

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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

or

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

For the transition period from _____ to _____

Commission File Number: 1-13461

Group 1 Automotive, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State of other jurisdiction of incorporation or organization)

800 Gessner, Suite 500

Houston, TX

(Address of principal executive offices)

76-0506313

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

77024

(Zip code)

(713) 647-5700

(Registrant's telephone number, including area code)

Not Applicable

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

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

Title of each class

Ticker symbol(s)

Name of exchange on which registered

Common stock, par value \$0.01 per share

GPI

New York Stock Exchange

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

As of July 31, 2019, the registrant had 18,571,275 shares of common stock, par value \$0.01, outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
**GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS**
(In thousands, except per share amounts)

| | June 30, 2019 | December 31, 2018 |
|---|---------------------|---------------------|
| | (Unaudited) | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 37,740 | \$ 15,932 |
| Contracts-in-transit and vehicle receivables, net | 252,529 | 265,660 |
| Accounts and notes receivable, net of allowance of \$3.1 million and \$3.2 million, respectively | 188,489 | 193,981 |
| Inventories, net | 1,793,671 | 1,844,059 |
| Prepaid expenses and other current assets | 89,705 | 82,734 |
| TOTAL CURRENT ASSETS | 2,362,134 | 2,402,366 |
| Property and equipment, net of accumulated depreciation of \$369.1 million and \$347.3 million, respectively | 1,422,986 | 1,347,835 |
| Operating lease assets | 202,719 | — |
| Goodwill | 963,502 | 963,925 |
| Intangible franchise rights | 259,540 | 259,630 |
| Other assets | 14,880 | 27,319 |
| TOTAL ASSETS | \$ 5,225,761 | \$ 5,001,075 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Floorplan notes payable — credit facility and other, net of offset account of \$69.3 million and \$33.6 million, respectively | \$ 1,129,877 | \$ 1,258,815 |
| Floorplan notes payable — manufacturer affiliates, net of offset account of \$0.2 million and \$0.1 million, respectively | 426,486 | 417,824 |
| Current maturities of long-term debt | 71,548 | 92,967 |
| Current operating lease liabilities | 23,504 | — |
| Accounts payable | 485,908 | 419,350 |
| Accrued expenses and other current liabilities | 198,017 | 197,609 |
| TOTAL CURRENT LIABILITIES | 2,335,340 | 2,386,565 |
| Long-term debt, net of current maturities | 1,295,720 | 1,281,489 |
| Operating lease liabilities, net of current portion | 193,421 | — |
| Deferred income taxes | 134,649 | 134,683 |
| Other liabilities | 102,566 | 102,644 |
| Commitments and Contingencies (Note 10) | — | — |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$0.01 par value, 50,000 shares authorized; 25,510 and 25,494 issued, respectively | 255 | 255 |
| Additional paid-in capital | 288,197 | 292,774 |
| Retained earnings | 1,466,963 | 1,394,817 |
| Accumulated other comprehensive income (loss) | (152,530) | (137,772) |
| Treasury stock, at cost; 6,927 and 7,172 shares, respectively | (438,820) | (454,380) |
| TOTAL STOCKHOLDERS' EQUITY | 1,164,065 | 1,095,694 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 5,225,761 | \$ 5,001,075 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|--------------|---------------------------|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| REVENUES | | | | |
| New vehicle retail sales | \$ 1,565,375 | \$ 1,555,570 | \$ 2,979,860 | \$ 3,069,160 |
| Used vehicle retail sales | 838,896 | 821,853 | 1,658,099 | 1,602,423 |
| Used vehicle wholesale sales | 95,996 | 92,854 | 188,134 | 196,883 |
| Parts and service sales | 378,167 | 358,129 | 747,341 | 707,644 |
| Finance, insurance and other, net | 127,255 | 115,056 | 240,631 | 227,378 |
| Total revenues | 3,005,689 | 2,943,462 | 5,814,065 | 5,803,488 |
| COST OF SALES | | | | |
| New vehicle retail sales | 1,495,671 | 1,478,988 | 2,838,765 | 2,917,151 |
| Used vehicle retail sales | 785,604 | 770,639 | 1,556,998 | 1,507,714 |
| Used vehicle wholesale sales | 96,089 | 92,613 | 187,776 | 194,987 |
| Parts and service sales | 174,072 | 163,059 | 344,770 | 325,710 |
| Total cost of sales | 2,551,436 | 2,505,299 | 4,928,309 | 4,945,562 |
| GROSS PROFIT | 454,253 | 438,163 | 885,756 | 857,926 |
| Selling, general and administrative expenses | 338,715 | 308,092 | 666,423 | 632,439 |
| Depreciation and amortization expense | 17,864 | 16,638 | 34,861 | 32,980 |
| Asset impairments | 537 | 4,268 | 537 | 4,268 |
| INCOME (LOSS) FROM OPERATIONS | 97,137 | 109,165 | 183,935 | 188,239 |
| OTHER INCOME (EXPENSE) | | | | |
| Floorplan interest expense | (15,943) | (14,563) | (31,646) | (28,650) |
| Other interest expense, net | (17,961) | (19,414) | (36,880) | (38,234) |
| INCOME (LOSS) BEFORE INCOME TAXES | 63,233 | 75,188 | 115,409 | 121,355 |
| Benefit (provision) for income taxes | (14,008) | (18,725) | (27,536) | (29,078) |
| NET INCOME (LOSS) | \$ 49,225 | \$ 56,463 | \$ 87,873 | \$ 92,277 |
| BASIC EARNINGS (LOSS) PER SHARE | \$ 2.65 | \$ 2.72 | \$ 4.74 | \$ 4.42 |
| Weighted average common shares outstanding | 17,908 | 20,036 | 17,853 | 20,167 |
| DILUTED EARNINGS (LOSS) PER SHARE | \$ 2.64 | \$ 2.72 | \$ 4.73 | \$ 4.42 |
| Weighted average common shares outstanding | 17,930 | 20,046 | 17,878 | 20,176 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|------------------|---------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| NET INCOME (LOSS) | \$ 49,225 | \$ 56,463 | \$ 87,873 | \$ 92,277 |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustment | (4,020) | (24,186) | (413) | (16,315) |
| Net unrealized gain (loss) on interest rate risk management activities, net of tax | | | | |
| Unrealized gain (loss) arising during the period, net of tax benefit (provision) of \$2,937, (\$1,078), \$4,253, and (\$3,570), respectively | (9,454) | 3,414 | (13,691) | 11,305 |
| Reclassification adjustment for realized gain on interest rate swap termination included in SG&A, net of tax benefit (provision) of \$0, (\$220), \$0, and (\$220), respectively | — | (698) | — | (698) |
| Reclassification adjustment for (gain) loss included in interest expense, net of tax benefit (provision) of (\$95), \$336, (\$203), and \$813, respectively | (307) | 1,062 | (654) | 2,576 |
| Unrealized gain (loss) on interest rate risk management activities, net of tax | (9,761) | 3,778 | (14,345) | 13,183 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAXES | (13,781) | (20,408) | (14,758) | (3,132) |
| COMPREHENSIVE INCOME (LOSS) | \$ 35,444 | \$ 36,055 | \$ 73,115 | \$ 89,145 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except per share amounts)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|--|---------------|---------------|-------------------------------|----------------------|--|---------------------|---------------------|
| | Shares | Amount | | | | | |
| BALANCE, March 31, 2019 | 25,522 | \$ 255 | \$ 287,115 | \$ 1,422,576 | \$ (138,749) | \$ (443,484) | \$ 1,127,713 |
| Net income (loss) | — | — | — | 49,225 | — | — | 49,225 |
| Other comprehensive income (loss), net of taxes | — | — | — | — | (13,781) | — | (13,781) |
| Net issuance of treasury shares to employee stock compensation plans | (12) | — | (2,828) | — | — | 4,664 | 1,836 |
| Stock-based compensation | — | — | 3,910 | — | — | — | 3,910 |
| Dividends paid, net of estimated forfeitures relative to participating securities (\$0.26 per share) | — | — | — | (4,838) | — | — | (4,838) |
| BALANCE, June 30, 2019 | <u>25,510</u> | <u>\$ 255</u> | <u>\$ 288,197</u> | <u>\$ 1,466,963</u> | <u>\$ (152,530)</u> | <u>\$ (438,820)</u> | <u>\$ 1,164,065</u> |

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|--|---------------|---------------|-------------------------------|----------------------|--|---------------------|---------------------|
| | Shares | Amount | | | | | |
| BALANCE, December 31, 2018 | 25,494 | \$ 255 | \$ 292,774 | \$ 1,394,817 | \$ (137,772) | \$ (454,380) | \$ 1,095,694 |
| Net income (loss) | — | — | — | 87,873 | — | — | 87,873 |
| Other comprehensive income (loss), net of taxes | — | — | — | — | (14,758) | — | (14,758) |
| Net issuance of treasury shares to employee stock compensation plans | 16 | — | (14,554) | — | — | 15,560 | 1,006 |
| Stock-based compensation | — | — | 9,977 | — | — | — | 9,977 |
| Dividends paid, net of estimated forfeitures relative to participating securities (\$0.52 per share) | — | — | — | (9,666) | — | — | (9,666) |
| ASC 842 cumulative adjustment | — | — | — | (6,061) | — | — | (6,061) |
| BALANCE, June 30, 2019 | <u>25,510</u> | <u>\$ 255</u> | <u>\$ 288,197</u> | <u>\$ 1,466,963</u> | <u>\$ (152,530)</u> | <u>\$ (438,820)</u> | <u>\$ 1,164,065</u> |

The accompanying notes are an integral part of these condensed consolidated financial statements.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
(Unaudited)
(In thousands, except per share amounts)

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|--|---------------|---------------|-------------------------------|----------------------|--|---------------------|---------------------|
| | Shares | Amount | | | | | |
| BALANCE, March 31, 2018 | 25,527 | \$ 255 | \$ 286,244 | \$ 1,288,052 | \$ (105,950) | \$ (290,522) | \$ 1,178,079 |
| Net income (loss) | — | — | — | 56,463 | — | — | 56,463 |
| Other comprehensive income (loss), net of taxes | — | — | — | — | (20,408) | — | (20,408) |
| Purchases of treasury stock | — | — | — | — | — | (42,077) | (42,077) |
| Net issuance of treasury shares to employee stock compensation plans | (15) | — | (1,987) | — | — | 3,637 | 1,650 |
| Stock-based compensation | — | — | 4,235 | — | — | — | 4,235 |
| Dividends paid, net of estimated forfeitures relative to participating securities (\$0.26 per share) | — | — | — | (5,330) | — | — | (5,330) |
| BALANCE, June 30, 2018 | <u>25,512</u> | <u>\$ 255</u> | <u>\$ 288,492</u> | <u>\$ 1,339,185</u> | <u>\$ (126,358)</u> | <u>\$ (328,962)</u> | <u>\$ 1,172,612</u> |

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Treasury Stock | Total |
|--|---------------|---------------|-------------------------------|----------------------|--|---------------------|---------------------|
| | Shares | Amount | | | | | |
| BALANCE, December 31, 2017 | 25,515 | \$ 255 | \$ 291,461 | \$ 1,246,323 | \$ (123,226) | \$ (290,531) | \$ 1,124,282 |
| Net income (loss) | — | — | — | 92,277 | — | — | 92,277 |
| Other comprehensive income (loss), net of taxes | — | — | — | — | (3,132) | — | (3,132) |
| Purchases of treasury stock | — | — | — | — | — | (51,276) | (51,276) |
| Net issuance of treasury shares to employee stock compensation plans | (3) | — | (12,833) | — | — | 12,845 | 12 |
| Stock-based compensation | — | — | 9,864 | — | — | — | 9,864 |
| Dividends paid, net of estimated forfeitures relative to participating securities (\$0.52 per share) | — | — | — | (10,812) | — | — | (10,812) |
| ASC 606 cumulative adjustment | — | — | — | 11,397 | — | — | 11,397 |
| BALANCE, June 30, 2018 | <u>25,512</u> | <u>\$ 255</u> | <u>\$ 288,492</u> | <u>\$ 1,339,185</u> | <u>\$ (126,358)</u> | <u>\$ (328,962)</u> | <u>\$ 1,172,612</u> |

The accompanying notes are an integral part of these condensed consolidated financial statements.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

| | Six Months Ended June 30, | |
|---|---------------------------|------------------|
| | 2019 | 2018 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ 87,873 | \$ 92,277 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities | | |
| Depreciation and amortization | 34,861 | 32,980 |
| Change in operating lease assets | 14,404 | — |
| Deferred income taxes | 5,138 | 5,591 |
| Asset impairments | 537 | 4,268 |
| Stock-based compensation | 10,003 | 9,891 |
| Amortization of debt discount and issue costs | 2,063 | 1,526 |
| (Gain) loss on disposition of assets | (5,985) | (20,686) |
| Other | 503 | 65 |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: | | |
| Accounts payable and accrued expenses | 77,347 | 26,121 |
| Accounts and notes receivable | 4,600 | 21,185 |
| Inventories | 31,688 | 47,272 |
| Contracts-in-transit and vehicle receivables | 12,428 | 56,725 |
| Prepaid expenses and other assets | (16,500) | (9,842) |
| Floorplan notes payable - manufacturer affiliates | 8,839 | (3,535) |
| Deferred revenues | (302) | (732) |
| Operating lease liabilities | (14,549) | — |
| Net cash provided by (used in) operating activities | 252,948 | 263,106 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Cash paid for acquisitions, net of cash received | — | (74,865) |
| Proceeds from disposition of franchises, property and equipment | 37,938 | 75,923 |
| Purchases of property and equipment, including real estate | (109,238) | (88,230) |
| Other | (305) | (655) |
| Net cash provided by (used in) investing activities | (71,605) | (87,827) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings on credit facility - floorplan line and other | 3,306,530 | 3,323,798 |
| Repayments on credit facility - floorplan line and other | (3,425,359) | (3,461,494) |
| Borrowings on credit facility - acquisition line | 124,159 | 98,596 |
| Repayments on credit facility - acquisition line | (117,934) | (84,884) |
| Debt issue costs | (3,056) | — |
| Borrowings on other debt | 76,868 | 111,142 |
| Principal payments on other debt | (90,187) | (75,784) |
| Borrowings on debt related to real estate, net of debt issue costs | 33,184 | 54,711 |
| Principal payments on debt related to real estate | (53,287) | (63,368) |
| Employee stock purchase plan purchases, net of employee tax withholdings | 1,005 | 11 |
| Proceeds from termination of mortgage swap | — | 918 |
| Repurchases of common stock, amounts based on settlement date | — | (51,276) |
| Dividends paid | (9,691) | (10,836) |
| Net cash provided by (used in) financing activities | (157,768) | (158,466) |
| Effect of exchange rate changes on cash | (755) | (2,812) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 22,820 | 14,001 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period | 18,720 | 29,631 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period | \$ 41,540 | \$ 43,632 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. INTERIM FINANCIAL INFORMATION

Business

Group 1 Automotive, Inc., a Delaware corporation, (“Group 1” and together with its subsidiaries, the “Company”) is a leading operator in the automotive retailing industry with business activities in 15 states in the United States of America (“U.S.”), 32 towns in the United Kingdom (“U.K.”) and three states in Brazil. The Company, through its three regions, sells new and used cars and light trucks, arranges related vehicle financing, sells service and insurance contracts, provides automotive maintenance and repair services, and sells vehicle parts.

As of June 30, 2019, the Company’s U.S. retail network consisted of 116 dealerships within the following states: Alabama, California, Florida, Georgia, Kansas, Louisiana, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, Oklahoma, South Carolina, and Texas. The President of U.S. Operations reports directly to the Company’s Chief Executive Officer and is responsible for the overall performance of the U.S. region, as well as overseeing the market directors and dealership general managers. In addition, as of June 30, 2019, the Company had two international regions: (i) the U.K., which consisted of 45 dealerships and (ii) Brazil, which consisted of 17 dealerships. The operations of the Company’s international regions are structured similarly to the U.S. region.

The Company’s operating results are generally subject to seasonal variations, as well as changes in the economic environment. In the U.S., we generally experience higher volumes of vehicle sales and service in the second and third calendar quarters of each year. In addition, in some regions of the U.S., vehicle purchases decline during the winter months due to inclement weather. As a result, our U.S. revenues and operating income are typically lower in the first and fourth quarters and higher in the second and third quarters. In the U.K., the first and third quarters tend to be stronger, driven by the vehicle license plate change months of March and September. In Brazil, the first quarter is generally the weakest, driven by more consumer vacations and activities associated with Carnival, while the third and fourth quarters tend to be stronger. Other factors unrelated to seasonality, such as changes in economic conditions, manufacturer incentive programs, supply issues, seasonal weather events and/or changes in currency exchange rates may exaggerate seasonal or cause counter-seasonal fluctuations in the Company’s revenues and operating income. Due to seasonality and other factors, the results of operations for the interim period are not necessarily indicative of the results that will be realized for any other interim period or for the entire fiscal year.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements and notes thereto, have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. Results for interim periods are not necessarily indicative of the results that can be expected for a full year, and therefore should be read in conjunction with the Company’s audited Financial Statements and notes thereto included within the Company’s most recent Annual Report on Form 10-K. Certain reclassifications have been made to prior periods to conform with current period presentation with no effect on the Company’s previously reported consolidated financial position, results of operations or cash flows. These Condensed Consolidated Financial Statements reflect, in the opinion of management, all normal recurring adjustments necessary to fairly state, in all material respects, the Company’s financial position and results of operations for the periods presented.

Use of Estimates

The preparation of the Company’s financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from these estimates. Significant estimates made in the accompanying Condensed Consolidated Financial Statements include, but are not limited to, inventory market adjustments, reserves for chargebacks against revenue recognized from the sale of finance and insurance products, reserves for self-insurance programs, certain assumptions related to goodwill and intangible franchise rights, and reserves for potential legal or similar proceedings related to the Company’s business.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Recent Accounting Pronouncements

Accounting for Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (“Topic 842”)*, that amends the accounting guidance on leases. The standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. The Company adopted this ASU and all subsequent amendments on January 1, 2019, using the optional transition method applied to leases existing at January 1, 2019, with no restatement of comparative periods. Results for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts have not been adjusted and continue to be reported in accordance with the Company’s historical accounting policies under Accounting Standards Codification (“ASC”) Topic 840, *Leases (“ASC 840”)*.

The Company elected the package of practical expedients available under the transition guidance within Topic 842, which among other things, permits the Company to carry forward its historical lease classification. The Company also elected other practical expedients under the transition guidance to (i) not record leases with an initial term of 12 months or less on the balance sheet for all asset classes; (ii) not apply hindsight when determining its lease terms or assessing impairment of its ROU assets during transition; and (iii) combine and account for both lease and non-lease components as a single component for all asset classes, except dealership operating assets. For our dealership operating leases, the Company elected to separate lease and non-lease components and have allocated the consideration between the lease and non-lease components based on the estimated fair value of the leased component.

Upon adoption of Topic 842, the Company recognized ROU assets and lease liabilities based on the present value of its remaining minimum rental payments for existing operating leases as of the adoption date, utilizing the Company’s applicable incremental borrowing rate also as of the adoption date. The adoption of Topic 842 resulted in the Company recognizing \$222.6 million of operating ROU assets and \$236.7 million of operating lease liabilities as of January 1, 2019. The difference between ROU assets and lease liabilities is primarily the result of prepaid rent, favorable lease assets and net unfavorable lease liabilities. Additionally, the Company recognized a \$6.1 million cumulative-effect adjustment, net of deferred tax impact, to retained earnings as of January 1, 2019 resulting from the impairment of certain operating ROU assets upon the adoption of Topic 842. The Company’s accounting for its finance leases, previously termed as capital leases under ASC 840, remained substantially unchanged. The adoption of Topic 842 had no material impact on the Company’s condensed consolidated statements of operations or consolidated statements of cash flows. For further details, see Note 11, “Leases”.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendment in this update replaces the current incurred loss impairment methodology of recognizing credit losses when a loss is probable, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to assess credit loss estimates. The standard will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted for periods after December 15, 2018. The Company is currently evaluating the impact that the adoption of the provisions of the ASU will have on its consolidated financial statements, but does not expect the impact of the amendment of this ASU to be significant.

2. REVENUE

The Company’s material revenue streams are the sale of new and used vehicles; arrangement of associated vehicle financing and the sale of service and other insurance contracts; the performance of vehicle maintenance and repair services (including collision restoration); and the sale of vehicle parts.

The following tables present the Company’s revenues disaggregated by revenue source and geographical segments (in thousands):

| | Three Months Ended June 30, 2019 | | | | Six Months Ended June 30, 2019 | | | |
|--|----------------------------------|------------|------------|--------------|--------------------------------|--------------|------------|--------------|
| | U.S. | U.K. | Brazil | Total | U.S. | U.K. | Brazil | Total |
| REVENUES | | | | | | | | |
| New vehicle retail sales | \$ 1,188,792 | \$ 302,224 | \$ 74,359 | \$ 1,565,375 | \$ 2,220,534 | \$ 620,795 | \$ 138,531 | \$ 2,979,860 |
| Used vehicle retail sales | 625,452 | 194,007 | 19,437 | 838,896 | 1,219,870 | 397,568 | 40,661 | 1,658,099 |
| Used vehicle wholesale sales | 44,285 | 46,882 | 4,829 | 95,996 | 87,112 | 92,143 | 8,879 | 188,134 |
| Total new and used vehicle sales | 1,858,529 | 543,113 | 98,625 | 2,500,267 | 3,527,516 | 1,110,506 | 188,071 | 4,826,093 |
| Parts and service sales ⁽¹⁾ | 309,645 | 56,360 | 12,162 | 378,167 | 607,247 | 115,926 | 24,168 | 747,341 |
| Finance, insurance and other, net ⁽²⁾ | 110,506 | 14,961 | 1,788 | 127,255 | 206,699 | 30,160 | 3,772 | 240,631 |
| Total revenues | \$ 2,278,680 | \$ 614,434 | \$ 112,575 | \$ 3,005,689 | \$ 4,341,462 | \$ 1,256,592 | \$ 216,011 | \$ 5,814,065 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| | Three Months Ended June 30, 2018 | | | | Six Months Ended June 30, 2018 | | | |
|--|----------------------------------|-------------------|-------------------|---------------------|--------------------------------|---------------------|-------------------|---------------------|
| | U.S. | U.K. | Brazil | Total | U.S. | U.K. | Brazil | Total |
| REVENUES | | | | | | | | |
| New vehicle retail sales | \$ 1,146,882 | \$ 338,635 | \$ 70,053 | \$ 1,555,570 | \$ 2,236,835 | \$ 693,039 | \$ 139,286 | \$ 3,069,160 |
| Used vehicle retail sales | 592,007 | 208,108 | 21,738 | 821,853 | 1,155,837 | 400,657 | 45,929 | 1,602,423 |
| Used vehicle wholesale sales | 42,781 | 46,527 | 3,546 | 92,854 | 96,783 | 92,712 | 7,388 | 196,883 |
| Total new and used vehicle sales | 1,781,670 | 593,270 | 95,337 | 2,470,277 | 3,489,455 | 1,186,408 | 192,603 | 4,868,466 |
| Parts and service sales ⁽¹⁾ | 288,889 | 57,996 | 11,244 | 358,129 | 573,403 | 111,137 | 23,104 | 707,644 |
| Finance, insurance and other, net ⁽²⁾ | 97,442 | 15,617 | 1,997 | 115,056 | 193,629 | 29,880 | 3,869 | 227,378 |
| Total revenues | <u>\$ 2,168,001</u> | <u>\$ 666,883</u> | <u>\$ 108,578</u> | <u>\$ 2,943,462</u> | <u>\$ 4,256,487</u> | <u>\$ 1,327,425</u> | <u>\$ 219,576</u> | <u>\$ 5,803,488</u> |

(1) The Company has applied the optional exemption not to disclose revenue related to remaining performance obligations on our maintenance and repair services as the duration of these contracts is less than one year.

(2) Includes variable consideration recognized of \$9.0 million and \$2.2 million during the three months ended June 30, 2019 and 2018, and \$12.2 million and \$5.7 million during the six months ended June 30, 2019 and 2018, respectively, relating to performance obligations satisfied in previous periods on our retrospective commission income contracts.

Contract assets associated with revenue from the arrangement of financing and sale of service and insurance contracts totaled \$20.3 million and \$14.6 million as of June 30, 2019 and December 31, 2018, respectively, and are reflected in *Prepaid expenses and other current assets* within the Unaudited Condensed Consolidated Balance Sheets.

3. ACQUISITIONS AND DISPOSITIONS

Acquisitions

During the six months ended June 30, 2019, the Company opened one dealership representing one awarded franchise in the U.S. and one dealership representing one awarded franchise in the U.K.

During the six months ended June 30, 2018, the Company acquired five dealerships in the U.K., inclusive of eight franchises, and added one franchise. The Company also acquired one dealership in Brazil, representing one franchise. Additionally, the Company acquired two dealerships in the U.S., inclusive of two franchises. Aggregate consideration paid for these dealerships, which were accounted for as business combinations, totaled \$80.0 million, including the associated real estate and goodwill. Also included in the consideration paid was \$5.1 million of cash received in the acquisition of the dealerships. The purchase prices were allocated based upon the consideration paid and the estimated fair values of the assets acquired and liabilities assumed at the acquisition dates.

Dispositions

During the six months ended June 30, 2019, the Company disposed of three dealerships representing six franchises in the U.S., three dealerships representing four franchises in the U.K, and one dealership representing one franchise in Brazil. The Company recorded a net pre-tax gain totaling \$5.4 million related to these dispositions.

During the six months ended June 30, 2018, the Company disposed of one dealership in the U.S., representing two franchises, as well as one franchise in the U.K. The Company recorded a net pre-tax gain totaling \$20.1 million related to these dispositions.

4. EQUITY

Performance Awards

During the six months ended June 30, 2019 under the 2014 Long-Term Incentive Plan, the Company granted 30,555 performance awards to certain employees at no cost to the recipient. The weighted average grant date fair value of these awards was \$67.17 per share. The performance awards do not qualify as participating securities. The performance awards contain both performance and market conditions to be evaluated over a two-year performance period and are subject to vesting over a three-year service period. Based upon the performance criteria, up to 200% of the granted shares may be earned. Compensation expense for the awards with performance conditions is calculated based on the market price of the Company's common stock at the date of grant and the forecasted achievement of such performance conditions and is recognized over the requisite service period. Compensation expense for the awards with market conditions is calculated based upon the fair value of the grant on the date of grant and is recognized over the requisite service period. All such awards remained unvested as of June 30, 2019.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

5. EARNINGS PER SHARE

The two-class method is utilized for the computation of the Company’s earnings per share (“EPS”). The two-class method requires a portion of net income to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends. The Company’s restricted stock awards are participating securities. Income allocated to these participating securities is excluded from net earnings available to common shares, as shown in the table below. Basic EPS is computed by dividing net income available to basic common shares by the weighted average number of basic common shares outstanding during the period. Diluted EPS is computed by dividing net income available to diluted common shares by the weighted average number of dilutive common shares outstanding during the period.

The following table sets forth the calculation of EPS for the three and six months ended June 30, 2019 and 2018 (in thousands, except per share amounts):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|------------------------------------|------------------|----------------------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Weighted average basic common shares outstanding | 17,908 | 20,036 | 17,853 | 20,167 |
| Dilutive effect of stock awards and employee stock purchases, net of assumed repurchase of treasury stock | 22 | 10 | 25 | 9 |
| Weighted average dilutive common shares | <u>17,930</u> | <u>20,046</u> | <u>17,878</u> | <u>20,176</u> |
| Basic | | | | |
| Net income (loss) | \$ 49,225 | \$ 56,463 | \$ 87,873 | \$ 92,277 |
| Less: Earnings (loss) allocated to participating securities | 1,844 | 1,916 | 3,303 | 3,123 |
| Net income (loss) available to basic common shares | <u>\$ 47,381</u> | <u>\$ 54,547</u> | <u>\$ 84,570</u> | <u>\$ 89,154</u> |
| Basic earnings (loss) per common share | \$ 2.65 | \$ 2.72 | \$ 4.74 | \$ 4.42 |
| Diluted | | | | |
| Net income (loss) | \$ 49,225 | \$ 56,463 | \$ 87,873 | \$ 92,277 |
| Less: Earnings (loss) allocated to participating securities | 1,842 | 1,916 | 3,299 | 3,123 |
| Net income (loss) available to diluted common shares | <u>\$ 47,383</u> | <u>\$ 54,547</u> | <u>\$ 84,574</u> | <u>\$ 89,154</u> |
| Diluted earnings (loss) per common share | \$ 2.64 | \$ 2.72 | \$ 4.73 | \$ 4.42 |

6. CASH FLOW INFORMATION

The Company utilizes various credit facilities to finance the purchase of its new and used vehicle inventory. With respect to all new vehicle floorplan borrowings, the manufacturers of the vehicles draft the Company’s credit facilities directly with no cash flow to or from the Company. With respect to borrowings for used vehicle financing in the U.S., the Company finances up to 85% of the value of the used vehicle inventory and the funds flow directly between the Company and the lender. In the U.K. and Brazil, the Company chooses which used vehicles to finance and the borrowings flow directly to the Company from the lender.

The Company categorizes the cash flows associated with borrowings and repayments on these various credit facilities as Operating or Financing Activities in its Unaudited Condensed Consolidated Statements of Cash Flows. All borrowings from, and repayments to, lenders affiliated with the vehicle manufacturers (excluding the cash flows from or to manufacturer affiliated lenders participating in the Company’s syndicated lending group under the Revolving Credit Facility, as defined in Note 7, “Floorplan Notes Payable”) are presented within Cash Flows from Operating Activities on the Unaudited Condensed Consolidated Statements of Cash Flows. All borrowings from, and repayments to, the syndicated lending group under the Revolving Credit Facility (including the cash flows from or to manufacturer affiliated lenders participating in the facility), as well as borrowings from, and repayments to, the Company’s other credit facilities, are presented within Cash Flows from Financing Activities.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Cash, Cash Equivalents, and Restricted Cash

The total amounts presented on the Company’s Unaudited Condensed Consolidated Statements of Cash Flows include cash, cash equivalents, and restricted cash. Restricted cash includes certain unsecured investment obligations with manufacturer-affiliated finance companies, which bear interest at a variable rate and are redeemable on demand by the Company. The following table reconciles cash and cash equivalents reported on the Company’s Unaudited Condensed Consolidated Balances Sheets to the total amounts reported on the Company’s Unaudited Condensed Consolidated Statements of Cash flows (in thousands):

| | June 30, 2019 | December 31, 2018 |
|---|------------------|-------------------|
| Cash and cash equivalents | \$ 37,740 | \$ 15,932 |
| Restricted cash, included in Prepaid expenses and other current assets and Other assets | 3,800 | 2,788 |
| Total cash, cash equivalents, and restricted cash | \$ 41,540 | \$ 18,720 |

Non-cash Investing and Financing Activities

The Company accrued for purchases of property and equipment, including real estate of \$5.8 million and \$8.6 million at June 30, 2019 and 2018, respectively. Additionally, the Company obtained right-of-use assets in exchange for lease obligations during the six months ended June 30, 2019. See Note 11, “Leases”, for supplemental information on lease liabilities.

Interest and Income Taxes Paid

Cash paid for interest, including the monthly settlement of the Company’s interest rate derivatives, was \$64.4 million and \$62.9 million for the six months ended June 30, 2019 and 2018, respectively. Cash paid for taxes, net of refunds, was \$19.4 million and \$12.8 million for the six months ended June 30, 2019 and 2018, respectively.

7. FLOORPLAN NOTES PAYABLE

The Company’s floorplan notes payable consisted of the following (in thousands):

| | June 30, 2019 | December 31, 2018 |
|--|---------------|-------------------|
| Revolving credit facility - floorplan notes payable | \$ 1,168,243 | \$ 1,251,402 |
| Revolving credit facility - floorplan notes payable offset account | (69,307) | (33,637) |
| Revolving credit facility - floorplan notes payable, net | 1,098,936 | 1,217,765 |
| Other non-manufacturer facilities | 30,941 | 41,050 |
| Floorplan notes payable - credit facility and other | \$ 1,129,877 | \$ 1,258,815 |
| FMCC facility | \$ 177,673 | \$ 160,786 |
| FMCC facility offset account | (150) | (100) |
| FMCC facility, net | 177,523 | 160,686 |
| Other manufacturer affiliate facilities | 248,963 | 257,138 |
| Floorplan notes payable - manufacturer affiliates | \$ 426,486 | \$ 417,824 |

Floorplan Notes Payable - Credit Facility

Revolving Credit Facility

In the U.S., the Company has a \$1.8 billion revolving syndicated credit arrangement that matures on June 27, 2024 (“Revolving Credit Facility”). The Revolving Credit Facility consists of two tranches: (i) a \$1.75 billion maximum capacity tranche for U.S. vehicle inventory floorplan financing (“Floorplan Line”), which had an outstanding balance of \$1.1 billion as of June 30, 2019 reported in *Floorplan notes payable - credit facility and other*; and (ii) a \$360.0 million maximum capacity and \$50.0 million minimum capacity tranche (“Acquisition Line”), which is not due until maturity of the Revolving Credit Facility and is therefore classified as long-term debt in *Long-term debt, net of current maturities* - see Note 8, “Debt”, for additional discussion. The capacity under these two tranches can be re-designated within the overall \$1.8 billion commitment, subject to the aforementioned limits. The weighted average interest rate on the Floorplan Line was 3.5% as of June 30, 2019, excluding the impact of the Company’s interest rate derivative instruments.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

On June 27, 2019, the Company amended the Revolving Credit Facility to extend the maturity date to June 27, 2024 and reduce the number of participating financial institutions to 23. Additionally, following the amendment, the Floorplan Line bears interest at rates equal to the London Interbank Offered Rate (“LIBOR”) plus 110 basis points for new vehicle inventory and the LIBOR plus 140 basis points for used vehicle inventory. The Acquisition Line bears interest at LIBOR or a LIBOR equivalent plus 100 to 200 basis points, depending on the Company’s total adjusted leverage ratio, on borrowings in U.S. dollars, Euros or British pound sterling. The Floorplan Line requires a commitment fee of 0.15% per annum on the unused portion. Amounts borrowed by the Company under the Floorplan Line for specific vehicle inventory are to be repaid upon the sale of the vehicle financed, and in no case is a borrowing for a vehicle to remain outstanding for greater than one year. The Acquisition Line requires a commitment fee ranging from 0.15% to 0.40% per annum, depending on the Company’s total adjusted leverage ratio, based on a minimum commitment of \$50.0 million less outstanding borrowings.

In conjunction with the Revolving Credit Facility, the Company has \$5.2 million of related unamortized costs as of June 30, 2019, which are included in *Prepaid expenses and other current assets* and *Other assets* on the accompanying Condensed Consolidated Balance Sheets and amortized over the term of the facility.

Floorplan Notes Payable - Manufacturer Affiliates

Ford Motor Credit Company Facility

The Company has a \$300.0 million floorplan financing arrangement with Ford Motor Credit Company for financing of new Ford vehicles in the U.S. (“FMCC Facility”). This facility bears interest at a rate of Prime plus 150 basis points minus certain incentives. The interest rate on the FMCC Facility was 7.0% before considering the applicable incentives as of June 30, 2019.

Other Manufacturer Facilities

The Company has other credit facilities in the U.S., U.K., and Brazil with financial institutions affiliated with manufacturers for financing of new, used, and rental vehicle inventories. As of June 30, 2019, borrowings outstanding under these facilities totaled \$249.0 million, comprised of \$116.2 million in the U.S. with interest rates that vary up to 7.0%, \$116.6 million in the U.K. with annual interest rates ranging from 1.4% to 4.3%, and \$16.2 million in Brazil with annual interest rates ranging from 10.8% to 14.7%.

8. DEBT

Long-term debt consisted of the following (in thousands):

| | June 30, 2019 | December 31, 2018 |
|--|---------------------|---------------------|
| 5.00% Senior Notes due June 1, 2022 (aggregate principal of \$550,000) ⁽¹⁾ | \$ 544,591 | \$ 543,730 |
| 5.25% Senior Notes due December 15, 2023 (aggregate principal of \$300,000) ⁽¹⁾ | 297,035 | 296,735 |
| Acquisition Line | 38,113 | 31,842 |
| Real estate related | 402,828 | 420,022 |
| Finance leases ⁽²⁾ | 54,363 | 48,612 |
| Other | 30,338 | 33,515 |
| Total debt | 1,367,268 | 1,374,456 |
| Less: current maturities of long-term debt and short-term financing | 71,548 | 92,967 |
| Long-term debt, net of current maturities | \$ 1,295,720 | \$ 1,281,489 |

⁽¹⁾ See Note 9, “Financial Instruments and Fair Value Measurements”, for further discussion of the fair value.

⁽²⁾ Balances as of December 31, 2018 were unchanged under the optional transition method applied as part of the implementation of Topic 842. See Note 1, “Interim Financial Information” and Note 11, “Leases” for further information.

Acquisition Line

The proceeds of the Acquisition Line is used for working capital, general corporate, and acquisition purposes. As of June 30, 2019, borrowings under the Acquisition Line, a component of the Revolving Credit Facility (as described in Note 7, “Floorplan Notes Payable”), totaled \$38.1 million. The interest rate on this facility was 1.95% as of June 30, 2019, representing the applicable rate for borrowings in British pound sterling.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Real Estate Related

The Company has mortgage loans in the U.S., U.K., and Brazil that are paid in monthly installments. As of June 30, 2019, borrowings outstanding under these facilities totaled \$402.8 million, comprised of \$330.7 million in the U.S. maturing between August 2019 and November 2032, \$70.0 million in the U.K. maturing between August 2023 and September 2034, and \$2.1 million in Brazil maturing in April 2025. The U.S. loans bear interest at fixed rates between 3.25% and 4.69% and at variable indexed rates plus a spread between 1.50% and 2.25% per annum. The U.K. and Brazil loans bear interest at variable indexed rates.

9. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

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

- *Level 1* — Quoted prices for identical assets or liabilities in active markets.
- *Level 2* — Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or model-derived valuations or other inputs that are observable or that can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3* — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The Company's financial instruments consist of cash and cash equivalents, contracts-in-transit and vehicle receivables, accounts and notes receivable, investments in debt and equity securities, accounts payable, credit facilities, long-term debt, and interest rate derivative instruments. Other than the Company's fixed rate long-term debt, the carrying amount of all significant financial instruments approximates fair value due to either the length of maturity, the existence of variable interest rates that approximate prevailing market rates, or as a result of mark to market accounting.

Cash and Cash Equivalents, Contracts-In-Transit and Vehicle Receivables, Accounts and Notes Receivable, Accounts Payable, and Credit Facilities

The fair values of these financial instruments approximate their carrying values due to the short-term nature of these instruments and/or the existence of variable interest rates.

Fixed Rate Long-Term Debt

The Company's fixed rate long-term debt primarily consists of amounts outstanding under its senior unsecured notes and mortgage facilities. The Company estimates the fair value of its senior unsecured notes using quoted prices for the identical liability (Level 1), and estimates the fair value of its mortgage facilities using a present value technique based on current market interest rates for similar type of financial instruments (Level 2).

The carrying value and fair value of the Company's fixed rate long-term debt were as follows at the dates indicated (in thousands):

| | June 30, 2019 | | December 31, 2018 | |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| 5.00% Senior Notes | \$ 544,591 | \$ 556,930 | \$ 543,730 | \$ 521,626 |
| 5.25% Senior Notes | 297,035 | 307,518 | 296,735 | 286,500 |
| Real estate related | 71,933 | 72,477 | 79,537 | 76,156 |
| Total | <u>\$ 913,559</u> | <u>\$ 936,925</u> | <u>\$ 920,002</u> | <u>\$ 884,282</u> |

Investments

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The Company maintains an investment balance with certain of the financial institutions in Brazil that provide credit facilities for the financing of new, used, and rental vehicle inventories. The investment balances bear interest at a variable rate and are redeemable by the Company in the future under certain conditions. The Company has classified these investment balances as restricted cash within *Prepaid expenses and other current assets* and *Other assets* in its Unaudited Condensed Consolidated Balance Sheets. The Company determined that the valuation measurement inputs of these instruments include inputs other than quoted market prices that are observable or that can be corroborated by observable data by correlation (Level 2). See Note 6, “Cash Flow Information” for further details regarding the Company’s investment balances.

Derivative financial instruments

All of the Company’s interest rate derivative instruments are designated as cash flow hedges. The related gains or losses on these interest rate derivative instruments are deferred in stockholders’ equity as a component of accumulated other comprehensive income (loss). These deferred gains or losses are recognized in income in the period in which the related items being hedged are recognized in expense. Monthly contractual settlements of these swap positions are recognized as *Floorplan interest expense* or *Other interest expense, net*, in the Company’s accompanying Unaudited Condensed Consolidated Statements of Operations. The Company had no gains or losses related to ineffectiveness recognized in the Unaudited Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2019 or 2018, respectively.

The Company held 26 interest rate derivative instruments in effect as of June 30, 2019 of \$901.6 million in notional value that fixed its underlying one-month LIBOR at a weighted average rate of 2.3%. For the three months ended June 30, 2019 and 2018, the Company’s interest rate hedges in effect decreased interest expense by \$0.4 million and increased interest expense by \$1.4 million, respectively. For the six months ended June 30, 2019 and 2018, the Company’s interest rate hedges in effect decreased interest expense by \$0.9 million and increased interest expense by \$3.4 million, respectively.

In addition to the \$901.6 million of swaps in effect as of June 30, 2019, the Company held five additional interest rate derivative instruments with forward start dates between December 2020 and December 2021 and expiration dates between January 2024 and December 2030. The aggregate notional value of these five forward-starting swaps was \$325.0 million, and the weighted average interest rate was 1.9%. The combination of the interest rate derivative instruments currently in effect and these forward-starting derivative instruments is structured such that the notional value in effect at any given time through December 2030 does not exceed \$901.6 million, which is less than the Company’s expectation for variable-rate debt outstanding during such period.

Assets and liabilities associated with interest rate derivative instruments, within Level 2 of the hierarchy framework, as reflected in the accompanying balance sheets were as follows (in thousands):

| | June 30, 2019 | December 31, 2018 |
|--|-----------------|-------------------|
| Assets from interest rate risk management activities | | |
| Prepaid expenses and other current assets | \$ — | \$ 444 |
| Other assets | 1,006 | 13,132 |
| Total | <u>\$ 1,006</u> | <u>\$ 13,576</u> |
| Liabilities from interest rate risk management activities | | |
| Accrued expenses and other current liabilities | \$ 748 | \$ 115 |
| Other liabilities | 7,294 | 1,696 |
| Total | <u>\$ 8,042</u> | <u>\$ 1,811</u> |

Included in Accumulated other comprehensive income (loss) at June 30, 2019 and 2018, were accumulated unrealized gains, net of income taxes, totaling \$5.4 million and \$12.5 million, respectively, related to these interest rate derivative instruments.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following tables present the impact of the Company's interest rate derivative instruments (in thousands):

| Derivatives in Cash Flow Hedging Relationship | Amount of Unrealized Income (Loss), Net of Tax, Recognized in Other Comprehensive Income (Loss) | |
|--|--|-------------|
| | Six Months Ended June 30, | |
| | 2019 | 2018 |
| Interest rate derivative instruments | \$ (13,691) | \$ 11,305 |

| Location of Income (Loss) Reclassified from Other Comprehensive Income (Loss) into Statements of Operations | Amount of Income (Loss) Reclassified from Other Comprehensive Income (Loss) into Statements of Operations | |
|--|--|-------------|
| | Six Months Ended June 30, | |
| | 2019 | 2018 |
| Floorplan interest expense, net | \$ 618 | \$ (2,999) |
| Other interest expense, net | \$ 239 | \$ (390) |

The net amount of loss expected to be reclassified out of other comprehensive income (loss) into earnings as an offset to floorplan interest expense or other interest expense, net in the next twelve months is \$0.7 million.

10. COMMITMENTS AND CONTINGENCIES

From time to time, the Company's dealerships are named in various types of litigation involving customer claims, employment matters, class action claims, purported class action claims, as well as claims involving the manufacturers of automobiles, contractual disputes, and other matters arising in the ordinary course of business. The Company may be involved in legal proceedings or suffer losses that could have a material adverse effect on the Company's business. In the normal course of business, the Company is required to respond to customer, employee, and other third-party complaints. In addition, the manufacturers of the vehicles that the Company sells and services have audit rights allowing them to review the validity of amounts claimed for incentive, rebate, or warranty-related items and charge the Company back for amounts determined to be invalid payments under the manufacturers' programs, subject to the Company's right to appeal any such decision.

Legal Proceedings

As of June 30, 2019, the Company was not party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's results of operations, financial condition, or cash flows, including class action lawsuits. However, the results of current, or future, matters cannot be predicted with certainty, and an unfavorable resolution of one or more of such matters could have a material adverse effect on the Company's results of operations, financial condition, or cash flows.

Other Matters

The Company sold a number of dealerships to third parties, and as a condition to certain of those dispositions, remains liable for the remaining lease payments of such dealerships in the event of non-payment by the purchaser. Although the Company has no reason to believe that it will be called upon to perform under any such assigned leases, the Company estimates that lessee remaining rental obligations were \$41.5 million as of June 30, 2019.

11. LEASES

The Company leases real estate, office equipment, and dealership operating assets under long-term lease agreements, and subleases certain real estate to third parties. The Company uses its incremental borrowing rate based on information available as of the measurement date. For leases effective on or after January 1, 2019, the Company determines if an arrangement is a lease at inception and recognizes ROU assets and lease liabilities at commencement date based on the present value of lease payments over the lease term. For such leases, the aggregate present value of the Company's lease payments may include options to purchase the leased property or lease terms with options to renew or terminate the lease, when it is reasonably certain that the Company will exercise such an option. The exercise of lease renewals, terminations, or purchase options is generally at the Company's discretion. The Company's leases may also include rental payments adjusted periodically for inflation. Payments based on a change in an index or rates are not considered in the determination of lease payments for purposes of measuring the related lease liability. Subsequent to the recognition of its ROU assets and lease liabilities, the Company recognizes lease expense related to its operating lease payments on a straight-line basis over the lease term. None of the Company's lease agreements contains material residual value guarantees or material restrictive covenants.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Additional information of the Company's operating and finance leases are as follows (in thousands, except for lease term and discount rate information):

| Leases | Balance Sheet Classification | June 30, 2019 | |
|--------------------|---|---------------|---------|
| Assets | | | |
| Operating | Operating lease assets | \$ | 202,719 |
| Finance | Property and equipment, net | | 48,461 |
| Total | | \$ | 251,180 |
| Liabilities | | | |
| Current | | | |
| Operating | Current operating lease liabilities | \$ | 23,504 |
| Finance | Current maturities of long-term debt | | 6,225 |
| Noncurrent | | | |
| Operating | Operating lease liabilities, net of current portion | | 193,421 |
| Finance | Long-term debt, net of current maturities | | 48,138 |
| Total | | \$ | 271,288 |

| Lease Expense | Income Statement Classification | Three Months Ended June 30, 2019 | Six Months Ended June 30, 2019 |
|-------------------------------|--|-------------------------------------|-----------------------------------|
| Operating | Selling, general and administrative expenses | \$ 10,249 | \$ 21,094 |
| Variable | Selling, general and administrative expenses | 449 | 1,045 |
| Sublease income | Selling, general and administrative expenses | (321) | (641) |
| Finance | | | |
| Amortization of lease assets | Depreciation and amortization expense | 1,263 | 2,386 |
| Interest on lease liabilities | Other interest expense, net | 1,050 | 2,022 |
| Net lease expense | | \$ 12,690 | \$ 25,906 |

| | June 30, 2019 | |
|---|------------------|----------------|
| | Operating Leases | Finance Leases |
| Maturities of Lease Liabilities | | |
| 2019 (excluding the six months ended June 30, 2019) | \$ 16,297 | \$ 6,290 |
| 2020 | 37,710 | 7,630 |
| 2021 | 35,772 | 7,659 |
| 2022 | 31,370 | 7,553 |
| 2023 | 28,386 | 6,391 |
| Thereafter | 161,190 | 48,337 |
| Total lease payments | 310,725 | 83,860 |
| Less: Interest | (93,800) | (29,497) |
| Present value of lease liabilities | \$ 216,925 | \$ 54,363 |

| Weighted-Average Lease Term and Discount Rate | June 30, 2019 |
|---|---------------|
| Weighted-average remaining lease terms | |
| Operating | 11.3 years |
| Financing | 12.4 years |
| Weighted-average discount rates | |
| Operating | 6.0% |
| Financing | 8.8% |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

| Other Information | Six Months Ended June 30, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | |
| Operating cash flows from operating leases | \$ 21,166 |
| Operating cash flows from finance leases | \$ 2,022 |
| Financing cash flows from finance leases | \$ 1,996 |
| Right-of-use assets obtained in exchange for lease obligations | |
| Operating leases, initial recognition | \$ 5,280 |
| Operating leases, modifications and remeasurements | \$ (10,673) |
| Finance leases, initial recognition | \$ 436 |
| Finance leases, modifications and remeasurements | \$ 8,257 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in the balances of each component of accumulated other comprehensive income (loss) for the six months ended June 30, 2019 and 2018 were as follows (in thousands):

| | Six Months Ended June 30, 2019 | | |
|---|---|--|--------------|
| | Accumulated income (loss) on foreign currency translation | Accumulated income (loss) on interest rate swaps | Total |
| Balance, December 31, 2018 | \$ (146,708) | \$ 8,936 | \$ (137,772) |
| Other comprehensive income (loss) before reclassifications | | | |
| Pre-tax | (413) | (17,944) | (18,357) |
| Tax effect | — | 4,253 | 4,253 |
| Amounts reclassified from accumulated other comprehensive income (loss) | | | |
| Floorplan interest expense (pre-tax) | — | (618) | (618) |
| Other interest expense, net (pre-tax) | — | (239) | (239) |
| Tax effect | — | 203 | 203 |
| Net current period other comprehensive income (loss) | (413) | (14,345) | (14,758) |
| Balance, June 30, 2019 | \$ (147,121) | \$ (5,409) | \$ (152,530) |

| | Six Months Ended June 30, 2018 | | |
|--|---|--|--------------|
| | Accumulated income (loss) on foreign currency translation | Accumulated income (loss) on interest rate swaps | Total |
| Balance, December 31, 2017 | \$ (122,552) | \$ (674) | \$ (123,226) |
| Other comprehensive income (loss) before reclassifications | | | |
| Pre-tax | (16,315) | 14,875 | (1,440) |
| Tax effect | — | (3,570) | (3,570) |
| Amounts reclassified from accumulated other comprehensive income (loss) to | | | |
| Floorplan interest expense (pre-tax) | — | 2,999 | 2,999 |
| Other interest expense (pre-tax) | — | 390 | 390 |
| Realized gain on swap termination (pre-tax) | — | (918) | (918) |
| Tax effect | — | (593) | (593) |
| Net current period other comprehensive income (loss) | (16,315) | 13,183 | (3,132) |
| Balance, June 30, 2018 | \$ (138,867) | \$ 12,509 | \$ (126,358) |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

13. SEGMENT INFORMATION

As of June 30, 2019, the Company had three reportable segments: the U.S., the U.K., and Brazil. The reportable segments are the business activities of the Company for which discrete financial information is available and for which operating results are regularly reviewed by its chief operating decision maker (“CODM”) to allocate resources and assess performance. The Company’s CODM is its Chief Executive Officer. Each of the reportable segments is comprised of retail automotive franchises, which sell new and used cars and light trucks, arrange related vehicle financing, sell service and insurance contracts, provide automotive maintenance and repair services, and sell vehicle parts. The vast majority of the Company’s corporate activities are associated with the operations of the U.S. reportable segment and, therefore, the corporate financial results are included within the U.S. reportable segment.

Reportable segment revenues and income (loss) before income taxes were as follows for the three and six months ended June 30, 2019 and 2018 (in thousands):

| | Three Months Ended June 30, 2019 | | | | Six Months Ended June 30, 2019 | | | |
|-----------------------------------|----------------------------------|------------|------------|--------------|--------------------------------|--------------|------------|--------------|
| | U.S. | U.K. | Brazil | Total | U.S. | U.K. | Brazil | Total |
| Total revenues | \$ 2,278,680 | \$ 614,434 | \$ 112,575 | \$ 3,005,689 | \$ 4,341,462 | \$ 1,256,592 | \$ 216,011 | \$ 5,814,065 |
| Income (loss) before income taxes | \$ 63,843 | \$ (1,540) | \$ 930 | \$ 63,233 | \$ 110,210 | \$ 4,704 | \$ 495 | \$ 115,409 |

| | Three Months Ended June 30, 2018 | | | | Six Months Ended June 30, 2018 | | | |
|-----------------------------------|----------------------------------|------------|------------|--------------|--------------------------------|--------------|------------|--------------|
| | U.S. | U.K. | Brazil | Total | U.S. | U.K. | Brazil | Total |
| Total revenues | \$ 2,168,001 | \$ 666,883 | \$ 108,578 | \$ 2,943,462 | \$ 4,256,487 | \$ 1,327,425 | \$ 219,576 | \$ 5,803,488 |
| Income (loss) before income taxes | \$ 68,942 | \$ 6,016 | \$ 230 | \$ 75,188 | \$ 109,452 | \$ 11,753 | \$ 150 | \$ 121,355 |

14. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

The following tables include condensed consolidating financial information as of June 30, 2019 and December 31, 2018, and for the three and six months ended June 30, 2019 and 2018, respectively, for Group 1 Automotive, Inc.’s (as issuer of the 5.00% Notes) guarantor subsidiaries and non-guarantor subsidiaries (representing foreign entities). The condensed consolidating financial information includes certain allocations of balance sheet, statement of operations, and cash flows items that are not necessarily indicative of the financial position, results of operations, or cash flows of these entities had they operated on a stand-alone basis. In accordance with Rule 3-10 of Regulation S-X, condensed consolidated financial statements of non-guarantors are not required. The Company has no assets or operations independent of its subsidiaries. Obligations under the 5.00% Notes are fully and unconditionally and jointly and severally guaranteed on a senior unsecured basis by the Company’s current 100%-owned domestic subsidiaries and certain of the Company’s future domestic subsidiaries, with the exception of the Company’s “minor” subsidiaries (as defined by Rule 3-10 of Regulation S-X). There are no significant restrictions on the ability of the Company or subsidiary guarantors for the Company to obtain funds from its subsidiary guarantors by dividend or loan. None of the subsidiary guarantors’ assets represent restricted assets pursuant to SEC Rule 4-08(e)(3) of Regulation S-X.

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED BALANCE SHEET

As of June 30, 2019

(Unaudited, in thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|-----------------------|---------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ — | \$ 8,933 | \$ 28,807 | \$ — | \$ 37,740 |
| Contracts-in-transit and vehicle receivables, net | — | 189,490 | 63,039 | — | 252,529 |
| Accounts and notes receivable, net | — | 144,432 | 44,057 | — | 188,489 |
| Intercompany accounts receivable | 38,113 | 15,165 | — | (53,278) | — |
| Inventories, net | — | 1,458,762 | 334,909 | — | 1,793,671 |
| Prepaid expenses and other current assets | 207 | 28,110 | 61,388 | — | 89,705 |
| TOTAL CURRENT ASSETS | 38,320 | 1,844,892 | 532,200 | (53,278) | 2,362,134 |
| Property and equipment, net | — | 1,195,512 | 227,474 | — | 1,422,986 |
| Operating lease assets | — | 122,336 | 80,383 | — | 202,719 |
| Goodwill | — | 861,655 | 101,847 | — | 963,502 |
| Intangible franchise rights | — | 224,392 | 35,148 | — | 259,540 |
| Investment in subsidiaries | 3,231,068 | — | — | (3,231,068) | — |
| Other assets | — | 5,948 | 8,932 | — | 14,880 |
| TOTAL ASSETS | \$ 3,269,388 | \$ 4,254,735 | \$ 985,984 | \$ (3,284,346) | \$ 5,225,761 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Floorplan notes payable — credit facility and other, net of offset account | \$ — | \$ 1,098,936 | \$ 30,941 | \$ — | \$ 1,129,877 |
| Floorplan notes payable — manufacturer affiliates, net of offset account | — | 293,731 | 132,755 | — | 426,486 |
| Current maturities of long-term debt | — | 48,754 | 22,794 | — | 71,548 |
| Current operating lease liabilities | — | 17,098 | 6,406 | — | 23,504 |
| Accounts payable | — | 223,755 | 262,153 | — | 485,908 |
| Intercompany accounts payable | 1,224,502 | — | 63,364 | (1,287,866) | — |
| Accrued expenses and other current liabilities | — | 165,118 | 32,899 | — | 198,017 |
| TOTAL CURRENT LIABILITIES | 1,224,502 | 1,847,392 | 551,312 | (1,287,866) | 2,335,340 |
| Long-term debt, net of current maturities | 879,739 | 313,092 | 102,889 | — | 1,295,720 |
| Operating lease liabilities, net of current portion | — | 113,068 | 80,353 | — | 193,421 |
| Deferred income taxes and other liabilities | 1,082 | 229,932 | 6,201 | — | 237,215 |
| STOCKHOLDERS' EQUITY | | | | | |
| Group 1 stockholders' equity | 1,164,065 | 2,985,839 | 245,229 | (3,231,068) | 1,164,065 |
| Intercompany note receivable | — | (1,234,588) | — | 1,234,588 | — |
| TOTAL STOCKHOLDERS' EQUITY | 1,164,065 | 1,751,251 | 245,229 | (1,996,480) | 1,164,065 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 3,269,388 | \$ 4,254,735 | \$ 985,984 | \$ (3,284,346) | \$ 5,225,761 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED BALANCE SHEET

As of December 31, 2018

(In thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|-----------------------|---------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$ — | \$ 4,613 | \$ 11,319 | \$ — | \$ 15,932 |
| Contracts-in-transit and vehicle receivables, net | — | 232,095 | 33,565 | — | 265,660 |
| Accounts and notes receivable, net | — | 153,871 | 40,110 | — | 193,981 |
| Intercompany accounts receivable | 31,842 | 21,636 | — | (53,478) | — |
| Inventories, net | — | 1,468,422 | 375,637 | — | 1,844,059 |
| Prepaid expenses and other current assets | 992 | 32,118 | 49,624 | — | 82,734 |
| TOTAL CURRENT ASSETS | 32,834 | 1,912,755 | 510,255 | (53,478) | 2,402,366 |
| Property and equipment, net | — | 1,124,559 | 223,276 | — | 1,347,835 |
| Goodwill | — | 861,628 | 102,297 | — | 963,925 |
| Intangible franchise rights | — | 224,394 | 35,236 | — | 259,630 |
| Investment in subsidiaries | 3,100,931 | — | — | (3,100,931) | — |
| Other assets | — | 16,165 | 11,154 | — | 27,319 |
| TOTAL ASSETS | \$ 3,133,765 | \$ 4,139,501 | \$ 882,218 | \$ (3,154,409) | \$ 5,001,075 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | |
| CURRENT LIABILITIES | | | | | |
| Floorplan notes payable — credit facility and other, net of offset account | \$ — | \$ 1,217,765 | \$ 41,050 | \$ — | \$ 1,258,815 |
| Floorplan notes payable — manufacturer affiliates, net of offset account | — | 276,762 | 141,062 | — | 417,824 |
| Current maturities of long-term debt | — | 73,834 | 19,133 | — | 92,967 |
| Accounts payable | — | 200,912 | 218,438 | — | 419,350 |
| Intercompany accounts payable | 1,164,949 | — | 53,478 | (1,218,427) | — |
| Accrued expenses and other current liabilities | — | 164,998 | 32,611 | — | 197,609 |
| TOTAL CURRENT LIABILITIES | 1,164,949 | 1,934,271 | 505,772 | (1,218,427) | 2,386,565 |
| Long-term debt, net of current maturities | 872,307 | 294,388 | 114,794 | — | 1,281,489 |
| Deferred income taxes and other liabilities | 815 | 224,718 | 11,794 | — | 237,327 |
| STOCKHOLDERS' EQUITY | | | | | |
| Group 1 stockholders' equity | 1,095,694 | 2,851,073 | 249,858 | (3,100,931) | 1,095,694 |
| Intercompany note receivable | — | (1,164,949) | — | 1,164,949 | — |
| TOTAL STOCKHOLDERS' EQUITY | 1,095,694 | 1,686,124 | 249,858 | (1,935,982) | 1,095,694 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 3,133,765 | \$ 4,139,501 | \$ 882,218 | \$ (3,154,409) | \$ 5,001,075 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Three Months Ended June 30, 2019

(Unaudited, in thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|-------------|---------------|
| Revenues | \$ — | \$ 2,278,681 | \$ 727,008 | \$ — | \$ 3,005,689 |
| Cost of sales | — | 1,901,972 | 649,464 | — | 2,551,436 |
| Gross profit | — | 376,709 | 77,544 | — | 454,253 |
| Selling, general and administrative expenses | 1,158 | 265,584 | 71,973 | — | 338,715 |
| Depreciation and amortization expense | — | 14,178 | 3,686 | — | 17,864 |
| Asset impairments | — | — | 537 | — | 537 |
| Income (loss) from operations | (1,158) | 96,947 | 1,348 | — | 97,137 |
| Other income (expense) | | | | | |
| Floorplan interest expense | — | (14,000) | (1,943) | — | (15,943) |
| Other interest income (expense), net | — | (16,611) | (1,350) | — | (17,961) |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (1,158) | 66,336 | (1,945) | — | 63,233 |
| Benefit (provision) for income taxes | 239 | (15,314) | 1,067 | — | (14,008) |
| Equity in earnings of subsidiaries | 50,144 | — | — | (50,144) | — |
| Net income (loss) | \$ 49,225 | \$ 51,022 | \$ (878) | \$ (50,144) | \$ 49,225 |
| Comprehensive income (loss) | (13,781) | (9,761) | (4,020) | 13,781 | (13,781) |
| Comprehensive income (loss) attributable to parent | \$ 35,444 | \$ 41,261 | \$ (4,898) | \$ (36,363) | \$ 35,444 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Six Months Ended June 30, 2019

(Unaudited, in thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|-------------|---------------|
| Revenues | \$ — | \$ 4,341,463 | \$ 1,472,602 | \$ — | \$ 5,814,065 |
| Cost of sales | — | 3,617,837 | 1,310,472 | — | 4,928,309 |
| Gross profit | — | 723,626 | 162,130 | — | 885,756 |
| Selling, general and administrative expenses | 3,049 | 517,628 | 145,746 | — | 666,423 |
| Depreciation and amortization expense | — | 27,412 | 7,449 | — | 34,861 |
| Asset impairments | — | — | 537 | — | 537 |
| Income (loss) from operations | (3,049) | 178,586 | 8,398 | — | 183,935 |
| Other income (expense) | | | | | |
| Floorplan interest expense | — | (27,989) | (3,657) | — | (31,646) |
| Other interest income (expense), net | — | (33,786) | (3,094) | — | (36,880) |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (3,049) | 116,811 | 1,647 | — | 115,409 |
| Benefit (provision) for income taxes | 729 | (28,216) | (49) | — | (27,536) |
| Equity in earnings of subsidiaries | 90,193 | — | — | (90,193) | — |
| Net income (loss) | \$ 87,873 | \$ 88,595 | \$ 1,598 | \$ (90,193) | \$ 87,873 |
| Comprehensive income (loss) | (14,758) | (14,345) | (413) | 14,758 | (14,758) |
| Comprehensive income (loss) attributable to parent | \$ 73,115 | \$ 74,250 | \$ 1,185 | \$ (75,435) | \$ 73,115 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Three Months Ended June 30, 2018

(Unaudited, in thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|-------------|---------------|
| Revenues | \$ — | \$ 2,168,001 | \$ 775,461 | \$ — | \$ 2,943,462 |
| Cost of sales | — | 1,817,331 | 687,968 | — | 2,505,299 |
| Gross profit | — | 350,670 | 87,493 | — | 438,163 |
| Selling, general and administrative expenses | 635 | 231,923 | 75,534 | — | 308,092 |
| Depreciation and amortization expense | — | 13,040 | 3,598 | — | 16,638 |
| Asset impairments | — | 4,268 | — | — | 4,268 |
| Income (loss) from operations | (635) | 101,439 | 8,361 | — | 109,165 |
| Other income (expense) | | | | | |
| Floorplan interest expense | — | (12,810) | (1,753) | — | (14,563) |
| Other interest income (expense), net | — | (17,331) | (2,083) | — | (19,414) |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (635) | 71,298 | 4,525 | — | 75,188 |
| Benefit (provision) for income taxes | 153 | (17,556) | (1,322) | — | (18,725) |
| Equity in earnings of subsidiaries | 56,945 | — | — | (56,945) | — |
| Net income (loss) | \$ 56,463 | \$ 53,742 | \$ 3,203 | \$ (56,945) | \$ 56,463 |
| Comprehensive income (loss) | — | 3,778 | (24,186) | — | (20,408) |
| Comprehensive income (loss) attributable to parent | \$ 56,463 | \$ 57,520 | \$ (20,983) | \$ (56,945) | \$ 36,055 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

Six Months Ended June 30, 2018

(Unaudited, in thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Elimination | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|-------------|---------------|
| Revenues | \$ — | \$ 4,256,488 | \$ 1,547,000 | \$ — | \$ 5,803,488 |
| Cost of sales | — | 3,570,133 | 1,375,429 | — | 4,945,562 |
| Gross profit | — | 686,355 | 171,571 | — | 857,926 |
| Selling, general and administrative expenses | 2,403 | 481,088 | 148,948 | — | 632,439 |
| Depreciation and amortization expense | — | 25,921 | 7,059 | — | 32,980 |
| Asset impairments | — | 4,268 | — | — | 4,268 |
| Income (loss) from operations | (2,403) | 175,078 | 15,564 | — | 188,239 |
| Other income (expense) | | | | | |
| Floorplan interest expense | — | (25,147) | (3,503) | — | (28,650) |
| Other interest income (expense), net | — | (34,348) | (3,886) | — | (38,234) |
| Income (loss) before income taxes and equity in earnings of subsidiaries | (2,403) | 115,583 | 8,175 | — | 121,355 |
| Benefit (provision) for income taxes | 577 | (27,336) | (2,319) | — | (29,078) |
| Equity in earnings of subsidiaries | 94,103 | — | — | (94,103) | — |
| Net income (loss) | \$ 92,277 | \$ 88,247 | \$ 5,856 | \$ (94,103) | \$ 92,277 |
| Comprehensive income (loss) | — | 13,183 | (16,315) | — | (3,132) |
| Comprehensive income (loss) attributable to parent | \$ 92,277 | \$ 101,430 | \$ (10,459) | \$ (94,103) | \$ 89,145 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2019
(Unaudited, in thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net cash provided by (used in) operating activities | \$ 87,873 | \$ 126,869 | \$ 38,206 | \$ 252,948 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Proceeds from disposition of franchises, property and equipment | — | 30,935 | 7,003 | 37,938 |
| Purchases of property and equipment, including real estate | — | (91,528) | (17,710) | (109,238) |
| Other | (305) | — | — | (305) |
| Net cash provided by (used in) investing activities | (305) | (60,593) | (10,707) | (71,605) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Borrowings on credit facility - floorplan line and other | — | 3,288,391 | 18,139 | 3,306,530 |
| Repayments on credit facility - floorplan line and other | — | (3,396,863) | (28,496) | (3,425,359) |
| Borrowings on credit facility - acquisition line | 124,159 | — | — | 124,159 |
| Repayments on credit facility - acquisition line | (117,934) | — | — | (117,934) |
| Debt issue costs | — | (3,056) | — | (3,056) |
| Borrowings on other debt | — | 18,139 | 58,729 | 76,868 |
| Principal payments on other debt | — | (28,834) | (61,353) | (90,187) |
| Borrowings on debt related to real estate | — | 33,184 | — | 33,184 |
| Principal payments on debt related to real estate, net of debt issue costs | — | (47,938) | (5,349) | (53,287) |
| Employee stock purchase plan purchases, net of employee tax withholdings | 1,005 | — | — | 1,005 |
| Dividends paid | (9,691) | — | — | (9,691) |
| Borrowings (repayments) with subsidiaries | 65,852 | (75,773) | 9,921 | — |
| Investment in subsidiaries | (150,959) | 150,794 | 165 | — |
| Net cash provided by (used in) financing activities | (87,568) | (61,956) | (8,244) | (157,768) |
| Effect of exchange rate changes on cash | — | — | (755) | (755) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | — | 4,320 | 18,500 | 22,820 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period | — | 4,613 | 14,107 | 18,720 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period | \$ — | \$ 8,933 | \$ 32,607 | \$ 41,540 |

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six Months Ended June 30, 2018
(Unaudited, in thousands)

| | Group 1 Automotive, Inc. | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Total Company |
|--|-----------------------------|---------------------------|-------------------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Net cash provided by (used in) operating activities | \$ 92,277 | \$ 155,215 | \$ 15,614 | \$ 263,106 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Cash paid in acquisitions, net of cash received | — | (31,144) | (43,721) | (74,865) |
| Proceeds from disposition of franchises, property and equipment | — | 73,785 | 2,138 | 75,923 |
| Purchases of property and equipment, including real estate | — | (56,116) | (32,114) | (88,230) |
| Other | (400) | (255) | — | (655) |
| Net cash provided by (used in) investing activities | (400) | (13,730) | (73,697) | (87,827) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Borrowings on credit facility - floorplan line and other | — | 3,261,353 | 62,445 | 3,323,798 |
| Repayments on credit facility - floorplan line and other | — | (3,412,939) | (48,555) | (3,461,494) |
| Borrowings on credit facility - acquisition line | 98,596 | — | — | 98,596 |
| Repayments on credit facility - acquisition line | (84,884) | — | — | (84,884) |
| Borrowings on other debt | — | 60,081 | 51,061 | 111,142 |
| Principal payments on other debt | (24,741) | (24,209) | (26,834) | (75,784) |
| Borrowings on debt related to real estate | — | 42,656 | 12,055 | 54,711 |
| Principal payments on debt related to real estate, net of debt issue costs | — | (54,144) | (9,224) | (63,368) |
| Employee stock purchase plan purchases, net of employee tax withholdings | 11 | — | — | 11 |
| Repurchases of common stock, amounts based on settlement date | (51,276) | — | — | (51,276) |
| Proceeds from termination of mortgage swap | — | 918 | — | 918 |
| Dividends paid | (10,836) | — | — | (10,836) |
| Borrowings (repayments) with subsidiaries | (35,703) | 18,141 | 17,562 | — |
| Investment in subsidiaries | 16,956 | (34,762) | 17,806 | — |
| Net cash provided by (used in) financing activities | (91,877) | (142,905) | 76,316 | (158,466) |
| Effect of exchange rate changes on cash | — | — | (2,812) | (2,812) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | — | (1,420) | 15,421 | 14,001 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, beginning of period | — | 10,096 | 19,535 | 29,631 |
| CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, end of period | \$ — | \$ 8,676 | \$ 34,956 | \$ 43,632 |

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this “Form 10-Q”) includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Forward-looking statements may appear throughout this report including, but not limited to, the following sections: “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures About Market Risk.” This information includes statements regarding our strategy, plans, goals or current expectations with respect to, among other things:

- our future operating performance;
- our ability to maintain or improve our margins;
- operating cash flows and availability of capital;
- the completion of future acquisitions and divestitures;
- the future revenues of acquired dealerships;
- future stock repurchases, refinancing of debt, and dividends;
- future capital expenditures;
- changes in sales volumes and availability of credit for customer financing in new and used vehicles and sales volumes in the parts and service markets;
- business trends in the retail automotive industry, including the level of manufacturer incentives, new and used vehicle retail sales volume, customer demand, interest rates and changes in industry-wide inventory levels;
- availability of financing for inventory, working capital, real estate and capital expenditures; and
- changes in regulatory practices, tariffs and taxes, including Brexit.

Although we believe that the expectations reflected in these forward-looking statements are reasonable when and as made, we cannot assure you that these expectations will prove to be correct. When used in this Form 10-Q, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may” and similar expressions, as they relate to our company and management, are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our expectations and beliefs as of the date of this Form 10-Q concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause actual results to differ from those in the forward-looking statements for a number of reasons, include:

- future deterioration in the economic environment, including consumer confidence, interest rates, the prices of oil and gasoline, the level of manufacturer incentives, the implementation of international and domestic trade tariffs, and the availability of consumer credit may affect the demand for new and used vehicles, replacement parts, maintenance and repair services, and finance and insurance products;
- adverse domestic and international developments such as war, terrorism, political conflicts, or other hostilities may adversely affect the demand for our products and services;
- the existing and future regulatory environment, including legislation related to the Dodd-Frank Wall Street Reform and Consumer Protection Act, climate control changes legislation, changes to U.S. federal, U.S. state, U.K. or Brazil tax regulations and unexpected litigation or adverse legislation, including changes in U.S. state franchise laws, may impose additional costs on us or otherwise adversely affect us;
- a concentration of risk associated with our principal automobile manufacturers, especially Toyota, Nissan, Honda, BMW, Ford, Daimler, General Motors, Chrysler, and Volkswagen, because of financial distress, bankruptcy, natural disasters that disrupt production, or other reasons, may not continue to produce or make available to us vehicles that are in high demand by our customers or provide financing, insurance, advertising, or other assistance to us;
- restructuring by one or more of our principal manufacturers, up to and including bankruptcy, may cause us to suffer financial loss in the form of uncollectible receivables, devalued inventory, or loss of franchises;

- requirements imposed on us by our manufacturers may require dispositions, limit our acquisitions, or require increases in the level of capital expenditures related to our dealership facilities;
- our existing and/or new dealership operations may not perform at expected levels or achieve expected improvements;
- our failure to achieve expected future cost savings or future costs may be higher than we expect;
- manufacturer quality issues, including the recall of vehicles, may negatively impact vehicle sales and brand reputation;
- available capital resources, increases in cost of financing (such as higher interest rates), and our various debt agreements may limit our ability to complete acquisitions, complete construction of new or expanded facilities, repurchase shares, or pay dividends;
- our ability to refinance or obtain financing in the future may be limited and the cost of financing could increase significantly;
- foreign exchange controls and currency fluctuations;
- new accounting standards could materially impact our reported earnings per share;
- our ability to acquire new dealerships and successfully integrate those dealerships into our business;
- the impairment of our goodwill, our indefinite-lived intangibles, and our other long-lived assets;
- natural disasters, adverse weather events, and other catastrophic events;
- a cybersecurity event of our systems or a third party partners' systems, including a breach of personally identifiable information about our customers or employees or a shut down of our operating systems;
- our foreign operations and sales in the U.K. and Brazil, which pose additional risks;
- the inability to adjust our cost structure and inventory levels to offset any reduction in the demand for our products and services;
- loss of our key personnel;
- competition in our industry may impact our operations or our ability to complete additional acquisitions;
- insurance costs could increase significantly and all of our losses may not be covered by insurance;
- our inability to obtain inventory of new and used vehicles and parts, including imported inventory, at the cost, or in the volume, we expect; and
- advancements in vehicle technology and changes in vehicle ownership models/consumer preferences.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018 (the "2018 Form 10-K"), as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk."

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no responsibility, and expressly disclaim any duty, to update any such statements, whether as a result of new information, new developments, or otherwise, or to publicly release the result of any revision of our forward-looking statements after the date they are made, except to the extent required by law.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Actual results of Group 1 Automotive, Inc. may differ materially from those discussed in the forward-looking statements because of various factors. See "Cautionary Statement about Forward-Looking Statements." Unless the context requires otherwise, references to "we," "us," "our," "the Company" are intended to mean the business and operations of Group 1 Automotive, Inc. and its subsidiaries.

Overview

We are a leading operator in the automotive retail industry. Through our dealerships, we sell new and used cars and light trucks, arrange related vehicle financing, sell service and insurance contracts, provide automotive maintenance and repair services, and sell vehicle parts. Our operations are in three geographic regions: the United States ("U.S."), the United Kingdom ("U.K.") and Brazil. Our President of U.S. Operations reports directly to our Chief Executive Officer and is responsible for the overall performance of the U.S. region, including dealership operations management. The operations of the Company's international regions are structured similar to the U.S. region. As such, our three reportable segments are the U.S., which includes the activities of our corporate office, the U.K., and Brazil.

As of June 30, 2019, we owned and operated 230 franchises, representing 31 brands of automobiles, at 178 dealership locations and 47 collision centers worldwide. We own 148 franchises at 116 dealerships and 29 collision centers in the U.S., 60 franchises at 45 dealerships and 11 collision centers in the U.K., and 22 franchises at 17 dealerships and seven collision centers in Brazil. Our operations are primarily located in major metropolitan areas in Alabama, California, Florida, Georgia, Kansas, Louisiana, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New Mexico, Oklahoma, South Carolina, and Texas in the U.S., in 32 towns of the U.K. and in key metropolitan markets in the states of São Paulo, Paraná, and Santa Catarina in Brazil.

Outlook

Our operating results reflect the combined performance of each of our interrelated business activities, which include the sale of new vehicles, used vehicles, finance and insurance contracts, and parts, as well as maintenance, repair, and collision restoration services. Historically, each of these activities has been directly or indirectly impacted by a variety of supply and demand factors, including vehicle inventories, consumer confidence, discretionary spending levels, availability and affordability of consumer credit, manufacturer incentives, weather patterns, fuel prices, and interest rates. For example, during periods of sustained economic downturn or significant supply and demand imbalances, new vehicle sales may be negatively impacted, as consumers tend to shift their purchases to used vehicles. Some consumers may even delay their purchasing decisions altogether, electing instead to continue to maintain and repair their existing vehicles. In such cases, however, we believe the new vehicle sales impact on our overall business is mitigated by our ability to offer other products and services, such as used vehicles and parts, as well as maintenance, repair, and collision restoration services. In addition, our ability to expediently adjust our cost structure in response to changes in vehicle sales volumes also tempers the negative impact of any such volume changes. Further, governmental actions, such as the imposition of tariffs or trade restrictions on imported goods, may adversely affect vehicle sales and depress demand.

The Company's operating results are generally subject to seasonal variations, as well as changes in the economic environment. In the U.S., we generally experience higher volumes of vehicle sales and service in the second and third calendar quarters of each year. In addition, in some regions of the U.S., vehicle purchases decline during the winter months due to inclement weather. As a result, our U.S. revenues and operating income are typically lower in the first and fourth quarters and higher in the second and third quarters. In the U.K., the first and third quarters tend to be stronger, driven by the vehicle license plate change months of March and September. In Brazil, the first quarter is generally the weakest, driven by more consumer vacations and activities associated with Carnival, while the third and fourth quarters tend to be stronger. Other factors unrelated to seasonality, such as changes in economic conditions, manufacturer incentive programs, supply issues, seasonal weather events and/or changes in currency exchange rates may exaggerate seasonal or cause counter-seasonal fluctuations in the Company's revenues and operating income.

U.S.

During the six months ended June 30, 2019, industry new vehicle sales volume in the U.S. declined 2.3% as compared to the same period a year ago. In response, we continued to focus on opportunities to counter the decline in industry new vehicle sales volumes and enhance our operating results by: (a) maintaining and growing our new and used vehicle gross profit per unit sold; (b) expanding used vehicle sales by maximizing used retail sales opportunities and limiting wholesale activity; (c) continuing to focus on our higher margin parts and service (or aftersales) business by implementing strategic selling methods and improving operational efficiencies; (d) investing capital where necessary to support our anticipated growth, particularly in our parts and service business; (e) further leveraging our revenue and gross profit growth through the continued implementation of cost efficiencies; and (f) implementing focused strategies to improve employee retention and recruitment in both our vehicle sales and aftersales sectors of the business.

U.K.

In terms of gross domestic product (“GDP”), the U.K. economy represents the fifth largest economy in the world. The ongoing uncertainty related to the ultimate resolution of the Referendum of the United Kingdom’s Membership of the European Union (“E.U.”) advising for the exit of the U.K. from the E.U. (referred to as “Brexit”), continues to generate much uncertainty in the U.K., as well as in global markets. The U. K.’s negotiations with the E.U. of the withdrawal terms have been extended to October 31, 2019. If no formal withdrawal agreement can be reached between the U.K. and the E.U., then it is expected that the U.K.’s membership in the E.U. would automatically terminate on the deadline. Such negotiations have proven to be extremely difficult to date. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets, including continued volatility in the value of the British pound sterling. More specifically, it could lead to increased retail prices for new vehicles as the majority of vehicles we sell in the U.K. are imported from other countries in Europe and may be subject to additional tariffs, breakdowns in the supply chain of automotive retailers and manufacturers due to custom checks, which could delay delivery of vehicles or parts and other negative effects, which are difficult to predict. As a result of the uncertainty of the potential impact of Brexit, the overall U.K. economy and, more specifically, retail automotive industry sales continue to experience disruption. The U.K. industry’s new vehicle sales have been more volatile than normal. Also, as of September 1, 2018, all light vehicles sold in the E.U. are subjected to mandatory emissions standards testing known as the Worldwide Harmonised Light Vehicle Test Procedure (“WLTP”). Delays by various original equipment manufacturer (“OEM”) partners in passing this test have led to near-term constraints in new vehicle supply. As a result of these disruptions, industry new vehicle registrations in the U.K. decreased 3.4% in the six months ended June 30, 2019, as compared to the same period a year ago. While we have experienced relative improvements in new vehicle supply most recently, we expect industry sales to remain volatile in the near future. In addition, the uncertainty surrounding Brexit continues to cause significant exchange rate fluctuations that resulted in the weakening of the British pound sterling, in which we conduct business in the U.K., against the U.S. dollar and other global currencies. Volatility in exchange rates may continue in the short term. Any further weakening of the British pound sterling in the future would adversely affect our results of operations as reported under U.S. generally accepted accounting principles (“U.S. GAAP”), as well as have a negative impact on the pricing and affordability of the vehicles in the U.K. Similar to our priorities in the U.S., we are focused on opportunities in the U.K. to enhance our operating results by: (i) integrating recent acquisitions and further leveraging our revenue and gross profit growth through the continued implementation of cost efficiencies; (ii) expanding used vehicle sales by maximizing used retail sales opportunities and limiting wholesale activity; (iii) continuing to focus on our higher margin parts and service business, implementing strategic selling methods, and improving operational efficiencies; and (iv) investing capital where necessary to support our anticipated growth, particularly in our parts and service business.

Brazil

In terms of GDP, the Brazilian economy represents the ninth largest economy in the world. Industry new vehicle registrations in Brazil increased 10.7% for the six months ended June 30, 2019 as compared to the same period a year ago. We expect macro-economic conditions in Brazil, as well as retail automotive industry sales, to continue to improve. We remain focused on optimizing our brand portfolio, continuing implementation of cost efficiencies and leveraging our structure with dealership acquisitions. Longer term, we expect sustained improvements in industry sales volumes and are utilizing a strategy of aligning with growing brands. We expect that the net impact to our profitability of this adjustment to our portfolio, as well as a more efficient organizational structure, will be positive.

We expect that our consolidated operations will continue to consistently generate positive cash flow in the future. We are focused on maximizing the return that we generate from our invested capital, as well as positioning our balance sheet to take advantage of investment opportunities as they arise. Our capital allocation strategy is dynamic and dependent on a variety of market conditions and, as such, we will continue to monitor the relative value of dealership acquisitions, dealership dispositions, share repurchases, and shareholder dividends in the future. Our objective will be to allocate capital to those areas that best enhance shareholder value.

We continue to closely scrutinize all planned future capital spending and work closely with our manufacturer partners to make prudent capital investment decisions that are expected to generate an adequate return and/or improve the customer experience. We anticipate that our capital spending for the year of 2019 will be less than \$110.0 million. This amount excludes real estate purchases associated with franchise acquisitions and lease buy-outs.

Key Performance Indicators

On a consolidated basis for the three months ended June 30, 2019, our total revenues increased 2.1%, as compared to the same period in 2018, to \$3.0 billion, and gross profit improved 3.7% to \$454.3 million. We generated net income of \$49.2 million, or \$2.64 per diluted common share for the three months ended June 30, 2019, compared to \$56.5 million, or \$2.72 per diluted common share for the three months ended June 30, 2018. For the six months ended June 30, 2019, our total revenues increased 0.2%, as compared to the same period in 2018, to \$5.8 billion, and gross profit improved 3.2% to \$885.8 million. We generated net income of \$87.9 million, or \$4.73 per diluted common share for the six months ended June 30, 2019, compared to \$92.3 million, or \$4.42 per diluted common share for the six months ended June 30, 2018.

Consolidated Statistical Data

The following table highlights certain of the additional key performance indicators we use to manage our business.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|-----------------------------|---------------|---------------------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Unit Sales | | | | |
| Retail Sales | | | | |
| New Vehicle | 42,093 | 43,471 | 80,967 | 84,661 |
| Used Vehicle | 39,745 | 38,008 | 78,581 | 74,224 |
| Total Retail Sales | 81,838 | 81,479 | 159,548 | 158,885 |
| Used Wholesale Sales | 13,084 | 13,569 | 26,073 | 28,896 |
| Total Vehicle Sales | 94,922 | 95,048 | 185,621 | 187,781 |
| Gross Margin | | | | |
| New Vehicle Retail Sales | 4.5% | 4.9% | 4.7% | 5.0% |
| Total Used Vehicle Sales | 5.7% | 5.6% | 5.5% | 5.4% |
| Parts and Service Sales | 54.0% | 54.5% | 53.9% | 54.0% |
| Total Gross Margin | 15.1% | 14.9% | 15.2% | 14.8% |
| SG&A ⁽¹⁾ as a % of Gross Profit | 74.6% | 70.3% | 75.2% | 73.7% |
| Adjusted SG&A ⁽¹⁾ as a % of Gross Profit ⁽²⁾ | 73.8% | 73.0% | 74.9% | 75.1% |
| Operating Margin | 3.2% | 3.7% | 3.2% | 3.2% |
| Adjusted Operating Margin ⁽²⁾ | 3.4% | 3.5% | 3.2% | 3.1% |
| Pretax Margin | 2.1% | 2.6% | 2.0% | 2.1% |
| Adjusted Pretax Margin ⁽²⁾ | 2.2% | 2.3% | 2.0% | 2.0% |
| Finance and Insurance Gross Profit per Retail Unit Sold | \$ 1,555 | \$ 1,412 | \$ 1,508 | \$ 1,431 |

⁽¹⁾ Selling, general and administrative expenses.

⁽²⁾ See “Non-GAAP Financial Measures” for more details.

In addition to key performance indicators presented above, we also reference numerous Same Store metrics as key indicators of results and trends occurring within the business. Those Same Store metrics, results and trends are discussed in more detail in the “Results of Operations” section that follows.

Critical Accounting Policies and Accounting Estimates

The preparation of our Consolidated Financial Statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. We disclosed certain critical accounting policies and estimates in our 2018 Form 10-K, and no significant changes have occurred since that time with the exception of the adoption of ASU 2016-02, *Leases* (“Topic 842”), and all subsequent amendments issued thereafter, that amends the accounting guidance on leases. Refer to Note 1, “Interim Financial Information” in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information regarding the adoption of Topic 842.

Results of Operations

The “Same Store” amounts presented below include the results of dealerships for the identical months in each period presented in comparison, commencing with the first full month in which the dealership was owned by us and, in the case of dispositions, ending with the last full month it was owned by us. The following table summarizes our combined Same Store results for the three and six months ended June 30, 2019, as compared to 2018. Same Store results also include the activities of our corporate headquarters.

Total Same Store Data

(dollars in thousands, except per unit amounts)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|-----------------------|---|---------------------|---------------------------|-----------------------|---|---------------------|
| | 2019 | % Increase/(Decrease) | Constant Currency ⁽¹⁾ % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency ⁽¹⁾ % Increase/(Decrease) | 2018 |
| Revenues | | | | | | | | |
| New Vehicle Retail | \$ 1,533,202 | 1.1% | 2.7% | \$ 1,516,282 | \$ 2,875,260 | (3.3)% | (1.5)% | \$ 2,972,070 |
| Used Vehicle Retail | 821,245 | 2.2% | 3.8% | 803,227 | 1,596,188 | 2.3 % | 4.1 % | 1,559,578 |
| Used Vehicle Wholesale | 93,619 | 3.7% | 7.1% | 90,289 | 180,764 | (5.5)% | (2.0)% | 191,238 |
| Parts and Service | 372,296 | 7.9% | 9.1% | 345,040 | 728,291 | 7.0 % | 8.4 % | 680,412 |
| Finance, Insurance and Other, net | 124,369 | 10.4% | 11.3% | 112,667 | 233,452 | 5.1 % | 6.1 % | 222,112 |
| Total Revenues | \$ 2,944,731 | 2.7% | 4.3% | \$ 2,867,505 | \$ 5,613,955 | (0.2)% | 1.5 % | \$ 5,625,410 |
| Cost of Sales | | | | | | | | |
| New Vehicle Retail | \$ 1,465,080 | 1.6% | 3.3% | \$ 1,441,483 | \$ 2,738,824 | (3.0)% | (1.3)% | \$ 2,824,515 |
| Used Vehicle Retail | 769,027 | 2.1% | 3.7% | 753,237 | 1,498,460 | 2.1 % | 3.9 % | 1,467,226 |
| Used Vehicle Wholesale | 93,614 | 4.3% | 7.8% | 89,718 | 180,052 | (4.7)% | (1.2)% | 188,989 |
| Parts and Service | 172,043 | 10.2% | 11.5% | 156,132 | 337,265 | 8.2 % | 9.7 % | 311,655 |
| Total Cost of Sales | \$ 2,499,764 | 2.4% | 4.1% | \$ 2,440,570 | \$ 4,754,601 | (0.8)% | 1.0 % | \$ 4,792,385 |
| Gross Profit | \$ 444,967 | 4.2% | 5.3% | \$ 426,935 | \$ 859,354 | 3.2 % | 4.4 % | \$ 833,025 |
| SG&A | \$ 331,688 | 5.0% | 6.4% | \$ 315,906 | \$ 647,325 | 3.1 % | 4.6 % | \$ 627,872 |
| Adjusted SG&A ⁽¹⁾ | \$ 327,696 | 5.4% | 6.8% | \$ 310,885 | \$ 640,607 | 2.9 % | 4.4 % | \$ 622,851 |
| Depreciation and Amortization Expense | \$ 17,333 | 7.9% | 9.2% | \$ 16,065 | \$ 33,510 | 5.7 % | 7.2 % | \$ 31,690 |
| Floorplan Interest Expense | \$ 15,589 | 10.8% | 11.7% | \$ 14,068 | \$ 30,687 | 11.1 % | 12.0 % | \$ 27,615 |
| Gross Margin | | | | | | | | |
| New Vehicle Retail | 4.4% | | 4.9% | | 4.7% | | 5.0% | |
| Total Used Vehicle | 5.7% | | 5.7% | | 5.5% | | 5.4% | |
| Parts and Service | 53.8% | | 54.7% | | 53.7% | | 54.2% | |
| Total Gross Margin | 15.1% | | 14.9% | | 15.3% | | 14.8% | |
| SG&A as a % of Gross Profit | 74.5% | | 74.0% | | 75.3% | | 75.4% | |
| Adjusted SG&A as a % of Gross Profit ⁽¹⁾ | 73.6% | | 72.8% | | 74.5% | | 74.8% | |
| Operating Margin | 3.2% | | 3.2% | | 3.2% | | 3.0% | |
| Adjusted Operating Margin ⁽¹⁾ | 3.4% | | 3.5% | | 3.3% | | 3.2% | |
| Finance and Insurance Revenues per Retail Unit Sold, net | \$ 1,559 | 9.5% | 10.4% | \$ 1,424 | \$ 1,525 | 5.7 % | 6.7 % | \$ 1,443 |

⁽¹⁾ See “Non-GAAP Financial Measures” for more details.

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The discussion that follows provides explanations for the variances noted above by region (U.S., U.K., and Brazil). In addition, each table presents by primary income statement line item comparative financial and non-financial data of our Same Store locations, those locations acquired or disposed of (“Transactions”) during the periods, and the consolidated company for the three and six months ended June 30, 2019 and 2018.

New Vehicle Retail Data

(dollars in thousands, except per unit amounts)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|-----------------------|---|--------------|---------------------------|-----------------------|---|--------------|
| | 2019 | % Increase/(Decrease) | Constant Currency ⁽¹⁾ % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency ⁽¹⁾ % Increase/(Decrease) | 2018 |
| Retail Unit Sales | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 29,588 | — % | | 29,595 | 55,157 | (4.2)% | | 57,602 |
| U.K. | 9,109 | (11.5)% | | 10,290 | 18,324 | (8.1)% | | 19,947 |
| Brazil | 2,301 | 7.0 % | | 2,150 | 4,151 | (1.6)% | | 4,217 |
| Total Same Stores | 40,998 | (2.5)% | | 42,035 | 77,632 | (5.1)% | | 81,766 |
| Transactions | 1,095 | | | 1,436 | 3,335 | | | 2,895 |
| Total | 42,093 | (3.2)% | | 43,471 | 80,967 | (4.4)% | | 84,661 |
| Retail Sales Revenues | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 1,165,371 | 4.6 % | N/A | \$ 1,114,450 | \$ 2,170,350 | (0.2)% | N/A | \$ 2,175,744 |
| U.K. | 298,728 | (10.1)% | (4.8)% | 332,439 | 578,891 | (12.0)% | (6.5)% | 657,700 |
| Brazil | 69,103 | (0.4)% | 9.1 % | 69,393 | 126,019 | (9.1)% | 2.6 % | 138,626 |
| Total Same Stores | 1,533,202 | 1.1 % | 2.7 % | 1,516,282 | 2,875,260 | (3.3)% | (1.5)% | 2,972,070 |
| Transactions | 32,173 | | | 39,288 | 104,600 | | | 97,090 |
| Total | \$ 1,565,375 | 0.6 % | 2.2 % | \$ 1,555,570 | \$ 2,979,860 | (2.9)% | (1.1)% | \$ 3,069,160 |
| Gross Profit | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 53,566 | (2.1)% | N/A | \$ 54,730 | \$ 102,973 | (3.0)% | N/A | \$ 106,199 |
| U.K. | 10,465 | (33.7)% | (30.2)% | 15,785 | 25,956 | (22.0)% | (17.6)% | 33,291 |
| Brazil | 4,091 | (4.5)% | 4.5 % | 4,284 | 7,507 | (6.9)% | 4.6 % | 8,065 |
| Total Same Stores | 68,122 | (8.9)% | (7.7)% | 74,799 | 136,436 | (7.5)% | (5.9)% | 147,555 |
| Transactions | 1,582 | | | 1,783 | 4,659 | | | 4,454 |
| Total | \$ 69,704 | (9.0)% | (7.7)% | \$ 76,582 | \$ 141,095 | (7.2)% | (5.5)% | \$ 152,009 |
| Gross Profit per Retail Unit Sold | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 1,810 | (2.1)% | N/A | \$ 1,849 | \$ 1,867 | 1.2 % | N/A | \$ 1,844 |
| U.K. | \$ 1,149 | (25.1)% | (21.1)% | \$ 1,534 | \$ 1,417 | (15.1)% | (10.3)% | \$ 1,669 |
| Brazil | \$ 1,778 | (10.8)% | (2.3)% | \$ 1,993 | \$ 1,808 | (5.4)% | 6.3 % | \$ 1,912 |
| Total Same Stores | \$ 1,662 | (6.6)% | (5.3)% | \$ 1,779 | \$ 1,757 | (2.7)% | (0.9)% | \$ 1,805 |
| Transactions | \$ 1,445 | | | \$ 1,242 | \$ 1,397 | | | \$ 1,539 |
| Total | \$ 1,656 | (6.0)% | (4.7)% | \$ 1,762 | \$ 1,743 | (3.0)% | (1.2)% | \$ 1,796 |
| Gross Margin | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 4.6% | | | 4.9% | 4.7% | | | 4.9% |
| U.K. | 3.5% | | | 4.7% | 4.5% | | | 5.1% |
| Brazil | 5.9% | | | 6.2% | 6.0% | | | 5.8% |
| Total Same Stores | 4.4% | | | 4.9% | 4.7% | | | 5.0% |
| Transactions | 4.9% | | | 4.5% | 4.5% | | | 4.6% |
| Total | 4.5% | | | 4.9% | 4.7% | | | 5.0% |

(1) See “Non-GAAP Financial Measures” for more details.

Same Store New Vehicle Unit Sales

The following table sets forth our Same Store new vehicle retail unit sales volume by manufacturer:

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|------------------------------------|-----------------------------|-----------------------|---------------|---------------------------|-----------------------|---------------|
| | 2019 | % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | 2018 |
| Toyota/Lexus | 10,266 | (1.2)% | 10,392 | 18,943 | (6.6)% | 20,275 |
| Volkswagen/Audi/Porsche/SEAT/SKODA | 5,559 | (10.0)% | 6,178 | 11,362 | (5.3)% | 12,002 |
| BMW/MINI | 5,012 | (2.6)% | 5,148 | 9,852 | (3.6)% | 10,220 |
| Ford/Lincoln | 4,448 | (2.1)% | 4,543 | 8,560 | (5.2)% | 9,032 |
| Honda/Acura | 3,762 | (2.7)% | 3,867 | 7,342 | (5.8)% | 7,798 |
| Chevrolet/GMC/Buick/Cadillac | 2,818 | 12.9% | 2,495 | 5,263 | 7.5% | 4,897 |
| Nissan | 2,635 | 0.4% | 2,625 | 4,949 | (8.2)% | 5,391 |
| Mercedes-Benz/Smart/Sprinter | 2,146 | 0.7% | 2,131 | 3,226 | (3.1)% | 3,330 |
| Hyundai/Kia | 1,565 | 1.4% | 1,543 | 2,880 | (6.2)% | 3,069 |
| Chrysler/Dodge/Jeep/RAM | 1,370 | (14.1)% | 1,594 | 2,552 | (18.9)% | 3,147 |
| Jaguar/Land Rover | 708 | (13.1)% | 815 | 1,681 | 7.9% | 1,558 |
| Other | 709 | 0.7% | 704 | 1,022 | (2.4)% | 1,047 |
| Total | 40,998 | (2.5)% | 42,035 | 77,632 | (5.1)% | 81,766 |

The level of retail sales, as well as our own ability to retain or grow market share during any future period, is difficult to predict. In total, our Same Store new vehicle retail unit sales fell 2.5% for the three months ended June 30, 2019, as compared to the same period in 2018. The decrease was driven by a decline of 11.5% in the U.K., partially offset by a 7.0% increase in Brazil. Our Same Store unit sales changes by brand were generally consistent with industry changes in our geographic markets. Our U.S. Same Store new vehicle retail unit sales were flat with 2018 levels despite the overall decline in industry retail unit sales of 2.1%. The decline in the U.K. was driven by increasingly challenging market conditions due to continued uncertainty around Brexit. The U.K. total new vehicle industry sales decreased 4.6% for the second quarter of 2019 as compared to the same period last year. Additionally, our brands were disproportionately affected, especially in our Audi models where we continued to experience supply constraints stemming from delays by the OEM in passing the new WLTP emissions standards that became effective on September 1, 2018. The improvement of 7.0% in our Brazil Same Store new vehicle retail unit sales for the three months ended June 30, 2019 reflects overall improved industry sales. For the six months ended June 30, 2019, as compared to the same period in 2018, total Same Store new vehicle retail unit sales decreased 5.1%, driven by decreases of 4.2% in the U.S., 8.1% in the U.K., and 1.6% in Brazil, respectively. The decline in the U.S. was in line with the overall decline in U.S. retail industry sales of 4.0%. While industry units in the U.K. declined by 3.4%, our brands have been disproportionately affected by the supply constraints associated with WLTP. The decline in Brazil was driven by strategic focus to prioritize margins over volume.

Our total Same Store new vehicle retail sales revenue increased 1.1% for the three months ended June 30, 2019, as compared to the same period in 2018, reflecting a 4.6% increase in the U.S., partially offset by declines in the U.K., and Brazil of 10.1% and 0.4%, respectively. The increase in U.S. Same Store new vehicle revenue was due to the increase of 4.6% in average new vehicle retail sales price on flat unit sales. The increase in U.S. Same Store average new vehicle retail sales price was primarily due to a mix shift in sales from cars to trucks, largely driven by consumer preference and low gas prices, as well as the continued increase in new vehicle prices in general. For the second quarter of 2019, U.S. Same Store new vehicle retail truck sales represented 66.9% of total Same Store new vehicle retail units sold, as compared to 62.9% for the same period last year. Our U.K. Same Store new vehicle retail revenue decline was explained by an 11.5% decrease in unit sales, partially offset by 1.5% increase in average new vehicle retail sales price. Our Brazil Same Store new vehicle retail sales revenue decreased 0.4% for the three months ended June 30, 2019, as compared to the same period last year, more than explained by an unfavorable change in exchange rates between periods. On a constant currency basis, our Brazil Same Store new vehicle retail revenue rose 9.1% driven by the increase in Same Store new vehicle retail units and a 1.9% increase in the average new vehicle retail sales price. For the six months ended June 30, 2019, total Same Store new vehicle retail sales revenues decreased 3.3%, as compared to the same period in 2018, driven by decreases of 0.2%, 12.0%, and 9.1% in the U.S., U.K., and Brazil, respectively. The decreases in the U.S. and U.K. were driven by a 4.2% and 8.1% decrease in Same Store new vehicle unit sales, respectively, as discussed above. The decline in Same Store new vehicle retail sales revenues in Brazil is explained by an unfavorable change in exchange rates. On a constant currency basis, our Brazil Same Store new vehicle retail sales revenues increased 2.6% for the six months ended June 30, 2019, as compared to last year.

Our total Same Store new vehicle gross profit decreased 8.9% for the three months ended June 30, 2019, as compared to the same period in 2018, reflecting decreases of 2.1%, 33.7% and 4.5% in the U.S., U.K., and Brazil, respectively. In the U.S., the Same Store new vehicle gross profit decline is explained by the 2.1% decrease in gross profit per retail unit (“PRU”). The decline in our U.S. gross profit PRU reflects management initiatives to maintain balance between volume growth and PRU in a competitive market. The decline in our Same Store new vehicle gross profit in the U.K. is explained by the 11.5% decrease in new vehicle retail unit sales, as well as a 25.1% decline in new vehicle gross profit PRU. The decline in Same Store gross profit was driven by reduced margins due to new vehicle market volume pressure and our decision to forgo certain OEM volume bonuses and not self-register units. This decision impacted gross margins during the quarter, but we believe this will improve our future profitability. The decline in Brazil was driven by the change in exchange rates as, on a constant currency basis, Brazil new vehicle gross profit rose 4.5%. The increase was driven by a 7.0% increase in new vehicle retail unit sales for the three months ended June 30, 2019, as compared to the same period last year, partially offset by the 2.3% decline in new vehicle gross profit PRU. The decline in new vehicle gross profit PRU reflects our focus on inventory levels. For the six months ended June 30, 2019, as compared to the same period a year ago, total Same Store new vehicle gross profit declined 7.5%, driven by declines in the U.S., U.K., and Brazil of 3.0%, 22.0% and 6.9%, respectively. Our total Same Store new vehicle gross margin for the three months ended June 30, 2019 as compared to the same period in 2018, decreased 50 basis points from 4.9% to 4.4%. For the six months ended June 30, 2019, our total Same Store new vehicle gross margin, as compared to the same period in 2018, declined 30 basis points from 5.0% to 4.7%.

In the U.S., most manufacturers offer interest assistance to offset floorplan interest charges incurred in connection with inventory purchases. This assistance varies by manufacturer, but generally provides for a defined amount, adjusted periodically for changes in market interest rates, regardless of our actual floorplan interest rate or the length of time for which the inventory is financed. We record these incentives as a reduction of new vehicle cost of sales as the vehicles are sold, impacting the gross profit and gross margin detailed above. The total interest assistance recognized in cost of sales during the three months ended June 30, 2019 and 2018 was \$11.8 million and \$11.4 million, respectively. The amount of interest assistance we recognize in a given period is primarily a function of: (i) the mix of units being sold, as U.S. domestic brands tend to provide more assistance; (ii) the specific terms of the respective manufacturers’ interest assistance programs and market interest rates; (iii) the average wholesale price of inventory sold; and (iv) our rate of inventory turnover. Over the past three years, consolidated manufacturers’ interest assistance as a percentage of our total consolidated floorplan interest expense has ranged from 66.8% in the first quarter of 2019 to 116.6% in the third quarter of 2016. In the U.S., manufacturers’ interest assistance was 83.7% of floorplan interest expense in the second quarter of 2019, as compared to 87.5% in the second quarter of 2018.

We decreased our consolidated new vehicle inventory levels by \$42.4 million, or 3.3% as compared to December 31, 2018, reflecting the focus by management to reduce inventory levels as well as dealership disposition activity. As compared to June 30, 2018, our consolidated inventory levels have increased by \$67.1 million, or 5.7%. This increase was primarily driven by a mix shift in our inventory from cars to trucks to meet consumer demand. Our consolidated days’ supply of new vehicle inventory at June 30, 2019 was at 67 days, representing an increase from 66 days as of December 31, 2018 and 63 days as of June 30, 2018.

Used Vehicle Retail Data

(dollars in thousands, except per unit amounts)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|-----------------------------------|-----------------------------|-----------------------|--|------------|---------------------------|-----------------------|--|--------------|
| | 2019 | % Increase/(Decrease) | ⁽¹⁾ Constant Currency % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | ⁽¹⁾ Constant Currency % Increase/(Decrease) | 2018 |
| Retail Unit Sales | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 29,773 | 7.0 % | | 27,815 | 58,162 | 6.8 % | | 54,450 |
| U.K. | 8,052 | (2.8)% | | 8,285 | 15,343 | (2.0)% | | 15,654 |
| Brazil | 928 | (7.8)% | | 1,007 | 1,919 | (7.7)% | | 2,078 |
| Total Same Stores | 38,753 | 4.4 % | | 37,107 | 75,424 | 4.5 % | | 72,182 |
| Transactions | 992 | | | 901 | 3,157 | | | 2,042 |
| Total | 39,745 | 4.6 % | | 38,008 | 78,581 | 5.9 % | | 74,224 |
| Retail Sales Revenues | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 611,756 | 5.9 % | N/A | \$ 577,855 | \$ 1,189,401 | 5.5 % | N/A | \$ 1,127,097 |
| U.K. | 190,782 | (6.6)% | (1.3)% | 204,358 | 368,637 | (4.8)% | 1.1 % | 387,276 |
| Brazil | 18,707 | (11.0)% | (2.6)% | 21,014 | 38,150 | (15.6)% | (4.8)% | 45,205 |
| Total Same Stores | 821,245 | 2.2 % | 3.8 % | 803,227 | 1,596,188 | 2.3 % | 4.1 % | 1,559,578 |
| Transactions | 17,651 | | | 18,626 | 61,911 | | | 42,845 |
| Total | \$ 838,896 | 2.1 % | 3.7 % | \$ 821,853 | \$ 1,658,099 | 3.5 % | 5.3 % | \$ 1,602,423 |
| Gross Profit | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 42,602 | 12.3 % | N/A | \$ 37,937 | \$ 79,937 | 13.3 % | N/A | \$ 70,528 |
| U.K. | 8,088 | (25.3)% | (20.6)% | 10,823 | 15,161 | (20.8)% | (15.7)% | 19,143 |
| Brazil | 1,528 | 24.2 % | 35.8 % | 1,230 | 2,630 | (1.9)% | 11.2 % | 2,681 |
| Total Same Stores | 52,218 | 4.5 % | 5.8 % | 49,990 | 97,728 | 5.8 % | 7.3 % | 92,352 |
| Transactions | 1,074 | | | 1,224 | 3,373 | | | 2,357 |
| Total | \$ 53,292 | 4.1 % | 5.4 % | \$ 51,214 | \$ 101,101 | 6.7 % | 8.3 % | \$ 94,709 |
| Gross Profit per Unit Sold | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 1,431 | 4.9 % | N/A | \$ 1,364 | \$ 1,374 | 6.1 % | N/A | \$ 1,295 |
| U.K. | \$ 1,004 | (23.1)% | (18.3)% | \$ 1,306 | \$ 988 | (19.2)% | (14.0)% | \$ 1,223 |
| Brazil | \$ 1,647 | 34.9 % | 47.4 % | \$ 1,221 | \$ 1,371 | 6.3 % | 20.4 % | \$ 1,290 |
| Total Same Stores | \$ 1,347 | — % | 1.3 % | \$ 1,347 | \$ 1,296 | 1.3 % | 2.7 % | \$ 1,279 |
| Transactions | \$ 1,083 | | | \$ 1,358 | \$ 1,068 | | | \$ 1,154 |
| Total | \$ 1,341 | (0.4)% | 0.8 % | \$ 1,347 | \$ 1,287 | 0.9 % | 2.3 % | \$ 1,276 |
| Gross Margin | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 7.0% | | | 6.6% | 6.7% | | | 6.3% |
| U.K. | 4.2% | | | 5.3% | 4.1% | | | 4.9% |
| Brazil | 8.2% | | | 5.9% | 6.9% | | | 5.9% |
| Total Same Stores | 6.4% | | | 6.2% | 6.1% | | | 5.9% |
| Transactions | 6.1% | | | 6.6% | 5.4% | | | 5.5% |
| Total | 6.4% | | | 6.2% | 6.1% | | | 5.9% |

⁽¹⁾ See “Non-GAAP Financial Measures” for more details.

Used Vehicle Wholesale Data

(dollars in thousands, except per unit amounts)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|-----------------------------|-----------------------|---|-----------|---------------------------|-----------------------|---|------------|
| | 2019 | % Increase/(Decrease) | Constant Currency (⁽¹⁾) % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency (⁽¹⁾) % Increase/(Decrease) | 2018 |
| Wholesale Unit Sales | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 6,618 | (6.2)% | | 7,058 | 13,539 | (16.6)% | | 16,229 |
| U.K. | 5,604 | (3.7)% | | 5,818 | 10,474 | (6.6)% | | 11,209 |
| Brazil | 426 | 36.1 % | | 313 | 837 | 24.9 % | | 670 |
| Total Same Stores | 12,648 | (4.1)% | | 13,189 | 24,850 | (11.6)% | | 28,108 |
| Transactions | 436 | | | 380 | 1,223 | | | 788 |
| Total | 13,084 | (3.6)% | | 13,569 | 26,073 | (9.8)% | | 28,896 |
| Wholesale Sales Revenues | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 43,391 | 4.9 % | N/A | \$ 41,368 | \$ 85,265 | (9.2)% | N/A | \$ 93,907 |
| U.K. | 45,990 | 0.4 % | 6.3 % | 45,797 | 87,211 | (3.5)% | 2.6 % | 90,365 |
| Brazil | 4,238 | 35.7 % | 47.6 % | 3,124 | 8,288 | 19.0 % | 34.6 % | 6,966 |
| Total Same Stores | 93,619 | 3.7 % | 7.1 % | 90,289 | 180,764 | (5.5)% | (2.0)% | 191,238 |
| Transactions | 2,377 | | | 2,565 | 7,370 | | | 5,645 |
| Total | \$ 95,996 | 3.4 % | 6.7 % | \$ 92,854 | \$ 188,134 | (4.4)% | (0.9)% | \$ 196,883 |
| Gross Profit | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 952 | (41.0)% | N/A | \$ 1,613 | \$ 2,151 | (29.3)% | N/A | \$ 3,041 |
| U.K. | (1,225) | (8.7)% | (14.6)% | (1,127) | (2,013) | (95.6)% | (105.0)% | (1,029) |
| Brazil | 278 | 227.1 % | 274.0 % | 85 | 574 | 142.2 % | 182.1 % | 237 |
| Total Same Stores | 5 | (99.1)% | (103.3)% | 571 | 712 | (68.3)% | (68.5)% | 2,249 |
| Transactions | (98) | | | (330) | (354) | | | (353) |
| Total | \$ (93) | (138.6)% | (145.0)% | \$ 241 | \$ 358 | (81.1)% | (81.5)% | \$ 1,896 |
| Gross Profit per Wholesale Unit Sold | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 144 | (37.1)% | N/A | \$ 229 | \$ 159 | (15.0)% | N/A | \$ 187 |
| U.K. | \$ (219) | (12.9)% | (18.9)% | \$ (194) | \$ (192) | (108.7)% | (119.4)% | \$ (92) |
| Brazil | \$ 653 | 140.1 % | 174.8 % | \$ 272 | \$ 686 | 93.8 % | 125.8 % | \$ 354 |
| Total Same Stores | \$ — | (100.0)% | (103.4)% | \$ 43 | \$ 29 | (63.8)% | (64.3)% | \$ 80 |
| Transactions | \$ (225) | | | \$ (868) | \$ (289) | | | \$ (448) |
| Total | \$ (7) | (138.9)% | (146.7)% | \$ 18 | \$ 14 | (78.8)% | (79.5)% | \$ 66 |
| Gross Margin | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 2.2 % | | | 3.9 % | 2.5 % | | | 3.2 % |
| U.K. | (2.7)% | | | (2.5)% | (2.3)% | | | (1.1)% |
| Brazil | 6.6 % | | | 2.7 % | 6.9 % | | | 3.4 % |
| Total Same Stores | — % | | | 0.6 % | 0.4 % | | | 1.2 % |
| Transactions | (4.1)% | | | (12.9)% | (4.8)% | | | (6.3)% |
| Total | (0.1)% | | | 0.3 % | 0.2 % | | | 1.0 % |

⁽¹⁾ See “Non-GAAP Financial Measures” for more details.

Total Used Vehicle Data

(dollars in thousands, except per unit amounts)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|-----------------------------------|-----------------------------|-----------------------|---|------------|---------------------------|-----------------------|---|--------------|
| | 2019 | % Increase/(Decrease) | Constant Currency ⁽¹⁾ % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency ⁽¹⁾ % Increase/(Decrease) | 2018 |
| Used Vehicle Unit Sales | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 36,391 | 4.4 % | | 34,873 | 71,701 | 1.4 % | | 70,679 |
| U.K. | 13,656 | (3.2)% | | 14,103 | 25,817 | (3.9)% | | 26,863 |
| Brazil | 1,354 | 2.6 % | | 1,320 | 2,756 | 0.3 % | | 2,748 |
| Total Same Stores | 51,401 | 2.2 % | | 50,296 | 100,274 | — % | | 100,290 |
| Transactions | 1,428 | | | 1,281 | 4,380 | | | 2,830 |
| Total | 52,829 | 2.4 % | | 51,577 | 104,654 | 1.5 % | | 103,120 |
| Sales Revenues | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 655,147 | 5.8 % | N/A | \$ 619,223 | \$ 1,274,666 | 4.4 % | N/A | \$ 1,221,004 |
| U.K. | 236,772 | (5.3)% | 0.1 % | 250,155 | 455,848 | (4.6)% | 1.4 % | 477,641 |
| Brazil | 22,945 | (4.9)% | 3.9 % | 24,138 | 46,438 | (11.0)% | 0.5 % | 52,171 |
| Total Same Stores | 914,864 | 2.4 % | 4.2 % | 893,516 | 1,776,952 | 1.5 % | 3.5 % | 1,750,816 |
| Transactions | 20,028 | | | 21,191 | 69,281 | | | 48,490 |
| Total | \$ 934,892 | 2.2 % | 4.0 % | \$ 914,707 | \$ 1,846,233 | 2.6 % | 4.7 % | \$ 1,799,306 |
| Gross Profit | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 43,554 | 10.1 % | N/A | \$ 39,550 | \$ 82,088 | 11.6 % | N/A | \$ 73,569 |
| U.K. | 6,863 | (29.2)% | (24.7)% | 9,696 | 13,148 | (27.4)% | (22.5)% | 18,114 |
| Brazil | 1,806 | 37.3 % | 51.4 % | 1,315 | 3,204 | 9.8 % | 25.1 % | 2,918 |
| Total Same Stores | 52,223 | 3.3 % | 4.5 % | 50,561 | 98,440 | 4.1 % | 5.5 % | 94,601 |
| Transactions | 976 | | | 894 | 3,019 | | | 2,004 |
| Total | \$ 53,199 | 3.4 % | 4.7 % | \$ 51,455 | \$ 101,459 | 5.0 % | 6.5 % | \$ 96,605 |
| Gross Profit per Unit Sold | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 1,197 | 5.6 % | N/A | \$ 1,134 | \$ 1,145 | 10.0 % | N/A | \$ 1,041 |
| U.K. | \$ 503 | (26.9)% | (22.3)% | \$ 688 | \$ 509 | (24.5)% | (19.4)% | \$ 674 |
| Brazil | \$ 1,334 | 33.9 % | 47.6 % | \$ 996 | \$ 1,163 | 9.5 % | 24.7 % | \$ 1,062 |
| Total Same Stores | \$ 1,016 | 1.1 % | 2.3 % | \$ 1,005 | \$ 982 | 4.1 % | 5.5 % | \$ 943 |
| Transactions | \$ 683 | | | \$ 698 | \$ 689 | | | \$ 708 |
| Total | \$ 1,007 | 0.9 % | 2.2 % | \$ 998 | \$ 969 | 3.4 % | 4.9 % | \$ 937 |
| Gross Margin | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 6.6% | | | 6.4% | 6.4% | | | 6.0% |
| U.K. | 2.9% | | | 3.9% | 2.9% | | | 3.8% |
| Brazil | 7.9% | | | 5.4% | 6.9% | | | 5.6% |
| Total Same Stores | 5.7% | | | 5.7% | 5.5% | | | 5.4% |
| Transactions | 4.9% | | | 4.2% | 4.4% | | | 4.1% |
| Total | 5.7% | | | 5.6% | 5.5% | | | 5.4% |

(1) See “Non-GAAP Financial Measures” for more details.

In addition to factors such as general economic conditions and consumer confidence, our used vehicle business is affected by the level of manufacturer incentives on new vehicles and new vehicle financing, the number and quality of used vehicle trade-ins and lease turn-ins, the availability of consumer credit, and our ability to effectively manage the level and quality of our overall used vehicle inventory.

Our total Same Store used vehicle retail revenues increased \$18.0 million, or 2.2%, for the three months ended June 30, 2019, as compared to the same period in 2018, reflecting a 4.4% increase in total Same Store used vehicle retail unit sales, partially offset by 2.1% decrease in average used vehicle retail selling price.

In the U.S., Same Store used vehicle retail revenues increased \$33.9 million, or 5.9%, reflecting a 7.0% increase in Same Store used vehicle retail unit sales, partially offset by a 1.1%, or \$228, decrease in the average used vehicle retail sales price. The improvements in Same Store used vehicle retail unit sales were driven by the continued development of Val-U-Line®, a proprietary brand for older model, higher mileage, pre-owned vehicles that targets customer demand and enables the Company to retail lower cost units that otherwise would have been sent to auction. Our Val-U-Line® unit sales grew 18.6% over the same period last year and represented approximately 11.2% of U.S. Same Store used vehicle retail unit sales for the three months ended June 30, 2019. The success of Val-U-Line® drove our U.S. used vehicle retail unit sales to outpace our U.S. new vehicle retail unit sales for the second quarter of 2019, which is the second sequential quarter that our U.S. used vehicle units sales levels exceeded new vehicle unit sales. The decrease in U.S. Same Store average used vehicle retail sales price reflected the mix shift resulting from the growth of our Val-U-Line® brand. Further, this mix shift also drove a 300 basis point decline in our Certified Pre-Owned (“CPO”) units sold as a percentage of U.S. Same Store used vehicle retail units sold to 23.0% for the second quarter of 2019, as compared to 26.0% for the same period in 2018.

In the U.K., Same Store used vehicle retail revenues decreased by \$13.6 million, or 6.6%, for the three months ended June 30, 2019, as compared to the same period last year, driven by a 3.9% decline in Same Store average used vehicle retail sales price, coupled with a 2.8% decline in Same Store used vehicle retail unit sales. The decline in Same Store average used vehicle retail sales price can be primarily explained by the change in exchange rates between periods, as on a constant currency basis, U.K. Same Store average used vehicle retail sales price improved 1.6%. The decline in Same Store used vehicle retail unit sales reflects current market conditions caused by the continued uncertainty surrounding Brexit.

In Brazil, for the three months ended June 30, 2019, Same Store used vehicle retail revenues decreased 11.0%, reflecting a 7.8% decrease in Same Store used vehicle retail unit sales, coupled with a 3.4% decline in Same Store average used vehicle retail selling price. The decline in the Same Store used vehicle retail unit sales reflects management’s decision to prioritize gross profit per unit ahead of volume. The decline in Same Store average used vehicle retail selling price can be explained by the change in exchange rates between periods, as on a constant currency basis, Brazil Same Store used vehicle retail selling price increased 5.6%. For the six months ended June 30, 2019, our total Same Store used vehicle retail revenues increased 2.3%, as compared to the same period last year, primarily due to the increase in used vehicle retail unit sales of 4.5%, partially offset by a 2.1% decline in Same Store average used vehicle retail selling price. The improvement in total used vehicle retail unit sales was primarily driven by the additional units generated from our Val-U-Line® brand in the U.S.

In total, our Same Store used vehicle retail gross profit for the three months ended June 30, 2019 increased 4.5%, as compared to the same period in 2018, reflecting improvements in the U.S. and Brazil that were partially offset by a decline in the U.K. The improvement in total Same Store used vehicle retail gross profit can be more than explained by the ongoing business strategies in the U.S. to shift from wholesale to retail through the integration of Val-U-Line® and on-line pricing.

In the U.S., Same Store used vehicle gross profit increased by 12.3%, driven by an increase in Same Store used vehicle gross profit PRU of 4.9%, or \$67, coupled with a 7.0% increase in Same Store used vehicle retail unit sales. The increase in used vehicle retail units stemmed from the continued development of our Val-U-Line® operations, and the increase in Same Store gross profit PRU was driven by recently implemented on-line pricing initiatives.

In the U.K., Same Store used vehicle retail gross profit decreased 25.3% for the three months ended June 30, 2019, reflecting declines of 23.1% and 2.8% in Same Store used vehicle gross profit PRU and Same Store used vehicle retail unit sales, respectively. The decline in Same Store used vehicle gross profit PRU in the U.K. was the result of a decline in used vehicles prices in the marketplace and our efforts to reduce inventory during the quarter.

In Brazil, the 24.2% increase in Same Store used vehicle retail gross profit resulted from a 34.9% increase in Same Store used vehicle retail gross profit PRU, which was partially offset by a 7.8% decrease in Same Store used vehicle retail unit sales. The increase in Same Store used vehicle gross profit PRU reflects management’s initiatives discussed above and improved inventory management. For the six months ended June 30, 2019, as compared to the same period in 2018, total Same Store used vehicle retail gross profit increased 5.8%, as a result of increases in Same Store used vehicle retail unit sales and used vehicle gross profit PRU of 4.5% and 1.3%, respectively.

During the three months ended June 30, 2019, total Same Store used vehicle wholesale revenue increased 3.7%, as compared to the same period in 2018, driven by improvements in all three of our segments. In the U.S., the 4.9% increase in Same Store used vehicle wholesale revenue for the three months ended June 30, 2019 can be more than explained by an 11.9% increase in Same Store used vehicle wholesale average sales price, partially offset by a 6.2% decrease in Same Store used vehicle wholesale unit sales. The increase in our Same Store used vehicle wholesale average sales price reflects the upward trend in used vehicle market prices as indicated in the Manheim Index, which increased 4.2% for the second quarter of 2019 as compared to the same period last year. The decline in U.S. Same Store used vehicle wholesale unit sales volume was primarily driven by the execution of strategic initiatives designed to sell more vehicles through retail channels and reduce our reliance on the wholesale auction markets, which reflects the growth in our Val-U-Line® brand. In the U.K., Same Store used vehicle wholesale revenue remained relatively flat for the three month period ending June 30, 2019, as compared to the same period last year. On a constant currency basis, Same Store used vehicle wholesale revenue increased 6.3% driven by a 10.3% increase in Same Store used vehicle wholesale average sales price, offset by a 3.7% decrease in Same Store used vehicle wholesale unit sales. The increase in Same Store used vehicle wholesale average sales price was the result of an increased mix of higher value inventory units sent to auction as compared to the same period last year. The decrease in Same Store used vehicle wholesale unit sales was primarily a sourcing issue, as since the fourth quarter of 2018, we have experienced lower Same Store new vehicle unit sales, which produced fewer used vehicle trade-ins. In Brazil, Same Store used vehicle wholesale revenue increased 35.7%, primarily as a result of a 36.1% increase in Same Store wholesale unit sales, which was partially offset by a decrease of 0.3% in Same Store used vehicle wholesale average sales price. The increase in Brazil Same Store used vehicle wholesale revenue reflects the increased trade-in activity from our growth in new vehicle unit sales and our focus on inventory management. The decline in Same Store used vehicle average wholesale sales price can be explained by the change in exchange rates between periods, as on a constant currency basis, our Brazil Same Store used vehicle wholesale average sales price increased 8.4%. For the six months ended June 30, 2019, total Same Store used vehicle wholesale revenue declined 5.5%, as compared to the same period in 2018, driven by a 11.6% decrease in Same Store used vehicle wholesale unit sales, partially offset with a 6.9% increase in Same Store used vehicle wholesale average selling price. This decline is directly related to our Val-U-Line® initiative designed to retail more of our lower-priced inventory otherwise sent to auction.

Our total Same Store used vehicle wholesale gross profit decreased \$0.6 million, or 99.1%, for the three months ended June 30, 2019 as compared to the same period in 2018, driven by declines in the U.S. and U.K., partially offset by an increase in Brazil. In the U.S., Same Store used vehicle wholesale gross profit declined 41.0%, as a result of decreases of 6.2% and 37.1%, in Same Store used vehicle wholesale unit sales and gross profit per unit sold, respectively, reflecting the decline in our reliance on the used vehicle wholesale markets. In the U.K., the decline in Same Store used vehicle wholesale gross profit was driven by a 12.9%, or \$25, decrease in Same Store used vehicle wholesale gross profit per unit for the three months ended June 30, 2019, coupled with a decrease of 3.7% in Same Store used vehicle wholesale unit sales. This decline in wholesale gross profit can be explained by fewer trade-ins from lower new vehicle unit sales and our efforts to keep overall inventory at optimal levels. In Brazil, Same Store used vehicle gross profit increased 227.1% as compared to the same period last year, reflecting a 140.1% increase in used vehicle gross profit per wholesale unit sold, coupled with a 36.1% increase in wholesale unit sales. The increase in used vehicle wholesale gross profit reflects an increase in our trade-in volume driven by an increase in our Same Store new vehicle unit sales as well as our efforts to manage inventory levels. For the six months ended June 30, 2019, our total Same Store used vehicle wholesale gross profit decreased \$1.5 million, as compared to the same period in 2018, driven by a \$51 decrease in Same Store used vehicle wholesale gross profit per unit, coupled with an 11.6% decrease in Same Store used vehicle wholesale unit sales, mainly driven by U.S. Val-U-Line® initiative to move more units from wholesale to retail.

We decreased our consolidated used vehicle inventory levels by \$7.3 million, or 2.1%, from December 31, 2018 and by \$7.9 million, or 2.2%, from June 30, 2018, primarily due to our efforts to manage inventory levels in the U.K. and dealership disposition activity. Our consolidated days' supply of used vehicle inventory was 33 days as of June 30, 2019, as compared to 39 days as of December 31, 2018 and 33 days as of June 30, 2018.

Parts and Service Data

(dollars in thousands)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|----------------------------------|-----------------------------|-----------------------|--|------------|---------------------------|-----------------------|--|------------|
| | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 |
| Parts and Service Revenue | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 307,085 | 10.1 % | N/A | \$ 278,881 | \$ 601,064 | 8.5 % | N/A | \$ 554,170 |
| U.K. | 53,528 | (2.6)% | 3.0 % | 54,970 | 104,274 | 1.0 % | 7.3% | 103,193 |
| Brazil | 11,683 | 4.4 % | 14.0 % | 11,189 | 22,953 | (0.4)% | 12.2% | 23,049 |
| Total Same Stores | 372,296 | 7.9 % | 9.1 % | 345,040 | 728,291 | 7.0 % | 8.4% | 680,412 |
| Transactions | 5,871 | | | 13,089 | 19,050 | | | 27,232 |
| Total | \$ 378,167 | 5.6 % | 6.8 % | \$ 358,129 | \$ 747,341 | 5.6 % | 7.1% | \$ 707,644 |
| Gross Profit | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 165,177 | 8.7 % | N/A | \$ 151,895 | \$ 323,200 | 8.1 % | N/A | \$ 298,872 |
| U.K. | 29,880 | (6.7)% | (1.4)% | 32,019 | 57,724 | (3.0)% | 2.9% | 59,518 |
| Brazil | 5,196 | 4.0 % | 13.8 % | 4,994 | 10,102 | (2.6)% | 9.9% | 10,367 |
| Total Same Stores | 200,253 | 6.0 % | 7.2 % | 188,908 | 391,026 | 6.0 % | 7.4% | 368,757 |
| Transactions | 3,842 | | | 6,162 | 11,545 | | | 13,177 |
| Total | \$ 204,095 | 4.6 % | 5.8 % | \$ 195,070 | \$ 402,571 | 5.4 % | 6.8% | \$ 381,934 |
| Gross Margin | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 53.8% | | | 54.5% | 53.8% | | | 53.9% |
| U.K. | 55.8% | | | 58.2% | 55.4% | | | 57.7% |
| Brazil | 44.5% | | | 44.6% | 44.0% | | | 45.0% |
| Total Same Stores | 53.8% | | | 54.7% | 53.7% | | | 54.2% |
| Transactions | 65.4% | | | 47.1% | 60.6% | | | 48.4% |
| Total | 54.0% | | | 54.5% | 53.9% | | | 54.0% |

(1) See “Non-GAAP Financial Measures” for more details.

Our total Same Store parts and service revenue increased \$27.3 million, or 7.9%, for the three months ended June 30, 2019, as compared to the same period in 2018, primarily driven by growth in the U.S. and Brazil, partially offset by a decline in the U.K. For the three months ended June 30, 2019, our U.S. Same Store parts and service revenue increased 10.1%, or \$28.2 million, reflecting an 11.9% increase in customer-pay parts and service revenue, a 14.7% increase in warranty parts and service revenue, a 6.8% increase in wholesale parts revenue, and a 4.0% increase in collision revenue. Overall, these improvements reflect our continued focus and commitment to improve selling methods, enhance operating efficiencies, retain and recruit employees, and make capital investments, as necessary. More specifically, the growth in our customer-pay parts and service revenue in the U.S. was driven by continued implementation of numerous aftersales initiatives. The roll out of a four-day work week service schedule improved the hiring and retention of our service technician and service advisor professionals and increased capacity and efficiency in our service departments. The growth in our U.S. warranty parts and service revenues reflects both increased service capacity and a general increase in manufacturer recall activity, and, in particular, high volume recalls within our BMW, Honda, and Ford brands.

Our U.K. Same Store parts and service revenue decreased 2.6%, or \$1.4 million, for the three months ended June 30, 2019, as compared to 2018. On a constant currency basis, U.K. Same Store parts and service revenue improved 3.0% for the second quarter of 2019 compared to 2018, representing growth of 7.4% in customer-pay parts and service revenue, partially offset by a 21.2% decrease in collision revenue.

Our Same Store parts and service revenue in Brazil increased 4.4%, or \$0.5 million, for the three months ended June 30, 2019, compared to the same period in 2018. On a constant currency basis, Same Store parts and service revenue in Brazil increased 14.0%. This increase was driven by a 25.3% improvement in our customer-pay parts and service revenue and a 6.8% improvement in collision revenue, partially offset by an 11.7% decline in warranty revenue. The improvement in customer-pay parts and service revenue reflects the result of management initiatives to enhance the effectiveness of our sales processes, as well as the efficiency of our parts and service operations.

For the six months ended June 30, 2019, our total Same Store parts and service revenue improved \$47.9 million, or 7.0%, primarily reflecting increases in the U.S and U.K., partially offset by a decrease in Brazil. For the six months ended June 30, 2019, our U.S. Same Store parts and service revenue improved 8.5%, primarily as a result of a 9.8% increase in customer-pay parts and service revenue, a 13.4% increase in warranty parts and service revenue, a 4.8% increase in wholesale parts revenue and a 3.5% increase in collision revenue. Our U.K. Same Store parts and service revenue increased 1.0%, as a result of a 12.6% increase in warranty parts and service revenue, partially offset by an 18.3% decrease in collision revenue. On a constant currency basis, our U.K. Same Store parts and service revenue increased 7.3%, primarily driven by a 19.3% increase in warranty revenue and a 5.6% increase in customer-pay parts and service revenue, partially offset by a 13.1% decline in collision revenue. For the six months ended June 30, 2019, our Brazil Same Store parts and service revenue decreased 0.4% due to unfavorable exchange rates. On a constant currency basis, Same Store parts and service revenue in Brazil improved 12.2%, primarily as a result of an 18.7% increase in customer-pay parts and service revenue as well as a 9.5% improvement in collision revenue. These increases were partially offset by a 3.9% decrease in warranty parts and service revenue.

Our total Same Store parts and service gross profit for the three months ended June 30, 2019 increased 6.0%, as compared to the same period in 2018. This increase in gross profit was driven by increases of 8.7% in the U.S. and 4.0% in Brazil, respectively, partially offset by a decline of 6.7% in the U.K. The increase in the U.S. was the result of growth in all sectors of our business, but primarily driven by improvements in our customer-pay parts and service and warranty parts and service components of the business. The increase in Same Store parts and service gross profit in Brazil primarily reflects improvements in our customer-pay parts and service revenue. In the U.K., the decline in Same Store parts and service gross profit was primarily due to unfavorable exchange rates. On a constant currency basis, Same Store parts and service gross profit in the U.K. declined 1.4% for the three months ended June 30, 2019. For the six months ended June 30, 2019, our total Same Store gross profit increased 6.0%, as compared to the same period in 2018, primarily driven by an increase of 8.1% in the U.S., offset by decreases of 3.0% and 2.6% decreases in the U.K. and Brazil, respectively. The decrease in the U.K. and Brazil were due to changes in exchange rates. On a constant currency basis, U.K. and Brazil increased 2.9% and 9.9%, respectively.

For the three months ended June 30, 2019, our total Same Store parts and service gross margin declined 90 basis points compared to the same period in 2018, reflecting declines in all three regions. The declines in our U.S. Same Store parts and service gross margin primarily reflects the impact of our recent increases in technician headcount that are not fully productive. Our Val-U-Line® initiative has a negative impact on gross margin as these units do not require the same level of reconditioning. We expect the technician gross margin impact to be temporary as we bring the technicians up to full productivity. The decline in total Same Store parts and service margin in the U.K. primarily reflects the mix effect from the growth in our relatively lower margin warranty parts and service segment of the business, as described above. The decline in Same Store parts and service gross margin in Brazil was primarily explained by a shift in mix of business, as a high volume of relatively lower-margin recall campaigns, particularly in our Honda brand dealerships, surpassed the growth in our customer-pay parts and service sector. For the six months ended June 30, 2019, our total Same Store parts and service gross margin declined 50 basis points compared to the same period in 2018, to 53.7%, reflecting declines in all three regions.

Finance and Insurance Data

(dollars in thousands, except per unit amounts)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|-----------------------|--|------------|---------------------------|-----------------------|--|------------|
| | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 |
| Retail New and Used Unit Sales | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 59,361 | 3.4 % | | 57,410 | 113,319 | 1.1 % | | 112,052 |
| U.K. | 17,161 | (7.6)% | | 18,575 | 33,667 | (5.4)% | | 35,601 |
| Brazil | 3,229 | 2.3 % | | 3,157 | 6,070 | (3.6)% | | 6,295 |
| Total Same Stores | 79,751 | 0.8 % | | 79,142 | 153,056 | (0.6)% | | 153,948 |
| Transactions | 2,087 | | | 2,337 | 6,492 | | | 4,937 |
| Total | 81,838 | 0.4 % | | 81,479 | 159,548 | 0.4 % | | 158,885 |
| Retail Finance Fees | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 32,790 | 14.1 % | N/A | \$ 28,750 | \$ 61,077 | 9.8 % | N/A | \$ 55,624 |
| U.K. | 9,160 | 0.6 % | 6.5 % | 9,106 | 17,154 | 0.5 % | 6.8 % | 17,067 |
| Brazil | 692 | 19.7 % | 30.4 % | 578 | 1,305 | 19.4 % | 33.8 % | 1,093 |
| Total Same Stores | 42,642 | 10.9 % | 12.5 % | 38,434 | 79,536 | 7.8 % | 9.5 % | 73,784 |
| Transactions | 1,047 | | | 944 | 2,638 | | | 2,145 |
| Total | \$ 43,689 | 10.9 % | 12.5 % | \$ 39,378 | \$ 82,174 | 8.2 % | 9.9 % | \$ 75,929 |
| Vehicle Service Contract Fees | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 45,969 | 23.5 % | N/A | \$ 37,219 | \$ 83,809 | 11.2 % | N/A | \$ 75,342 |
| U.K. | 309 | 12.0 % | 18.3 % | 276 | 640 | 28.8 % | 35.9 % | 497 |
| Brazil | — | — % | — % | — | — | — % | — % | — |
| Total Same Stores | 46,278 | 23.4 % | 23.5 % | 37,495 | 84,449 | 11.4 % | 11.4 % | 75,839 |
| Transactions | 912 | | | 538 | 1,945 | | | 1,087 |
| Total | \$ 47,190 | 24.1 % | 24.1 % | \$ 38,033 | \$ 86,394 | 12.3 % | 12.3 % | \$ 76,926 |
| Insurance and Other | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 29,343 | — % | N/A | \$ 29,335 | \$ 56,926 | (2.6)% | N/A | \$ 58,444 |
| U.K. | 5,180 | (13.5)% | (8.8)% | 5,991 | 10,513 | (6.8)% | (1.2)% | 11,277 |
| Brazil | 926 | (34.4)% | (28.3)% | 1,412 | 2,028 | (26.7)% | (17.9)% | 2,768 |
| Total Same Stores | 35,449 | (3.5)% | (2.5)% | 36,738 | 69,467 | (4.2)% | (3.0)% | 72,489 |
| Transactions | 927 | | | 907 | 2,596 | | | 2,034 |
| Total | \$ 36,376 | (3.4)% | (2.3)% | \$ 37,645 | \$ 72,063 | (3.3)% | (2.0)% | \$ 74,523 |
| Total Finance and Insurance Revenues | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 108,102 | 13.4 % | N/A | \$ 95,304 | \$ 201,812 | 6.5 % | N/A | \$ 189,410 |
| U.K. | 14,649 | (4.7)% | 0.7 % | 15,373 | 28,307 | (1.9)% | 4.1 % | 28,841 |
| Brazil | 1,618 | (18.7)% | (11.2)% | 1,990 | 3,333 | (13.7)% | (3.3)% | 3,861 |
| Total Same Stores | 124,369 | 10.4 % | 11.3 % | 112,667 | 233,452 | 5.1 % | 6.1 % | 222,112 |
| Transactions | 2,886 | | | 2,389 | 7,179 | | | 5,266 |
| Total | \$ 127,255 | 10.6 % | 11.5 % | \$ 115,056 | \$ 240,631 | 5.8 % | 6.8 % | \$ 227,378 |
| Finance and Insurance Revenues per Retail Unit Sold | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 1,821 | 9.7 % | N/A | \$ 1,660 | \$ 1,781 | 5.4 % | N/A | \$ 1,690 |
| U.K. | \$ 854 | 3.1 % | 9.0 % | \$ 828 | \$ 841 | 3.8 % | 10.1 % | \$ 810 |
| Brazil | \$ 501 | (20.5)% | (13.1)% | \$ 630 | \$ 549 | (10.4)% | 0.3 % | \$ 613 |
| Total Same Stores | \$ 1,559 | 9.5 % | 10.4 % | \$ 1,424 | \$ 1,525 | 5.7 % | 6.7 % | \$ 1,443 |
| Transactions | \$ 1,383 | | | \$ 1,022 | \$ 1,106 | | | \$ 1,067 |
| Total | \$ 1,555 | 10.1 % | 11.0 % | \$ 1,412 | \$ 1,508 | 5.4 % | 6.4 % | \$ 1,431 |

(1) See “Non-GAAP Financial Measures” for more details.

Our total Same Store finance and insurance revenues increased 10.4% for the three months ended June 30, 2019, as compared to the same period in 2018, as a 13.4% improvement in the U.S. was partially offset by declines of 4.7% and 18.7% in the U.K. and Brazil, respectively. Our U.S. Same Store finance and insurance revenue increased \$12.8 million for the three months ended June 30, 2019, as compared to the same period in 2018, resulting from improvements in our income per contract on vehicle service contracts and retail finance fees, an increase in Same Store retail unit sales, and higher penetration rates for many of our U.S. finance and insurance product offerings, partially offset by an increase in our overall chargeback experience. Our U.K. Same Store finance and insurance revenue declined 4.7%, or \$0.7 million, for the three months ended June 30, 2019 as compared to 2018, which was more than explained by an unfavorable change in the exchange rates. On a constant currency basis, our U.K. Same Store finance and insurance revenue increased 0.7% despite a 7.6% decline in our Same Store retail unit sales, reflecting improvements in our penetration rates for all of our U.K. product offerings. Our Brazil Same Store finance and insurance revenue decreased \$0.4 million, for the three months ended June 30, 2019, as compared to the same period in 2018. Our total Same Store finance and insurance revenue PRU increased 9.5% for the three months ended June 30, 2019, to \$1,559, as compared to the same period in 2018, which reflects increases in PRU for our U.S. and U.K. segments as compared to the same period a year ago, partially offset by a decline in Brazil.

For the six months ended June 30, 2019, our total Same Store finance and insurance revenues improved \$11.3 million, or 5.1%, to \$233.5 million as compared to the same period in 2018. Our U.S. Same Store finance and insurance revenue increased \$12.4 million, or 6.5%, for the six months ended June 30, 2019, as compared to the same period last year. The improvement was driven by an increase in income per contract for our vehicle service contracts and retail finance fees, an increase in Same Store vehicle retail unit sales, and an increase in our penetration rates for some of our U.S. product offerings, partially offset by an increase in our overall chargeback experience. In the U.K., our Same Store finance and insurance revenue declined \$0.5 million, or 1.9%, as compared to the same period in 2018, more than explained by an unfavorable change in exchange rates. On a constant currency basis our Same Store U.K. finance and insurance revenue rose 4.1%, as compared to the same period in 2018 driven by improvements in penetration rates and income per contract for most of our U.K. product offerings that were almost fully offset by the decline in retail units. Our Brazil Same Store finance and insurance revenue decreased 13.7%, or \$0.5 million, for the six months ended June 30, 2019, as compared to the same period in 2018. On a PRU basis, our total Same Store finance and insurance revenue increased 5.7% to \$1,525 for the six months ended June 30, 2019, as compared to the same period in 2018, which reflects increases in PRU for our U.S. and U.K. segments as compared to the same period a year ago, partially offset by a decline in Brazil.

Selling, General and Administrative Data

(dollars in thousands)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--------------------------------|-----------------------------|-----------------------|--|------------|---------------------------|-----------------------|--|------------|
| | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 |
| Personnel | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 171,593 | 9.4 % | N/A | \$ 156,827 | \$ 336,163 | 6.4 % | N/A | \$ 315,886 |
| U.K. | 31,947 | (6.2)% | (0.7)% | 34,046 | 61,903 | (7.1)% | (1.2)% | 66,604 |
| Brazil | 6,472 | 6.3 % | 16.2 % | 6,088 | 12,710 | 1.6 % | 14.5 % | 12,504 |
| Total Same Stores | 210,012 | 6.6 % | 7.9 % | 196,961 | 410,776 | 4.0 % | 5.4 % | 394,994 |
| Transactions | 4,474 | | | 6,300 | 12,893 | | | 13,228 |
| Total | \$ 214,486 | 5.5 % | 6.8 % | \$ 203,261 | \$ 423,669 | 3.8 % | 5.2 % | \$ 408,222 |
| Advertising | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 16,274 | 4.1 % | N/A | \$ 15,637 | \$ 31,807 | 3.1 % | N/A | \$ 30,864 |
| U.K. | 2,079 | (9.0)% | (3.6)% | 2,284 | 3,913 | (13.9)% | (8.4)% | 4,547 |
| Brazil | 272 | 6.7 % | 17.8 % | 255 | 484 | (17.5)% | (5.8)% | 587 |
| Total Same Stores | 18,625 | 2.5 % | 3.3 % | 18,176 | 36,204 | 0.6 % | 1.5 % | 35,998 |
| Transactions | 594 | | | 511 | 1,359 | | | 995 |
| Total | \$ 19,219 | 2.8 % | 3.7 % | \$ 18,687 | \$ 37,563 | 1.5 % | 2.5 % | \$ 36,993 |
| Rent and Facility Costs | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 18,655 | 2.3 % | N/A | \$ 18,236 | \$ 38,329 | 4.8 % | N/A | \$ 36,579 |
| U.K. | 7,368 | 5.6 % | 11.7 % | 6,977 | 12,986 | (1.3)% | 5.0 % | 13,162 |
| Brazil | 1,798 | (13.6)% | (5.8)% | 2,082 | 3,825 | (13.1)% | (2.2)% | 4,403 |
| Total Same Stores | 27,821 | 1.9 % | 4.1 % | 27,295 | 55,140 | 1.8 % | 4.3 % | 54,144 |
| Transactions | 891 | | | 1,558 | 2,974 | | | 3,112 |
| Total | \$ 28,712 | (0.5)% | 1.7 % | \$ 28,853 | \$ 58,114 | 1.5 % | 4.0 % | \$ 57,256 |
| Other SG&A | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 56,662 | 4.6 % | N/A | \$ 54,196 | \$ 110,172 | 3.4 % | N/A | \$ 106,520 |
| U.K. | 15,604 | (4.8)% | 0.8 % | 16,396 | 29,484 | (3.9)% | 2.2 % | 30,672 |
| Brazil | 2,964 | 2.8 % | 11.4 % | 2,882 | 5,549 | 0.1 % | 11.9 % | 5,544 |
| Total Same Stores | 75,230 | 2.4 % | 4.0 % | 73,474 | 145,205 | 1.7 % | 3.5 % | 142,736 |
| Transactions | 1,068 | | | (16,183) | 1,872 | | | (12,768) |
| Total | \$ 76,298 | 33.2 % | 35.2 % | \$ 57,291 | \$ 147,077 | 13.2 % | 15.2 % | \$ 129,968 |
| Total SG&A | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 263,184 | 7.5 % | N/A | \$ 244,896 | \$ 516,471 | 5.4 % | N/A | \$ 489,849 |
| U.K. | 56,998 | (4.5)% | 1.0 % | 59,703 | 108,286 | (5.8)% | 0.1 % | 114,985 |
| Brazil | 11,506 | 1.8 % | 11.0 % | 11,307 | 22,568 | (2.0)% | 10.2 % | 23,038 |
| Total Same Stores | 331,688 | 5.0 % | 6.4 % | 315,906 | 647,325 | 3.1 % | 4.6 % | 627,872 |
| Transactions | 7,027 | | | (7,814) | 19,098 | | | 4,567 |
| Total | \$ 338,715 | 9.9 % | 11.4 % | \$ 308,092 | \$ 666,423 | 5.4 % | 7.0 % | \$ 632,439 |

Selling, General and Administrative Data (Continued)

(dollars in thousands)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---|-----------------------------|-----------------------|--|------------|---------------------------|-----------------------|--|------------|
| | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 |
| Total Gross Profit | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 370,399 | 8.5 % | N/A | \$ 341,479 | \$ 710,073 | 6.3 % | N/A | \$ 668,050 |
| U.K. | 61,857 | (15.1)% | (10.3)% | 72,873 | 125,135 | (10.5)% | (5.0)% | 139,764 |
| Brazil | 12,711 | 1.0 % | 10.5 % | 12,583 | 24,146 | (4.2)% | 7.9 % | 25,211 |
| Total Same Stores | 444,967 | 4.2 % | 5.3 % | 426,935 | 859,354 | 3.2 % | 4.4 % | 833,025 |
| Transactions | 9,286 | | | 11,228 | 26,402 | | | 24,901 |
| Total | \$ 454,253 | 3.7 % | 4.8 % | \$ 438,163 | \$ 885,756 | 3.2 % | 4.6 % | \$ 857,926 |
| SG&A as a % of Gross Profit | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 71.1% | | | 71.7% | 72.7% | | | 73.3% |
| U.K. | 92.1% | | | 81.9% | 86.5% | | | 82.3% |
| Brazil | 90.5% | | | 89.9% | 93.5% | | | 91.4% |
| Total Same Stores | 74.5% | | | 74.0% | 75.3% | | | 75.4% |
| Transactions | 75.7% | | | (69.6)% | 72.3% | | | 18.3% |
| Total | 74.6% | | | 70.3% | 75.2% | | | 73.7% |
| Adjusted Total SG&A (1) | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | \$ 259,192 | 7.9 % | N/A | \$ 240,302 | \$ 509,754 | 5.0 % | N/A | \$ 485,256 |
| U.K. | 56,998 | (4.5)% | 1.0 % | 59,703 | 108,286 | (5.8)% | 0.1 % | 114,985 |
| Brazil | 11,506 | 5.8 % | 15.6 % | 10,880 | 22,568 | (0.2)% | 12.5 % | 22,611 |
| Total Same Stores | 327,696 | 5.4 % | 6.8 % | 310,885 | 640,608 | 2.9 % | 4.4 % | 622,852 |
| Transactions | 7,587 | | | 8,964 | 23,225 | | | 21,344 |
| Total | \$ 335,283 | 4.8 % | 6.3 % | \$ 319,849 | \$ 663,833 | 3.0 % | 4.7 % | \$ 644,196 |
| Adjusted SG&A as a % of Gross Profit (1) | | | | | | | | |
| Same Stores | | | | | | | | |
| U.S. | 70.0% | | | 70.4% | 71.8% | | | 72.6% |
| U.K. | 92.1% | | | 81.9% | 86.5% | | | 82.3% |
| Brazil | 90.5% | | | 86.5% | 93.5% | | | 89.7% |
| Total Same Stores | 73.6% | | | 72.8% | 74.5% | | | 74.8% |
| Transactions | 81.7% | | | 79.8% | 88.0% | | | 85.7% |
| Total | 73.8% | | | 73.0% | 74.9% | | | 75.1% |
| Employees | 15,000 | | | 14,300 | 15,000 | | | 14,300 |

(1) See "Non-GAAP Financial Measures" for more details.

Our SG&A consists primarily of salaries, commissions, and incentive-based compensation, as well as rent and facility costs, advertising, insurance, benefits, utilities, and other fixed expenses. We believe that the majority of our personnel, all of our advertising, and a portion of certain other expenses are variable and can be adjusted in response to changing business conditions. We continue to aggressively pursue opportunities that take advantage of our size and negotiating leverage with our vendors and service providers in order to more effectively rationalize our cost structure.

Our total Same Store SG&A increased 5.0% for the three months ended June 30, 2019, as compared to the same period in 2018, explained by increases of 7.5%, and 1.8% in the U.S., and Brazil, respectively, partially offset by a decrease of 4.5% in the U.K. segment. During the second quarter of 2019, Same Store SG&A was impacted by a \$4.0 million non-core item related to catastrophic events. Excluding this non-core item, our adjusted total Same Store SG&A increased 5.4% to \$327.7 million for the three months ended June 30, 2019, as compared to the same period in 2018. On a comparable basis, adjusted total Same Store SG&A for the three months ended June 30, 2018 excluded \$5.0 million in net non-core items, which consisted of \$5.8 million in catastrophic events costs and \$2.4 million related to legal matters, offset by a \$3.2 million gain related to real estate and dealership transactions. For the six months ended June 30, 2019, our total Same Store SG&A increased 3.1%, as compared to the same period in 2018, explained by an increase of 5.4% in the U.S and partially offset by decreases of 5.8%, and 2.0% in the U.K. and Brazil, respectively. For the six months ended June 30, 2019, our total Same Store SG&A was impacted by \$6.7 million in net non-core items, which consisted of \$6.0 million in catastrophic events costs and \$1.8 million related to legal matters, offset by a \$1.1 million gain related to real estate and dealership transactions. On a comparable basis, adjusted total Same Store SG&A for the six months ended June 30, 2018 excluded \$5.0 million in net non-core items, which consisted of \$5.8 million in catastrophic events costs and \$2.4 million related to legal matters offset by a \$3.2 million gain related to real estate and dealership transactions

Our total Same Store personnel costs increased 6.6% for the three months ended June 30, 2019, as compared to the same period in 2018, explained by increases of 9.4%, and 6.3% in the U.S., and Brazil, respectively, partially offset by a decrease of 6.2% in the U.K. The increase in Same Store personnel costs in the U.S. and Brazil was primarily due to growth in variable commission payments and gross profit. The decrease in Same Store personnel costs in the U.K. was primarily due to change in exchange rates and lower variable commission payments as a result of the decrease in the new and used retail vehicle unit sales and gross profit. For the six months ended June 30, 2019, our total Same Store personnel costs increased 4.0%, as compared to the same period in 2018, driven by increases of 6.4% and 1.6% in the U.S. and Brazil, respectively, and partially offset by a 7.1% decrease in U.K. The U.S. Same Store personnel costs for the six months ended June 30, 2019 were impacted by improved gross profit. The increase in personnel costs in Brazil, on a constant currency basis, was primarily due to an increase in gross profit. The decrease in personnel costs in the U.K. is primarily due to lower gross profit levels.

For the three months ended June 30, 2019, our total Same Store advertising costs increased 2.5% as compared to the same period in 2018, as our total retail units increased 0.4%. For the six months ended June 30, 2019, as compared to the same period in 2018, our consolidated Same Store advertising costs increased 0.6%, as our total retail units increased 0.4%.

Our consolidated Same Store rent and facility costs increased 1.9% for the three months ended June 30, 2019, as compared to the same period a year ago, explained by increases of 5.6% and 2.3% in the U.K. and U.S. segments, respectively, partially offset by a 13.6% decrease in Brazil segment. The increase in the U.S. is primarily attributable to other facility cost, such as insurance and real estate taxes generally correlated with recent building renovations that enhance productivity, improve the customer experience and/or meet manufacturer requirements, as well as routine, contractual real estate rent increases. For the six months ended June 30, 2019, our consolidated Same Store rent and facility costs increased 1.8% as compared to the same period in 2018, explained by an increase of 4.8% in the U.S segment, partially offset by 13.1% and 1.3% decreases in Brazil and U.K segments, respectively.

For the three months ended June 30, 2019, our total Same Store other SG&A costs increased 2.4% as compared to the same period in 2018, explained by increases of 4.6% and 2.8% in the U.S. and Brazil, respectively, partially offset by a decrease of 4.8% in the U.K. segment. The increase in U.S. Same Store other SG&A for the three months ended June 30, 2019 were variable costs that expanded with sales volume growth in certain sectors of the business. The decrease in Same Store other SG&A in the U.K. for the three months ended June 30, 2019 is explained by the change in exchange rates. On a constant currency basis, Same Store other SG&A increased 0.8% in the U.K. For the six months ended June 30, 2019, our total Same Store other SG&A costs grew 1.7% driven by increases of 3.4% and 0.1% in the U.S. and Brazil, respectively, partially offset by a 3.9% decline in the U.K. as compared to the same period in 2018.

Our total Same Store SG&A as a percentage of gross profit for the three months ended June 30, 2019, as compared to 2018, increased 50 basis points to 74.5%, reflecting an improvement in the U.S. that was more than offset by increases in the U.K. and Brazil segments. On an adjusted basis, total Same Store SG&A as a percentage of gross profit for the three months ended June 30, 2019 increased 80 basis points to 73.6%, reflecting increases of 1020 and 400 basis points in the U.K. and Brazil respectively, partially offset by a decrease of 40 basis points in the U.S. The improvement in adjusted U.S. Same Store SG&A as a percentage of gross profit primarily reflects the leverage from growth in our U.S. Same Store gross profit, coupled with continued cost control efforts. For the six months ended June 30, 2019 as compared to the same period in 2018, our total Same Store SG&A as a percentage of gross profit decreased 10 basis points to 75.3%, reflecting a decrease in the U.S. that was partially offset by increases in the U.K. and Brazil. On an adjusted basis, total Same Store SG&A as a percentage of gross profit decreased 30 basis points to 74.5% compared to the same period in 2018, driven by a decrease in the U.S., partially offset by increases in the U.K. and Brazil segments.

Depreciation and Amortization Data

(dollars in thousands)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|-------------------|-----------------------------|-----------------------|--|-----------|---------------------------|-----------------------|--|-----------|
| | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 |
| Same Stores | | | | | | | | |
| U.S. | \$ 13,879 | 10.6 % | N/A | \$ 12,545 | \$ 26,828 | 7.6 % | N/A | \$ 24,933 |
| U.K. | 3,048 | (0.1)% | 5.6 % | 3,051 | 5,886 | (0.2)% | 6.0% | 5,899 |
| Brazil | 406 | (13.4)% | (6.4)% | 469 | 796 | (7.2)% | 3.0% | 858 |
| Total Same Stores | 17,333 | 7.9 % | 9.2 % | 16,065 | 33,510 | 5.7 % | 7.2% | 31,690 |
| Transactions | 531 | | | 573 | 1,351 | | | 1,290 |
| Total | \$ 17,864 | 7.4 % | 8.7 % | \$ 16,638 | \$ 34,861 | 5.7 % | 7.2% | \$ 32,980 |

(1) See “Non-GAAP Financial Measures” for more details.

Our total Same Store depreciation and amortization expense increased 7.9% and 5.7% for the three and six months ended June 30, 2019, when compared to the same period in 2018. This increase is substantially explained by the increase in our U.S. segment, as we continue to strategically add dealership-related real estate to our investment portfolio and make improvements to our existing facilities intended to enhance the profitability of our dealerships and the overall customer experience. We critically evaluate all planned future capital spending, working closely with our manufacturer partners to maximize the return on our investments.

Floorplan Interest Expense

(dollars in thousands)

| | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|---------------------------------|-----------------------------|-----------------------|--|-----------|---------------------------|-----------------------|--|-----------|
| | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 | 2019 | % Increase/(Decrease) | Constant Currency (1) % Increase/(Decrease) | 2018 |
| Same Stores | | | | | | | | |
| U.S. | \$ 13,690 | 10.8% | N/A | \$ 12,357 | \$ 27,310 | 12.6 % | N/A | \$ 24,256 |
| U.K. | 1,720 | 9.4% | 15.9% | 1,572 | 3,099 | 3.9 % | 10.5 % | 2,984 |
| Brazil | 179 | 28.8% | 40.3% | 139 | 278 | (25.9)% | (14.7)% | 375 |
| Total Same Stores | 15,589 | 10.8% | 11.7% | 14,068 | 30,687 | 11.1 % | 12.0 % | 27,615 |
| Transactions | 354 | | | 495 | 959 | | | 1,035 |
| Total | \$ 15,943 | 9.5% | 10.3% | \$ 14,563 | \$ 31,646 | 10.5 % | 11.4 % | \$ 28,650 |
| Total Manufacturers' Assistance | \$ 11,812 | 3.2% | 3.2% | \$ 11,447 | \$ 22,294 | (0.8)% | (0.8)% | \$ 22,482 |

(1) See “Non-GAAP Financial Measures” for more details.

Our floorplan interest expense fluctuates with changes in our borrowings outstanding and interest rates, which are based on the one-month London Interbank Offered Rate (“LIBOR”) (or Prime rate in some cases) plus a spread in the U.S. and U.K. and a benchmark rate plus a spread in Brazil. To mitigate the impact of interest rate fluctuations, we employ an interest rate hedging strategy, whereby we swap variable interest rate exposure for a fixed interest rate over the term of the variable interest rate debt.

As of June 30, 2019, our average notional amount of interest rate swaps in effect was \$902.0 million that fixed our underlying one-month LIBOR at a weighted average interest rate of 2.3%. The average notional amount of interest rate swaps in effect represented 64.9% of our average total U.S. floorplan borrowings outstanding for the quarter ended June 30, 2019. The majority of the monthly settlements of these interest rate swap liabilities are recognized as floorplan interest expense. From time to time, we utilize excess cash on hand to pay down our floorplan borrowings, and the resulting interest earned is recognized as an offset to our gross floorplan interest expense.

Our total Same Store floorplan interest expense increased 10.8% for the three months ended June 30, 2019, as compared to the same period in 2018. Our U.S. Same Store floorplan interest expense grew \$1.3 million, or 10.8%, for the quarter ended June 30, 2019 as compared to the same period last year, primarily explained by an \$84.1 million increase in our U.S. weighted average borrowings outstanding and increases in LIBOR, partially offset by the impact of our interest rates swaps. The increase in U.S. weighted average borrowings outstanding was primarily driven by increases in our new vehicle inventory values during the three months ended June 30, 2019 as compared to the same period last year, resulting from a higher mix of truck inventory to meet consumer demand. In the U.K., our Same Store floorplan interest expense increased 9.4% for the three months ended June 30, 2019 as compared to the same period in 2018, primarily explained by a \$15.5 million increase in our U.K. weighted average borrowings outstanding, partially offset by a decline in our weighted average rates. The increase in our U.K. weighted average borrowings outstanding was the result of an increase in new vehicle inventory during the quarter due to lower sales volume resulting from the uncertainty around Brexit.

For the six months ended June 30, 2019, our total Same Store floorplan interest expense increased 11.1% as compared to the same period in 2018. Our U.S. Same Store floorplan interest expense increased 12.6% for the six months ended June 30, 2019, primarily explained by an \$85.6 million increase in our U.S. weighted average borrowings outstanding and increases in LIBOR, partially offset by the impact of our interest rate swaps, compared to the same period a year ago. Our U.K. Same Store floorplan interest expense increased 3.9% for the six months ended June 30, 2019 as compared to the same period in 2018 driven by increases in our U.K. weighted average borrowings.

Other Interest Expense, net

Other interest expense, net consists of interest charges primarily on our real estate related debt, working capital lines of credit, and our other long-term debt, partially offset by interest income. For the three months ended June 30, 2019, other interest expense, net decreased \$1.5 million, or 7.5%, to \$18.0 million as compared to the same period in 2018. For the six months ended June 30, 2019, other interest expense, net decreased \$1.4 million, or 3.5%, to \$36.9 million as compared to the same period in 2018. Decreases for both periods were primarily attributable to a decrease in the weighted average borrowings on our real estate related debt and finance leases.

Provision for Income Taxes

Our provision for income taxes decreased \$4.7 million to \$14.0 million for the three months ended June 30, 2019, as compared to the same period in 2018. For the six months ended June 30, 2019, our provision for income taxes decreased \$1.5 million to \$27.5 million, as compared to the same period in 2018. The decrease was primarily due to the decrease of pretax book income. For the three months ended June 30, 2019, our effective tax rate decreased to 22.2% from 24.9%, as compared to the same period in 2018. This decrease was primarily due to changes to valuation allowances provided for net operating losses in certain U.S. states and Brazil and excess tax deductions for restricted stock, partially offset by the tax impact of a dealership disposition in Brazil. For the six months ended June 30, 2019, our effective tax rate of 23.9% was nearly unchanged from 24.0% for the same period in 2018.

We expect our effective tax rate for the full-year of 2019 will be between 23.0% and 24.0%. We believe that it is more likely than not that our deferred tax assets, net of valuation allowances provided, will be realized, based primarily on assumptions of our future taxable income, considering future reversals of existing taxable temporary differences.

Liquidity and Capital Resources

Our liquidity and capital resources are primarily derived from cash on hand, cash temporarily invested as a pay down of our Floorplan Line and FMCC Facility (see Note 7, "Floorplan Notes Payable" in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information) levels, cash from operations, borrowings under our credit facilities, which provide vehicle floorplan financing, working capital, and dealership and real estate acquisition financing, and proceeds from debt and equity offerings. Based on current facts and circumstances, we believe we will have adequate cash flow, coupled with available borrowing capacity, to fund our current operations, capital expenditures, and acquisitions for the remainder of 2019. If economic and business conditions deteriorate or if our capital expenditures or acquisition plans for 2019 change, we may need to access the private or public capital markets to obtain additional funding.

Cash on Hand

As of June 30, 2019, our total cash on hand was \$37.7 million. The balance of cash on hand excludes \$69.5 million of immediately available funds used to pay down our Floorplan Line and FMCC Facility as of June 30, 2019. We use the pay down of our Floorplan Line and FMCC Facility as a channel for the short-term investment of excess cash.

Cash Flows

We utilize various credit facilities to finance the purchase of our new and used vehicle inventory. With respect to all new vehicle floorplan borrowings in the normal course of business, the manufacturers of the vehicles draft our credit facilities directly with no cash flows to or from us. With respect to borrowings for used vehicle financing, we finance up to 85% of the value of our used vehicle inventory in the U.S., and the funds flow directly between us and the lender.

We categorize the cash flows associated with borrowings and repayments on these various credit facilities as Operating or Financing Activities in our Unaudited Condensed Consolidated Statements of Cash Flows. All borrowings from, and repayments to, lenders affiliated with our vehicle manufacturers (excluding the cash flows from or to manufacturer-affiliated lenders participating in our syndicated lending group) are presented within Cash Flows from Operating Activities on the Unaudited Condensed Consolidated Statements of Cash Flows in conformity with U.S. GAAP. All borrowings from, and repayments to, the Revolving Credit Facility (see Note 7, "Floorplan Notes Payable" in the Notes to Unaudited Condensed Consolidated Financial Statements for additional information) (including the cash flows from or to manufacturer-affiliated lenders participating in the facility) and other credit facilities in the U.K. and Brazil unaffiliated with our manufacturer partners (collectively, "Non-OEM Floorplan Credit Facilities"), are presented within Cash Flows from Financing Activities in conformity with U.S. GAAP. However, the incurrence of all floorplan notes payable represents an activity necessary to acquire inventory for resale, resulting in a trade payable. Our decision to utilize our Revolving Credit Facility does not substantially alter the process by which our vehicle inventory is financed, nor does it significantly impact the economics of our vehicle procurement activities. Therefore, we believe that all floorplan financing of inventory purchases in the normal course of business should correspond with the related inventory activity and be classified as an operating activity. As a result, we use the non-GAAP measure "Adjusted net cash provided by operating activities," which makes such reclassification, to further evaluate our cash flows. We believe that this classification eliminates excess volatility in our operating cash flows prepared in accordance with U.S. GAAP and avoids the potential to mislead the users of our financial statements.

In addition, for dealership acquisitions and dispositions that are negotiated as asset purchases, we do not assume transfer of liabilities for floorplan financing in the execution of the transactions. Therefore, borrowings and repayments of all floorplan financing associated with dealership acquisition and disposition are characterized as either operating or financing activities in our statement of cash flows presented in conformity with U.S. GAAP, depending on the relationship described above. However, the floorplan financing activity is so closely related to the inventory acquisition process that we believe the presentation of all acquisition and disposition related floorplan financing activities should be classified as investing activity to correspond with the associated inventory activity, and we have made such adjustments in our adjusted operating cash flow presentations.

The following tables set forth selected historical information regarding cash flows from our Unaudited Condensed Consolidated Statements of Cash Flows on a GAAP and on an adjusted, non-GAAP basis. For further explanation and reconciliation to the most directly comparable GAAP measures, see "Non-GAAP Financial Measures" below (in thousands):

| GAAP Basis | Six Months Ended June 30, | |
|--|---------------------------|------------|
| | 2019 | 2018 |
| Net cash provided (used in) by operating activities | \$ 252,948 | \$ 263,106 |
| Net cash provided by (used in) investing activities | (71,605) | (87,827) |
| Net cash provided by (used in) financing activities | (157,768) | (158,466) |
| Effect of exchange rate changes on cash | (755) | (2,812) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | \$ 22,820 | \$ 14,001 |

| Adjusted, Non-GAAP Basis | Six Months Ended June 30, | |
|--|---------------------------|------------|
| | 2019 | 2018 |
| Adjusted net cash provided by (used in) operating activities | \$ 184,264 | \$ 185,700 |
| Adjusted net cash provided by (used in) investing activities | (87,283) | (99,212) |
| Adjusted net cash provided by (used in) provided by financing activities | (73,406) | (69,675) |
| Effect of exchange rate changes on cash | (755) | (2,812) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | \$ 22,820 | \$ 14,001 |

Sources and Uses of Liquidity from Operating Activities

For the six months ended June 30, 2019, we generated \$252.9 million of net cash flows from operating activities. On an adjusted basis for the same period, we generated \$184.3 million in net cash flows from operating activities, primarily consisting of \$87.9 million in net income, coupled with non-cash adjustments related to depreciation and amortization of \$34.9 million, operating lease assets of \$14.4 million, stock-based compensation of \$10.0 million and deferred income taxes of \$5.1 million, partially offset by a \$6.0 million gain on the disposition of assets. Adjusted net cash flows from operating activities also includes a \$34.9 million adjusted net change in operating assets and liabilities, including cash inflows of \$77.3 million from increases in accounts payable and accrued expenses and \$31.7 million from decreases in inventory level. These cash inflows were partially offset by cash outflows of \$59.8 million from the adjusted net decrease in floorplan borrowings and \$14.5 million from the decrease in operating lease liabilities.

For the six months ended June 30, 2018, we generated \$263.1 million of net cash flow from operating activities. On an adjusted basis for the same period, we generated \$185.7 million in net cash flow from operating activities, primarily consisting of \$92.3 million in net income, as well as non-cash adjustments related to depreciation and amortization of \$33.0 million, stock-based compensation of \$9.9 million, deferred income taxes of \$5.6 million, asset impairments of \$4.3 million, and a \$59.8 million net change in operating assets and liabilities, partially offset by a \$20.7 million gain on sale of assets. Included in the adjusted net changes of operating assets and liabilities were cash inflows of \$56.7 million from the net decrease in vehicle receivables and contracts-in-transit, \$47.3 million from decreases in inventory levels, \$26.1 million from increases in accounts payable and accrued expenses, and \$21.2 million from the net decrease in accounts and notes receivable. These cash inflows were partially offset by adjusted cash outflows of \$80.9 million from the net decrease in floorplan borrowings.

Working Capital

At June 30, 2019, we had \$26.8 million of working capital. This represents an increase of \$11.0 million from December 31, 2018, when we had \$15.8 million of working capital. The increase is primarily attributable to increased cash flow offset by the implementation of Topic 842 in which we recognized an incremental current liability, representing our operating lease liability, of \$26.1 million upon transition and utilized the optional transition method whereby balances as of December 31, 2018 were unchanged. See Note 1, "Interim Financial Information" and Note 11, "Leases" in the Notes to Unaudited Condensed Consolidated Financial Statements for further information. Changes in our working capital are also typically explained by changes in floorplan notes payable outstanding. Borrowings on our new vehicle floorplan notes payable, subject to agreed-upon pay-off terms, are equal to 100% of the factory invoice of the vehicles. Borrowings on our used vehicle floorplan notes payable, subject to agreed-upon pay-off terms, are limited to 85% of the aggregate book value of our used vehicle inventory, except in the U.K. and Brazil. At times, we have made payments on our floorplan notes payable using excess cash flows from operations and the proceeds of debt and equity offerings. As needed, we re-borrow the amounts later, up to the limits on the floorplan notes payable discussed above, for working capital, acquisitions, capital expenditures, or general corporate purposes.

Sources and Uses of Liquidity from Investing Activities

During the six months ended June 30, 2019, we used \$71.6 million in net cash flows from investing activities. On an adjusted basis for the same period, we used \$87.3 million in net cash flows from investing activities, representing \$109.2 million used for purchases of property and equipment, partially offset by cash inflows of \$22.3 million related to the disposition of franchises and property and equipment. Of the \$109.2 million in property and equipment purchases, \$46.5 million was used for capital expenditures, \$59.2 million was used for the purchase of real estate associated with existing dealership operations and \$3.5 million represents the net decrease in the accrual for capital expenditures from year-end.

During the six months ended June 30, 2018, we used \$87.8 million in net cash flow for investing activities. On an adjusted basis for the same period, we used \$99.2 million in net cash flow for investing activities, primarily consisting of \$68.7 million of cash flows for dealership acquisition activity and \$88.2 million for purchases of property and equipment, and to construct new, and improve existing, facilities, partially offset by cash inflows of \$58.4 million related to dispositions of franchises and fixed assets. Within this total of property and equipment purchases, \$65.1 million was used for capital expenditures, \$23.0 million was used for the purchase of real estate associated with existing dealership operations and \$0.1 million represents the net decrease in the accrual for capital expenditures from year-end.

Capital Expenditures

Our capital expenditures include costs to extend the useful lives of current facilities, as well as to start or expand operations. In general, expenditures relating to the construction or expansion of dealership facilities are driven by dealership acquisition activity, new franchises being granted to us by a manufacturer, significant growth in sales at an existing facility, relocation opportunities, or manufacturer imaging programs. We critically evaluate all planned future capital spending, working closely with our manufacturer partners to maximize the return on our investments. We forecast our capital expenditures for the full year of 2019 will be less than \$110.0 million, which could generally be funded from excess cash. This amount excludes real estate purchases associated with franchise acquisitions and lease buy-outs.

Acquisitions

We evaluate the expected return on investment in our consideration of potential business purchases. In general, the purchase price, excluding real estate and floorplan liabilities, is approximately 15% to 20% of the annual revenue. Cash needed to complete our acquisitions normally comes from excess working capital, operating cash flows of our dealerships, and borrowings under our floorplan facilities, term loans, and our Acquisition Line (defined below).

Sources and Uses of Liquidity from Financing Activities

For the six months ended June 30, 2019, we used \$157.8 million in net cash flows from financing activities. On an adjusted basis for the same period, we used \$73.4 million in net cash flows from financing activities, primarily related to cash outflows of \$44.8 million in net repayments on our Floorplan lines (representing the net cash activity in our floorplan offset accounts), \$20.1 million in net payments on real estate debt, and \$9.7 million in dividend payments.

For the six months ended June 30, 2018, we used \$158.5 million in net cash flow from financing activities. On an adjusted basis for the same period, we used \$69.7 million in net cash flow from financing activities, primarily related to cash outflows of \$51.3 million to repurchase our Company's common stock, \$8.7 million of net payments on real estate debt, \$10.8 million for dividend payments, and \$35.0 million in net payments on our Floorplan lines (representing the net cash activity in our floorplan offset accounts). These outflows were partially offset by cash inflows related to \$13.7 million of net borrowings on our Acquisition Line and \$21.5 million of net borrowings of other debt.

Credit Facilities, Debt Instruments and Other Financing Arrangements

Our various credit facilities, debt instruments and other financing arrangements are used to finance the purchase of inventory and real estate, provide acquisition funding, and provide working capital for general corporate purposes.

The following table summarizes the position of our U.S. credit facilities as of June 30, 2019 (in thousands):

| U.S. Credit Facilities | Total Commitment | Outstanding | Available |
|---|---------------------|--------------|------------|
| Floorplan Line ⁽¹⁾ | \$ 1,440,000 | \$ 1,098,936 | \$ 341,064 |
| Acquisition Line ⁽²⁾ | 360,000 | 63,453 | 296,547 |
| Total Revolving Credit Facility | 1,800,000 | 1,162,389 | 637,611 |
| FMCC Facility ⁽³⁾ | 300,000 | 177,523 | 122,477 |
| Total U.S. Credit Facilities ⁽⁴⁾ | \$ 2,100,000 | \$ 1,339,912 | \$ 760,088 |

(1) The available balance at June 30, 2019 includes \$69.3 million of immediately available funds.

(2) The outstanding balance of \$63.5 million is related to outstanding letters of credit of \$25.5 million and \$38.0 million in borrowings as of June 30, 2019. The borrowings outstanding under the Acquisition Line represent 30.0 million British pound sterling translated at the spot rate on the day borrowed, solely for the purpose of calculating the outstanding and available borrowings under the Acquisition Line. The available borrowings may be limited from time to time, based on certain debt covenants.

(3) The available balance at June 30, 2019 includes \$0.2 million of immediately available funds.

(4) The outstanding balance excludes \$279.9 million of borrowings with manufacturer-affiliates and third-party financial institutions for foreign and non-Revolving Credit Facility rental vehicle financing.

Revolving Credit Facility

The Revolving Credit Facility contains a number of significant covenants that, among other things, restrict our ability to make disbursements outside of the ordinary course of business, dispose of assets, incur additional indebtedness, create liens on assets, make investments, and engage in mergers or consolidations. We are also required to comply with specified financial tests and ratios defined in the Revolving Credit Facility, such as the fixed charge coverage and total adjusted leverage ratios. Further, the Revolving Credit Facility restricts our ability to make certain payments, such as dividends or other distributions of assets, properties, cash, rights, obligations, or securities ("Restricted Payments"). As of June 30, 2019, the Credit Facility Restricted Payment Basket totaled \$106.1 million and we were in compliance with all our financial covenants, including:

| | As of June 30, 2019 | |
|-------------------------------|---------------------|--------|
| | Required | Actual |
| Total Adjusted Leverage Ratio | < 5.50 | 3.33 |
| Fixed Charge Coverage Ratio | > 1.20 | 2.52 |

Based upon our current five-year operating and financial projections, we believe that we will remain compliant with such covenants in the future.

Other Inventory Credit Facilities and Financing Arrangements

We have other credit facilities in the U.S., U.K. and Brazil with third-party financial institutions, most of which are affiliated with the automobile manufacturers that provide financing for portions of our new, used, and rental vehicle inventories. In addition, we have outstanding debt instruments, including our 5.00% Notes and 5.25% Notes, as well as real estate related and other long-term debt instruments.

See Note 7, “Floorplan Notes Payable” and Note 8, “Debt” in the Notes to Unaudited Condensed Consolidated Financial Statements for further discussion of our credit facilities, debt instruments, and other financing arrangements existing as of June 30, 2019.

Dividends

The payment of dividends is subject to the discretion of our Board of Directors after considering the results of operations, financial condition, cash flows, capital requirements, outlook for our business, general business conditions, the political and legislative environments, and other factors.

Further, we are limited under the terms of the Revolving Credit Facility, certain mortgage term loans, 5.00% Notes and 5.25% Notes in our ability to make cash dividend payments to our stockholders and to repurchase shares of our outstanding common stock. As of June 30, 2019, the restricted payment baskets limited us to \$106.1 million in restricted payments. Generally, these restricted payment baskets will increase in the future periods by 50.0% of our future cumulative net income, adjusted to exclude the Company’s foreign operations, non-cash interest expense, non-cash asset impairment charges, and non-cash stock-based compensation, plus the net proceeds received from the sale of our capital stock, and decrease by the amount of future payments for cash dividends and share repurchases. For the six months ended June 30, 2019, we paid dividends of \$9.3 million to common stock shareholders and \$0.4 million to unvested restricted stock award holders.

Non-GAAP Financial Measures

In addition to evaluating the financial condition and results of our operations in accordance with U.S. GAAP, from time to time our management evaluates and analyzes results and any impact on the Company of strategic decisions and actions relating to, among other things, cost reduction, growth, profitability improvement initiatives, and other events outside of normal, or “core,” business and operations, by considering alternative financial measures not prepared in accordance with U.S. GAAP. In our evaluation of results from time to time, we exclude items that do not arise directly from core operations, such as non-cash asset impairment charges, legal matters, gains and losses on dealership franchise or real estate transactions, and catastrophic events, such as hailstorms, hurricanes, and snow storms. Because these non-core charges and gains materially affect the Company’s financial condition or results in the specific period in which they are recognized, management also evaluates, and makes resource allocation and performance evaluation decisions based on, the related non-GAAP measures excluding such items. This includes evaluating measures such as adjusted selling, general and administrative expenses, adjusted net income, adjusted diluted income per share, adjusted cash flows from operating, investing and financing activities, and constant currency. These adjusted measures are not measures of financial performance under U.S. GAAP, but are instead considered non-GAAP financial performance measures. Non-GAAP measures do not have definitions under U.S. GAAP and may be defined differently by, and not be comparable to similarly titled measures used by, other companies. As a result, any non-GAAP financial measures considered and evaluated by management are reviewed in conjunction with a review of the most directly comparable measures calculated in accordance with U.S. GAAP. We caution investors not to place undue reliance on such non-GAAP measures, but also to consider them with the most directly comparable U.S. GAAP measures.

In addition to using such non-GAAP measures to evaluate results in a specific period, management believes that such measures may provide more complete and consistent comparisons of operational performance on a period-over-period historical basis and a better indication of expected future trends. Our management also uses these adjusted measures in conjunction with U.S. GAAP financial measures to assess our business, including communication with our Board of Directors, investors, and industry analysts concerning financial performance. We disclose these non-GAAP measures, and the related reconciliations, because we believe investors use these metrics in evaluating longer-term period-over-period performance, and to allow investors to better understand and evaluate the information used by management to assess operating performance. The exclusion of certain expenses in the calculation of non-GAAP financial measures should not be construed as an inference that these costs are unusual or infrequent. We anticipate excluding these expenses in the future presentation of our non-GAAP financial measures.

In addition, we evaluate our results of operations on both an as reported and a constant currency basis. The constant currency presentation, which is a non-GAAP measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our underlying business and results of operations, consistent with how we evaluate our performance. We calculate constant currency percentages by converting our current period reported results for entities reporting in currencies other than U.S. dollars using comparative period exchange rates rather than the actual exchange rates in effect during the respective periods. The constant currency performance measures should not be considered a substitute for, or superior to, the measures of financial performance prepared in accordance with U.S. GAAP.

The following tables reconcile certain reported non-GAAP measures to the most comparable U.S. GAAP by segment and on a consolidated basis (in thousands, except per share amounts). Our U.K segment had no non-GAAP adjustments for the three and six months ended June 30, 2019 and 2018, respectively. Therefore, only our U.S and Brazil segments are reconciled below.

**U.S. Adjustments for
Three Months Ended June 30, 2019**

| | U.S. GAAP | Catastrophic events | Non-GAAP adjusted |
|--|------------------|---------------------|-------------------|
| Selling, general and administrative expenses | \$ 268,077 | \$ (3,992) | \$ 264,085 |
| Income (loss) from operations | 94,455 | 3,992 | 98,447 |
| Income (loss) before income taxes | 63,843 | 3,992 | 67,835 |
| Benefit (provision) for income taxes | (15,075) | (963) | (16,038) |
| Net income (loss) | <u>\$ 48,768</u> | <u>\$ 3,029</u> | <u>\$ 51,797</u> |

| | | |
|------------------------|-------|-------|
| SG&A as % gross profit | 71.2% | 70.1% |
| Operating margin | 4.1% | 4.3% |
| Pretax margin | 2.8% | 3.0% |

| | | | |
|-----------------------------------|------------|------------|------------|
| Same Store SG&A | \$ 263,184 | \$ (3,992) | \$ 259,192 |
| Same Store SG&A as % gross profit | 71.1% | | 70.0% |

| | | | |
|--|-----------|----------|-----------|
| Same Store income (loss) from operations | \$ 93,336 | \$ 3,992 | \$ 97,328 |
| Same Store operating margin | 4.2% | | 4.4% |

**Brazil Adjustments for
Three Months Ended June 30, 2019**

| | U.S. GAAP | Gain (loss) on real estate and dealership transactions | | | Non-cash asset impairment | Non-GAAP adjusted |
|--|-----------------|--|-----------------|---------------|---------------------------|-------------------|
| | | | Legal matters | | | |
| Selling, general and administrative expenses | \$ 11,602 | \$ 182 | \$ 378 | \$ — | \$ 12,162 | |
| Asset impairments | 537 | — | — | (537) | — | |
| Income (loss) from operations | 918 | (182) | (378) | 537 | 895 | |
| Income (loss) before income taxes | 930 | (182) | (378) | 537 | 907 | |
| Benefit (provision) for income taxes | 551 | 533 | — | — | 1,084 | |
| Net income (loss) | <u>\$ 1,481</u> | <u>\$ 351</u> | <u>\$ (378)</u> | <u>\$ 537</u> | <u>\$ 1,991</u> | |

| | | |
|------------------------|-------|-------|
| SG&A as % gross profit | 86.1% | 90.3% |
| Operating margin | 0.8% | 0.8% |
| Pretax margin | 0.8% | 0.8% |

| | | | | | |
|-----------------------------------|-----------|------|------|------|-----------|
| Same Store SG&A | \$ 11,506 | \$ — | \$ — | \$ — | \$ 11,506 |
| Same Store SG&A as % gross profit | 90.5% | | | | 90.5% |

| | | | | | |
|--|--------|------|------|--------|--------|
| Same Store income (loss) from operations | \$ 262 | \$ — | \$ — | \$ 537 | \$ 799 |
| Same Store operating margin | 0.2% | | | | 0.8% |

**Consolidated Adjustments for
Three Months Ended June 30, 2019**

| | U.S. GAAP | Catastrophic events | Gain (loss) on real estate and dealership transactions | Legal matters | Non-cash asset impairments | Non-GAAP adjusted |
|--|------------|------------------------|---|---------------|-------------------------------|----------------------|
| Selling, general and administrative expenses | \$ 338,715 | \$ (3,992) | \$ 182 | \$ 378 | \$ — | \$ 335,283 |
| Asset impairments | 537 | — | — | — | (537) | — |
| Income (loss) from operations | 97,137 | 3,992 | (182) | (378) | 537 | 101,106 |
| Income (loss) before income taxes | 63,233 | 3,992 | (182) | (378) | 537 | 67,202 |
| Benefit (provision) for income taxes | (14,008) | (963) | 533 | — | — | (14,438) |
| Net income (loss) | 49,225 | 3,029 | 351 | (378) | 537 | 52,764 |
| Less: Adjusted earnings (loss) allocated to participating securities | 1,842 | 114 | 13 | (14) | 20 | 1,975 |
| Adjusted net income (loss) available to diluted common shares | \$ 47,383 | \$ 2,915 | \$ 338 | \$ (364) | \$ 517 | \$ 50,789 |
| Diluted income (loss) per common share | \$ 2.64 | \$ 0.16 | \$ 0.02 | \$ (0.02) | \$ 0.03 | \$ 2.83 |
| Effective tax rate | 22.2% | | | | | 21.5% |
| SG&A as % gross profit | 74.6% | | | | | 73.8% |
| Operating margin | 3.2% | | | | | 3.4% |
| Pretax margin | 2.1% | | | | | 2.2% |
| Same Store SG&A | \$ 331,688 | \$ (3,992) | \$ — | \$ — | \$ — | \$ 327,696 |
| Same Store SG&A as % gross profit | 74.5% | | | | | 73.6% |
| Same Store income (loss) from operations | \$ 95,409 | \$ 3,992 | \$ — | \$ — | \$ 537 | \$ 99,938 |
| Same Store operating margin | 3.2% | | | | | 3.4% |

**U.S. Adjustments for
Six Months Ended June 30, 2019**

| | U.S. GAAP | Catastrophic events | Gain (loss) on real estate and dealership transactions | Legal matters | Non-GAAP adjusted |
|--|------------|------------------------|---|---------------|----------------------|
| Selling, general and administrative expenses | \$ 524,230 | \$ (5,965) | \$ 5,216 | \$ (1,829) | \$ 521,652 |
| Income (loss) from operations | 171,985 | 5,965 | (5,216) | 1,829 | 174,563 |
| Income (loss) before income taxes | 110,210 | 5,965 | (5,216) | 1,829 | 112,788 |
| Benefit (provision) for income taxes | (27,488) | (1,482) | 1,381 | (481) | (28,070) |
| Net income (loss) | \$ 82,722 | \$ 4,483 | \$ (3,835) | \$ 1,348 | \$ 84,718 |
| SG&A as % gross profit | 72.4% | | | | 72.1% |
| Operating margin | 4.0% | | | | 4.0% |
| Pretax margin | 2.5% | | | | 2.6% |
| Same Store SG&A | \$ 516,471 | \$ (5,964) | \$ 1,076 | \$ (1,829) | \$ 509,754 |
| Same Store SG&A as % gross profit | 72.7% | | | | 71.8% |
| Same Store income (loss) from operations | \$ 166,774 | \$ 5,965 | \$ (1,076) | \$ 1,829 | \$ 173,492 |
| Same Store operating margin | 3.9% | | | | 4.1% |

**Brazil Adjustments for
Six Months Ended June 30, 2019**

| | U.S. GAAP | Gain (loss) on real estate and dealership transactions | Legal matters | Non-cash asset impairment | Non-GAAP adjusted |
|--|-----------------|---|---------------|------------------------------|----------------------|
| Selling, general and administrative expenses | \$ 23,965 | \$ 182 | \$ (194) | \$ — | \$ 23,953 |
| Asset impairments | 537 | — | — | (537) | — |
| Income (loss) from operations | 744 | (182) | 194 | 537 | 1,293 |
| Income (loss) before income taxes | 495 | (182) | 194 | 537 | 1,044 |
| Benefit (provision) for income taxes | 532 | 533 | — | — | 1,065 |
| Net income (loss) | <u>\$ 1,027</u> | <u>\$ 351</u> | <u>\$ 194</u> | <u>\$ 537</u> | <u>\$ 2,109</u> |
| SG&A as % gross profit | 91.9% | | | | 91.9% |
| Operating margin | 0.3% | | | | 0.6% |
| Pretax margin | 0.2% | | | | 0.5% |
| Same Store SG&A | \$ 22,568 | \$ — | \$ — | \$ — | \$ 22,568 |
| Same Store SG&A as % gross profit | 93.5% | | | | 93.5% |
| Same Store income from operations | \$ 245 | \$ — | \$ — | \$ 537 | \$ 782 |
| Same Store operating margin | 0.1% | | | | 0.4% |

**Consolidated Adjustments for
Six Months Ended June 30, 2019**

| | U.S. GAAP | Catastrophic events | Gain (loss) on real estate and dealership transactions | Legal matters | Non-cash asset impairments | Non-GAAP adjusted |
|--|------------|------------------------|---|---------------|-------------------------------|----------------------|
| Selling, general and administrative expenses | \$ 666,423 | \$ (5,965) | \$ 5,398 | \$ (2,023) | \$ — | \$ 663,833 |
| Asset impairments | 537 | — | — | — | (537) | — |
| Income (loss) from operations | 183,935 | 5,965 | (5,398) | 2,023 | 537 | 187,062 |
| Income (loss) before income taxes | 115,409 | 5,965 | (5,398) | 2,023 | 537 | 118,536 |
| Benefit (provision) for income taxes | (27,536) | (1,482) | 1,914 | (481) | — | (27,585) |
| Net income (loss) | 87,873 | 4,483 | (3,484) | 1,542 | 537 | 90,951 |
| Less: Adjusted earnings (loss) allocated to participating securities | 3,299 | 170 | (132) | 58 | 20 | 3,415 |
| Adjusted net income (loss) available to diluted common shares | \$ 84,574 | \$ 4,313 | \$ (3,352) | \$ 1,484 | \$ 517 | \$ 87,536 |
| Diluted income (loss) per common share | \$ 4.73 | \$ 0.25 | \$ (0.19) | \$ 0.08 | \$ 0.03 | \$ 4.90 |
| Effective tax rate | 23.9% | | | | | 23.3% |
| SG&A as % gross profit | 75.2% | | | | | 74.9% |
| Operating margin | 3.2% | | | | | 3.2% |
| Pretax margin | 2.0% | | | | | 2.0% |
| Same Store SG&A | \$ 647,325 | \$ (5,965) | \$ 1,076 | \$ (1,829) | \$ — | \$ 640,607 |
| Same Store SG&A as % gross profit | 75.3% | | | | | 74.5% |
| Same Store income (loss) from operations | \$ 177,982 | \$ 5,965 | \$ (1,076) | \$ 1,829 | \$ 537 | \$ 185,237 |
| Same Store operating margin | 3.2% | | | | | 3.3% |

**U.S. Adjustments for
Three Months Ended June 30, 2018**

| | U.S. GAAP | Catastrophic events | Gain (loss) on real estate and dealership transactions | Legal matters | Non-cash asset impairments | Non-GAAP adjusted |
|--|------------------|---------------------|--|-----------------|----------------------------|-------------------|
| Selling, general and administrative expenses | \$ 234,279 | \$ (5,812) | \$ 20,119 | \$ (2,000) | \$ — | \$ 246,586 |
| Asset impairments | 4,268 | — | — | — | (4,268) | — |
| Income (loss) from operations | 99,083 | 5,812 | (20,119) | 2,000 | 4,268 | 91,044 |
| Income (loss) before income taxes | 68,942 | 5,812 | (20,119) | 2,000 | 4,268 | 60,903 |
| Benefit (provision) for income taxes | (17,402) | (1,444) | 4,917 | (496) | (1,089) | (15,514) |
| Net income (loss) | <u>\$ 51,540</u> | <u>\$ 4,368</u> | <u>\$ (15,202)</u> | <u>\$ 1,504</u> | <u>\$ 3,179</u> | <u>\$ 45,389</u> |
| SG&A as % gross profit | 66.8% | | | | | 70.3% |
| Operating margin | 4.6% | | | | | 4.2% |
| Pretax margin | 3.2% | | | | | 2.8% |
| 2018 v. 2019 | | | | | | |
| Same Store SG&A | \$ 244,896 | \$ (5,812) | \$ 3,218 | \$ (2,000) | \$ — | \$ 240,302 |
| Same Store SG&A as % gross profit | 71.7% | | | | | 70.4% |
| Same Store income from operations | \$ 81,187 | \$ 5,812 | \$ (3,218) | \$ 2,000 | \$ 3,099 | \$ 88,880 |
| Same Store operating margin | 3.9% | | | | | 4.2% |

**Brazil Adjustments for
Three Months Ended June 30, 2018**

| | U.S. GAAP | Legal matters | Non-GAAP adjusted |
|--|-----------------|---------------|-------------------|
| Selling, general and administrative expenses | \$ 11,555 | \$ (550) | \$ 11,005 |
| Income (loss) from operations | 659 | 550 | 1,209 |
| Income (loss) before income taxes | 230 | 550 | 780 |
| Benefit (provision) for income taxes | (420) | (72) | (492) |
| Net income (loss) | <u>\$ (190)</u> | <u>\$ 478</u> | <u>\$ 288</u> |
| SG&A as % gross profit | 91.1% | | 86.7% |
| Operating margin | 0.6% | | 1.1% |
| Pretax margin | 0.2% | | 0.7% |
| 2018 v. 2019 | | | |
| Same Store SG&A | \$ 11,307 | \$ (427) | \$ 10,880 |
| Same Store SG&A as % gross profit | 89.9% | | 86.5% |
| Same Store income from operations | \$ 807 | \$ 427 | \$ 1,234 |
| Same Store operating margin | 0.8% | | 1.2% |

**Consolidated Adjustments for
Three Months Ended June 30, 2018**

| | U.S. GAAP | Catastrophic events | Gain (loss) on real estate and dealership transactions | Legal matters | Non-Cash asset impairments | Non-GAAP adjusted |
|--|------------|------------------------|---|---------------|-------------------------------|----------------------|
| Selling, general and administrative expenses | \$ 308,092 | \$ (5,812) | \$ 20,119 | \$ (2,550) | \$ — | \$ 319,849 |
| Asset impairments | 4,268 | — | | — | (4,268) | — |
| Income (loss) from operations | 109,165 | 5,812 | (20,119) | 2,550 | 4,268 | 101,676 |
| Income (loss) before income taxes | 75,188 | 5,812 | (20,119) | 2,550 | 4,268 | 67,699 |
| Benefit (provision) for income taxes | (18,725) | (1,444) | 4,917 | (568) | (1,089) | (16,909) |
| Net income (loss) | 56,463 | 4,368 | (15,202) | 1,982 | 3,179 | 50,790 |
| Less: Adjusted earnings (loss) allocated to participating securities | 1,916 | 149 | (519) | 68 | 108 | 1,722 |
| Adjusted net income (loss) available to diluted common shares | \$ 54,547 | \$ 4,219 | \$ (14,683) | \$ 1,914 | \$ 3,071 | \$ 49,068 |
| Diluted income per common share | \$ 2.72 | \$ 0.21 | \$ (0.73) | \$ 0.10 | \$ 0.15 | \$ 2.45 |
| Effective tax rate | 24.9% | | | | | 25.0% |
| SG&A as % gross profit | 70.3% | | | | | 73.0% |
| Operating margin | 3.7% | | | | | 3.5% |
| Pretax margin | 2.6% | | | | | 2.3% |
| 2018 v. 2019 | | | | | | |
| Same Store SG&A | \$ 315,906 | \$ (5,812) | \$ 3,218 | (2,427) | \$ — | \$ 310,885 |
| Same Store SG&A as % gross profit | 74.0% | | | | | 72.8% |
| Same Store income from operations | \$ 92,113 | \$ 5,812 | \$ (3,218) | \$ 2,427 | \$ 3,099 | \$ 100,233 |
| Same Store operating margin | 3.2% | | | | | 3.5% |

**U.S. Adjustments for
Six Months Ended June 30, 2018**

| | U.S. GAAP | Catastrophic events | Gain (loss) on real estate and dealership transactions | Legal matters | Non-cash asset impairments | Non-GAAP adjusted |
|--|------------------|------------------------|---|-----------------|-------------------------------|----------------------|
| Selling, general and administrative expenses | \$ 487,220 | \$ (5,812) | \$ 20,119 | \$ (2,000) | \$ — | \$ 499,527 |
| Asset impairments | 4,268 | — | — | — | (4,268) | — |
| Income (loss) from operations | 168,946 | 5,812 | (20,119) | 2,000 | 4,268 | 160,907 |
| Income (loss) before income taxes | 109,452 | 5,812 | (20,119) | 2,000 | 4,268 | 101,413 |
| Benefit (provision) for income taxes | (26,759) | (1,444) | 4,917 | (496) | (1,089) | (24,871) |
| Net income (loss) | <u>\$ 82,693</u> | <u>\$ 4,368</u> | <u>\$ (15,202)</u> | <u>\$ 1,504</u> | <u>\$ 3,179</u> | <u>\$ 76,542</u> |

| | | | | | | |
|------------------------|-------|--|--|--|--|-------|
| SG&A as % gross profit | 71.0% | | | | | 72.8% |
| Operating margin | 4.0% | | | | | 3.8% |
| Pretax margin | 2.6% | | | | | 2.4% |

2018 v. 2019

| | | | | | | |
|-----------------------------------|------------|------------|----------|------------|------|------------|
| Same Store SG&A | \$ 489,849 | \$ (5,811) | \$ 3,218 | \$ (2,000) | \$ — | \$ 485,256 |
| Same Store SG&A as % gross profit | 73.3% | | | | | 72.6% |

| | | | | | | |
|--|------------|----------|------------|----------|----------|------------|
| Same Store income (loss) from operations | \$ 150,417 | \$ 5,812 | \$ (3,218) | \$ 2,000 | \$ 3,099 | \$ 158,110 |
| Same Store operating margin | 3.6% | | | | | 3.8% |

**Brazil Adjustments for
Six Months Ended June 30, 2018**

| | U.S. GAAP | Legal matters | Non-GAAP adjusted |
|--|-----------------|---------------|-------------------|
| Selling, general and administrative expenses | \$ 23,365 | \$ (550) | \$ 22,815 |
| Income (loss) from operations | 1,087 | 550 | 1,637 |
| Income (loss) before income taxes | 150 | 550 | 700 |
| Benefit (provision) for income taxes | (554) | (72) | (626) |
| Net income (loss) | <u>\$ (404)</u> | <u>\$ 478</u> | <u>\$ 74</u> |

| | | | |
|------------------------|-------|--|-------|
| SG&A as % gross profit | 92.3% | | 90.1% |
| Operating margin | 0.5% | | 0.7% |
| Pretax margin | 0.1% | | 0.3% |

2018 v. 2019

| | | | |
|-----------------------------------|-----------|----------|-----------|
| Same Store SG&A | \$ 23,038 | \$ (427) | \$ 22,611 |
| Same Store SG&A as % gross profit | 91.4% | | 89.7% |

| | | | |
|--|----------|--------|----------|
| Same Store income (loss) from operations | \$ 1,315 | \$ 427 | \$ 1,742 |
| Same Store operating margin | 0.6% | | 0.8% |

**Consolidated Adjustments for
Six Months Ended June 30, 2018**

| | U.S. GAAP | Catastrophic events | Gain (loss) on real estate and dealership transactions | Legal matters | Non-cash asset impairments | Non-GAAP adjusted |
|--|------------|---------------------|--|---------------|----------------------------|-------------------|
| Selling, general and administrative expenses | \$ 632,439 | \$ (5,812) | \$ 20,119 | \$ (2,550) | \$ — | \$ 644,196 |
| Asset impairments | 4,268 | — | | — | (4,268) | — |
| Income (loss) from operations | 188,239 | 5,812 | (20,119) | 2,550 | 4,268 | 180,750 |
| Income (loss) before income taxes | 121,355 | 5,812 | (20,119) | 2,550 | 4,268 | 113,866 |
| Benefit (provision) for income taxes | (29,078) | (1,444) | 4,917 | (568) | (1,089) | (27,262) |
| Net income (loss) | 92,277 | 4,368 | (15,202) | 1,982 | 3,179 | 86,604 |
| Less: Adjusted earnings (loss) allocated to participating securities | 3,123 | 149 | (518) | 68 | 108 | 2,930 |
| Adjusted net income (loss) available to diluted common shares | \$ 89,154 | \$ 4,219 | \$ (14,684) | \$ 1,914 | \$ 3,071 | \$ 83,674 |
| Diluted income (loss) per common share | \$ 4.42 | \$ 0.21 | \$ (0.73) | \$ 0.10 | \$ 0.15 | \$ 4.15 |
| Effective tax rate | 24.0% | | | | | 23.9% |
| SG&A as % gross profit | 73.7% | | | | | 75.1% |
| Operating margin | 3.2% | | | | | 3.1% |
| Pretax margin | 2.1% | | | | | 2.0% |
| 2018 v. 2019 | | | | | | |
| Same Store SG&A | \$ 627,872 | \$ (5,812) | \$ 3,218 | \$ (2,427) | \$ — | \$ 622,851 |
| Same Store SG&A as % gross profit | 75.4% | | | | | 74.8% |
| Same Store income (loss) from operations | \$ 170,612 | \$ 5,812 | \$ (3,218) | \$ 2,427 | \$ 3,099 | \$ 178,732 |
| Same Store operating margin | 3.0% | | | | | 3.2% |

The following table reconciles cash flows provided by (used in) operating, investing and financing activities on a U.S. GAAP basis to the corresponding adjusted amounts (dollars in thousands):

| | Six Months Ended June 30, | | |
|---|---------------------------|--------------|----------|
| | 2019 | 2018 | % Change |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net cash provided by (used in) operating activities | \$ 252,948 | \$ 263,106 | (3.9)% |
| Change in floorplan notes payable - credit facilities, excluding floorplan offset account and net acquisition and disposition related activity | (68,734) | (79,406) | |
| Change in floorplan notes payable - manufacturer affiliates associated with net acquisition and disposition related activity | 50 | 2,000 | |
| Adjusted net cash provided by (used in) operating activities | \$ 184,264 | \$ 185,700 | (0.8)% |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Net cash provided by (used in) investing activities | \$ (71,605) | \$ (87,827) | 18.5 % |
| Change in cash paid for acquisitions, associated with floorplan notes payable | — | 6,144 | |
| Change in proceeds from disposition of franchises, property and equipment, associated with floorplan notes payable | (15,678) | (17,529) | |
| Adjusted net cash provided by (used in) investing activities | \$ (87,283) | \$ (99,212) | 12.0 % |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net cash provided by (used in) financing activities | \$ (157,768) | \$ (158,466) | 0.4 % |
| Change in net borrowings and repayments on floorplan notes payable - credit facilities, excluding net activity associated with our floorplan offset account | 84,362 | 88,791 | |
| Adjusted net cash provided by (used in) provided by financing activities | \$ (73,406) | \$ (69,675) | (5.4)% |

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including interest rate risk and foreign currency exchange rate risk. We address interest rate risks primarily through the use of interest rate swaps. We do not currently hedge foreign exchange risk, as discussed further below. The following quantitative and qualitative information is provided regarding our foreign currency exchange rates and financial instruments to which we are a party at June 30, 2019, and from which we may incur future gains or losses from changes in market interest rates and/or foreign currency rates. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Interest Rates

We have interest rate risk in our variable-rate debt obligations. As of June 30, 2019, we had \$1.8 billion of variable-rate borrowings outstanding. Based on the average amount of variable-rate borrowings outstanding for the six months ended June 30, 2019, and before the impact of our interest rate swaps described above, a 100 basis-point change in interest rates would have resulted in an approximate \$17.9 million change to our annual interest expense. After consideration of the average interest rate swaps described in effect during the six months ended June 30, 2019, a 100 basis-point change would have yielded a net annual change of \$8.9 million in annual interest expense.

Our exposure to changes in interest rates with respect to our variable-rate floorplan borrowings is partially mitigated by manufacturers' interest assistance, which historically has been influenced by changes in market based variable interest rates. We reflect interest assistance as a reduction of new vehicle inventory cost until the associated vehicle is sold. During the six months ended June 30, 2019, we recognized \$22.3 million of interest assistance as a reduction of new vehicle cost of sales.

Foreign Currency Exchange Rates

The functional currency of our U.K. subsidiaries is the British pound sterling and of our Brazil subsidiaries is the Brazilian real. Our exposure to fluctuating exchange rates relates to the effects of translating financial statements of these subsidiaries into our reporting currency, which we do not hedge against based on our investment strategy in these foreign operations. A 10% devaluation in average exchange rates for the British pound sterling to the U.S. dollar would have resulted in a \$114.2 million decrease to our revenues for the six months ended June 30, 2019. A 10% devaluation in average exchange rates for the Brazilian real to the U.S. dollar would have resulted in a \$19.6 million decrease to our revenues for the six months ended June 30, 2019.

For additional information about our market sensitive financial instruments, please see Part II, "Item 7. Management's Discussion & Analysis of Financial Condition and Results of Operations", "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" and Note 4. to "Item 8. Financial Statements and Supplementary Data" in our 2018 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2019 at the reasonable assurance level.

Our management, including our principal executive officer and our principal financial officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the intentional acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes in our system of internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended June 30, 2019, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We implemented new internal controls and made changes to existing internal controls to ensure that we adequately evaluated and properly assessed the impact of the new accounting standard related to leases on our financial statements to facilitate its adoption on January 1, 2019 and ongoing compliance. There were no significant changes to our internal control over financial reporting due to the adoption of the new standard.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not party to any legal proceedings, including class action lawsuits that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. For a discussion of our legal proceedings, see Part I, “Item 1. Financial Statements,” Notes to Unaudited Condensed Consolidated Financial Statements, Note 10, “Commitments and Contingencies”.

Item 1A. Risk Factors

There have been no material changes during the period ended June 30, 2019 in our “Risk Factors” as discussed in Item 1A. of our 2018 Form 10-K, other than the risks describe below.

The U.K.’s withdrawal from the E.U. may have a negative effect on global economic conditions, financial markets and our business, which could adversely affect our revenue and results of operations.

The U.K. is currently scheduled to exit the E.U. on October 31, 2019. However, Brexit could occur earlier if the U.K. and E.U. mutually agree or later if another extension is granted. The future terms of the U.K.’s relationship with the European Union remain uncertain. The effects of Brexit will depend on any agreements the U.K. makes to retain access to E.U. markets either during a transitional period or more permanently. Brexit could adversely affect European and worldwide economic and market conditions, could contribute to instability in global financial and foreign exchange markets, including continued volatility in the value of the British pound sterling or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, legal, regulatory or otherwise) beyond the date of Brexit. More specifically, it could lead to:

- A decrease in sales or revenues attributable to increased retail prices of new vehicles as the majority of vehicles sold in the U.K. are imported from other countries in Europe and could be subject to additional tariffs;
- An increase in supply chain risk for automotive retailers and manufacturers due to the impact of changes in the U.K.’s access to free trade agreements, resulting in custom checks and tariffs, which could delay delivery of vehicles or parts;
- Continued volatility in the currencies in which we transact our business. As exchange rates fluctuate, our revenue and results of operations as reported under U.S. GAAP fluctuates. A weakening British pound sterling as compared to the U.S. Dollar negatively impacts our U.S. Dollar reported results of operations. Our U.K. business generated approximately 22% of our total revenue for the six months ended June 30, 2019.
- Labor risk: Brexit might impact the hiring and movement of employees and subject companies to local labor laws.
- Regulatory risk: Exposure to different laws and regulations might impact businesses. For example, the loss of passporting arrangements that permit U.K. entities to serve E.U. businesses and customers and efforts required to relocate U.K. operations or use E.U. subsidiaries. Also airlines have potential antitrust issues.

Any of these effects of Brexit, and others we cannot anticipate, could materially adversely affect our business, consolidated financial position, results of operations and cash flows.

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

On February 20, 2019, our Board of Directors authorized an increase of the previously authorized repurchase amount that was remaining under the plan to \$75.0 million. Future repurchases are subject to the discretion of our Board of Directors after considering our results of operations, financial condition, cash flows, capital requirements, existing debt covenants, outlook for our business, general business conditions, and other factors.

Item 6. Exhibits

The exhibits required to be filed or furnished by Item 601 of Regulation S-K are listed below.

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|------------------------------|---|
| 3.1 | — Amended and Restated Certificate of Incorporation of Group 1 Automotive, Inc. (incorporated by reference to Exhibit 3.1 of Group 1 Automotive, Inc.'s Current Report on Form 8-K (File No. 001-13461) filed May 22, 2015) |
| 3.2 | — Third Amended and Restated Bylaws of Group 1 Automotive, Inc. (incorporated by reference to Exhibit 3.1 of Group 1 Automotive, Inc.'s Current Report on Form 8-K (File No. 001-13461) filed April 6, 2017) |
| 10.1 | — Eleventh Amended and Restated Revolving Credit Agreement dated effective as of June 27, 2019 (incorporated by reference to Exhibit 10.1 of Group 1 Automotive, Inc.'s Current Report on Form 8-K (File No. 001-13461) filed July 1, 2019) |
| 31.1* | — Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2* | — Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1* | — Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2* | — Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS* | — XBRL Instance Document |
| 101.SCH* | — XBRL Taxonomy Extension Schema Document |
| 101.CAL* | — XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | — XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | — XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | — XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed or furnished herewith

† Management contract or compensatory plan or arrangement

SIGNATURE

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

Group 1 Automotive, Inc.

By: _____ /s/ John C. Rickel
John C. Rickel
Senior Vice President and Chief Financial Officer
*(Duly Authorized Officer and Principal Financial
and Accounting Officer)*

Date: August 2, 2019

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Earl J. Hesterberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of Group 1 Automotive, Inc. ("registrant");
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 have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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/ Earl J. Hesterberg

Earl J. Hesterberg

Chief Executive Officer

Date: August 2, 2019

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John C. Rickel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended June 30, 2019 of Group 1 Automotive, Inc. ("registrant");
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 have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer 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/ John C. Rickel

John C. Rickel

Chief Financial Officer

Date: August 2, 2019

**CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF GROUP 1 AUTOMOTIVE, INC.
PURSUANT TO 18 U.S.C. § 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2019 filed with the Securities and Exchange Commission on the date hereof ("Report"), I, Earl J. Hesterberg, Chief Executive Officer of Group 1 Automotive, Inc. ("Company"), hereby certify that to my knowledge:

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

/s/ Earl J. Hesterberg

Earl J. Hesterberg

Chief Executive Officer

Date: August 2, 2019

**CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF GROUP 1 AUTOMOTIVE, INC.
PURSUANT TO 18 U.S.C. § 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q for the period ended June 30, 2019 filed with the Securities and Exchange Commission on the date hereof ("Report"), I, John C. Rickel, Chief Financial Officer of Group 1 Automotive, Inc. ("Company"), hereby certify that to my knowledge:

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

/s/ John C. Rickel

John C. Rickel

Chief Financial Officer

Date: August 2, 2019