

ASBURY AUTOMOTIVE GROUP INC
Form 10-Q
October 24, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

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

For the transition period from _____ to _____
Commission file number: 001-31262

ASBURY AUTOMOTIVE GROUP, INC.
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

2905 Premiere Parkway NW, Suite 300
Duluth, Georgia
(Address of principal executive offices)
(770) 418-8200
(Registrant's telephone number, including area code)

30097
(Zip Code)

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

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

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

Large Accelerated Filer

Accelerated Filer

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Non-Accelerated Filer

Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of October 22, 2013 was 30,957,514.

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

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

	September 30, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1.3	\$ 6.2
Contracts-in-transit	100.7	129.4
Accounts receivable (net of allowance of \$1.0)	76.7	94.3
Inventories	734.5	648.5
Deferred income taxes	13.2	10.9
Assets held for sale	9.2	27.6
Other current assets	75.2	69.5
Total current assets	1,010.8	986.4
PROPERTY AND EQUIPMENT, net	634.3	565.8
GOODWILL	52.8	28.4
DEFERRED INCOME TAXES, net of current portion	18.1	27.5
OTHER LONG-TERM ASSETS	59.5	53.3
Total assets	\$ 1,775.5	\$ 1,661.4
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade	\$ 63.4	\$ 55.1
Floor plan notes payable—non-trade	506.7	501.6
Current maturities of long-term debt	8.5	4.6
Accounts payable and accrued liabilities	194.7	209.1
Liabilities associated with assets held for sale	—	9.4
Total current liabilities	773.3	779.8
LONG-TERM DEBT	511.3	461.4
OTHER LONG-TERM LIABILITIES	20.0	17.4
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$.01 par value, 90,000,000 shares authorized; 40,103,569 and 39,824,708 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	508.5	499.0
Retained earnings	136.6	54.4
Treasury stock, at cost; 9,133,443 and 8,507,948 shares, respectively	(174.3)	(149.4)
Accumulated other comprehensive loss	(0.3)	(1.6)
Total shareholders' equity	470.9	402.8
Total liabilities and shareholders' equity	\$ 1,775.5	\$ 1,661.4

See accompanying Notes to Condensed Consolidated Financial Statements

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
REVENUES:				
New vehicle	\$759.7	\$672.3	\$2,167.2	\$1,895.2
Used vehicle	421.6	333.0	1,183.1	980.4
Parts and service	154.0	141.8	455.5	423.9
Finance and insurance, net	54.7	44.0	154.1	123.1
Total revenues	1,390.0	1,191.1	3,959.9	3,422.6
COST OF SALES:				
New vehicle	713.4	630.5	2,035.6	1,773.0
Used vehicle	391.3	307.1	1,090.9	900.8
Parts and service	60.0	59.3	179.5	178.3
Total cost of sales	1,164.7	996.9	3,306.0	2,852.1
GROSS PROFIT	225.3	194.2	653.9	570.5
OPERATING EXPENSES:				
Selling, general and administrative	159.7	140.0	462.0	415.9
Depreciation and amortization	6.2	5.5	18.0	16.9
Other operating expense (income), net	1.4	(0.5)	) 5.9	0.1
Income from operations	58.0	49.2	168.0	137.6
OTHER EXPENSES:				
Floor plan interest expense	(2.9)	) (2.9)	) (9.1)	) (8.5)
Other interest expense, net	(11.1)	) (8.7)	) (29.8)	) (26.6)
Swap interest expense	(0.1)	) (1.3)	) (2.2)	) (3.8)
Convertible debt discount amortization	—	(0.1)	) —	(0.4)
Loss on extinguishment of long-term debt	(6.8)	) —	(6.8)) —
Total other expenses, net	(20.9)	) (13.0)	) (47.9)	) (39.3)
Income before income taxes	37.1	36.2	120.1	98.3
INCOME TAX EXPENSE	14.3	13.6	46.2	37.6
INCOME FROM CONTINUING OPERATIONS	22.8	22.6	73.9	60.7
DISCONTINUED OPERATIONS, net of tax	(0.1)	) (1.9)	) 8.3	(1.3)
NET INCOME	\$22.7	\$20.7	\$82.2	\$59.4
EARNINGS PER COMMON SHARE:				
Basic—				
Continuing operations	\$0.74	\$0.73	\$2.40	\$1.95
Discontinued operations	—	(0.06)	) 0.27	(0.04)
Net income	\$0.74	\$0.67	\$2.67	\$1.91
Diluted—				
Continuing operations	\$0.73	\$0.72	\$2.38	\$1.92
Discontinued operations	—	(0.06)	) 0.26	(0.04)
Net income	\$0.73	\$0.66	\$2.64	\$1.88
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	30.7	31.1	30.8	31.1

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Stock options	—	0.1	—	0.2
Restricted stock	0.2	0.2	0.2	0.2
Performance share units	0.2	0.1	0.1	0.1
Diluted	31.1	31.5	31.1	31.6

See accompanying Notes to Condensed Consolidated Financial Statements

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ASBURY AUTOMOTIVE GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	For the Three Months Ended September 30, 2013		For the Nine Months Ended September 30, 2013	
	2012	2012	2012	2012
Net income	\$22.7	\$20.7	\$82.2	\$59.4
Other comprehensive income (loss) - net of tax:				
Change in fair value of cash flow swaps	—	0.1	0.2	(0.2)
Amortization of terminated cash flow swaps	0.1	1.2	2.0	3.6
Income tax expense associated with cash flow swaps	(0.1)	(0.5)	(0.9)	(1.2)
Comprehensive income	\$22.7	\$21.5	\$83.5	\$61.6

See accompanying Notes to Condensed Consolidated Financial Statements

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

	For the Nine Months Ended September 30,	
	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$82.2	\$59.4
Adjustments to reconcile net income to net cash provided by (used in) operating activities—		
Depreciation and amortization	18.0	16.9
Stock-based compensation	6.9	5.6
Deferred income taxes	7.1	9.3
Loss on extinguishment of debt	6.8	—
Loaner vehicle amortization	7.3	6.7
Excess tax benefit on share-based arrangements	(2.3)	(5.4)
Impairment expenses	—	2.3
Lease termination charges	5.5	—
Loss on disposal of fixed assets	2.3	—
Gain on sale of assets	(14.6)	(1.2)
Other adjustments, net	2.9	7.3
Changes in operating assets and liabilities, net of acquisitions and divestitures—		
Contracts-in-transit	28.7	19.2
Accounts receivable	6.7	(12.3)
Proceeds from the sale of accounts receivable	10.9	14.3
Inventories	(28.5)	(37.5)
Other current assets	(65.1)	(50.3)
Floor plan notes payable—trade	8.3	(21.4)
Accounts payable and accrued liabilities	(10.9)	1.1
Proceeds from deferred compensation plan termination	7.8	—
Distribution of deferred compensation plan assets to participants	(7.8)	—
Deferred compensation plan excess funding refund	—	3.2
Other long-term assets and liabilities, net	2.8	(0.6)
Net cash provided by operating activities	75.0	16.6
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures—excluding real estate	(29.4)	(33.1)
Capital expenditures—capitalized interest	(0.9)	(0.7)
Purchases of real estate	(10.7)	(6.5)
Purchases of previously leased real estate	(32.8)	(8.6)
Acquisitions	(61.8)	—
Proceeds from the sale of assets	33.9	4.3
Net cash used in investing activities	(101.7)	(44.6)
CASH FLOW FROM FINANCING ACTIVITIES:		
Floor plan borrowings—non-trade	2,344.6	2,186.6
Floor plan borrowings—acquisitions	11.3	—
Floor plan repayments—non-trade	(2,350.8)	(2,129.0)
Floor plan repayments—non-trade divestitures	(5.4)	(2.1)
Proceeds from borrowings	200.9	34.1

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Repayments of borrowings	(150.4) (58.4)
Payment of debt issuance costs	(6.0) (0.3)
Repurchases of common stock, including those associated with net share settlement of employee share-based awards	(24.9) (17.7)
Excess tax benefit on share-based arrangements	2.3	5.4	
Proceeds from the exercise of stock options	0.2	3.9	
Net cash provided by financing activities	21.8	22.5	
Net decrease in cash and cash equivalents	(4.9	) (5.5)
CASH AND CASH EQUIVALENTS, beginning of period	6.2	11.4	
CASH AND CASH EQUIVALENTS, end of period	\$ 1.3	\$ 5.9	
See Note 9 for supplemental cash flow information			
See accompanying Notes to Condensed Consolidated Financial Statements			

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ASBURY AUTOMOTIVE GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. DESCRIPTION OF BUSINESS

We are one of the largest automotive retailers in the United States, operating 100 franchises (79 dealership locations) in 18 metropolitan markets within 10 states as of September 30, 2013. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. As of September 30, 2013, we offered 29 domestic and foreign brands of new vehicles. Our current brand mix is weighted 87% towards luxury and mid-line import brands, with the remaining 13% consisting of domestic brands. We also operate 24 collision repair centers that serve customers in our local markets.

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

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

• Courtesy dealerships operating in Tampa, Florida;

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

• Nalley dealerships operating in metropolitan Atlanta, Georgia;

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and reflect the consolidated accounts of Asbury Automotive Group, Inc. and our wholly owned subsidiaries. All intercompany transactions have been eliminated in consolidation. In addition, certain reclassifications of amounts previously reported have been made to the accompanying Condensed Consolidated Financial Statements in order to conform to current presentation. These reclassifications had no effect on previously reported net income.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the periods

presented. Actual results could differ materially from these estimates. Estimates and assumptions are reviewed quarterly and the effects of any revisions are reflected in the condensed consolidated financial statements in the period they are determined to be necessary. Significant estimates made in the accompanying condensed consolidated financial statements include, but are not limited to, those relating to inventory valuation reserves, reserves for chargebacks against revenue recognized from the sale of finance and insurance products, certain assumptions related to intangible and long-lived assets, reserves for insurance programs, reserves for certain legal or similar proceedings relating to our business operations, realization of deferred tax assets and reserves for estimated tax liabilities. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) considered necessary for a fair presentation of the condensed consolidated financial statements as of September 30, 2013, and for the three and nine months ended September 30, 2013 and 2012, have been included. The results of operations for the three and nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for any other interim period, or any full

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year period. Our condensed consolidated financial statements should be read together with our consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the year ended December 31, 2012.

Contracts-In-Transit

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

Revenue Recognition

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

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

Earnings per Common Share

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

Discontinued Operations

Certain amounts reflected in the accompanying Condensed Consolidated Balance Sheets have been classified as Assets Held for Sale or Liabilities Associated with Assets Held for Sale, with such classification beginning on the date that the assets and associated liabilities were first considered held for sale.

We report franchises and ancillary businesses as discontinued operations when it is evident that the operations and cash flows of a franchise or ancillary business being actively marketed for sale will be eliminated from our on-going operations and that we will not have any significant continuing involvement in its operations. We do not classify franchises as discontinued operations if we believe that the cash flows generated by the franchise will be replaced by expanded operations of our remaining franchises within the respective local market area.

Amounts in the accompanying Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2012 have been reclassified to reflect the results of franchises sold or closed subsequent to September 30, 2012 as if we had classified those franchises as discontinued operations for all periods presented.

Statements of Cash Flows

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

lender not affiliated with the manufacturer from which we purchased the related inventory.

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

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

Recent Accounting Pronouncements

During the first quarter of 2013, we adopted an accounting standard regarding the presentation of comprehensive income. This update was issued to improve the reporting of reclassifications out of Accumulated Other Comprehensive Income ("AOCI"). The update requires that significant items reclassified out of AOCI be presented in one place in the condensed consolidated financial statements. The adoption of this standard update did not have a significant impact on our condensed consolidated financial statements.

3. ACQUISITIONS

Results of acquired dealerships are included in our accompanying Condensed Consolidated Statements of Income commencing on the date of acquisition. Our acquisitions are accounted for using the acquisition method of accounting, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the purchase price over the estimated fair values of the identifiable net assets acquired recorded as a combination of goodwill and manufacturer franchise rights.

In July 2013, we acquired three franchises (three dealership locations) for an aggregate purchase price of \$61.8 million. We financed these acquisitions with \$50.5 million of cash and \$11.3 million of floor plan borrowings. Below is the allocation of purchase price for acquisitions completed during the nine months ended September 30, 2013. The accounting for these acquisitions is based on currently available information and is considered preliminary, as we expect to finalize the valuation of manufacturer franchise rights and goodwill (both on a book basis and tax basis) during the fourth quarter of 2013. The \$29.6 million of goodwill and manufacturer franchise rights will be deductible for federal and state income taxes ratably over a 15 year period.

	As of September 30, 2013 (In millions)
Inventory	\$11.9
Real estate	18.7
Property and equipment	1.6
Goodwill	24.3
Manufacturer franchise rights	5.3
Total purchase price	\$61.8

During the nine months ended September 30, 2012, we were awarded one Jaguar franchise, which was added to our Plaza dealership locations in St. Louis, Missouri. We did not pay any amounts in connection with being awarded this franchise.

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4. INVENTORIES

Inventories consisted of the following:

	As of	
	September 30, 2013	December 31, 2012
	(In millions)	
New vehicles	\$573.8	\$517.4
Used vehicles	121.1	94.6
Parts and accessories	39.6	36.5
Total inventories	\$734.5	\$648.5

The lower of cost or market reserves reduced total inventory cost by \$5.4 million and \$4.7 million as of September 30, 2013 and December 31, 2012, respectively. In addition to the inventories shown above, as of December 31, 2012 we had \$6.6 million of inventories classified as Assets Held for Sale on the accompanying Condensed Consolidated Balance Sheet as they were associated with a franchise held for sale. As of September 30, 2013 and December 31, 2012, certain automobile manufacturer incentives reduced new vehicle inventory cost by \$7.0 million and \$6.3 million, respectively, and reduced new vehicle cost of sales from continuing operations for the nine months ended September 30, 2013 and September 30, 2012 by \$20.4 million and \$17.7 million, respectively.

5. ASSETS AND LIABILITIES HELD FOR SALE

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

During the nine months ended September 30, 2013, we sold one franchise (one dealership location). There were no assets or liabilities associated with pending dispositions as of September 30, 2013. Assets and liabilities associated with pending dispositions totaled \$18.4 million and \$9.4 million, respectively, as of December 31, 2012.

Real estate not currently used in our operations that we are actively marketing to sell totaled \$9.2 million as of September 30, 2013 and December 31, 2012. There were no liabilities associated with our real estate assets held for sale as of September 30, 2013 or December 31, 2012.

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

	As of	
	September 30, 2013	December 31, 2012
	(In millions)	
Assets:		
Inventories	\$—	\$6.6
Property and equipment, net	9.2	20.7
Goodwill	—	0.3
Total assets	9.2	27.6
Liabilities:		
Floor plan notes payable—non-trade	—	5.4
Accrued liabilities	—	4.0
Total liabilities	—	9.4
Net assets held for sale	\$9.2	\$18.2

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6. LONG-TERM DEBT

Long-term debt consists of the following:

	As of September 30, 2013 (In millions)	December 31, 2012
8.375% Senior Subordinated Notes due 2020	\$300.0	\$200.0
7.625% Senior Subordinated Notes due 2017	—	143.2
Mortgage notes payable bearing interest at fixed and variable rates	149.3	118.9
Real estate term loan facility	57.3	—
Capital lease obligations	3.7	3.9
	510.3	466.0
Add: unamortized premium on 8.375% Senior Subordinated Notes due 2020	9.5	—
Long-term debt, including current portion	519.8	466.0
Less: current portion	(8.5	) (4.6
Long-term debt	\$511.3	\$461.4

8.375% Senior Subordinated Notes Add-On Issuance

In June 2013, the Company completed an add-on issuance of \$100.0 million aggregate principal amount of 8.375% Senior Subordinated Notes due 2020 (the "8.375% Notes") at a price of 109.75% of par, plus accrued interest from May 15, 2013 (the "June 2013 Offering"). After deducting the initial purchasers' discounts and expenses of \$2.3 million, we received net proceeds of approximately \$108.3 million from this offering. The \$9.8 million premium paid by the initial purchasers of the 8.375% Notes was recorded as a component of long-term debt on our Condensed Consolidated Balance Sheet and is being amortized as a reduction of interest expense over the remaining term of the 8.375% Notes. The capitalized costs associated with the issuance and sale of the 8.375% Notes are being amortized as an addition to interest expense over the remaining term of the 8.375% Notes. Including the amortization of the \$9.8 million premium, and assuming the 8.375% Notes are held until their maturity in November 2020, the effective interest rate on the June 2013 Offering will be 6.725%.

Revolving Credit Facility

In August 2013, the Company and certain of its subsidiaries entered into an amended and restated senior secured credit agreement with Bank of America, N.A. ("Bank of America"), as administrative agent, and the other agents and lenders party thereto (the "Restated Credit Agreement"). The Restated Credit Agreement amended and restated in its entirety the Company's pre-existing senior secured credit agreement, dated as of October 14, 2011, by and among the Company and certain of its subsidiaries and Bank of America, as administrative agent, and the other agents and lenders party thereto (the "Prior Credit Agreement").

The terms of the Restated Credit Agreement provide that the new vehicle inventory floor plan facility thereunder is increased by \$200.0 million to \$825.0 million, and that the interest rates on borrowings under the new vehicle and used vehicle floor plan facilities thereunder decrease by 25 basis points to the one-month London Interbank Offered Rate ("LIBOR") plus 1.25% and one-month LIBOR plus 1.50%, respectively, in each case as compared to the terms of the Prior Credit Agreement. The Restated Credit Agreement also extended the maturity date of the Prior Credit Agreement from October 2016 until August 2018. Except as described above, the terms of the Restated Credit Agreement did not materially change the terms of the Prior Credit Agreement.

Redemption of 7.625% Senior Subordinated Notes due 2017

In September 2013, the Company redeemed all of the \$143.2 million of its outstanding 7.625% Senior Subordinated Notes due 2017 (the "7.625% Notes"), using proceeds from the June 2013 Offering and borrowings under a real estate term loan credit agreement (the "Real Estate Credit Agreement"). In connection with the redemption, we recognized a \$6.8 million loss, consisting of (i) \$3.6 million of premiums paid pursuant to the terms of the redemption notice, (ii) a \$3.1 million write-off of unamortized debt issuance costs associated with the 7.625% Notes and (iii) \$0.1 million of third-party costs associated with the redemption of the 7.625% Notes.

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Real Estate Term Loan Facility

In September 2013, the Company and certain of its subsidiaries entered into the Real Estate Credit Agreement with Bank of America, as lender. The Real Estate Credit Agreement provides for term loans to certain of the Company's subsidiaries that are borrowers under the Real Estate Credit Agreement (collectively, the "Borrowers") in an aggregate amount not to exceed \$75.0 million (the "Real Estate Term Loan Facility"), subject to customary terms and conditions. In September 2013, certain of the Borrowers borrowed an aggregate amount of \$57.3 million under the Real Estate Credit Agreement. As described above, the proceeds from borrowings under the Real Estate Credit Agreement were used to pay a portion of the redemption price in connection with our redemption of the 7.625% Notes.

Term loans under the Real Estate Term Loan Facility bear interest, at the option of the Company, based on the LIBOR plus 2.50% or the Base Rate (as described below) plus 1.50%. The Base Rate is the highest of (i) the Federal Funds rate plus 0.50%, (ii) the Bank of America prime rate, and (iii) one month LIBOR plus 1.0%. The Company is required to make quarterly principal payments of 1.25% of the initial amount of each loan on a twenty year repayment schedule, with a balloon repayment of the outstanding principal amount of loans due in September 2023, subject to an earlier maturity if the Company's existing senior secured credit facility matures or is not otherwise refinanced by certain dates. The Borrowers can voluntarily prepay any loan in whole or in part any time without premium or penalty. The representations and covenants contained in the Real Estate Credit Agreement are customary for financing transactions of this nature, including, among others, a requirement to comply with a minimum consolidated current ratio, minimum consolidated fixed charge coverage ratio and maximum consolidated total lease adjusted leverage ratio, in each case as set out in the Real Estate Credit Agreement. In addition, certain other covenants could restrict the Company's ability to incur additional debt, pay dividends or acquire or dispose of assets.

The Real Estate Credit Agreement also provides for events of default that are customary for financing transactions of this nature, including cross-defaults to other material indebtedness. Upon the occurrence of an event of default, the Company could be required to immediately repay all amounts outstanding under the Real Estate Term Loan Facility. Borrowings under the Real Estate Term Loan Facility are guaranteed by each operating dealership subsidiary of the Company whose real estate is financed under the Real Estate Term Loan Facility, and collateralized by first priority liens, subject to certain permitted exceptions, on all of the real property financed thereunder.

Mortgage Financing

During the nine months ended September 30, 2013, we also entered into three fixed rate mortgage notes payable, which were collateralized by the related real estate at three of our owned dealership locations. The initial principal amount of the mortgage notes payable was \$33.9 million. In connection with our entrance into these mortgage notes payable, we paid approximately \$0.4 million in debt issuance costs, which were capitalized and are being amortized to Other Interest Expense over the terms of the related mortgage notes payable.

Asbury Automotive Group, Inc. is a holding company with no independent assets or operations. For all periods presented, our 8.375% Notes and our 7.625% Notes have been fully and unconditionally guaranteed, on a joint and several basis, by substantially all of our subsidiaries. Any subsidiaries which have not guaranteed such notes are "minor" (as defined in Rule 3-10(h) of Regulation S-X). As of September 30, 2013, there were no significant restrictions on the ability of our subsidiaries to distribute cash to us or our guarantor subsidiaries.

7. FINANCIAL INSTRUMENTS AND FAIR VALUE

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

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

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

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

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

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

Financial instruments consist primarily of cash and cash equivalents, contracts-in-transit, accounts receivable, cash surrender value of corporate-owned life insurance policies, accounts payable, floor plan notes payable, subordinated long-term debt, mortgage notes payable and interest rate swap agreements. The carrying values of our financial instruments, with the exception of subordinated long-term debt, approximate fair value due either to their short-term nature or existence of variable interest rates, which approximate market rates. The fair market value of our subordinated long-term debt is based on reported market prices which reflect Level 2 inputs. Level 2 inputs are valuations based on quoted market prices in markets that are not active or do not have a high trading volume. A summary of the carrying values and fair values of our 8.375% Notes and our 7.625% Notes is as follows:

	As of	
	September 30, 2013	December 31, 2012
	(In millions)	
Carrying Value:		
8.375% Senior Subordinated Notes due 2020	\$ 309.5	\$ 200.0
7.625% Senior Subordinated Notes due 2017	—	143.2
Total carrying value	\$ 309.5	\$ 343.2
Fair Value:		
8.375% Senior Subordinated Notes due 2020	\$ 333.8	\$ 221.5
7.625% Senior Subordinated Notes due 2017	—	147.5
Total fair value	\$ 333.8	\$ 369.0

We have an interest rate swap agreement that had a notional principal amount of \$18.8 million as of September 30, 2013. This swap is designed to provide a hedge against changes in variable interest rate cash flows through maturity in October 2015. The notional value of this swap is reducing over the remaining term to \$16.1 million at maturity. This interest rate swap qualifies for cash flow hedge accounting treatment and does not, and will not, contain any ineffectiveness.

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

For the Three Months Ended September 30,	Derivative in Cash Flow Hedging Relationships	Results Recognized in AOCI (Effective Portion)	Location of Results Reclassified from AOCI to Earnings	Amount Reclassified from AOCI to Earnings—Active Swaps	Amount Reclassified from AOCI to Earnings—Terminated Swaps	Ineffective Results Recognized in Earnings	Location of Ineffectiveness
2013	Interest rate swaps	\$(0.1)	Swap interest expense	\$—	\$(0.1)	\$—	N/A
2012	Interest rate swaps	\$(0.2)	Swap interest expense	\$(0.1)	\$(1.2)	\$—	N/A
For the Nine Months Ended September 30,	Derivative in Cash Flow Hedging Relationships	Results Recognized in AOCI (Effective Portion)	Location of Results Reclassified from AOCI to Earnings	Amount Reclassified from AOCI to Earnings—Active Swaps	Amount Reclassified from AOCI to Earnings—Terminated Swaps	Ineffective Results Recognized in Earnings	Location of Ineffectiveness
2013	Interest rate swaps	\$(0.1)	Swap interest expense	\$(0.2)	\$(2.0)	\$—	N/A
2012	Interest rate swaps	\$(0.4)	Swap interest expense	\$(0.2)	\$(3.6)	\$—	N/A

On the basis of yield curve conditions as of September 30, 2013, we anticipate that the amount expected to be reclassified out of AOCI into earnings in the next 12 calendar months will be a loss of \$0.2 million.

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

Information about amounts reclassified out of AOCI	(In millions)
Accumulated other comprehensive loss—December 31, 2012	\$(1.6)
Change in fair value of cash flow swaps	0.2
Amortization of terminated cash flow swaps	2.0
Total amount reclassified to swap interest expense	2.2
Income tax impact associated with cash flow swaps	(0.9)
Accumulated other comprehensive loss—September 30, 2013	\$(0.3)

Market Risk Disclosures as of September 30, 2013:

Instruments entered into for trading purposes—None
Instruments entered into for hedging purposes (in millions)—

Type of Derivative	Notional Size	Underlying Rate	Expiration	Fair Value
Interest Rate Swap*	\$18.8	1 month LIBOR	October 2015	\$(0.4)

* The total fair value of our swap is a \$0.4 million net liability, of which \$0.2 million is included in Accounts Payable and Accrued Liabilities and \$0.2 million is included in Other Long-Term Liabilities, respectively, on the accompanying Condensed Consolidated Balance Sheet.

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Market Risk Disclosures as of December 31, 2012:

Instruments entered into for trading purposes—None

Instruments entered into for hedging purposes (in millions)—

Type of Derivative	Notional Size	Underlying Rate	Expiration	Fair Value
Interest Rate Swap*	\$19.7	1 month LIBOR	October 2015	\$(0.6)

* The total fair value of our swap is a \$0.6 million net liability, of which \$0.3 million is included in Accounts Payable and Accrued Liabilities and \$0.3 million is included in Other Long-Term Liabilities, respectively, on the accompanying Condensed Consolidated Balance Sheet.

8. DISCONTINUED OPERATIONS AND DIVESTITURES

During the nine months ended September 30, 2013, we sold one franchise (one dealership location) that was classified as discontinued operations. The accompanying Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2012 have been reclassified to reflect the status of our discontinued operations as of September 30, 2013. Operating expenses in the table below include rent and other expenses of idle facilities previously associated with businesses sold or closed prior to September 30, 2013.

The following tables provide further information regarding our discontinued operations as of September 30, 2013, and includes the results of businesses sold prior to September 30, 2013:

	For the Three Months Ended September 30,	
	2013	2012
	(In millions, except franchise data)	
Franchises:		
Mid-line import	—	1
Luxury	—	2
Total	—	3
Revenues	\$—	\$25.0
Cost of sales	—	20.8
Gross profit	—	4.2
Operating expenses	0.2	6.3
Impairment expenses	—	2.0
Loss from operations	(0.2)	(4.1)
Gain on disposition	—	1.0
Loss before income taxes	(0.2)	(3.1)
Income tax benefit	0.1	1.2
Discontinued operations, net of tax	\$(0.1)	\$(1.9)

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	For the Nine Months Ended September 30,	
	2013	2012
	(In millions, except franchise data)	
Franchises:		
Mid-line import	1	1
Luxury	—	3
Total	1	4
Revenues	\$3.8	\$93.1
Cost of sales	3.4	77.4
Gross profit	0.4	15.7
Operating expenses	1.5	16.8
Impairment expenses	—	2.0
Loss from operations	(1.1	) (3.1
Other expense, net	—	(0.2
Gain on disposition	14.6	1.2
Income (loss) before income taxes	13.5	(2.1
Income tax (expense) benefit	(5.2	) 0.8
Discontinued operations, net of tax	\$8.3	\$(1.3

9. SUPPLEMENTAL CASH FLOW INFORMATION

During the nine months ended September 30, 2013 and 2012, we made interest payments, including amounts capitalized, totaling \$34.1 million and \$33.1 million, respectively. Included in these interest payments are \$8.6 million and \$7.9 million of floor plan interest payments for the nine months ended September 30, 2013 and 2012, respectively.

During the nine months ended September 30, 2013 and 2012, we made income tax payments, net of refunds received, totaling \$46.9 million and \$24.4 million, respectively.

During the nine months ended September 30, 2013 and 2012, we sold \$11.1 million and \$14.7 million, respectively, of trade receivables, at a total discount of \$0.2 million and \$0.4 million, respectively.

During the nine months ended September 30, 2013 and 2012, we transferred \$46.3 million and \$40.4 million, respectively, of loaner vehicles from Other Current Assets to Inventory on our Condensed Consolidated Balance Sheets.

During the nine months ended September 30, 2013, we entered into three transactions in which we purchased various previously leased real estate, for a total purchase price of \$32.8 million. These transactions included the termination of the related lease obligations, resulting in losses of \$2.1 million and \$5.5 million, which are included in Other Operating Expense, net in our Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2013, respectively.

Until February 2012, we sponsored the Asbury Automotive Wealth Accumulation Plan (the "Deferred Compensation Plan" or the "Plan") wherein eligible employees, generally those at senior levels, could elect to defer a portion of their annual compensation. In February 2012, our Board of Directors elected to terminate the Plan. During the nine months ended September 30, 2013, we (i) received a \$7.8 million lump sum distribution as a result of the termination of the Plan and (ii) used these proceeds to relieve our corresponding \$7.8 million total liability to the Plan's participants.

10. COMMITMENTS AND CONTINGENCIES

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

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

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

It is reasonably possible that losses in excess of the amounts accrued for the various types of claims currently known to us could be up to approximately \$0.5 million in the aggregate. We currently do not anticipate that any known claim will materially adversely affect our financial condition, liquidity or results of operations. However, the outcome of any matter cannot be predicted with certainty, and an unfavorable resolution of one or more matters presently known or arising in the future could have a material adverse effect on our financial condition, liquidity or results of operations.

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

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

We had \$14.6 million of letters of credit outstanding as of September 30, 2013, which are required by certain of our insurance providers. In addition, as of September 30, 2013, we maintained a \$5.0 million surety bond line in the ordinary course of our business. Our letters of credit and surety bond line are considered to be off balance sheet arrangements.

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

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

Forward-Looking Information

Certain of the discussions and information included in this report may constitute "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements are statements that are not historical in nature

and may include statements relating to our goals, plans and projections regarding industry and general economic trends, our expected financial position, results of operations or market position and our business strategy. Such statements can generally be identified by words such as “may,” “target,” “could,” “would,” “will,” “should,” “believe,” “expect,” “anticipate,” “plan,” “intend,” “foresee” and other similar words or phrases. Forward-looking statements may also relate to our expectations and assumptions with respect to, among other things:

- our ability to execute our business strategy;

- our ability to further improve our operating cash flows, and the availability of capital and liquidity;

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- our estimated future capital expenditures;
- the duration of the economic recovery process and its impact on our revenues and expenses;
- our parts and service revenue due to, among other things, improvements in manufacturing quality, manufacturer recalls, the recently lower than historical seasonally adjusted annual rate ("SAAR") of new vehicle sales in the U.S. and any changes in business strategy and government regulations;
- the variable nature of significant components of our cost structure;
- our ability to decrease our exposure to regional economic downturns due to our geographic diversity and brand mix;
- manufacturers' willingness to continue to use incentive programs to drive demand for their product offerings;
- our ability to leverage our common systems, infrastructure and processes in a cost-efficient manner;
- our acquisition and divestiture strategies;
- the continued availability of financing, including floor plan financing for inventory;
- the ability of consumers to secure vehicle financing, including at favorable rates;
- the growth of mid-line import and luxury brands over the long-term;
- our ability to mitigate any future negative trends in new vehicle sales; and
- our ability to increase our net income as a result of the foregoing and other factors.

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

- our ability to execute our balanced automotive retailing and service business strategy;
- changes in the mix, and total number, of vehicles we are able to sell;
- changes in general economic and business conditions, including changes in consumer confidence levels, interest rates, consumer credit availability and employment levels;
- changes in laws and regulations governing the operation of automobile franchises, including trade restrictions, consumer protections, accounting standards, taxation requirements and environmental laws;
- changes in the price of oil and gasoline;
- our ability to generate sufficient cash flows, maintain our liquidity and obtain additional funds for working capital, capital expenditures, acquisitions, debt maturities and other corporate purposes, if necessary;
- our continued ability to comply with applicable covenants in various of our financing and lease agreements, or to obtain waivers of these covenants as necessary;

our relationships with, and the reputation and financial health and viability of, the vehicle manufacturers whose brands we sell, and their ability to design, manufacture, deliver and market their vehicles successfully;

significant disruptions in the production and delivery of vehicles and parts for any reason, including natural disasters, product recalls, work stoppages or other occurrences that are outside of our control;

adverse results from litigation or other similar proceedings involving us;

our relationships with, and the financial stability of, our lenders and lessors;

our ability to execute our initiatives and other strategies;

high levels of competition in our industry, which may create pricing and margin pressures on our products and services;

our ability to renew, and enter into new, framework and dealer agreements with vehicle manufacturers whose brands we sell, on terms acceptable to us;

our ability to attract and to retain key personnel;

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our ability to leverage gains from our dealership portfolio; and

significant disruptions in the financial markets, which may impact our ability to access capital.

Many of these factors are beyond our ability to control or predict, and their ultimate impact could be material. Moreover, the factors set forth in the discussion and analysis below and under Item 1A entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2012 and other cautionary statements made in this report should be read and considered as forward-looking statements subject to such uncertainties. Forward-looking statements speak only as of the date they are made, and we assume no obligation to update any forward-looking statements.

OVERVIEW

We are one of the largest automotive retailers in the United States, operating 100 franchises (79 dealership locations) in 18 metropolitan markets within 10 states as of September 30, 2013. We offer an extensive range of automotive products and services, including new and used vehicles; vehicle maintenance, replacement parts and collision repair services; and financing, insurance and service contracts. As of September 30, 2013, we offered 29 domestic and foreign brands of new vehicles. Our current brand mix is weighted 87% towards luxury and mid-line import brands, with the remaining 13% consisting of domestic brands. We also operate 24 collision repair centers that serve customers in our local markets.

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

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

Courtesy dealerships operating in Tampa, Florida;

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

Nalley dealerships operating in metropolitan Atlanta, Georgia;

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

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

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

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

Our revenues are derived primarily from: (i) the sale of new vehicles to individual retail customers (“new vehicle retail”) and commercial customers (“fleet”) (the terms “new vehicle retail” and “fleet” being together referred to as “new”); (ii) the sale of used vehicles to individual retail customers (“used retail”) and to other dealers at auction (“wholesale”) (the terms “used retail” and “wholesale” being together referred to as “used”); (iii) maintenance and collision repair services and the sale of automotive parts (together referred to as “parts and service”); and (iv) the arrangement of vehicle financing and the sale of a number of aftermarket products, such as insurance and service contracts (collectively referred to as “F&I”). We evaluate the results of our new and used vehicle sales based on unit volumes and gross profit per vehicle sold, our parts and service operations based on aggregate gross profit, and F&I based on dealership generated F&I gross profit per vehicle sold. We assess the organic growth of our revenue and gross profit by comparing the year-to-year results of stores that we have operated for at least twelve full months (“same store”).

Our organic growth is dependent upon the execution of our balanced automotive retailing and service business strategy, the continued strength of our brand mix and the production of desirable vehicles by automobile manufacturers whose brands we sell. Our vehicle sales have historically fluctuated with product availability as well as local and national economic conditions, including consumer confidence, availability of consumer credit, fuel prices and employment levels. We believe that the impact on our business of any future negative trends in new vehicle sales would be partially mitigated by (i) the expected relative stability of our parts and service operations over the long-term, (ii) the variable nature of significant components of our cost structure and (iii) our brand mix. Historically, our brand mix has been less affected by market volatility than the U.S. automobile industry as a whole. We believe that our new vehicle revenue brand mix, which included approximately 49% of revenue from mid-line import brands and 38% of revenue from luxury brands in the third quarter of 2013, is well positioned for growth over the long term.

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

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

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

The United States automotive retail market showed continued improvement through the third quarter of 2013, with new vehicle SAAR increasing to 15.5 million during the third quarter of 2013 as compared to 14.3 million during the third quarter of 2012. We continued to benefit from improving economic conditions in the first nine months of 2013, which we attribute to improved consumer confidence, the continued availability of credit at terms favorable to consumers resulting primarily from the current low interest rate environment, gradually improving unemployment and the increasing age of the U.S. automotive fleet. We believe that the overall economic recovery will continue to be fragile, and may be subject to further changes based on consumer confidence, interest rates, unemployment levels and other macro-economic factors as the long-term prospects for, and the timing of, a return to a stronger economy continue to be difficult to predict.

We had total available liquidity of \$272.4 million as of September 30, 2013, which consisted of cash and cash equivalents of \$1.3 million, borrowing availability of \$235.3 million under our revolving credit facilities and \$35.8 million of availability under our floor plan offset account. For further discussion of our liquidity, please refer to "Liquidity and Capital Resources" below.

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RESULTS OF OPERATIONS

Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

	For the Three Months Ended		Increase	%	
	September 30,	September 30,	(Decrease)	Change	
	2013	2012			
(Dollars in millions, except per share data)					
REVENUES:					
New vehicle	\$759.7	\$672.3	\$87.4	13	%
Used vehicle	421.6	333.0	88.6	27	%
Parts and service	154.0	141.8	12.2	9	%
Finance and insurance, net	54.7	44.0	10.7	24	%
Total revenues	1,390.0	1,191.1	198.9	17	%
GROSS PROFIT:					
New vehicle	46.3	41.8	4.5	11	%
Used vehicle	30.3	25.9	4.4	17	%
Parts and service	94.0	82.5	11.5	14	%
Finance and insurance, net	54.7	44.0	10.7	24	%
Total gross profit	225.3	194.2	31.1	16	%
OPERATING EXPENSES:					
Selling, general and administrative	159.7	140.0	19.7	14	%
Depreciation and amortization	6.2	5.5	0.7	13	%
Other operating expense (income), net	1.4	(0.5)	) 1.9	NM	
Income from operations	58.0	49.2	8.8	18	%
OTHER EXPENSES:					
Floor plan interest expense	(2.9)	) (2.9)) —	—	%
Other interest expense, net	(11.1)	) (8.7)	) 2.4	28	%
Swap interest expense	(0.1)	) (1.3)	) (1.2)	) (92))%
Convertible debt discount amortization	—	(0.1)	) (0.1)	) NM	
Loss on extinguishment of long-term debt	(6.8)	) —	6.8	NM	
Total other expense, net	(20.9)	) (13.0)	) 7.9	61	%
Income before income taxes	37.1	36.2	0.9	2	%
INCOME TAX EXPENSE	14.3	13.6	0.7	5	%
INCOME FROM CONTINUING OPERATIONS	22.8	22.6	0.2	1	%
DISCONTINUED OPERATIONS, net of tax	(0.1)	) (1.9)	) 1.8	95	%
NET INCOME	\$22.7	\$20.7	\$2.0	10	%
Income from continuing operations per common share—Diluted	\$0.73	\$0.72	\$0.01	1	%
Net income per common share—Diluted	\$0.73	\$0.66	\$0.07	11	%

NM—Not Meaningful

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	For the Three Months Ended September 30,		
	2013	2012	
REVENUE MIX PERCENTAGES:			
New vehicles	54.7	% 56.4	%
Used retail vehicles	26.7	% 23.5	%
Used vehicle wholesale	3.6	% 4.5	%
Parts and service	11.1	% 11.9	%
Finance and insurance, net	3.9	% 3.7	%
Total revenue	100.0	% 100.0	%
GROSS PROFIT MIX PERCENTAGES:			
New vehicles	20.6	% 21.5	%
Used retail vehicles	13.9	% 13.5	%
Used vehicle wholesale	(0.5)	)% (0.2))%
Parts and service	41.7	% 42.5	%
Finance and insurance, net	24.3	% 22.7	%
Total gross profit	100.0	% 100.0	%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	70.9	% 72.1	%

Net income and income from continuing operations increased by \$2.0 million (10%) and \$0.2 million (1%), respectively, in the third quarter of 2013 as compared to the third quarter of 2012. The increase in income from continuing operations was primarily the result of a \$31.1 million (16%) increase in gross profit, which was partially offset by (i) a \$19.7 million (14%) increase in SG&A expenses, (ii) a \$6.8 million loss on the redemption of the 7.625% Senior Subordinated Notes due 2017 (the "7.625% Notes"), (iii) a \$1.9 million increase in other operating expense, net and (iv) a 2.4 million (28%) increase in other interest expense, net. Net income and income from continuing operations for the third quarter of 2013 were reduced by \$1.3 million, net of tax, due to real estate related charges. On a pre-tax basis, these charges totaled \$2.1 million and are included in Other Operating Expense, net. Gross profit increased across all four of our business lines and was driven by (i) an \$11.5 million (14%) increase in parts and service gross profit, (ii) a \$10.7 million (24%) increase in F&I gross profit, (iii) a \$4.5 million (11%) increase in new vehicle gross profit and (iv) a \$4.4 million (17%) increase in used vehicle gross profit. Our total gross profit margin decreased 10 basis points to 16.2%. In reviewing the contributions of our business lines to our overall gross profit, we experienced a 160 basis point increase in our finance and insurance business and a 40 basis point increase in our used retail business, which were partially offset by a 90 basis point decrease in our new vehicle business and an 80 basis point decrease in our parts and service business.

The \$198.9 million (17%) increase in total revenue was primarily a result of (i) an \$87.4 million (13%) increase in new vehicle revenue and (ii) an \$88.6 million (27%) increase in used vehicle revenue.

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New Vehicle—

	For the Three Months Ended September 30,		Increase	%	
	2013	2012	(Decrease)	Change	
(Dollars in millions, except for per vehicle data)					
Revenue:					
New vehicle revenue—same store(1)					
Luxury	\$279.6	\$245.6	\$34.0	14	%
Mid-line import	360.5	332.4	28.1	8	%
Mid-line domestic	99.6	94.3	5.3	6	%
Total new vehicle revenue—same store(1)	739.7	672.3	67.4	10	%
New vehicle revenue—acquisitions	20.0	—			
New vehicle revenue, as reported	\$759.7	\$672.3	\$87.4	13	%
Gross profit:					
New vehicle gross profit—same store(1)					
Luxury	\$20.2	\$18.4	\$1.8	10	%
Mid-line import	18.3	16.8	1.5	9	%
Mid-line domestic	6.4	6.6	(0.2)	(3))%
Total new vehicle gross profit—same store(1)	44.9	41.8	3.1	7	%
New vehicle gross profit—acquisitions	1.4	—			
New vehicle gross profit, as reported	\$46.3	\$41.8	\$4.5	11	%

	For the Three Months Ended September 30,		Increase	%	
	2013	2012	(Decrease)	Change	
New vehicle units:					
New vehicle retail units—same store(1)					
Luxury	5,692	5,020	672	13	%
Mid-line import	13,533	12,642	891	7	%
Mid-line domestic	2,747	2,595	152	6	%
Total new vehicle retail units—same store(1)	21,972	20,257	1,715	8	%
Fleet vehicles	242	537	(295)	(55))%
Total new vehicle units—same store(1)	22,214	20,794	1,420	7	%
New vehicle units—acquisitions	673	—			
New vehicle units—actual	22,887	20,794	2,093	10	%

New Vehicle Metrics—

	For the Three Months Ended September 30,		Increase	%	
	2013	2012	(Decrease)	Change	
Revenue per new vehicle sold—same store(1)	\$33,299	\$32,331	\$968	3	%
Gross profit per new vehicle sold—same store(1)	\$2,021	\$2,010	\$11	1	%
New vehicle gross margin—same store(1)	6.1	% 6.2	% (0.1)	)% (2))%

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

The \$87.4 million (13%) increase in new vehicle revenue was primarily a result of a 7% increase in same store new vehicle unit sales, combined with a 3% increase in same store revenue per new vehicle sold. Our total new vehicle revenue also benefited from \$20.0 million derived from acquisitions. Same store unit volumes for our luxury and

mid-line import brand segments increased by 13% and 7%, respectively, reflecting (i) a general increase in consumer demand, (ii) the continued availability of credit at terms favorable to our customers and (iii) the availability of new vehicle inventory from which to choose.

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Unit volumes from our domestic brands also increased 6% on a same store basis. New vehicle SAAR increased by 8% to 15.5 million for the third quarter of 2013 as compared to 14.3 million for the third quarter of 2012, which contributed to the unit volume increases in each of our three brand segments.

Total new vehicle gross profit increased by \$4.5 million (11%), driven by a 7% increase in same store new vehicle unit sales but partially offset by a 2% decrease in our same store gross profit margin. Gross profit derived from our acquisitions contributed \$1.4 million to the increase in gross profit during the quarter. Our same store gross profit per new vehicle sold increased to \$2,021, an \$11 (1%) increase over the same period in 2012. Our margins in the near future are expected to be primarily dependent upon market-based forces of supply and demand.

Used Vehicle—

	For the Three Months Ended September 30,		Increase	%	
	2013	2012	(Decrease)	Change	
(Dollars in millions, except for per vehicle data)					
Revenue:					
Used vehicle retail revenues—same store(1)	\$359.3	\$279.3	\$80.0	29	%
Used vehicle retail revenues—acquisitions	11.8	—			
Total used vehicle retail revenues	371.1	279.3	91.8	33	%
Used vehicle wholesale revenues—same store(1)	49.7	53.7	(4.0)	(7))%
Used vehicle wholesale revenues—acquisitions	0.8	—			
Total used vehicle wholesale revenues	50.5	53.7	(3.2)	(6))%
Used vehicle revenue, as reported	\$421.6	\$333.0	\$88.6	27	%
Gross profit:					
Used vehicle retail gross profit—same store(1)	\$31.0	\$26.3	\$4.7	18	%
Used vehicle retail gross profit—acquisitions	0.4	—			
Total used vehicle retail gross profit	31.4	26.3	5.1	19	%
Used vehicle wholesale gross profit—same store(1)	(1.2)	(0.4)	(0.8)		NM
Used vehicle wholesale gross profit—acquisitions	0.1	—			
Total used vehicle wholesale gross profit	(1.1)	(0.4)	(0.7)		NM
Used vehicle gross profit, as reported	\$30.3	\$25.9	\$4.4	17	%
Used vehicle retail units:					
Used vehicle retail units—same store(1)	18,099	14,463	3,636	25	%
Used vehicle retail units—acquisitions	616	—			
Used vehicle retail units—actual	18,715	14,463	4,252	29	%

Used Vehicle Metrics—

	For the Three Months Ended September 30,		Increase	%	
	2013	2012	(Decrease)	Change	
Revenue per used vehicle retailed—same store(1)	\$19,852	\$19,311	\$541	3	%
Gross profit per used vehicle retailed—same store(1)	\$1,713	\$1,818	\$(105)	(6))%
Used vehicle retail gross margin—same store(1)	8.6	% 9.4	% (0.8)	)%	(9) %)

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

NM—Not Meaningful

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The \$88.6 million (27%) increase in used vehicle revenue was the result of a 25% increase in same store used vehicle retail unit sales, combined with a 3% increase in same store revenue per used vehicle retailed. These increases were partially offset by a \$3.2 million (6%) decrease in used vehicle wholesale revenue. Used vehicle revenue for the third quarter of 2013 also included a total of \$12.6 million derived from acquisitions. The 25% increase in same store used vehicle retail unit sales reflects increased consumer demand, the availability of credit at terms favorable to the customer and the ongoing impact of our "Asbury 1-2-1" program, a volume-driven initiative with a goal of retailing one used vehicle for every new vehicle retailed. This program is designed to drive not only used retail volume, but to increase revenues from associated parts and service reconditioning and F&I as well.

The \$5.1 million (19%) increase in used vehicle retail gross profit was driven primarily by higher unit volumes, partially offset by an 80 basis point decrease in our same store used vehicle retail gross margin. The decrease in our same store used vehicle retail gross margin can be partially attributed to margin pressures created by the general increase in the supply of used vehicles as a result of customer trade-ins and vehicles coming off lease.

We believe that our used vehicle inventory continues to be well-aligned with current consumer demand, with approximately 37 days of supply in our inventory as of September 30, 2013.

Parts and Service—

	For the Three Months Ended				
	September 30,	2012	Increase	% Change	
	2013				
	(Dollars in millions)				
Revenue:					
Parts and service revenue—same store(1)	\$150.5	\$141.8	\$8.7	6	%
Parts and service revenues—acquisitions	3.5	—			
Parts and service revenue, as reported	\$154.0	\$141.8	\$12.2	9	%
Gross profit:					
Parts and service gross profit—same store(1)					
Customer pay	\$53.4	\$51.1	\$2.3	5	%
Reconditioning and preparation	22.4	17.2	5.2	30	%
Warranty	11.1	9.5	1.6	17	%
Wholesale parts	4.8	4.7	0.1	2	%
Total parts and service gross profit—same store(1)	91.7	82.5	9.2	11	%
Parts and service gross profit—acquisitions	2.3	—			
Parts and service gross profit, as reported	\$94.0	\$82.5	\$11.5	14	%
Parts and service gross margin—same store(1)	60.9	% 58.2	% 2.7	% 5	%

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

The \$12.2 million (9%) increase in parts and service revenue was primarily due to (i) a \$5.1 million (5%) increase in same store customer pay revenue, (ii) a \$2.5 million (13%) increase in same store warranty revenue and (iii) \$3.5 million derived from acquisitions. The 270 basis point increase in our same store parts and service gross margin was primarily the result of increases in our higher margin parts and service businesses, including a 30% increase in gross profit from reconditioning and preparation of vehicles, a 17% increase in warranty work and a 5% increase in our customer pay parts and service gross profit. The \$5.2 million increase in reconditioning and preparation gross profit was primarily driven by a 25% increase in our same store used vehicle retail unit sales and a 7% increase in our same store new vehicle retail unit sales. Gross profit associated with warranty work increased by \$1.6 million (17%), partially due to certain manufacturer recalls that occurred during the first nine months of 2013 that drove increased warranty work, as well as increased units in operation as sales of new vehicles in the United States have continued to increase over the past few years.

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

Finance and Insurance, net—

	For the Three Months Ended September 30,		Increase	% Change	
	2013	2012			
	(Dollars in millions, except for per vehicle data)				
Finance and insurance, net—same store(1)	\$52.6	\$44.0	\$8.6	20	%
Finance and insurance, net—acquisitions	2.1	—			
Finance and insurance, net as reported	\$54.7	\$44.0	\$10.7	24	%
Finance and insurance, net per vehicle sold—same store(1)	\$1,305	\$1,248	\$57	5	%

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

F&I, including acquisitions, increased by \$10.7 million (24%) during the third quarter of 2013 as compared to the third quarter of 2012, primarily due to (i) a 15% increase in same store new and used retail unit sales and (ii) a 5% increase in F&I per vehicle sold. The \$57 increase in F&I per vehicle sold was primarily attributable to an improvement in the number of F&I contracts sold as a percentage of retail unit sales (also known as our F&I penetration rate), which was driven by (i) the improved availability of consumer credit, which allowed more of our customers to take advantage of a broader array of F&I products, (ii) the addition of key personnel to our F&I management team and (iii) our continued focus on improving the F&I results at our lower-performing stores through our F&I training programs, which include implementing a certification process and certain best practices initiatives.

Selling, General and Administrative Expense—

	For the Three Months Ended September 30,					% of Gross Profit (Decrease) Increase	
	2013	% of Gross Profit	2012	% of Gross Profit	Increase (Decrease)		
	(Dollars in millions)						
Personnel costs	\$71.0	32.4	% \$63.0	32.4	% \$8.0	—	%
Sales compensation	23.8	10.9	% 20.6	10.6	% 3.2	0.3	%
Share-based compensation	2.5	1.1	% 1.8	0.9	% 0.7	0.2	%
Outside services	15.6	7.1	% 13.2	6.8	% 2.4	0.3	%
Advertising	8.3	3.8	% 7.3	3.8	% 1.0	—	%
Rent	8.1	3.7	% 9.1	4.7	% (1.0)	(1.0))%
Utilities	4.0	1.8	% 3.9	2.0	% 0.1	(0.2))%
Insurance	2.6	1.2	% 2.9	1.5	% (0.3)	(0.3))%
Other	20.0	9.2	% 18.2	9.4	% 1.8	(0.2))%
Selling, general and administrative expense—same store(1)	155.9	71.2	% 140.0	72.1	% 15.9	(0.9))%
Acquisitions	3.8		—				
Selling, general and administrative—actual	\$159.7	70.9	% \$140.0	72.1	% \$19.7	(1.2))%
Gross profit—same store(1)	\$219.0		\$194.2				
Gross profit—actual	\$225.3		\$194.2				

(1)

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

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Same store SG&A expense as a percentage of gross profit was 71.2% for the third quarter of 2013 as compared to 72.1% for the third quarter of 2012. The 90 basis point decrease was primarily attributable to a 100 basis point decrease in rent expense primarily as a result of our purchase of certain previously leased real estate during the second half of 2012 and the first nine months of 2013.

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

Other Operating Expense (Income), net —

Other operating expense (income), net includes gains and losses from the sale of property and equipment, income derived from lease arrangements and other non-core operating items. During the third quarter of 2013, we recognized a \$2.1 million lease termination charge as a result of our purchase of certain previously leased real estate. During the third quarter of 2012, we recognized approximately \$0.8 million of other operating income related to insurance proceeds.

Other Interest Expense —

The \$2.4 million (28%) increase in other interest expense was primarily due to interest expense resulting from our add-on issuance of \$100.0 million aggregate principal amount of 8.375% Senior Subordinated Notes due 2020 (the "8.375% Notes"), which we completed during the second quarter of 2013. For additional information regarding the add-on issuance of our 8.375% Notes, please refer to "Liquidity and Capital Resources" below. In addition to the interest generated by the add-on issuance of our 8.375% Notes, our mortgage interest expense increased by approximately \$1.0 million as result of our decision to mortgage certain previously owned dealership properties during the second half of 2012 and the first nine months of 2013.

Swap Interest Expense —

We have historically entered into various derivative financial instruments, including fair value and cash flow interest rate swaps, which have been designed to provide hedges against changes in fair value of certain debt obligations and variable rate cash flows. Our earnings have been impacted by these interest rate swaps in the form of (i) amounts reclassified from AOCI to earnings for active swaps, (ii) amortization of amounts reclassified from AOCI to earnings for terminated cash flow swaps and (iii) amortization of terminated fair value swaps. The pre-tax impact on earnings related to our various derivative financial instruments for the third quarters of 2013 and 2012 was \$0.1 million and \$1.3 million, respectively. The \$1.2 million decrease in swap interest expense during the third quarter of 2013 when compared to the third quarter of 2012 is primarily the result of the completion of the amortization of a previously terminated swap during the second quarter of 2013.

Loss on Extinguishment of long-term Debt —

During the third quarter of 2013, we recognized a \$6.8 million loss on the redemption of all of the \$143.2 million of our outstanding 7.625% Notes, consisting of (i) \$3.6 million of premiums paid pursuant to the terms of the redemption notice, (ii) a \$3.1 million write-off of unamortized debt issuance costs associated with the 7.625% Notes and (iii) \$0.1 million of third-party costs associated with the redemption of the 7.625% Notes.

Income Tax Expense—

The \$0.7 million (5%) increase in income tax expense was primarily a result of the \$0.9 million (2%) increase in income before income taxes in the third quarter of 2013 as compared to the third quarter of 2012. Our effective tax rate increased 90 basis points from 37.6% for the 2012 period to 38.5% in the 2013 period. Our effective tax rate is highly dependent on our level of income before income taxes and permanent differences between book and tax income. As a result, it is difficult to project our overall effective tax rate for any given period. Based upon our current expectation of 2013 income before income taxes, we expect our effective income tax rate will remain between 38% and 40% in 2013.

Discontinued Operations—

The \$0.1 million, net of tax, net loss from discontinued operations in the third quarter of 2013 consists of net operating losses of franchises sold prior to September 30, 2013, including rent and other expenses of idle facilities.

The \$1.9 million, net of tax, net loss from discontinued operations for the third quarter of 2012 includes (i) \$1.2 million, net of tax, of impairment expense related to certain property not currently used in our operations, (ii) \$0.8 million, net of tax, of net operating losses of franchises sold prior to September 30, 2013, consisting primarily of rent and other expenses of idle facilities and (iii) a \$0.5 million, net of tax, loss related to the disposal of certain property not currently used in our operations, partially

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offset by \$0.6 million, net of tax, of income related to proceeds received from the elimination of one of our franchises. We continuously evaluate the financial and operating results of our dealerships, as well as each dealership's geographical location, and may continue to refine our dealership portfolio through strategic acquisitions or divestitures from time to time.

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RESULTS OF OPERATIONS

The Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

	For the Nine Months Ended		Increase	% Change	
	September 30,	September 30,	(Decrease)		
	2013	2012			
(Dollars in millions, except per share data)					
REVENUES:					
New vehicle	\$2,167.2	\$1,895.2	\$272.0	14	%
Used vehicle	1,183.1	980.4	202.7	21	%
Parts and service	455.5	423.9	31.6	7	%
Finance and insurance, net	154.1	123.1	31.0	25	%
Total revenues	3,959.9	3,422.6	537.3	16	%
GROSS PROFIT:					
New vehicle	131.6	122.2	9.4	8	%
Used vehicle	92.2	79.6	12.6	16	%
Parts and service	276.0	245.6	30.4	12	%
Finance and insurance, net	154.1	123.1	31.0	25	%
Total gross profit	653.9	570.5	83.4	15	%
OPERATING EXPENSES:					
Selling, general and administrative	462.0	415.9	46.1	11	%
Depreciation and amortization	18.0	16.9	1.1	7	%
Other operating expense, net	5.9	0.1	5.8	NM	
Income from operations	168.0	137.6	30.4	22	%
OTHER EXPENSES:					
Floor plan interest expense	(9.1)	) (8.5)	) 0.6	7	%
Other interest expense, net	(29.8)	) (26.6)	) 3.2	12	%
Swap interest expense	(2.2)	) (3.8)	) (1.6)	) (42))%
Convertible debt discount amortization	—	(0.4)	) (0.4)	) NM	
Loss on extinguishment of long-term debt	(6.8)	) —	6.8	NM	
Total other expense, net	(47.9)	) (39.3)	) 8.6	22	%
Income before income taxes	120.1	98.3	21.8	22	%
INCOME TAX EXPENSE	46.2	37.6	8.6	23	%
INCOME FROM CONTINUING OPERATIONS	73.9	60.7	13.2	22	%
DISCONTINUED OPERATIONS, net of tax	8.3	(1.3)	) 9.6	NM	
NET INCOME	\$82.2	\$59.4	\$22.8	38	%
Income from continuing operations per common share—Diluted	\$2.38	\$1.92	\$0.46	24	%
Net income per common share—Diluted	\$2.64	\$1.88	\$0.76	40	%

 NM—Not Meaningful

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	For the Nine Months Ended September 30,			
	2013		2012	
REVENUE MIX PERCENTAGES:				
New vehicles	54.7	%	55.4	%
Used retail vehicles	26.3	%	24.3	%
Used vehicle wholesale	3.6	%	4.3	%
Parts and service	11.5	%	12.4	%
Finance and insurance, net	3.9	%	3.6	%
Total revenue	100.0	%	100.0	%
GROSS PROFIT MIX PERCENTAGES:				
New vehicles	20.1	%	21.4	%
Used retail vehicles	14.2	%	14.0	%
Used vehicle wholesale	(0.1))%	—	%
Parts and service	42.2	%	43.0	%
Finance and insurance, net	23.6	%	21.6	%
Total gross profit	100.0	%	100.0	%
SG&A EXPENSES AS A PERCENTAGE OF GROSS PROFIT	70.7	%	72.9	%

Net income and income from continuing operations increased by \$22.8 million (38%) and \$13.2 million (22%), respectively, during the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012. The increase in income from continuing operations was primarily the result of an \$83.4 million (15%) increase in gross profit, which was partially offset by (i) a \$46.1 million (11%) increase in SG&A expenses, (ii) a \$6.8 million loss on the redemption of the 7.625% Notes and (iii) a \$5.8 million increase in other operating expense. Net income and income from continuing operations for the nine months ended September 30, 2013 were reduced by \$4.5 million, net of tax, due to real estate related charges. On a pre-tax basis, these charges totaled \$7.3 million and are included in Other Operating Expense, net. Net income for the