	--	--	--

Retail used vehicle unit sales	Retail used vehicle unit sales	22,406	24,827	(2,421)	(9.8)	64,914	76,603	(11,689)	(15.3)				
--------------------------------	--------------------------------	--------	--------	---------	-------	--------	--------	----------	--------	--	--	--	--

Retail used vehicle unit sales

Retail used vehicle unit
sales

Third First Quarter 2024 compared to First Quarter 2023 compared to Third Quarter 2022

Domestic revenue decreased during the three months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022**, **2023**, primarily due to **decreases** **a decrease** in used vehicle unit volume and used revenue. Used vehicle revenue PVR. The was adversely impacted by a decrease in used vehicle unit volume is due in part to a shift in mix from used vehicles to new vehicles, and lower availability and levels of nearly new vehicle inventory. The decrease in lower-priced used vehicles. In addition, used vehicle revenue PVR is decreased primarily due to a shift in mix towards lower-priced entry-level vehicles. Decreases in Domestic revenue were partially offset by an increase in new vehicle unit volume due to increasing supply of new vehicle inventory and sustained consumer demand, as well as increases in parts and service revenue associated with customer-pay service and warranty service. Domestic revenue also benefited from the acquisitions we completed in 2022 and 2023.

Domestic segment income decreased during the three months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022**, **2023**, primarily due to decreases in new and used vehicle gross profit and an increase in floorplan interest expense. 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 a shift in mix towards lower-priced entry-level vehicles. Decreases in Domestic segment income were partially offset by increases in parts and service gross profit associated with customer-pay service and warranty service.

First Nine Months 2023 compared to First Nine Months 2022

Domestic revenue decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to decreases in stabilization of used vehicle unit volume and value trends, as well as certain actions we took in the beginning of the first quarter of 2024 to better align used vehicle revenue PVR. The decrease in used vehicle unit volume is due in part to lower availability and levels of nearly new vehicle inventory. The decrease in used vehicle revenue PVR is primarily due to a shift in mix towards lower-priced entry-level vehicles. Decreases in Domestic revenue were partially offset by an increase in new vehicle revenue PVR due to increases in manufacturers' suggested retail prices, an increase in new vehicle unit volume due to increasing supply of new vehicle inventory and sustained consumer with market demand and an increase in parts and service revenue associated with customer-pay service and warranty service. Additionally, Domestic revenue benefited from the acquisitions we completed in 2022 and 2023.

Domestic segment income decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to decreases in new vehicle gross profit and finance and insurance gross profit. New vehicle gross profit was adversely impacted by continued moderation of pricing and margins resulting from the increasing supply of new vehicle inventory. Finance and insurance gross profit was adversely impacted by the decrease in used vehicle unit volume. 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 increases in parts and service gross profit associated with customer-pay service and warranty service.

Import

The Import segment operating results included the following:

(\$ in millions)	Three Months Ended September 30,				Nine Months Ended September 30,			
			Variance				Variance	
	2023	2022	Favorable / (Unfavorable)	%	2023	2022	Favorable / (Unfavorable)	%
Revenue:								
New vehicle	\$ 1,042.5	\$ 814.1	\$ 228.4	28.1	\$ 2,910.1	\$ 2,548.1	\$ 362.0	14.2
Used vehicle	602.4	667.4	(65.0)	(9.7)	1,707.7	2,074.6	(366.9)	(17.7)
Parts and service	299.6	266.2	33.4	12.5	859.3	788.0	71.3	9.0

Finance and insurance, net	129.1	123.1	6.0	4.9	369.5	375.2	(5.7)	(1.5)
Other	3.6	4.4	(0.8)		17.6	13.1	4.5	
Total Revenue	\$ 2,077.2	\$ 1,875.2	\$ 202.0	10.8	\$ 5,864.2	\$ 5,799.0	\$ 65.2	1.1
Segment income	\$ 164.7	\$ 180.3	\$ (15.6)	(8.7)	\$ 498.1	\$ 559.0	\$ (60.9)	(10.9)
Retail new vehicle unit sales	28,232	22,309	5,923	26.5	78,502	70,457	8,045	11.4
Retail used vehicle unit sales	24,548	25,416	(868)	(3.4)	69,241	77,731	(8,490)	(10.9)

Third Quarter 2023 compared to Third Quarter 2022

Import revenue increased during the three months ended September 30, 2023, as compared to the same period in 2022, primarily due to an increase in new vehicle unit volume due to the increasing supply of new vehicle inventory and sustained consumer demand. Increases in Import revenue were partially offset by a decrease in used vehicle revenue PVR, primarily due to a shift in mix towards lower-priced entry-level vehicles, and a decrease in used vehicle unit volume due in part to lower availability and levels of nearly new vehicle inventory. Import revenue also benefited from the acquisitions we completed in 2022 and 2023.

Import segment income decreased during the three months ended September 30, 2023, as compared to the same period in 2022, primarily due to an increase in SG&A expenses, largely driven by the acquisitions we completed in 2022 and 2023, and a decrease in new vehicle gross profit PVR, which was adversely impacted by continued moderation of pricing and margins resulting from the increasing supply of new vehicle inventory. Import segment income was also adversely impacted by a decrease in used vehicle gross profit due to the decrease in used vehicle unit volume and a shift in mix towards lower-priced entry-level vehicles. Decreases in Import segment income were partially offset by the increase in new vehicle unit volume and increases in parts and service gross profit associated with customer-pay service and the preparation of vehicles for sale.

First Nine Months 2023 compared to First Nine Months 2022

Import revenue increased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to an increase in new vehicle unit volume due to the increasing supply of new vehicle inventory and sustained consumer demand, as well as an increase in new vehicle revenue PVR, which benefited from increases in manufacturers' suggested retail prices. Import revenue also benefited from an increase in parts and service revenue associated with customer-pay service and the preparation of vehicles for sale, as well as the acquisitions we completed in 2022 and 2023. Increases in Import revenue were partially offset by decreases in used vehicle unit volume, due in part to lower availability and levels of nearly new vehicle inventory, and used vehicle revenue PVR, primarily due to a shift in mix towards lower-priced entry-level vehicles.

Import segment income decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to decreases in new vehicle gross profit PVR, which was adversely impacted by continued moderation of pricing and margins resulting from the increasing supply of new vehicle inventory. Import segment income was also adversely impacted by an increase in SG&A expenses, largely driven by the acquisitions we completed in 2022 and 2023, and an increase in floorplan interest expense. Decreases in segment income were partially offset by an increase in parts and service gross profit associated with customer-pay warranty service and customer-pay service.

Import

The Import segment operating results included the following:

(\$ in millions)	Three Months Ended March 31,			
	Variance		%	Variance
	Favorable / (Unfavorable)	%		
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.

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Premium Luxury

The Premium Luxury segment operating results included the following:

(\$ in millions)	(\$ in millions)	Three Months Ended September 30,				Nine Months Ended September 30,				
		2023	2022	Variance Favorable / (Unfavorable)	%	2023	2022	Variance Favorable / (Unfavorable)	%	
Revenue:										
Revenue:										
Revenue: Revenue:										
New vehicle	New vehicle	\$ 1,229.0	\$ 1,174.8	\$ 54.2	4.6	\$ 3,823.3	\$ 3,503.2	\$ 320.1	9.1	
New vehicle										
New vehicle										
Used vehicle										
Used vehicle										

Used vehicle	Used vehicle	773.1	853.0	(79.9)	(9.4)	2,275.8	2,673.7	(397.9)	(14.9)
Parts and service	Parts and service	402.4	364.5	37.9	10.4	1188.9	1083.4	105.5	9.7
Parts and service									
Parts and service									
Finance and insurance, net									
Finance and insurance, net									
Finance and insurance, net	Finance and insurance, net	111.5	112.5	(1.0)	(0.9)	332.3	338.1	(5.8)	(1.7)
Other	Other	0.1	1.6	(1.5)		1.2	3.3	(2.1)	
Other									
Other									
Total Revenue									
Total Revenue									
Total Revenue	Total Revenue	\$ 2,516.1	\$ 2,506.4	\$ 9.7	0.4	\$ 7,621.5	\$ 7,601.7	\$ 19.8	0.3
Segment income	Segment income	\$ 192.9	\$ 235.2	\$ (42.3)	(18.0)	\$ 641.2	\$ 722.2	\$ (81.0)	(11.2)
Segment income									
Segment income									
Retail new vehicle unit sales									
Retail new vehicle unit sales									
Retail new vehicle unit sales	Retail new vehicle unit sales	16,291	16,397	(106)	(0.6)	50,186	49,456	730	1.5
Retail used vehicle unit sales	Retail used vehicle unit sales	19,710	20,677	(967)	(4.7)	57,409	64,007	(6,598)	(10.3)
Retail used vehicle unit sales									
Retail used vehicle unit sales									

Third First Quarter 2024 compared to First Quarter 2023 compared to Third Quarter 2022

Premium Luxury revenue increased slightly decreased during the three months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022, 2023**, primarily due to an increase 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 which benefited was adversely impacted by continued moderation of pricing resulting from increases the increasing supply of new vehicle inventory. Decreases in manufacturers' suggested retail prices, and 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. Increases in Premium Luxury revenue were partially offset by a decrease in used vehicle unit volume, due in part to lower availability and levels of nearly new vehicle inventory, and a decrease in used vehicle revenue PVR, primarily due to a shift in mix towards lower-priced entry-level vehicles.

Premium Luxury segment income decreased during the three months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022, 2023**, primarily due to a **decrease** **decreases** in new and used vehicle gross profit. New vehicle gross profit which PVR was adversely impacted by continued moderation of pricing and margins resulting from the increasing supply of new vehicle **inventory**, **inventory**. Used vehicle gross profit PVR was adversely impacted by stabilization of used vehicle value trends, as well as **an increase** **certain actions we took in floorplan interest expense**, 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.

First Nine Months 2023 compared to First Nine Months 2022

Premium Luxury revenue increased slightly during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to an increase in new vehicle revenue PVR, which benefited from increases in manufacturers' suggested retail prices, and an increase in parts and service revenue associated with customer-pay service and warranty service. Increases in Premium Luxury revenue were partially offset by a decrease in used vehicle unit volume, due in part to lower availability and levels of nearly new vehicle inventory, a decrease in used vehicle revenue PVR, primarily due to a shift in mix towards lower-priced entry-level vehicles, and a decrease in used vehicle wholesale revenue.

Premium Luxury segment income decreased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to a decrease in new vehicle gross profit, which was adversely impacted by continued moderation of pricing and margins resulting from the increasing supply of new vehicle inventory, as well as increases in floorplan interest and SG&A expenses. Decreases in Premium Luxury segment income were partially offset by increases in parts and service gross profit associated with customer-pay service and warranty service.

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Corporate and other

Corporate and other results included the following:

(\$ in millions)	(\$ in millions)	Three Months Ended September 30,				Nine Months Ended September 30,				
		2023	2022	Variance Favorable / (Unfavorable)	% Variance	2023	2022	Variance Favorable / (Unfavorable)	% Variance	
(\$ in millions)										
(\$ in millions)										
Revenue:										
Revenue:										
Used vehicle	Used vehicle	\$ 147.5	\$ 117.0	\$ 30.5	26.1	\$ 428.8	\$ 372.0	\$ 56.8	15.3	
Used vehicle										
Used vehicle										
Parts and service										
Parts and service										
Parts and service	Parts and service	153.7	125.6	28.1	22.4	456.3	380.9	75.4	19.8	
Finance and insurance, net	Finance and insurance, net	13.3	8.0	5.3	66.3	37.4	23.2	14.2	61.2	

Finance and insurance, net										
Finance and insurance, net										
Other										
Other	Other	1.0	1.0	—		2.8	3.1	(0.3)		
Revenue	Revenue	\$ 315.5	\$ 251.6	\$ 63.9	25.4	\$ 925.3	\$ 779.2	\$ 146.1		18.8
Revenue										
Revenue										
Income (loss)	Income (loss)	\$ (83.6)	\$ (46.4)	\$ (37.2)		\$ (277.0)	\$ (148.5)	\$ (128.5)		
Income (loss)										
Income (loss)										

"Corporate and other" is comprised of our other 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. As of **September 30, 2023** **March 31, 2024**, we had **53** **52** AutoNation-branded collision centers, **17** **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 and nine months ended **September 30, 2023** **March 31, 2024**, as compared to the same periods in **2022**, **2023**, primarily due to newly opened AutoNation USA stores and increases in revenue from AutoNation USA stores, collision parts distribution centers and our mobile automotive repair and maintenance business, auction operations.

The loss from "Corporate and other" increased decreased for the three and nine months ended **September 30, 2023**, as compared to the same periods in 2022, primarily due to expenditures associated with acquisitions, newly opened AutoNation USA stores, and investments in technology and strategic initiatives, an increase in self-insurance losses related to hailstorms and other natural catastrophes, and a decrease in gains from business/property divestitures, partially offset by increases in gross profit from AutoNation USA stores, collision centers, and our mobile automotive repair and maintenance business. The loss from "Corporate and other" for the nine months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022**, was also adversely impacted **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 deferred compensation obligations as a result of changes in market performance of the underlying investments, advertising expenses to support our new non-franchised businesses.

AutoNation USA Stores

During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, we opened **four** **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 Automotive Repair and Maintenance Service

In the first quarter of 2023, we acquired RepairSmith, a 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 certain 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, and gains or losses on the sale of loans receivable. Interest income on auto loans receivable is recognized over the contractual term of the related loans.

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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 (Income) Expense, Net in our Unaudited Condensed Consolidated Statements of Income. See Notes 5 and 8 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on auto loans receivable, the related allowance for credit losses, and the related debt of our auto finance company.

Selling, General, and Administrative Expenses

Our Selling, General, and Administrative ("SG&A") expenses consist primarily of compensation, including store and corporate salaries, commissions, and incentive-based compensation, as well as advertising (net of reimbursement-based manufacturer advertising rebates), and store and corporate overhead expenses, which include occupancy costs, outside service costs, information technology expenses, transportation-related costs for parts and service loaner and rental inventory expenses, 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 September 30,				Nine Months Ended September 30,			
		Three Months Ended March 31,				Three Months Ended March 31,			
		Three Months Ended March 31,				Three Months Ended March 31,			
(\$ in millions)									
(\$ in millions)	(\$ in millions)	2023	2022	Variance Favorable / (Unfavorable)	% Variance	2023	2022	Variance Favorable / (Unfavorable)	% Variance
<u>Reported:</u>	<u>Reported:</u>								
<u>Reported:</u>									
<u>Reported:</u>									
Compensation	Compensation	\$ 532.8	\$ 514.6	\$ (18.2)	(3.5)	\$ 1,603.8	\$ 1,553.9	\$ (49.9)	(3.2)
Advertising	Advertising	64.1	49.1	(15.0)	(30.5)	178.2	133.5	(44.7)	(33.5)
Advertising	Advertising								
Store and corporate overhead	Store and corporate overhead	222.4	199.5	(22.9)	(11.5)	662.9	572.0	(90.9)	(15.9)
Store and corporate overhead	Store and corporate overhead								
Store and corporate overhead	Store and corporate overhead								
Total									

Total										
Total	Total	\$ 819.3	\$ 763.2	\$ (56.1)	(7.4)	\$ 2,444.9	\$ 2,259.4	\$ (185.5)	(8.2)	
<u>SG&A as a % of total gross profit:</u>	<u>SG&A as a % of total gross profit:</u>									
<u>SG&A as a % of total gross profit:</u>	<u>SG&A as a % of total gross profit:</u>									
Compensation										
Compensation	Compensation	41.2	39.2	(200)	bps	41.0	39.0	(200)	bps	
Advertising	Advertising	5.0	3.7	(130)	bps	4.6	3.4	(120)	bps	
Advertising										
Store and corporate overhead	Store and corporate overhead	17.1	15.2	(190)	bps	16.8	14.3	(250)	bps	
Total	Total	<u>63.3</u>	<u>58.1</u>	<u>(520)</u>	bps	<u>62.4</u>	<u>56.7</u>	<u>(570)</u>	bps	
Total										

Third First Quarter 2024 compared to First Quarter 2023 compared to Third Quarter 2022

SG&A expenses increased slightly during the three months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022, 2023**, primarily due to acquisitions and newly opened stores, expenditures associated with investments in technology and strategic initiatives, an increase in advertising expenses to support our used vehicle internal sourcing strategy and self-insurance losses of \$5.0 million related to hailstorms and other natural catastrophes, partially offset by a decrease in performance-driven compensation expense. As a percentage of total gross profit, SG&A expenses increased to 63.3% during the three months ended September 30, 2023, from 58.1% in the same period in 2022, primarily due to gross margin pressure on our new non-franchised businesses, and an increase in SG&A expenses related to newly acquired transportation-related costs for parts and opened stores and investments in technology and strategic initiatives.

First Nine Months 2023 compared to First Nine Months 2022

SG&A expenses increased during the nine months ended September 30, 2023, as compared to the same period in 2022, primarily due to acquisitions and newly opened stores, expenditures associated with investments in technology and strategic initiatives, an increase in advertising expenses to support our used vehicle internal sourcing strategy, an increase in deferred compensation obligations of \$31.3 million as a result of changes in market performance of the underlying investments, and self-insurance losses of \$21.5 million related to hailstorms and other natural catastrophes. Increases in 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 **62.4%** **66.2%** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, from **56.7%** **60.8%** in the same period in 2022, primarily 2023, due to the moderation of gross margin pressure profit and an increase in SG&A expenses related to newly acquired and opened stores, investments in technology and strategic initiatives, an increase in deferred compensation obligations, and hail-related losses as described above.

Other (Income) Expense, Net (Operating)

Other (Income) Expense, Net includes the gains or losses associated with business property divestitures, legal settlements, and asset impairments, among other items and for the three and nine months ended September 30, 2023, the results of our recently acquired captive auto

finance company, including net interest margin, the provision for expected credit losses, and direct expenses,

and gains or losses on the sale of loans receivable. 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.

During the third quarter of 2022, we recognized a net gain of \$16.1 million related to business/property divestitures and a gain on a legal settlement of \$6.3 million.

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.

Third

First Quarter 2023 2024 compared to Third First Quarter 2022 2023

Floorplan interest expense was \$38.3 million \$49.4 million for the three months ended September 30, 2023 March 31, 2024, compared to \$10.7 million \$27.1 million for the same period in 2022, 2023. The increase in floorplan interest expense of \$27.6 million \$22.3 million was the result of higher average interest rates vehicle floorplan balances and higher average floorplan balances, interest rates.

Interest Expense

First Nine Months 2023 Quarter 2024 compared to First Nine Months 2022 Quarter 2023

Floorplan interest expense includes the interest related to non-vehicle long-term debt and finance lease obligations. Other interest expense was \$98.2 million \$44.6 million for the nine three months ended September 30, 2023 March 31, 2024, compared to \$21.7 million \$41.1 million for the same period in 2022. The increase in floorplan interest expense of \$76.5 million was the result of higher average interest rates and higher average floorplan balances.

Other Interest Expense

Third Quarter 2023 compared to Third Quarter 2022

Other interest expense was \$48.8 million for the three months ended September 30, 2023, compared to \$33.7 million for the same period in 2022, 2023. The increase in interest expense of \$15.1 million was driven by higher average debt balances and higher average interest rates.

First Nine Months 2023 compared to First Nine Months 2022

Other interest expense was \$135.9 million for the nine months ended September 30, 2023, compared to \$97.4 million for the same period in 2022. The increase in interest expense of \$38.5 million \$3.5 million was driven by higher average interest rates and higher average debt balances.

Other Income, (Loss), Net

We recognized a net loss gain of \$4.2 million \$7.3 million and \$5.2 million \$4.7 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and a net gain of \$4.9 million and a net loss of \$26.0 million for the nine months ended September 30, 2023 and

2022, 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 an unrealized loss losses of \$1.0 million \$0.4 million and \$1.1 million for the three months ended September 30, 2023, March 31, 2024 and an unrealized loss of \$2.3 million during the nine months ended September 30, 2023, 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.

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Our effective income tax rate was 25.6% for the three months ended September 30, 2023, and 25.5% for the three months ended September 30, 2022. Our effective income tax rate was 25.0% for the nine three months ended September 30, 2023 March 31, 2024, and 25.0% 24.3% for the nine three months ended September 30, 2022 March 31, 2023.

Discontinued Operations

Discontinued operations are related to stores that were sold or terminated prior to January 1, 2014. Results from discontinued operations, net of income taxes, 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.

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Available Liquidity Resources

We had the following sources of liquidity available:

(In millions)	(In millions)	September 30, 2023	December 31, 2022
(In millions)			
(In millions)			
Cash and cash equivalents			

Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	\$	64.0	\$	72.6
Revolving credit facility	Revolving credit facility	\$	1,899.2	\$	1,799.6
Revolving credit facility					
Revolving credit facility					
Secured used vehicle floorplan facilities (2)	Secured used vehicle floorplan facilities (2)	\$	0.3	\$	0.3
Secured used vehicle floorplan facilities (2)					
Secured used vehicle floorplan facilities (2)					

(1) At September 30, 2023 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 \$350.0 million \$285.0 million of commercial paper notes outstanding at September 30, 2023 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 September 30, 2023 March 31, 2024, surety bonds, letters of credit, and cash deposits totaled \$111.5 million \$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.

On July 18, 2023, we amended and restated our unsecured credit agreement to, among other things, (1) increase the revolving credit facility (the "facility") commitment from \$1.8 billion to \$1.9 billion, (2) extend the maturity date of the facility to July 18, 2028, (3) allow for the maximum leverage ratio covenant to increase from 3.75x to 4.25x for four fiscal quarters in the event that we complete a material acquisition, and (4) replace the maximum capitalization ratio covenant with a minimum interest coverage ratio covenant.

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 September 30,	Nine Months Ended September 30,	
	March 31,		
	March 31,		
	March 31,		
(In millions, except per share data)			
(In millions, except per share data)			
(In millions, except per share data)	2023	2022	2023
Shares repurchased	Shares repurchased	1.3	3.8
Shares repurchased		5.3	10.9
Aggregate purchase price (1)			
Aggregate purchase price (1)	Aggregate purchase price (1)	\$ 200.0	\$ 428.2
Average purchase price per share	Average purchase price per share	\$ 155.91	\$ 113.51
Average purchase price per share		\$ 135.38	\$ 110.96
Average purchase price per share			
(1) Excludes excise tax accrual imposed under the Inflation Reduction Act of \$2.0 million and \$6.6 million for the three and nine months ended September 30, 2023, respectively.			
(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.			
(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.			
(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 **October 25, 2023** **April 24, 2024**, \$439.4 million \$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:

(In millions)	(In millions)	Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
		2023	2022	2023	2022
Purchases of property and equipment, including operating lease buy-outs	\$ 87.0	\$ 75.9	\$ 286.0	\$ 236.2	
(In millions)					
(In millions)					
Purchases of property and equipment					
Purchases of property and equipment					
Purchases of property and equipment					

At **September 30, 2023** **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 \$733.0 million \$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 **nine** three months ended **September 30, 2023** **March 31, 2023**, we acquired **RepairSmith**, a mobile solution for automotive repair and maintenance, which we renamed **AutoNation Mobile Service**, and we also purchased **seven stores**. We did not purchase any stores during the nine months ended September 30, 2022. one store. We did not divest any stores during the **nine** three months ended September 30, 2023. We divested three stores during the nine months ended September 30, 2022 **March 31, 2023**.

Three Months Ended

		Three Months Ended			
		Three Months Ended		Nine Months Ended	
		September 30,		September 30,	
(In millions)	(In millions)	2023	2022	2023	2022
(In millions)	(In millions)				
Cash used in business acquisitions, net	Cash used in business acquisitions, net	(2.2)	\$ —	\$ (271.1)	\$ —
Cash received from business divestitures, net	\$ —	\$ 55.2	\$ —	\$ —	\$ 55.2
Cash used in business acquisitions, net					
Cash used in business acquisitions, net					

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.

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Debt

The following table sets forth our non-vehicle long-term debt, as of **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**.

Debt Description	Debt Description	September December				Maturity Date	Interest Payable	March 31, 2024	December 31, 2023
		30, 2023	31, 2022	30, 2023	31, 2022				
3.5% Senior Notes	3.5% Senior Notes	May 15 and November 15, 2024	15	\$ 450.0	\$ 450.0				
4.5% Senior Notes	4.5% Senior Notes	October 1, 2025	April 1 and October 1	450.0	450.0				
3.8% Senior Notes	3.8% Senior Notes	May 15 and November 15, 2027	15	300.0	300.0				

1.95% Senior Notes	1.95% Senior Notes	February 1, August 1, 2028	400.0	400.0
4.75% Senior Notes	4.75% Senior Notes	June 1 and December 1, 2030	500.0	500.0
2.40% Senior Notes	2.40% Senior Notes	February 1, August 1, 2031	450.0	450.0
3.85% Senior Notes	3.85% Senior Notes	March 1 and September 1, 2032	700.0	700.0
Revolving credit facility	Revolving credit facility	July 18, 2028	—	—
Finance leases and other debt	Finance leases and other debt	Various dates through 2041	365.3	375.5
			3,615.3	3,625.5
			3,609.7	
Less: unamortized debt discounts and debt issuance costs	Less: unamortized debt discounts and debt issuance costs		(22.9)	(26.0)
Less: current maturities	Less: current maturities		(12.8)	(12.6)
Long-term debt, net of current maturities	Long-term debt, net of current maturities		\$ 3,579.6	\$ 3,586.9

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 \$350.0 million \$285.0 million at September 30, 2023 March 31, 2024, and \$50.0 million \$440.0 million at December 31, 2022. On August 16, 2023, we increased the maximum aggregate principal amount that may be outstanding at any time under the commercial paper program from \$1.0 billion to \$1.9 billion December 31, 2023.

We had non-recourse debt under our warehouse facilities of \$189.0 million \$303.5 million at September 30, 2023 March 31, 2024, and \$181.8 million \$209.4 million at December 31, 2022 December 31, 2023, and non-recourse debt under term securitizations of consolidated variable interest entities ("VIEs") of \$59.2 million \$42.8 million at September 30, 2023 March 31, 2024, and \$146.9 million \$50.5 million at December 31, 2022 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.

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As of **September 30, 2023** **March 31, 2024**, we were in compliance with the covenants under our credit agreement and the indentures for our senior unsecured notes. At **September 30, 2023** **March 31, 2024**, our leverage and interest coverage ratios were as follows:

	September 30, 2023		March 31, 2024
	Requirement	Actual	
Leverage ratio	≤ 3.75x	2.02x	2.25x
Interest coverage ratio	≥ 3.00x	7.15x	5.30x

Vehicle Floorplan Payable

The components of vehicle floorplan payable are as follows:

(In millions)	(In millions)	September December		March 31, 2024	December 31, 2023
		30, 2023	31, 2022		
Vehicle floorplan payable - trade	Vehicle floorplan payable - trade	\$ 1,358.7	\$ 946.6		
Vehicle floorplan payable - non-trade	Vehicle floorplan payable - non-trade	1,456.1	1,162.7		
Vehicle floorplan payable	Vehicle floorplan payable	\$ 2,814.8	\$ 2,109.3		

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:

		Nine Months Ended		Three Months Ended	
		Three Months Ended		March 31, 2024	
(In millions)	(In millions)	September 30, 2023	2022	(In millions)	2023
Net cash provided by operating activities	Net cash provided by operating activities	\$ 762.6	\$ 1,443.3		
Net cash used in investing activities	Net cash used in investing activities	\$(497.0)	\$(247.3)		
Net cash used in financing activities	Net cash used in financing activities	\$(282.6)	\$(813.6)		

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 **nine** **three** months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022** **2023**, primarily due to **an increase in working capital requirements, a decrease in earnings, and an increase in originations of loans receivable for vehicles sold through our stores**, **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.

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Net cash used in investing activities **increased** **decreased** during the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, as compared to the same period in **2022**, **2023**, primarily due to **an increase** **a decrease** in cash used in acquisitions and a decrease in cash received from business

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divestitures, and an increase in purchases **originations** of property and equipment, partially offset by an increase in proceeds from the sale of auto loans **receivable**, **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.

During the nine months ended September 30, 2023, we repurchased 5.3 million shares of common stock for an aggregate purchase price of \$712.4 million (average purchase price per share of \$135.38), excluding the 1% excise tax imposed under the Inflation Reduction Act. During the nine months ended September 30, 2022, we repurchased 10.9 million shares of common stock for an aggregate purchase price of \$1.2 billion (average purchase price per share of \$110.96), including repurchases for which settlement occurred subsequent to September 30, 2022.

Cash flows from financing activities include changes in commercial paper notes outstanding totaling net **payments** of \$155.0 million and net proceeds of \$300.0 million and net **payments** of \$340.0 million \$235.0 million during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively, and changes in vehicle floorplan payable-non-trade totaling net **proceeds** **payments** of \$260.4 million \$93.5 million and \$46.4 million \$67.3 million during the **nine** **three** months ended **September 30, 2023** **March 31, 2024** and **2022**, **2023**, respectively.

During the **nine** **three** months ended **September 30, 2023** **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 \$151.6 million \$214.0 million and repaid \$232.1 million \$127.7 million under our non-recourse debt facilities.

During the **nine** **three** months ended **September 30, 2022** **March 31, 2023**, we issued \$700.0 million aggregate principal amount of 3.85% Senior Notes due 2032, 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 **our mobile automotive repair and maintenance business**; **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. **On September 15, 2023, the United Auto Workers launched strikes against Ford, General Motors, In addition, we rely on various**

third-party suppliers for key products and Stellantis. If the strikes continue for a prolonged period of time, it could adversely impact our business and results of operations.

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- 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.

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- We are investing significantly in various strategic initiatives, including the planned expansion of our AutoNation USA stores, our AutoNation Finance business, and our mobile automotive repair and maintenance 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 Twitter X feed (www.twitter.com/www.x.com/autonation).

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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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

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

We had \$2.8 billion \$3.3 billion of variable rate vehicle floorplan payable at September 30, 2023 March 31, 2024, and \$2.1 \$3.4 billion at December 31, 2022 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 \$28.1 million \$32.7 million at September 30, 2023 March 31, 2024, and \$21.1 \$33.8 million at December 31, 2022 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 \$350.0 million \$285.0 million of commercial paper notes outstanding at September 30, 2023 March 31, 2024, and \$50.0 million \$440.0 million at December 31, 2022 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 \$3.5 million \$2.9 million at September 30, 2023 March 31, 2024, and \$0.5 million \$4.4 million at December 31, 2022 December 31, 2023.

Our fixed rate senior unsecured notes totaled \$3.2 billion and had a fair value of \$2.8 billion \$3.0 billion as of September 30, 2023 March 31, 2024, and totaled \$3.2 billion and had a fair value of \$2.8 billion \$3.0 billion as of December 31, 2022 December 31, 2023.

As of **September 30, 2023** **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 **\$13.3** **\$22.8** million at **September 30, 2023** **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 **\$1.3** million, **\$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 **September 30, 2023** **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, **\$10.7** 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.

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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.

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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.

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PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended **December 31, 2022** **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 **September 30, 2023** **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				Approximate Dollar Value of Shares That May Yet Be Purchased Under The Plans or Programs (in millions) ⁽¹⁾	
						Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Avg. Price Paid Per Share		
				Period	Shares Purchased ⁽¹⁾				
July 1, 2023 - July 31, 2023					729,113	\$ 154.20	729,113	\$ 559.5	
August 1, 2023 - August 31, 2023					553,704	\$ 158.16	553,704	\$ 472.0	
September 1, 2023 - September 30, 2023									
January 31, 2024									
February 1, 2024 - February 29, 2024									
March 1, 2024 - March 31, 2024									
Total					1,282,817	244,177	1,282,817	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. As of **the fiscal quarter ended March 31, 2024**, all of **October 25, 2023**, \$439.4 million remained available. The shares that we repurchased were repurchased under our stock repurchase limit. 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 **September 30, 2023** **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).

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ITEM 6. EXHIBITS

Exhibit No. Description

3.13.1*	Fourth Amended and Restated By-Laws Certificate of Incorporation of AutoNation, Inc. (incorporated by reference to Exhibit 3.1 to the Quarterly Report on Form 10-Q filed on July 21, 2023).
10.1† 10.1*	Amended and Restated Credit Agreement, dated July 18, 2023, by and among AutoNation, Inc., JPMorgan Chase Bank, N.A., as Administrative Agent, and the other parties thereto (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on July 21, 2023).
10.2	Letter Agreement, dated September 12, 2023, by and between AutoNation, Inc. and Jeff Parent (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 22, 2023).
10.3*	Amendment to Employment Agreement, dated September 1, 2023, by and between AutoNation, Inc. and Michael Manley, 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.

† Certain schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company undertakes to furnish copies of any of the omitted schedules to the SEC or its staff upon request.

* 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: **October 27, 2023** **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)

Exhibit 10.3.3.1

**AMENDMENT TO EMPLOYMENT AGREEMENT FOURTH AMENDED AND
RESTATE**

This Amendment (this "Amendment") is entered into as of September 1, 2023, and amends that certain Employment Agreement dated as of September 9, 2021 (the "Agreement") by and between **CERTIFICATE OF INCORPORATION**

OF

AUTONATION, INC.

AutoNation, Inc. (together with its subsidiaries, a corporation organized and affiliates, existing under the "Company"), and Michael Manley (the "Executive").

RECITALS

WHEREAS, the Company desires to amend the Agreement to reflect a change to the terms and conditions therein; and

WHEREAS, the Executive desires to continue to be employed by the Company on such terms and conditions.

TERMS OF AGREEMENT

In consideration **laws** of the mutual promises, covenants, and agreements contained herein, the sufficiency **State** of which is acknowledged by the parties, and intending to be

legally bound, the parties agree Delaware, (the "Corporation"), does hereby certify as follows:

1. Section 1(f) (a) The name under which the Corporation was originally incorporated was Republic Waste Industries, Inc. and the original Certificate of Incorporation of the Agreement is hereby amended to add Corporation was filed with the following immediately after clause (ii) office of the first sentence thereof: "and (iii) to use Secretary of State of the Company's corporate aircraft for personal travel for up to 70 hours per year (provided, that the value State of such travel will be included in the Executive's annual income subject to tax Delaware on May 30, 1991.

(b) This Fourth Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the applicable regulations provisions of Sections 242 and 245 of the Internal Revenue Service and Company policy."

2. Except as otherwise expressly provided herein, all General Corporation Law of the terms State of Delaware (the "Act") and restates, integrates and amends the provisions of the Agreement shall remain Certificate of Incorporation, as amended and restated to date, of the Corporation.

(c) The text of the Certificate of Incorporation of the Corporation, as heretofore amended or restated, is hereby amended and restated to read in full force its entirety as follows:

FIRST: The name of the Corporation is:

AutoNation, Inc.

SECOND: The address of its registered office in the State of Delaware is 251 Little Falls Drive, City of Wilmington 19808, County of New Castle. The name of its registered agent at such address is Corporation Service Company.

THIRD: The nature of the businesses or purposes to be conducted or promoted is:

To conduct any lawful business, to exercise any lawful purpose and effect power, and this Amendment shall not amend to engage in any lawful act or modify activity for which corporations may be organized under the Act or by any other law of Delaware or by this Certificate of Incorporation together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the businesses or purposes of the Corporation.

FOURTH: The total number of shares of all classes of stock which this Corporation shall have authority to issue is 1,505,000,000 shares, consisting of 1,500,000,000 shares of Common Stock, par value \$0.01 per share, and 5,000,000 shares of Preferred Stock, par value \$0.01 per share. The aggregate par value of all the shares of all classes of stock which this Corporation has the authority to issue is \$15,050,000.

A. COMMON STOCK. The shares of Common Stock shall have no preemptive or preferential rights powers, duties, of subscription concerning further issuance or obligations authorization of any party securities of the Corporation. Each share of Common Stock shall entitle the holder thereof to one vote, in person or by proxy. The holders of the Common Stock shall be entitled to receive dividends if, as and when declared by the Board of Directors. The Common Stock may be issued from time to time in one or more series and shall have such other relative, participant, optional or special rights, qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions providing for the issuance of such Common Stock from time

to time adopted by the Board of Directors pursuant to authority so to adopt which is hereby vested in the Board of Directors.

B. PREFERRED STOCK. The Preferred Stock may be issued from time to time in one or more series and (a) may have such voting powers, full or limited, or may be without voting powers; (b) may be subject to redemption at such time or times and at such prices; (c) may be entitled to receive dividends (which may be cumulative or noncumulative) at such rate or rates, on such conditions, and at such times, and payable in preference to, or in such relation to, the Agreement.

3. This Amendment and dividends payable on any other class or classes or series of stock; (b) may have such rights upon the Agreement contain the entire agreement between the parties hereto with respect to the matters contained herein and supersedes and replaces any prior agreement between the parties with respect to the matters set forth in this Amendment.
4. This Amendment may be executed in counterparts, and each counterpart will have the same force and effect as an original and will constitute an effective, binding agreement on part of each of the undersigned.

dissolution of, or upon any distribution of the assets of, the Corporation; (C) may be made convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Corporation, at such price or prices or at such rates of exchange, and with such adjustments; and (t) shall have such other relative, participating, optional or special rights, qualifications, limitations or restrictions thereof, as shall hereafter be stated and expressed in the resolution or resolutions providing for the issuance of such Preferred Stock from time to time adopted by the Board of Directors pursuant to authority so to do which is hereby vested in the Board of Directors.

At any time and from time to time when authorized by resolution of the Board of Directors and without any action by its stockholders, the Corporation may issue or sell any shares of its stock of any class or series, whether out of the unissued shares thereof authorized by the Certificate of Incorporation, as amended, or out of shares of its stock acquired by it after the issue thereof, and whether or not the shares thereof so issued or sold shall confer upon the holders thereof the right to exchange or convert such shares for or into other shares of stock of the Corporation of any class or classes or any series thereof. When similarly authorized, but without any action by its stockholders, the Corporation may issue or grant rights, warrants or options, in bearer or registered or such other form as the Board of Directors may determine, for the purchase of shares of the stock of any class or series of the Corporation within such period of time, or without limit as to time, of such aggregate number of shares, and at such price per share, as the Board of Directors may determine. Such rights, warrants or options may be issued or granted separately or in connection with the issue of any bonds, debentures, notes, obligations or other evidences of indebtedness or shares of the stock of any class or

series of the Corporation and for such consideration and on such terms and conditions as the Board of Directors, in its sole discretion, may determine. In each case, the consideration to be received by the Corporation for any such shares so issued or sold shall be fixed from time to time by the Board of Directors.

FIFTH: Except as may otherwise be provided in this Certificate or in the Bylaws of the Corporation, as the same may be amended from time to time, the Board of Directors shall have all powers and authority which may be granted to a board of directors of a corporation under the Act, including but not limited to the following:

- (a) to adopt, amend or repeal the Bylaws of the Corporation;
- (b) to authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation;
- (c) to set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created;
- (d) to designate one or more committees;
- (e) to sell, lease or exchange all or substantially all of the property and assets of the Corporation, including its good will and its corporate franchises, upon such terms and conditions and for such consideration, which may consist in whole or in part of money or property including shares of stock in, and/or other securities of, any other corporation or corporations, as the Board of Directors shall deem expedient and for the best interest of the Corporation, when and as authorized by the shareholders entitled to vote thereon;
- (f) to provide indemnification for directors, officers, employees, and/or agents of the Corporation to the fullest extent permitted by law, subject however, to the rules against limitation on liability of directors as set forth in Section 102 of the Act, as amended from time to time; and
- (g) to determine from time to time whether and to what extent, and at what times and places and under what conditions and regulations, the accounts and books of the Corporation or any of them, shall be opened to the inspection of the stockholders, and no stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the Act or authorized by the Board of Directors, or by a resolution of the stockholders.

SIXTH: The Board of Directors shall consist of one or more members. The number of directors shall be fixed by, or in the manner provided in, the Bylaws. At the annual meeting of stockholders in 1996 and at each

annual meeting of stockholders thereafter, the respective terms of all of the directors then serving in office shall expire at the meeting, and successors to the directors shall be elected to hold office until the next succeeding annual meeting. Existing directors may be nominated for election each year for a successive term, in the manner provided in the

Bylaws. Each director shall hold office for the term for which he is elected and qualified or until his successor shall have been elected and qualified or until his earlier resignation, removal from office or death.

SEVENTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof, or on the Corporation or of any creditor or stockholder thereof, or on the application of any receiver or receivers appointed for this Corporation under the provisions of Section 291 of the Act or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under the provisions of Section 279 of the Act, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the court directs. If a majority in number representing three-fourths (3/4) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the compromise or arrangement and the reorganization shall, if sanctioned by the court to which the application has been made, be binding on all the creditors or class of creditors and/or on all the stockholders or class of stockholders of this Corporation, as the case may be, and also on this Corporation.

EIGHTH: To the extent permitted by law, no contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purposes, if:

(a) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(b) the material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved by vote of the stockholders; or

(c) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

NINTH: The Corporation reserves the right to amend or repeal any provision contained herein, add any additional provisions hereto, increase or decrease the number of authorized shares of stock, or restate this Certificate of Incorporation in its entirety in the manner now or hereafter prescribed by the Act.

TENTH: Except as otherwise required by law or as otherwise provided in this Certificate of Incorporation or in the Bylaws of the Corporation, any matter properly

submitted to a vote of the stockholders at a meeting of stockholders duly convened at which there is a quorum present shall be deemed approved upon an affirmative vote of the holders of a majority of the outstanding shares of Common Stock present at the meeting, in person or by proxy. No holders of any class of stock other than Common Stock shall be entitled to vote upon any matter, except as may be required by law, this Certificate of Incorporation, or the Bylaws of the Corporation. Written ballots shall not be required for the election of directors.

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ELEVENTH: In addition to any indemnification granted to directors or Officers (as defined below) of the Corporation contained in this Certificate of Incorporation, the Bylaws of the Corporation, or adopted by resolution of the stockholders or directors of the Corporation, no director or Officer of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director or Officer, provided however, that this provision shall not eliminate or limit the liability of (i) a director or Officer for any breach of the director's or Officer's duty of loyalty to the Corporation or its stockholders, (ii) a director or Officer for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) a director for payment of any unlawful dividend or for any unlawful stock purchase or redemption, (iv) a director or Officer for any transaction from which the director or Officer derived an improper personal benefit or (v) an Officer in any action by or in the right of the Corporation. All references in this ELEVENTH Article to an "Officer" shall mean only a person who, at the time of an act or omission as to which liability is asserted, falls within the meaning of the term "officer," as defined in Section 102(b)(7) of the Delaware General Corporation Law ("DGCL"). Any amendment, repeal or elimination of this ELEVENTH Article shall not affect its application with respect to an act or omission by a director or Officer occurring before such amendment, repeal or elimination. If the DGCL is amended hereafter to authorize the further elimination or limitation of liability of directors or Officers, then the liability of a director or Officer, as applicable, shall be eliminated or limited to the fullest extent authorized by the DGCL, as so amended.

IN WITNESS WHEREOF, the parties have undersigned has caused this Fourth Amended and Restated Certificate of Incorporation to be executed this Amendment 25th day of April, 2024.

AutoNation, Inc.

By: /s/ C. Coleman Edmunds
C. Coleman Edmunds
Executive Vice
President, General
Counsel and Corporate
Secretary

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AUTONATION, INC. 2024

NON-EMPLOYEE DIRECTOR EQUITY PLAN

ARTICLE I

PURPOSE

The purposes of the AutoNation, Inc. 2024 Non-Employee Director Equity Plan (as it may be amended, the "Plan") are to provide long-term incentives to the Directors of the Company, to align the interests of such individuals with those of the Company's shareholders and to assist the Company in recruiting, retaining and motivating qualified individuals to serve as Directors.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Administrator" shall have the meaning provided in Section 11.1 hereof.

2.2 "Award" shall mean an Option, a Restricted Stock award, a Restricted Stock Unit award, an award of Stock Appreciation Rights or an Other Stock-Based Award, which may be awarded or granted under the Plan.

2.3 "Award Agreement" shall mean the written notice, agreement, contract, resolution or other instrument or document evidencing an Award, including through an electronic medium, which shall contain such terms and conditions with respect to an Award as the Administrator shall determine, not inconsistent with the Plan.

2.4 "Beneficial Owner" (or any variant thereof) has the meaning defined in Rule 13d-3 under the Exchange Act.

2.5 "Board" shall mean the Board of Directors of the Company.

2.6 "Change in Capitalization" shall have the meaning provided in Section 3.3(a) hereof.

2.7 "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a merger or consolidation of the Company or any direct or indirect subsidiary of the Company that is not a Change in Control under clause (c) below;

(b) the following individuals cease for any reason to constitute a majority of the number of directors then serving: individuals who, on the date hereof, constitute the Board and any new director (other than a director whose initial assumption of office is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of the Company) whose

appointment or election by the Board or nomination for election by the Company's stockholders was approved or recommended by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors on the date hereof or whose appointment, election or nomination for election was previously so approved or recommended;

(c) there is consummated a merger or consolidation of the Company or any direct or indirect subsidiary of the Company with any other corporation or other entity, other than a merger or consolidation (i) immediately following which the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of (1) any parent of the Company or the entity surviving such merger or consolidation or (2) if there is no such parent, of the Company or such surviving entity and (ii) which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to

represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or any parent thereof) more than 50% of the combined voting power of the securities of the Company or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation, and in which no Person acquires 50% or more of the combined voting power of the securities of the Company or such surviving entity or parent thereof outstanding immediately after such merger or consolidation; or

(d) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets immediately following which (i) the individuals who comprise the Board immediately prior thereto constitute at least a majority of the board of directors of (1) any parent of the entity to which such assets are sold or disposed or (2) if there is no such parent, of such entity and (ii) the voting securities of the Company outstanding immediately prior to such sale or disposition continue to represent (either by remaining outstanding or by being converted into voting securities of the acquiring entity or any parent thereof) more than 50% of the combined voting power of the securities of the entity acquiring such assets or any parent thereof outstanding immediately after such sale or disposition.

For purpose of this Section 2.7, (i) the term "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act, and the term "Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified and used in Sections 13(d) and 14(d) thereof, except that such term shall not include (1) the Company or any of its subsidiaries, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, or (4) a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

2.8 "Code" shall mean the Internal Revenue Code of 1986, as amended, including the treasury regulations thereunder and other applicable guidance.

2.9 "Committee" shall mean the Compensation Committee of the Board, or another committee or subcommittee of the Board described in Article XI hereof.

2.10 "Common Stock" shall mean the common stock of the Company, par value \$0.01 per share.

2.11 "Company" shall mean AutoNation, Inc. and any successor corporation.

2.12 "Director" or "Non-Employee Director" shall mean a member of the Board, as constituted from time to time, who is not an officer or other employee of the Company or any of its subsidiaries.

2.13 "Disability" shall mean a permanent and total disability within the meaning of Section 22(e)(3) of the Code, as determined by the Committee.

2.14 "Effective Date" shall mean the date on which the Plan is approved by a vote of the shareholders of the Company.

2.15 "Eligible Individual" shall mean one serving as a Non-Employee Director.

2.16 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

2.17 "Fair Market Value" shall mean, as of any given date, the value of a Share determined as follows:

(a) if the Common Stock is (i) listed on any established securities exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market), (ii) listed on any national market system or (iii) listed, quoted or traded on any automated quotation system, its Fair Market Value shall be the composite closing sales price for a Share as quoted on such exchange or system for such date or, if there is no closing sales price for a Share on the date in question, the closing sales price for a Share on the next trading date for which such quotation exists; or

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(b) if the Common Stock is not listed on an established securities exchange, national market system or automated quotation system, its Fair Market Value shall be determined in a manner approved by the Committee in good faith.

2.18 "Option" shall mean a right to purchase Shares at a specified exercise price, granted under Article V hereof.

2.19 "Other Stock-Based Award" shall mean an Award granted to an Eligible Individual pursuant to Article IX hereof that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares, including, but not limited to, unrestricted Shares.

2.20 "Participant" shall mean an Eligible Individual who has been granted an Award.

2.21 "Person" shall mean any person, corporation, partnership, joint venture or other entity or any group (as such term is defined for purposes of Section 13(d) of the Exchange Act).

2.22 "Plan" shall have the meaning set forth in Article I.

2.23 "Restricted Stock" shall mean an Award of Shares made under Article VI hereof that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.24 "Restricted Stock Unit" shall mean a contractual right awarded under Article VII hereof to receive Shares or cash, as determined by the Administrator.

2.25 "Retirement" shall mean termination of Board service as a result of a Non-Employee Director's retirement or resignation from the Board after having reached age 55 and having provided at least six (6) years of Board service to the Company.

2.26 "Section 409A" shall mean Section 409A of the Code.

2.27 "Securities Act" shall mean the Securities Act of 1933, as amended.

2.28 "Share Limit" shall have the meaning provided in Section 3.1 hereof.

2.29 "Shares" shall mean shares of Common Stock.

2.30 "Stock Appreciation Right" shall mean a stock appreciation right granted under Article VIII hereof.

2.31 "Substitute Award" shall mean any Award granted in assumption of, or in substitution for, an award of a company or business acquired by the Company or with which the Company combines.

ARTICLE III

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares. Subject to Section 3.3 hereof, the maximum number of Shares available for issuance under the Plan (the "Share Limit") shall be 400,000 Shares. Shares issued under the Plan may, in whole or in part, be authorized but unissued Shares or Shares that have been or may be reacquired by the Company in the open market, in private transactions, or otherwise. If any Shares subject to an Award are forfeited, cancelled, exchanged or surrendered or if an Award otherwise terminates or expires without a distribution of Shares to the Participant, the Shares with respect to such Award shall, to the extent of any such forfeiture, cancellation, exchange, surrender, termination or expiration, again be available for Awards under the Plan. Notwithstanding the foregoing, Shares surrendered or withheld as payment of either the exercise price of an Award and/or withholding taxes in respect of an Award shall no longer be available for grant under the Plan. Shares delivered or deliverable in connection with a Substitute Award shall not be deemed granted or issued under the Plan for purposes of Section 3.1.

3.2 Individual Limitation. No Director shall be granted Awards in any calendar year with an aggregate grant date Fair Market Value (determined, with respect to Options and Stock Appreciation Rights, based on a Black-Scholes or other option valuation methodology determined by the Committee) in excess of \$750,000 per Director or which, together with cash compensation paid for the Non-Employee Directors' services would exceed \$1,000,000 in total value, in each case, calculating the value of any equity awards based on the grant date fair value of such equity awards for financial reporting purposes.

3.3 Adjustments.

(a) In the event of any stock dividend, stock split, combination or exchange of Shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to shareholders, consolidation, reclassification, recapitalization, spin-off, spin-out, repurchase or other reorganization or corporate transaction or event, or any other change affecting the Shares or the Share price (any such occurrence or event, a "Change in Capitalization"), the Administrator shall make such equitable adjustments as it determines to be appropriate and equitable, in its sole discretion, to prevent dilution or enlargement of rights, if any, to reflect such change with respect to (i) the aggregate number and kind of shares or other securities that may be issued under the Plan (including, but not limited to, adjustments of the Share Limit); (ii) the number and kind of shares (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and/or (iv) the grant or exercise price per Share for any outstanding Awards under the Plan. Without limiting the generality of the foregoing, in connection with a Change in Capitalization, the Administrator may provide, in its sole discretion, for the cancellation of any outstanding Award in exchange for payment in cash or other property having an aggregate value equal to the Fair Market Value of the Shares covered by such Award, reduced by the aggregate exercise price or purchase price thereof, if any. In the case where the exercise price per Share of an Option or Stock Appreciation Right exceeds the Fair Market Value per Share, the Administrator may cancel, in its sole discretion, such Option or Stock Appreciation Right for no payment. The Administrator's determinations pursuant to this Section 3.3(a) shall be final, binding and conclusive.

(b) No action shall be taken under this Section 3.3 which shall cause an Award to fail to comply with Section 409A or an exemption therefrom, to the extent applicable to such Award.

ARTICLE IV

GRANTING OF AWARDS

4.1 Participation. The Committee may, from time to time, select from among all Eligible Individuals, those to whom one or more Awards shall be granted and shall determine the nature and amount of each Award and the terms and conditions thereof, which shall not be inconsistent with the requirements of the Plan.

4.2 Award Agreement. Each Award shall be evidenced by an Award Agreement stating the terms and conditions applicable to such Award, consistent with the requirements of the Plan.

4.3 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the sole discretion of the Administrator, be granted either alone, in addition to or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

ARTICLE V

OPTIONS

5.1 Granting of Options to Eligible Individuals. The Administrator is authorized to grant non-qualified Options to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine which shall not be inconsistent with the Plan.

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5.2 Option Exercise Price. The exercise price per Share subject to each Option shall be set by the Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value of a Share on the date the Option is granted.

5.3 Option Term. The term of each Option shall be set forth in the Award Agreement; provided, however, that the term shall not be more than ten (10) years from the date the Option is granted. The Award Agreement shall set forth the time period during which the Participant has the right to exercise the vested Options, which time period may not extend beyond the expiration date of the Award term. Except as limited by the requirements of this Section 5.3 and Section 409A, the Administrator may extend the term of any outstanding Option, and may extend the time period during which vested Options may be exercised.

5.4 Option Vesting.

(a) The terms and conditions pursuant to which an Option vests and becomes exercisable shall be set forth in the applicable Award Agreement. Such vesting may be based on service as a Director, attainment of one or more performance goals, or any other criteria selected by the Administrator. At any time after grant of an Award of Options, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which the Options vest; provided that in no event shall an Award of Options become exercisable following its expiration, termination or forfeiture.

(b) No portion of an Option which is unexercisable at a Participant's termination of service shall thereafter become exercisable, except as may be otherwise provided in the Plan, the applicable Award Agreement or by action of the Administrator following the grant of the Option.

5.5 Partial Exercise of Options. An exercisable Option may be exercised in whole or in part. However, an Option shall not be exercisable with respect to fractional

Shares.

5.6 Manner of Exercise of Options. A Participant may exercise an exercisable Option, subject to applicable requirements established by the Administrator, by providing written notice of exercise accompanied by paying the full exercise price (and applicable withholding taxes, if any) to the stock administrator of the Company for the Shares with respect to which the Option, or portion thereof, is exercised, in one or more of the following manners: (i) cash in U.S. dollars, (ii) Shares (including Shares issuable pursuant to the exercise of the Option) having a Fair Market Value on the date of exercise equal to the aggregate payments required, (iii) cashless exercise via a broker approved by the Company or (iv) other form of legal consideration acceptable to the Administrator.

ARTICLE VI

RESTRICTED STOCK

6.1 Grant of Restricted Stock.

(a) The Administrator is authorized to grant Restricted Stock to Eligible Individuals from time to time, in its sole discretion, and shall determine the terms and conditions, including the restrictions, applicable to each award of Restricted Stock, which terms and conditions shall be set forth in the Award Agreement and shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Stock as it deems appropriate.

(b) In all cases, legal consideration shall be required for each issuance of Restricted Stock to the extent required by applicable law.

6.2 Rights as Shareholders. Upon issuance of Restricted Stock, the Participant shall have, unless otherwise provided herein or in the Award Agreement, all the rights of a shareholder with respect to said Shares. This includes, but is not limited to, the right to vote Shares of Restricted Stock as the record owner thereof, and the right to receive dividends and other distributions payable to an Eligible Individual during the restriction period; provided, however, that, the Award Agreement may provide that any distributions with respect to the Shares shall be subject to the restrictions set forth in Section 6.3 hereof.

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6.3 Restrictions. All Shares of Restricted Stock (including any Shares received by Participants thereof with respect to Shares of Restricted Stock as a result of a Change in Capitalization) shall be subject to the restrictions, vesting requirements and other conditions set forth in the Award Agreement. Such restrictions may include, without limitation, restrictions concerning voting rights and transferability. Such restrictions may lapse separately or in combination at such times and pursuant to such circumstances or based on such criteria as may be set forth in the Award Agreement, including, without limitation, criteria based on the Participant's continuing to serve as a Director, Company

or individual performance, or other criteria set forth in the Award Agreement. Restricted Stock may not be sold or encumbered until all restrictions are terminated or expire.

6.4 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. Certificates or book entries evidencing Shares of Restricted Stock, if any, must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, in its sole discretion, retain physical possession of any stock certificate until such time as all applicable restrictions lapse.

6.5 Section 83(b) Election. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date first above written of grant of the Restricted Stock rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant shall be required to deliver a copy of such election to the Company promptly after timely filing such election with the Internal Revenue Service.

ARTICLE VII

AUTONATION, INC.,
a Delaware corporation

/s/ Coleman Edmunds

By: Coleman Edmunds, EVP,
General Counsel & Assistant
Secretary

EXECUTIVE

/s/ Michael Manley

Michael Manley

RESTRICTED

STOCK UNITS

7.1 Grant of Restricted Stock Units.

(a) The Administrator is authorized to grant Restricted Stock Units to Eligible Individuals from time to time, in its sole discretion, and shall determine the terms and conditions, including the restrictions, applicable to each award of Restricted Stock Units, which terms and conditions shall be set forth in the Award Agreement and shall not be inconsistent with the Plan, and may impose such conditions on the issuance of such Restricted Stock Units as it deems appropriate.

(b) The Administrator shall specify, or permit the Participant to elect, the conditions and dates upon which the Shares underlying the Restricted Stock Units shall be issued (or, if provided in the Award Agreement, cash in lieu thereof shall be paid), which dates shall not be earlier than the date as of which the Restricted Stock Units vest and become non-forfeitable. Such conditions and dates shall be established in accordance with the applicable provisions of Section 409A or an exemption therefrom. On the distribution dates, the Company shall issue to the Participant one unrestricted, fully transferable Share (or, if provided in the Award Agreement, the Fair Market Value of one such Share in cash) for each vested and non-forfeitable Restricted Stock Unit.

(c) If and to the extent that the applicable Award Agreement may so provide, a Participant shall have the right to receive dividend equivalents on Restricted

Stock Units granted under the Plan. Unless otherwise provided in the applicable Award Agreement, any Shares received as a dividend equivalent underlying an Award shall be subject to the same restrictions as the Shares underlying such Award.

ARTICLE VIII

STOCK APPRECIATION RIGHTS

8.1 Grant of Stock Appreciation Rights.

(a) The Administrator is authorized to grant Awards of Stock Appreciation Rights to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine consistent with the Plan.

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(b) Each Award of Stock Appreciation Rights shall entitle the Participant to exercise all or a specified portion of the Award of Stock Appreciation Rights (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying the difference obtained by subtracting the exercise price per Share of the Stock Appreciation Rights from the Fair Market Value on the date of exercise of the Stock Appreciation Right by the number of Stock Appreciation Rights that shall have been exercised, subject to any limitations the Administrator may impose or set forth in the Award Agreement. Such amount shall be payable in Shares or in cash, as determined by the Administrator. The exercise price per Share subject to each Award of Stock Appreciation Rights shall be set by the Administrator, but shall not be less than one hundred percent (100%) of the Fair Market Value on the date the Stock Appreciation Rights are granted.

8.2 Stock Appreciation Right Vesting.

(a) The terms and restrictions pursuant to which a Stock Appreciation Right vests and becomes exercisable shall be set forth in the applicable Award Agreement. Such vesting may be based on service as a Director, attainment of one or more performance goals or any other criteria selected by the Administrator. At any time after grant of an Award of Stock Appreciation Rights, the Administrator may, in its sole discretion and subject to whatever terms and conditions it selects, accelerate the period during which the Stock Appreciation Rights vest; provided that in no event shall an Award of Stock Appreciation Rights become exercisable following its expiration, termination or forfeiture.

(b) No portion of an awarded Stock Appreciation Right which is unexercisable at a Participant's termination of service shall thereafter become exercisable, except as may be otherwise provided in the Plan, the applicable Award Agreement or by action of the Administrator following the grant of the Stock Appreciation Right.

8.3 Manner of Exercise. A Participant may exercise an exercisable Stock Appreciation Right subject to applicable requirements established by the Administrator. Upon written notice of exercise, full payment of the applicable withholding taxes, if any,

shall be made to Company for the Shares with respect to which the Stock Appreciation Rights, or portion thereof, are exercised, in a manner permitted by Section 5.6 in respect of Options.

8.4 Stock Appreciation Right Term. The term of each Award of Stock Appreciation Rights shall be set forth in the Award Agreement; provided, however, that the term shall not be more than ten (10) years from the date the Stock Appreciation Rights are granted. The Award Agreement shall set forth the time period during which the Participant has the right to exercise any vested Stock Appreciation Rights, which time period may not extend beyond the expiration date of the Award term. Except as limited by the requirements of this Section 8.4 and Section 409A, the Administrator may extend the term of any outstanding Stock Appreciation Rights, and may extend the time period during which vested Stock Appreciation Rights may be exercised.

8.5 No Net Share Counting. Stock Appreciation Rights to be settled in Shares shall be counted in full against the number of Shares available for award under the Plan under Section 3.1 regardless of the number of Shares issued upon settlement of the Stock Appreciation Rights.

ARTICLE IX

OTHER STOCK-BASED AWARDS

9.1 The Administrator is authorized to grant Awards of Other Stock-Based Awards to Eligible Individuals from time to time, in its sole discretion, on such terms and conditions as it may determine, consistent with the Plan.

ARTICLE X

ADDITIONAL TERMS OF AWARDS

10.1 Change in Control. Unless otherwise set forth in an Award Agreement, upon a Change in Control, (i) each Award shall become fully vested and, if applicable, exercisable, (ii) the restrictions, payment conditions and

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forfeiture conditions applicable to any Award granted shall lapse and (iii) the Shares underlying outstanding Restricted Stock Units shall be delivered to the Participant.

10.2 Transferability of Awards. No Award shall be assignable or transferable by the Participant to whom it is granted, other than by will or the laws of descent and distribution, except that, upon approval by the Board, the Participant may transfer an Award (a) pursuant to a domestic relations order as defined for purposes of the Employee Retirement Income Security Act of 1974, as amended, or (b) by gift: (i) to a member of the "Family" (as defined below) of the Participant, or (ii) to a trust for the exclusive benefit of the Participant, one or more members of the Participant's Family and which is organized to achieve the estate planning objectives of the Participant, or (c) by

gift: to any limited liability company or partnership (x) substantially all of the economic interests of which are held by or for the benefit of the Participant or members of the Participant's Family, and (y) which is under the voting control of such Participant or Family members, or (d) any combination of the foregoing; provided that any such transferee shall enter into a written agreement to be bound by the terms of this Plan and the applicable Award. For this purpose, "Family" shall mean the ancestors, step-parent, mother in-law, father in-law, spouse, siblings, spouses of siblings, niece, nephew, lineal descendants, spouses of lineal descendants and step children of the Participant.

10.3 Conditions to Issuance of Shares.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates or make any book entries evidencing Shares pursuant to the exercise of any Award, unless and until the Administrator has determined, with advice of counsel, that the issuance of such Shares is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the Shares are listed or traded, and the Shares are covered by an effective registration statement or applicable exemption from registration. In addition to the terms and conditions provided herein, the Administrator may require that a Participant make such reasonable covenants, agreements and representations as the Administrator, in its discretion, deems advisable in order to comply with any laws, regulations, or requirements.

(b) All Share certificates delivered pursuant to the Plan and all Shares issued pursuant to book entry procedures are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign securities or other laws, rules and regulations and the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded. The Administrator may place legends on any Share certificate or book entry to reference restrictions applicable to the Shares.

(c) The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement, distribution or exercise of any Award, including a trading window-period limitation, as may be imposed in the sole discretion of the Administrator.

(d) No fractional Shares shall be issued and the Administrator shall determine, in its sole discretion, whether cash shall be given in lieu of fractional Shares or whether such fractional Shares shall be eliminated by rounding down.

(e) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any applicable law, rule or regulation, the Company may, in lieu of delivering to any Participant certificates evidencing Shares issued in connection with any Award, record the issuance of Shares in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

10.4 Prohibition on Repricing. Except as provided in Section 3.3, in no event shall (a) an Option or Stock Appreciation Right be cancelled in exchange for cash when the applicable exercise price per Share exceeds the Fair Market Value of one Share or (b) the exercise price with respect to an Option or Stock Appreciation Right be reduced following the grant of such Award, nor shall an Option or Stock Appreciation Right be cancelled in exchange for a replacement Award with a lower exercise price, without the approval of the Company's stockholders.

10.5 Termination of Board Service.

(a) Except as set forth below, and unless the Administrator or Award Agreement provides otherwise, if a Participant's service as a Director is terminated, all unvested Awards held by such Participant at the time of such termination shall immediately terminate and such Participant shall have no further right to receive cash or purchase or receive Shares pursuant to such Award; provided, however, that all Options and Stock Appreciation Rights, to the extent exercisable on the date of such termination, shall remain exercisable until the earlier of (i) the expiration date of such Option or Stock Appreciation Right and (ii) the 60th day following the date of such termination.

(b) Notwithstanding the above, unless the Administrator or Award Agreement provides otherwise, if a Participant's service as a Director is terminated by reason of death, Disability or Retirement, all Awards held by such Participant at the time of such termination shall become immediately vested, and all Options and Stock Appreciation Rights shall become exercisable in full and shall remain exercisable until the earlier of (i) the expiration date of such Option or Stock Appreciation Right and (ii) the third anniversary of the date of such termination.

ARTICLE XI

ADMINISTRATION

11.1 Administrator. Except to the extent determined by the Board, the Committee (or another committee or a subcommittee of the Board assuming the functions of the Committee under the Plan) shall administer the Plan (except as otherwise permitted herein) and shall be referred to herein as the "Administrator."

11.2 Duties and Powers of Administrator. It shall be the duty of the Administrator to conduct the general administration of the Plan in accordance with its provisions. The Administrator shall have the power to interpret the Plan and all Award Agreements, and to adopt such rules for the administration, interpretation and application of the Plan as are not inconsistent with the Plan, to interpret, amend or revoke any such rules and to amend any Award Agreement, provided that the rights or obligations of the holder of the Award that is the subject of any such Award Agreement are not affected adversely by such amendment unless the consent of the Participant is obtained or such amendment is otherwise permitted under Section 12.1 hereof.

11.3 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and sole discretion to:

- (a) Designate Eligible Individuals to receive Awards;
- (b) Determine the type or types of Awards to be granted to Eligible Individuals;
- (c) Determine the number of Awards to be granted and the number of Shares to which an Award will relate;
- (d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any performance criteria, any restrictions or limitations on the Award, any schedule for

vesting (including full vesting upon grant), lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, and any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Administrator in its sole discretion determines;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in cash, Shares, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

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(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

11.4 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan or any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding and conclusive on all parties.

11.5 Delegation of Authority. To the extent permitted by applicable law or the rules of any securities exchange or automated quotation system on which the Shares are listed, quoted or traded, the Board or Committee may from time to time delegate to a committee of one or more members of the Board the authority to grant or amend Awards or to take other administrative actions pursuant to this Article XI. Any delegation hereunder shall be subject to the restrictions and limits that the Board or Committee specifies at the time of such delegation, and the Board or Committee may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 11.5 shall serve in such capacity at the pleasure of the Board and the Committee.

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 Amendment, Suspension or Termination of the Plan. The Plan may be amended or terminated at any time by action of the Board. However, no amendment

may, without shareholder approval, (i) increase the aggregate number of Shares available for Awards, (ii) extend the term of the Plan, (iii) materially expand the types of Awards available under the Plan, (iv) change the definition of Eligible Individual to add a category or categories of individuals who are eligible to participate in the Plan, (v) delete or limit the prohibition against repricing of Awards contained in Section 10.4, or (vi) make other changes which require approval by the shareholders of the Company in order to comply with applicable law or applicable stock market rules. No amendment or termination of the Plan or any Award Agreement may adversely modify any individual's rights under an outstanding Award unless such individual consents to the modification in writing.

12.2 Paperless Administration. In the event that the Company establishes, for itself or using the services of a third party, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Participant may be permitted through the use of such an automated system.

12.3 Titles and Headings, References to Sections of the Code or Exchange Act. The titles and headings of the sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control. References to sections of the Code, the Exchange Act or the Securities Act shall include any amendment or successor thereto.

12.4 Governing Law. The Plan and any programs and agreements hereunder shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

12.5 Section 409A. The Plan and Awards are intended to comply with Section 409A to the extent subject thereto, and, accordingly, to the maximum extent permitted, the Plan shall be interpreted and be administered to be in compliance therewith. Any payments described in the Plan that are due within the "short-term deferral period" as defined in Section 409A shall not be treated as deferred compensation unless applicable law requires otherwise. Notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, the Participant shall not be considered to have

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terminated service with the Company for purposes of the Plan or any Award until the Participant would be considered to have incurred a "separation from service" from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided to the Participant pursuant to the Plan which constitutes deferred compensation subject to Section 409A shall be construed as a separate identified payment for purposes of Section 409A.

12.6 No Rights to Awards. No Eligible Individual or other individual shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Participants or any other individuals uniformly.

12.7 Unfunded Status of Awards. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company.

12.8 Successors. The obligations of the Company under the Plan shall be binding upon any successor corporation or organization resulting from the merger, consolidation or other reorganization of the Company, or upon any successor corporation or organization succeeding to substantially all of the assets and business of the Company.

12.9 Expenses. The expenses of administering the Plan shall be borne by the Company.

12.10 Clawback. Awards shall be subject to any compensation recovery policy that is applicable to Directors adopted by the Company from time to time, including, without limitation, policies adopted to comply with applicable law.

12.11 Term of Plan. Unless earlier terminated by the Board pursuant to Section 12.1, the Plan shall terminate on the tenth anniversary of the Effective Date; provided, however, any Awards that are outstanding as of the date of the Plan's termination shall remain in effect, and the terms of the Plan shall apply until such Awards terminate as provided in the applicable Award Agreements.

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Exhibit 31.1

CERTIFICATION

I, Mike Manley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoNation, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules

13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mike Manley

Mike Manley

Chief Executive Officer and Director

Date: October 27, 2023 April 26, 2024

Exhibit 31.2

CERTIFICATION

I, Thomas A. Szlosek, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoNation, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements

made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

/s/ Thomas A. Szlosek

Thomas A. Szlosek

*Executive Vice President and Chief
Financial Officer*

Date: October 27, 2023 April 26, 2024

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

In connection with the Quarterly Report on Form 10-Q of AutoNation, Inc. (the "Company") for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Mike Manley, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Mike Manley

Mike Manley

Chief Executive Officer and Director

Date: **October 27, 2023** **April 26, 2024**

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

In connection with the Quarterly Report on Form 10-Q of AutoNation, Inc. (the "Company") for the quarter ended **September 30, 2023** **March 31, 2024**, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Thomas A. Szlosek, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Thomas A. Szlosek

Thomas A. Szlosek

*Executive Vice President and Chief
Financial Officer*

Date: **October 27, 2023** **April 26, 2024**

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