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

# FORM 10-K

(Mark One)

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

**For the fiscal year ended December 31, 2017**

**or**

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

**For the transition period from to**

**Commission file number: 001-31262**

# ASBURY AUTOMOTIVE GROUP, INC.

**(Exact name of Registrant as specified in its charter)**

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

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

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| **Common Stock, par value $.01 per share** | **New York Stock Exchange** |

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company (as defined in Rule 12b-2 of the Act).

| | | | |
|---|---|---|---|
| Large Accelerated Filer | ☒ | Accelerated filer | ☐ |
| Non-Accelerated Filer | ☐ | Smaller reporting company | ☐ |

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

Based on the closing price of the registrant's common stock as of June 30, 2017, the aggregate market value of the common stock held by non-affiliates of the registrant was $1.16 billion (based upon the assumption, solely for purposes of this computation, that all of the officers and directors of the registrant were affiliates of the registrant).

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of February 26, 2018 was 20,913,251.

DOCUMENTS INCORPORATED BY REFERENCE

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

Portions of the registrant's definitive Proxy Statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days after the end of the registrant's fiscal year, are incorporated by reference into Part III, Items 10 through 14 of this Annual Report on Form 10-K.

**ASBURY AUTOMOTIVE GROUP, INC.**
**ANNUAL REPORT ON FORM 10-K**
**FOR THE YEAR ENDED**
**DECEMBER 31, 2017**


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# PART I.

## Forward-Looking Information

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

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

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

- changes in general economic and business conditions, including changes in employment levels, consumer demand, preferences and confidence levels, the availability and cost of credit, fuel prices, levels of discretionary personal income and interest rates;
- our ability to execute our balanced automotive retailing and service business strategy;
- adverse conditions affecting the vehicle manufactures whose brands we sell, and their ability to design, manufacture, deliver, and market their vehicles successfully;
- changes in the mix, and total number, of vehicles we are able to sell;
- our outstanding indebtedness and our continued ability to comply with applicable covenants in our various financing and lease agreements, or to obtain waivers of these covenants as necessary;
- high levels of competition in our industry, which may create pricing and margin pressures on our products and services;

- our relationships with manufacturers of the vehicles we sell and our ability to renew, and enter into new framework and dealer agreements with vehicle manufacturers whose brands we sell, on terms acceptable to us;
- the availability of manufacturer incentive programs and our ability to earn these incentives;
- failure of our management information systems or any security breaches;
- changes in laws and regulations governing the operation of automobile franchises, including trade restrictions, consumer protections, accounting standards, taxation requirements, and environmental laws;
- adverse results from litigation or other similar proceedings involving us;
- our ability to generate sufficient cash flows, maintain our liquidity and obtain any necessary additional funds for working capital, capital expenditures, acquisitions, stock repurchases and/or dividends, debt maturity payments, and other corporate purposes;
- any disruptions in the financial markets, which may impact our ability to access capital;
- our relationships with, and the financial stability of, our lenders and lessors;
- significant disruptions in the production and delivery of vehicles and parts for any reason, including natural disasters, product recalls, work stoppages, significant property loss or other occurrences that are outside of our control;
- our ability to execute our initiatives and other strategies; and
- our ability to leverage gains from our dealership portfolio.

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

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

**Additional Information**

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to such reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, are made available free of charge on our website at *http://www.asburyauto.com* as soon as practical after such reports are filed with the U.S. Securities and Exchange Commission (the "Commission"). In addition, the proxy statement that will be delivered to our stockholders in connection with our 2017 Annual Meeting of Stockholders, when filed, will also be available on our website, and at the URL stated in such proxy statement. We also make available on our website copies of our certificate of incorporation, bylaws, and other materials that outline our corporate governance policies and practices, including:

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

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

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

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

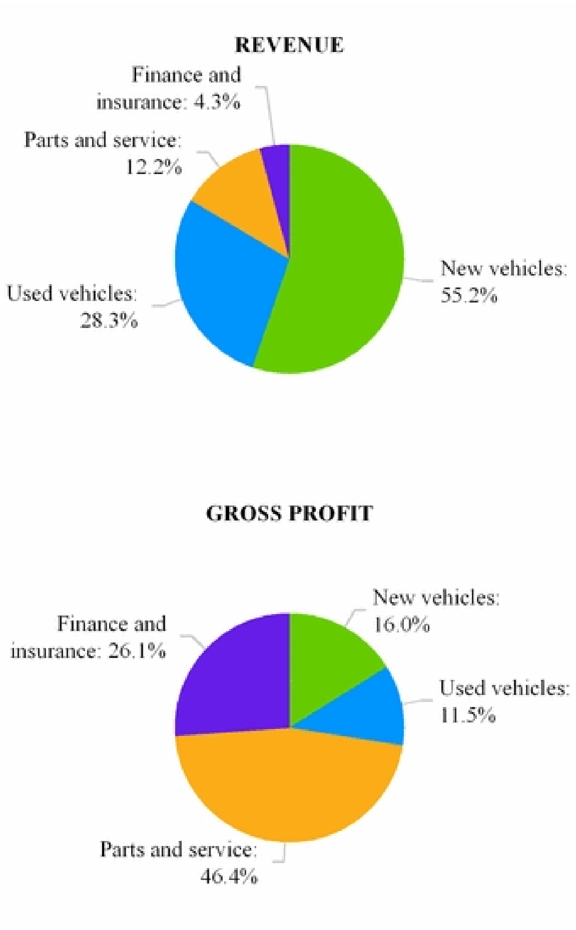
**Item 1. BUSINESS**

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

As of December 31, 2017, we owned and operated 94 new vehicle franchises, representing 29 brands of automobiles at 80 dealership locations, and 24 collision centers in the United States. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, including vehicle repair and maintenance services, replacement parts, and collision repair services; and finance and insurance products, including arranging vehicle financing through third parties and aftermarket products, such as extended service contracts, guaranteed asset protection ("GAP") insurance, prepaid maintenance, and credit life and disability insurance.

Our operations provide a diverse revenue base that we believe mitigates the impact of fluctuations in new vehicle sales volumes and gross profit margins. In addition, our geographic footprint decreases our exposure to regional economic conditions and our brand diversification decreases our exposure to manufacturer-specific risks, such as brand perception or production disruptions. Approximately 84% of our gross profit is derived from used vehicles, parts and service, and finance and insurance which historically have been more stable throughout economic cycles.

The following charts present the contribution to total revenue and gross profit by each line of business for the year ended December 31, 2017:



Our new vehicle franchise retail network is made up of dealerships located in 17 metropolitan markets in 9 states operating primarily under eight locally-branded dealership groups. The following chart provides a detailed breakdown of our markets, brand names, and franchises as of December 31, 2017:

| Dealership Group | Market | Franchise Brand Name |
|---|---|---|
| Coggin Automotive Group | Fort Pierce, FL | Acura, BMW, Honda, Mercedes-Benz |
| | Jacksonville, FL | Buick, Chevrolet, Ford, GMC, Honda(a), Nissan(a), Toyota |
| | Orlando, FL | Ford, Honda(a), Hyundai, Lincoln |
| Courtesy Autogroup | Tampa, FL | Chrysler, Dodge, Honda, Hyundai, Infiniti, Jeep, Kia, Mercedes-Benz, Nissan, smart (b), Sprinter, Toyota |
| Crown Automotive Company | Charlottesville, VA | BMW |
| | Durham, NC | Honda |
| | Fayetteville, NC | Dodge, Ford |
| | Greensboro, NC | Acura, BMW, Chrysler, Dodge, Honda, Jeep, Nissan, Volvo |
| | Greenville, SC | Jaguar, Land Rover, Lexus, Nissan, Porsche, Toyota, Volvo |
| | Richmond, VA | Acura, BMW(a), MINI |
| David McDavid Auto Group | Austin, TX | Acura |
| | Dallas/Fort Worth, TX | Acura, Ford, Honda(a), Lincoln |
| | Houston, TX | Nissan |
| Gray-Daniels Auto Family | Jackson, MS | Chevrolet, Ford, Lincoln, Nissan(a), Toyota |
| Hare Automotive Group | Indianapolis, IN | Chevrolet, Isuzu |
| Nalley Automotive Group | Atlanta, GA | Acura, Audi, Bentley, BMW, Ford, Honda, Hyundai, Infiniti(a), Kia, Lexus(a), Nissan(a), Toyota(a), Volkswagen |
| Plaza Motor Company | St. Louis, MO | Audi, BMW, Infiniti, Jaguar, Land Rover, Lexus, Mercedes-Benz(a), smart (b), Sprinter(a) |

______________________________
(a) This market has two of these franchises.
(b) Parts and service operations only.

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**Operations**

***New Vehicle Sales***

The following table reflects the number of franchises we owned as of December 31, 2017 and the percentage of new vehicle revenues represented by class and franchise for the year ended December 31, 2017:

| Class/Franchise | Number of Franchises Owned | % of New Vehicle Revenues |
|---|---|---|
| **Luxury** | | |
| Mercedes-Benz | 4 | 7% |
| Lexus | 4 | 7 |
| BMW | 7 | 6 |
| Acura | 6 | 4 |
| Infiniti | 4 | 3 |
| Audi | 2 | 3 |
| Lincoln | 3 | 1 |
| Volvo | 2 | 1 |
| Land Rover | 2 | 1 |
| Jaguar | 2 | 1 |
| Porsche | 1 | * |
| Bentley | 1 | * |
| Total Luxury | 38 | 34% |
| **Import** | | |
| Honda | 11 | 18% |
| Toyota | 6 | 11 |
| Nissan | 10 | 12 |
| Kia | 2 | 2 |
| Hyundai | 3 | 2 |
| Volkswagen | 1 | 1 |
| MINI | 1 | * |
| smart (a) | — | * |
| Isuzu | 1 | * |
| Sprinter | 3 | * |
| Total Import | 38 | 46% |
| **Domestic** | | |
| Ford | 6 | 11% |
| Chevrolet | 3 | 4 |
| Dodge | 3 | 3 |
| Jeep | 2 | 1 |
| GMC | 1 | 1 |
| Chrysler | 2 | * |
| Buick | 1 | * |
| Total Domestic | 18 | 20% |
| **Total Franchises** | 94 | 100% |

(a) Two Franchise agreements pursuant to which we perform parts and service operations.

* Franchise accounted for less than 1% of new vehicle revenues for the year ended December 31, 2017.

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

### *Used Vehicle Sales*

We sell used vehicles at all of our franchised dealership locations. Used vehicle sales include the sale of used vehicles to individual retail customers ("used retail") and the sale of used vehicles to other dealers at auction ("wholesale") (the terms "used retail" and "wholesale" collectively referred to as "used").

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

### *Parts and Service*

We provide vehicle repair and maintenance services, sell replacement parts, and recondition used vehicles at all of our dealerships. In addition, we provide collision repair services at our 24 free-standing collision repair centers that we operate either on the premises of, or in close proximity to, our dealerships. Historically, parts and service revenues have been more stable than those from vehicle sales. Industry-wide, parts and service revenues have consistently increased over time primarily due to the increased cost of maintaining vehicles, the added technical complexity of vehicles, and the increasing number of vehicles on the road.

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

### *Finance and Insurance*

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

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

- Extended service contracts – covers certain repair work after the expiration of the manufacturer warranty;
- GAP debt cancellation – covers the customer after a total loss for the difference between the value of the vehicle and the outstanding loan or lease obligation after insurance proceeds;
- Prepaid maintenance – covers certain routine maintenance work, such as oil changes, cleaning and adjusting of brakes, multi-point vehicle inspections, and tire rotations; and
- Credit life and disability – covers the remaining amounts due on an auto loan or a lease in the event of death or disability.

**Recent Developments**

In January 2018, we acquired the assets of one franchise (one dealership location) in the Indianapolis, Indiana market.

**Business Strategy**

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

***Drive Operational Excellence***

*Attract and retain the best talent*

We believe that local management of dealership operations enables our retail network to provide market specific responses to sales, customer service, and inventory requirements. The general manager of each of our dealerships is responsible for the operations, personnel, and financial performance of that dealership as well as other day-to-day operations. We believe our general managers' familiarity with their respective markets enables them to effectively run day-to-day operations, market to customers, and recruit new employees. The general manager of each dealership is supported, in most cases, by a new vehicle sales manager, a used vehicle sales manager, an F&I manager, a parts manager, and a service manager. Our dealership management teams typically have many years of experience in the automotive retail industry. This management structure is complemented by support from our market-based management teams and the corporate office, which we refer to as the Dealership Support Center ("DSC"), through our advanced technology solutions, centralized processes, marketing support, and financial oversight.

*Implement best practices and improve productivity*

While new vehicle sales are critical to drawing customers to our dealerships, used vehicles, parts and service, and F&I sales generally provide higher profit margins and account for the majority of our gross profit. In order to maximize the growth of these higher margin businesses, we have discipline-specific executives who focus on increasing the penetration of current services and expanding the breadth of our offerings to customers through the implementation of best practices and continuous training on our technology solutions throughout our dealership network. In addition, we have marketing initiatives designed to attract customers to our online channels and mobile applications.

In order to mitigate the impact of significant fluctuations in vehicle sales, we tie management and employee compensation at various operational levels to performance through incentive-based pay systems based on various metrics. We compensate our general managers, department managers, and sales and other dealership personnel with incentive-based pay, using metrics such as dealership profitability, departmental profitability, customer satisfaction and individual performance, as appropriate. In addition, a portion of management's compensation is variable based in nature, including an annual cash bonus based on achieving certain earnings before interest, taxes, depreciation and amortization ("EBITDA") targets and a component of equity compensation tied to our financial performance in comparison to our peer group.

*Provide an exceptional customer experience*

We are focused on providing a high level of customer service and have designed our dealerships' services to meet the needs of an increasingly sophisticated and demanding automotive consumer. We endeavor to establish relationships which we believe will result in both repeat business and additional business through customer referrals. Furthermore, we provide our dealership managers with appropriate incentives to employ efficient selling approaches, engage in extensive follow-up to develop long-term relationships with customers, and extensively train our sales staff to meet customer needs. We continually evaluate opportunities, and implement appropriate new technologies, to improve the buying experience for our customers, and believe that our ability to share best practices across our multi-jurisdictional platform gives us an advantage over independent dealerships. For example, we have implemented a common customer relations management tool in all of our dealerships to facilitate communications with customers before, during, and after the sale. We continue to invest in technologies designed to improve our sales process and employee productivity, all with the goal of improving the customer experience. In addition, our higher margin parts and service operations are an integral part of our overall approach to customer service, providing an opportunity to foster ongoing relationships and improve customer loyalty. We continue to train our technicians and service advisors on processes and technologies to both educate our customers on their service needs and ensure that our customers continue to receive excellent service. We believe our parts and service business provides us with an opportunity for future growth due to improved customer retention, the added technical complexity of vehicles and the increasing number of vehicles on the road.

*Centralize, streamline, and automate processes*

Our DSC management is responsible for our capital expenditures and determining our operating strategy, while the implementation of our operating strategy rests with our market-based management teams and each dealership management team based on the policies and procedures established by DSC management. DSC management and our market-based management teams continually evaluate the financial and operating results of our dealerships, as well as each dealership's geographical location, and from time to time, make decisions to evaluate new technologies and/or processes to further enhance our operational performance. As part of our investment in our information technology ("IT") systems, we have deployed a common dealer management system ("DMS"). We believe a single DMS provides the foundation for future efficiencies and creates a more efficient retail operation. We consolidate financial, accounting, and operational data received from our dealerships through customized financial products. Our IT approach enables us to efficiently integrate and aggregate information from our dealerships. Through the combination of a common DMS and our corporate IT products, management has access to the financial, accounting, and operational data at various levels of the organization. In addition, we are in the process of centralizing business processes throughout our organization which we expect will deliver future cost synergies and enhanced performance.

*Leverage our scale and cost structure to improve our operating efficiencies*

We are positioned to leverage our significant scale so that we are able to achieve competitive operating margins by centralizing and streamlining various back-office functions. We are able to improve financial controls and lower servicing costs by maintaining key store-level accounting and administrative activities in our shared service centers, and we leverage our scale to reduce costs related to purchasing certain equipment, supplies, and services through national vendor relationships.

***Deploy Capital to Highest Returns***

We continually evaluate our investment opportunities based upon: (i) our cash and cash equivalents on hand, (ii) the funds that we expect to generate through future operations, (iii) current and expected borrowing availability under our credit facilities and mortgage financings, (iv) amounts in our new vehicle floor plan notes payable offset accounts, and (v) the potential impact of any contemplated or pending future transactions, including, but not limited to, financings, acquisitions, dispositions or other capital expenditures.

*Seek opportunities to further invest in our business; acquire real estate currently being operated under lease agreements*

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

*Evaluate opportunities to refine our dealership portfolio, including acquiring value added operating assets and dealerships*

We evaluate dealership acquisition opportunities based on market position and geography, brand representation and availability, key personnel, and other factors. We believe our financial position, IT systems, management structure, and experience, position us to efficiently and opportunistically complete, integrate, and benefit from dealership acquisitions. We also evaluate the financial and operating results of our owned dealerships, as well as each dealership's geographical location, and based on various financial and strategic rationales, may make decisions to dispose of dealerships to refine our dealership portfolio.

*Return capital to stockholders through share repurchase programs and/or dividends*

Our capital allocation decisions are primarily based on our desire to maintain sufficient liquidity and a prudent capital structure. We believe our cash position and borrowing capacity, combined with our current and expected future cash generation capability, provides us with significant financial flexibility to enhance shareholder value through the repurchase of our common stock and/or dividends. Our share repurchase decisions are based on many factors, including a comparison of the market price of our common stock versus our view of its intrinsic value.

**Competition**

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

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

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

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

**Seasonality**

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

**Dealer and Framework Agreements**

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

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

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

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

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

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

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

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

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

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

**Regulations**

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

Our financing activities with customers are subject to federal truth-in-lending, consumer leasing, and equal credit opportunity laws and regulations, as well as state and local motor vehicle finance laws, leasing laws, installment finance laws, usury laws, and other installment state and leasing laws and regulations. Some U.S. states regulate fees and charges that may be paid as a result of vehicle sales. Claims arising out of actual or alleged violations of law may be asserted against us or our stores by individuals or governmental entities and may expose us to significant damages, fines or other penalties, including revocation or suspension of our license to conduct store operations.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law and established the Consumer Financial Protection Bureau ("CFPB") with broad regulatory powers. Although automotive dealers are generally excluded from the CFPB's regulatory authority, the CFPB has announced its intention to regulate automotive financing activities through its regulation of automotive finance companies and other financial institutions that service the automotive industry. The CFPB has issued regulatory guidance instructing financial institutions to monitor dealer lending practices for potential discrimination, resulting from the system used to compensate dealers for assisting in the customer financing transaction. The CFPB has instructed lenders that, if discrimination is found, the lender would be required to change dealer compensation practices. In addition, the CFPB has announced its intention to regulate the sale of other finance and insurance products. The Federal Trade Commission has certain regulatory authority over automotive dealers and has implemented an enforcement initiative relating to the advertising practices of automotive dealers. For additional information, please refer to the risk factor captioned "Our operations are subject to extensive governmental laws and regulations. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our operations, our business, our reputation, financial condition, results of operations, and prospects could suffer."

**Environmental, Health and Safety Laws and Regulations**

We are subject to a wide range of environmental laws and regulations, including those governing discharges into water, air emissions, storage of petroleum substances and chemicals, handling and disposal of solid and hazardous wastes, remediation of various types of contamination, and otherwise relating to health, safety and protection of the environment. For example and without creating an exhaustive list: as with automobile dealerships generally, and service and parts and collision repair center operations in particular, our business involves the generation, use, handling, and disposal of hazardous or toxic substances and wastes and the use of above ground and underground storage tanks (ASTs and USTs). Operations involving the management of wastes and the use of ASTs and USTs are subject to requirements of the Resource Conservation and Recovery Act, analogous state statutes, and their implementing regulations. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storing, treating, transporting, and disposing of regulated substances and wastes with which we must comply. We also are subject to laws and regulations governing responses to any releases of contamination at or from our facilities or at facilities that receive our hazardous wastes for treatment or disposal. The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") and similar state statutes, can impose strict and joint and several liability for cleanup costs on those that are considered to have contributed to the release of a "hazardous substance." We also are subject to the Clean Water Act, analogous state statutes, and their implementing regulations which, among other things, prohibit discharges of pollutants into regulated waters without permits, require containment of potential discharges of oil or hazardous substances, and require preparation of spill contingency plans. Currently, we are not aware of any non-compliance with these or any other environmental requirements applicable to our operations, nor are we aware of any material remedial liabilities to which we are subject.

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

**Employees**

As of December 31, 2017, we employed approximately 8,000 full-time and part-time employees, none of whom were covered by collective bargaining agreements. We believe we have good relations with our employees.

**Insurance**

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

Our insurance programs include multiple umbrella policies with a total per occurrence and aggregate limit of $100.0 million. We are self-insured for certain employee medical claims and maintain stop loss insurance for individual claims. We have large deductible insurance programs in place for workers compensation, property, and general liability claims.

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

**Item 1A. Risk Factors**

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

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

Our future performance will be impacted by general economic conditions including: changes in employment levels; consumer demand, preferences and confidence levels; the availability and cost of credit; fuel prices; levels of discretionary personal income; and interest rates. We also are subject to economic, competitive, and other conditions prevailing in the various markets in which we operate, even if those conditions are not prominent nationally.

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

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

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

Historically, we have generated most of our revenue through new vehicle sales, and new vehicle sales also tend to lead to sales of higher-margin products and services, such as finance and insurance products and vehicle related parts and service. As a result, our profitability is dependent to a great extent on various aspects of vehicle manufacturers' operations, many of which are outside of our control. Our ability to sell new vehicles is dependent on manufacturers' ability to design and produce, and willingness to allocate and deliver to our dealerships, a desirable mix of popular new vehicles that consumers demand. Popular vehicles may often be difficult to obtain from manufacturers for a number of reasons, including the fact that manufacturers generally allocate their vehicles to dealerships based on sales history and capital expenditures associated with such dealerships. Further, if a manufacturer fails to produce desirable vehicles or develops a reputation for producing undesirable vehicles or produces vehicles that do not comply with applicable laws or government regulations, and we own dealerships that sell that manufacturer's vehicles, our revenues from those dealerships could be adversely affected as consumers shift their vehicle purchases away from that brand.

Although we seek to limit our dependence on any one vehicle manufacturer, there can be no assurance that the brand mix allocated and delivered to our dealerships by the manufacturers will be appropriate or sufficiently diverse, to protect us from a significant decline in the desirability of vehicles manufactured by a particular manufacturer or disruptions in a manufacturer's ability to produce vehicles. For the year ended December 31, 2017, manufacturers representing 5% or more of our revenues from new vehicle sales were as follows:

| **Manufacturer (Vehicle Brands):** | **% of Total New Vehicle Revenues** |
|---|---|
| American Honda Motor Co., Inc. (*Honda and Acura*) | 22% |
| Toyota Motor Sales, U.S.A., Inc. (*Toyota and Lexus*) | 18% |
| Nissan North America, Inc. (*Nissan and Infiniti*) | 15% |
| Ford Motor Company (*Ford and Lincoln*) | 12% |
| Mercedes-Benz USA, LLC (*Mercedes-Benz, smart and Sprinter*) | 8% |
| BMW of North America, LLC (*BMW and Mini*) | 6% |

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

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

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

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

As of December 31, 2017, we had total debt of $879.3 million, which excludes total floor plan notes payable of $732.1 million. We have the ability to incur substantial additional debt in the future to finance, among other things, acquisitions, working capital and capital expenditures, and new and used vehicle inventory, as well as to refinance new and used vehicle inventory, subject in each case to the restrictions contained in our debt instruments and other agreements existing at the time such indebtedness is incurred.

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

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

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

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

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

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

We generally finance our purchases of new vehicle inventory, have the ability to finance the purchases of used vehicle inventory, and have the availability to borrow funds for working capital under our senior secured credit facilities that charge interest at variable rates. Therefore, our interest expense from variable rate debt will rise with increases in interest rates. In addition, a significant rise in interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used vehicle sales and the related profit margins and F&I revenue per vehicle, because most of our customers finance their vehicle purchases. As a result, rising interest rates may have the effect of simultaneously increasing our capital costs and reducing our revenues. Given our variable interest rate debt and floor plan notes payable outstanding as of December 31, 2017, each one percent increase in market interest rates would increase our total annual interest expense by as much as $7.2 million. When considered in connection with reduced expected sales as and if interest rates increase, any such increase could materially adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

Additionally, if one or more companies are permitted to circumvent the state franchise laws of several states in the United States thereby permitting them to sell their new vehicles without the requirements of establishing a dealer-network, they may be able to have a competitive advantage over the traditional dealers, which could have a material adverse effect on our sales in those states.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Dodd-Frank Act, which was signed into law on July 21, 2010, established the CFPB, an independent federal agency funded by the United States Federal Reserve with broad regulatory powers and limited oversight from the United States Congress. Although automotive dealers are generally excluded, the Dodd-Frank Act could lead to additional, indirect regulation of automotive dealers, in particular, their sale and marketing of finance and insurance products, through its regulation of automotive finance companies and other financial institutions. In addition, the CFPB possesses supervisory authority with respect to certain non-bank lenders, including automotive finance companies, participating in automotive financing. The Dodd-Frank Act also provided the FTC with new and expanded authority regarding automotive dealers. Since then, the FTC has been gathering information on consumer protection issues through roundtables, public comments and consumer surveys. The FTC may exercise its additional rule-making authority to expand consumer protection regulations relating to the sale, financing and leasing of motor vehicles. In 2014, the FTC implemented an enforcement initiative relating to the advertising practices of automotive dealers. In connection therewith, in May 2016, we signed a consent order with the FTC to settle allegations that in certain instances our advertisements did not adequately disclose information about used vehicles with open safety recalls. Under the consent order, we did not agree to make any payments or admit wrong-doing, but we did agree to make certain disclosures in marketing materials and at the point of sale and comply with certain record-keeping obligations.

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

Environmental laws and regulations govern, among other things, discharges into the air and water, storage of petroleum substances and chemicals, the handling and disposal of solid and hazardous wastes, investigation and remediation of contamination, and otherwise protective of health, safety and the environment. Similar to many of our competitors, we have incurred and expect to continue to incur capital and operating expenditures and other costs to comply with such federal and state statutes. In addition, we may become subject to broad liabilities arising out of contamination at our currently and formerly owned or operated facilities, at locations to which hazardous substances were transported from such facilities, and at such locations related to entities formerly affiliated with us. For such potential liabilities, we believe we are entitled to indemnification from other entities. However, we cannot assure you that such entities will view their obligations as we do or will be able or willing to satisfy them. Failure to comply with applicable laws and regulations, or significant additional expenditures required to maintain compliance therewith, could have a material adverse effect on our business, results of operations, financial condition, or cash flows.

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

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

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

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

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

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

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

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

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

**We are subject to risks of doing business with manufacturers that produce vehicles outside of the United States including import product restrictions or limitations, foreign trade risks, and currency valuations.**

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

**If we are unable to acquire and successfully integrate additional dealerships into our business, our revenue and earnings growth may be adversely affected.**

We believe that the automotive retailing industry is a mature industry whose sales are significantly impacted by the prevailing economic climate, both nationally and in local markets. Accordingly, we believe that our future growth depends in part on our ability to manage expansion, control costs in our operations and acquire and effectively integrate acquired dealerships into our organization. When seeking to acquire other dealerships, we often compete with several other national, regional and local dealership groups, and other strategic and financial buyers, some of which may have greater financial resources than us. Competition for attractive acquisition targets may result in fewer acquisition opportunities for us and we may have to forgo acquisition opportunities to the extent we cannot negotiate such acquisitions on acceptable terms.

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

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

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

Our ability to make payments on our indebtedness and fund our ongoing operations depends on our operating subsidiaries' ability to generate cash in the future and distribute that cash to us. It is possible that our subsidiaries may not generate cash from operations in an amount sufficient to enable us to service our indebtedness. In addition, many of our subsidiaries are required to comply with the provisions of franchise agreements, dealer agreements, other agreements with manufacturers, mortgages, and credit facility providers. Many of these agreements contain minimum working capital or net worth requirements, and are subject to change at least annually. Although the requirements contained in these agreements did not restrict our subsidiaries from distributing cash to us as of December 31, 2017, unexpected changes to our franchise agreements, dealer agreements, or other agreements with manufacturers could require us to alter the manner in which we distribute or use cash. If our operating subsidiaries are unable to generate and distribute sufficient cash to us to service our indebtedness and fund our ongoing operations, our financial condition may be materially adversely affected.

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

Our principal intangible assets are goodwill and our rights under our franchise agreements with vehicle manufacturers. Goodwill and indefinite-lived intangible assets, including manufacturer franchise rights, are subject to impairment assessments at least annually (or more frequently when events or changes in circumstances indicate that an impairment may have occurred), by applying a qualitative or quantitative assessment. A decrease in our market capitalization or profitability increases the risk of goodwill impairment. The fair value of our manufacturer franchise rights is determined by discounting a sub-set of the projected cash flows at a dealership that we attribute to the value of the franchise. Changes to the business mix or declining cash flows in a dealership increase the risk of impairment. An impairment loss could have a material adverse effect on our results of operations and stockholders' equity. During 2017, we recorded non-cash impairment charges of $5.1 million ($3.2 million after-tax) associated with franchise rights recorded at certain dealerships. See Note 9 of the Notes to Consolidated Financial Statements for more information.

**Technological advances, including increases in ride sharing applications, electric vehicles and autonomous vehicles in the long-term could have a material adverse effect on our business.**

The automotive industry is predicted to experience change over the long-term. Shared vehicle services such as Uber and Lyft provide consumers with increased choice in their personal mobility options. The effect of these and similar mobility options on the retail automotive industry is uncertain, and may include lower levels of new vehicles sales, but with increasing miles driven, which could require additional demand for vehicle maintenance. In addition, technological advances are facilitating the development of driverless vehicles. The eventual timing of availability of driverless vehicles is uncertain due to regulatory requirements, additional technological requirements, and uncertain consumer acceptance of these vehicles. The effect of driverless vehicles on the automotive retail industry is uncertain and could include changes in the level of new and used vehicles sales, the price of new vehicles, and the role of franchised dealers, any of which could materially adversely affect our business, financial condition and results of operations. The widespread adoption of electric and battery powered vehicles also could have a material adverse effect on the profitability of our parts and service business.

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Properties

We lease our corporate headquarters, which is located at 2905 Premiere Parkway, NW, Suite 300, Duluth, Georgia 30097. As of December 31, 2017, our operations encompassed 80 franchised dealership locations throughout 9 states, and 24 collision repair centers as follows:

| | Dealerships | | | Collision Repair Centers | |
|---|---|---|---|---|---|
| **Dealership Group:** | **Owned** | **Leased** | | **Owned** | **Leased** |
| Coggin Automotive Group | 12 | 4 | (a) | 5 | 2 |
| Courtesy Autogroup | 5 | 3 | | 2 | — |
| Crown Automotive Company | 13 | 5 | (b) | 3 | — |
| David McDavid Auto Group | 7 | — | | 4 | 1 |
| Gray-Daniels Auto Family | — | 5 | (b) | — | 1 |
| Hare Automotive Group | 2 | — | | — | 1 |
| Nalley Automotive Group | 16 | 1 | | 3 | 1 |
| Plaza Motor Company | 6 | 1 | (b) | — | 1 |
| Total | 61 | 19 | | 17 | 7 |

___________________________________________

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

## Item 3. Legal Proceedings

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

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

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

Our common stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "ABG." Quarterly information concerning our high and low closing sales price per share of our common stock as reported by the NYSE is as follows:

| | High | Low |
|---|---|---|
| **Fiscal Year Ended December 31, 2016** | | |
| First Quarter | $ 66.52 | $ 45.07 |
| Second Quarter | 62.61 | 51.97 |
| Third Quarter | 61.44 | 50.57 |
| Fourth Quarter | $ 65.30 | $ 48.85 |
| **Fiscal Year Ended December 31, 2017** | | |
| First Quarter | $ 69.45 | $ 60.10 |
| Second Quarter | 63.65 | 52.25 |
| Third Quarter | 61.60 | 50.15 |
| Fourth Quarter | $ 67.75 | $ 55.05 |

We did not pay any dividends during any of these periods. On February 26, 2018, the last reported sale price of our common stock on the NYSE was $69.30 per share, and there were approximately 141 record holders of our common stock.

Our credit agreement with Bank of America, N.A. ("Bank of America"), as administrative agent, and the other agents and lenders party thereto (the "2016 Senior Credit Facility") and the Indenture governing our 6.0% Notes (the "Indenture") currently allow for us to make certain restricted payments, including payments to repurchase shares of our common stock, among other things, subject to our continued compliance with certain covenants. For additional information, see the "Covenants and Defaults" section within "Liquidity and Capital Resources."

On January 30, 2014, our Board of Directors authorized our current share repurchase program (the "Repurchase Program"). On January 24, 2018, our Board of Directors reset the authorization under our Repurchase Program to $100.0 million in the aggregate, for the repurchase of our common stock in open market transactions or privately negotiated transactions, from time to time. During the year ended December 31, 2017, we repurchased 584,696 shares of our common stock under the Repurchase Program for a total of $34.8 million. As of December 31, 2017, we had the authorization from our Board of Directors to repurchase up to an additional $53.3 million of our common stock.

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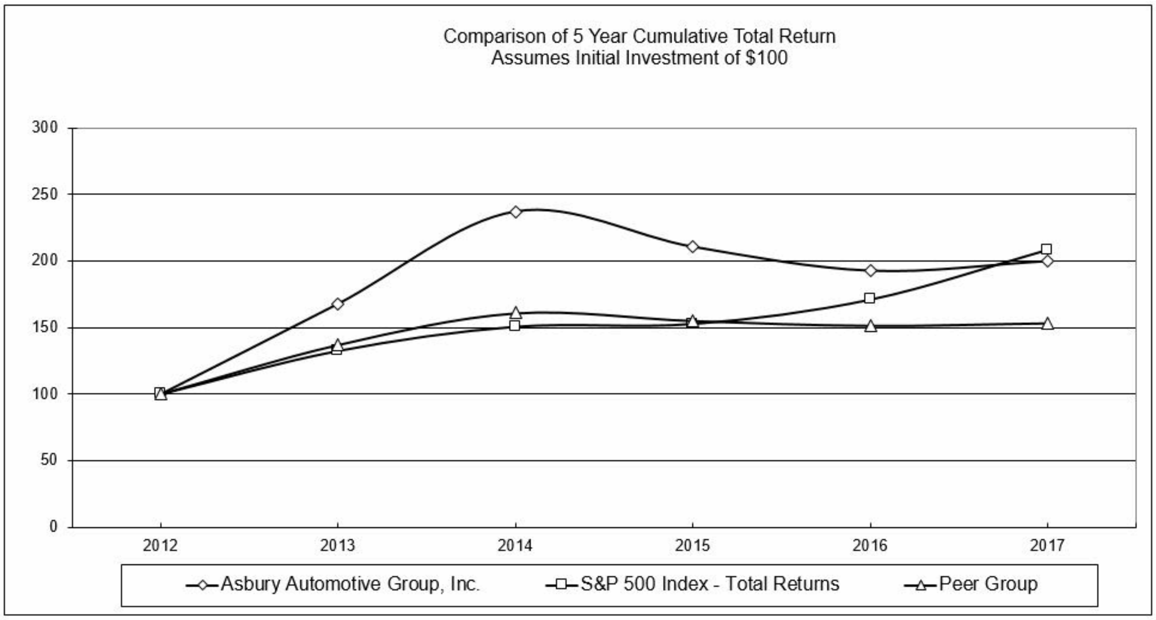
**PERFORMANCE GRAPH**

The following graph furnished by us shows the value as of December 31, 2017, of a $100 investment in our common stock made on December 31, 2012, as compared with similar investments based on (i) the value of the S&P 500 Index (with dividends reinvested) and (ii) the value of a market-weighted Peer Group Index composed of the common stock of AutoNation, Inc.; Sonic Automotive, Inc.; Group 1 Automotive, Inc.; Penske Automotive Group, Inc.; and Lithia Motors, Inc., in each case on a "total return" basis assuming the reinvestment of any dividends. The market-weighted Peer Group Index values were calculated from the beginning of the performance period. The historical stock performance shown below is not necessarily indicative of future expected performance.

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



**Item 6. Selected Financial Data**

The following table sets forth selected consolidated financial data as of and for the years ended December 31, 2017, 2016, 2015, 2014, and 2013. Certain reclassifications of amounts previously reported have been made to the accompanying income statement data and balance sheet data in order to conform to current presentation. The following information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the Notes thereto, included elsewhere in this annual report on Form 10-K.

| | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| **Income Statement Data:** | **2017** | **2016** | **2015** | **2014** | **2013** |
| | (in millions, except per share data) | | | | |
| REVENUE: | | | | | |
| New vehicle | $ 3,561.1 | $ 3,611.9 | $ 3,652.5 | $ 3,230.6 | $ 2,952.2 |
| Used vehicle | 1,834.1 | 1,876.4 | 1,931.7 | 1,741.5 | 1,564.2 |
| Parts and service | 786.1 | 778.5 | 740.7 | 666.6 | 611.6 |
| Finance and insurance, net | 275.2 | 261.0 | 263.4 | 229.0 | 206.9 |
| TOTAL REVENUE | 6,456.5 | 6,527.8 | 6,588.3 | 5,867.7 | 5,334.9 |
| COST OF SALES | 5,400.6 | 5,469.1 | 5,527.5 | 4,900.5 | 4,458.9 |
| GROSS PROFIT | 1,055.9 | 1,058.7 | 1,060.8 | 967.2 | 876.0 |
| OPERATING EXPENSES: | | | | | |
| Selling, general, and administrative expenses | 729.7 | 732.5 | 729.9 | 671.6 | 617.8 |
| Depreciation and amortization | 32.1 | 30.7 | 29.5 | 26.4 | 24.3 |
| Franchise rights impairment | 5.1 | — | — | — | — |
| Other operating expense (income), net | 1.3 | (2.3) | (0.2) | 1.0 | 7.8 |
| INCOME FROM OPERATIONS | 287.7 | 297.8 | 301.6 | 268.2 | 226.1 |
| OTHER EXPENSES (INCOME): | | | | | |
| Floor plan interest expense | 22.7 | 19.3 | 16.1 | 12.4 | 12.5 |
| Other interest expense, net | 53.9 | 53.1 | 44.0 | 38.9 | 39.0 |
| Swap interest expense | 2.0 | 3.1 | 3.0 | 2.0 | 2.5 |
| Loss on extinguishment of long-term debt, net | — | — | — | 31.9 | 6.8 |
| (Gain) loss on divestitures | — | (45.5) | (34.9) | — | — |
| Total other expenses, net | 78.6 | 30.0 | 28.2 | 85.2 | 60.8 |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX | 209.1 | 267.8 | 273.4 | 183.0 | 165.3 |
| Income tax expense | 70.0 | 100.6 | 104.0 | 71.0 | 64.2 |
| INCOME FROM CONTINUING OPERATIONS | 139.1 | 167.2 | 169.4 | 112.0 | 101.1 |
| Discontinued operations, net of tax | — | — | (0.2) | (0.4) | 8.0 |
| NET INCOME | $ 139.1 | $ 167.2 | $ 169.2 | $ 111.6 | $ 109.1 |
| Income from continuing operations per common share: | | | | | |
| Basic | $ 6.69 | $ 7.43 | $ 6.44 | $ 3.75 | $ 3.29 |
| Diluted | $ 6.62 | $ 7.40 | $ 6.42 | $ 3.72 | $ 3.25 |

| Balance Sheet Data: | As of December 31, 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|
| | | | (in millions) | | |
| Working capital | $ 243.9 | $ 227.5 | $ 323.4 | $ 225.4 | $ 265.1 |
| Inventories | 826.0 | 894.9 | 917.2 | 886.0 | 767.7 |
| Total assets | 2,356.7 | 2,336.1 | 2,294.1 | 2,178.0 | 1,879.4 |
| Floor plan notes payable | 732.1 | 781.8 | 712.2 | 766.8 | 609.5 |
| Total debt | 875.5 | 926.7 | 954.3 | 697.4 | 545.1 |
| Total shareholders' equity | $ 394.2 | $ 279.7 | $ 314.5 | $ 444.9 | $ 490.6 |

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

**OVERVIEW**

We are one of the largest automotive retailers in the United States. As of December 31, 2017 we owned and operated 94 new vehicle franchises (80 dealership locations), representing 29 brands of automobiles, and 24 collision centers, in 17 metropolitan markets, within nine states. Our stores offer an extensive range of automotive products and services, including new and used vehicles; parts and service, which include repair and maintenance services, replacement parts, and collision repair service; and finance and insurance products. As of December 31, 2017, our new vehicle revenue brand mix consisted of 46% imports, 34% luxury, and 20% domestic brands.

Our revenues are derived primarily from: (i) the sale of new vehicles; (ii) the sale of used vehicles to individual retail customers ("used retail") and to other dealers at auction ("wholesale") (the terms "used retail" and "wholesale" collectively referred to as "used"); (iii) repair and maintenance services, including collision repair, the sale of automotive replacement parts, and the reconditioning of used vehicles (collectively referred to as "parts and service"); and (iv) the arrangement of third-party vehicle financing and the sale of a number of vehicle protection products (defined below and collectively referred to as "F&I"). We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle sold, our parts and service operations based on aggregate gross profit, and our F&I business based on F&I gross profit per vehicle sold.

Our continued organic growth is dependent upon the execution of our balanced automotive retailing and service business strategy, the continued strength of our brand mix, and the production and allocation of desirable vehicles from the automobile manufacturers whose brands we sell. Our vehicle sales have historically fluctuated with product availability as well as local and national economic conditions, including consumer confidence, availability of consumer credit, fuel prices, and employment levels. Additionally, our ability to sell certain new and used vehicles can be negatively impacted by a number of factors, some of which are outside of our control and may include manufacturer imposed stop-sales or open safety recalls, primarily due to, but not limited to, vehicle safety concerns or a vehicle's failure to meet environmental related requirements. We believe that the impact on our business of any future negative trends in new vehicle sales would be partially mitigated by (i) the expected relative stability of our parts and service operations over the long-term, (ii) the variable nature of significant components of our cost structure, and (iii) our diversified brand and geographic mix.

The seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. during 2017 was 17.2 million compared to 17.6 million in 2016. The automotive retail business continues to benefit from the availability of credit to consumers, strong consumer confidence and relatively low overall unemployment levels, fuel prices, and interest rates. Demand for new vehicles is generally highest during the second, third, and fourth quarters of each year and, accordingly, we expect our revenues to generally be higher during these periods. We typically experience higher sales of luxury vehicles in the fourth quarter, which have higher average selling prices and gross profit per vehicle retailed. Revenues and operating results may be impacted significantly from quarter-to-quarter by changing economic conditions, vehicle manufacturer incentive programs, adverse weather events, or other developments outside our control.

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

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

We had total available liquidity of $379.5 million as of December 31, 2017, which consisted of cash and cash equivalents of $4.7 million, $49.3 million of funds in our floor plan offset accounts, $190.0 million of availability under our new vehicle floor plan facility that is able to be re-designated to our revolving credit facility, $46.7 million of availability under our revolving credit facility, and $88.8 million of availability under our used vehicle revolving floor plan facility. For further discussion of our liquidity, please refer to "Liquidity and Capital Resources" below.

**CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES**

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

*Revenue Recognition*

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

Revenue from the sale of parts, service, and collision repair work (which excludes sales tax), is recognized upon the delivery of parts to the customer or at the time vehicle service or repair work is completed, as applicable.

We receive commissions from third-party lending and insurance institutions for arranging customer financing and from the sale of vehicle service contracts, guaranteed auto protection (known as "GAP") insurance, and other insurance to customers (collectively "F&I"). We may be charged back for F&I commissions in the event a contract is prepaid, defaulted upon, or terminated ("chargebacks"). F&I commissions are recorded at the time the associated vehicle is sold. F&I commissions, net of estimated future chargebacks, are included in Finance and Insurance, net in the accompanying Consolidated Statements of Income. Additionally, we participate in future profits associated with the performance of the third-party held underlying portfolio for certain products pursuant to retrospective commission arrangements. Our retrospective portfolio income is recorded as revenue at the time it is received from our third-party providers.

*Used Vehicle Inventory - Lower of Cost and Net Realizable Value —*

Our used vehicle inventory is stated at the lower of cost and net realizable value. We use the specific identification method to value our used vehicle inventories. We maintain a reserve for used vehicle inventory when cost basis exceeds the net realizable value. In assessing our reserve requirement, we consider (i) the age of our used vehicles, (ii) historical sales experience of used vehicles and (iii) current market conditions and trends in used vehicle sales. We also review and consider the following metrics related to used vehicle sales (both on a recent and longer-term historical basis): (i) days of supply in our used vehicle inventory, (ii) used vehicle units sold at less than original cost as a percentage of total used vehicles sold and (iii) average vehicle selling price of used vehicle units sold at less than original cost. We then determine the appropriate level of reserve required to reduce our used vehicle inventory to the lower of cost or net realizable value, and record the resulting adjustment in the period in which we determine a loss has occurred. The level of reserve determined to be appropriate for each reporting period is considered to be a permanent inventory write-down and therefore is only released upon the sale of the related inventory. Our used vehicle inventory reserves are as follows:

| **Used vehicle lower of cost and net realizable value reserve:** | **Reserve Amount (in millions)** | **Percentage of Gross Used Vehicle Inventory** |
|---|---|---|
| As of December 31, 2017 | $ 5.1 | 3.6% |
| As of December 31, 2016 | $ 5.8 | 4.2% |

A 100 basis point change in our estimated reserve rate would change our used vehicle inventory reserve by approximately $1.4 million as of December 31, 2017.

*F&I Chargeback Reserve—*

We reserve for chargebacks on finance, insurance, or vehicle service contract commissions received. The reserve is established based on historical operating results and the termination provisions of the applicable contracts. This data is evaluated on a product-by-product basis. Our chargeback histories vary depending on the product, but generally range from 9% to 15% of F&I revenues. Our F&I cash chargebacks for the years ended December 31, 2017, 2016, and 2015 were $34.0 million, $34.9 million, and $31.3 million, respectively. Our chargeback reserves were $43.7 million and $43.0 million as of December 31, 2017 and December 31, 2016, respectively. Total chargebacks as a percentage of F&I revenue for the years ended December 31, 2017, 2016, and 2015, were 12%, 14%, and 13%, respectively. A 100 basis point change in our estimated reserve rate for future chargebacks, would change our finance and insurance chargeback reserve by approximately $3.0 million as of December 31, 2017.

*Insurance Reserves—*

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

We had $15.7 million and $14.5 million of insurance reserves for both known and unknown employee medical, workers compensation, property, and general liability claims, net of anticipated insurance recoveries, as of December 31, 2017 and December 31, 2016, respectively. Expenses associated with employee medical, workers compensation, property, and general liability claims, including premiums for insurance coverage, for the years ended December 31, 2017, 2016, and 2015, totaled $27.9 million, $30.9 million, and $26.9 million, respectively.

*Goodwill and Manufacturer Franchise Rights—*

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

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

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

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**RESULTS OF OPERATIONS**

**The Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016**

| | For the Year Ended December 31, 2017 | 2016 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions, except per share data) | | | |
| REVENUE: | | | | |
| New vehicle | $ 3,561.1 | $ 3,611.9 | $ (50.8) | (1)% |
| Used vehicle | 1,834.1 | 1,876.4 | (42.3) | (2)% |
| Parts and service | 786.1 | 778.5 | 7.6 | 1 % |
| Finance and insurance, net | 275.2 | 261.0 | 14.2 | 5 % |
| TOTAL REVENUE | 6,456.5 | 6,527.8 | (71.3) | (1)% |
| GROSS PROFIT: | | | | |
| New vehicle | 169.0 | 187.1 | (18.1) | (10)% |
| Used vehicle | 121.9 | 127.3 | (5.4) | (4)% |
| Parts and service | 489.8 | 483.3 | 6.5 | 1 % |
| Finance and insurance, net | 275.2 | 261.0 | 14.2 | 5 % |
| TOTAL GROSS PROFIT | 1,055.9 | 1,058.7 | (2.8) | — % |
| OPERATING EXPENSES: | | | | |
| Selling, general, and administrative | 729.7 | 732.5 | (2.8) | — % |
| Depreciation and amortization | 32.1 | 30.7 | 1.4 | 5 % |
| Franchise rights impairment | 5.1 | — | 5.1 | — % |
| Other operating expense (income), net | 1.3 | (2.3) | 3.6 | NM |
| INCOME FROM OPERATIONS | 287.7 | 297.8 | (10.1) | (3)% |
| OTHER EXPENSES (INCOME): | | | | |
| Floor plan interest expense | 22.7 | 19.3 | 3.4 | 18 % |
| Other interest expense, net | 53.9 | 53.1 | 0.8 | 2 % |
| Swap interest expense | 2.0 | 3.1 | (1.1) | (35)% |
| Gain on divestitures | — | (45.5) | 45.5 | (100)% |
| Total other expenses, net | 78.6 | 30.0 | 48.6 | 162 % |
| INCOME BEFORE INCOME TAXES | 209.1 | 267.8 | (58.7) | (22)% |
| Income tax expense | 70.0 | 100.6 | (30.6) | (30)% |
| NET INCOME | $ 139.1 | $ 167.2 | $ (28.1) | (17)% |
| Income from continuing operations per common share—Diluted | $ 6.62 | $ 7.40 | $ (0.78) | (11)% |
| Net income per common share—Diluted | $ 6.62 | $ 7.40 | $ (0.78) | (11)% |

NM—Not Meaningful

| | For the Year Ended December 31, | |
|---|---|---|
| | 2017 | 2016 |
| REVENUE MIX PERCENTAGES: | | |
| New vehicles | 55.2% | 55.3 % |
| Used retail vehicles | 25.2% | 25.7 % |
| Used vehicle wholesale | 3.1% | 3.1 % |
| Parts and service | 12.2% | 11.9 % |
| Finance and insurance, net | 4.3% | 4.0 % |
| Total revenue | 100.0% | 100.0 % |
| GROSS PROFIT MIX PERCENTAGES: | | |
| New vehicles | 16.0% | 17.7 % |
| Used retail vehicles | 11.4% | 12.3 % |
| Used vehicle wholesale | 0.1% | (0.3)% |
| Parts and service | 46.4% | 45.6 % |
| Finance and insurance, net | 26.1% | 24.7 % |
| Total gross profit | 100.0% | 100.0 % |
| GROSS PROFIT MARGIN | 16.4% | 16.2 % |
| SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT | 69.1% | 69.2 % |

Total revenue during 2017 decreased by $71.3 million (1%) compared to 2016, due to a $42.3 million (2%) decrease in used vehicle revenue, and a $50.8 million (1%) decrease in new vehicle revenue, partially offset by a $14.2 million (5%) increase in F&I revenue and a $7.6 million (1%) increase in parts and service revenue. The $2.8 million decrease in gross profit during 2017 was the result of an $18.1 million (10%) decrease in new vehicle gross profit, and a $5.4 million (4%) decrease in used vehicle gross profit, partially offset by a $14.2 million (5%) increase in F&I gross profit, and a $6.5 million (1%) increase in parts and service gross profit. Our total gross profit margin improved 20 basis points to 16.4%, primarily due to our F&I and parts and service businesses, which had higher margins than new and used vehicle sales and represented a larger percentage of our total revenues for 2017 compared to 2016.

Income from operations during 2017 decreased by $10.1 million (3%) compared to 2016, primarily due to a $5.1 million impairment charge in 2017, a $3.6 million increase in other operating expense (income), net, and a $1.4 million (5%) increase in depreciation and amortization expenses, partially offset by a $2.8 million decrease in selling, general and administrative expenses. Total other expenses, net increased in 2017 by $48.6 million, primarily due to a $45.5 million gain on divestitures in 2016, a $3.4 million increase in floor plan interest expense in 2017, and a $0.8 million increase in other interest expense, net partially offset by a $1.1 million decrease in swap interest expense. As a result, income before income taxes decreased by $58.7 million (22%) to $209.1 million in 2017 resulting in a decrease in income tax expense of $30.6 million (30%). Net income decreased by $28.1 million (17%) from $167.2 million in 2016 to $139.1 million in 2017.

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

*New Vehicle—*

| | For the Year Ended December 31, | | Increase | % |
|---|---|---|---|---|
| | 2017 | 2016 | (Decrease) | Change |
| | (Dollars in millions, except for per vehicle data) | | | |
| As Reported: | | | | |
| Revenue: | | | | |
| Luxury | $ 1,200.2 | $ 1,251.3 | $ (51.1) | (4)% |
| Import | 1,637.4 | 1,617.8 | 19.6 | 1 % |
| Domestic | 723.5 | 742.8 | (19.3) | (3)% |
| Total new vehicle revenue | $ 3,561.1 | $ 3,611.9 | $ (50.8) | (1)% |
| Gross profit: | | | | |
| Luxury | $ 78.9 | $ 84.4 | $ (5.5) | (7)% |
| Import | 56.8 | 68.9 | (12.1) | (18)% |
| Domestic | 33.3 | 33.8 | (0.5) | (1)% |
| Total new vehicle gross profit | $ 169.0 | $ 187.1 | $ (18.1) | (10)% |
| New vehicle units: | | | | |
| Luxury | 22,525 | 23,875 | (1,350) | (6)% |
| Import | 58,685 | 58,466 | 219 | — % |
| Domestic | 18,765 | 20,019 | (1,254) | (6)% |
| Total new vehicle units | 99,975 | 102,360 | (2,385) | (2)% |
| | | | | |
| Same Store: | | | | |
| Revenue: | | | | |
| Luxury | $ 1,200.2 | $ 1,226.5 | $ (26.3) | (2)% |
| Import | 1,610.3 | 1,557.8 | 52.5 | 3 % |
| Domestic | 652.2 | 698.4 | (46.2) | (7)% |
| Total new vehicle revenue | $ 3,462.7 | $ 3,482.7 | $ (20.0) | (1)% |
| Gross profit: | | | | |
| Luxury | $ 79.0 | $ 82.4 | $ (3.4) | (4)% |
| Import | 56.3 | 67.0 | (10.7) | (16)% |
| Domestic | 28.7 | 31.9 | (3.2) | (10)% |
| Total new vehicle gross profit | $ 164.0 | $ 181.3 | $ (17.3) | (10)% |
| New vehicle units: | | | | |
| Luxury | 22,525 | 23,424 | (899) | (4)% |
| Import | 57,813 | 56,430 | 1,383 | 2 % |
| Domestic | 16,731 | 18,716 | (1,985) | (11)% |
| Total new vehicle units | 97,069 | 98,570 | (1,501) | (2)% |

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*New Vehicle Metrics—*

| | For the Year Ended December 31, 2017 | 2016 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| As Reported: | | | | |
| Revenue per new vehicle sold | $ 35,620 | $ 35,286 | $ 334 | 1 % |
| Gross profit per new vehicle sold | $ 1,690 | $ 1,828 | $ (138) | (8)% |
| New vehicle gross margin | 4.7% | 5.2% | (0.5)% | |
| | | | | |
| Luxury: | | | | |
| Gross profit per new vehicle sold | 3,503 | 3,535 | (32) | (1)% |
| New vehicle gross margin | 6.6% | 6.7% | (0.1)% | |
| Import: | | | | |
| Gross profit per new vehicle sold | $ 968 | $ 1,178 | $ (210) | (18)% |
| New vehicle gross margin | 3.5% | 4.3% | (0.8)% | |
| Domestic: | | | | |
| Gross profit per new vehicle sold | $ 1,775 | $ 1,688 | $ 87 | 5 % |
| New vehicle gross margin | 4.6% | 4.6% | — % | |
| | | | | |
| Same Store: | | | | |
| Revenue per new vehicle sold | $ 35,673 | $ 35,332 | $ 341 | 1 % |
| Gross profit per new vehicle sold | $ 1,690 | $ 1,839 | $ (149) | (8)% |
| New vehicle gross margin | 4.7% | 5.2% | (0.5)% | |
| | | | | |
| Luxury: | | | | |
| Gross profit per new vehicle sold | $ 3,507 | $ 3,518 | $ (11) | — % |
| New vehicle gross margin | 6.6% | 6.7% | (0.1)% | |
| Import: | | | | |
| Gross profit per new vehicle sold | $ 974 | $ 1,187 | $ (213) | (18)% |
| New vehicle gross margin | 3.5% | 4.3% | (0.8)% | |
| Domestic: | | | | |
| Gross profit per new vehicle sold | $ 1,715 | $ 1,704 | $ 11 | 1 % |
| New vehicle gross margin | 4.4% | 4.6% | (0.2)% | |

New vehicle revenue decreased by $50.8 million (1%), primarily as a result of a 2% decrease in new vehicle units sold, partially offset by a 1% increase in revenue per new vehicle sold. Same store new vehicle revenue decreased by $20.0 million (1%) as a result of a 2% decrease in new vehicle units sold partially offset by a 1% increase in revenue per new vehicle sold.

Same store unit volumes decreased by 2% due to a 4% decrease in luxury units, and an 11% decrease in domestic units, partially offset by a 2% increase in import units. The 2% decrease in unit sales was in line with the overall decrease in 2017 U.S. new vehicle sales, which decreased 2% from 17.6 million in 2016 to 17.2 million in 2017.

Same store new vehicle gross profit in 2017 decreased by $17.3 million (10%), as a result of the 2% decrease in unit volumes and an 8% decrease in gross profit per new vehicle sold. The 50 basis point decrease in same store new vehicle gross margin from 5.2% in 2016 to 4.7% in 2017, was primarily attributable to a higher mix of revenue and unit sales in our import brands, which have traditionally had lower margins than our luxury and domestic brands and experienced margin pressure during 2017.

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*Used Vehicle—*

| | For the Year Ended December 31, 2017 | 2016 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions, except for per vehicle data) | | | |
| As Reported: | | | | |
| Revenue: | | | | |
| Used vehicle retail revenues | $ 1,635.3 | $ 1,675.0 | $ (39.7) | (2)% |
| Used vehicle wholesale revenues | 198.8 | 201.4 | (2.6) | (1)% |
| Used vehicle revenue | $ 1,834.1 | $ 1,876.4 | $ (42.3) | (2)% |
| Gross profit: | | | | |
| Used vehicle retail gross profit | $ 121.1 | $ 131.0 | $ (9.9) | (8)% |
| Used vehicle wholesale gross profit | 0.8 | (3.7) | 4.5 | (122)% |
| Used vehicle gross profit | $ 121.9 | $ 127.3 | $ (5.4) | (4)% |
| Used vehicle retail units: | | | | |
| Used vehicle retail units | 76,929 | 79,259 | (2,330) | (3)% |
| Same Store: | | | | |
| Revenue: | | | | |
| Used vehicle retail revenues | $ 1,577.3 | $ 1,571.4 | $ 5.9 | — % |
| Used vehicle wholesale revenues | 190.5 | 192.3 | (1.8) | (1)% |
| Used vehicle revenue | $ 1,767.8 | $ 1,763.7 | $ 4.1 | — % |
| Gross profit: | | | | |
| Used vehicle retail gross profit | $ 115.4 | $ 123.0 | $ (7.6) | (6)% |
| Used vehicle wholesale gross profit | 1.1 | (2.9) | 4.0 | (138)% |
| Used vehicle gross profit | $ 116.5 | $ 120.1 | $ (3.6) | (3)% |
| Used vehicle retail units: | | | | |
| Used vehicle retail units | 73,772 | 73,490 | 282 | — % |

*Used Vehicle Metrics—*

| | For the Year Ended December 31, 2017 | 2016 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| As Reported: | | | | |
| Revenue per used vehicle retailed | $ 21,257 | $ 21,133 | $ 124 | 1 % |
| Gross profit per used vehicle retailed | $ 1,574 | $ 1,653 | $ (79) | (5)% |
| Used vehicle retail gross margin | 7.4% | 7.8% | (0.4)% | |
| Same Store: | | | | |
| Revenue per used vehicle retailed | $ 21,381 | $ 21,383 | $ (2) | — % |
| Gross profit per used vehicle retailed | $ 1,564 | $ 1,674 | $ (110) | (7)% |
| Used vehicle retail gross margin | 7.3% | 7.8% | (0.5)% | |

Used vehicle revenue decreased by $42.3 million (2%), as a result of a 3% decrease in used vehicle retail units sold, partially offset by a 1% increase in revenue per used vehicle retailed.

In 2017, same store used vehicle retail gross profit decreased by $7.6 million (6%), resulting in a decrease in our gross margin from 7.8% in 2016 to 7.3% in 2017. We primarily attribute the 50 basis point decrease in same store used vehicle retail gross margin, to increased competition and price transparency within the used vehicle marketplace.

We believe that our used vehicle inventory continues to be well-aligned with current consumer demand, with approximately 31 days of supply as of December 31, 2017.

*Parts and Service—*

| | For the Year Ended December 31, 2017 | 2016 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions) | | | |
| As Reported: | | | | |
| Parts and service revenue | $ 786.1 | $ 778.5 | $ 7.6 | 1 % |
| Parts and service gross profit: | | | | |
| Customer pay | $ 272.3 | $ 268.2 | $ 4.1 | 2 % |
| Warranty | 81.7 | 73.7 | 8.0 | 11 % |
| Wholesale parts | 21.2 | 20.7 | 0.5 | 2 % |
| Parts and service gross profit, excluding reconditioning and preparation | $ 375.2 | $ 362.6 | $ 12.6 | 3 % |
| Parts and service gross margin, excluding reconditioning and preparation | 47.7% | 46.6% | 1.1% | |
| Reconditioning and preparation | 114.6 | 120.7 | (6.1) | (5)% |
| Total parts and service gross profit | 489.8 | 483.3 | 6.5 | 1 % |
| Total parts and service gross margin | 62.3% | 62.1% | 0.2% | |
| Same Store: | | | | |
| Parts and service revenue | $ 772.7 | $ 743.8 | $ 28.9 | 4 % |
| Parts and service gross profit: | | | | |
| Customer pay | $ 267.2 | $ 257.3 | $ 9.9 | 4 % |
| Warranty | 80.5 | 71.4 | 9.1 | 13 % |
| Wholesale parts | 21.0 | 19.4 | 1.6 | 8 % |
| Parts and service gross profit, excluding reconditioning and preparation | $ 368.7 | $ 348.1 | $ 20.6 | 6 % |
| Parts and service gross margin, excluding reconditioning and preparation | 47.7% | 46.8% | 0.9% | |
| Reconditioning and preparation | 112.0 | 114.7 | (2.7) | (2)% |
| Total parts and service gross profit | 480.7 | 462.8 | 17.9 | 4 % |
| Total parts and service gross margin | 62.2% | 62.2% | —% | |

The $7.6 million (1%) increase in parts and service revenue is primarily due to a $13.2 million (9%) increase in warranty revenue, partially offset by a $5.6 million (1%) decrease in customer pay revenue. Same store parts and service revenue increased $28.9 million (4%) from $743.8 million in 2016 to $772.7 million in 2017. The increase in same store parts and service revenue was primarily due to a $15.4 million (11%) increase in warranty revenue, a $6.9 million (1%) increase in customer pay revenue, and a $6.6 million (6%) increase in wholesale parts revenue.

Parts and service gross profit, excluding reconditioning and preparation, increased by $12.6 million (3%) to $375.2 million and same store gross profit, excluding reconditioning and preparation, increased by $20.6 million (6%) to $368.7 million. The $20.6 million increase in same store gross profit is primarily due to a $9.1 million (13%) increase in warranty gross profit and a $9.9 million (4%) increase in customer pay gross profit, which has continued to benefit from our strategic focus to improve customer retention and the recent trend of increasing new vehicle sales over the past few years.

We continue to focus on increasing our parts and service revenue, specifically our customer pay business, over the long-term by upgrading equipment, focusing on improving customer retention and customer satisfaction, and capitalizing on our dealer training programs.

*Finance and Insurance, net—*

| | For the Year Ended December 31, 2017 | 2016 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions, except for per vehicle data) | | | |
| As Reported: | | | | |
| Finance and insurance, net | $ 275.2 | $ 261.0 | $ 14.2 | 5% |
| Finance and insurance, net per vehicle sold | $ 1,556 | $ 1,437 | $ 119 | 8% |
| Same Store: | | | | |
| Finance and insurance, net | $ 266.9 | $ 249.1 | $ 17.8 | 7% |
| Finance and insurance, net per vehicle sold | $ 1,562 | $ 1,448 | $ 114 | 8% |

F&I revenue increased by $14.2 million (5%) during 2017 when compared to 2016 primarily as a result of a $119 (8% ) increase in F&I per vehicle retailed partially offset by a 3% decrease in new and used retail unit sales

On a same store basis F&I revenue increased by $17.8 million (7%) in 2017 when compared to 2016 primarily as a result of a $114 (8%) increase in F&I per vehicle retailed partially offset by a 1% decrease in new and used retail unit sales.

For the year ended December 31, 2017, we benefited from increased up-front commissions as a result of our amended agreement with our primary insurance products underwriter which became effective during the fourth quarter of 2016.

*Selling, General, and Administrative Expense—*

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | % of Gross Profit | 2016 | % of Gross Profit | Increase (Decrease) | % of Gross Profit Increase (Decrease) |
| | (Dollars in millions) | | | | | |
| As Reported: | | | | | | |
| Personnel costs | $ 348.7 | 33.0% | $ 343.1 | 32.4% | $ 5.6 | 0.6 % |
| Sales compensation | 111.1 | 10.5% | 112.0 | 10.6% | (0.9) | (0.1)% |
| Share-based compensation | 13.6 | 1.3% | 12.0 | 1.1% | 1.6 | 0.2 % |
| Outside services | 80.8 | 7.7% | 78.3 | 7.4% | 2.5 | 0.3 % |
| Advertising | 30.3 | 2.9% | 34.0 | 3.2% | (3.7) | (0.3)% |
| Rent | 26.7 | 2.5% | 29.9 | 2.8% | (3.2) | (0.3)% |
| Utilities | 15.4 | 1.5% | 15.5 | 1.5% | (0.1) | — % |
| Insurance | 13.4 | 1.3% | 15.9 | 1.5% | (2.5) | (0.2)% |
| Other | 89.7 | 8.4% | 91.8 | 8.7% | (2.1) | (0.3)% |
| Selling, general, and administrative expense | $ 729.7 | 69.1% | $ 732.5 | 69.2% | $ (2.8) | (0.1)% |
| Gross profit | $ 1,055.9 | | $ 1,058.7 | | | |
| | | | | | | |
| Same Store: | | | | | | |
| Personnel costs | $ 338.2 | 32.9% | $ 327.1 | 32.3% | $ 11.1 | 0.6 % |
| Sales compensation | 107.2 | 10.4% | 106.6 | 10.5% | 0.6 | (0.1)% |
| Share-based compensation | 13.6 | 1.3% | 12.1 | 1.2% | 1.5 | 0.1 % |
| Outside services | 78.7 | 7.7% | 73.6 | 7.3% | 5.1 | 0.4 % |
| Advertising | 28.9 | 2.8% | 30.1 | 3.0% | (1.2) | (0.2)% |
| Rent | 26.7 | 2.6% | 29.9 | 3.0% | (3.2) | (0.4)% |
| Utilities | 15.0 | 1.5% | 14.5 | 1.4% | 0.5 | 0.1 % |
| Insurance | 13.0 | 1.3% | 14.9 | 1.5% | (1.9) | (0.2)% |
| Other | 87.8 | 8.5% | 87.9 | 8.6% | (0.1) | (0.1)% |
| Selling, general, and administrative expense | $ 709.1 | 69.0% | $ 696.7 | 68.8% | $ 12.4 | 0.2 % |
| Gross profit | $ 1,028.1 | | $ 1,013.3 | | | |

SG&A expense as a percentage of gross profit decreased 10 basis points from 69.2% in 2016 to 69.1% in 2017. The decrease in SG&A expense is primarily attributable to decreases in advertising, rent, and insurance, partially offset by increases in higher personnel costs and outside services.

Same store SG&A expense as a percentage of gross profit increased by 20 basis points, from 68.8% in 2016 to 69.0% in 2017. The increase in SG&A expense is primarily attributable to higher personnel costs and higher outside services predominately related to our investments in technologies to improve our customer experience and productivity, partially offset by decreases in insurance, advertising, and rent expense.

*Depreciation and Amortization Expense —*

The $1.4 million (5%) increase in depreciation and amortization expense during 2017 compared to 2016, was primarily the result of a higher depreciable basis of assets placed in service during 2016.

*Franchise rights impairment —*

We assessed our manufacturer franchise rights for impairment by comparing the present value of cash flows attributable to each franchise right to its carrying value. As a result of our impairment testing, we recognized a $5.1 million pretax non-cash charge.

*Other Operating Expense (income), net —*

Other operating expense (income), net includes gains and losses from the sale of property and equipment, income derived from lease arrangements, and other non-core operating items. The $1.3 million in other operating expense (income), net for 2017, is primarily due to recognized expenses associated with lease terminations of $3.1 million, partially offset by $0.8 million of other income, and a $0.9 million gain recognized for legal settlements.

*Floor Plan Interest Expense —*

The $3.4 million (18%) increase in floor plan interest expense during 2017 compared to 2016, was primarily the result of higher interest rates throughout 2017 compared with 2016.

*Income Tax Expense —*

The $30.6 million (30%) decrease in income tax expense, is primarily due to the $58.7 million (22%) decrease in income before income taxes in 2017 compared to 2016 coupled with a decrease in our effective tax rate. Our effective tax rate was 33.5% in 2017 compared to 37.6% in 2016.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code that affects 2017, including, but not limited to, accelerated depreciation that will allow for full expensing of qualified property. The Tax Act also establishes new tax laws that will affect 2018 and after, including a reduction in the U.S. federal corporate income tax rate from 35% to 21%. As a result of the reduction of the federal corporate income tax rate, we revalued our net deferred tax liabilities as of December 31, 2017 and recorded a $7.9 million reduction based on our provisional estimate, with the offset recorded as a reduction to income tax expense for the year ended December 31, 2017. Our effective tax rate decreased primarily as a result of the revaluation of our net deferred tax liability balance.

Refer to Note 15 to the consolidated financial statements for further information regarding income taxes.

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**RESULTS OF OPERATIONS**

**The Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015**

| | For the Year Ended December 31, 2016 | For the Year Ended December 31, 2015 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions, except per share data) | | | |
| REVENUE: | | | | |
| New vehicle | $ 3,611.9 | $ 3,652.5 | $ (40.6) | (1)% |
| Used vehicle | 1,876.4 | 1,931.7 | (55.3) | (3)% |
| Parts and service | 778.5 | 740.7 | 37.8 | 5 % |
| Finance and insurance, net | 261.0 | 263.4 | (2.4) | (1)% |
| TOTAL REVENUE | 6,527.8 | 6,588.3 | (60.5) | (1)% |
| GROSS PROFIT: | | | | |
| New vehicle | 187.1 | 203.0 | (15.9) | (8)% |
| Used vehicle | 127.3 | 131.8 | (4.5) | (3)% |
| Parts and service | 483.3 | 462.6 | 20.7 | 4 % |
| Finance and insurance, net | 261.0 | 263.4 | (2.4) | (1)% |
| TOTAL GROSS PROFIT | 1,058.7 | 1,060.8 | (2.1) | — % |
| OPERATING EXPENSES: | | | | |
| Selling, general, and administrative | 732.5 | 729.9 | 2.6 | — % |
| Depreciation and amortization | 30.7 | 29.5 | 1.2 | 4 % |
| Other operating income, net | (2.3) | (0.2) | (2.1) | NM |
| INCOME FROM OPERATIONS | 297.8 | 301.6 | (3.8) | (1)% |
| OTHER EXPENSES (INCOME): | | | | |
| Floor plan interest expense | 19.3 | 16.1 | 3.2 | 20 % |
| Other interest expense, net | 53.1 | 44.0 | 9.1 | 21 % |
| Swap interest expense | 3.1 | 3.0 | 0.1 | 3 % |
| Gain on divestitures | (45.5) | (34.9) | (10.6) | 30 % |
| Total other expenses, net | 30.0 | 28.2 | 1.8 | 6 % |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 267.8 | 273.4 | (5.6) | (2)% |
| Income tax expense | 100.6 | 104.0 | (3.4) | (3)% |
| INCOME FROM CONTINUING OPERATIONS | 167.2 | 169.4 | (2.2) | (1)% |
| Discontinued operations, net of tax | — | (0.2) | 0.2 | (100)% |
| NET INCOME | $ 167.2 | $ 169.2 | $ (2.0) | (1)% |
| Income from continuing operations per common share—Diluted | $ 7.40 | $ 6.42 | $ 0.98 | 15 % |
| Net income per common share—Diluted | $ 7.40 | $ 6.41 | $ 0.99 | 15 % |

________________________________

NM—Not Meaningful

| | For the Year Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| REVENUE MIX PERCENTAGES: | | |
| New vehicles | 55.3 % | 55.4 % |
| Used retail vehicles | 25.7 % | 26.1 % |
| Used vehicle wholesale | 3.1 % | 3.3 % |
| Parts and service | 11.9 % | 11.2 % |
| Finance and insurance, net | 4.0 % | 4.0 % |
| Total revenue | 100.0 % | 100.0 % |
| GROSS PROFIT MIX PERCENTAGES: | | |
| New vehicles | 17.7 % | 19.1 % |
| Used retail vehicles | 12.3 % | 12.9 % |
| Used vehicle wholesale | (0.3)% | (0.4)% |
| Parts and service | 45.6 % | 43.6 % |
| Finance and insurance, net | 24.7 % | 24.8 % |
| Total gross profit | 100.0 % | 100.0 % |
| GROSS PROFIT MARGIN | 16.2 % | 16.1 % |
| SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT | 69.2 % | 68.8 % |

Total revenue during 2016 decreased by $60.5 million (1%) compared to 2015, due to a $55.3 million (3%) decrease in used vehicle revenue, a $40.6 million (1%) decrease in new vehicle revenue, and a $2.4 million (1%) decrease in F&I revenue, partially offset by a $37.8 million (5%) increase in parts and service revenue. The $2.1 million decrease in gross profit during 2016, was a result of a $15.9 million (8%) decrease in new vehicle gross profit, a $4.5 million (3%) decrease in used vehicle gross profit, and a $2.4 million (1%) decrease in F&I gross profit, partially offset by a $20.7 million (4%) increase in parts and service gross profit. Our total gross profit margin increased 10 basis points to 16.2%, primarily due to our parts and service business, which has higher margins than new and used vehicle sales, representing a larger percentage of our total revenue for the year ended 2016 compared to the year ended 2015.

Income from operations during 2016 decreased by $3.8 million (1%) compared to 2015, primarily due to the $2.1 million decrease in gross profit, increases in SG&A expenses and depreciation and amortization of $2.6 million and $1.2 million, respectively, partially offset by a $2.1 million increase in other operating income, net. Total other expenses, net increased by $1.8 million, primarily due to increase in floorplan interest expense and other interest expense, net of $3.2 million and $9.1 million respectively, partially offset by a $10.6 million increase in the gain on divestitures. As a result, income from continuing operations before income taxes decreased by $5.6 million (2%) to $267.8 million in 2016. The decrease in income from continuing operations before income taxes, resulted in a decrease in income tax expense of $3.4 million (3%). Net income decreased by $2.0 million (1%) to $167.2 million in 2016.

We assess the organic growth of our revenue and gross profit on a same store basis. As such, for the following discussion, same store amounts consist of information from dealerships for identical months in each comparative period, commencing with the first month we owned the dealership. Additionally, amounts related to divested dealerships are excluded from each comparative period.

*New Vehicle—*

| | For the Year Ended December 31, 2016 | 2015 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions, except for per vehicle data) | | | |
| As Reported: | | | | |
| Revenue: | | | | |
| Luxury | $ 1,251.3 | $ 1,302.6 | $ (51.3) | (4)% |
| Import | 1,617.8 | 1,667.5 | (49.7) | (3)% |
| Domestic | 742.8 | 682.4 | 60.4 | 9 % |
| Total new vehicle revenue | $ 3,611.9 | $ 3,652.5 | $ (40.6) | (1)% |
| Gross profit: | | | | |
| Luxury | $ 84.4 | $ 87.2 | $ (2.8) | (3)% |
| Import | 68.9 | 77.3 | (8.4) | (11)% |
| Domestic | 33.8 | 38.5 | (4.7) | (12)% |
| Total new vehicle gross profit | $ 187.1 | $ 203.0 | $ (15.9) | (8)% |
| New vehicle units: | | | | |
| Luxury | 23,875 | 25,441 | (1,566) | (6)% |
| Import | 58,466 | 61,633 | (3,167) | (5)% |
| Domestic | 20,019 | 18,907 | 1,112 | 6 % |
| Total new vehicle units | 102,360 | 105,981 | (3,621) | (3)% |
| | | | | |
| Same Store: | | | | |
| Revenue: | | | | |
| Luxury | $ 1,226.5 | $ 1,253.5 | $ (27.0) | (2)% |
| Import | 1,544.6 | 1,514.4 | 30.2 | 2 % |
| Domestic | 667.8 | 639.7 | 28.1 | 4 % |
| Total new vehicle revenue | $ 3,438.9 | $ 3,407.6 | $ 31.3 | 1 % |
| Gross profit: | | | | |
| Luxury | $ 82.4 | $ 83.7 | $ (1.3) | (2)% |
| Import | 66.4 | 71.2 | (4.8) | (7)% |
| Domestic | 29.8 | 36.0 | (6.2) | (17)% |
| Total new vehicle gross profit | $ 178.6 | $ 190.9 | $ (12.3) | (6)% |
| New vehicle units: | | | | |
| Luxury | 23,424 | 24,539 | (1,115) | (5)% |
| Import | 55,960 | 56,224 | (264) | — % |
| Domestic | 17,804 | 17,669 | 135 | 1 % |
| Total new vehicle units | 97,188 | 98,432 | (1,244) | (1)% |

*New Vehicle Metrics—*

| | For the Year Ended December 31, 2016 | 2015 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| As Reported: | | | | |
| Revenue per new vehicle sold | $ 35,286 | $ 34,464 | $ 822 | 2 % |
| Gross profit per new vehicle sold | $ 1,828 | $ 1,915 | $ (87) | (5)% |
| New vehicle gross margin | 5.2% | 5.6% | (0.4)% | |
| | | | | |
| Luxury: | | | | |
| Gross profit per new vehicle sold | $ 3,535 | $ 3,428 | $ 107 | 3 % |
| New vehicle gross margin | 6.7% | 6.7% | — % | |
| Import: | | | | |
| Gross profit per new vehicle sold | $ 1,178 | $ 1,254 | $ (76) | (6)% |
| New vehicle gross margin | 4.3% | 4.7% | (0.4)% | |
| Domestic: | | | | |
| Gross profit per new vehicle sold | $ 1,688 | $ 2,036 | $ (348) | (17)% |
| New vehicle gross margin | 4.5% | 5.6% | (1.1)% | |
| | | | | |
| Same Store: | | | | |
| Revenue per new vehicle sold | $ 35,384 | $ 34,619 | $ 765 | 2 % |
| Gross profit per new vehicle sold | $ 1,838 | $ 1,939 | $ (101) | (5)% |
| New vehicle gross margin | 5.2% | 5.6% | (0.4)% | |
| | | | | |
| Luxury: | | | | |
| Gross profit per new vehicle sold | $ 3,518 | $ 3,411 | $ 107 | 3 % |
| New vehicle gross margin | 6.7% | 6.7% | — % | |
| Import: | | | | |
| Gross profit per new vehicle sold | $ 1,187 | $ 1,266 | $ (79) | (6)% |
| New vehicle gross margin | 4.3% | 4.7% | (0.4)% | |
| Domestic: | | | | |
| Gross profit per new vehicle sold | $ 1,674 | $ 2,037 | $ (363) | (18)% |
| New vehicle gross margin | 4.5% | 5.6% | (1.1)% | |

New vehicle revenue decreased by $40.6 million (1%), primarily as a result of a 3% decrease in new vehicle units sold, partially offset by a 2% increase in revenue per new vehicle sold. Same store new vehicle revenue increased by $31.3 million (1%) as a result of a 2% increase in revenue per new vehicle sold, partially offset by a 1% decrease in new vehicle units sold.

U.S. new vehicle sales were 17.6 million in 2016, which was relatively stable compared to 17.5 million in 2015. Our 1% decrease in same store unit volumes, was primarily the result of a 5% decrease in luxury units, partially offset by a 1% increase in domestic units. We attribute the decrease in luxury unit volumes to a consumer preference shift from cars to trucks, due in part to lower gas prices, which tends to favor domestic brands.

Same store new vehicle gross profit in 2016 decreased by $12.3 million (6%), as a result of the 1% decrease in unit volumes and a 5% decrease in gross profit per new vehicle sold. New vehicle gross margin in 2016 decreased by 40 basis points to 5.2%, primarily attributable to the decrease in luxury unit volumes, which have higher margins than import and domestic vehicles, reduced manufacturer incentives and increased competition in the marketplace for import and domestic vehicles.

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*Used Vehicle—*

| | For the Year Ended December 31, 2016 | 2015 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions, except for per vehicle data) | | | |
| As Reported: | | | | |
| Revenue: | | | | |
| Used vehicle retail revenues | $ 1,675.0 | $ 1,717.5 | $ (42.5) | (2)% |
| Used vehicle wholesale revenues | 201.4 | 214.2 | (12.8) | (6)% |
| Used vehicle revenue | $ 1,876.4 | $ 1,931.7 | $ (55.3) | (3)% |
| Gross profit: | | | | |
| Used vehicle retail gross profit | $ 131.0 | $ 136.1 | $ (5.1) | (4)% |
| Used vehicle wholesale gross profit | (3.7) | (4.3) | 0.6 | (14)% |
| Used vehicle gross profit | $ 127.3 | $ 131.8 | $ (4.5) | (3)% |
| Used vehicle retail units: | | | | |
| Used vehicle retail units | 79,259 | 82,589 | (3,330) | (4)% |
| | | | | |
| Same Store: | | | | |
| Revenue: | | | | |
| Used vehicle retail revenues | $ 1,578.0 | $ 1,561.3 | $ 16.7 | 1 % |
| Used vehicle wholesale revenues | 191.9 | 198.2 | (6.3) | (3)% |
| Used vehicle revenue | $ 1,769.9 | $ 1,759.5 | $ 10.4 | 1 % |
| Gross profit: | | | | |
| Used vehicle retail gross profit | $ 123.6 | $ 125.1 | $ (1.5) | (1)% |
| Used vehicle wholesale gross profit | (3.2) | (3.1) | (0.1) | 3 % |
| Used vehicle gross profit | $ 120.4 | $ 122 | $ (1.6) | (1)% |
| Used vehicle retail units: | | | | |
| Used vehicle retail units | 74,027 | 74,312 | (285) | — % |

*Used Vehicle Metrics—*

| | For the Year Ended December 31, 2016 | 2015 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| As Reported: | | | | |
| Revenue per used vehicle retailed | $ 21,133 | $ 20,796 | $ 337 | 2 % |
| Gross profit per used vehicle retailed | $ 1,653 | $ 1,648 | $ 5 | — % |
| Used vehicle retail gross margin | 7.8% | 7.9% | (0.1)% | |
| | | | | |
| Same Store: | | | | |
| Revenue per used vehicle retailed | $ 21,317 | $ 21,010 | $ 307 | 1 % |
| Gross profit per used vehicle retailed | $ 1,670 | $ 1,683 | $ (13) | (1)% |
| Used vehicle retail gross margin | 7.8% | 8% | (0.2)% | |

Used vehicle revenue decreased by $55.3 million (3%), as a result of a 4% decrease in used vehicle retail units sold, partially offset by a 2% increase in revenue per used vehicle retailed. Same store used vehicle revenue increased by $10.4 million (1%), due to a 1% increase in revenue per used vehicle retailed.

In 2016, same store used vehicle retail gross profit decreased by $1.5 million (1%), resulting in a slight decrease in gross margin from 8.0% to 7.8% in 2016. We primarily attribute the 20 basis point decrease in same store used vehicle retail gross profit margin, to increased competition and price transparency within the used vehicle marketplace. In addition, our effort to retail more used vehicles, specifically in the fourth quarter of 2016, resulted in lower margins on used vehicles, but delivered on our strategic focus to grow our reconditioning and preparation and finance and insurance businesses.

*Parts and Service—*

| | For the Year Ended December 31, 2016 | 2015 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | | (Dollars in millions) | | |
| As Reported: | | | | |
| Parts and service revenue | $ 778.5 | $ 740.7 | $ 37.8 | 5 % |
| Parts and service gross profit: | | | | |
| Customer pay | $ 268.2 | $ 250.9 | $ 17.3 | 7 % |
| Warranty | 73.7 | 71.0 | 2.7 | 4 % |
| Wholesale parts | 20.7 | 21.2 | (0.5) | (2)% |
| Parts and service gross profit, excluding reconditioning and preparation | $ 362.6 | $ 343.1 | $ 19.5 | 6 % |
| Parts and service gross margin, excluding reconditioning and preparation | 46.6% | 46.3% | 0.3 % | |
| Reconditioning and preparation | 120.7 | 119.5 | 1.2 | 1 % |
| Total parts and service gross profit | $ 483.3 | $ 462.6 | $ 20.7 | 4 % |
| Total parts and service gross margin | 62.1% | 62.5% | (0.4)% | |
| | | | | |
| Same Store: | | | | |
| Parts and service revenue | $ 736.1 | $ 683.4 | $ 52.7 | 8 % |
| Parts and service gross profit: | | | | |
| Customer pay | $ 255.1 | $ 234.6 | $ 20.5 | 9 % |
| Warranty | 70.3 | 65.4 | 4.9 | 7 % |
| Wholesale parts | 19.2 | 18.9 | 0.3 | 2 % |
| Parts and service gross profit, excluding reconditioning and preparation | $ 344.6 | $ 318.9 | $ 25.7 | 8 % |
| Parts and service gross margin, excluding reconditioning and preparation | 46.8% | 46.7% | 0.1 % | |
| Reconditioning and preparation | 114.3 | 109.4 | 4.9 | 4 % |
| Total parts and service gross profit | $ 458.9 | $ 428.3 | $ 30.6 | 7 % |
| Total parts and service gross margin | 62.3% | 62.7% | (0.4)% | |

The $37.8 million (5%) increase in parts and service revenue was primarily the result of a $29.8 million (6%) increase in customer pay revenue and a $9.6 million (7%) increase in warranty revenue. Same store parts and service revenue increased by $52.7 million (8%) from $683.4 million in 2015 to $736.1 million in 2016. The increase in same store parts and service revenue was primarily due to a $37.3 million (8%) increases in customer pay revenue and a $13.3 million (11%) increase in warranty revenue. On a same store basis our parts and service gross margin decreased by 40 basis points, primarily due to a shift in parts and service revenue towards customer pay and warranty.

Parts and service gross profit, excluding reconditioning and preparation, increased by $19.5 million (6%) to $362.6 million and same store gross profit, excluding reconditioning and preparation, increased by $25.7 million (8%) to $344.6 million. The increase in same store gross profit is primarily due to an increase in customer pay gross profit, which has continued to benefit from our strategic focus to improve customer retention and the recent trend of increasing new vehicle sales over the past few years.

*Finance and Insurance, net—*

| | For the Year Ended December 31, 2016 | For the Year Ended December 31, 2015 | Increase (Decrease) | % Change |
|---|---|---|---|---|
| | (Dollars in millions, except for per vehicle data) | | | |
| As Reported: | | | | |
| Finance and insurance, net | $ 261.0 | $ 263.4 | $ (2.4) | (1)% |
| Finance and insurance, net per vehicle sold | $ 1,437 | $ 1,397 | $ 40 | 3 % |
| Same Store: | | | | |
| Finance and insurance, net | $ 247.6 | $ 243.3 | $ 4.3 | 2 % |
| Finance and insurance, net per vehicle sold | $ 1,446 | $ 1,408 | $ 38 | 3 % |

F&I revenue decreased by $2.4 million (1%) during 2016 when compared to 2015 primarily as a result of a % decrease in new and used retail unit sales partially offset by a $40 (3%) increase in F&I per vehicle retailed.

On a same store basis F&I revenue increased by $4.3 million (2%), in 2016 when compared to 2015 primarily as a result of a $38 (3%) increase in F&I per vehicle retailed partially offset by a 1% decrease in new and used retail unit sales.

At the beginning of the fourth quarter of 2016, we began operating under an amended agreement with our primary insurance products underwriter. Under the terms of our amended agreement, we receive additional up-front commissions and pay reduced administrative expenses than we otherwise would have under the original agreement.

*Selling, General, and Administrative Expense—*

| | For the Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2016 | % of Gross Profit | 2015 | % of Gross Profit | Increase (Decrease) | % of Gross Profit (Decrease) Increase |
| | (Dollars in millions) | | | | | |
| As Reported: | | | | | | |
| Personnel costs | $ 343.1 | 32.4% | $ 334.6 | 31.5% | $ 8.5 | 0.9 % |
| Sales compensation | 112.0 | 10.6% | 115.5 | 10.9% | (3.5) | (0.3)% |
| Share-based compensation | 12.0 | 1.1% | 10.0 | 0.9% | 2.0 | 0.2 % |
| Outside services | 78.3 | 7.4% | 77.4 | 7.3% | 0.9 | 0.1 % |
| Advertising | 34.0 | 3.2% | 40.1 | 3.8% | (6.1) | (0.6)% |
| Rent | 29.9 | 2.8% | 31.3 | 3.0% | (1.4) | (0.2)% |
| Utilities | 15.5 | 1.5% | 16.7 | 1.6% | (1.2) | (0.1)% |
| Insurance | 15.9 | 1.5% | 11.8 | 1.1% | 4.1 | 0.4 % |
| Other | 91.8 | 8.7% | 92.5 | 8.7% | (0.7) | — % |
| Selling, general, and administrative expense | $ 732.5 | 69.2% | $ 729.9 | 68.8% | $ 2.6 | 0.4 % |
| Gross profit | $ 1,058.7 | | $ 1,060.8 | | | |
| Same Store: | | | | | | |
| Personnel costs | $ 324.8 | 32.3% | $ 309.2 | 31.4% | $ 15.6 | 0.9 % |
| Sales compensation | 105.8 | 10.5% | 106.0 | 10.8% | (0.2) | (0.3)% |
| Share-based compensation | 12.0 | 1.2% | 10.0 | 1.0% | 2.0 | 0.2 % |
| Outside services | 73.4 | 7.3% | 71.1 | 7.2% | 2.3 | 0.1 % |
| Advertising | 30.3 | 3.0% | 34.2 | 3.5% | (3.9) | (0.5)% |
| Rent | 29.9 | 3.0% | 31.2 | 3.2% | (1.3) | (0.2)% |
| Utilities | 14.4 | 1.4% | 15.1 | 1.5% | (0.7) | (0.1)% |
| Insurance | 14.9 | 1.5% | 10.5 | 1.1% | 4.4 | 0.4 % |
| Other | 87.9 | 8.8% | 85.6 | 8.6% | 2.3 | 0.2 % |
| Selling, general, and administrative expense | $ 693.4 | 69.0% | $ 672.9 | 68.3% | $ 20.5 | 0.7 % |
| Gross profit | $ 1,005.5 | | $ 984.5 | | | |

SG&A expense as a percentage of gross profit was 69.2% for 2016 compared to 68.8% for 2015. Same store SG&A expense as a percentage of gross profit increased by 70 basis points, from 68.3% in 2015 to 69.0% in 2016, The increase, was due primarily to increased personnel costs, which was a result of higher employee benefit costs, and higher insurance expense, which includes expenses associated with hail storm damage incurred at certain of our dealerships during 2016.

*Depreciation and Amortization Expense —*

The $1.2 million (4%) increase in depreciation and amortization expense during 2016 compared to 2015, was primarily the result of increased capital expenditures and the completion of construction projects, resulting in newly depreciable assets placed into service during the year.

*Other Operating Income, net —*

Other operating income, net includes gains and losses from the sale of property and equipment, income derived from lease arrangements, and other non-core operating items. The $2.3 million in other operating income, net for 2016, was primarily due to $6.6 million in gains resulting from legal settlements, partially offset by $5.7 million of real estate related charges, including impairments and lease terminations.

*Floor Plan Interest Expense —*

The $3.2 million (20%) increase in floor plan interest expense during 2016 compared to 2015, was the result of higher average new vehicle inventory levels and higher interest rates throughout 2016 compared to 2015.

*Other Interest Expense —*

Other interest expense increased $9.1 million (21%) from $44.0 million in 2015 to $53.1 million in 2016. The increase in interest expense, was primarily the result of our add-on issuance of $200.0 million aggregate principal amount of our 6.0% Senior Subordinated Notes due 2024, which we completed in October 2015.

*Gain on Divestitures —*

Included in the results of 2016, were $45.5 million of gains related to the current year sale of five franchises (four dealership locations) and two collision centers.

*Income Tax Expense—*

The $3.4 million (3%) decrease in income tax expense, was primarily a result of the $5.6 million (2%) decrease in income before income taxes in 2016 compared to 2015. Our effective tax rate was 37.6% in 2016 compared to 38.0% in 2015. Our effective tax rate is highly dependent on our level of income before income taxes and permanent differences between book and tax income.

**LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2017, we had total available liquidity of $379.5 million, which consisted of cash and cash equivalents of $4.7 million, $49.3 million of available funds in our floor plan offset accounts, $190.0 million of availability under our new vehicle floor plan facility that is able to be re-designated to our revolving credit facility, $46.7 million of availability under our revolving credit facility, and $88.8 million of availability under our used vehicle revolving floor plan facility. The borrowing capacities under our revolving credit facility and our used vehicle revolving floor plan facility are limited by borrowing base calculations and, from time to time, may be further limited by our required compliance with certain financial covenants. As of December 31, 2017, these financial covenants did not further limit our availability under our other credit facilities. For more information on our financial covenants, see "Covenants and Defaults" below.

We continually evaluate our liquidity and capital resources based upon (i) our cash and cash equivalents on hand, (ii) the funds that we expect to generate through future operations, (iii) current and expected borrowing availability under our 2016 Senior Credit Facility, our other floor plan facilities, our Real Estate Credit Agreement, our Restated Master Loan Agreement, and our mortgage financings (each, as defined below), (iv) amounts in our new vehicle floor plan notes payable offset accounts, and (v) the potential impact of our capital allocation strategy and any contemplated or pending future transactions, including, but not limited to, financings, acquisitions, dispositions, equity and/or debt repurchases, dividends, or other capital expenditures. We believe we will have sufficient liquidity to meet our debt service and working capital requirements; commitments and contingencies; debt repayment, maturity and repurchase obligations; acquisitions; capital expenditures; and any operating requirements for at least the next twelve months.

We currently are party to the following material credit facilities and agreements, and have the following material indebtedness outstanding. For a more detailed description of the material terms of these agreements and facilities, and this indebtedness, refer to the "Long-Term Debt" footnote included in the Notes to Consolidated Financial Statements.

- **2016 Senior Credit Facility** — On July 25, 2016, the Company and certain of its subsidiaries entered into an amended and restated senior secured credit agreement with Bank of America, as administrative agent, and the other lenders party thereto. The 2016 Senior Credit Facility amended and restated the Company's pre-existing senior secured credit agreement, dated as of August 8, 2013, by and among the Company and certain of its subsidiaries and Bank of America, as administrative agent, and the other agents and lenders party thereto (the "Restated Credit Agreement").

  The 2016 Senior Credit Facility provides for the following:

  *Revolving Credit Facility* — A $250.0 million revolving credit facility for, among other things, acquisitions, working capital and capital expenditures, including a $50.0 million sub-limit for letters of credit. As of December 31, 2017, we re-designated $190.0 million of availability from our revolving credit facility to our new vehicle floor plan facility, resulting in $60.0 million of borrowing capacity. In addition, we had $13.3 million in outstanding letters of credit, resulting in $46.7 million of borrowing availability as of December 31, 2017.

  *New Vehicle Floor Plan Facility* — A $900.0 million new vehicle revolving floor plan facility. In connection, with the new vehicle floor plan facility, we established an account with Bank of America that allows us to transfer cash as an offset to floor plan notes payable. These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of the use of our floor plan offset account, we experience a reduction in Floor Plan Interest Expense on our Consolidated Statements of Income. As of December 31, 2017, we had $627.9 million outstanding under our new vehicle floor plan facility, which is net of $38.7 million in our floor plan offset account, .

*Used Vehicle Floor Plan Facility* — A $150.0 million used vehicle revolving floor plan facility to finance the acquisition of used vehicle inventory and for, among other things, working capital and capital expenditures, as well as to refinance used vehicles. Our borrowing capacity under the used vehicle floor plan facility was limited to $88.8 million, based on our borrowing base calculation as of December 31, 2017. We began the year with nothing drawn on our used vehicle floor plan facility and during the year ended December 31, 2017, we had borrowings of $35.0 million and made repayments of $35.0 million, resulting in no outstanding amounts under our used vehicle floor plan facility as of December 31, 2017.

Subject to compliance with certain conditions, the agreement governing the 2016 Senior Credit Facility provides that we have the ability, at our option and subject to the receipt of additional commitments from existing or new lenders, to increase the size of the facilities by up to $325.0 million in the aggregate without lender consent.

At our option, we have the ability to re-designate a portion of our availability under our Revolving Credit Facility to the New Vehicle Floor Plan Facility or the Used Vehicle Floor Plan Facility. The maximum amount we are allowed to re-designate is determined based on our current borrowing availability under our Revolving Credit Facility, less $50.0 million. In addition, we are able to re-designate any amounts moved to the New Vehicle Floor plan facility or Used Vehicle Floor Plan Facility back to the Revolving Credit Facility. As of December 31, 2017, we re-designated $190.0 million of availability under our Revolving Credit Facility to our New Vehicle Floor Plan facility. We re-designated this amount to take advantage of the lower commitment fee rates on our New Vehicle Floor Plan Facility when compared to our Revolving Credit Facility.

Borrowings under the 2016 Senior Credit Facility bear interest, at our option, based on the London Interbank Offered Rate ("LIBOR") or the Base Rate, in each case plus an Applicable Margin (as defined in the 2016 Senior Credit Facility). The Base Rate is the highest of the (i) Bank of America prime rate, (ii) Federal Funds rate plus 0.50%, and (iii) one month LIBOR plus 1.00%. The Applicable Margin, for borrowings under the Revolving Credit Facility, ranges from 1.25% to 2.50% for LIBOR loans and 0.25% to 1.50% for Base Rate loans, in each case based on the Company's total lease adjusted leverage ratio. Borrowings under the New Vehicle Floor Plan Facility bear interest, at the option of the Company, based on LIBOR plus 1.25% or the Base Rate plus 0.25%. Borrowings under the Used Vehicle Floor Plan Facility bear interest, at the option of the Company, based on LIBOR plus 1.50% or the Base Rate plus 0.50%.

In addition to the payment of interest on borrowings outstanding under the 2016 Senior Credit Facility, we are required to pay a quarterly commitment fee on the total commitments thereunder. The fee for commitments under the Revolving Credit Facility is between 0.20% and 0.45% per year, based on the Company's total lease adjusted leverage ratio, and the fee for commitments under the New Vehicle Facility Floor Plan and the Used Vehicle Facility Floor Plan Facility is 0.15% per year.

- **Manufacturer affiliated new vehicle floor plan facilities and other financing facilities** — We have a floor plan facility with the Ford Motor Credit Company ("Ford Credit") to purchase new Ford and Lincoln vehicle inventory, which matures on December 5, 2019. We also have a floor plan offset account with Ford Credit, which operates in a similar manner to our floor plan offset account with Bank of America. As of December 31, 2017, we had $104.2 million, outstanding under our floor plan facility which is net of $10.6 million in our floor plan offset account. Additionally, we had $86.8 million outstanding under facilities with certain manufacturers for the financing of loaner vehicles, which were presented within Accounts Payable and Accrued Liabilities in our Consolidated Balance Sheets. Neither our floor plan facility with Ford Credit nor our facilities for loaner vehicles have stated borrowing limitations.

- **6.0% Senior Subordinated Notes due 2024 ("6.0% Notes")** — as of December 31, 2017 we had $600.0 million in aggregate principal amounts outstanding related to our 6.0% Notes. We are required to pay interest on the 6.0% Notes on June 15 and December 15 of each year until maturity on December 15, 2024.

- **Mortgage notes** — as of December 31, 2017, we had $139.1 million of mortgage note obligations. These obligations are collateralized by the associated real estate at our dealership locations.

- **Restated Master Loan Agreement** — provides for term loans to certain of our subsidiaries in an aggregate amount not to exceed $100.0 million. Borrowings under the Restated Master Loan Agreement are guaranteed by us and are collateralized by the real property financed under the Restated Master Loan Agreement. As of December 31, 2017, the outstanding balance under the Restated Master Loan Agreement was $88.5 million. There is no further borrowing availability under this facility.

- **Real Estate Credit Agreement —** a real estate term loan credit agreement with an initial principal value of $75.0 million collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder. As of December 31, 2017, we had $48.5 million of mortgage note obligations outstanding under the Real Estate Credit Agreement. There is no further borrowing availability under this agreement.

*Covenants and Defaults*

We are subject to a number of customary covenants in our various debt and lease agreements, including those described below. We were in compliance with all of our covenants as of December 31, 2017. Failure to comply with any of our debt covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings, if any, unless compliance with the covenants were waived. In many cases, defaults under one of our agreements could trigger cross-default provisions in our other agreements. If we are unable to remain in compliance with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. We cannot give any assurance that we would be able to successfully take any of these actions on terms, or at times, that may be necessary or desirable.

The representations and covenants contained in the 2016 Senior Credit Facility include, among others, a requirement to comply with a minimum consolidated current ratio, consolidated fixed charge coverage ratio and a maximum consolidated total lease adjusted leverage ratio, in each case as set out in the 2016 Senior Credit Facility. In addition, certain other covenants could restrict our ability to incur additional debt, pay dividends or acquire or dispose of assets.

The 2016 Senior Credit Facility also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. In certain instances, an event of default under either the revolving credit facility or the used vehicle floor plan facility could be, or result in, an event of default under the new vehicle floor plan facility, and vice versa. Upon the occurrence of an event of default, we could be required to immediately repay all amounts outstanding under the 2016 Senior Credit Facility.

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

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

Certain of our lease agreements also require compliance with various financial covenants and incorporate by reference the financial covenants set forth in the 2016 Senior Credit Facility. A breach of any of these covenants could immediately give rise to certain landlord remedies under our various lease agreements, the most severe of which include the following: (i) termination of the applicable lease and/or other leases with the same or an affiliated landlord under a cross-default provision, (ii) eviction from the premises, and (iii) the landlord having a claim for various damages.

The 2016 Senior Credit Facility and the Indenture currently allow for restricted payments without limit so long as our consolidated total leverage ratio (as defined in the 2016 Senior Credit Facility and the Indenture) is no greater than 3.0 to 1.0 after giving effect to such proposed restricted payments. Restricted payments generally include items such as dividends, share repurchases, unscheduled repayments of subordinated debt, or purchases of certain investments. In the event that our consolidated total leverage ratio does (or would) exceed 3.0 to 1.0, the 2016 Senior Credit Facility and the Indenture would then also allow for restricted payments under the following mutually exclusive parameters, subject to certain exclusions:

- Restricted payments in an aggregate amount not to exceed $20.0 million in any fiscal year;
- General restricted payments allowance of $150.0 million; and
- Subject to our continued compliance with a fixed charge coverage ratio as set out in the Indenture, restricted payments capacity additions (or subtractions if negative) equal to (i) 50% of our net income (as defined in the 2016 Senior Credit Facility and the Indenture) beginning on October 1, 2014 and ending on the date of the most recently completed fiscal quarter (the "Measurement Period"), plus (ii) 100% of any cash proceeds we receive from the sale of equity interests during the Measurement Period minus (iii) the dollar amount of share purchases made and dividends paid on or after December 4, 2014.

*Share Repurchases and Dividend Restrictions*

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

On January 30, 2014, our Board of Directors authorized our current share repurchase program (the "Repurchase Program"). During 2017, we repurchased 584,696 shares of our common stock under the Repurchase Program for a total of $34.8 million. As of December 31, 2017 we had remaining authorization to repurchase $53.3 million in shares of our common stock under the Repurchase Program. On January 24, 2018, our Board of Directors reset the authorization under our Repurchase Program to $100.0 million in the aggregate, for the repurchase of our common stock in open market transactions or privately negotiated transactions, from time to time.

During 2017, we repurchased 74,670 shares of our common stock for $4.8 million from employees in connection with a net share settlement feature of employee equity-based awards.

*Contractual Obligations*

As of December 31, 2017, we had the following contractual obligations (in millions; note references are to the notes to our Consolidated Financial Statements included elsewhere herein):

| | Payments due by period | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2018** | **2019** | **2020** | **2021** | **2022** | **Thereafter** | **Total** |
| Floor plan notes payable (Notes10&11) | $ 732.1 | $ — | $ — | $ — | $ — | $ — | $ 732.1 |
| Operating leases (Note 18) | 23.9 | 22.8 | 22.1 | 19.1 | 14.0 | 22.0 | 123.9 |
| Long-term debt (Note 13) | 15.4 | 39.9 | 30.5 | 13.7 | 28.6 | 751.2 | 879.3 |
| Interest on long-term debt (a) | 48.5 | 47.6 | 46.1 | 45.4 | 43.4 | 80.1 | 311.1 |
| Total contractual obligations | $ 819.9 | $ 110.3 | $ 98.7 | $ 78.2 | $ 86.0 | $ 853.3 | $ 2,046.4 |

______________________________________________

(a) Includes variable rate interest payments calculated using an estimated LIBOR rate of 1.56%, and assumes that borrowings will not be refinanced prior to or upon maturity.

**Cash Flows**

*Classification of Cash Flows Associated with Floor Plan Notes Payable*

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

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

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

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

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| | | **(In millions)** | |
| *Reconciliation of Cash provided by operating activities to Cash provided by operating activities, as adjusted* | | | |
| Cash provided by operating activities, as reported | $ 266.3 | $ 142.5 | $ 160.0 |
| New vehicle floor plan borrowings (repayments)—non-trade, net | (70.7) | 118.0 | (36.5) |
| Cash provided by operating activities, as adjusted | $ 195.6 | $ 260.5 | $ 123.5 |

*Operating Activities—*

Net cash provided by operating activities totaled $266.3 million, $142.5 million, and $160.0 million for the years ended December 31, 2017, 2016, and 2015, respectively. Net cash provided by operating activities, as adjusted, totaled $195.6 million, $260.5 million, and $123.5 million for the years ended December 31, 2017, 2016, and 2015 respectively. Net cash provided by operating activities, as adjusted, includes net income, adjustments to reconcile net income to net cash provided by operating activities, changes in working capital, and changes in floor plan notes payable—non-trade.

The $64.9 million decrease in our net cash provided by operating activities, as adjusted, for the year ended December 31, 2017 compared to the year ended December 31, 2016, was primarily the result of the following:

- $29.4 million related to an increase in inventory, net of floor plan notes payable, including both trade and non-trade;
- $47.1 million related to the change in other current and non-current assets and liabilities; and
- $34.0 million related to the change in accounts payable and accrued liabilities.

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

- $25.9 million related to sales volume and the timing of collection of accounts receivable and contracts-in-transit during 2017 as compared to 2016; and
- $19.7 million related to non-cash adjustments to net income.

The $137.0 million increase in our net cash provided by operating activities, as adjusted, for the year ended December 31, 2016 as compared to the year ended December 31, 2015 was primarily the result of the following:

- $126.1 million related to an increase in net floor plan notes payable, including both trade and non-trade, primarily as a result of a $66.5 million net decrease in our floor plan offset accounts;
- $55.2 million related to a decrease in inventory, due primarily to inventory turnover and the divestiture of five franchises (four dealership locations) and two collision centers in 2016; and
- $4.9 million related to sales volume and the timing of collection of accounts receivable and contracts-in-transit during 2016 as compared to 2015.

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

- $33.8 million related to the net increase in other current assets, primarily related to an increase in our loaner vehicle inventory and the turnover of that inventory;
- $8.6 million related to a decrease in accounts payable, accrued liabilities and other long-term assets and liabilities during 2016 when compared to 2015; and
- $6.8 million decrease in net income adjusted for non-cash items, primarily attributable to the $45.5 million gain on divestitures in 2016 compared to the $34.9 million gain on divestitures in 2015, the $3.6 million of impairment expenses in 2016

*Investing Activities—*

Net cash used in investing activities totaled $127.8 million and $61.9 million for the years ended December 31, 2017 and 2015, respectively. Net cash provided by investing activities totaled $4.9 million for the year ended December 31, 2016. Cash flows from investing activities relate primarily to capital expenditures, acquisitions, divestitures, and the sale of property and equipment.

Capital expenditures, excluding the purchase of real estate and acquisitions, were $42.3 million, $81.4 million, and $71.7 million for the years ended December 31, 2017, 2016, and 2015, respectively. Purchases of real estate totaled $5.8 million, $10.6 million, and $30.3 million for the years ended December 31, 2017, 2016, and 2015, respectively. In addition, we purchased previously leased facilities for $5.4 million and $19.6 million during the years ended December 31, 2017 and 2016, respectively. There were no purchases of previously leased facilities during the year ended December 31, 2015.

We expect that capital expenditures during 2018 will total approximately $50.0 million to upgrade or replace our existing facilities, construct new facilities, expand our service capacity, and invest in technology and equipment. As part of our capital allocation strategy, we continually evaluate opportunities to purchase properties currently under lease and acquire properties in connection with future dealership relocations. No assurances can be provided that we will have or be able to access capital at times or on terms in amounts deemed necessary to execute this strategy.

During the years ended December 31, 2017 and 2015 we acquired two franchises (two dealership locations) and one collision center for an aggregate purchase price of $80.1 million and two franchises (two dealership locations) for an aggregate purchase price of $69.4 million, respectively. We did not acquire any franchises during the year ended December 31, 2016.

There were no divestitures during the year ended December 31, 2017. During the year ended December 31, 2016, we divested five franchises (four dealership locations) and two collision centers for proceeds of $114.3 million. In addition, $13.1 million of mortgage note repayments were paid directly by the buyer as part of these divestitures. During the year ended December 31, 2015, we divested seven franchises (five dealership locations) and one collision center for proceeds of $105.9 million. In addition, $19.3 million of mortgage note repayments were paid directly by the buyer as part of these divestitures. Additionally, proceeds from the sale of assets, unrelated to the dealership divestitures, were $5.8 million, $2.2 million and $3.6 million for the years ended December 31, 2017, 2016, and 2015, respectively.

*Financing Activities—*

Net cash used in financing activities totaled $137.2 million, $146.8 million and $98.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

During the years ended December 31, 2017, 2016, and 2015, we had non-trade floor plan borrowings of $3.85 billion, $3.87 billion, and $4.13 billion, respectively. Included in our non-trade floor plan borrowings, were borrowings of $35.0 million, $55.0 million, and $254.0 million, for the years ended December 31, 2017, 2016, and 2015, respectively, related to our used vehicle floor plan facility. In addition, during the years ended December 31, 2017, and 2015, we had non-trade floor plan borrowings of $25.1 million, and $16.7 million, respectively, related to acquisitions. There were no borrowings related to acquisitions during the year ended December 31, 2016. The majority of our floor plan notes are payable to parties unaffiliated with the entities from which we purchase our new vehicle inventory, with the exception of floor plan notes payable relating to the financing of new Ford and Lincoln vehicles.

During the years ended December 31, 2017, 2016, and 2015, we made non-trade floor plan repayments of $3.92 billion, $3.75 billion, and $4.17 billion, respectively. Included in our non-trade floor plan repayments were repayments of $35.0 million, $55.0 million, and $254.0 million for the years ended December 31, 2017, 2016, and 2015, respectively, related to our used vehicle floor plan facility. In addition, during the years ended December 31, 2016 and 2015, we had floor plan repayments associated with dealership divestitures of $31.2 million and $44.0 million, respectively. There were no repayments related to divestitures during the year ended December 31, 2017.

Proceeds from borrowings totaled $293.1 million, during the year ended December 31, 2015. There were no proceeds from borrowings for the years ended December 31, 2017 or 2016. Repayments of borrowings totaled $52.0 million, $15.2 million, and $11.3 million, for the years ended December 31, 2017, 2016, and 2015, respectively. During the year ended December 31, 2017 we repaid three mortgages prior to their maturity date for a total of $36.6 million.

During the year ended December 31, 2017, we repurchased a total of 584,696 shares of our common stock under our Repurchase Program for a total of $34.8 million and 74,670 shares of our common stock for $4.8 million from employees in connection with a net share settlement feature of employee equity-based awards.

**Off Balance Sheet Arrangements**

We had no off balance sheet arrangements during any of the periods presented other than those disclosed in Note 18 "Lease Obligations" and Note 19 "Commitments and Contingencies" of the Notes to Consolidated Financial Statements thereto.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk

**Interest Rate Risk**

We are exposed to risk from changes in interest rates on a significant portion of our outstanding indebtedness. Based on $718.4 million of total variable interest rate debt, which includes our floor plan notes payable and certain mortgage liabilities, outstanding as of December 31, 2017, a 100 basis point change in interest rates could result in a change of as much as $7.2 million in annual interest expense.

We periodically receive floor plan assistance from certain automobile manufacturers. Floor plan assistance reduced our cost of sales for the years ended December 31, 2017, 2016, and 2015, by $36.4 million, $35.3 million, and $33.6 million, respectively. We cannot provide assurance as to the future amount of floor plan assistance and these amounts may be negatively impacted due to future changes in interest rates.

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

In June 2015, we entered into an interest rate swap agreement with a notional principal amount of $100.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR rate, through maturity in February 2025. The notional value of this swap was $90.4 million and $95.6 million as of December 31, 2017 and 2016, respectively, and is reducing over its remaining term to $53.1 million at maturity.

In November 2013, we entered into an interest rate swap agreement with a notional principal amount of $75.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR rate, through maturity in September 2023. The notional values of this swap as of December 31, 2017 and 2016, were $60.2 million and $64.0 million, respectively, and the notional value will reduce over its remaining term to $38.7 million at maturity.

For additional information about the effect of our derivative instruments on the accompanying Consolidated Financial Statements, see Note 14 "Financial Instruments and Fair Value" of the Notes thereto.

**Item 8. Financial Statements and Supplementary Data**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Asbury Automotive Group, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Asbury Automotive Group, Inc. as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 27, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

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

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

/s/ Ernst & Young LLP

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

Atlanta, Georgia
February 27, 2018

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of
Asbury Automotive Group, Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited Asbury Automotive Group, Inc.'s internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Asbury Automotive Group, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of two franchises acquired during 2017, which are included in the 2017 consolidated financial statements of the Company and constituted $64.0 million of consolidated assets as of December 31, 2017 and $136.0 million of consolidated revenues for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of the two franchises.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Asbury Automotive Group, Inc. as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and our report dated February 27, 2018 expressed an unqualified opinion thereon.

**Basis for Opinion**

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

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

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

**Definition and Limitations of Internal Control Over Financial Reporting**

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

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

/s/ Ernst & Young LLP

Atlanta, Georgia
February 27, 2018

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

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 4.7 | $ 3.4 |
| Contracts-in-transit, net | 193.3 | 182.6 |
| Accounts receivable, net | 128.5 | 138.4 |
| Inventories, net | 826.0 | 894.9 |
| Assets held for sale | 30.3 | 16.1 |
| Other current assets | 119.3 | 97.0 |
| Total current assets | 1,302.1 | 1,332.4 |
| PROPERTY AND EQUIPMENT, net | 834.2 | 815.4 |
| GOODWILL | 160.8 | 128.1 |
| INTANGIBLE FRANCHISE RIGHTS | 49.6 | 48.5 |
| OTHER LONG-TERM ASSETS | 10.0 | 11.7 |
| Total assets | $ 2,356.7 | $ 2,336.1 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Floor plan notes payable—trade, net | $ 104.2 | $ 108.3 |
| Floor plan notes payable—non-trade, net | 627.9 | 673.5 |
| Current maturities of long-term debt | 12.9 | 14.0 |
| Accounts payable and accrued liabilities | 313.2 | 309.1 |
| Total current liabilities | 1,058.2 | 1,104.9 |
| LONG-TERM DEBT | 862.6 | 912.7 |
| DEFERRED INCOME TAXES | 12.5 | 8.9 |
| OTHER LONG-TERM LIABILITIES | 29.2 | 29.9 |
| COMMITMENTS AND CONTINGENCIES (Note 19) | | |
| SHAREHOLDERS' EQUITY: | | |
| Preferred stock, $.01 par value, 10,000,000 shares authorized; none issued or outstanding | — | — |
| Common stock, $.01 par value, 90,000,000 shares authorized; 40,969,987 and 40,750,765 shares issued, including shares held in treasury, respectively | 0.4 | 0.4 |
| Additional paid-in capital | 563.5 | 549.4 |
| Retained earnings | 750.3 | 611.5 |
| Treasury stock, at cost; 20,156,962 and 19,497,596 shares, respectively | (919.1) | (879.5) |
| Accumulated other comprehensive loss | (0.9) | (2.1) |
| Total shareholders' equity | 394.2 | 279.7 |
| Total liabilities and shareholders' equity | $ 2,356.7 | $ 2,336.1 |

See accompanying Notes to Consolidated Financial Statements

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

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| REVENUE: | | | |
| New vehicle | $ 3,561.1 | $ 3,611.9 | $ 3,652.5 |
| Used vehicle | 1,834.1 | 1,876.4 | 1,931.7 |
| Parts and service | 786.1 | 778.5 | 740.7 |
| Finance and insurance, net | 275.2 | 261.0 | 263.4 |
| TOTAL REVENUE | 6,456.5 | 6,527.8 | 6,588.3 |
| COST OF SALES: | | | |
| New vehicle | 3,392.1 | 3,424.8 | 3,449.5 |
| Used vehicle | 1,712.2 | 1,749.1 | 1,799.9 |
| Parts and service | 296.3 | 295.2 | 278.1 |
| TOTAL COST OF SALES | 5,400.6 | 5,469.1 | 5,527.5 |
| GROSS PROFIT | 1,055.9 | 1,058.7 | 1,060.8 |
| OPERATING EXPENSES: | | | |
| Selling, general, and administrative | 729.7 | 732.5 | 729.9 |
| Depreciation and amortization | 32.1 | 30.7 | 29.5 |
| Franchise rights impairment | 5.1 | — | — |
| Other operating expense (income), net | 1.3 | (2.3) | (0.2) |
| INCOME FROM OPERATIONS | 287.7 | 297.8 | 301.6 |
| OTHER EXPENSES (INCOME): | | | |
| Floor plan interest expense | 22.7 | 19.3 | 16.1 |
| Other interest expense, net | 53.9 | 53.1 | 44.0 |
| Swap interest expense | 2.0 | 3.1 | 3.0 |
| Gain on divestitures | — | (45.5) | (34.9) |
| Total other expenses, net | 78.6 | 30.0 | 28.2 |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 209.1 | 267.8 | 273.4 |
| Income tax expense | 70.0 | 100.6 | 104.0 |
| INCOME FROM CONTINUING OPERATIONS | 139.1 | 167.2 | 169.4 |
| Discontinued operations, net of tax | — | — | (0.2) |
| NET INCOME | $ 139.1 | $ 167.2 | $ 169.2 |
| EARNINGS PER COMMON SHARE: | | | |
| Basic— | | | |
| Continuing operations | $ 6.69 | $ 7.43 | $ 6.44 |
| Discontinued operations | — | — | (0.01) |
| Net income | $ 6.69 | $ 7.43 | $ 6.43 |
| Diluted— | | | |
| Continuing operations | $ 6.62 | $ 7.40 | $ 6.42 |
| Discontinued operations | — | — | (0.01) |
| Net income | $ 6.62 | $ 7.40 | $ 6.41 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | |
| Basic | 20.8 | 22.5 | 26.3 |
| Restricted stock | 0.1 | 0.0 | 0.0 |
| Performance share units | 0.1 | 0.1 | 0.1 |
| Diluted | 21.0 | 22.6 | 26.4 |

See accompanying Notes to Consolidated Financial Statements

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

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Net income | $ 139.1 | $ 167.2 | $ 169.2 |
| Other comprehensive income (loss): | | | |
| Change in fair value of cash flow swaps | 1.9 | 2.3 | (3.1) |
| Income tax (expense) benefit associated with cash flow swaps | (0.7) | (0.9) | 1.1 |
| Comprehensive income | $ 140.3 | $ 168.6 | $ 167.2 |

See accompanying Notes to Consolidated Financial Statements

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

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Treasury Stock | | Accumulated Other Comprehensive Income (Loss) | Total |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | Shares | Amount | | |
| **Balances, December 31, 2014** | 40,327,625 | $ 0.4 | $ 522.6 | $ 275.1 | 11,803,711 | $ (351.7) | $ (1.5) | $ 444.9 |
| Comprehensive Income: | | | | | | | | |
| Net income | — | — | — | 169.2 | — | — | — | 169.2 |
| Change in fair value of cash flow swaps, net of reclassification adjustment and $1.1 tax benefit | — | — | — | — | — | — | (2.0) | (2.0) |
| Comprehensive income (loss) | — | — | — | 169.2 | — | — | (2.0) | 167.2 |
| Share-based compensation | — | — | 10.0 | — | — | — | — | 10.0 |
| Issuance of common stock in connection with share-based payment arrangements, including $4.6 excess tax benefit | 179,688 | — | 4.6 | — | — | — | — | 4.6 |
| Repurchase of common stock associated with net share settlements of employee share-based awards | — | — | — | — | 99,646 | (8.0) | — | (8.0) |
| Purchase of treasury shares | — | — | — | — | 3,793,186 | (304.2) | — | (304.2) |
| **Balances, December 31, 2015** | 40,507,313 | $ 0.4 | $ 537.2 | $ 444.3 | 15,696,543 | $ (663.9) | $ (3.5) | $ 314.5 |
| Comprehensive Income: | | | | | | | | |
| Net income | — | — | — | 167.2 | — | — | — | 167.2 |
| Change in fair value of cash flow swaps, net of reclassification adjustment and $0.9 tax expense | — | — | — | — | — | — | 1.4 | 1.4 |
| Comprehensive income | — | — | — | 167.2 | — | — | 1.4 | 168.6 |
| Share-based compensation | — | — | 12.0 | — | — | — | — | 12.0 |
| Issuance of common stock in connection with share-based payment arrangements, including $0.2 excess tax benefit | 243,452 | — | 0.2 | — | — | — | — | 0.2 |
| Repurchase of common stock associated with net share settlements of employee share-based awards | — | — | — | — | 70,411 | (3.7) | — | (3.7) |
| Purchase of treasury shares | — | — | — | — | 3,730,642 | (211.9) | — | (211.9) |
| **Balances, December 31, 2016** | 40,750,765 | $ 0.4 | $ 549.4 | $ 611.5 | 19,497,596 | $ (879.5) | $ (2.1) | $ 279.7 |
| Comprehensive Income: | | | | | | | | |
| Net income | — | — | — | 139.1 | — | — | — | 139.1 |
| Change in fair value of cash flow swaps, net of reclassification adjustment and $0.7 tax expense | — | — | — | — | — | — | 1.2 | 1.2 |
| Comprehensive income | — | — | — | 139.1 | — | — | 1.2 | 140.3 |
| Cumulative Effect Adjustment of ASU 2016-09 (Note 2) | | | 0.5 | (0.3) | | | | 0.2 |
| Share-based compensation | — | — | 13.6 | — | — | — | — | 13.6 |
| Issuance of common stock in connection with share-based payment arrangements | 219,222 | — | — | — | — | — | — | — |
| Repurchase of common stock associated with net share settlements of employee share-based awards | — | — | — | — | 74,670 | (4.8) | — | (4.8) |
| Purchase of treasury shares | — | — | — | — | 584,696 | (34.8) | — | (34.8) |
| **Balances, December 31, 2017** | 40,969,987 | $ 0.4 | $ 563.5 | $ 750.3 | 20,156,962 | $ (919.1) | $ (0.9) | $ 394.2 |

See accompanying Notes to Consolidated Financial Statements

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

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| CASH FLOW FROM OPERATING ACTIVITIES: | | | |
| Net income | $ 139.1 | $ 167.2 | $ 169.2 |
| Adjustments to reconcile net income to net cash provided by operating activities— | | | |
| Depreciation and amortization | 32.1 | 30.7 | 29.5 |
| Share-based compensation | 13.6 | 12.0 | 10.0 |
| Deferred income taxes | 2.8 | 6.1 | 9.5 |
| Franchise rights impairment | 5.1 | — | — |
| Non-cash impairment charges | — | 3.6 | — |
| Loaner vehicle amortization | 22.4 | 21.5 | 19.0 |
| Gain on divestitures | — | (45.5) | (34.9) |
| Other adjustments, net | 4.3 | 4.1 | 4.2 |
| Changes in operating assets and liabilities, net of acquisitions and divestitures— | | | |
| Contracts-in-transit | (10.7) | (6.9) | (20.1) |
| Accounts receivable | 10.2 | (19.5) | (11.2) |
| Inventories | 251.5 | 105.3 | 50.1 |
| Other current assets | (197.2) | (152.2) | (118.4) |
| Floor plan notes payable—trade, net | (4.1) | (17.2) | 11.2 |
| Accounts payable and accrued liabilities | (2.6) | 31.4 | 37.7 |
| Other long-term assets and liabilities, net | (0.2) | 1.9 | 4.2 |
| Net cash provided by operating activities | 266.3 | 142.5 | 160.0 |
| CASH FLOW FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures—excluding real estate | (42.3) | (81.4) | (71.7) |
| Capital expenditures—real estate | (5.8) | (10.6) | (30.3) |
| Purchases of previously leased real estate | (5.4) | (19.6) | — |
| Acquisitions | (80.1) | — | (69.4) |
| Divestitures | — | 114.3 | 105.9 |
| Proceeds from the sale of assets | 5.8 | 2.2 | 3.6 |
| Net cash (used in) provided by investing activities | (127.8) | 4.9 | (61.9) |
| CASH FLOW FROM FINANCING ACTIVITIES: | | | |
| Floor plan borrowings—non-trade | 3,850.3 | 3,866.3 | 4,130.3 |
| Floor plan borrowings—acquisitions | 25.1 | — | 16.7 |
| Floor plan repayments—non-trade | (3,921.0) | (3,748.3) | (4,168.8) |
| Floor plan repayments—divestitures | — | (31.2) | (44.0) |
| Proceeds from borrowings | — | — | 293.1 |
| Repayments of borrowings | (52.0) | (15.2) | (11.3) |
| Payment of debt issuance costs | — | (2.8) | (2.0) |
| Repurchases of common stock, including amounts associated with net share settlements of employee share-based awards | (39.6) | (215.6) | (312.2) |
| Net cash used in financing activities | (137.2) | (146.8) | (98.2) |
| Net increase (decrease) in cash and cash equivalents | 1.3 | 0.6 | (0.1) |
| CASH AND CASH EQUIVALENTS, beginning of period | 3.4 | 2.8 | 2.9 |
| CASH AND CASH EQUIVALENTS, end of period | $ 4.7 | $ 3.4 | $ 2.8 |

See Note 17 for supplemental cash flow information
See accompanying Notes to Consolidated Financial Statements

**ASBURY AUTOMOTIVE GROUP, INC.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(December 31, 2017, 2016, and 2015)**

## 1. DESCRIPTION OF BUSINESS

We are one of the largest automotive retailers in the United States. As of December 31, 2017 we owned and operated 94 new vehicle franchises (80 dealership locations), representing 29 brands of automobiles, and 24 collision centers, in 17 metropolitan markets, within nine states. Our stores offer an extensive range of automotive products and services, including new and used vehicles, repair and maintenance services, collision repair services, and finance and insurance products. As of December 31, 2017, our new vehicle revenue brand mix consisted of 46% imports, 34% luxury, and 20% domestic brands.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and reflect the consolidated accounts of Asbury Automotive Group, Inc. and our wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. In addition, certain reclassifications of amounts previously reported have been made to the accompanying Consolidated Financial Statements in order to conform to current presentation.

*Use of Estimates*

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

*Cash and Cash Equivalents*

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

*Contracts-In-Transit*

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

*Inventories*

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

We receive assistance from certain automobile manufacturers in the form of advertising and floor plan interest credits. Manufacturer advertising credits that are reimbursements of costs associated with specific advertising programs are recognized as a reduction of advertising expense in the period they are earned. All other manufacturer advertising and floor plan interest credits are accounted for as purchase discounts, and are recorded as a reduction of inventory and recognized as a reduction to New Vehicle Cost of Sales in the accompanying Consolidated Statements of Income in the period the related vehicle is sold.

*Property and Equipment*

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

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

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

We review property and equipment for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. When we test our long-lived assets for impairment, we first compare the carrying amount of the underlying assets to their net recoverable value by reviewing the undiscounted cash flows expected from the use and eventual disposition of the underlying assets. If the carrying amount of the underlying assets is less than their net recoverable value, then we calculate an impairment equal to the excess of the carrying amount over the fair market value, and the impairment loss would be charged to operations in the period identified. As a result of impairment tests conducted in 2017, 2016, and 2015, we did not record an impairment of our property and equipment.

*Acquisitions*

Acquisitions are accounted for under the acquisition method of accounting, and the assets acquired and liabilities assumed are recorded at their fair value, at the acquisition date. The results of operations of acquired dealerships are included in the accompanying Consolidated Statements of Income, commencing on the date of acquisition.

*Goodwill and Other Intangible Assets*

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

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

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

*Debt Issuance Costs*

Debt issuance costs are presented as a contra-liability within Current Maturities of Long-Term Debt or Long-Term Debt on our Consolidated Balance Sheets, except for debt issuance costs associated with our line-of-credit arrangements, which are presented as an asset within Other Current Assets or Other Long-Term Assets on our Consolidated Balance Sheets. Debt issuance costs are amortized to Floor Plan Interest Expense and Other Interest Expense, net in the accompanying Consolidated Statements of Income through maturity using the effective interest method.

*Derivative Instruments and Hedging Activities*

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

The effective portion of the gain or loss on our hedges is reported as a component of Accumulated Other Comprehensive Loss on the accompanying Consolidated Balance Sheets, and reclassified to Swap Interest Expense in the accompanying Consolidated Statements of Income in the period during which the hedged transaction affects earnings.

Measurements of hedge effectiveness are based on comparisons between the gains or losses of the actual interest rate swaps and the gains or losses of hypothetical interest rate swaps, which have the same critical terms of the defined hedged items. Ineffective portions of these interest rate swaps are reported as a component of Swap Interest Expense in the accompanying Consolidated Statements of Income, in the period during which any ineffectiveness is identified.

*Insurance*

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

*Revenue Recognition*

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

We receive commissions from third-party lending and insurance institutions for arranging customer financing and from the sale of vehicle service contracts, guaranteed auto protection (known as "GAP") insurance, and other insurance, to customers (collectively "F&I"). We may be charged back for F&I commissions in the event a contract is prepaid, defaulted upon, or terminated ("chargebacks"). F&I commissions are recorded at the time a vehicle is sold and a reserve for future chargebacks is established based on historical chargeback experience and the termination provisions of the applicable contract. F&I commissions, net of estimated future chargebacks, are included in Finance and Insurance, net in the accompanying Consolidated Statements of Income. Additionally, we participate in future profits associated with the performance of the third-party held underlying portfolio for certain products, pursuant to retrospective commission arrangements. Our retrospective portfolio income is recorded as revenue at the time it is received from our third-party providers.

*Internal Profit*

Revenues and expenses associated with internal work performed by our parts and service departments on new and used vehicle inventory are eliminated in consolidation. The gross profit earned by our parts and service departments for internal work performed is included as a reduction of Parts and Service Cost of Sales on the accompanying Consolidated Statements of Income upon the sale of the vehicle. The costs incurred by our new and used vehicle departments for work performed by our parts and service departments is included in either New Vehicle Cost of Sales or Used Vehicle Cost of Sales on the accompanying Consolidated Statements of Income, depending on the classification of the vehicle serviced. We maintain a reserve to eliminate the internal profit on vehicles that have not been sold.

*Share-Based Compensation*

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

*Earnings per Common Share*

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

*Advertising*

We expense costs of advertising as incurred and production costs when the advertising initially takes place, net of certain advertising credits and other discounts received from certain automobile manufacturers. Advertising expense from continuing operations totaled $30.3 million, $34.0 million and $40.1 million for the years ended December 31, 2017, 2016 and 2015, which was net of earned advertising credits of $18.0 million, $16.8 million, and $17.1 million, respectively, and is included in Selling, General, and Administrative expense in the accompanying Consolidated Statements of Income.

*Income Taxes*

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

*Discontinued Operations*

We evaluated our dealership divestitures in 2016 and 2015, and determined that none of our dealership divestitures would be considered discontinued operations.

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

Certain amounts have been classified as Assets Held for Sale as of December 31, 2017 and 2016 in the accompanying Consolidated Balance Sheets. Assets and liabilities classified as held for sale include assets and liabilities associated with pending dealership disposals, real estate not currently used in our operations that we are actively marketing to sell, and any related mortgage notes payable, if applicable. Classification as held for sale begins on the date that we have met all of the criteria for classification as held for sale.

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

*Statements of Cash Flows*

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

Consolidated Statement of Cash Flows. Cash flows related to floor plan notes payable included in operating activities differ from cash flows related to floor plan notes payable included in financing activities only to the extent that the former are payable to a lender affiliated with the manufacturer from which we purchased the related inventory, while the latter are payable to a lender not affiliated with the manufacturer from which we purchased the related inventory.

Loaner vehicles account for a significant portion of Other Current Assets. We acquire loaner vehicles either with available cash or through borrowings from either our manufacturer affiliated lenders or through our senior secured credit agreement with Bank of America, as administrative agent, and the other agents and lenders party thereto (the "2016 Senior Credit Facility"). Loaner vehicles are initially used by our service department for only a short period of time (typically 6 to 12 months) before we seek to sell them. Therefore, we classify the acquisition of loaner vehicles in Other Current Assets and the borrowings and repayments of loaner vehicle notes payable in Accounts Payable and Accrued Liabilities in the accompanying Consolidated Statements of Cash Flows. Loaner vehicles are depreciated over the service period to their estimated value. At the end of the loaner service period, loaner vehicles are transferred from Other Current Assets to used vehicle inventory. These transfers are reflected as non-cash transfers between Other Current Assets and Inventory in the accompanying Consolidated Statements of Cash Flows.

*Business and Credit Concentration Risk*

Financial instruments, which potentially subject us to a concentration of credit risk, consist principally of cash deposits. We maintain cash balances at financial institutions with strong credit ratings. Generally, amounts maintained with these financial institutions are in excess of FDIC insurance limits.

We have substantial debt service obligations. As of December 31, 2017, we had total debt of $879.3 million, excluding floor plan notes payable, the debt premium on the 6.0% Senior Subordinated Notes due 2024 ("6.0% Notes"), and debt issuance costs. In addition, we and our subsidiaries have the ability to obtain additional debt from time to time to finance acquisitions, real property purchases, capital expenditures, share repurchases or for other purposes, although such borrowings are subject to the restrictions contained in the second amended and restated senior secured credit agreement with Bank of America, N.A. ("Bank of America"), as administrative agent, and the other lenders party thereto (the "2016 Senior Credit Facility") and the indenture governing our 6.0% Senior Subordinated Notes due 2024 (the "Indenture"). We will have substantial debt service obligations, consisting of required cash payments of principal and interest, for the foreseeable future.

We are subject to operating and financial restrictions and covenants in certain of our leases and in our debt instruments, including the 2016 Senior Credit Facility, the Indenture, and the credit agreements covering our mortgage obligations. These agreements contain restrictions on, among other things, our ability to incur additional indebtedness, to create liens or other encumbrances, and to make certain payments (including dividends and repurchases of our shares and investments). These agreements may also require us to maintain compliance with certain financial and other ratios. Our failure to comply with any of these covenants in the future would constitute a default under the relevant agreement, which would, depending on the relevant agreement, (i) entitle the creditors under such agreement to terminate our ability to borrow under the relevant agreement and accelerate our obligations to repay outstanding borrowings; (ii) require us to apply our available cash to repay these borrowings; (iii) entitle the creditors under such agreement to foreclose on the property securing the relevant indebtedness; and/or (iv) prevent us from making debt service payments on certain of our other indebtedness, any of which would have a material adverse effect on our business, financial condition or results of operations. In many cases, a default under one of our debt or mortgage, agreements could trigger cross-default provisions in one or more of our other debt or mortgages.

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

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

A significant portion of our new vehicle sales are derived from a limited number of automotive manufacturers. For the year ended December 31, 2017, manufacturers representing 5% or more of our revenues from new vehicle sales were as follows:

| Manufacturer (Vehicle Brands): | % of Total New Vehicle Revenues |
|---|---|
| American Honda Motor Co., Inc. *(Honda and Acura)* | 22% |
| Toyota Motor Sales, U.S.A., Inc. *(Toyota and Lexus)* | 18% |
| Nissan North America, Inc. *(Nissan and Infiniti)* | 15% |
| Ford Motor Company *(Ford and Lincoln)* | 12% |
| Mercedes-Benz USA, LLC (*Mercedes-Benz, Smart and Sprinter*) | 8% |
| BMW of North America, LLC *(BMW and Mini)* | 6% |

No other manufacturers individually accounted for more than 5% of our total new vehicle revenue for the year ended December 31, 2017.

*Segment Reporting*

Our operations are organized by management into geographic market-based dealership groups. Our Chief Operating Decision Maker is our Chief Executive Officer who manages the business, regularly reviews financial information and allocates resources at the geographic market level. The geographic operating segments have been aggregated into one reportable segment as their operations (i) have similar economic characteristics (our markets all have similar long-term average gross margins), (ii) offer similar products and services (all of our markets offer new and used vehicles, parts and service, and third-party finance and insurance products), (iii) have similar customers, (iv) have similar distribution and marketing practices (all of our markets distribute products and services through dealership facilities that market to customers in similar ways), and (v) operate under similar regulatory environments.

*Recent Accounting Pronouncements*

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-09, Compensation—Stock Compensation (Topic 718), to simplify certain aspects of the accounting for share-based payment transactions to employees. The new standard requires excess tax benefits and tax deficiencies to be recorded in the statements of income as a component of the provision for income taxes when stock awards vest or are settled. In addition, it eliminates the requirement to reclassify cash flows related to excess tax benefits from operating activities to financing activities on the consolidated statements of cash flows. The standard also provides an accounting policy election to account for forfeitures as they occur, allows us to withhold more of an employee's vesting shares for tax withholding purposes without triggering liability accounting, and clarifies that all cash payments made to tax authorities on an employee's behalf for withheld shares should be presented as a financing activity on our statements of cash flows.

We adopted the new standard January 1, 2017, upon which excess tax benefits or deficiencies from share-based award activity were reflected in the Condensed Consolidated Statements of Income as a component of the provision for income taxes, whereas they previously were recognized in equity. We also elected to account for forfeitures as they occur, rather than estimate expected forfeitures. The adoption of ASU 2016-09 resulted in a cumulative-effect adjustment of $0.5 million (pre-tax) to reduce retained earnings and increase additional paid-in capital as of January 1, 2017, related to our election to account for forfeitures as they occur.

We adopted the aspects of the standard affecting the cash flow presentation retrospectively, and accordingly, to conform to the current year presentation, we reclassified $0.2 million and $4.6 million of excess tax benefits under financing activities to operating activities for years ended December 31, 2016 and 2015, respectively, within our Condensed Consolidated Statements of Cash Flows. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact on any of the periods presented on our consolidated statements of cash flows since such cash flows have historically been presented as a financing activity.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, changing the subsequent measurement guidance from the lower of cost or market to the lower of cost and net realizable value. We adopted this standard, beginning January 1, 2017, and its adoption did not have an impact on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), a new standard on revenue recognition. Further, the FASB has issued a number of additional ASUs regarding the new revenue recognition standard. The new standard, as amended, will supersede existing revenue recognition guidance and apply to all entities that enter into contracts to provide goods or services to customers. The guidance also addresses the measurement and recognition of gains and losses on the sale of certain non-financial assets, such as real estate, property, and equipment. The new standard became effective for us on January 1, 2018, and was applied to open contracts as of that date using the modified retrospective approach. We have reached conclusions on all key accounting assessments and are substantially complete with the implementation of new processes and internal controls related to the impact from adopting the standard. We have determined that the timing of recognition for new and used vehicle sales and the sale of vehicle parts will generally remain the same. However, we have identified the timing of recognition for revenue associated with vehicle repair and maintenance services as well as revenue associated with arranging the sale of certain insurance products to be affected by the new standard.

Under the new standard, revenue for vehicle repair and maintenance services will be accelerated and recognized as we satisfy our performance obligation. We determined that parts and labor are not individually distinct in the context of a vehicle repair order and therefore considered a single performance obligation. In addition, satisfaction of this performance obligation creates an asset with no alternative use for which an enforceable right to payment for performance to date exists within our contractual agreements.

We participate in future profits pursuant to retrospective commission arrangements, which meet the definition of variable consideration under the new standard, for certain insurance products associated with a third-party portfolio. The new standard requires that the transaction price include an estimate of variable consideration, subject to a constraint, and recognized when or as an entity satisfies its performance obligation. Our performance obligation is to arrange the sale of insurance contracts between the end-user and third-party, and is satisfied at the point of sale. As a result, the transaction price includes both up-front commissions and retrospective commissions. Based on our evaluation of the qualitative and quantitative constraint factors, we determined that a portion of retrospective commissions will be included in the transaction price at the time of sale. The remaining amount will be recognized when uncertainties associated with the constraint are removed.

The Company is in the process of finalizing its estimate of the cumulative effect adjustment, pending certain data and considerations of the appropriate level of constraint. The Company expects to complete its calculation in the first quarter of adoption.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), a new standard on lease accounting. The new standard will supersede the existing lease accounting guidance and apply to all entities. The guidance defines new principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and lessors. The new standard will become effective for us on January 1, 2019. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. While we are still evaluating the impact of this standard, we expect that the right-of-use assets and the associated lease liabilities will be material to our financial statements. We are unable to quantify the impact at this time as the ultimate impact of adopting this new standard will depend on the total amount of our lease commitments as of the adoption date.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test of Goodwill Impairment. This new standard eliminates Step 2 from the goodwill impairment test. Under the amendments in ASU No. 2017-04, an entity should recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds that reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. We elected to early adopt this new standard as of October 1, 2017, during our annual impairment assessment of goodwill. The adoption of this new standard did not have an impact on our consolidated financial position or results of operations.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities. This new standard is intended to simplify hedge accounting by better aligning how an entity's risk management activities and hedging relationships are presented in its financial statements and simplifies the application of hedge accounting guidance in certain situations. This new standard expands and refines hedge accounting for both non-financial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This new standard will become effective for us on January 1, 2019; however, early adoption is permitted. For cash flow hedges existing at the adoption date, this new standard requires adoption on a modified retrospective basis with a cumulative-effect adjustment to retained earnings as of the effective date. The amendments to presentation guidance and disclosure requirements are required to be adopted prospectively. We are currently evaluating the date upon which we will adopt this new standard and the impact this new standard may have on our consolidated financial statements.

**3. ACQUISITIONS AND DIVESTITURES**

Results of acquired dealerships are included in our accompanying Consolidated Statements of Income commencing on the date of acquisition. Our acquisitions are accounted for using the acquisition method of accounting, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized.

During the year ended December 31, 2017, we acquired the assets of two franchises (two dealership locations) and one collision center in the Indianapolis, Indiana market for a combined purchase price of $80.1 million. We financed these acquisitions with $55.0 million of cash and $25.1 million of floor plan borrowings for the purchase of the related new vehicle inventory. We did not acquire any dealerships during the year ended December 31, 2016.

Below is the allocation of purchase price for these acquisitions. Goodwill and manufacturer franchise rights associated with our acquisitions will be deductible for federal and state income tax purposes ratably over a 15-year period.

| | 2017 |
|---|---|
| | (In millions) |
| Inventory | $ 25.9 |
| Real estate | 12.2 |
| Property and equipment | 1.4 |
| Goodwill | 32.7 |
| Manufacturer franchise rights | 6.2 |
| Loaner and rental vehicles | 3.2 |
| Liabilities assumed | $ (1.5) |
| Total purchase price | $ 80.1 |

We did not sell any dealerships during the year ended December 31, 2017.

During the year ended December 31, 2016, we sold the remaining five franchises (four dealership locations) and two collision centers in the Little Rock, AR market. We recorded a gain associated with the sale of the franchises totaling $45.5 million ($28.4 million net of tax) in our accompanying Consolidated Statements of Income.

During the year ended December 31, 2015, we sold two franchises (two dealership locations) in Princeton, NJ; one franchise in the St. Louis, MO market; one collision center in Austin, TX; and four franchises (three dealership locations) in the Little Rock, AR market. We recorded a gain associated with the sale of the franchises totaling $34.9 million ($21.6 million net of tax) in our accompanying Consolidated Statements of Income.

Our 2016 and 2015 divestitures are not considered significant subsidiaries as defined in Rule 1-02(w) of Regulation S-X.

**4. ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Vehicle receivables | $ 48.3 | $ 53.2 |
| Manufacturer receivables | 47.0 | 45.5 |
| Other receivables | 34.8 | 41.6 |
| Total accounts receivable | 130.1 | 140.3 |
| Less—Allowance for doubtful accounts | (1.6) | (1.9) |
| Accounts receivable, net | $ 128.5 | $ 138.4 |

**5. INVENTORIES**

Inventories consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| New vehicles | $ 646.5 | $ 720.6 |
| Used vehicles | 135.9 | 132.7 |
| Parts and accessories | 43.6 | 41.6 |
| Total inventories | $ 826.0 | $ 894.9 |

The lower of cost and net realizable value reserves reduced total inventory cost by $5.7 million and $6.5 million as of December 31, 2017 and December 31, 2016, respectively. As of December 31, 2017 and December 31, 2016, certain automobile manufacturer incentives reduced new vehicle inventory cost by $7.4 million and $8.2 million, respectively, and reduced new vehicle cost of sales from continuing operations for the years ended December 31, 2017, 2016, and 2015 by $40.1 million, $40.6 million, and $38.8 million, respectively.

**6. ASSETS HELD FOR SALE**

Assets held for sale, comprising real estate not currently used in our operations and that we are actively marketing to sell, totaled $30.3 million and $16.1 million as of December 31, 2017 and 2016, respectively, and there were no liabilities associated with the real estate assets held for sale. Additionally, during the years ended December 31, 2017 and 2016, we sold two vacant properties with a total net book value of $5.7 million and one vacant property with a net book value of $2.3 million, respectively.

During the year ended December 31, 2016, we recorded $2.7 million of impairment expense related to real estate properties we were actively marketing to sell, based on offers received from prospective buyers and third-party brokers' opinion of value. We did not record any impairment expense associated with real estate properties that we were actively marketing to sell during the years ended December 31, 2017 or 2015.

In addition to the above impairments, during the year ended December 31, 2016, we recognized a $0.9 million non-cash impairment associated with a lease buyout and lease termination related to real estate not classified as held for sale. This was recorded in Other Operating Expenses (Income), net in our accompanying Consolidated Statements of Income.

**7. OTHER CURRENT ASSETS**

Other current assets consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Service loaner vehicles | $ 85.4 | $ 82.2 |
| Prepaid expenses | 5.2 | 4.5 |
| Prepaid taxes | 19.5 | 4.0 |
| Other | 9.2 | 6.3 |
| Other current assets | $ 119.3 | $ 97.0 |

**8. PROPERTY AND EQUIPMENT, NET**

Property and equipment, net consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Land | $ 303.9 | $ 307.7 |
| Buildings and leasehold improvements | 582.0 | 530.2 |
| Machinery and equipment | 93.7 | 84.0 |
| Furniture and fixtures | 61.7 | 57.7 |
| Company vehicles | 8.8 | 8.8 |
| Construction in progress | 22.4 | 37.8 |
| Gross property and equipment | 1,072.5 | 1,026.2 |
| Less—Accumulated depreciation | (238.3) | (210.8) |
| Property and equipment, net | $ 834.2 | $ 815.4 |

During the years ended December 31, 2017, 2016, and 2015, we capitalized $0.2 million, $1.1 million, and $0.2 million, respectively, of interest in connection with various capital projects to upgrade or remodel our facilities. Depreciation expense was $32.1 million, $30.7 million, and $29.5 million for the years ended December 31, 2017, 2016, and 2015, respectively.

**9. GOODWILL AND INTANGIBLE FRANCHISE RIGHTS**

Our acquisitions have resulted in the recording of goodwill and intangible franchise rights. Goodwill is an asset representing operational synergies and future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Intangible franchise rights is an asset representing our rights under franchise agreements with vehicle manufacturers. The changes in goodwill and intangible franchise rights for the years ended December 31, 2017 and 2016 are as follows:

| | Goodwill |
|---|---|
| | (In millions) |
| Balance as of December 31, 2015 (a) | $ 130.2 |
| Divestitures | (2.1) |
| Balance as of December 31, 2016 (a) | 128.1 |
| Acquisitions | 32.7 |
| Balance as of December 31, 2017 (a) | $ 160.8 |

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(a) Net of accumulated impairment losses of $537.7 million recorded prior to the year ended December 31, 2015.

| | Intangible Franchise Rights |
|---|---|
| | (In millions) |
| Balance as of December 31, 2015 and December 31, 2016 | $ 48.5 |
| Acquisitions | 6.2 |
| Divestitures | — |
| Impairments | (5.1) |
| Balance as of December 31, 2017 | $ 49.6 |

We elected to perform a quantitative impairment assessment for both goodwill and intangible franchise rights as of October 1, 2017.

The quantitative goodwill impairment assessment involves determination of whether the fair value of a reporting unit exceeds its carrying value. Concurrent with our annual assessment, we adopted ASU 2017-04 (refer to Note 2) to perform our goodwill impairment testing. Under the new standard, goodwill impairment is recognized based on the difference between the carrying value of a reporting unit and its fair value. However, the impairment amount is limited to the total amount of goodwill allocated to a reporting unit. The Company uses an income approach to determine the fair value of its reporting units. The income approach model used for goodwill valuation is consistent with the model used for intangible franchise rights discussed below except that cash flows from the entire business enterprise (for each reporting unit) are used for goodwill valuation. Based on our testing results, we concluded the fair value for each of our reporting units exceeded its carrying value.

The quantitative impairment test for franchise rights includes comparison of the estimated fair value to the carrying value for each of our intangible franchise rights. The Company estimates fair value by using a discounted cash flow model (income approach) based on assumptions related to the cash flows directly attributable to the franchise. These assumptions include growth rates, working capital requirements, weighted average cost of capital, future gross margins, and future selling, general, and administrative expenses. In connection with our testing, we identified that the carrying values of certain of our intangible franchise rights exceeded fair value and, as a result, recognized $5.1 million in pre-tax non-cash impairment charges.

For our October 1, 2016 annual impairment assessments, we performed a qualitative assessment for both goodwill and manufacturer franchise rights. Based on our qualitative assessment regarding goodwill impairment, we determined that it was more likely than not that the fair value exceeded the carrying value. During our qualitative assessment for intangible franchise rights, we determined certain of our intangible franchise rights required a quantitative assessment. Based on our quantitative assessment, we determined that it was more likely than not that the fair value exceeded the carrying value. For the remainder of our intangible franchise rights, we determined that it was more likely than not that the fair value exceeded the carrying value, based on our qualitative assessment and we were therefore not required to perform a quantitative test. As such, there were no impairment charges related to goodwill or intangible franchise rights recorded for the year ended December 31, 2016.

**10. FLOOR PLAN NOTES PAYABLE—TRADE**

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

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Floor plan notes payable—trade | $ 114.8 | $ 120.0 |
| Floor plan notes payable offset account | (10.6) | (11.7) |
| Total floor plan notes payable—trade, net | $ 104.2 | $ 108.3 |

We have a floor plan facility with the Ford Motor Credit Company ("Ford Credit") to purchase new Ford and Lincoln vehicle inventory. Our floor plan facility with Ford Credit matures on December 5, 2019 and does not have a stated borrowing limitation.

During August 2016, we established a floor plan offset account with Ford Credit, that allows us to transfer cash as an offset to floor plan notes payable. These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of using our floor plan offset account, we experience a reduction in Floor Plan Interest Expense on our Consolidated Statements of Income.

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

**11. FLOOR PLAN NOTES PAYABLE—NON-TRADE**

We consider floor plan notes payable to a party that is not affiliated with the entity from which we purchase our new vehicle inventory as Floor Plan Notes Payable—Non-Trade on our Consolidated Balance Sheets. Floor plan notes payable—non-trade, net consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Floor plan notes payable—non-trade | $ 666.6 | $ 732.7 |
| Floor plan notes payable offset account | (38.7) | (59.2) |
| Total floor plan notes payable—non-trade, net | $ 627.9 | $ 673.5 |

On July 25, 2016, the Company and certain of its subsidiaries entered into a second amended and restated senior secured credit agreement with Bank of America, as administrative agent, and the other lenders party thereto. The 2016 Senior Credit Facility amended and restated the Company's pre-existing senior secured credit agreement, dated as of August 8, 2013, by and among the Company and certain of its subsidiaries and Bank of America, as administrative agent, and the other agents and lenders party thereto (the "Restated Credit Agreement").

The 2016 Senior Credit Facility provides for the following, in each case subject to limitations on availability as set forth therein:

- a $250.0 million revolving credit facility (the "Revolving Credit Facility") with a $50.0 million sublimit for letters of credit;
- a $900.0 million new vehicle revolving floor plan facility (the "New Vehicle Floor Plan Facility"); and
- a $150.0 million used vehicle revolving floor plan facility (the "Used Vehicle Floor Plan Facility").

Subject to compliance with certain conditions, the agreement governing the 2016 Senior Credit Facility provides that the Company and its subsidiaries that are borrowers under the 2016 Senior Credit Facility (collectively, the "Borrowers") have the ability, at their option and subject to the receipt of additional commitments from existing or new lenders, to increase the size of the facilities by up to $325.0 million in the aggregate without lender consent.

At our option, we have the ability to re-designate a portion of our availability under our Revolving Credit Facility to the New Vehicle Floor Plan facility or the Used Vehicle Floor Plan Facility. The maximum amount we are allowed to re-designate is determined based on our current borrowing availability, less $50.0 million. In addition, we are able to re-designate any amounts moved to the New Vehicle Floor Plan Facility or Used Vehicle Floor Plan Facility back to the Revolving Credit Facility. As of December 31, 2017, we re-designated $190.0 million of availability under our Revolving Credit Facility to our New Vehicle Floor Plan Facility. We re-designated this amount to take advantage of the lower commitment fee rates on our new vehicle floor plan facility when compared to our revolving credit facility.

In connection, with the New Vehicle Floor Plan Facility, we established an account with Bank of America that allows us to transfer cash as an offset to floor plan notes payable. These transfers reduce the amount of outstanding new vehicle floor plan notes payable that would otherwise accrue interest, while retaining the ability to transfer amounts from the offset account into our operating cash accounts within one to two days. As a result of the use of our floor plan offset account, we experience a reduction in Floor Plan Interest Expense on our Consolidated Statements of Income.

In addition to using proceeds from borrowings under the 2016 Senior Credit Facility to repay amounts outstanding under the Restated Credit Agreement, proceeds from borrowings from time to time under the (i) Revolving Credit Facility may be used for, among other things, acquisitions, working capital and capital expenditures; (ii) New Vehicle Floor Plan Facility may be used to finance the acquisition of new vehicle inventory and to refinance new vehicle inventory at acquired dealerships; and (iii) Used Vehicle Floor Plan Facility may be used to finance the acquisition of used vehicle inventory and for, among other things, other working capital and capital expenditures.

Borrowings under the 2016 Senior Credit Facility bear interest, at the option of the Company, based on the London Interbank Offered Rate ("LIBOR") or the Base Rate, in each case plus an Applicable Margin. The Base Rate is the highest of the (i) Bank of America prime rate, (ii) Federal Funds rate plus 0.50%, and (iii) one month LIBOR plus 1.00%. Borrowings under the New Vehicle Floor Plan Facility bear interest, at the option of the Company, based on LIBOR plus 1.25% or the Base Rate plus 0.25%. Borrowings under the Used Vehicle Floor Plan Facility bear interest, at the option of the Company, based on LIBOR plus 1.50% or the Base Rate plus 0.50%. In addition to the payment of interest on borrowings outstanding under the 2016 Senior Credit Facility, we are required to pay a quarterly commitment fee of 0.15% per year on both the New Vehicle Facility Floor Plan and the Used Vehicle Facility Floor Plan Facility.

The 2016 Senior Credit Facility is guaranteed by each existing, and will be guaranteed by each future, direct and indirect domestic subsidiary of the Company, other than, at the option of the Company, certain immaterial subsidiaries. The 2016 Senior Credit Facility is also guaranteed by the Company. The obligations under each of the Revolving Credit Facility and the Used Vehicle Floor Plan Facility are collateralized by liens on substantially all of the present and future assets, other than real property, of the Company and the guarantors. The obligations under the New Vehicle Floor Plan Facility are collateralized by liens on substantially all of the present and future assets, other than real property, of the Borrowers under the New Vehicle Floor Plan Facility.

Each of the above provisions is subject to limitations on borrowing availability as set out in the 2016 Senior Credit Facility. Based on these borrowing base limitations, as of December 31, 2017 we had $88.8 million of borrowing availability under our used vehicle revolving floor plan facility. The 2016 Senior Credit Facility matures, and all amounts outstanding thereunder will be due and payable, on July 25, 2021.

See the "Representations and Covenants" section below under our "Long-Term Debt" footnote for a description of the representations, covenants and events of default contained in the 2016 Senior Credit Facility.

**12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Accounts payable | $ 92.4 | $ 81.9 |
| Loaner vehicle notes payable | 86.8 | 80.9 |
| Accrued compensation | 24.9 | 24.5 |
| Accrued finance and insurance chargebacks | 23.3 | 22.9 |
| Accrued insurance | 20.4 | 19.9 |
| Taxes payable | 26.6 | 41.2 |
| Accrued advertising | 6.5 | 7.6 |
| Accrued interest | 5.1 | 4.9 |
| Other | 27.2 | 25.3 |
| Accounts payable and accrued liabilities | $ 313.2 | $ 309.1 |

## 13. LONG-TERM DEBT

Long-term debt consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| 6.0% Senior Subordinated Notes due 2024 | $ 600.0 | $ 600.0 |
| Mortgage notes payable bearing interest at fixed rates (the weighted average interest rate was 5.4% for the years ended December 31, 2017 and 2016) | 139.1 | 182.8 |
| Real estate credit agreement | 48.5 | 51.5 |
| Restated master loan agreement | 88.5 | 93.6 |
| Capital lease obligations | 3.2 | 3.4 |
| Total debt outstanding | 879.3 | 931.3 |
| Add—unamortized premium on 6.0% Senior Subordinated Notes due 2024 | 6.8 | 7.6 |
| Less—debt issuance costs | (10.6) | (12.2) |
| Long-term debt, including current portion | 875.5 | 926.7 |
| Less—current portion, net of current portion of debt issuance costs | (12.9) | (14.0) |
| Long-term debt | $ 862.6 | $ 912.7 |

The aggregate maturities of long-term debt as of December 31, 2017 are as follows (in millions):

| | |
|---|---|
| 2018 | $ 15.4 |
| 2019 | 39.9 |
| 2020 | 30.5 |
| 2021 | 13.7 |
| 2022 | 28.6 |
| Thereafter | 751.2 |
| Total maturities of long-term debt | $ 879.3 |

*6.0% Senior Subordinated Notes due 2024*

In December 2014, we completed a refinancing of certain of our long-term debt, which included the issuance of $400.0 million of 6.0% Notes, the proceeds of which were used to redeem the $300.0 million in outstanding aggregate principal of our 8.375% Senior Subordinated Notes due 2020 (the "8.375% Notes").

In October 2015, we completed an add-on issuance of $200.0 million aggregate principal amount of our 6.0% Notes at a price of 104.25% of par, plus accrued interest from June 15, 2015 (the "October 2015 Offering"). After deducting the initial purchasers' discounts and expenses we received net proceeds of approximately $210.2 million from this offering. The $8.5 million premium paid by the initial purchasers of the 6.0% Notes was recorded as a component of Long-Term Debt on our Consolidated Balance Sheet and is being amortized as a reduction of interest expense over the remaining term of the 6.0% Notes. Based on the amortization of the debt premium, the effective interest rate on the October 2015 Offering is 5.41%. In addition, we capitalized $3.8 million of costs associated with the issuance and sale of the 6.0% Notes, of which $2.8 million of underwriters fees were withheld from the proceeds received from the issuance. These costs are being amortized to interest expense over the remaining term of the 6.0% Notes using the effective interest method.

We are a holding company with no independent assets or operations. For all relevant periods presented, our 6.0% Notes have been fully and unconditionally guaranteed, on a joint and several basis, by substantially all of our subsidiaries. Any subsidiaries which have not guaranteed such notes are "minor" (as defined in Rule 3-10(h) of Regulation S-X). As of December 31, 2017, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

*Mortgage Notes Payable*

We have multiple mortgage agreements with finance companies affiliated with our vehicle manufacturers ("captive mortgages") and other lenders. As of December 31, 2017 and 2016, we had total mortgage notes payable outstanding of $139.1 million and $182.8 million, respectively, which are collateralized by the associated real estate.

*Real Estate Credit Agreement*

We are currently party to a real estate term loan credit agreement with Bank of America, as the lender. The real estate credit agreement provides for term loans in an aggregate amount not to exceed $75.0 million, subject to customary terms and conditions. Term loans under the real estate credit agreement bear interest, at our option, based on the LIBOR plus 2.50% or the Base Rate (as described below) plus 1.50%. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.00%. We are required to make quarterly principal payments of 1.25% of the initial amount of each loan on a twenty year repayment schedule, with a balloon repayment of the outstanding principal amount of loans due on September 26, 2023, subject to an earlier maturity if our existing revolving credit facility matures or is not otherwise refinanced by certain dates.

Borrowings under the real estate credit agreement are guaranteed by each operating dealership subsidiary of ours whose real estate is financed under the real estate credit agreement, and collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

*Restated Master Loan Agreement*

On February 3, 2015, certain of our subsidiaries entered into an amended and restated master loan agreement (the "Restated Master Loan Agreement") with Wells Fargo. In June 2015, we made additional borrowings under the Restated Master Loan Agreement with Wells Fargo, resulting in our having drawn the full $100.0 million (the "Restated Master Loan Facility") of availability thereunder. In connection with our final draw under the Restated Master Loan Agreement, in June 2015 we entered into a cash flow interest rate swap with Wells Fargo, effectively fixing the interest rate at 4.80%. We paid a total of $1.2 million in debt issuance costs associated with the Master Loan Agreement.

Below is a summary of our outstanding mortgage notes payable, the carrying values of the related collateralized real estate, and years of maturity as of December 31, 2017 and 2016:

| | As of December 31, 2017 | | | As of December 31, 2016 | | |
|---|---|---|---|---|---|---|
| **Mortgage Agreement** | **Aggregate Principal Outstanding** | **Carrying Value of Collateralized Related Real Estate** | **Maturity Dates** | **Aggregate Principal Outstanding** | **Carrying Value of Collateralized Related Real Estate** | **Maturity Dates** |
| Captive mortgages | $ 116.8 | $ 179.3 | 2018-2024 | $ 159.7 | $ 225.5 | 2018-2024 |
| Other mortgage debt | 22.3 | 45.3 | 2018-2022 | 23.1 | 46.2 | 2018-2022 |
| Real estate credit agreement | 48.5 | 89.8 | 2023 | 51.5 | 91.5 | 2023 |
| Restated master loan agreement | 88.5 | 132.7 | 2025 | 93.6 | 134.2 | 2025 |
| Total mortgage debt | $ 276.1 | $ 447.1 | | $ 327.9 | $ 497.4 | |

*Revolving Credit Facility*

As discussed above under our "Floor Plan Notes Payable—Non-Trade" footnote, the 2016 Senior Credit Facility includes a $250.0 million Revolving Credit Facility. We may request Bank of America to issue letters of credit on our behalf thereunder up to $50.0 million. Availability under the Revolving Credit Facility is limited by borrowing base calculations. Availability is reduced on a dollar-for-dollar basis by the aggregate face amount of any outstanding letters of credit. As of December 31, 2017, we re-designated $190.0 million of borrowing capacity from our Revolving Credit Facility to our New Vehicle Revolving Floor Plan Facility, resulting in $60.0 million of borrowing capacity. In addition, we had $13.3 million in outstanding letters of credit, resulting in $46.7 million of borrowing availability as of December 31, 2017. Proceeds from borrowings from time to time under the revolving credit facility may be used for among other things, acquisitions, working capital and capital expenditures.

Borrowings under the 2016 Senior Credit Facility bear interest, at the option of the Company, based on the London Interbank Offered Rate ("LIBOR") or the Base Rate, in each case plus an Applicable Margin (as defined in the 2016 Senior Credit Facility). The Base Rate is the highest of the (i) Bank of America prime rate, (ii) Federal Funds rate plus 0.50%, and (iii) one month LIBOR plus 1.00%. The Applicable Margin, for borrowings under the Revolving Credit Facility, ranges from 1.25% to 2.50% for LIBOR loans and 0.25% to 1.50% for Base Rate loans, in each case based on the Company's total lease adjusted leverage ratio. In addition to the payment of interest on borrowings outstanding under the 2016 Senior Credit Facility, we are required to pay a quarterly commitment fee between 0.20% and 0.45% per year, based on the Company's total lease adjusted leverage ratio on the Revolving Credit Facility.

*Stock Repurchase and Dividend Restrictions*

The 2016 Senior Credit Facility and the Indenture currently allow for restricted payments without limit so long as our consolidated total leverage ratio (as defined in the 2016 Senior Credit Facility and the Indenture) is not greater than 3.0 to 1.0 after giving effect to such proposed restricted payments. Restricted payments generally include items such as dividends, share repurchases, unscheduled repayments of subordinated debt, or purchases of certain investments. In the event that our consolidated total leverage ratio does (or would) exceed 3.0 to 1.0, the 2016 Senior Credit Facility and the Indenture would then also allow for restricted payments under the following mutually exclusive parameters, subject to certain exclusions:

- Restricted payments in an aggregate amount not to exceed $20.0 million in any fiscal year;
- General restricted payments allowance of $150.0 million; and
- Subject to our continued compliance with a fixed charge coverage ratio as set out in the Indenture, restricted payments capacity additions (or subtractions if negative) equal to (i) 50% of our net income (as defined in the 2016 Senior Credit Facility and the Indenture) beginning on October 1, 2014 and ending on the date of the most recently completed fiscal quarter (the "Measurement Period"), plus (ii) 100% of any cash proceeds we receive from the sale of equity interests during the Measurement Period, minus (iii) the dollar amount of share repurchases made and dividends paid on or after December 4, 2014.

*Representations and Covenants*

We are subject to a number of covenants in our various debt and lease agreements, including those described below. We were in compliance with all of our covenants throughout 2017. Failure to comply with any of our debt covenants would constitute a default under the relevant debt agreements, which would entitle the lenders under such agreements to terminate our ability to borrow under the relevant agreements and accelerate our obligations to repay outstanding borrowings, if any, unless compliance with the covenants is waived. In many cases, defaults under one of our agreements could trigger cross-default provisions in our other agreements. If we are unable to remain in compliance with our financial or other covenants, we would be required to seek waivers or modifications of our covenants from our lenders, or we would need to raise debt and/or equity financing or sell assets to generate proceeds sufficient to repay such debt. We cannot give any assurance that we would be able to successfully take any of these actions on terms, or at times, that may be necessary or desirable.

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

Our guarantees under the Restated Master Loan Agreement also require compliance with certain financial covenants, including a consolidated current ratio, consolidated fixed charge coverage ratio, and an adjusted net worth calculation. Further, the Restated Master Loan Agreement contains customary representations and warranties and the guarantees under such agreements contain negative covenants, including, among other things, covenants not to, with permitted exceptions, (i) incur any additional debt; (ii) create any additional liens on the Property, as defined in the Restated Master Loan Agreement; and (iii) enter into any sale-leaseback transactions in connection with the underlying properties.

The representations and covenants contained in the agreement governing the 2016 Senior Credit Facility are customary for financing transactions of this nature including, among others, a requirement to comply with a minimum consolidated current ratio, minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the agreement governing the 2016 Senior Credit Facility. In addition, certain other covenants could restrict the Company's ability to incur additional debt, pay dividends or acquire or dispose of assets.

The agreement governing the 2016 Senior Credit Facility also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. In certain instances, an event of default under either the Revolving Credit Facility or the Used Vehicle Floor Plan Facility could be, or result in, an event of default under the New Vehicle Floor Plan Facility, and vice versa. Upon the occurrence of an event of default, the Company could be required to immediately repay all amounts outstanding under the applicable facility.

**14. FINANCIAL INSTRUMENTS AND FAIR VALUE**

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

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

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

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

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

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

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

A summary of the carrying values and fair values of our 6.0% Notes and our mortgage notes payable is as follows:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| **Carrying Value:** | | |
| 6.0% Senior Subordinated Notes due 2024 | $ 606.8 | $ 607.6 |
| Mortgage notes payable | 276.1 | 327.9 |
| Total carrying value | $ 882.9 | $ 935.5 |
| | | |
| **Fair Value:** | | |
| 6.0% Senior Subordinated Notes due 2024 | $ 625.5 | $ 613.5 |
| Mortgage notes payable | 275.3 | 339.5 |
| Total fair value | $ 900.8 | $ 953.0 |

*Interest Rate Swap Agreements*

In June 2015, we entered into an interest rate swap agreement with a notional principal amount of $100.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR rate, through maturity in February 2025. The notional values of this swap as of December 31, 2017 and 2016, were $90.4 million and $95.6 million, respectively, and the notional value will reduce over its remaining term to $53.1 million at maturity.

In November 2013, we entered into an interest rate swap agreement with a notional principal amount of $75.0 million. This swap was designed to provide a hedge against changes in variable rate cash flows regarding fluctuations in the one month LIBOR rate, through maturity in September 2023. The notional values of this swap as of December 31, 2017 and 2016, were $60.2 million and $64.0 million, respectively, and the notional value will reduce over its remaining term to $38.7 million at maturity.

The fair value of cash flow swaps is calculated as the present value of expected future cash flows, determined on the basis of forward interest rates and present value factors. Fair value estimates reflect a credit adjustment to the discount rate applied to all expected cash flows under the swaps. Other than this input, all other inputs used in the valuation for these swaps are designated to be Level 2 fair values. The fair value liabilities recorded related to the swaps for the years ended December 31, 2017 and 2016, are $1.7 million and $3.6 million, respectively. The following table provides information regarding the fair value of our interest rate swap agreements and the impact on the Consolidated Balance Sheets:

| | As of December 31, | |
|---|---|---|
| | **2017** | **2016** |
| | **(In millions)** | |
| Accounts payable and accrued liabilities | $ 1.0 | $ 2.2 |
| Other long-term liabilities | 0.7 | 1.4 |
| Total fair value | $ 1.7 | $ 3.6 |

All of our interest rate swaps qualify for cash flow hedge accounting treatment. For the years ended December 31, 2017, 2016, and 2015, neither of our cash flow swaps contained any ineffectiveness, nor was any ineffectiveness recognized in earnings. Information about the effect of our interest rate swap agreements on the accompanying Consolidated Statements of Income and Consolidated Statements of Comprehensive Income, are as follows (in millions):

| **For the Year Ended December 31,** | **Results Recognized in Accumulated Other Comprehensive Loss (Effective Portion)** | **Location of Results Reclassified from Accumulated Other Comprehensive Loss to Earnings** | **Results Reclassified from Accumulated Other Comprehensive Loss to Earnings** |
|---|---|---|---|
| 2017 | $ (0.1) | Swap interest expense | $ (2.0) |
| 2016 | $ (0.8) | Swap interest expense | $ (3.1) |
| 2015 | $ (6.1) | Swap interest expense | $ (3.0) |

On the basis of yield curve conditions as of December 31, 2017 and including assumptions about future changes in fair value, we expect the amount to be reclassified out of Accumulated Other Comprehensive Loss into earnings within the next 12 months will be losses of $0.9 million.

**15. INCOME TAXES**

The components of income tax expense from continuing operations are as follows:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | **2017** | **2016** | **2015** |
| | **(In millions)** | | |
| Current: | | | |
| Federal | $ 59.1 | $ 83.8 | $ 84.9 |
| State | 8.3 | 10.7 | 10.2 |
| Total current income tax expense | 67.4 | 94.5 | 95.1 |
| Deferred: | | | |
| Federal | 1.2 | 4.9 | 6.8 |
| State | 1.4 | 1.2 | 2.1 |
| Total deferred income tax expense | 2.6 | 6.1 | 8.9 |
| Total income tax expense | $ 70.0 | $ 100.6 | $ 104.0 |

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

| | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2017 | % | 2016 | % | 2015 | % |
| Income tax provision at the statutory rate | $ 73.2 | 35.0 | $ 93.7 | 35.0 | $ 95.7 | 35.0 |
| State income tax expense, net of federal benefit | 6.4 | 3.0 | 7.8 | 2.9 | 8.0 | 2.9 |
| Non-deductible / non-tax items | (0.3) | (0.1) | 0.2 | 0.1 | 0.3 | 0.1 |
| Effect of enactment of tax reform | (7.9) | (3.8) | — | — | — | — |
| Adjustments and settlements | (0.6) | (0.3) | (0.8) | (0.3) | — | — |
| Other, net | (0.8) | (0.3) | (0.3) | (0.1) | — | — |
| Income tax expense | $ 70.0 | 33.5 | $ 100.6 | 37.6 | $ 104.0 | 38.0 |

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

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Deferred income tax assets: | | |
| F&I chargeback liabilities | $ 11.1 | $ 16.5 |
| Other accrued liabilities | 3.4 | 4.7 |
| Stock-based compensation | 3.9 | 5.2 |
| Other, net | 5.5 | 8.4 |
| Total deferred income tax assets | 23.9 | 34.8 |
| Deferred income tax liabilities: | | |
| Intangible asset amortization | (8.4) | (7.3) |
| Depreciation | (27.1) | (34.9) |
| Other, net | (0.9) | (1.5) |
| Total deferred income tax liabilities | (36.4) | (43.7) |
| Net deferred income tax liabilities | $ (12.5) | $ (8.9) |

There were no valuation allowances recorded against the deferred tax assets as of December 31, 2017 or 2016. As of December 31, 2017, we had pre-paid income taxes of $15.2 million, which were included in Other Current Assets. As of December 31, 2016, we had $19.8 million of income taxes payable, which were included in Accounts Payable and Accrued Liabilities.

As of December 31, 2016, the net amount of our unrecognized tax benefits was $0.8 million, which if recognized, would not impact our effective tax rate. There was no unrecognized tax benefits as of December 31, 2017 or 2015.

The statutes of limitations related to our consolidated Federal income tax returns are closed for all tax years up to and including 2014. The expiration of the statutes of limitations related to the various state income tax returns that we and our subsidiaries file varies by state. The 2010 through 2016 tax years generally remain subject to examination by most state tax authorities. We believe that our tax positions comply with applicable tax law and that we have adequately provided for these matters.

*Tax Reform*

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act makes broad and complex changes to the U.S. tax code that affects 2017, including, but not limited to, accelerated depreciation that will allow for full expensing of qualified property. The Tax Act also establishes new tax laws that will affect 2018 and after, including a reduction in the U.S. federal corporate income tax rate from 35% to 21%.

The SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) on December 22, 2017, which provides guidance on accounting for the tax effects of the Tax Act. SAB 118 provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, Income Taxes. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC

740 is complete. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements.

We remeasured certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21%. However, we are still analyzing certain aspects of the Act and refining our calculations, which could potentially affect the measurement of these balances and impact future taxable income. The provisional amount recorded related to the remeasurement of our deferred tax balance was a reduction of $7.9 million to our net deferred tax liability.

We have not been able to make a reasonable estimate of the potential impact of the effect of the new limitations under Internal Revenue Code Section 162(m) as it relates to the deferred tax asset for certain components of share-based compensation and continue to account for the deferred tax asset based on the provisions of the tax laws that were in effect immediately prior to enactment. We will complete our accounting for the Tax Act after we have considered additional guidance issued by the U.S. Treasury Department, the IRS, state tax authorities and other standard-setting bodies, and we have gathered and analyzed additional data relative to our calculations. This may result in adjustments to our provisional amounts, which would impact our provision for income taxes and effective tax rate in the period the adjustments are made. We will complete our accounting for the Tax Act in 2018.

**16. OTHER LONG-TERM LIABILITIES**

Other long-term liabilities consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2017 | 2016 |
| | (In millions) | |
| Accrued finance and insurance chargebacks | $ 20.4 | $ 20.1 |
| Deferred rent | 5.0 | 5.8 |
| Swap fair value | 0.7 | 1.4 |
| Other | 3.1 | 2.6 |
| Other long-term liabilities | $ 29.2 | $ 29.9 |

**17. SUPPLEMENTAL CASH FLOW INFORMATION**

During the years ended December 31, 2017, 2016, and 2015, we made interest payments, including amounts capitalized, totaling $76.0 million, $73.8 million, and $60.6 million, respectively. Included in these interest payments are $22.3 million, $19.1 million, and $15.7 million, of floor plan interest payments for the years ended December 31, 2017, 2016, and 2015, respectively.

During the years ended December 31, 2017, 2016, and 2015 we made income tax payments, net of refunds received, totaling $102.7 million, $79.6 million, and $73.2 million, respectively.

During the years ended December 31, 2017, 2016, and 2015, we transferred $156.2 million, $121.9 million, and $110.3 million, respectively, of loaner vehicles from Other Current Assets to Inventory on our Consolidated Balance Sheets.

There were no divestitures during the year ended December 31, 2017. During the years ended December 31, 2016 and 2015, we received $114.3 million and $105.9 million, respectively, of proceeds from the sale of dealerships, and $13.1 million and $19.3 million, respectively, of mortgage note repayments were paid directly by the buyer as part of these divestitures.

During the year ended December 31, 2017, we had non-cash investing and financing activities of $4.1 million related to purchases of real estate properties that were previously leased.

The following items are included in Other Adjustments, net to reconcile net income to net cash provided by operating activities:

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2017 | 2016 | 2015 |
| Amortization of deferred financing fees | $ 3.2 | $ 2.6 | $ 2.5 |
| Loss on disposal of fixed assets | 2.1 | 0.4 | 1.2 |
| Other individually immaterial items | (1.0) | 1.1 | 0.5 |
| Other adjustments, net | $ 4.3 | $ 4.1 | $ 4.2 |

**18. LEASE OBLIGATIONS**

We lease various facilities, real estate, and equipment primarily under operating lease agreements, most of which have terms from one to twenty years. Certain of our leases contain renewal options and rent escalation clauses. We record rent expense on a straight-line basis over the life of the lease for lease agreements where the rent escalates at fixed rates over time. Rent expense from continuing operations totaled $26.7 million, $29.9 million, and $31.3 million for the years ended December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017 and 2016, we had one significant capital lease obligation totaling $3.2 million and $3.4 million, respectively. The capital lease agreement was entered into in 2011 and has a term of 20 years.

During the year ended December 31, 2017, we entered into two transactions in which we purchased previously leased real estate for an aggregate purchase price of $9.5 million. These transactions included the termination of the related lease obligations, resulting in $0.2 million of lease termination charges, which were included in Other operating expense (income), net in our Consolidated Statement of Income for the year ended December 31, 2017.

During the year ended December 31, 2016, we entered into three transactions in which we purchased previously leased real estate for an aggregate purchase price of $19.6 million. These transactions included the termination of the related lease obligations, resulting in $2.1 million of lease termination charges and $0.9 million of real estate impairment charges, which were based on the associated property appraisals. Both the lease termination charges and the real estate impairment charges were included in Other operating expense (income), net in our Consolidated Statement of Income for the year ended December 31, 2016. We did not purchase any previously leased real estate during the year ended December 31, 2015.

Future minimum payments under long-term, non-cancellable operating leases as of December 31, 2017, are as follows:

| | Total (In millions) |
|---|---|
| 2018 | $ 23.9 |
| 2019 | 22.8 |
| 2020 | 22.1 |
| 2021 | 19.1 |
| 2022 | 14.0 |
| Thereafter | 22.0 |
| Total minimum lease payments | $ 123.9 |

Certain of our lease agreements include financial covenants and incorporate by reference the financial covenants set forth in the 2016 Senior Credit Facility. A breach of any of these covenants could immediately give rise to certain landlord remedies under our various lease agreements, the most severe of which include the following: (i) termination of the applicable lease and/or other leases with the same or an affiliated landlord under a cross-default provision, (ii) eviction from the premises; and (iii) the landlord having a claim for various damages.

**19. COMMITMENTS AND CONTINGENCIES**

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

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

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

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

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

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

We had $13.3 million of letters of credit outstanding as of December 31, 2017, which are required by certain of our insurance providers. In addition, as of December 31, 2017, we maintained a $5.0 million surety bond line in the ordinary course of our business. Our letters of credit and surety bond line are considered to be off balance sheet arrangements.

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

**20. SHARE-BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS**

On March 13, 2012, our Board of Directors, upon the recommendation of our Compensation and Human Resources Committee, approved the 2012 Equity Incentive Plan (the "Plan"). On April 18, 2012, our shareholders approved the Plan, which replaced our previous equity incentive plan. The Plan expires on March 13, 2022 and provides for the grant of options, performance share units, restricted share units, and shares of restricted stock to our directors, officers, and employees in the total amount of 1.5 million shares. Since the inception of the Plan, we have granted 0.7 million performance share units and 0.7 million shares of restricted stock. There have been 0.8 million shares that have either been forfeited or repurchased in association with the net share settlement of employee share-based awards, both of which are added back to shares available for grant. As such, there were approximately 0.9 million shares available for grant in accordance with the Plan as of December 31, 2017.

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

We have recognized $13.6 million ($4.5 million tax benefit), $12.0 million ($4.5 million tax benefit), and $10.0 million ($3.8 million tax benefit) in share-based compensation expense for the years ended December 31, 2017, 2016, and 2015, respectively. As of December 31, 2017, there was $10.1 million of total unrecognized share-based compensation expense related to non-vested share-based awards granted under the Plan, and the weighted average period over which it is expected to be recognized is 2.15 years. Further, we expect to recognize $5.6 million of this expense in 2018, $3.3 million in 2019, and $1.1 million in 2020.

*Performance Share Units*

During the year ended December 31, 2017, the Compensation and Human Resources Committee of the Board of Directors approved the grant of up to 99,197 performance share units, which represents 150% of the target award. Performance share units provide an opportunity for the employee-recipient to receive a number of shares of our common stock based on our performance during a specified year period following the grant as measured against objective performance goals as determined by the Compensation and Human Resources Committee of our Board of Directors. The actual number of units earned may range from 0% to 150% of the target number of units depending upon achievement of the performance goals. Performance share units vest in three equal annual installments with one-third of the award vesting on each of the (i) later of the first anniversary of the grant date, or the date the Compensation and Human Resources Committee determines the actual award, (ii) second anniversary of the grant date and (iii) third anniversary of the grant date. Upon vesting, each performance share unit equals one share of common stock of the Company. Compensation cost for performance share units is based on the closing price of our common stock on the date of grant and the ultimate performance level achieved, and is recognized on a graded basis over the three-year vesting period.

The following table summarizes information about performance share units for 2017:

| | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Non-vested at January 1, 2017 | 276,843 | $ 51.66 |
| Granted | 99,197 | 65.65 |
| Vested | (101,080) | 53.83 |
| Forfeited or unearned | (45,309) | 50.69 |
| Non-vested at December 31, 2017 | 229,651 | $ 57.21 |

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

| | For the Years Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Weighted average grant-date fair value of performance share units granted | $ 65.65 | $ 46.70 | $ 77.92 |
| Total fair value of performance share units vested (in millions) | $ 6.5 | $ 6.0 | $ 9.3 |

*Restricted Stock Awards*

During the year ended December 31, 2017, the Compensation and Human Resources Committee of the Board of Directors approved the grant of 129,327 shares of restricted stock. Restricted stock awards vest in three equal annual installments commencing on the first anniversary of the grant date. Compensation cost for restricted stock awards is based on the closing price of our common stock on the date of grant and is recognized on a straight-line basis over the three-year vesting period.

The following table summarizes information about restricted stock awards for 2017:

| | Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Non-vested at January 1, 2017 | 203,200 | $ 56.05 |
| Granted | 129,327 | 63.64 |
| Vested | (83,673) | 56.73 |
| Forfeited | (24,028) | 55.48 |
| Non-vested at December 31, 2017 | 224,826 | $ 60.36 |

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

| | For the Years Ended December 31, 2017 | 2016 | 2015 |
|---|---|---|---|
| Weighted average grant-date fair value of restricted stock granted | $ 63.64 | $ 47.07 | $ 82.17 |
| Total fair value of restricted stock awards vested (in millions) | $ 5.3 | $ 3.7 | $ 11.1 |

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*Employee Retirement Plan*

We sponsor the Asbury Automotive Retirement Savings Plan (the "Retirement Savings Plan"), a 401(k) plan, for eligible employees. Employees are eligible to participate in the Retirement Savings Plan on or after 60 days of service with us. Employees electing to participate in the Retirement Savings Plan may contribute up to 75% of their annual eligible compensation. IRS rules limited total participant contributions during 2017 to $18,000, or $24,000 if age 50 or more; however, we limit participant contributions for employees considered Highly Compensated Employees with an annual salary or base salary equal to or greater than $120,000 to $13,000 per year, or $19,000 if age 50 or more. For non-highly compensated employees, after one year of employment we match 50% of employees' contributions up to 4% of their eligible compensation, with a maximum match of $3,000 per participant. Employer contributions vest on a graded basis over 4 years after the date of hire. Expenses from continuing operations related to employer matching contributions totaled $3.0 million, $2.7 million, and $2.2 million for the years ended December 31, 2017, 2016, and 2015, respectively.

**21. CONDENSED QUARTERLY REVENUES AND EARNINGS (UNAUDITED):**

| | For the Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, | June 30, | September 30, | December 31, |
| | (In millions, except per share data) | | | |
| **2016:** | | | | |
| Revenues | $ 1,550.8 | $ 1,627.4 | $ 1,683.1 | $ 1,666.5 |
| Gross profit | $ 260.8 | $ 267.6 | $ 265.7 | $ 264.6 |
| Net income (2)(3)(4) | $ 31.0 | $ 36.7 | $ 32.4 | $ 67.1 |
| Net income per common share: | | | | |
| Basic (1)(2)(3)(4) | $ 1.28 | $ 1.66 | $ 1.47 | $ 3.11 |
| Diluted (1)(2)(3)(4) | $ 1.27 | $ 1.65 | $ 1.47 | $ 3.08 |
| **2017:** | | | | |
| Revenues | $ 1,551.7 | $ 1,631.8 | $ 1,602.1 | $ 1,670.9 |
| Gross profit | $ 260.1 | $ 267.1 | $ 260.3 | $ 268.4 |
| Net income (5)(6)(7) | $ 34.0 | $ 31.9 | $ 30.7 | $ 42.5 |
| Net income per common share: | | | | |
| Basic (1)(5)(6)(7) | $ 1.62 | $ 1.53 | $ 1.49 | $ 2.06 |
| Diluted (1)(5)(6)(7) | $ 1.61 | $ 1.52 | $ 1.48 | $ 2.03 |

______________________________

(1) The sum of income per common share for the four quarters does not equal total income per common share due to changes in the average number of shares outstanding during the respective periods.

(2) Results for the three months ended March 31, 2016 were decreased by $2.1 million as a result of real estate-related charges, net of tax, or $0.09 per basic and diluted share.

(3) Results for the three months ended September 30, 2016 were decreased by $1.1 million as a result of real estate-related charges, net of tax, or $0.05 per basic and diluted share.

(4) Results for the three months ended December 31, 2016 were increased by $28.4 million from gains on divestitures, $4.1 million from gains on legal settlements, partially offset by a $0.3 million loss on real estate-related charges, all previous items were net of tax, and a $0.9 income tax benefit, or $1.53 and $1.52 per basic and diluted share, respectively, in the aggregate.

(5) Results for the three months ended March 31, 2017 were increased by $0.6 million as a result of gains from legal settlements, net of tax, or $0.03 per basic and diluted share.

(6) Results for the three months ended June 30, 2017 were increased by $0.5 million from investment income, partially offset by a $1.8 million loss on real estate-related charges, all previous items were net of tax, or $0.06 per basic and diluted share.

(7) Results for the three months ended December 31, 2017 were increased by an $7.9 million income tax benefit, partially offset by $3.2 million of franchise rights impairment, net of tax, or $0.22 per basic and diluted share, respectively, in the aggregate.

**22. SUBSEQUENT EVENTS**

In January 2018, we acquired the assets of one franchise in the Indianapolis, Indiana market.

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

None.

**Item 9A. Controls and Procedures**

**Disclosure Controls and Procedures**

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

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over our company's financial reporting, as such term is defined in Exchange Act Rule 13(a)-15(f). Our internal control system was designed to provide reasonable assurance to our management and our board of directors regarding the preparation and fair presentation of published financial statements. Our internal control over financial reporting also includes those policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate. Our management, including the principal executive officer and the principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013 framework). Our assessment included a review of the documentation of controls, evaluation of the design effectiveness of controls and testing of the effectiveness of controls. Based on our assessment under the framework in Internal Control—Integrated Framework issued by COSO, our management concluded that our internal control over financial reporting was effective as of December 31, 2017. Our auditors, Ernst & Young LLP, an independent registered public accounting firm, have audited and reported on our consolidated financial statements and on the effectiveness of our internal controls over financial reporting. Their reports are contained herein.

During 2017, we acquired substantially all of the assets, including certain real estate, of two franchises (two dealership locations) and one collision center. As permitted by the Securities and Exchange Commission, the scope of our Section 404 evaluation for the fiscal year ended December 31, 2017 does not include an evaluation of the internal control over financial reporting of these acquired operations. The results for these acquisitions are included in our consolidated financial statements from the date of acquisition and represented approximately $64.0 million of consolidated assets as of December 31, 2017, and approximately $136.0 million of consolidated revenues for the year then ended.

From the acquisition date to December 31, 2017, the processes and systems of the acquired operations did not significantly impact the internal control over financial reporting of the Company and our other consolidated subsidiaries.

**Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

## PART III

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

Reference is made to the information to be set forth in the "Proposal No. 1 Election of Directors," "Governance of the Company," "2017 Director Compensation Table-Code of Business Conduct and Ethics and Corporate Governance Guidelines," "Section 16(a) Beneficial Ownership Reporting Compliance," and "Executive Officers" sections of our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

**Item 11. Executive Compensation.**

Reference is made to the information to be set forth in the "Compensation Discussion & Analysis," "Compensation and Human Resources Committee Report," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation," "2017 Director Compensation Table," and "Governance of the Company" sections of our Proxy Statement to be filed within 120 days after the end of our fiscal year, which information is incorporated herein by reference.

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

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

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

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

**Item 14. Principal Accountant Fees and Services.**

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

# PART IV

## Item 15. Exhibits, Financial Statement Schedules

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

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

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

| Exhibit Number | Description of Documents |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Asbury Automotive Group, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 25, 2016)* |
| 3.2 | Bylaws of Asbury Automotive Group, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 21, 2014)* |
| 4.1 | Indenture, dated as of December 4, 2014, among Asbury Automotive Group, Inc., each of the Guarantors named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2014)* |
| 4.2 | Form of 6.0% Senior Subordinated Note due 2024 (included as Exhibit A in Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2014)* |
| 4.3 | First Supplemental Indenture, dated as of July 29, 2015, by and among Asbury Automotive Group, Inc., Asbury Jax Ford, LLC and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)* |
| 4.4 | Second Supplemental Indenture, dated as of October 28, 2015, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on October 28, 2015)* |
| 4.5 | Third Supplemental Indenture, dated as of July 20, 2016, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016)* |
| 4.6 | Fourth Supplemental Indenture, dated as of February 17, 2017, among Asbury Automotive Group, Inc., Asbury IN Chev, LLC, and U.S.Bank National Association, as Trustee (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017)* |
| 4.7 | Fifth Supplemental Indenture, dated as of February 5, 2018, among Asbury Automotive Group, Inc., Asbury IN Chev, LLC, and U.S.Bank National Association, as Trustee. |
| 10.1** | Amended and Restated 2002 Equity Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2012)* |
| 10.2** | 2012 Equity Incentive Plan (filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 16, 2012)* |
| 10.3** | First Amendment to 2012 Equity Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 27, 2017)* |
| 10.4** | Amended and Restated Key Executive Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 4, 2009)* |
| 10.5** | Form of Officer/Director Indemnification Agreement (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010)* |
| 10.6** | Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of October 23, 2014 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2014)* |

| | |
|---|---|
| 10.7** | First Amendment to Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of August 1, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 27, 2017)* |
| 10.8** | Termination and Separation Agreement between Asbury Automotive Group, Inc. and Craig T. Monaghan, dated as of August 1, 2017 (filed as Exhibit 10.2 to the Company's Current Report on form 8-K filed with the SEC on August 22, 2017)* |
| 10.9** | Letter Agreement between Asbury Automotive Group, Inc. and Sean Goodman, dated as of May 3, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2017)* |
| 10.10** | Severance Pay Agreement for key employees between Asbury Automotive Group, Inc. and Sean Goodman, dated as of July 2, 2017 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017)* |
| 10.11** | Amended and Restated Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and George A. Villasana, dated as of February 21, 2017 (filed as Exhibit 10.12 to the Company's Annual Report on form 10-K for the year ended December 31, 2016)* |
| 10.12** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Jed M. Milstein, dated as of February 21, 2017 (filed as Exhibit 10.13 to the Company's Annual Report on form 10-K for the year ended December 31, 2016)* |
| 10.13** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and William F. Stax, dated as of February 21, 2017 (filed as Exhibit 10.14 to the Company's Annual Report on form 10-K for the year ended December 31, 2016)* |
| 10.14 ** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and John Hartman dated January 4, 2018 |
| 10.15** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and George C. Karolis dated July 18, 2005 |
| 10.16** | Form of Equity Award Agreement under the 2012 Equity Incentive Plan (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)* |
| 10.17 | Asbury Automotive Group, Inc. Deferred Compensation Plan (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2017)* |
| 10.18 | Ford Sales and Service Agreement (filed as Exhibit 10.13 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.19 | General Motors Dealer Sales and Service Agreement (filed as Exhibit 10.14 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.20 | Honda Automobile Dealer Sales and Service Agreement (filed as Exhibit 10.15 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.21 | Mercedes-Benz Passenger Car Dealer Agreement (filed as Exhibit 10.16 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.22 | Nissan Dealer Sales and Service Agreement (filed as Exhibit 10.17 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.23 | Toyota Dealer Agreement (filed as Exhibit 10.18 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |

| | |
|---|---|
| 10.24 | Second Amended and Restated Credit Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc., as a Borrower, and certain of its Subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swing Line Lender and an L/C Issuer, and the other Lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Toyota Motor Credit Corporation and Mercedes-Benz Financial Services USA LLC, as Co-Documentation agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Sole Lead Arranger and Sole Bookrunner (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.25 | Second Amended and Restated Company Guaranty Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.26 | Second Amended and Restated Subsidiary Guaranty Agreement, dated as of July 25, 2016, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.27 | Second Amended and Restated Security Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.28 | Second Amended and Restated Escrow & Security Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., a national banking association, as Administrative Agent (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.29 | Amended and Restated Master Loan Agreement, dated as of February 3, 2015, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)* |
| 10.30 | Second Amended and Restated Unconditional Guaranty, dated as of February 3, 2015, by and between Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)* |
| 21 | Subsidiaries of the Company |
| 23.1 | Consent of Ernst & Young LLP |
| 31.1 | Certificate of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certificate of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
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| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| * | Incorporated by reference. |
| ** | Management contract or compensatory plan or arrangement. |

### Item 16. Form 10-K Summary

None.

Table of Contents

## SIGNATURES

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

**Asbury Automotive Group, Inc.**

| | | | |
|---|---|---|---|
| Date: | February 27, 2018 | By: | /s/ David W. Hult |
| | | **Name:** | **David W. Hult** |
| | | **Title:** | **Chief Executive Officer and President** |

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

| Signature | Title | Date |
|---|---|---|
| /s/ David W. Hult<br>**(David W. Hult)** | Chief Executive Officer, President and Director | February 27, 2018 |
| /s/ Sean D. Goodman<br>**(Sean D. Goodman)** | Senior Vice President and Chief Financial Officer | February 27, 2018 |
| /s/ William F. Stax<br>**(William F. Stax)** | Vice President, Controller and<br>Chief Accounting Officer | February 27, 2018 |
| /s/ Thomas C. DeLoach, Jr.<br>**(Thomas C. DeLoach, Jr.)** | Director<br>Non-Executive Chairman of the Board | February 27, 2018 |
| /s/ Joel Alsfine<br>**(Joel Alsfine)** | Director | February 27, 2018 |
| /s/ Dennis E. Clements<br>**(Dennis E. Clements)** | Director | February 27, 2018 |
| /s/ Juanita T. James<br>**(Juanita T. James)** | Director | February 27, 2018 |
| /s/ Eugene S. Katz<br>**(Eugene S. Katz)** | Director | February 27, 2018 |
| /s/ Philip F. Maritz<br>**(Philip F. Maritz)** | Director | February 27, 2018 |
| /s/ Craig T. Monaghan<br>**(Craig T. Monaghan)** | Director | February 27, 2018 |
| /s/ Thomas J. Reddin<br>**(Thomas J. Reddin)** | Director | February 27, 2018 |

**INDEX TO EXHIBITS**

| Exhibit Number | Description of Documents |
|---|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Asbury Automotive Group, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K, filed with the SEC on April 25, 2016)* |
| 3.2 | Bylaws of Asbury Automotive Group, Inc. (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on April 21, 2014)* |
| 4.1 | Indenture, dated as of December 4, 2014, among Asbury Automotive Group, Inc., each of the Guarantors named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2014)* |
| 4.2 | Form of 6.0% Senior Subordinated Note due 2024 (included as Exhibit A in Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on December 4, 2014)* |
| 4.3 | First Supplemental Indenture, dated as of July 29, 2015, by and among Asbury Automotive Group, Inc., Asbury Jax Ford, LLC and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015)* |
| 4.4 | Second Supplemental Indenture, dated as of October 28, 2015, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on October 28, 2015)* |
| 4.5 | Third Supplemental Indenture, dated as of July 20, 2016, among Asbury Automotive Group, Inc., each of the guarantors named therein and U.S. Bank National Association, as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2016)* |
| 4.6 | Fourth Supplemental Indenture, dated as of February 17, 2017, among Asbury Automotive Group, Inc., Asbury IN Chev, LLC, and U.S.Bank National Association, as Trustee (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017)* |
| 4.7 | Fifth Supplemental Indenture, dated as of February 5, 2018, among Asbury Automotive Group, Inc., Asbury IN Chev, LLC, and U.S.Bank National Association, as Trustee. |
| 10.1** | Amended and Restated 2002 Equity Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 14, 2012)* |
| 10.2** | 2012 Equity Incentive Plan (filed as Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed with the SEC on March 16, 2012)* |
| 10.3** | First Amendment to 2012 Equity Incentive Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 27, 2017)* |
| 10.4** | Amended and Restated Key Executive Incentive Compensation Plan (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 4, 2009)* |
| 10.5** | Form of Officer/Director Indemnification Agreement (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2010)* |
| 10.6** | Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of October 23, 2014 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2014)* |
| 10.7** | First Amendment to Employment Agreement between Asbury Automotive Group, Inc. and David W. Hult, dated as of August 1, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on August 27, 2017)* |
| 10.8** | Termination and Separation Agreement between Asbury Automotive Group, Inc. and Craig T. Monaghan, dated as of August 1, 2017 (filed as Exhibit 10.2 to the Company's Current Report on form 8-K filed with the SEC on August 22, 2017)* |

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| 10.9** | Letter Agreement between Asbury Automotive Group, Inc. and Sean Goodman, dated as of May 3, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 5, 2017)* |
| 10.10** | Severance Pay Agreement for key employees between Asbury Automotive Group, Inc. and Sean Goodman, dated as of July 2, 2017 (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017)* |
| 10.11** | Amended and Restated Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and George A. Villasana, dated as of February 21, 2017 (filed as Exhibit 10.12 to the Company's Annual Report on form 10-K for the year ended December 31, 2016)* |
| 10.12** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and Jed M. Milstein, dated as of February 21, 2017 (filed as Exhibit 10.13 to the Company's Annual Report on form 10-K for the year ended December 31, 2016)* |
| 10.13** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and William F. Stax, dated as of February 21, 2017 (filed as Exhibit 10.14 to the Company's Annual Report on form 10-K for the year ended December 31, 2016)* |
| 10.14 ** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and John Hartman dated January 4, 2018 |
| 10.15** | Severance Pay Agreement for Key Employee between Asbury Automotive Group, Inc. and George C. Karolis dated July 18, 2005 |
| 10.16** | Form of Equity Award Agreement under the 2012 Equity Incentive Plan (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012)* |
| 10.17 | Asbury Automotive Group, Inc. Deferred Compensation Plan (Filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 23, 2017)* |
| 10.18 | Ford Sales and Service Agreement (filed as Exhibit 10.13 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.19 | General Motors Dealer Sales and Service Agreement (filed as Exhibit 10.14 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.20 | Honda Automobile Dealer Sales and Service Agreement (filed as Exhibit 10.15 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.21 | Mercedes-Benz Passenger Car Dealer Agreement (filed as Exhibit 10.16 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.22 | Nissan Dealer Sales and Service Agreement (filed as Exhibit 10.17 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.23 | Toyota Dealer Agreement (filed as Exhibit 10.18 to Amendment No. 2 to the Company's Registration Statement on Form S-1, File No. 333-65998, filed with the SEC on October 12, 2001)* |
| 10.24 | Second Amended and Restated Credit Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc., as a Borrower, and certain of its Subsidiaries, as Vehicle Borrowers, Bank of America, N.A., as Administrative Agent, Revolving Swing Line Lender, New Vehicle Floorplan Swing Line Lender, Used Vehicle Floorplan Swing Line Lender and an L/C Issuer, and the other Lenders party thereto, JPMorgan Chase Bank, N.A. and Wells Fargo Bank, N.A., as Co-Syndication Agents, Toyota Motor Credit Corporation and Mercedes-Benz Financial Services USA LLC, as Co-Documentation agents, and Merrill Lynch, Pierce, Fenner & Smith Incorporated as Sole Lead Arranger and Sole Bookrunner (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.25 | Second Amended and Restated Company Guaranty Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc. and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
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| 10.27 | Second Amended and Restated Security Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., as Administrative Agent (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.28 | Second Amended and Restated Escrow & Security Agreement, dated as of July 25, 2016, by and among Asbury Automotive Group, Inc., certain of its subsidiaries and Bank of America, N.A., a national banking association, as Administrative Agent (filed as Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016)* |
| 10.29 | Amended and Restated Master Loan Agreement, dated as of February 3, 2015, by and among certain subsidiaries of Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)* |
| 10.30 | Second Amended and Restated Unconditional Guaranty, dated as of February 3, 2015, by and between Asbury Automotive Group, Inc. and Wells Fargo Bank, National Association (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on February 4, 2015)* |
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| 23.1 | Consent of Ernst & Young LLP |
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| 32.1 | Certificate of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certificate of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
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| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
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| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |
| * | Incorporated by reference. |
| ** | Management contract or compensatory plan or arrangement. |

**Exhibit 4.7**

FIFTH SUPPLEMENTAL INDENTURE (this “Supplemental Indenture”), dated as of February 5, 2018, among Asbury IN HON, LLC, a Delaware limited liability company (the “Guaranteeing Subsidiary”), Asbury Automotive Group, Inc., a Delaware corporation (the “Company”), and U.S. Bank National Association, as trustee under the indenture referred to below (the “Trustee”).

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture, dated as of December 4, 2014 (as supplemented by the First Supplemental Indenture, dated as of July 29, 2015, the Second Supplemental Indenture, dated as of October 28, 2015, the Third Supplemental Indenture, dated as of July 20, 2016 and the Fourth Supplemental Indenture, dated as of February 17, 2017, collectively, the “Indenture”) providing for the issuance of 6.0% Senior Subordinated Notes due 2024 (the “Notes”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “Subsidiary Guarantee”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees, jointly and severally along with all Guarantors named in the Indenture, to guarantee the Company’s obligations under the Notes on the terms and subject to the conditions set forth in Article 11 of the Indenture and to be bound by all other applicable provisions of the Indenture and the Notes.

3. RATIFICATION OF INDENTURE; SUPPLEMENTAL INDENTURES PART OF INDENTURE. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect. This Supplemental Indenture shall form a part of the Indenture for all purposes, and every Holder heretofore or hereafter authenticated and delivered shall be bound hereby.

4. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

IN WITNESS HEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first above written.

SIGNATURES

ASBURY AUTOMOTIVE GROUP, INC.

By: /s/ George A. Villasana
Name: George A. Villasana
Title: Senior Vice President, General Counsel & Secretary

ASBURY IN CHEV, LLC

By: /s/ Matthew Pettoni
Name: Matthew Pettoni
Title: Treasurer

U.S. BANK NATIONAL ASSOCIATION

By: /s/ David Ferrell
Name: David Ferrell
Title: Vice President

**Exhibit 10.14**

ASBURY AUTOMOTIVE GROUP

**SEVERANCE PAY AGREEMENT**
**FOR KEY EMPLOYEE**

This Agreement is entered into as of January 4, 2018 (the “Effective Date”) between Asbury Automotive Group, Inc. (“Asbury”) and John Hartman (“Executive”).

IN CONSIDERATION of the promises and mutual covenants and agreements contained herein, the Asbury and Executive agree as follows:

1. **Severance Pay Arrangement**

If a Termination (as defined in Section 2 below) of Executive’s employment occurs at any time during Executive’s employment, Asbury will pay Executive 12 months of Executive’s base salary as of the date of Termination (hereinafter such pay shall be referred to as “Severance Pay”). The Severance Pay will be subject to required withholding and will be made by Asbury to Executive monthly over the course of 12 months on the regular payroll dates beginning on the first regular payroll date after the effective date of the release referenced in Section B below that Executive executes.

In addition to the payment of Severance Pay, if a Termination (as defined in Section 2 below) of Executive’s employment occurs at any time during Executive’s employment with Asbury, to the extent that Executive participates in a bonus compensation plan at the date of Termination, Asbury shall pay Executive a pro rata portion of that bonus for the year of the Termination equal to the amount of the bonus that Executive would have received if Executive’s employment had not been terminated during such year, multiplied by the percentage of such year that has expired through the date of Termination. Such bonus shall be paid at such time as bonuses are paid under the bonus compensation plan to Asbury’s other employees whose employment was not terminated in such year.

Asbury further agrees that, if Executive, upon a Termination (as defined in Section 2 below) of Executive’s employment occurs at any time during Executive’s employment with Asbury, timely and properly elects COBRA for any medical, dental and vision benefit plans in which Executive was participating immediately prior to the end of Executive’s employment with Asbury, Asbury shall continue to pay its portion of the monthly premium for those COBRA-elected medical, dental and vision benefit plans for a period of 12 months after the last day of Employee’s employment with Asbury. Notwithstanding the above, if Employee obtains other employment (prior to the end of the 12 month COBRA subsidized period) under which Employee is eligible to be covered by benefits equal to the benefits in his COBRA-elected plans, Asbury’s obligation to subsidize Employee’s COBRA premiums ceases upon Employee’s eligibility for such equal benefits.

Notwithstanding anything herein to the contrary, if Executive is determined to be a “specified employee” within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended the (“Code”) and if one or more of the payments or benefits to be received by Executive pursuant to this Agreement would be considered deferred compensation subject to Section 409A of the Code, then no such payment shall be made or benefit provided until six (6) months following Executive’s date of Termination.

2. **Termination Triggering Severance Pay**

A "Termination" triggering the Severance Pay set forth above in Section 1 is defined as a termination of Executive's employment with Asbury: (1) by Asbury without "cause", or (2) by Executive because of (x) a material change in the geographic location at which the Executive must perform Executive's services (which shall in no event include a relocation of Executive's current principal place of business to a location less than 50 miles away), (y) a material diminution in Executive's base compensation, or (z) a material diminution in Executive's authority, duties, or responsibilities. For avoidance of doubt, a "Termination" shall not include a termination of Executive's employment by Asbury for "cause" or due to Executive's, death, disability, retirement or voluntary resignation.

For the purposes of this Agreement, the definition of "cause" is: (a) Executive's gross negligence or serious misconduct (including, without limitation, any criminal, fraudulent or dishonest conduct) that is or may be injurious to Asbury; or (b) Executive being convicted of, or entering a plea of nolo contendere to, any crime that constitutes a felony or involves moral turpitude; or (c) Executive's breach of Sections 3, 4 or 5 below; or (d) Executive's willful and continued failure to perform Executive's duties on behalf of Asbury; or (e) Executive's material breach of a written policy of Asbury. For purposes of this Agreement, the definition of "disability" is a physical or mental disability or infirmity that prevents the performance by Executive of his duties lasting (or likely to last, based on competent medical evidence presented to Asbury) for a continuous period of six months or longer.

3. **Confidential Information and Nondisclosure Provision**

As a condition to the receipt of the Severance Pay and benefits described in Section 1 above, during and after employment with Asbury, Executive shall agree not to disclose to any person (other than to an employee or director of Asbury, or to Asbury's attorneys, accountants and other advisors or except as may be required by law) and not use to compete with Asbury any confidential or proprietary information, knowledge or data that is not in the public domain that was obtained by Executive while employed by Asbury regarding Asbury or any products, improvements, customers, methods of distribution, sales, prices, profits, costs, contracts, suppliers, business prospects, business methods, techniques, research, trade secrets or know-how of Asbury (collectively, "Confidential Information"). In the event that Executive's employment with Asbury ends for any reason, Executive will deliver to Asbury on or before the Executive's last day of employment all documents and data of any nature (whether in tangible or electronic form) pertaining to Executive's work with Asbury and will not take any documents or data or any reproduction, or any documents containing or pertaining to any Confidential Information. Executive agrees that in the event of a breach by Executive of this provision, Asbury shall be entitled to inform all potential or new employers of such breach and to cease payments and benefits that would otherwise be made pursuant to Section 1 above, as well as to obtain injunctive relief and damages, including reasonable attorneys fees, and which may include recovery of amounts paid to Executive under this Agreement.

4. **Non-Solicitation/Non-Hire of Employees**

Executive agrees that, during his employment at Asbury and for a 12-month period after the end of his employment with Asbury for any reason, he will not, directly or indirectly, solicit, recruit or hire any employee of Asbury (or any person who was an employee of Asbury during the 12 month period preceding the last day of Executive's employment with Asbury) or encourage any such employee to terminate employment with Asbury.

5. **Covenant Not to Compete**

Executive agrees that, during his employment at Asbury and for a 12-month period after the end of his employment with Asbury for any reason, he will not (except on behalf of or with the prior written consent of Asbury, which consent may be withheld in Asbury's sole discretion):

(a) provide services of a leadership, management, executive, operational, or advisory capacity and/or participate in the ownership of or provide financial backing to an automotive dealership that is located within a fifty-mile radius of any address set forth on Exhibit A (the "Area");

(b) provide senior/corporate level leadership, executive, operational, or advisory services to any corporate competitor of Asbury who owns or operates one or more automotive dealerships within the Area; and

(c) provide services of a leadership, management, executive, operational, or advisory capacity for anyone or any business whose focus is buying, conglomerating, or otherwise acquiring one or more automotive dealerships that are located within the Area.

For purposes of this Section 5, Executive acknowledges and agrees that Asbury conducts business in the Area and that the Area is a reasonable geographic limitation.

Notwithstanding anything to the contrary contained in this Agreement, Asbury hereby agrees that the foregoing covenant shall not be deemed breached as a result of the passive ownership by Executive of: (i) less than an aggregate of 5% of any class of stock of a business that competes with Asbury; or (ii) less than an aggregate of 10% in value of any instrument of indebtedness of a business that competes with Asbury. Asbury further agrees that nothing in this Section 5 prohibits Executive from accepting employment from, and performing services for, businesses engaged in the finance industry, and businesses engaged in the manufacturing and/or sale of automobile parts or the provision of automotive service, provided such businesses do not also engage in the retail of automobiles within the Area. By way of example, nothing in this Section 5 would prohibit Executive from working with such businesses as American General Finance, NAPA Auto Parts, or Goodyear.

Within one day of the end of Executive's employment with Asbury for any reason, Executive agrees to re-confirm his commitment to the post-employment restrictive covenants in this Agreement. Executive further agrees that, as part of that re-confirmation, the term "Area" and Exhibit A hereto may be amended by Asbury, but only to the extent necessary to list the addresses of Asbury's headquarters and any automotive dealerships that Asbury owns and/or operates as of the last day of Executive's employment with Asbury.

6. **Construction/Enforcement of Post-Employment Covenants**

Executive agrees that the provisions of Sections 3, 4, and 5 are reasonable and properly required for the adequate protection of the business and the goodwill of Asbury. However, if a judicial determination is made that any of the provisions of Sections 3, 4 or 5 constitutes an unreasonable or otherwise unenforceable restriction against Executive, such provision(s) shall be modified or severed so as to permit enforcement of the provision(s) to the extent reasonable.

7. **Violation of Post-Employment Covenants**

Executive agrees that, in the event of a material breach by Executive of any Section of this Agreement, including Sections 3, 4, or 5, Asbury shall be entitled to: (i) inform all potential or new employers of such breach; (ii) cease payments and benefits that would otherwise be made pursuant to Section 1 above (and in lieu of such payments and benefits pay Executive five hundred dollars ($500.00)); (iii) obtain injunctive relief and damages, including reasonable attorney's fees; and (iv) recover the amounts paid to Executive under this Agreement (other than the above-referenced $500.00) during any period of material breach by Executive. To the extent that Executive is determined through agreement or resolution of any pending claim to not have violated any covenant at issue, he shall receive any and all severance that has not been paid under the Agreement and/or which was recovered from Executive under this Section 7.

## GENERAL PROVISIONS

A. **Employment is At Will**

Executive and Asbury acknowledge and agree that Executive is an "at will" employee, which means that either Executive or Asbury may terminate the employment relationship at any time, for any reason, with or without cause or notice, and that nothing in this Agreement shall be construed as an express or implied contract of employment.

B. **Execution of Release**

Executive agrees that, as a condition to the receipt of the Severance Pay and other compensation and insurance benefits described in Section 1 above, Executive shall execute a release of all claims against Asbury (and its corporate parents, subsidiaries, franchisors, franchisees, management companies, divisions, and affiliates) and the past, present and future officers, directors, agents, officials, employees, insurers and attorneys of Asbury (and its corporate parents, subsidiaries, franchisors, franchisees, management companies, divisions, and affiliates) arising out of Executive's employment or the end of his employment with Asbury, such release to not be revoked by Executive and to completely waive and release any claim of discrimination, harassment or wrongful discharge under local, state or federal law.

C. **Alternative Dispute Resolution**

Any disputes arising under or in connection with this Agreement shall be resolved by binding arbitration before an arbitrator (who shall be an attorney with at least ten years' experience in employment law) in the city where Executive was employed with Asbury and in accordance with the rules and procedures of the most recent employment rules of the American Arbitration Association. Each party may choose to retain legal counsel and shall pay its own attorneys' fees, regardless of the outcome of the arbitration. Executive may be required to pay a filing fee limited to the equivalent cost of filing in the court of jurisdiction. Asbury will pay the fees and costs of conducting the arbitration. Judgment upon the award rendered by the arbitrator may be entered in any court of jurisdiction.

D. **Non-Disparagement**

Executive agrees not to make any disclosures, issue any statements or otherwise cause to be disclosed any information which is designed, intended or might reasonably be anticipated to disparage Asbury, its officers or directors, its business, services, products, technologies and/or personnel. Nothing in this section is intended, nor shall be construed, to: (i) prohibit Executive from any communications to, or participation in any investigation or proceeding conducted by, any governmental agency with jurisdiction concerning the terms, conditions and privileges of employment or jurisdiction over Asbury's business; (ii) interfere with, restrain, or prevent Executive's communications regarding the terms and conditions of employment; or (iii) prevent Executive from otherwise engaging in any legally protected activity.

E. **Other Provisions**

(a) This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of Executive and Asbury, including any successor to or assign of Asbury.

(b) Upon the end of Executive's employment with Asbury for any reason, the provisions of this Agreement shall survive to the extent necessary to give effect to the provisions herein, including Sections 3, 4 and 5.

(c) The headings and captions are provided for reference and convenience only and shall not be considered part of this Agreement.

(d) Executive also covenants to reasonably cooperate with Asbury if Executive is needed as a witness in any litigation or legal matters involving Asbury.

(e) Any notice or other communication required or permitted to be delivered under this Agreement shall be (i) in writing, (ii) delivered personally, by nationally recognized overnight courier service or by certified or registered mail, first-class postage prepaid and return receipt requested, (iii) deemed to have been received on the date of delivery or on the third business day after mailing, and (iv) addressed as follows (or to such other address as the party entitled to notice shall later designate in accordance with these terms):

If to Asbury: Asbury Automotive Group, Inc.
c/o The Office of the General Counsel
2905 Premiere Parkway, Suite 300
Duluth, GA 30097

If to Executive: To the most recent address of Executive set forth in the
personnel records of Asbury.

(f) This Agreement supersedes any and all prior agreements between Asbury and Executive relating to payments upon Termination of employment or Severance Pay and may only be modified in a writing signed by Asbury and Executive.

(g) This Agreement shall be governed by and construed in accordance with the laws of the State of Georgia.

(h) All payments hereunder shall be subject to any required withholding of federal, state, local and foreign taxes pursuant to any applicable law or regulation.

(i) If any provision of this Agreement shall be held invalid or unenforceable, such holding shall not affect any other provisions, and this Agreement shall be construed and enforced as if such provisions had not been included. No provision of this Agreement shall be waived unless the waiver is agreed to in writing and signed by Executive and the Chief Human Resources Officer of Asbury. No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(j) The parties hereto acknowledge and agree that, to the extent applicable, this Agreement shall be interpreted in accordance with, and incorporate the terms and conditions required by, Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, in the event that Asbury determines that any amounts payable hereunder will be immediately taxable to Executive under Section 409A of the Code and related Department of Treasury guidance, Asbury and Executive shall cooperate in good faith to (x) adopt such amendments to this Agreement and appropriate policies and procedures, including amendments and policies with retroactive effect, that they mutually determine to be necessary or appropriate to preserve the intended tax treatment of the benefits provided by this Agreement, to preserve the economic benefits of this Agreement and to avoid less favorable accounting or tax consequences for Asbury and/or (y) take such other actions as mutually determined to be necessary or appropriate to exempt the amounts payable hereunder from Section 409A of the Code or to comply with the requirements of Section 409A of the Code and thereby avoid the application of penalty taxes thereunder.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together will constitute one and the same instrument.

**AGREED TO AS OF JANUARY 4, 2018**

| **EXECUTIVE:** | **ASBURY AUTOMOTIVE GROUP, INC.** |
|---|---|
| /s/ John Hartman | /s/ Jed Milstein |
| Name: John Hartman | Name: Jed Milstein |
| Title: SVP, Operations | Title: VP, Chief Human Resource Officer |

Exhibit 10.15

SEVERANCE PAY AGREEMENT
FOR KEY EMPLOYEE

This agreement is entered into as of July 18, 2005 between Asbury Automotive Group L.L.C. ("Asbury") and George C. Karolis (" Executive"), a key employee of Asbury, in order to provide for an agreed-upon compensation in the event that the Executive's employment is terminated as defined in this agreement.

**1. Severance Pay Arrangement**

If a Termination (as defined below) of Executive's employment occurs at any time during Executive's employment, Asbury will pay Executive 12 months of Executive's base salary as of the date of Termination as Severance Pay. Payment (subject to required withholding) will be made by Asbury to Executive monthly on the regular payroll dates of Asbury starting with the date of Termination.

If Executive participates in a bonus compensation plan at the date of Termination, Severance Pay will also include a portion of the target bonus for the year of Termination in an amount equal to the target bonus multiplied by the percentage of such year that has expired through the date of Termination.

In addition, Executive shall be entitled for 12 months following the date of Termination to continue to participate at the same level of coverage and Executive contribution in any health and dental insurance plans, as may be amended from time to time, in which Executive was participating immediately prior to the date of Termination. Such participation will terminate 30 days after Executive has obtained other employment under which Executive is covered by equal benefits. The Executive agrees to notify Asbury promptly upon obtaining such other employment.

**2. Definition of Termination Triggering Severance Pay**

A "Termination" triggering the Severance Pay set forth above in Section 1 is defined as (1) termination of Executive's employment by Asbury for any reason, except death, disability, retirement, voluntary resignation or "cause", or (2) termination by Executive because of mandatory relocation of Executive's current principal place of business to a location more than 50 miles away, or (3) Asbury's reduction of Executive's base salary, or (4) any material diminution of Executive's duties or job title, except in a termination for "cause", death, disability, retirement or voluntary resignation. The definition of "cause" is: (1) Executive's gross negligence or gross misconduct in carrying out Executive's duties resulting in either case in material hmm to Asbury; or (2) Executive being convicted of a felony; or (3) Executive's breach of Sections 3, 4 or 5 below.

**3. Confidential Information Nondisclosure Provision**

During and after employment with Asbury, Executive agrees not to disclose to any person (other to an employee or director of Asbury or any affiliate and except as may be required by law) and not to use to compete with Asbury or any affiliate any confidential or proprietary information, knowledge or data that is not in the public domain that was obtained by Executive while employed by Asbury with respect to Asbury or any affiliate or with respect to any products, improvements, customers, methods of distribution, sales, prices, profits, costs, contracts, suppliers, business prospects, business methods, techniques, research, trade secrets or know-how of Asbury or any affiliate (collectively, "Confidential Information"). In the event that Executive's employment ends for any reason, Executive will deliver to Asbury all documents and data of any nature pe1taining to Executive's work with Asbury and will not take any documents or data or any reproduction, or any documents containing or pe1taining to any Confidential Information. Executive agrees that in the event of a breach by Executive of this provision, Asbury shall be entitled to inform all potential or new employers of this provision and obtain injunctive relief and damages which may include recovery of amounts paid to Executive under this agreement.

**4. Non-Solicitation of Employees**

Executive agrees that for a period of one year from Executive's last day of employment with Asbury, Executive shall not directly or indirectly solicit for employment or employ any person who, at any time during the preceding 12 months, is or was employed by Asbury or any affiliate or induce or attempt to persuade any employee of Asbury or any affiliate to terminate their employment relationship. Executive agrees that in the event of a breach by Executive of this provision, Asbury shall be entitled to inform all potential or new employers of this provision and obtain injunctive relief and damages which may include recovery of amounts paid to Executive under this agreement.

**5. Covenant Not to Compete**

While Executive is employed by Asbury, Executive shall not directly or indirectly engage in, participate in, represent or be connected with in any way, as an officer, director, partner, owner, employee, agent, independent contractor, consultant, proprietor or stockholder (except for the ownership of a less than 5% stock interest in a publicly-traded corporation) or otherwise, any business or activity which competes with the business of Asbury or any affiliate unless expressly consented to in writing by the Chief Executive Officer of Asbury (collectively, "Covenant Not To Compete").

In the event that Executive's employment ends for any reason, the provisions of the Covenant Not To Compete shall remain in effect for one year following the date of Termination except that the prohibition above on "any business or activity which competes with the business of Asbury or any affiliate" shall be limited to Autonation, Sonic, Lithia, United Auto Group and other competitive groups of similar size. Executive shall disclose in writing to Asbury the name, address and type of business conducted by any proposed new employer of Executive if requested in writing by Asbury. Executive agrees that in the event of a breach by Executive of this Covenant Not To Compete, Asbury shall be entitled to inform all potential or new employers of this Covenant and to obtain injunctive relief and damages which may include recovery of amounts paid to Executive under this agreement.

## GENERAL PROVISIONS

**A. Employment is At Will**

The Executive and Asbury acknowledge and agree that Executive is an "at will" employee, which means that either the Executive or Asbury may terminate the employment relationship at any time, for any reason, with or without cause or notice, and that nothing in this agreement shall be construed as an express or implied contract of employment.

**B. Execution of Release**

As a condition to the receipt of the Severance Pay payments and benefits described in section 1 above, Executive agrees to execute a release of all claims arising out of the Executive's employment or its te1mination including but not limited to any claim of discrimination, harassment or wrongful discharge under local, state or federal law.

## C. Other Provisions

This agreement shall be binding upon the heirs, executors, administrators, successors and assigns of Executive and Asbury, including any successor to Asbury.

The headings and captions are provided for reference and convenience only and shall not be considered part of this agreement.

If any provision of this agreement shall be held invalid or unenforceable, such holding shall not affect any other provisions, and this agreement shall be construed and enforced as if such provisions had not been included.

This agreement supersedes any and all agreements between Asbury and Executive relating to payments upon termination of employment or severance pay and may only be modified in writing signed by Asbury and Executive.

This agreement shall be governed by and construed in accordance with the laws of the State of New York.

**AGREED TO AS OF THE DATE FIRST WRITTEN ABOVE:**

| **EXECUTIVE** | **BY ASBURY AUTOMOTIVE GROUP L.L.C** |
|---|---|
| /s/ George C. Karolis | /s/ Phil Johnson |
| **Print Name:**<br>George C. Karolis | **Print Name and Title:**<br>Phil Johnson<br>VP HR |

**Exhibit 21**

| Entity Name | Domestic State | Foreign Qualification |
|---|---|---|
| AF Motors, L.L.C. | DE | FL |
| ANL, L.P. | DE | FL |
| Arkansas Automotive Services, L.L.C. | DE | AR |
| Asbury AR Niss L.L.C. | DE | AR |
| Asbury Atlanta AC L.L.C. | DE | GA |
| Asbury Atlanta AU L.L.C. | DE | GA |
| Asbury Atlanta BM L.L.C. | DE | GA |
| Asbury Atlanta Chevrolet L.L.C. | DE | GA |
| Asbury Atlanta Ford, LLC | DE | GA |
| Asbury Atlanta Hon L.L.C. | DE | GA |
| Asbury Atlanta Hund L.L.C. | DE | GA |
| Asbury Atlanta Inf L.L.C. | DE | GA |
| Asbury Atlanta Infiniti L.L.C. | DE | GA |
| Asbury Atlanta Jaguar L.L.C. | DE | GA |
| Asbury Atlanta K L.L.C. | DE | GA |
| Asbury Atlanta Lex L.L.C. | DE | GA |
| Asbury Atlanta Nis II, LLC | DE | GA |
| Asbury Atlanta Nis L.L.C. | DE | GA |
| Asbury Atlanta Toy 2 L.L.C. | DE | GA |
| Asbury Atlanta Toy L.L.C. | DE | GA |
| Asbury Atlanta VB L.L.C. | DE | GA |
| Asbury Atlanta VL L.L.C. | DE | GA |
| Asbury Automotive Arkansas Dealership Holdings L.L.C. | DE | AR,MS |
| Asbury Automotive Arkansas L.L.C. | DE | AR,MS |
| Asbury Automotive Atlanta II L.L.C. | DE | GA |
| Asbury Automotive Atlanta L.L.C. | DE | GA |
| Asbury Automotive Brandon, L.P. | DE | FL |
| Asbury Automotive Central Florida, L.L.C. | DE | FL |
| Asbury Automotive Deland, L.L.C. | DE | FL |
| Asbury Automotive Fresno L.L.C. | DE | |
| Asbury Automotive Group L.L.C. | DE | CT,NJ |
| Asbury Automotive Jacksonville GP L.L.C. | DE | FL |
| Asbury Automotive Jacksonville, L.P. | DE | FL |
| Asbury Automotive Management L.L.C. | DE | GA,NY |
| Asbury Automotive Mississippi L.L.C. | DE | MS |
| Asbury Automotive North Carolina Dealership Holdings L.L.C. | DE | NC |
| Asbury Automotive North Carolina L.L.C. | DE | NC,NJ,SC,VA |
| Asbury Automotive North Carolina Management L.L.C. | DE | NC |
| Asbury Automotive North Carolina Real Estate Holdings L.L.C. | DE | NC,NJ,SC,VA |
| Asbury Automotive Oregon L.L.C. | DE | |
| Asbury Automotive Southern California L.L.C. | DE | |
| Asbury Automotive St. Louis II L.L.C. | DE | MO |
| Asbury Automotive St. Louis, L.L.C. | DE | MO |
| Asbury Automotive Tampa GP L.L.C. | DE | FL |

| | | |
|---|---|---|
| Asbury Automotive Tampa, L.P. | DE | FL |
| Asbury Automotive Texas L.L.C. | DE | TX |
| Asbury Automotive Texas Real Estate Holdings L.L.C. | DE | TX |
| Asbury CH MOTORS L.L.C. | DE | FL |
| Asbury Deland Hund, LLC | DE | FL |
| Asbury Deland Imports 2, L.L.C. | DE | FL |
| Asbury Fresno Imports L.L.C. | DE | |
| Asbury Ft. Worth Ford, LLC | DE | TX |
| Asbury In Chev, LLC | DE | IN |
| Asbury In Hon, LLC | DE | IN |
| Asbury Jax AC, LLC | DE | FL |
| Asbury Jax Ford, LLC | DE | FL |
| Asbury Jax Holdings, L.P. | DE | FL |
| Asbury Jax Hon L.L.C. | DE | FL |
| Asbury Jax K L.L.C. | DE | FL |
| Asbury Jax Management L.L.C. | DE | FL |
| Asbury Jax VW L.L.C. | DE | FL |
| Asbury Management Services, LLC | DE | AR,AZ,FL,GA,MO,MS,NC,NY,PA,SC,TN,TX,VA |
| Asbury MS CHEV L.L.C. | DE | IN,MS |
| Asbury MS Gray-Daniels L.L.C. | DE | MS |
| Asbury No Cal Niss L.L.C. | DE | |
| Asbury Sacramento Imports L.L.C. | DE | |
| Asbury SC JPV L.L.C. | DE | SC |
| Asbury SC Lex L.L.C. | DE | SC |
| Asbury SC Toy L.L.C. | DE | SC |
| Asbury So Cal DC L.L.C. | DE | |
| Asbury So Cal Hon L.L.C. | DE | |
| Asbury So Cal Niss L.L.C. | DE | |
| Asbury South Carolina Real Estate Holdings L.L.C. | DE | SC |
| Asbury St. Louis Cadillac L.L.C. | DE | MO |
| Asbury St. Louis FSKR, L.L.C. | DE | MO |
| Asbury St. Louis Lex L.L.C. | DE | MO |
| Asbury St. Louis LR L.L.C. | DE | MO |
| Asbury St. Louis M L.L.C. | DE | MO |
| Asbury Tampa Management L.L.C. | DE | FL |
| Asbury Texas D FSKR, L.L.C. | DE | TX |
| Asbury Texas H FSKR, L.L.C. | DE | TX |
| Asbury-Deland Imports, L.L.C. | DE | FL |
| Atlanta Real Estate Holdings L.L.C. | DE | GA |
| Avenues Motors, Ltd. | FL | |
| Bayway Financial Services, L.P. | DE | FL |
| BFP Motors L.L.C. | DE | FL |
| C & O Properties, Ltd. | FL | |
| Camco Finance II L.L.C. | DE | NC,SC,VA |
| CFP Motors L.L.C. | DE | FL |

| | | |
|---|---|---|
| CH Motors L.L.C. | DE | FL |
| CHO Partnership, Ltd. | FL | |
| CK Chevrolet L.L.C. | DE | FL |
| CK Motors LLC | DE | FL |
| CN Motors L.L.C. | DE | FL |
| Coggin Automotive Corp. | FL | |
| Coggin Cars L.L.C. | DE | FL |
| Coggin Chevrolet L.L.C. | DE | FL |
| Coggin Management, L.P. | DE | FL |
| CP-GMC Motors L.L.C. | DE | FL |
| Crown Acura/Nissan, LLC | NC | |
| Crown CHH L.L.C. | DE | NC |
| Crown CHO L.L.C. | DE | NC |
| Crown CHV L.L.C. | DE | NC |
| Crown FDO L.L.C. | DE | NC |
| Crown FFO Holdings L.L.C. | DE | NC |
| Crown FFO L.L.C. | DE | NC |
| Crown GAC L.L.C. | DE | NC |
| Crown GBM L.L.C. | DE | NC |
| Crown GCA L.L.C. | DE | NC |
| Crown GDO L.L.C. | DE | NC |
| Crown GHO L.L.C. | DE | NC |
| Crown GNI L.L.C. | DE | NC |
| Crown GPG L.L.C. | DE | NC |
| Crown GVO L.L.C. | DE | NC |
| Crown Honda, LLC | NC | |
| Crown Motorcar Company L.L.C. | DE | VA |
| Crown PBM L.L.C. | DE | NJ |
| Crown RIA L.L.C. | DE | VA |
| Crown RIB L.L.C. | DE | VA |
| Crown SJC L.L.C. | DE | SC |
| Crown SNI L.L.C. | DE | SC |
| CSA Imports L.L.C. | DE | FL |
| Escude-NN L.L.C. | DE | MS |
| Escude-NS L.L.C. | DE | MS |
| Escude-T L.L.C. | DE | MS |
| Florida Automotive Services L.L.C. | DE | FL |
| HFP Motors L.L.C. | DE | FL |
| JC Dealer Systems, LLC | DE | FL |
| KP Motors L.L.C. | DE | FL |
| McDavid Austin-Acra L.L.C. | DE | TX |
| McDavid Frisco-Hon L.L.C. | DE | TX |
| McDavid Grande L.L.C. | DE | TX |
| McDavid Houston-Hon, L.L.C. | DE | TX |
| McDavid Houston-Niss, L.L.C. | DE | TX |
| McDavid Irving-Hon, L.L.C. | DE | TX |

| | | |
|---|---|---|
| McDavid Outfitters, L.L.C. | DE | TX |
| McDavid Plano-Acra, L.L.C. | DE | TX |
| Mid-Atlantic Automotive Services, L.L.C. | DE | NC,NJ,SC,VA |
| Mississippi Automotive Services, L.L.C. | DE | MS |
| Missouri Automotive Services, L.L.C. | DE | MO |
| NP FLM L.L.C. | DE | AR |
| NP MZD L.L.C. | DE | AR |
| NP VKW L.L.C. | DE | AR |
| Plano Lincoln-Mercury, Inc. | DE | TX |
| Precision Computer Services, Inc. | FL | |
| Precision Enterprises Tampa, Inc. | FL | |
| Precision Infiniti, Inc. | FL | |
| Precision Motorcars, Inc. | FL | |
| Precision Nissan, Inc. | FL | |
| Premier NSN L.L.C. | DE | AR |
| Premier Pon L.L.C. | DE | AR |
| Prestige Bay L.L.C. | DE | AR |
| Prestige Toy L.L.C. | DE | AR |
| Q Automotive Brandon FL, LLC | DE | FL |
| Q Automotive Cumming GA, LLC | DE | GA |
| Q Automotive Ft. Myers FL, LLC | DE | FL |
| Q Automotive Group L.L.C. | DE | FL |
| Q Automotive Holiday FL, LLC | DE | FL |
| Q Automotive Jacksonville FL, LLC | DE | FL |
| Q Automotive Kennesaw GA, LLC | DE | GA |
| Q Automotive Orlando FL, LLC | DE | FL |
| Q Automotive Tampa FL, LLC | DE | FL |
| Southern Atlantic Automotive Services, L.L.C. | DE | GA,SC |
| Tampa Hund, L.P. | DE | FL |
| Tampa Kia, L.P. | DE | FL |
| Tampa LM, L.P. | DE | |
| Tampa Mit, L.P. | DE | |
| Texas Automotive Services, L.L.C. | DE | TX |
| Thomason Auto Credit Northwest, Inc. | OR | |
| Thomason Dam L.L.C. | DE | |
| Thomason Frd L.L.C. | DE | |
| Thomason Hund L.L.C. | DE | |
| Thomason Pontiac-GMC L.L.C. | DE | |
| WMZ Motors, L.P. | DE | |
| WTY Motors, L.P. | DE | FL |

**Exhibit 23.1**

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form S-8 No. 333-221146) of Asbury Automotive Group, Inc.,
2) Registration Statement (Form S-8 No. 333-180980) of Asbury Automotive Group, Inc.,
3) Registration Statement (Form S-8 No. 333-165136) of Asbury Automotive Group, Inc.,
4) Registration Statement (Form S-8 No. 333-105450) of Asbury Automotive Group, Inc.,
5) Registration Statement (Form S-8 No. 333-84646) of Asbury Automotive Group, Inc., and
6) Registration Statement (Form S-3 No. 333-123505) of Asbury Automotive Group, Inc.;

of our reports dated February 27, 2018, with respect to the consolidated financial statements of Asbury Automotive Group, Inc. and the effectiveness of internal control over financial reporting of Asbury Automotive Group, Inc. included in this Annual Report (Form 10-K) of Asbury Automotive Group, Inc. for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 27, 2018

**Exhibit 31.1**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David W. Hult, certify that:

1. I have reviewed this annual report on Form 10-K of Asbury Automotive Group, 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 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 we 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;

5. The registrant's other certifying officer 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/ David W. Hult

David W. Hult
Chief Executive Officer
February 27, 2018

**Exhibit 32.1**

**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 Annual Report of Asbury Automotive Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David W. Hult, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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/ David W. Hult

David W. Hult
Chief Executive Officer
February 27, 2018

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a)/15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**
**AS ADOPTED PURSUANT TO**
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sean D. Goodman, certify that:

1. I have reviewed this annual report on Form 10-K of Asbury Automotive Group, 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 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 we 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;

5. The registrant's other certifying officer 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

   (a) 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/ Sean D. Goodman

Sean D. Goodman
Chief Financial Officer
February 27, 2018

**Exhibit 32.2**

**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 Annual Report of Asbury Automotive Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sean D. Goodman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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/ Sean D. Goodman

Sean D. Goodman
Chief Financial Officer
February 27, 2018