

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, 2020

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 30, 2020, the registrant had 18,255,059 shares of common stock outstanding.

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GLOSSARY OF DEFINITIONS

The following are abbreviations and definitions of terms used within this report:

Terms	Definitions
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Brexit	Withdrawal of the U.K. from the European Union
BRL	Brazilian Real (R\$)
COVID-19 pandemic	Coronavirus disease first emerging in December 2019 and resulting in the ongoing global pandemic in 2020
EPS	Earnings per share
F&I	Finance, insurance and other
FASB	Financial Accounting Standards Board
FMCC	Ford Motor Credit Company
GBP	British Pound Sterling (£)
LIBOR	London Interbank Offered Rate
OEM	Original equipment manufacturer
PRU	Per retail unit
ROU	Right-of-use
RSA	Restricted stock award
SEC	Securities and Exchange Commission
SG&A	Selling, general and administrative
USD	United States Dollar
U.K.	United Kingdom
U.S.	United States of America
U.S. GAAP	Accounting principles generally accepted in the U.S.
WHO	World Health Organization
WACC	Weighted average cost of capital

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GROUP 1 AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In millions, except share data)

	June 30, 2020	December 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 72.7	\$ 23.8
Contracts-in-transit and vehicle receivables, net	173.3	253.8
Accounts and notes receivables, net	152.5	225.1
Inventories, net	1,327.1	1,901.7
Prepaid expenses	88.0	96.4
Other current assets	21.1	15.5
TOTAL CURRENT ASSETS	1,834.6	2,516.3
Property and equipment, net of accumulated depreciation of \$421.6 and \$400.2, respectively	1,548.9	1,547.1
Operating lease assets	219.1	220.1
Goodwill	989.7	1,008.3
Intangible franchise rights	240.5	253.5
Other long-term assets	26.7	24.8
TOTAL ASSETS	\$ 4,859.6	\$ 5,570.2
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floorplan notes payable — credit facility and other, net of offset account of \$99.7 and \$106.8, respectively	\$ 696.6	\$ 1,144.4
Floorplan notes payable — manufacturer affiliates, net of offset account of \$8.1 and \$4.1, respectively	357.7	459.9
Current maturities of long-term debt	54.6	59.1
Current operating lease liabilities	23.6	24.6
Accounts payable	442.7	527.5
Accrued expenses and other current liabilities	199.9	206.7
TOTAL CURRENT LIABILITIES	1,775.1	2,422.3
Long-term debt	1,360.7	1,432.1
Long-term operating lease liabilities	214.2	210.7
Deferred income taxes	135.4	145.7
Long-term interest rate swap liabilities	49.3	4.4
Other long-term liabilities	109.0	99.2
Commitments and Contingencies (Note 12)		
STOCKHOLDERS' EQUITY:		
Common stock, \$0.01 par value, 50,000,000 shares authorized; 25,439,581 and 25,486,711 shares issued, respectively	0.3	0.3
Additional paid-in capital	300.0	295.3
Retained earnings	1,596.9	1,542.4
Accumulated other comprehensive income (loss)	(213.3)	(147.0)
Treasury stock, at cost; 7,179,357 and 6,858,503 shares, respectively	(467.9)	(435.3)
TOTAL STOCKHOLDERS' EQUITY	1,215.9	1,255.7
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 4,859.6	\$ 5,570.2

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

GROUP 1 AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
REVENUES:				
New vehicle retail sales	\$ 1,062.7	\$ 1,565.4	\$ 2,404.8	\$ 2,979.9
Used vehicle retail sales	641.2	838.9	1,420.3	1,658.1
Used vehicle wholesale sales	48.7	96.0	135.2	188.1
Parts and service sales	282.0	378.2	652.6	747.3
Finance, insurance and other, net	96.7	127.3	209.2	240.6
Total revenues	2,131.2	3,005.7	4,822.0	5,814.1
COST OF SALES:				
New vehicle retail sales	998.9	1,495.7	2,278.3	2,838.8
Used vehicle retail sales	594.9	785.6	1,331.8	1,557.0
Used vehicle wholesale sales	46.6	96.1	132.1	187.8
Parts and service sales	132.0	174.1	304.5	344.8
Total cost of sales	1,772.4	2,551.4	4,046.7	4,928.3
GROSS PROFIT	358.8	454.3	775.3	885.8
Selling, general and administrative expenses	237.2	338.7	565.1	666.4
Depreciation and amortization expense	18.8	17.9	37.4	34.9
Asset impairments	23.8	0.5	23.8	0.5
INCOME (LOSS) FROM OPERATIONS	79.0	97.1	148.9	183.9
Floorplan interest expense	10.1	15.9	23.0	31.6
Other interest expense, net	16.2	18.0	34.3	36.9
(Gain) loss on extinguishment of debt	10.4	—	10.4	—
INCOME (LOSS) BEFORE INCOME TAXES	42.3	63.2	81.2	115.4
(Benefit) provision for income taxes	12.2	14.0	21.3	27.5
NET INCOME (LOSS)	\$ 30.2	\$ 49.2	\$ 60.0	\$ 87.9
BASIC EARNINGS (LOSS) PER SHARE	\$ 1.64	\$ 2.65	\$ 3.25	\$ 4.74
Weighted average common shares outstanding	17.8	17.9	17.8	17.9
DILUTED EARNINGS (LOSS) PER SHARE	\$ 1.63	\$ 2.64	\$ 3.25	\$ 4.73
Weighted average dilutive common shares outstanding	17.8	17.9	17.8	17.9

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
NET INCOME (LOSS)	\$ 30.2	\$ 49.2	\$ 60.0	\$ 87.9
Other comprehensive income (loss), net of taxes:				
Foreign currency translation adjustment	(2.5)	(4.0)	(30.4)	(0.4)
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 \$1.5, \$2.9, \$11.2 and \$4.3, respectively	(7.0)	(9.5)	(38.6)	(13.7)
Reclassification adjustment for (gain) loss included in interest expense, net of tax benefit (provision) of \$0.7, (\$0.1), \$0.9 and (\$0.2), respectively	2.1	(0.3)	2.7	(0.7)
Unrealized gain (loss) on interest rate risk management activities, net of tax	(4.9)	(9.8)	(36.0)	(14.3)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX	(7.3)	(13.8)	(66.4)	(14.8)
COMPREHENSIVE INCOME (LOSS)	\$ 22.8	\$ 35.4	\$ (6.4)	\$ 73.1

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

GROUP 1 AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In millions, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
BALANCE, MARCH 31, 2020	25,448,275	\$ 0.3	\$ 287.8	\$ 1,566.7	\$ (206.0)	\$ (474.1)	\$ 1,174.6
Net income (loss)	—	—	—	30.2	—	—	30.2
Other comprehensive income (loss), net of taxes	—	—	—	—	(7.3)	—	(7.3)
Net issuance of treasury shares to stock compensation plans	(8,693)	—	(4.4)	—	—	6.2	1.8
Stock-based compensation	—	—	16.6	—	—	—	16.6
BALANCE, JUNE 30, 2020	<u>25,439,581</u>	<u>\$ 0.3</u>	<u>\$ 300.0</u>	<u>\$ 1,596.9</u>	<u>\$ (213.3)</u>	<u>\$ (467.9)</u>	<u>\$ 1,215.9</u>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
BALANCE, DECEMBER 31, 2019	25,486,711	\$ 0.3	\$ 295.3	\$ 1,542.4	\$ (147.0)	\$ (435.3)	\$ 1,255.7
Net income (loss)	—	—	—	60.0	—	—	60.0
Other comprehensive income (loss), net of taxes	—	—	—	—	(66.4)	—	(66.4)
Purchases of treasury stock	—	—	—	—	—	(48.9)	(48.9)
Net issuance of treasury shares to stock compensation plans	(47,129)	—	(17.0)	—	—	16.3	(0.7)
Stock-based compensation	—	—	21.7	—	—	—	21.7
Dividends declared (\$0.30 per share)	—	—	—	(5.5)	—	—	(5.5)
BALANCE, JUNE 30, 2020	<u>25,439,581</u>	<u>\$ 0.3</u>	<u>\$ 300.0</u>	<u>\$ 1,596.9</u>	<u>\$ (213.3)</u>	<u>\$ (467.9)</u>	<u>\$ 1,215.9</u>

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

GROUP 1 AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In millions, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
BALANCE, MARCH 31, 2019	25,522,383	\$ 0.3	\$ 287.1	\$ 1,422.6	\$ (138.7)	\$ (443.5)	\$ 1,127.7
Net income (loss)	—	—	—	49.2	—	—	49.2
Other comprehensive income (loss), net of taxes	—	—	—	—	(13.8)	—	(13.8)
Net issuance of treasury shares to stock compensation plans	(12,102)	—	(2.8)	—	—	4.7	1.8
Stock-based compensation	—	—	3.9	—	—	—	3.9
Dividends declared (\$0.26 per share)	—	—	—	(4.8)	—	—	(4.8)
BALANCE, JUNE 30, 2019	25,510,280	\$ 0.3	\$ 288.2	\$ 1,467.0	\$ (152.5)	\$ (438.8)	\$ 1,164.1

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
BALANCE, DECEMBER 31, 2018	25,494,328	\$ 0.3	\$ 292.8	\$ 1,394.8	\$ (137.8)	\$ (454.4)	\$ 1,095.7
Net income (loss)	—	—	—	87.9	—	—	87.9
Other comprehensive income (loss), net of taxes	—	—	—	—	(14.8)	—	(14.8)
Net issuance of treasury shares to stock compensation plans	15,953	—	(14.6)	—	—	15.6	1.0
Stock-based compensation	—	—	10.0	—	—	—	10.0
Dividends declared (\$0.52 per share)	—	—	—	(9.7)	—	—	(9.7)
ASC 842 cumulative adjustment	—	—	—	(6.1)	—	—	(6.1)
BALANCE, JUNE 30, 2019	25,510,280	\$ 0.3	\$ 288.2	\$ 1,467.0	\$ (152.5)	\$ (438.8)	\$ 1,164.1

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

GROUP 1 AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In millions)

	Six Months Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 60.0	\$ 87.9
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	37.4	34.9
Change in operating lease assets	12.9	14.4
Deferred income taxes	(3.0)	5.1
Asset impairments	23.8	0.5
Stock-based compensation	21.7	10.0
Amortization of debt discount and issue costs	1.9	2.1
(Gain) loss on disposition of assets	—	(6.0)
(Gain) loss on extinguishment of debt	10.4	—
Other	1.7	0.5
Changes in assets and liabilities, net of acquisitions and dispositions:		
Accounts payable and accrued expenses	(48.0)	77.3
Accounts and notes receivables	64.8	4.6
Inventories	536.7	31.7
Contracts-in-transit and vehicle receivables	77.2	12.4
Prepaid expenses and other assets	(4.8)	(16.5)
Floorplan notes payable — manufacturer affiliates	(90.3)	8.8
Deferred revenues	(0.3)	(0.3)
Operating lease liabilities	(13.8)	(14.5)
Net cash provided by (used in) operating activities	688.2	252.9
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash received	(1.3)	—
Proceeds from disposition of franchises, property and equipment	0.6	37.9
Purchases of property and equipment	(60.5)	(109.2)
Other	—	(0.3)
Net cash provided by (used in) investing activities	(61.2)	(71.6)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on credit facility — floorplan line and other	2,946.3	3,306.5
Repayments on credit facility — floorplan line and other	(3,381.4)	(3,425.4)
Borrowings on credit facility — acquisition line	284.0	124.2
Repayments on credit facility — acquisition line	(215.2)	(117.9)
Debt issue costs	(1.2)	(3.1)
Repayments of senior notes	(307.9)	—
Borrowings on other debt	41.2	76.9
Principal payments on other debt	(63.6)	(90.2)
Borrowings on debt related to real estate	188.6	33.2
Principal payments on debt related to real estate	(14.6)	(53.3)
Proceeds from employee stock purchase plan	4.5	4.3
Payment of tax withholding for stock-based awards	(5.1)	(3.3)
Repurchases of common stock, amounts based on settlement date	(48.9)	—
Dividends paid	(5.5)	(9.7)
Net cash provided by (used in) financing activities	(579.0)	(157.8)
Effect of exchange rate changes on cash	(3.4)	(0.8)
Net increase (decrease) in cash, cash equivalents and restricted cash	44.6	22.8
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of period	28.1	18.7
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of period	\$ 72.7	\$ 41.5

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited)

GROUP 1 AUTOMOTIVE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. INTERIM FINANCIAL INFORMATION

Business

Group 1 Automotive, Inc., a Delaware corporation, is a leading operator in the automotive retailing industry with business activities in 15 states in the U.S., 33 towns in the U.K. and three states in Brazil. Group 1 Automotive, Inc. and its subsidiaries are collectively referred to as the “Company” in these Notes to Condensed Consolidated Financial Statements. The Company, through its 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, 2020, the Company’s retail network consisted of 119 dealerships in the U.S., 50 dealerships in the U.K. and 17 dealerships in Brazil. The U.S. and Brazil are led by the President, U.S. and Brazilian Operations, and the U.K. is led by a Managing Director, each reporting directly to the Company’s Chief Executive Officer. The President, U.S. and Brazilian Operations, and the U.K. Managing Director are responsible for the overall performance of their respective regions, as well as for overseeing field level management.

The Company’s operating results are generally subject to seasonal variations, as well as changes in the economic environment. In the U.S., the Company generally experiences 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. 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.

COVID-19 Pandemic

On March 11, 2020, the WHO declared COVID-19 a pandemic, and subsequently, various countries declared the COVID-19 pandemic a national emergency. The global spread of the COVID-19 pandemic continues to adversely impact the Company’s markets in the U.S., U.K. and Brazil. While government mandated restrictions to contain and combat the virus, such as stay-at-home orders on individuals and operating restrictions on businesses, impacted the Company’s dealerships beginning in mid-March 2020, these measures have begun easing in the second quarter and most of the Company’s markets have shown signs of recovery. However, despite signs of market recovery, the potential impact from the COVID-19 pandemic is difficult to predict, especially as cases rise in some of the Company’s markets. As such, the extent to which the impact may negatively affect the Company’s future operating results or the duration of any potential business disruption is uncertain. Any potential impact will depend on future developments and new information that may emerge regarding the severity and duration of the COVID-19 pandemic and the actions taken by authorities to contain it or treat its impact, all of which are beyond the Company’s control. These potential impacts, while uncertain, could adversely affect the Company’s business, financial condition and results of operations and could also exacerbate the risks identified in the risk factors listed in this Form 10-Q.

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements and notes thereto, have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the rules and regulations of the 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.

The accompanying Condensed Consolidated Financial Statements reflect the consolidated accounts of the parent company, Group 1 Automotive, Inc., and its subsidiaries, all of which are wholly owned. The results of operations of all business combinations completed during the period are included from the effective dates of the closings of the acquisitions. All intercompany balances and transactions have been eliminated in consolidation.

During the three months ended June 30, 2020, the Company recorded an out-of-period adjustment of \$10.6 million resulting in an increase to *Selling, general and administrative expenses* and *Additional paid-in capital* to correct stock-based compensation for awards granted in prior years to retirement eligible employees not recognized timely due to the incorrect treatment of a non-substantive service condition. The impact to the three months ended June 30, 2020 was a decrease to net income of \$9.7 million resulting in a decrease to diluted earnings per common share of \$0.53. The effect of this adjustment on any previously reported periods was not material based on a quantitative and qualitative evaluation.

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

Certain prior-period amounts have been reclassified to conform to current-period presentation. Specifically, the long-term liabilities associated with the Company's interest rate swaps have been reclassified from the caption *Other long-term liabilities* to the caption *Long-term interest rate swap liabilities* in the Condensed Consolidated Balance Sheets. This reclassification had no effect on any subtotal in the Condensed Consolidated Balance Sheets. Certain disclosures are reported as zero balances, or may not compute, due to rounding. 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. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. Management analyzes the Company's estimates based on historical experience and other assumptions that are believed to be reasonable under the circumstances; however, actual results could differ materially from such estimates. Significant estimates made in the accompanying Condensed Consolidated Financial Statements include, but are not limited to, inventory valuation adjustments, reserves for future chargebacks on finance, insurance and vehicle service contract fees, self-insured property and casualty insurance exposure, the fair value of assets acquired and liabilities assumed in business combinations, the valuation of goodwill and intangible franchise rights and reserves for potential litigation. Additionally, while the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated, the Company has made accounting estimates based on the facts and circumstances available as of the reporting date.

Recent Accounting Pronouncements**Reference Rate Reform**

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU provides optional expedients and exceptions for companies that have contracts, hedging relationships and other transactions that reference LIBOR or other reference rates expected to be discontinued because of reference rate reform. The optional expedients and exceptions apply during the transition period and are intended to ease the financial reporting burdens mainly related to contract modification accounting, hedge accounting and lease accounting. The transition period is effective as of March 12, 2020 and will apply through December 31, 2022. LIBOR is used as an interest rate "benchmark" in the majority of the Company's floorplan notes payable, as well as its mortgages, other debt and lease contracts. Additionally, the Company's derivative instruments are benchmarked to LIBOR. The Company is expecting to adopt the relief described as its arrangements are modified and does not expect the adoption will have an impact on the Company's consolidated financial statements due to the relief provided.

Impairments

The Company evaluates its intangible assets, consisting entirely of indefinite-lived franchise rights and goodwill, for impairment annually, or more frequently if events or circumstances indicate possible impairment. During the three months ended June 30, 2020 the Company recorded goodwill impairment charges of \$10.7 million within the Brazil reporting unit and franchise rights impairment charges of \$11.1 million within the U.K segment and \$0.1 million within the Brazil segment. Refer to Note 8 "Intangibles" for additional discussion of the Company's interim impairment assessment.

The Company also reviews long-lived assets that are held-for-use, including the Company's property and equipment and ROU assets, for impairment at the lowest level of identifiable cash flows whenever there are indicators that the carrying value of these assets may not be recoverable. During the three months ended June 30, 2020, the Company recognized ROU asset impairment charges of \$1.7 million relating to seven dealerships within the U.K. segment and \$0.2 million relating to one dealership within the Brazil segment.

The impairment charges were recognized within *Asset impairments* in the Company's Condensed Consolidated Statements of Operations.

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

2. REVENUES

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

	Three Months Ended June 30, 2020				Six Months Ended June 30, 2020			
	U.S.	U.K.	Brazil	Total	U.S.	U.K.	Brazil	Total
REVENUES:								
New vehicle retail sales	\$ 915.7	\$ 127.2	\$ 19.8	\$ 1,062.7	\$ 1,904.1	\$ 423.5	\$ 77.3	\$ 2,404.8
Used vehicle retail sales	540.9	92.8	7.5	641.2	1,111.2	281.6	27.4	1,420.3
Used vehicle wholesale sales	30.5	15.3	2.9	48.7	77.3	51.1	6.7	135.2
Total new and used vehicle sales	1,487.1	235.3	30.1	1,752.5	3,092.6	756.2	111.4	3,960.3
Parts and service sales ⁽¹⁾	254.2	21.8	5.9	282.0	558.9	78.3	15.5	652.6
Finance, insurance and other, net ⁽²⁾	89.8	6.4	0.6	96.7	187.2	19.7	2.3	209.2
Total revenues	<u>\$ 1,831.1</u>	<u>\$ 263.5</u>	<u>\$ 36.6</u>	<u>\$ 2,131.2</u>	<u>\$ 3,838.7</u>	<u>\$ 854.2</u>	<u>\$ 129.1</u>	<u>\$ 4,822.0</u>
	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	\$ 1,188.8	\$ 302.2	\$ 74.4	\$ 1,565.4	\$ 2,220.5	\$ 620.8	\$ 138.5	\$ 2,979.9
Used vehicle retail sales	625.5	194.0	19.4	838.9	1,219.9	397.6	40.7	1,658.1
Used vehicle wholesale sales	44.3	46.9	4.8	96.0	87.1	92.1	8.9	188.1
Total new and used vehicle sales	1,858.5	543.1	98.6	2,500.3	3,527.5	1,110.5	188.1	4,826.1
Parts and service sales ⁽¹⁾	309.6	56.4	12.2	378.2	607.2	115.9	24.2	747.3
Finance, insurance and other, net ⁽²⁾	110.5	15.0	1.8	127.3	206.7	30.2	3.8	240.6
Total revenues	<u>\$ 2,278.7</u>	<u>\$ 614.4</u>	<u>\$ 112.6</u>	<u>\$ 3,005.7</u>	<u>\$ 4,341.5</u>	<u>\$ 1,256.6</u>	<u>\$ 216.0</u>	<u>\$ 5,814.1</u>

⁽¹⁾The Company has applied the optional exemption not to disclose revenues related to remaining performance obligations on its maintenance and repair services as the duration of these contracts is less than one year. Revenues from these contracts is recognized upon completion of the services, which occurs over time.

⁽²⁾Includes variable consideration recognized of \$5.4 million and \$9.0 million during the three months ended June 30, 2020 and 2019, respectively, and \$9.3 million and \$12.2 million during the six months ended June 30, 2020 and 2019, respectively, relating to performance obligations satisfied in previous periods on the Company’s retrospective commission income contracts. See Note 7 “Receivables and Contract Assets, Net” for additional information on the Company’s contract assets associated with revenues from the arrangement of financing and sale of service and insurance contracts.

3. ACQUISITIONS AND DISPOSITIONS
Acquisitions

The Company accounts for business combinations under the acquisition method of accounting, under which the Company allocates the purchase price to the assets and liabilities assumed based on an estimate of fair value.

During the six months ended June 30, 2020, the Company acquired a collision center in the U.S., which was integrated into an existing dealership.

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

Dispositions

During the six months ended June 30, 2020, the Company did not dispose of any businesses.

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.

The Company’s dispositions generally consist of dealership assets and related real estate. Gains and losses on dispositions are recorded in *Selling, general and administrative expenses* in the Condensed Consolidated Statement of Operations.

4. SEGMENT INFORMATION

As of June 30, 2020, the Company had three reportable segments: the U.S., the U.K. and Brazil. The U.S. and Brazil segments are led by the President, U.S. and Brazilian Operations, and the U.K. segment is led by a Managing Director, each reporting directly to the Company's Chief Executive Officer, who is the Chief Operating Decision Maker. The President, U.S. and Brazilian Operations, and the U.K. Managing Director are responsible for the overall performance of their respective regions, as well as for overseeing field level management. Each segment is comprised of retail automotive franchises that sell new and used cars and light trucks; arrange related vehicle financing; sell service 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. segment and therefore the corporate financial results are included within the U.S. segment.

Reportable segment revenues and income (loss) before income taxes were as follows for the three and six months ended June 30, 2020 and 2019 (in millions):

	Three Months Ended June 30, 2020				Six Months Ended June 30, 2020			
	U.S.	U.K.	Brazil	Total	U.S.	U.K.	Brazil	Total
Total revenues	\$ 1,831.1	\$ 263.5	\$ 36.6	\$ 2,131.2	\$ 3,838.7	\$ 854.2	\$ 129.1	\$ 4,822.0
Income (loss) before income taxes ⁽¹⁾	\$ 74.8	\$ (19.7)	\$ (12.8)	\$ 42.3	\$ 117.0	\$ (22.3)	\$ (13.4)	\$ 81.2

	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	\$ 2,278.7	\$ 614.4	\$ 112.6	\$ 3,005.7	\$ 4,341.5	\$ 1,256.6	\$ 216.0	\$ 5,814.1
Income (loss) before income taxes ⁽²⁾	\$ 63.8	\$ (1.5)	\$ 0.9	\$ 63.2	\$ 110.2	\$ 4.7	\$ 0.5	\$ 115.4

⁽¹⁾ For the three months ended June 30, 2020, income (loss) before income taxes includes the following: in the U.S. segment, \$10.6 million in stock-based compensation expense related to an out-of-period adjustment and a \$10.4 million loss on debt extinguishment; in the U.K. segment, \$12.8 million in asset impairments and \$1.2 million in severance expense; and in the Brazil segment, \$11.1 million in asset impairments. For the six months ended June 30, 2020, income (loss) before income taxes includes the following: in the U.S. segment, \$10.6 million in stock-based compensation expense related to an out-of-period adjustment and a \$10.4 million loss on debt extinguishment; in the U.K. segment, \$12.8 million in asset impairments and \$1.2 million in severance expense; and in the Brazil segment, \$11.1 million in asset impairments and \$0.9 million in severance expense.

⁽²⁾ For the three months ended June 30, 2019, income (loss) before income taxes includes the following: in the U.S. segment, \$4.0 million in expenses related to Texas hail storm damages; and in the Brazil segment, \$0.5 million in asset impairment charges, \$0.4 million gain on legal matters and \$0.2 million net gain on disposition of real estate and dealership transactions. For the six months ended June 30, 2019, income (loss) before income taxes includes the following: in the U.S. segment, \$6.0 million in expenses related to hail storm damages in Texas and Oklahoma, \$5.2 million net gain on disposition of real estate and dealership transactions and \$1.8 million net loss on legal matters; and in the Brazil segment, \$0.5 million in asset impairment charges, \$0.2 million net gain on disposition of real estate and dealership transactions and \$0.2 million net loss on legal matters.

5. EARNINGS PER SHARE

The two-class method is utilized for the computation of the Company's 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 RSAs 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.

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

The following table sets forth the calculation of EPS for the three and six months ended June 30, 2020 and 2019 (in millions, except share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Weighted average basic common shares outstanding	17,771,447	17,908,039	17,767,449	17,852,985
Dilutive effect of stock-based awards and employee stock purchases	40,166	22,241	42,488	24,691
Weighted average dilutive common shares	17,811,613	17,930,280	17,809,937	17,877,676
Basic:				
Net income (loss)	\$ 30.2	\$ 49.2	\$ 60.0	\$ 87.9
Less: Earnings (loss) allocated to participating securities	1.1	1.8	2.2	3.3
Net income (loss) available to basic common shares	\$ 29.1	\$ 47.4	\$ 57.8	\$ 84.6
Basic earnings (loss) per common share	\$ 1.64	\$ 2.65	\$ 3.25	\$ 4.74
Diluted:				
Net income (loss)	\$ 30.2	\$ 49.2	\$ 60.0	\$ 87.9
Less: Earnings (loss) allocated to participating securities	1.1	1.8	2.1	3.3
Net income (loss) available to diluted common shares	\$ 29.1	\$ 47.4	\$ 57.8	\$ 84.6
Diluted earnings (loss) per common share	\$ 1.63	\$ 2.64	\$ 3.25	\$ 4.73

6. 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.

Cash and Cash Equivalents, Contracts-In-Transit and Vehicle Receivables, Accounts and Notes Receivables, Accounts Payable, Variable Rate Long-Term Debt and Floorplan Notes Payable

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.

Demand Notes

The Company periodically invests in demand notes with a manufacturer-affiliated finance company that bear interest at a variable rate determined by the manufacturer and represent unsecured, unsubordinated and unguaranteed debt obligations of the manufacturer. The instruments are redeemable on demand by the Company and therefore the Company has classified these instruments as *Cash and cash equivalents* in the accompanying 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. Accordingly, the Company has classified these instruments within Level 2 of the hierarchy framework.

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

Fixed Rate Long-Term Debt

The Company's fixed rate long-term debt primarily consists of amounts outstanding under its senior unsecured notes and certain mortgage facilities. See Note 9 "Debt" for further discussion of the Company's long-term debt arrangements. The Company estimates the fair value of its 5.00% Senior Notes using quoted prices for the identical liability (Level 1) and estimates the fair value of its fixed-rate mortgage facilities using a present value technique based on current market interest rates for similar types of financial instruments (Level 2).

The carrying value and fair value of the Company's 5.00% Senior Notes and fixed rate mortgages were as follows (in millions):

	June 30, 2020		December 31, 2019	
	Carrying Value ⁽¹⁾	Fair Value	Carrying Value ⁽¹⁾	Fair Value
5.00% Senior Notes	\$ 547.1	\$ 549.9	\$ 546.4	\$ 559.5
Real estate related	89.8	81.2	40.7	41.1
Total	\$ 636.9	\$ 631.1	\$ 587.1	\$ 600.6

(1) Carrying value includes unamortized discount and excludes debt issuance costs.

On April 2, 2020, the Company fully redeemed \$300.0 million in aggregate principal amount of its outstanding 5.25% Senior Notes due June 2023. Refer to Note 9 "Debt" for further discussion of the redemption.

Derivative financial instruments

The Company holds interest rate swaps to hedge against variability of interest payments indexed to LIBOR. The interest rate swaps are designated as cash flow hedges and the related gains or losses are deferred in stockholders' equity as a component of *Accumulated other comprehensive income (loss)*. The 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 the positions are recognized as *Floorplan interest expense* or *Other interest expense, net*, in the Company's Condensed Consolidated Statements of Operations. The Company had no gains or losses related to ineffectiveness recognized in the Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2020 and 2019.

As of June 30, 2020, the Company held 37 interest rate swaps in effect with a total notional value of \$904.4 million that fixed its underlying one-month LIBOR at a weighted average rate of 1.73%. The Company also held 12 additional interest rate swaps with forward start dates beginning July 2020 that had an aggregate notional value of \$608.5 million and a weighted average interest rate of 1.57% as of June 30, 2020. The maturity dates of the Company's interest rate swaps range between December 2020 and December 2030.

The Company's interest rate swaps are measured at fair value utilizing the option-pricing Black-Scholes present value technique. This technique utilizes a one-month LIBOR forward yield curve matched to the identical maturity term of the instrument being measured. Observable inputs utilized in the income approach valuation technique incorporate identical contractual notional amounts, fixed coupon rates, periodic terms for interest payments and contract maturity. The fair value of the interest rate swaps also considers the credit risk of the Company for instruments in a liability position or the counterparty for instruments in an asset position. The credit risk is calculated using the spread between the one-month LIBOR yield curve and the relevant interest rate according to rating agencies. The inputs to the fair value measurements reflect Level 2 inputs.

Assets and liabilities associated with the Company's interest rate swaps as reflected in the Condensed Consolidated Balance Sheets were as follows (in millions):

	June 30, 2020	December 31, 2019
Assets:		
Other long-term assets	\$ —	\$ 1.9
Total assets	\$ —	\$ 1.9
Liabilities:		
Accrued expenses and other current liabilities	\$ 3.2	\$ 2.8
Long-term interest rate swap liabilities	49.3	4.4
Total liabilities	\$ 52.5	\$ 7.2

Included in *Accumulated other comprehensive income (loss)* as of June 30, 2020 and 2019, were unrealized gains (losses), net of tax, totaling (\$40.1) million and \$(5.4) million, respectively, related to the Company's interest rate swaps.

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

The following tables present the impact of the Company’s interest rate swaps (in millions):

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,	
	2020	2019
Interest rate swaps	\$ (38.6)	\$ (13.7)

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,	
	2020	2019
Floorplan interest expense	\$ (2.7)	\$ 0.6
Other interest expense, net	\$ (0.8)	\$ 0.2

The net amount of loss expected to be reclassified out of Accumulated other comprehensive income (loss) into earnings as an offset to *Floorplan interest expense* or *Other interest expense, net* in the next twelve months is \$3.2 million.

7. RECEIVABLES AND CONTRACT ASSETS, NET

The Company’s financial assets measured at amortized cost and the associated allowance for doubtful accounts consisted of the following (in millions):

	June 30, 2020	December 31, 2019
Contracts-in-transit and vehicle receivables, net		
Contracts-in-transit	\$ 114.5	\$ 169.9
Vehicle receivables	59.2	84.3
Total contracts-in-transit and vehicle receivables	173.7	254.1
Less: allowance for doubtful accounts ⁽¹⁾	0.4	0.3
Total contracts-in-transit and vehicle receivables, net	\$ 173.3	\$ 253.8
Accounts and notes receivables, net		
Manufacturer receivables	\$ 74.4	\$ 124.0
Parts and service receivables	45.6	57.0
F&I receivables	20.3	28.3
Other	15.7	18.6
Total accounts and notes receivables	156.0	227.9
Less: allowance for doubtful accounts ⁽¹⁾	3.5	2.8
Total accounts and notes receivables, net	\$ 152.5	\$ 225.1
Within Other current assets and Other long-term assets		
Total contract assets, net ^{(1),(2)}	\$ 25.3	\$ 21.6

⁽¹⁾ The allowance for doubtful accounts as of June 30, 2020 is calculated under the current expected credit loss (“CECL”) model described below, which was introduced under ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (“ASC 326”), that became effective for the Company on January 1, 2020. The adoption of ASC 326 did not materially change the calculation of the allowance for doubtful accounts.

⁽²⁾ No allowance for doubtful accounts was recorded for *Contract assets, net* as of June 30, 2020 or December 31, 2019. No past due balances existed as of either date, and there were no expected credit losses as of June 30, 2020.

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

The CECL model applies to financial assets measured at amortized cost, as shown in the table above, and requires the Company to reflect expected credit losses over the remaining contractual term of the asset. As the large majority of the Company’s receivables settle within 30 days, the forecast period under the CECL model is a relatively short horizon. The Company uses an aging method to estimate allowances for doubtful accounts under the CECL model as the Company has determined that the aging method adequately reflects expected credit losses, as corroborated by historical loss-rates. However, the Company will apply adjustments for asset-specific factors and current economic conditions as needed at each reporting date.

8. INTANGIBLES

The Company evaluates its intangible assets, consisting entirely of goodwill and indefinite-lived franchise rights, for impairment annually, or more frequently if events or circumstances indicate possible impairment.

As described in Note 1 “Interim Financial Information,” since emerging in December 2019, the COVID-19 pandemic has spread globally, including to all of the Company’s markets in the U.S., U.K. and Brazil. While the U.S. and U.K. began to show signs of recovery in the second quarter of 2020, the Company’s showrooms in Brazil did not fully reopen until May 2020 and operated at reduced hours. Despite operations resuming in Brazil, the impact of the virus continues to worsen and has not yet reached its predicted peak in some of the Company’s Brazilian markets. The slower than expected recovery from the COVID-19 pandemic in Brazil during the second quarter of 2020 constituted a triggering event indicating that goodwill may be impaired. Therefore the Company performed a quantitative goodwill impairment test for the Brazil reporting unit as of June 30, 2020 and as a result, the Company recorded a goodwill impairment charge of \$10.7 million within the Brazil reporting unit.

The following is a roll-forward of the Company’s goodwill accounts by reportable segment (in millions):

	Goodwill			
	U.S.	U.K.	Brazil	Total
Balance, December 31, 2019 ⁽¹⁾	\$ 902.3	\$ 92.1	\$ 13.9	\$ 1,008.3
Additions and adjustments	1.3	—	—	1.3
Disposals	—	—	—	—
Impairments	—	—	(10.7)	(10.7)
Currency translation	—	(6.0)	(3.1)	(9.1)
Balance, June 30, 2020	\$ 903.6	\$ 86.1	\$ —	\$ 989.7

⁽¹⁾ Net of accumulated impairments of \$108.6 million.

The impact of the COVID-19 pandemic on the economy and unemployment during the second quarter of 2020 adversely impacted the Company’s operating results in the U.S., U.K. and Brazil, as well as the Company’s long-term outlook projections compared to the projections in first quarter of 2020. As a result, it was concluded that it was more-likely-than-not that the intangible franchise rights of some dealerships were impaired, requiring a quantitative test as of June 30, 2020. As a result of the quantitative impairment test, the Company determined that the fair value of the franchise rights on six U.K. dealerships and one Brazil dealership were below their respective carrying values. This resulted in franchise rights impairment charges of \$11.1 million in the U.K. segment and \$0.1 million in the Brazil segment.

In estimating the fair value required for the goodwill and intangible franchise impairment tests, the Company used a discounted cash flow model, or income approach, specifically the excess earnings method. Significant inputs to the model included changes in revenue growth rates, future gross margins, future SG&A expenses, terminal growth rates and the WACC, which were unobservable inputs, or Level 3 in the fair value hierarchy. The impairment charges were recognized within *Asset impairments* in the Company’s Consolidated Statements of Operations.

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

9. DEBT

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

	June 30, 2020	December 31, 2019
5.00% Senior Notes due June 1, 2022	\$ 550.0	\$ 550.0
5.25% Senior Notes redeemed April 2, 2020 ⁽¹⁾	—	300.0
Acquisition Line	136.6	72.5
Real estate related	620.6	453.3
Finance leases	90.0	83.0
Other	25.4	42.8
Total debt	1,422.6	1,501.7
Less: unamortized discount on 5.00% and 5.25% Notes ⁽¹⁾	(2.9)	(5.6)
Less: unamortized debt issuance costs	(4.4)	(4.8)
Less: current maturities	(54.6)	(59.1)
Long-term debt	\$ 1,360.7	\$ 1,432.1

⁽¹⁾ The Company's 5.25% Senior Notes were fully redeemed on April 2, 2020. See *5.25% Senior Notes Redemption and Debt Refinancing* for further discussion.

Acquisition Line

The proceeds of the Acquisition Line are used for working capital, general corporate and acquisition purposes. As of June 30, 2020, borrowings under the Acquisition Line, a component of the Revolving Credit Facility (as described in Note 10, "Floorplan Notes Payable"), totaled \$136.6 million. The average interest rate on this facility was 1.60% during the three months ended June 30, 2020.

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, 2020, borrowings outstanding under these facilities totaled \$620.6 million, gross of debt issuance costs, comprised of \$531.0 million in the U.S., \$77.7 million in the U.K. and \$11.9 million in Brazil.

5.25% Senior Notes Redemption and Debt Refinancing

On April 2, 2020, the Company fully redeemed \$300.0 million in aggregate principal amount of its outstanding 5.25% Senior Notes due June 2023, at a premium of 102.625%. The total redemption price, consisting of the principal amount of the notes redeemed plus associated premium, amounted to \$307.9 million. The Company recognized a loss on extinguishment of \$10.4 million which included write offs of unamortized discount in the amount of \$1.9 million and unamortized premium in the amount of \$0.6 million. Additionally, the Company paid accrued interest of \$4.6 million.

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

10. FLOORPLAN NOTES PAYABLE

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

	June 30, 2020	December 31, 2019
Revolving credit facility — floorplan notes payable	\$ 763.7	\$ 1,206.0
Revolving credit facility — floorplan notes payable offset account	(99.7)	(106.8)
Revolving credit facility — floorplan notes payable, net	664.0	1,099.1
Other non-manufacturer facilities	32.6	45.3
Floorplan notes payable — credit facility and other, net	<u>\$ 696.6</u>	<u>\$ 1,144.4</u>
FMCC facility	\$ 137.1	\$ 208.5
FMCC facility offset account	(8.1)	(4.1)
FMCC facility, net	129.0	204.5
Other manufacturer affiliate facilities	228.7	255.4
Floorplan notes payable — manufacturer affiliates, net	<u>\$ 357.7</u>	<u>\$ 459.9</u>

Floorplan Notes Payable - Credit Facility
Revolving Credit Facility

In the U.S., the Company has a \$1.75 billion revolving syndicated credit arrangement with 22 participating financial institutions that matures on June 27, 2024 (“Revolving Credit Facility”). The Revolving Credit Facility consists of two tranches: (i) a \$1.70 billion maximum capacity tranche for U.S. vehicle inventory floorplan financing (“Floorplan Line”) which the outstanding balance, net of offset account discussed below, is reported in *Floorplan notes payable - credit facility and other, net*; and (ii) a \$349.0 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 in *Long-term debt* - see Note 9 “Debt” for additional discussion. The capacity under these two tranches can be re-designated within the overall \$1.75 billion commitment, subject to the aforementioned limits. The Acquisition Line includes a \$100 million sub-limit for letters of credit. As of June 30, 2020 and December 31, 2019, the Company had \$18.6 million and \$23.6 million, respectively, in outstanding letters of credit.

The Floorplan Line bears interest at rates equal to the LIBOR plus 110 basis points for new vehicle inventory and LIBOR plus 140 basis points for used vehicle inventory. The weighted average interest rate on the Floorplan Line was 1.21% as of June 30, 2020, excluding the impact of the Company’s interest rate derivative instruments. 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 \$4.1 million of related unamortized debt issuance costs as of June 30, 2020, which are included in *Prepaid expenses* and *Other long-term assets* in the Company’s Condensed Consolidated Balance Sheets and amortized over the term of the facility.

Offset accounts

Offset accounts consist of immediately available cash used to pay down the Floorplan Line and FMCC Facility, and therefore offset the respective outstanding balances in the Company’s Condensed Consolidated Balance Sheets. The offset accounts are the Company’s primary options for the short-term investment of excess cash.

Floorplan Notes Payable - Manufacturer Affiliates
FMCC Facility

The Company has a \$300.0 million floorplan arrangement with FMCC for financing of new Ford vehicles in the U.S. This facility bears interest at the higher of the actual U.S. Prime rate or a Prime Floor of 4.00%, plus 150 basis points minus certain incentives. The interest rate on the FMCC Facility was 5.50% before considering the applicable incentives as of June 30, 2020.

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

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, 2020, borrowings outstanding under these facilities totaled \$228.7 million, comprised of \$97.7 million in the U.S., with annual interest rates ranging from less than 2% to approximately 6%, \$122.2 million in the U.K., with annual interest rates ranging from approximately 1% to 4%, and \$8.9 million in Brazil, with annual interest rates ranging from approximately 2% to 10%.

11. CASH FLOW INFORMATION**Cash, Cash Equivalents and Restricted Cash**

The cash flows presented within the Company's Condensed Consolidated Statements of Cash Flows reflect cash and cash equivalents of \$72.7 million as of June 30, 2020, and cash and cash equivalents of \$23.8 million and restricted cash of \$4.3 million included in *Other long-term assets* as of December 31, 2019.

Non-cash Activities

The accrual for capital expenditures decreased \$2.7 million and decreased \$3.5 million for the six months ended June 30, 2020 and June 30, 2019, respectively.

The following table presents ROU assets obtained in exchange for lease obligations (in millions):

	Six Months Ended June 30,	
	2020	2019
ROU assets obtained in exchange for lease obligations:		
Operating leases, initial recognition	\$ 3.1	\$ 5.3
Operating leases, modifications and remeasurements	\$ 18.1	\$ (10.7)
Finance leases, initial recognition	\$ 13.8	\$ 0.4
Finance leases, modifications and remeasurements	\$ (1.5)	\$ 8.3

Interest and Income Taxes Paid

Cash paid for interest, including the monthly settlement of the Company's interest rate derivatives, was \$57.0 million and \$64.4 million for the six months ended June 30, 2020 and 2019, respectively. Cash received for income taxes, net of tax payments, was \$6.8 million for the six months ended June 30, 2020. Cash paid for income taxes, net of refunds, was \$19.4 million for the six months ended June 30, 2019.

12. 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, 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, 2020, 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.

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

Other Matters

The Company has 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 \$37.3 million as of June 30, 2020. In certain instances, the Company obtains collateral support for the rental obligations that the Company remains obligated for upon sale of a dealership to a lessee. Total associated letters of credit issued on behalf of the lessee where the Company is the beneficiary was \$6.1 million as of June 30, 2020.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Changes in the balances of each component of Accumulated other comprehensive income (loss) were as follows (in millions):

	Six Months Ended June 30, 2020		
	Accumulated income (loss) on foreign currency translation	Accumulated income (loss) on interest rate swaps	Total
Balance, December 31, 2019	\$ (142.9)	\$ (4.1)	\$ (147.0)
Other comprehensive income (loss) before reclassifications:			
Pre-tax	(30.4)	(49.8)	(80.2)
Tax effect	—	11.2	11.2
Amount reclassified from accumulated other comprehensive income (loss):			
Floorplan interest expense (pre-tax)	—	2.7	2.7
Other interest expense, net (pre-tax)	—	0.8	0.8
Provision (benefit) for income taxes	—	(0.8)	(0.8)
Net current period other comprehensive income (loss)	(30.4)	(36.0)	(66.4)
Balance, June 30, 2020	\$ (173.2)	\$ (40.1)	\$ (213.3)

	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	\$ (146.7)	\$ 8.9	\$ (137.8)
Other comprehensive income (loss) before reclassifications:			
Pre-tax	(0.4)	(17.9)	(18.4)
Tax effect	—	4.3	4.3
Amount reclassified from accumulated other comprehensive income (loss) to			
Floorplan interest expense (pre-tax)	—	(0.6)	(0.6)
Other interest expense (pre-tax)	—	(0.2)	(0.2)
Provision (benefit) for income taxes	—	0.2	0.2
Net current period other comprehensive income (loss)	(0.4)	(14.3)	(14.8)
Balance, June 30, 2019	\$ (147.1)	\$ (5.4)	\$ (152.5)

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;
- manufacturer quality issues, including the recall of vehicles and any related negative impact on vehicle sales and brand reputation;
- availability of financing for inventory, working capital, real estate and capital expenditures;
- changes in regulatory practices, tariffs and taxes, including Brexit;
- the impacts of any potential global recession;
- our ability to meet our financial covenants in our debt obligations and to maintain sufficient liquidity to operate; and
- the impacts of the COVID-19 pandemic on our business.

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 are intended to identify forward-looking statements. 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 include:

- adverse developments in the global economy as well as the public health crisis related to the COVID-19 pandemic and the resulting impact on the demand for new and used vehicles and related parts and services;
- uncertainty regarding the length of time it will take for the U.S. and the rest of the world to slow the spread of the COVID-19 pandemic, the actions to be taken by governments to contain and combat the pandemic and the timing, pace and extent of an economic recovery in the U.S. and elsewhere, which in turn will likely affect demand for our vehicles, parts and services;
- future deterioration in the economic environment, including consumer confidence, consumer preferences, 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 F&I products;

- adverse domestic and international developments such as war, terrorism, political conflicts, social protests or other hostilities may adversely affect the demand for our products and services;
- uncertainty of the potential impact of Brexit on the overall U.K. economy and, more specifically, the potential adverse effect on retail automotive industry sales could have a material adverse effect on our revenues and business operations;
- the existing and future regulatory environment, including legislation related to the Dodd-Frank Wall Street Reform and Consumer Protection Act, climate control 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, Hyundai, Volkswagen and Jaguar-Land Rover, because of financial distress, bankruptcy, natural disasters or pandemics, such as the COVID-19 pandemic, 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;
- our ability to facilitate credit for consumers;
- foreign exchange controls and currency fluctuations;
- new accounting standards could materially impact our reported EPS;
- 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 shutdown 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;
- our losses may not be fully covered by insurance or may only be fully covered with a significant increase to our insurance costs;
- 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, 2019 (the "2019 Form 10-K"), and this Form 10-Q, as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk."

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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” and “our” 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 other insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts. Our operations are aligned into three regions, which comprise our reportable segments: (1) U.S., (2) U.K. and (3) Brazil. The U.S. and Brazil segments are led by the President, U.S. and Brazilian Operations, and the U.K. segment is led by a Managing Director, each reporting directly to our Chief Executive Officer. The President, U.S. and Brazilian Operations, and the U.K. Managing Director are responsible for the overall performance of their respective regions, as well as for overseeing field level management. The U.S. segment includes the activities of our corporate office.

As of June 30, 2020, our retail network consisted of 119 dealerships in the U.S., 50 dealerships in the U.K. and 17 dealerships in Brazil. Our operations are primarily located in major metropolitan areas in 15 states in the U.S., 33 towns in the U.K. and three states in Brazil.

Long-Term Strategy

Our business strategy primarily focuses on the performance of our existing dealerships to achieve growth, capture market share and maximize the investment return to our stockholders. We are also focused on enhancing our dealership portfolio through strategic acquisitions and dispositions. We constantly evaluate opportunities to improve the overall profitability of our dealerships. Our long-term strategic areas of emphasis include:

Digital Initiatives to Enhance the Customer Experience

Our digital initiatives focus on ensuring that we can do business with our customers where and when they want to do business. Our online new and used vehicle retail platform, AcceleRide®, which was deployed to all of our U.S. dealerships in 2019, allows a customer to complete a vehicle transaction entirely online or start the sales process online and complete the transaction at our dealerships. In addition, our parts and service digital efforts focus on our online customer scheduling appointment system. We have seen continued growth in the percentage of appointments scheduled online over the past few years as we have continued to enhance this tool. These digital platforms were instrumental in allowing us to connect with and service our customers during the restricted social distancing environment as a result of the COVID-19 pandemic. During the second quarter of 2020, AcceleRide® sales were up 190% from a year ago.

Used Vehicle Retail Growth

- Gross profit from the sale of used vehicles depends primarily on a dealership’s ability to obtain a high-quality supply of used vehicles at reasonable prices. Our new vehicle operations generally provide our used vehicle operations with a large supply of high-quality trade-ins and off-lease vehicles, which are our best source of used vehicle inventory. Our dealerships supplement their used vehicle inventory with direct purchases from customers, purchases at auctions, including manufacturer-sponsored auctions available only to franchised dealers.
- Our data-driven pricing strategies ensure that our used vehicles are priced at market to generate more traffic to our websites. We review our market pricing on a regular basis and work to limit discounting from our advertised prices.
- We will continue efforts to expand our “Val-U-Line®” sales program, a strategic used vehicle initiative that targets a growing customer niche and enables us to retail lower cost, higher mileage units that would otherwise have been sent to auction. The Val-U-Line® initiative is expected to increase used retail volume by leveraging our scale, internal on-line buying center, internal auction capability and transportation infrastructure.

Parts and Service Growth

We remain focused on sustained growth in our higher margin parts and service operations which continue to hinge on the retention and hiring of service technicians and advisors. Our four-day work week implemented in 2019 has allowed us to extend our hours of operations and increase service technicians and advisors retention, thereby expanding our service capacity without investing additional capital in facilities. We seek to increase the retention of our customers through more convenient service hours, training of our service advisors, selling service contracts with vehicles sales and customer relationship management software that allows us to provide target marketing to our customers. The increasing complexity of vehicles, especially in the area of electronics and technological advancements, is making it difficult for independent repair shops to retain the expertise and technology to work on these vehicles and provides us the opportunity to increase our market share.

Cost Management

We continue our efforts to fully leverage our scale and cost structure. As our business evolves, we will manage our costs carefully and look for additional opportunities to improve our processes and disseminate best practices. Additionally, see “COVID-19 Pandemic” section below for specific cost-cutting measures in response to the COVID-19 pandemic. We believe that our management structure supports more rapid decision making and facilitates an efficient and effective roll-out of new processes.

Employee training and retention

A key to the execution of our business strategy is the leverage of what we believe to be one of our key strengths - the talent of our people. We are focused on the retention and training of our talented dealership employees. We believe that we have developed a distinguished management team with substantial industry expertise. With our management structure and level of executive talent, we plan to continue empowering the operators of our dealerships to make appropriate decisions to grow their respective dealership operations and to control fixed and variable costs. We believe this approach allows us to provide the best possible service to our customers, as well as attract and retain talented employees.

Strategic Acquisitions and Dispositions

We will continue to focus on opportunities to enhance our current dealership portfolio through strategic acquisitions and improving or disposing of underperforming dealerships. We believe that substantial opportunities for growth through acquisitions remain in our industry in the U.S., the U.K. and Brazil upon an economic recovery from the impacts of the COVID-19 pandemic. Further, we intend to continue to critically evaluate our return on invested capital in our current dealership portfolio for disposition opportunities.

COVID-19 Pandemic

Since emerging in December 2019, the COVID-19 pandemic has spread globally, including to all of our markets in the U.S., U.K. and Brazil, significantly impacting our operating results starting in March 2020. There have been extraordinary and wide-ranging actions taken by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19 across the world, including mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. Beginning in mid-March 2020, these measures significantly reduced operating capacity of all of our dealerships in the U.S., the U.K. and Brazil. The primary COVID-19 impacts on our global business and our response to date include:

U.S.

Virtually all of our U.S. dealerships are located in markets that operated in some form of restricted social distancing environments in accordance with applicable state and local orders during most of March 2020 and April 2020. As the market shutdowns began, March 2020 U.S. sales dropped sharply from February 2020, with new and used retail unit sales dropping approximately 50% and service repair orders also declining by approximately 50% for the last two weeks of March 2020 compared to the last two weeks of March 2019 and the first two weeks of April 2020 compared to the first two weeks of April 2019. In early May 2020, as restricted social distancing environment policies began to be partially lifted, our used vehicle business returned to near normal levels and our new vehicle sales pace started improving. Near the end of the quarter, our new vehicle sales pace started improving, however the recovery of new vehicle sales was limited as a result of low inventory levels due to reduced OEM production rates. Beginning in mid-April 2020, we saw continued improvement in our parts and service business as well. Our online selling platform AcceleRide® and our online service scheduling platforms continue to show increased utilization rates which are likely to continue in a restricted social distancing environment.

U.K.

U.K. vehicle sales levels were well above prior year levels in most of our brands through February 2020. March, which is a plate change month, is one of the largest selling months of the year with many vehicles delivered from orders placed in January 2020 and February 2020. Due to the closure of our facilities and various business restrictions put in place as a result of a shut-down order from the government, we were not able to deliver approximately 35% of our vehicles at the end of March 2020 that we had contracted to sell prior to the shut-down restrictions, and most were delivered at the end of June 2020. We closed all of our U.K. dealerships from late March 2020 through May 18, 2020 for service, with the exception of emergency vehicle repairs. Our vehicle showrooms were closed for more than two months and did not reopen until June 1, 2020. Operations in the U.K. significantly improved in June 2020 as vehicle sales and service operations reopened.

Brazil

Effective March 20, 2020, all of our dealerships were required to close. While our service centers reopened and operated throughout the second quarter, our showrooms did not reopen until May 2020 and operated at reduced hours. Despite operations resuming in Brazil, the recovery has been limited as the impacts of COVID-19 are still impacting operations significantly.

Cost-Cutting Actions

In all regions we have taken aggressive actions to reduce costs and preserve liquidity, with approximately 8,000 employees furloughed or terminated in early April 2020. As sales have improved in the U.S. and U.K., we have been able to return some of the furloughed employees to a point where our U.S. and U.K. headcounts are approximately 70% of our pre-COVID levels. In addition, other measures have been implemented and have significantly reduced costs in all three regions including reductions of as much as 50% in management compensation, 100% of Board of Directors' cash compensation, over 75% reduction in advertising expense and cuts across all other cost categories. Additionally, as announced in April 2020, we suspended our dividend and canceled our share repurchase program, as well as implemented capital expenditure deferrals. As discussed in "Liquidity and Capital Resources," we have sufficient liquidity currently and do not anticipate any material liquidity constraints or issues with our ability to remain in compliance with debt covenants.

While the potential long-term impact of the COVID-19 pandemic is difficult to predict, we expect our used vehicle and service operations in the third quarter to return to prior year levels. Reduced new vehicle inventory levels in the U.S. and U.K. will likely persist until the fourth quarter and will limit the recovery in new vehicle unit sales in the third quarter. The demand outlook remains uncertain and difficult to predict given the recent increases in cases in the U.S. and Brazil, however we will remain vigilant and are prepared to adjust our cost structure to adapt to the market conditions. While some of the cost reductions taken in the first and second quarters will be reinstated if market conditions continue to improve, we expect to be more cost efficient going forward. Any potential impact will depend on future developments and new information that may emerge regarding the severity and duration of the COVID-19 pandemic and the actions taken by authorities to contain it or treat its impact, all of which are beyond our control.

Critical Accounting Policies and Accounting Estimates

The preparation of our Condensed Consolidated Financial Statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions. For additional discussion of our critical accounting policies and accounting estimates, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K.

Results of Operations

The "same store" amounts presented below include the results of dealerships and corporate headquarters 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. For example, for a dealership acquired on August 15, 2020, the results from this dealership will appear in our same store comparison beginning in 2021 for the period September 2021 through December 2021, when comparing to September 2020 through December 2020 results. If we disposed of a store on August 15, 2020, the results from this store would be excluded from same store results beginning in August 2020 as July 2020 was the last full month the dealership was owned by us. Same store results provide a measurement of our ability to grow revenues and profitability of our existing stores and also provide a metric for peer group comparisons. For these reasons, same store results allow management to manage and monitor the performance of the business and is also useful to investors.

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 USD 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. Additionally, we caution investors not to place undue reliance on non-GAAP measures, but also to consider them with the most directly comparable U.S. GAAP measures. Our management also uses constant currency and adjusted cash flows from operating, investing and financing activities 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.

Certain disclosures are reported as zero balances, or may not compute, due to rounding.

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The following tables summarize our operating results on a reported basis and on a same store basis:

Reported Operating Data - Consolidated

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 1,062.7	\$ 1,565.4	\$ (502.7)	(32.1)%	\$ (11.0)	(31.4)%
Used vehicle retail sales	641.2	838.9	(197.7)	(23.6)%	(5.6)	(22.9)%
Used vehicle wholesale sales	48.7	96.0	(47.3)	(49.3)%	(1.6)	(47.7)%
Total used	689.9	934.9	(245.0)	(26.2)%	(7.2)	(25.4)%
Parts and service sales	282.0	378.2	(96.2)	(25.4)%	(2.9)	(24.7)%
F&I, net	96.7	127.3	(30.5)	(24.0)%	(0.4)	(23.7)%
Total revenues	\$ 2,131.2	\$ 3,005.7	\$ (874.5)	(29.1)%	\$ (21.4)	(28.4)%
Gross profit:						
New vehicle retail sales	\$ 63.8	\$ 69.7	\$ (5.9)	(8.5)%	\$ (0.7)	(7.6)%
Used vehicle retail sales	46.3	53.3	(7.0)	(13.2)%	(0.3)	(12.6)%
Used vehicle wholesale sales	2.0	(0.1)	2.1	2,271.7 %	—	2,312.8 %
Total used	48.3	53.2	(4.9)	(9.2)%	(0.4)	(8.5)%
Parts and service sales	150.0	204.1	(54.1)	(26.5)%	(1.3)	(25.9)%
F&I, net	96.7	127.3	(30.5)	(24.0)%	(0.4)	(23.7)%
Total gross profit	\$ 358.8	\$ 454.3	\$ (95.4)	(21.0)%	\$ (2.7)	(20.4)%
Gross margin:						
New vehicle retail sales	6.0%	4.5 %	1.5 %			
Used vehicle retail sales	7.2%	6.4 %	0.9 %			
Used vehicle wholesale sales	4.2%	(0.1)%	4.3 %			
Total used	7.0%	5.7 %	1.3 %			
Parts and service sales	53.2%	54.0 %	(0.8)%			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	16.8%	15.1 %	1.7 %			
Units sold:						
Retail new vehicles sold	26,472	42,093	(15,621)	(37.1)%		
Retail used vehicles sold	30,528	39,745	(9,217)	(23.2)%		
Wholesale used vehicles sold	7,303	13,084	(5,781)	(44.2)%		
Total used	37,831	52,829	(14,998)	(28.4)%		
Average sales price per unit sold:						
New vehicle retail	\$ 40,143	\$ 37,189	\$ 2,955	7.9 %	\$ (414)	9.1 %
Used vehicle retail	\$ 21,004	\$ 21,107	\$ (103)	(0.5)%	\$ (184)	0.4 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 2,409	\$ 1,656	\$ 753	45.5 %	\$ (25)	47.0 %
Used vehicle retail sales	\$ 1,516	\$ 1,341	\$ 175	13.1 %	\$ (10)	13.8 %
Used vehicle wholesale sales	\$ 278	\$ (7)	\$ 285	3,990.7 %	\$ (5)	4,064.4 %
Total used	\$ 1,277	\$ 1,007	\$ 270	26.8 %	\$ (9)	27.7 %
F&I PRU	\$ 1,697	\$ 1,555	\$ 142	9.1 %	\$ (7)	9.6 %
Other:						
SG&A expenses	\$ 237.2	\$ 338.7	\$ (101.5)	(30.0)%	\$ (3.0)	(29.1)%
SG&A as % gross profit	66.1%	74.6 %	(8.5)%			
Floorplan expense:						
Floorplan interest expense	\$ 10.1	\$ 15.9	\$ (5.8)	(36.4)%	\$ (0.1)	(35.5)%
Less: floorplan assistance ⁽¹⁾	9.8	11.8	(2.0)	(16.9)%	—	(16.9)%
Net floorplan expense	\$ 0.3	\$ 4.1	\$ (3.8)	(92.3)%	\$ (0.1)	(88.8)%

⁽¹⁾ Floorplan assistance is included within New vehicle retail Gross Profit above and New vehicle retail Cost of sales in our Condensed Consolidated Statements of Operations.

Same Store Operating Data - Consolidated

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 1,034.4	\$ 1,549.6	\$ (515.1)	(33.2)%	\$ (10.6)	(32.6)%
Used vehicle retail sales	620.3	827.1	(206.8)	(25.0)%	(5.4)	(24.4)%
Used vehicle wholesale sales	46.9	92.3	(45.3)	(49.1)%	(1.5)	(47.4)%
Total used	667.2	919.4	(252.1)	(27.4)%	(6.9)	(26.7)%
Parts and service sales	275.3	371.9	(96.6)	(26.0)%	(2.8)	(25.2)%
F&I, net	95.3	126.2	(30.9)	(24.5)%	(0.4)	(24.2)%
Total revenues	\$ 2,072.2	\$ 2,966.9	\$ (894.7)	(30.2)%	\$ (20.8)	(29.5)%
Gross profit:						
New vehicle retail sales	\$ 61.4	\$ 69.3	\$ (7.9)	(11.5)%	\$ (0.7)	(10.5)%
Used vehicle retail sales	44.9	52.8	(7.9)	(15.0)%	(0.3)	(14.4)%
Used vehicle wholesale sales	2.0	—	2.1	4,571.6 %	—	4,656.5 %
Total used	46.9	52.8	(5.8)	(11.1)%	(0.3)	(10.4)%
Parts and service sales	146.3	201.0	(54.7)	(27.2)%	(1.2)	(26.6)%
F&I, net	95.3	126.2	(30.9)	(24.5)%	(0.4)	(24.2)%
Total gross profit	\$ 349.9	\$ 449.3	\$ (99.3)	(22.1)%	\$ (2.6)	(21.5)%
Gross margin:						
New vehicle retail sales	5.9%	4.5 %	1.5 %			
Used vehicle retail sales	7.2%	6.4 %	0.9 %			
Used vehicle wholesale sales	4.3%	— %	4.4 %			
Total used	7.0%	5.7 %	1.3 %			
Parts and service sales	53.1%	54.0 %	(0.9)%			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	16.9%	15.1 %	1.7 %			
Units sold:						
Retail new vehicles sold	25,767	41,632	(15,865)	(38.1)%		
Retail used vehicles sold	29,647	39,109	(9,462)	(24.2)%		
Wholesale used vehicles sold	7,103	12,792	(5,689)	(44.5)%		
Total used	36,750	51,901	(15,151)	(29.2)%		
Average sales price per unit sold:						
New vehicle retail	\$ 40,145	\$ 37,220	\$ 2,925	7.9 %	\$ (413)	9.0 %
Used vehicle retail	\$ 20,921	\$ 21,148	\$ (227)	(1.1)%	\$ (182)	(0.2)%
Gross profit per unit sold:						
New vehicle retail sales	\$ 2,383	\$ 1,666	\$ 717	43.1 %	\$ (25)	44.6 %
Used vehicle retail sales	\$ 1,514	\$ 1,350	\$ 164	12.1 %	\$ (10)	12.9 %
Used vehicle wholesale sales	\$ 286	\$ (4)	\$ 290	8,153.1 %	\$ (5)	8,305.9 %
Total used	\$ 1,277	\$ 1,017	\$ 260	25.6 %	\$ (9)	26.5 %
F&I PRU	\$ 1,720	\$ 1,563	\$ 157	10.1 %	\$ (7)	10.5 %
Other:						
SG&A expenses	\$ 229.5	\$ 333.9	\$ (104.4)	(31.3)%	\$ (2.9)	(30.4)%
SG&A as % gross profit	65.6%	74.3 %	(8.7)%			

Reported Operating Data - Consolidated

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 2,404.8	\$ 2,979.9	\$ (575.0)	(19.3)%	\$ (27.7)	(18.4)%
Used vehicle retail sales	1,420.3	1,658.1	(237.8)	(14.3)%	(10.5)	(13.7)%
Used vehicle wholesale sales	135.2	188.1	(53.0)	(28.2)%	(2.5)	(26.8)%
Total used	1,555.4	1,846.2	(290.8)	(15.8)%	(13.0)	(15.0)%
Parts and service sales	652.6	747.3	(94.8)	(12.7)%	(5.0)	(12.0)%
F&I, net	209.2	240.6	(31.5)	(13.1)%	(0.9)	(12.7)%
Total revenues	\$ 4,822.0	\$ 5,814.1	\$ (992.1)	(17.1)%	\$ (46.6)	(16.3)%
Gross profit:						
New vehicle retail sales	\$ 126.6	\$ 141.1	\$ (14.5)	(10.3)%	\$ (1.7)	(9.1)%
Used vehicle retail sales	88.4	101.1	(12.7)	(12.5)%	(0.6)	(11.9)%
Used vehicle wholesale sales	3.0	0.4	2.7	747.0 %	(0.1)	766.1 %
Total used	91.5	101.5	(10.0)	(9.9)%	(0.7)	(9.2)%
Parts and service sales	348.0	402.6	(54.5)	(13.5)%	(2.3)	(13.0)%
F&I, net	209.2	240.6	(31.5)	(13.1)%	(0.9)	(12.7)%
Total gross profit	\$ 775.3	\$ 885.8	\$ (110.5)	(12.5)%	\$ (5.6)	(11.8)%
Gross margin:						
New vehicle retail sales	5.3%	4.7%	0.5 %			
Used vehicle retail sales	6.2%	6.1%	0.1 %			
Used vehicle wholesale sales	2.2%	0.2%	2.1 %			
Total used	5.9%	5.5%	0.4 %			
Parts and service sales	53.3%	53.9%	(0.5)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	16.1%	15.2%	0.8 %			
Units sold:						
Retail new vehicles sold	61,832	80,967	(19,135)	(23.6)%		
Retail used vehicles sold	67,318	78,581	(11,263)	(14.3)%		
Wholesale used vehicles sold	19,389	26,073	(6,684)	(25.6)%		
Total used	86,707	104,654	(17,947)	(17.1)%		
Average sales price per unit sold:						
New vehicle retail	\$ 38,893	\$ 36,803	\$ 2,090	5.7 %	\$ (449)	6.9 %
Used vehicle retail	\$ 21,098	\$ 21,101	\$ (3)	— %	\$ (156)	0.7 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 2,047	\$ 1,743	\$ 305	17.5 %	\$ (27)	19.1 %
Used vehicle retail sales	\$ 1,314	\$ 1,287	\$ 27	2.1 %	\$ (9)	2.8 %
Used vehicle wholesale sales	\$ 156	\$ 14	\$ 143	1,039.0 %	\$ (4)	1,064.6 %
Total used	\$ 1,055	\$ 969	\$ 85	8.8 %	\$ (8)	9.6 %
F&I PRU	\$ 1,620	\$ 1,508	\$ 111	7.4 %	\$ (7)	7.9 %
Other:						
SG&A expenses	\$ 565.1	\$ 666.4	\$ (101.3)	(15.2)%	\$ (5.7)	(14.3)%
SG&A as % gross profit	72.9%	75.2%	(2.3)%			
Floorplan expense:						
Floorplan interest expense	\$ 23.0	\$ 31.6	\$ (8.7)	(27.3)%	\$ (0.2)	(26.7)%
Less: floorplan assistance ⁽¹⁾	20.4	22.3	(1.9)	(8.6)%	—	(8.6)%
Net floorplan expense	\$ 2.6	\$ 9.4	\$ (6.7)	(72.0)%	\$ (0.2)	(70.0)%

⁽¹⁾ Floorplan assistance is included within New vehicle retail Gross Profit above and New vehicle retail Cost of sales in our Condensed Consolidated Statements of Operations.

Same Store Operating Data - Consolidated

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 2,332.9	\$ 2,943.4	\$ (610.5)	(20.7)%	\$ (26.9)	(19.8)%
Used vehicle retail sales	1,373.1	1,631.0	(258.0)	(15.8)%	(10.2)	(15.2)%
Used vehicle wholesale sales	129.9	180.8	(50.9)	(28.2)%	(2.4)	(26.8)%
Total used	1,502.9	1,811.9	(308.9)	(17.0)%	(12.6)	(16.4)%
Parts and service sales	632.9	732.3	(99.4)	(13.6)%	(4.9)	(12.9)%
F&I, net	205.7	238.4	(32.7)	(13.7)%	(0.9)	(13.3)%
Total revenues	\$ 4,674.4	\$ 5,725.9	\$ (1,051.5)	(18.4)%	\$ (45.3)	(17.6)%
Gross profit:						
New vehicle retail sales	\$ 121.1	\$ 139.8	\$ (18.7)	(13.4)%	\$ (1.6)	(12.2)%
Used vehicle retail sales	85.5	100.2	(14.6)	(14.6)%	(0.6)	(14.0)%
Used vehicle wholesale sales	3.0	0.6	2.5	436.5 %	(0.1)	448.6 %
Total used	88.6	100.7	(12.2)	(12.1)%	(0.6)	(11.4)%
Parts and service sales	337.4	395.2	(57.9)	(14.6)%	(2.2)	(14.1)%
F&I, net	205.7	238.4	(32.7)	(13.7)%	(0.9)	(13.3)%
Total gross profit	\$ 752.8	\$ 874.2	\$ (121.4)	(13.9)%	\$ (5.4)	(13.3)%
Gross margin:						
New vehicle retail sales	5.2%	4.8%	0.4 %			
Used vehicle retail sales	6.2%	6.1%	0.1 %			
Used vehicle wholesale sales	2.3%	0.3%	2.0 %			
Total used	5.9%	5.6%	0.3 %			
Parts and service sales	53.3%	54.0%	(0.7)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	16.1%	15.3%	0.8 %			
Units sold:						
Retail new vehicles sold	59,921	79,538	(19,617)	(24.7)%		
Retail used vehicles sold	65,316	77,152	(11,836)	(15.3)%		
Wholesale used vehicles sold	18,718	25,384	(6,666)	(26.3)%		
Total used	84,034	102,536	(18,502)	(18.0)%		
Average sales price per unit sold:						
New vehicle retail	\$ 38,932	\$ 37,006	\$ 1,926	5.2 %	\$ (449)	6.4 %
Used vehicle retail	\$ 21,022	\$ 21,140	\$ (119)	(0.6)%	\$ (156)	0.2 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 2,021	\$ 1,758	\$ 263	14.9 %	\$ (27)	16.5 %
Used vehicle retail sales	\$ 1,310	\$ 1,298	\$ 11	0.9 %	\$ (9)	1.6 %
Used vehicle wholesale sales	\$ 162	\$ 22	\$ 140	627.6 %	\$ (4)	643.9 %
Total used	\$ 1,054	\$ 982	\$ 72	7.3 %	\$ (8)	8.1 %
F&I PRU	\$ 1,643	\$ 1,521	\$ 121	8.0 %	\$ (7)	8.4 %
Other:						
SG&A expenses	\$ 544.5	\$ 657.3	\$ (112.8)	(17.2)%	\$ (5.5)	(16.3)%
SG&A as % gross profit	72.3%	75.2%	(2.9)%			

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Reported Operating Data - U.S.

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,			
	2020	2019	Increase/(Decrease)	% Change
Revenues:				
New vehicle retail sales	\$ 915.7	\$ 1,188.8	\$ (273.1)	(23.0)%
Used vehicle retail sales	540.9	625.5	(84.5)	(13.5)%
Used vehicle wholesale sales	30.5	44.3	(13.8)	(31.1)%
Total used	571.4	669.7	(98.3)	(14.7)%
Parts and service sales	254.2	309.6	(55.4)	(17.9)%
F&I, net	89.8	110.5	(20.7)	(18.8)%
Total revenues	<u>\$ 1,831.1</u>	<u>\$ 2,278.7</u>	<u>\$ (447.6)</u>	<u>(19.6)%</u>
Gross profit:				
New vehicle retail sales	\$ 56.5	\$ 54.8	\$ 1.8	3.2 %
Used vehicle retail sales	41.0	43.3	(2.4)	(5.5)%
Used vehicle wholesale sales	1.6	0.9	0.7	73.8 %
Total used	42.6	44.2	(1.7)	(3.8)%
Parts and service sales	135.6	167.2	(31.6)	(18.9)%
F&I, net	89.8	110.5	(20.7)	(18.8)%
Total gross profit	<u>\$ 324.5</u>	<u>\$ 376.7</u>	<u>\$ (52.2)</u>	<u>(13.9)%</u>
Gross margin:				
New vehicle retail sales	6.2%	4.6%	1.6 %	
Used vehicle retail sales	7.6%	6.9%	0.6 %	
Used vehicle wholesale sales	5.2%	2.1%	3.2 %	
Total used	7.4%	6.6%	0.8 %	
Parts and service sales	53.3%	54.0%	(0.7)%	
F&I, net	100.0%	100.0%	— %	
Total gross margin	17.7%	16.5%	1.2 %	
Units sold:				
Retail new vehicles sold	21,937	30,318	(8,381)	(27.6)%
Retail used vehicles sold	26,132	30,477	(4,345)	(14.3)%
Wholesale used vehicles sold	5,150	6,828	(1,678)	(24.6)%
Total used	<u>31,282</u>	<u>37,305</u>	<u>(6,023)</u>	<u>(16.1)%</u>
Average sales price per unit sold:				
New vehicle retail	\$ 41,742	\$ 39,211	\$ 2,531	6.5 %
Used vehicle retail	\$ 20,699	\$ 20,522	\$ 177	0.9 %
Gross profit per unit sold:				
New vehicle retail sales	\$ 2,576	\$ 1,806	\$ 771	42.7 %
Used vehicle retail sales	\$ 1,568	\$ 1,422	\$ 146	10.3 %
Used vehicle wholesale sales	\$ 311	\$ 135	\$ 176	130.4 %
Total used	\$ 1,361	\$ 1,186	\$ 175	14.7 %
F&I PRU	\$ 1,868	\$ 1,818	\$ 50	2.7 %
Other:				
SG&A expenses	\$ 203.3	\$ 268.1	\$ (64.8)	(24.2)%
SG&A as % gross profit	62.6%	71.2%	(8.5)%	

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Same Store Operating Data - U.S.

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,			
	2020	2019	Increase/(Decrease)	% Change
Revenues:				
New vehicle retail sales	\$ 898.0	\$ 1,184.7	\$ (286.7)	(24.2)%
Used vehicle retail sales	527.2	619.7	(92.5)	(14.9)%
Used vehicle wholesale sales	29.9	43.4	(13.5)	(31.2)%
Total used	557.1	663.1	(106.0)	(16.0)%
Parts and service sales	249.3	308.0	(58.6)	(19.0)%
F&I, net	88.8	109.8	(21.0)	(19.1)%
Total revenues	<u>\$ 1,793.3</u>	<u>\$ 2,265.6</u>	<u>\$ (472.4)</u>	<u>(20.8)%</u>
Gross profit:				
New vehicle retail sales	\$ 54.7	\$ 54.5	\$ 0.1	0.2 %
Used vehicle retail sales	39.9	42.9	(3.0)	(7.1)%
Used vehicle wholesale sales	1.6	0.9	0.7	73.9 %
Total used	41.5	43.9	(2.4)	(5.4)%
Parts and service sales	133.0	166.3	(33.3)	(20.0)%
F&I, net	88.8	109.8	(21.0)	(19.1)%
Total gross profit	<u>\$ 317.9</u>	<u>\$ 374.5</u>	<u>\$ (56.6)</u>	<u>(15.1)%</u>
Gross margin:				
New vehicle retail sales	6.1%	4.6%	1.5 %	
Used vehicle retail sales	7.6%	6.9%	0.6 %	
Used vehicle wholesale sales	5.4%	2.1%	3.3 %	
Total used	7.4%	6.6%	0.8 %	
Parts and service sales	53.3%	54.0%	(0.7)%	
F&I, net	100.0%	100.0%	— %	
Total gross margin	17.7%	16.5%	1.2 %	
Units sold:				
Retail new vehicles sold	21,583	30,171	(8,588)	(28.5)%
Retail used vehicles sold	25,616	30,055	(4,439)	(14.8)%
Wholesale used vehicles sold	5,087	6,723	(1,636)	(24.3)%
Total used	<u>30,703</u>	<u>36,778</u>	<u>(6,075)</u>	<u>(16.5)%</u>
Average sales price per unit sold:				
New vehicle retail	\$ 41,608	\$ 39,267	\$ 2,341	6.0 %
Used vehicle retail	\$ 20,581	\$ 20,618	\$ (37)	(0.2)%
Gross profit per unit sold:				
New vehicle retail sales	\$ 2,533	\$ 1,808	\$ 725	40.1 %
Used vehicle retail sales	\$ 1,557	\$ 1,429	\$ 129	9.0 %
Used vehicle wholesale sales	\$ 316	\$ 137	\$ 178	129.8 %
Total used	\$ 1,351	\$ 1,193	\$ 159	13.3 %
F&I PRU	\$ 1,882	\$ 1,824	\$ 58	3.2 %
Other:				
SG&A expenses	\$ 199.1	\$ 266.3	\$ (67.1)	(25.2)%
SG&A as % gross profit	62.6%	71.1%	(8.5)%	

The following discussion of our U.S. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our U.S. dealership operations have been impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by local governments to contain the virus.

Revenues

Total revenues in the U.S. during the three months ended June 30, 2020 decreased \$447.6 million, or 19.6%, as compared to the same period in 2019. Total same store revenues in the U.S. during the three months ended June 30, 2020 decreased \$472.4 million, or 20.8%, as compared to the same period in 2019, driven by declines in all of our revenue streams. The declines of 24.2% in new vehicle retail same store sales, 14.9% in used vehicle retail same store sales and 31.2% in used vehicle wholesale same store sales were driven by decreases of 28.5%, 14.8% and 24.3% in new vehicle, used vehicle retail and used vehicle wholesale unit sales, respectively. The declines in new and used vehicle retail and used vehicle wholesale unit sales were related to reduced demand at our dealerships caused by the COVID-19 pandemic and ensuing inventory shortages later in the quarter as OEMs struggled to restart factories closed because of the pandemic. Despite the challenges faced during the quarter, our recent online new and used vehicle sales initiative, AcceleRide® was instrumental in allowing us to connect with and serve our customers throughout the restricted social distancing environment impacting all of our markets at varying times throughout the second quarter. During the second quarter of 2020, AcceleRide® sales were up 190% from a year ago. Parts and service same store revenues decreased 19.0% driven by a 14.1% decline in customer pay revenues, a 35.2% decline in collision revenues, a 23.2% decline in warranty revenues and a 14.9% decline in wholesale parts revenues. Parts and service same store revenues declined compared to the same period last year due to the impacts of the COVID-19 pandemic during the quarter. F&I same store revenues decreased 19.1%, driven by a 21.6% decline in same store total retail unit sales coupled with a decline in income per contract on finance and vehicle services contracts which were partially offset by a decline in our overall chargeback experience and higher penetration rates on many of our finance and insurance product offerings.

Gross Profit

Total gross profit in the U.S. during the three months ended June 30, 2020 decreased \$52.2 million, or 13.9%, as compared to the same period in 2019. Total same store gross profit in the U.S. during the three months ended June 30, 2020 decreased \$56.6 million, or 15.1%, as compared to the same period in 2019. The decrease in same store gross profit was driven by declines in parts and service, F&I and used vehicle retail gross profit partially offset by increases in new vehicle retail and used vehicle wholesale gross profit compared to the same period last year. New vehicle same store gross profit increased 0.2% driven by a 40.1% increase in new vehicle gross profit per unit sold which more than offset a 28.5% decrease in same store new vehicle retail unit sales. The increase in same store new vehicle gross profit per unit sold reflects increased incentives provided by the manufacturers and supply constraints as many manufacturers put a hold on production due to the COVID-19 pandemic. Used vehicle retail same store gross profit decreased 7.1% reflecting a 14.8% decrease in used vehicle retail same store unit sales partially offset by an increase of 9.0% in used vehicle retail same store gross profit per unit sold over the same period in 2019. The increase in used vehicle retail same store gross profit per unit sold reflects supply constraints as the COVID-19 pandemic has negatively impacted our ability to obtain used vehicle inventory. Used vehicle wholesale gross profit increased 73.9% as industry supply constraints drove up auction prices. Parts and service same store gross profit and F&I same store gross profit declined by 20.0% and 19.1%, respectively, driven by the decreases discussed above. Total same store gross margin increased 120 basis points driven by higher vehicle prices as a result of supply shortages of new and used vehicle inventory.

SG&A Expenses

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.S. during the three months ended June 30, 2020 decreased \$64.8 million, or 24.2%, as compared to the same period in 2019. Total same store SG&A expenses in the U.S. during the three months ended June 30, 2020 decreased \$67.1 million, or 25.2%, as compared to the same period in 2019. Our U.S. dealership operations were directly impacted by reduced demand caused by the COVID-19 pandemic. In an effort to reduce costs, we furloughed and terminated employees and significantly reduced advertising, outside services and other SG&A expenses. Total same store SG&A expenses in the U.S. in the second quarter of 2019 included \$4.0 million in net costs associated with a hailstorm in Texas. Total same store SG&A expenses in the U.S. in second quarter of 2020 included a \$10.6 million expense for an out-of-period adjustment related to stock-based compensation. Total same store SG&A as a percent of gross profit decreased 850 basis points compared to the same period in 2019 to 62.6% driven by the cost cutting measures taken to offset the negative impact of the COVID-19 pandemic.

Reported Operating Data - U.S.

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,			
	2020	2019	Increase/(Decrease)	% Change
Revenues:				
New vehicle retail sales	\$ 1,904.1	\$ 2,220.5	\$ (316.5)	(14.3)%
Used vehicle retail sales	1,111.2	1,219.9	(108.6)	(8.9)%
Used vehicle wholesale sales	77.3	87.1	(9.8)	(11.2)%
Total used	1,188.6	1,307.0	(118.4)	(9.1)%
Parts and service sales	558.9	607.2	(48.4)	(8.0)%
F&I, net	187.2	206.7	(19.5)	(9.4)%
Total revenues	<u>\$ 3,838.7</u>	<u>\$ 4,341.5</u>	<u>\$ (502.8)</u>	<u>(11.6)%</u>
Gross profit:				
New vehicle retail sales	\$ 103.8	\$ 105.6	\$ (1.8)	(1.7)%
Used vehicle retail sales	72.9	81.6	(8.7)	(10.7)%
Used vehicle wholesale sales	2.4	2.1	0.3	16.4 %
Total used	75.3	83.7	(8.4)	(10.0)%
Parts and service sales	299.1	327.7	(28.6)	(8.7)%
F&I, net	187.2	206.7	(19.5)	(9.4)%
Total gross profit	<u>\$ 665.4</u>	<u>\$ 723.6</u>	<u>\$ (58.2)</u>	<u>(8.0)%</u>
Gross margin:				
New vehicle retail sales	5.5%	4.8%	0.7 %	
Used vehicle retail sales	6.6%	6.7%	(0.1)%	
Used vehicle wholesale sales	3.1%	2.4%	0.7 %	
Total used	6.3%	6.4%	(0.1)%	
Parts and service sales	53.5%	54.0%	(0.4)%	
F&I, net	100.0%	100.0%	— %	
Total gross margin	17.3%	16.7%	0.7 %	
Units sold:				
Retail new vehicles sold	46,432	56,708	(10,276)	(18.1)%
Retail used vehicles sold	53,800	59,794	(5,994)	(10.0)%
Wholesale used vehicles sold	12,177	13,978	(1,801)	(12.9)%
Total used	<u>65,977</u>	<u>73,772</u>	<u>(7,795)</u>	<u>(10.6)%</u>
Average sales price per unit sold:				
New vehicle retail	\$ 41,008	\$ 39,157	\$ 1,850	4.7 %
Used vehicle retail	\$ 20,655	\$ 20,401	\$ 254	1.2 %
Gross profit per unit sold:				
New vehicle retail sales	\$ 2,235	\$ 1,861	\$ 374	20.1 %
Used vehicle retail sales	\$ 1,355	\$ 1,365	\$ (10)	(0.7)%
Used vehicle wholesale sales	\$ 199	\$ 149	\$ 50	33.6 %
Total used	\$ 1,142	\$ 1,135	\$ 7	0.6 %
F&I PRU	\$ 1,868	\$ 1,774	\$ 93	5.3 %
Other:				
SG&A expenses	\$ 460.8	\$ 524.2	\$ (63.5)	(12.1)%
SG&A as % gross profit	69.2%	72.4%	(3.2)%	

Same Store Operating Data - U.S.

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,			
	2020	2019	Increase/(Decrease)	% Change
Revenues:				
New vehicle retail sales	\$ 1,868.4	\$ 2,208.7	\$ (340.3)	(15.4)%
Used vehicle retail sales	1,085.2	1,207.6	(122.3)	(10.1)%
Used vehicle wholesale sales	76.2	85.0	(8.8)	(10.3)%
Total used	1,161.5	1,292.5	(131.1)	(10.1)%
Parts and service sales	547.7	601.6	(53.9)	(9.0)%
F&I, net	185.4	205.4	(20.0)	(9.7)%
Total revenues	<u>\$ 3,763.0</u>	<u>\$ 4,308.2</u>	<u>\$ (545.2)</u>	<u>(12.7)%</u>
Gross profit:				
New vehicle retail sales	\$ 99.8	\$ 105.0	\$ (5.2)	(5.0)%
Used vehicle retail sales	71.0	80.9	(9.9)	(12.3)%
Used vehicle wholesale sales	2.4	2.1	0.3	15.9%
Total used	73.4	83.0	(9.6)	(11.6)%
Parts and service sales	293.0	324.9	(31.9)	(9.8)%
F&I, net	185.4	205.4	(20.0)	(9.7)%
Total gross profit	<u>\$ 651.6</u>	<u>\$ 718.3</u>	<u>\$ (66.7)</u>	<u>(9.3)%</u>
Gross margin:				
New vehicle retail sales	5.3%	4.8%	0.6%	
Used vehicle retail sales	6.5%	6.7%	(0.2)%	
Used vehicle wholesale sales	3.2%	2.5%	0.7%	
Total used	6.3%	6.4%	(0.1)%	
Parts and service sales	53.5%	54.0%	(0.5)%	
F&I, net	100.0%	100.0%	—%	
Total gross margin	17.3%	16.7%	0.6%	
Units sold:				
Retail new vehicles sold	45,737	56,316	(10,579)	(18.8)%
Retail used vehicles sold	52,826	58,923	(6,097)	(10.3)%
Wholesale used vehicles sold	12,047	13,685	(1,638)	(12.0)%
Total used	<u>64,873</u>	<u>72,608</u>	<u>(7,735)</u>	<u>(10.7)%</u>
Average sales price per unit sold:				
New vehicle retail	\$ 40,851	\$ 39,220	\$ 1,631	4.2%
Used vehicle retail	\$ 20,544	\$ 20,494	\$ 50	0.2%
Gross profit per unit sold:				
New vehicle retail sales	\$ 2,181	\$ 1,865	\$ 317	17.0%
Used vehicle retail sales	\$ 1,343	\$ 1,373	\$ (30)	(2.2)%
Used vehicle wholesale sales	\$ 203	\$ 154	\$ 49	31.7%
Total used	\$ 1,132	\$ 1,143	\$ (12)	(1.0)%
F&I PRU	\$ 1,881	\$ 1,782	\$ 99	5.6%
Other:				
SG&A expenses	\$ 451.2	\$ 522.5	\$ (71.3)	(13.7)%
SG&A as % gross profit	69.2%	72.7%	(3.5)%	

The following discussion of our U.S. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our U.S. dealership operations have been significantly impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by local governments to contain the virus.

Revenues

Total revenues in the U.S. during the six months ended June 30, 2020 decreased \$502.8 million, or 11.6%, as compared to the same period in 2019. Total same store revenues in the U.S. during the six months ended June 30, 2020 decreased \$545.2 million, or 12.7%, as compared to the same period in 2019. The decrease in U.S. same store revenues was driven by declines in all of our revenue streams. The declines of 15.4% in new vehicle retail same store sales, 10.1% in used vehicle retail same store sales and 10.3% in used vehicle wholesale same store sales were driven by declines of 18.8%, 10.3% and 12.0% in new vehicle, used vehicle retail and used vehicle wholesale unit sales, respectively, reflecting reduced demand at our dealerships caused by the COVID-19 pandemic and inventory shortages. Partially offsetting these declines, our recent online new and used vehicle sales initiative, AcceleRide® was instrumental in allowing us to connect with and serve our customers throughout the restricted social distancing environment impacting all of our markets at varying times. Parts and service same store revenues decreased 9.0% driven by a 15.1% decrease in warranty revenues, a 6.0% decrease in customer-pay revenues, a 15.4% decrease in collision revenues, and a 4.9% decrease in wholesale parts revenues. Parts and service same store revenues were up 8.4% at the end of February 2020 compared to the same period last year but were dampened by the impacts of COVID-19 for the remaining months through June 30, 2020. F&I same store revenues decreased 9.7% driven by a 14.5% decrease in same store retail unit sales as discussed above, which was partially offset by higher penetration rates on many of our finance and insurance product offerings and a decline in our overall chargeback experience.

Gross profit

Total gross profit in the U.S. during the six months ended June 30, 2020 decreased \$58.2 million, or 8.0%, as compared to the same period in 2019. Total same store gross profit in the U.S. during the six months ended June 30, 2020 decreased \$66.7 million, or 9.3%, as compared to the same period in 2019. The decrease in total gross profit was driven by decreases in all of our operations except for used vehicle wholesale. New vehicle retail same store gross profit decreased 5.0% driven by an 18.8% decrease in new vehicle unit sales partially offset by a 17.0% increase in same store new vehicle gross profit per unit sold. The increase in same store new vehicle gross profit per unit sold was related to supply constraints of new vehicle inventory as many manufacturers put a hold on production due to COVID-19. The 12.3% decrease in same store used vehicle retail gross profit was related to a 10.3% decline in used vehicle retail unit sales coupled with a 2.2% decrease in used vehicle retail same store average gross profit per unit sold. The decline in used vehicle retail same store gross profit was related to the reduced demand caused by the COVID-19 pandemic. Parts and service same store gross profit and F&I same store gross profit decreased 9.8% and 9.7%, respectively, driven by decreases described above. Total same store gross margin increased 60 basis points primarily as a result of higher new vehicle margins related to the supply constraints of inventory in the industry.

SG&A Expenses

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.S. during the six months ended June 30, 2020 decreased \$63.5 million, or 12.1%, as compared to the same period in 2019. Total same store SG&A expenses in the U.S. during the six months ended June 30, 2020, decreased \$71.3 million, or 13.7%, as compared to the same period in 2019. The U.S. dealership operations were directly impacted by reduced demand caused by the COVID-19 pandemic. In an effort to reduce costs, we furloughed and terminated employees and significantly reduced advertising and other SG&A expenses. Total same store SG&A expenses in the U.S. for the first six months of 2019 included \$6.0 million in net costs associated with hailstorms in Texas and Oklahoma; \$1.1 million in net gains on real estate and dealership transactions; and \$1.8 million in non-core legal expenses. Total same store SG&A expenses in the U.S. during the second quarter of 2020 included \$10.6 million in expense for an out-of-period adjustment related to stock-based compensation. Total same store SG&A as a percent of gross profit decreased 350 basis points over the same period in 2019 driven by cost cutting measures taken due to the impact of the COVID-19 pandemic.

Reported Operating Data - U.K.

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 127.2	\$ 302.2	\$ (175.0)	(57.9)%	\$ (3.9)	(56.6)%
Used vehicle retail sales	92.8	194.0	(101.2)	(52.2)%	(3.0)	(50.6)%
Used vehicle wholesale sales	15.3	46.9	(31.6)	(67.5)%	(0.5)	(66.4)%
Total used	108.1	240.9	(132.8)	(55.1)%	(3.5)	(53.7)%
Parts and service sales	21.8	56.4	(34.5)	(61.3)%	(0.7)	(60.0)%
F&I, net	6.4	15.0	(8.6)	(57.4)%	(0.2)	(56.2)%
Total revenues	\$ 263.5	\$ 614.4	\$ (350.9)	(57.1)%	\$ (8.3)	(55.8)%
Gross profit:						
New vehicle retail sales	\$ 5.9	\$ 10.6	\$ (4.8)	(44.8)%	\$ (0.2)	(43.2)%
Used vehicle retail sales	4.9	8.3	(3.4)	(41.1)%	(0.2)	(39.1)%
Used vehicle wholesale sales	0.4	(1.3)	1.6	127.3 %	—	128.0 %
Total used	5.2	7.0	(1.8)	(25.2)%	(0.2)	(22.8)%
Parts and service sales	11.9	31.5	(19.5)	(62.1)%	(0.4)	(60.9)%
F&I, net	6.4	15.0	(8.6)	(57.4)%	(0.2)	(56.2)%
Total gross profit	\$ 29.4	\$ 64.1	\$ (34.7)	(54.1)%	\$ (0.9)	(52.7)%
Gross margin:						
New vehicle retail sales	4.6%	3.5 %	1.1 %			
Used vehicle retail sales	5.3%	4.3 %	1.0 %			
Used vehicle wholesale sales	2.3%	(2.7)%	5.0 %			
Total used	4.8%	2.9 %	1.9 %			
Parts and service sales	54.7%	55.9 %	(1.2)%			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	11.2%	10.4 %	0.7 %			
Units sold:						
Retail new vehicles sold	3,841	9,266	(5,425)	(58.5)%		
Retail used vehicles sold	4,040	8,280	(4,240)	(51.2)%		
Wholesale used vehicles sold	1,829	5,772	(3,943)	(68.3)%		
Total used	5,869	14,052	(8,183)	(58.2)%		
Average sales price per unit sold:						
New vehicle retail	\$ 33,119	\$ 32,617	\$ 502	1.5 %	\$ (1,012)	4.6 %
Used vehicle retail	\$ 22,978	\$ 23,431	\$ (453)	(1.9)%	\$ (740)	1.2 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,527	\$ 1,147	\$ 380	33.2 %	\$ (45)	37.1 %
Used vehicle retail sales	\$ 1,209	\$ 1,001	\$ 208	20.8 %	\$ (40)	24.8 %
Used vehicle wholesale sales	\$ 192	\$ (223)	\$ 415	186.1 %	\$ (5)	188.2 %
Total used	\$ 892	\$ 498	\$ 394	79.1 %	\$ (29)	84.9 %
F&I PRU	\$ 808	\$ 853	\$ (45)	(5.2)%	\$ (23)	(2.6)%
Other:						
SG&A expenses	\$ 28.3	\$ 59.0	\$ (30.7)	(52.1)%	\$ (1.0)	(50.4)%
SG&A as % gross profit	96.2%	92.1 %	4.1 %			

Same Store Operating Data - U.K.

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 116.6	\$ 292.3	\$ (175.7)	(60.1)%	\$ (3.6)	(58.9)%
Used vehicle retail sales	85.6	189.0	(103.4)	(54.7)%	(2.8)	(53.3)%
Used vehicle wholesale sales	14.2	45.6	(31.4)	(68.8)%	(0.5)	(67.8)%
Total used	99.8	234.6	(134.8)	(57.5)%	(3.2)	(56.1)%
Parts and service sales	20.0	52.0	(32.0)	(61.5)%	(0.6)	(60.2)%
F&I, net	5.9	14.6	(8.7)	(59.3)%	(0.2)	(58.2)%
Total revenues	\$ 242.4	\$ 593.5	\$ (351.1)	(59.2)%	\$ (7.6)	(57.9)%
Gross profit:						
New vehicle retail sales	\$ 5.3	\$ 10.5	\$ (5.1)	(49.0)%	\$ (0.2)	(47.5)%
Used vehicle retail sales	4.6	8.4	(3.8)	(45.3)%	(0.2)	(43.5)%
Used vehicle wholesale sales	0.3	(1.2)	1.6	127.8 %	—	128.5 %
Total used	4.9	7.1	(2.2)	(30.8)%	(0.2)	(28.6)%
Parts and service sales	10.9	29.5	(18.6)	(63.1)%	(0.3)	(61.9)%
F&I, net	5.9	14.6	(8.7)	(59.3)%	(0.2)	(58.2)%
Total gross profit	\$ 27.1	\$ 61.6	\$ (34.6)	(56.1)%	\$ (0.8)	(54.7)%
Gross margin:						
New vehicle retail sales	4.6%	3.6 %	1.0 %			
Used vehicle retail sales	5.3%	4.4 %	0.9 %			
Used vehicle wholesale sales	2.4%	(2.7)%	5.2 %			
Total used	4.9%	3.0 %	1.9 %			
Parts and service sales	54.3%	56.6 %	(2.3)%			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	11.2%	10.4 %	0.8 %			
Units sold:						
Retail new vehicles sold	3,490	8,983	(5,493)	(61.1)%		
Retail used vehicles sold	3,675	8,111	(4,436)	(54.7)%		
Wholesale used vehicles sold	1,692	5,630	(3,938)	(69.9)%		
Total used	5,367	13,741	(8,374)	(60.9)%		
Average sales price per unit sold:						
New vehicle retail	\$ 33,416	\$ 32,537	\$ 879	2.7 %	\$ (1,022)	5.8 %
Used vehicle retail	\$ 23,295	\$ 23,305	\$ (10)	— %	\$ (749)	3.2 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,533	\$ 1,169	\$ 364	31.2 %	\$ (45)	35.1 %
Used vehicle retail sales	\$ 1,244	\$ 1,030	\$ 214	20.8 %	\$ (41)	24.7 %
Used vehicle wholesale sales	\$ 205	\$ (221)	\$ 426	192.5 %	\$ (5)	194.8 %
Total used	\$ 917	\$ 518	\$ 399	77.1 %	\$ (30)	82.9 %
F&I PRU	\$ 827	\$ 853	\$ (26)	(3.0)%	\$ (23)	(0.3)%
Other:						
SG&A expenses	\$ 24.8	\$ 55.9	\$ (31.1)	(55.7)%	\$ (0.9)	(54.1)%
SG&A as % gross profit	91.5%	90.6 %	0.9 %			

The following discussion of our U.K. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our U.K. dealership operations have been significantly impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by the national government to contain the virus.

Revenues

Total revenues in the U.K. during the three months ended June 30, 2020 decreased \$350.9 million, or 57.1%, as compared to the same period in 2019. Total same store revenues in the U.K. during the three months ended June 30, 2020 decreased \$351.1 million, or 59.2%, as compared to the same period in 2019. On a constant currency basis, total same store revenues decreased 57.9%, driven by decreases in all of our operations due to the COVID-19 pandemic. Beginning March 21, 2020, the government mandated the closure of all U.K. dealerships in efforts to stop the spread of the virus and the government shutdown remained in effect through May 18, 2020 for service, with the exception of emergency vehicle repairs. U.K. showrooms were allowed to reopen June 1, 2020 and performed well for the month. On a constant currency basis, new vehicle retail same store revenues declined 58.9% driven by a 61.1% decrease in new vehicle retail same store unit sales, partially offset by a 5.8% increase in average new vehicle retail same store sales price. Used vehicle retail same store revenues on a constant currency basis decreased 53.3% as used vehicle retail same store unit sales declined 54.7%, partially offset by a 3.2% increase in average used retail same store sales price. Parts and service same store revenues decreased 60.2% on a constant currency basis as all of our parts and service businesses were negatively impacted by COVID-19, with declines of 57.1% in customer-pay, 66.2% in warranty, 67.7% in collision and 60.2% in wholesale parts revenues. F&I same store revenues on a constant currency basis decreased 58.2%, driven by lower penetration rates coupled with the decline in retail unit sales volumes.

Gross Profit

Total gross profit in the U.K. during the three months ended June 30, 2020 decreased \$34.7 million, or 54.1%, as compared to the same period in 2019. Total same store gross profit in the U.K. during the three months ended June 30, 2020 decreased \$34.6 million, or 56.1%, as compared to the same period in 2019. On a constant currency basis, total same store gross profit decreased 54.7%, driven by decreases in all of our operations, except used vehicle wholesale, due to COVID-19. New vehicle retail same store gross profit decreased 47.5% on a constant currency basis, driven by a 61.1% decrease in new vehicle retail same store unit sales, partially offset by a 35.1% increase in new vehicle retail same store gross profit per unit. The increase in new vehicle gross profit per unit is primarily due to current supply constraints. On a constant currency basis, used vehicle retail same store gross profit decreased 43.5%, reflecting a 54.7% decline in used vehicle retail same store unit sales, partially offset by a 24.7% increase in used vehicle retail same store gross profit per unit sold. The increase in used vehicle retail same store gross profit per unit sold reflects supply constraints similar to new vehicles. The overall decline in new vehicle and used vehicle retail same store gross profits was directly related to the closures caused by the COVID-19 pandemic. Used vehicle wholesale same store gross profit improved 128.5% on a constant currency basis due to the increase in auction prices due to supply constraints. Parts and service same store gross profit on a constant currency basis decreased 61.9% due to a 60.2% decrease in revenues, as discussed above. F&I same store revenues on a constant currency basis decreased 58.2% as previously discussed.

SG&A Expenses

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.K. during the three months ended June 30, 2020 decreased \$30.7 million, or 52.1%, as compared to the same period in 2019. Total same store SG&A expenses in the U.K. during the three months ended June 30, 2020, decreased \$31.1 million, or 55.7%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 54.1%, driven by the implementation and execution of cost reduction strategies as a reaction to the COVID-19 pandemic, which enabled us to partially offset the adverse effect of significantly lower gross profit. Total same store SG&A expenses in the second quarter of 2020 included \$1.2 million in severance costs for redundancy driven by the COVID-19 pandemic. As a percentage of gross profit, total same store SG&A expenses increased 90 basis points over the same period in 2019 to 91.5%, reflecting the decline in gross profit discussed above.

Reported Operating Data - U.K.

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 423.5	\$ 620.8	\$ (197.3)	(31.8)%	\$ (11.5)	(29.9)%
Used vehicle retail sales	281.6	397.6	(115.9)	(29.2)%	(4.7)	(28.0)%
Used vehicle wholesale sales	51.1	92.1	(41.1)	(44.6)%	(0.8)	(43.7)%
Total used	332.7	489.7	(157.0)	(32.1)%	(5.5)	(30.9)%
Parts and service sales	78.3	115.9	(37.7)	(32.5)%	(1.3)	(31.4)%
F&I, net	19.7	30.2	(10.5)	(34.7)%	(0.4)	(33.3)%
Total revenues	\$ 854.2	\$ 1,256.6	\$ (402.4)	(32.0)%	\$ (18.7)	(30.5)%
Gross profit:						
New vehicle retail sales	\$ 17.9	\$ 27.4	\$ (9.5)	(34.6)%	\$ (0.6)	(32.3)%
Used vehicle retail sales	14.0	16.6	(2.5)	(15.3)%	(0.3)	(13.6)%
Used vehicle wholesale sales	0.3	(2.3)	2.6	113.9 %	—	114.1 %
Total used	14.4	14.3	0.1	0.6 %	(0.3)	2.5 %
Parts and service sales	42.3	64.2	(22.0)	(34.2)%	(0.7)	(33.1)%
F&I, net	19.7	30.2	(10.5)	(34.7)%	(0.4)	(33.3)%
Total gross profit	\$ 94.2	\$ 136.1	\$ (41.8)	(30.7)%	\$ (2.1)	(29.2)%
Gross margin:						
New vehicle retail sales	4.2%	4.4 %	(0.2)%			
Used vehicle retail sales	5.0%	4.2 %	0.8 %			
Used vehicle wholesale sales	0.6%	(2.5)%	3.1 %			
Total used	4.3%	2.9 %	1.4 %			
Parts and service sales	54.0%	55.4 %	(1.4)%			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	11.0%	10.8 %	0.2 %			
Units sold:						
Retail new vehicles sold	12,735	19,610	(6,875)	(35.1)%		
Retail used vehicles sold	12,064	16,711	(4,647)	(27.8)%		
Wholesale used vehicles sold	6,413	11,139	(4,726)	(42.4)%		
Total used	18,477	27,850	(9,373)	(33.7)%		
Average sales price per unit sold:						
New vehicle retail	\$ 33,255	\$ 31,657	\$ 1,598	5.0 %	\$ (900)	7.9 %
Used vehicle retail	\$ 23,344	\$ 23,791	\$ (447)	(1.9)%	\$ (388)	(0.2)%
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,407	\$ 1,397	\$ 10	0.7 %	\$ (50)	4.3 %
Used vehicle retail sales	\$ 1,164	\$ 992	\$ 172	17.4 %	\$ (23)	19.6 %
Used vehicle wholesale sales	\$ 50	\$ (206)	\$ 256	124.2 %	\$ (1)	124.4 %
Total used	\$ 777	\$ 513	\$ 265	51.6 %	\$ (15)	54.5 %
F&I PRU	\$ 794	\$ 830	\$ (37)	(4.4)%	\$ (18)	(2.3)%
Other:						
SG&A expenses	\$ 88.2	\$ 118.2	\$ (30.1)	(25.4)%	\$ (1.8)	(23.9)%
SG&A as % gross profit	93.5%	86.9 %	6.6 %			

Same Store Operating Data - U.K.

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 387.2	\$ 599.0	\$ (211.8)	(35.4)%	\$ (10.6)	(33.6)%
Used vehicle retail sales	260.4	385.4	(125.0)	(32.4)%	(4.3)	(31.3)%
Used vehicle wholesale sales	46.9	89.1	(42.1)	(47.3)%	(0.8)	(46.5)%
Total used	307.4	474.5	(167.1)	(35.2)%	(5.1)	(34.1)%
Parts and service sales	69.7	107.1	(37.3)	(34.9)%	(1.2)	(33.8)%
F&I, net	18.0	29.3	(11.3)	(38.5)%	(0.4)	(37.1)%
Total revenues	\$ 782.3	\$ 1,209.9	\$ (427.6)	(35.3)%	\$ (17.3)	(33.9)%
Gross profit:						
New vehicle retail sales	\$ 16.4	\$ 26.7	\$ (10.3)	(38.5)%	\$ (0.6)	(36.2)%
Used vehicle retail sales	13.1	16.3	(3.3)	(19.9)%	(0.3)	(18.3)%
Used vehicle wholesale sales	0.3	(2.1)	2.4	114.3 %	—	114.5 %
Total used	13.4	14.2	(0.9)	(6.0)%	(0.3)	(4.2)%
Parts and service sales	37.7	60.0	(22.2)	(37.1)%	(0.7)	(36.0)%
F&I, net	18.0	29.3	(11.3)	(38.5)%	(0.4)	(37.1)%
Total gross profit	\$ 85.6	\$ 130.2	\$ (44.6)	(34.3)%	\$ (1.9)	(32.8)%
Gross margin:						
New vehicle retail sales	4.2%	4.5 %	(0.2)%			
Used vehicle retail sales	5.0%	4.2 %	0.8 %			
Used vehicle wholesale sales	0.6%	(2.4)%	3.0 %			
Total used	4.4%	3.0 %	1.4 %			
Parts and service sales	54.1%	56.0 %	(1.9)%			
F&I, net	100.0%	100.0 %	— %			
Total gross margin	10.9%	10.8 %	0.2 %			
Units sold:						
Retail new vehicles sold	11,519	18,618	(7,099)	(38.1)%		
Retail used vehicles sold	11,036	16,228	(5,192)	(32.0)%		
Wholesale used vehicles sold	5,872	10,810	(4,938)	(45.7)%		
Total used	16,908	27,038	(10,130)	(37.5)%		
Average sales price per unit sold:						
New vehicle retail	\$ 33,613	\$ 32,173	\$ 1,440	4.5 %	\$ (920)	7.3 %
Used vehicle retail	\$ 23,598	\$ 23,750	\$ (152)	(0.6)%	\$ (394)	1.0 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,425	\$ 1,433	\$ (8)	(0.5)%	\$ (51)	3.0 %
Used vehicle retail sales	\$ 1,186	\$ 1,007	\$ 179	17.8 %	\$ (23)	20.1 %
Used vehicle wholesale sales	\$ 51	\$ (194)	\$ 246	126.4 %	\$ (1)	126.7 %
Total used	\$ 792	\$ 527	\$ 265	50.4 %	\$ (15)	53.3 %
F&I PRU	\$ 799	\$ 841	\$ (42)	(5.0)%	\$ (18)	(2.8)%
Other:						
SG&A expenses	\$ 77.1	\$ 111.6	\$ (34.4)	(30.9)%	\$ (1.6)	(29.5)%
SG&A as % gross profit	90.1%	85.7 %	4.4 %			

The following discussion of our U.K. operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our U.K. dealership operations have been significantly impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by the national government to contain the virus.

Revenues

Total revenues in the U.K. during the six months ended June 30, 2020 decreased \$402.4 million, or 32.0%, as compared to the same period in 2019. Total same store revenues in the U.K. during the six months ended June 30, 2020 decreased \$427.6 million, or 35.3%, as compared to the same period in 2019. On a constant currency basis, total same store revenues decreased 33.9%, driven by decreases in all of our operations due to the COVID-19 pandemic. Beginning March 21, 2020, the government mandated the closure of all U.K. dealerships in efforts to stop the spread of the virus. The government shutdown remained in effect through May 18, 2020 for service, with the exception of emergency vehicle repairs, and June 1, 2020 for showrooms. New vehicle retail same store revenues on a constant currency basis decreased 33.6%, as a 38.1% decrease in new vehicle retail same store unit sales was partially offset by a 7.3% increase in new vehicle retail same store average sales price per unit sold. On a constant currency basis, used vehicle retail same store revenues decreased 31.3%, as a 32.0% decrease in used vehicle retail same store unit sales was partially offset by a 1.0% increase in used vehicle retail same store average sales price per unit sold. Parts and service same store revenues decreased 33.8% on a constant currency basis driven by declines of 27.1% in customer-pay, 45.5% in warranty, 45.6% in collision, and 34.0% in wholesale parts revenues. The decreases in all parts and service businesses are a result of the limitations on the business due to COVID-19. F&I same store revenues on a constant currency basis decreased 37.1% driven by the decline in retail unit sales and lower penetration rates, partially offset by an increase in income per contract on finance fees.

Gross profit

Total gross profit in the U.K. during the six months ended June 30, 2020 decreased \$41.8 million, or 30.7%, as compared to the same period in 2019. Total same store gross profit in the U.K. during the six months ended June 30, 2020 decreased \$44.6 million, or 34.3%, as compared to the same period in 2019. On a constant currency basis, total same store gross profit decreased 32.8%, driven by decreases in all of our operations, except for used vehicle wholesale, due to COVID-19. New vehicle retail same store gross profit on a constant currency basis decreased 36.2%, driven by a 38.1% decline in new vehicle retail same store unit sales, partially offset by a 3.0% increase in new vehicle retail same store average gross profit per unit sold. The increase in new vehicle retail same store gross profit per unit sold reflects supply constraints that occurred during the second quarter of 2020 related to the COVID-19 pandemic. Used vehicle retail same store gross profit on a constant currency basis decreased 18.3% on a 32.0% decrease in used vehicle retail same store unit sales, partially offset by a 20.1% increase in used vehicle retail same store average gross profit per unit sold. The increase in used vehicle retail same store average gross profit per unit sold reflects supply constraints similar to new vehicles. The overall gross profit declines on new and used vehicles are a result of the COVID-19 pandemic. Used vehicle wholesale same store gross profit improved 114.5% on a constant currency basis due to increases in auction prices. Parts and service same store gross profit on a constant currency basis decreased 36.0% as a result of a 33.8% decline in revenues discussed above. F&I same store on a constant currency basis decreased 37.1% as discussed above.

SG&A Expenses

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in the U.K. during the six months ended June 30, 2020 decreased \$30.1 million, or 25.4%, as compared to the same period in 2019. Total same store SG&A expenses in the U.K. during the six months ended June 30, 2020, decreased \$34.4 million, or 30.9%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 29.5%. This decline was driven by the implementation and execution of cost reduction strategies as a reaction to the COVID-19 pandemic, which enabled us to partially offset the negative impact of lower gross profit. Total same store SG&A expenses in 2020 included \$1.2 million in severance costs for redundancy due to the COVID-19 pandemic. As a percentage of gross profit, total same store SG&A expenses increased 440 basis points over the same period in 2019 to 90.1%, reflecting the decline in gross profit discussed above.

Reported Operating Data - Brazil

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 19.8	\$ 74.4	\$ (54.6)	(73.4)%	\$ (7.1)	(63.9)%
Used vehicle retail sales	7.5	19.4	(12.0)	(61.6)%	(2.6)	(48.0)%
Used vehicle wholesale sales	2.9	4.8	(2.0)	(40.5)%	(1.1)	(18.5)%
Total used	10.3	24.3	(13.9)	(57.4)%	(3.7)	(42.1)%
Parts and service sales	5.9	12.2	(6.3)	(51.5)%	(2.2)	(33.7)%
F&I, net	0.6	1.8	(1.2)	(67.7)%	(0.2)	(56.0)%
Total revenues	\$ 36.6	\$ 112.6	\$ (76.0)	(67.5)%	\$ (13.2)	(55.8)%
Gross profit:						
New vehicle retail sales	\$ 1.4	\$ 4.3	\$ (2.9)	(67.9)%	\$ (0.5)	(56.6)%
Used vehicle retail sales	0.4	1.7	(1.2)	(74.2)%	(0.1)	(65.3)%
Used vehicle wholesale sales	0.1	0.3	(0.2)	(70.7)%	—	(59.8)%
Total used	0.5	1.9	(1.4)	(73.7)%	(0.2)	(64.5)%
Parts and service sales	2.5	5.4	(2.9)	(54.5)%	(0.9)	(37.8)%
F&I, net	0.6	1.8	(1.2)	(67.7)%	(0.2)	(56.0)%
Total gross profit	\$ 4.9	\$ 13.5	\$ (8.5)	(63.3)%	\$ (1.8)	(50.1)%
Gross margin:						
New vehicle retail sales	7.0%	5.8%	1.2 %			
Used vehicle retail sales	5.8%	8.6%	(2.8)%			
Used vehicle wholesale sales	2.8%	5.7%	(2.9)%			
Total used	4.9%	8.0%	(3.1)%			
Parts and service sales	41.8%	44.5%	(2.7)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	13.5%	12.0%	1.5 %			
Units sold:						
Retail new vehicles sold	694	2,509	(1,815)	(72.3)%		
Retail used vehicles sold	356	988	(632)	(64.0)%		
Wholesale used vehicles sold	324	484	(160)	(33.1)%		
Total used	680	1,472	(792)	(53.8)%		
Average sales price per unit sold:						
New vehicle retail	\$ 28,495	\$ 29,637	\$ (1,141)	(3.9)%	\$ (10,198)	30.6 %
Used vehicle retail	\$ 20,983	\$ 19,673	\$ 1,311	6.7 %	\$ (7,400)	44.3 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,999	\$ 1,725	\$ 274	15.9 %	\$ (710)	57.0 %
Used vehicle retail sales	\$ 1,213	\$ 1,693	\$ (480)	(28.4)%	\$ (419)	(3.6)%
Used vehicle wholesale sales	\$ 247	\$ 565	\$ (318)	(56.3)%	\$ (92)	(39.9)%
Total used	\$ 752	\$ 1,322	\$ (570)	(43.1)%	\$ (264)	(23.2)%
F&I PRU	\$ 550	\$ 511	\$ 39	7.5 %	\$ (199)	46.5 %
Other:						
SG&A expenses	\$ 5.6	\$ 11.6	\$ (6.0)	(51.5)%	\$ (2.1)	(33.7)%
SG&A as % gross profit	114.0%	86.1%	27.9 %			

Same Store Operating Data - Brazil

(In millions, except unit and per unit amounts)

	Three Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 19.8	\$ 72.5	\$ (52.8)	(72.7)%	\$ (7.1)	(63.0)%
Used vehicle retail sales	7.4	18.4	(10.9)	(59.5)%	(2.6)	(45.2)%
Used vehicle wholesale sales	2.9	3.3	(0.4)	(12.8)%	(1.1)	19.5 %
Total used	10.3	21.7	(11.4)	(52.4)%	(3.7)	(35.4)%
Parts and service sales	5.9	11.9	(6.0)	(50.3)%	(2.2)	(32.0)%
F&I, net	0.6	1.7	(1.2)	(67.0)%	(0.2)	(55.0)%
Total revenues	\$ 36.6	\$ 107.8	\$ (71.3)	(66.1)%	\$ (13.1)	(53.9)%
Gross profit:						
New vehicle retail sales	\$ 1.4	\$ 4.3	\$ (2.9)	(67.8)%	\$ (0.5)	(56.4)%
Used vehicle retail sales	0.4	1.5	(1.1)	(71.7)%	(0.1)	(61.9)%
Used vehicle wholesale sales	0.1	0.3	(0.2)	(71.1)%	—	(60.3)%
Total used	0.5	1.8	(1.3)	(71.6)%	(0.2)	(61.7)%
Parts and service sales	2.5	5.2	(2.8)	(53.1)%	(0.9)	(35.9)%
F&I, net	0.6	1.7	(1.2)	(67.0)%	(0.2)	(55.0)%
Total gross profit	\$ 4.9	\$ 13.1	\$ (8.2)	(62.3)%	\$ (1.8)	(48.7)%
Gross margin:						
New vehicle retail sales	7.0%	5.9%	1.1 %			
Used vehicle retail sales	5.8%	8.3%	(2.5)%			
Used vehicle wholesale sales	2.8%	8.4%	(5.6)%			
Total used	4.9%	8.3%	(3.3)%			
Parts and service sales	41.8%	44.2%	(2.5)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	13.5%	12.1%	1.4 %			
Units sold:						
Retail new vehicles sold	694	2,478	(1,784)	(72.0)%		
Retail used vehicles sold	356	943	(587)	(62.2)%		
Wholesale used vehicles sold	324	439	(115)	(26.2)%		
Total used	680	1,382	(702)	(50.8)%		
Average sales price per unit sold:						
New vehicle retail	\$ 28,495	\$ 29,272	\$ (777)	(2.7)%	\$ (10,193)	32.2 %
Used vehicle retail	\$ 20,905	\$ 19,490	\$ 1,415	7.3 %	\$ (7,384)	45.1 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,999	\$ 1,738	\$ 261	15.0 %	\$ (709)	55.8 %
Used vehicle retail sales	\$ 1,204	\$ 1,608	\$ (404)	(25.1)%	\$ (418)	0.9 %
Used vehicle wholesale sales	\$ 247	\$ 630	\$ (383)	(60.8)%	\$ (92)	(46.2)%
Total used	\$ 748	\$ 1,297	\$ (549)	(42.3)%	\$ (263)	(22.1)%
F&I PRU	\$ 550	\$ 511	\$ 39	7.6 %	\$ (199)	46.6 %
Other:						
SG&A expenses	\$ 5.6	\$ 11.8	\$ (6.2)	(52.3)%	\$ (2.1)	(34.8)%
SG&A as % gross profit	114.0%	90.1%	23.9 %			

The following discussion of our Brazil operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our Brazil dealership operations have been significantly impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by local governments to contain the virus.

Revenues

Total revenues in Brazil during the three months ended June 30, 2020 decreased \$76.0 million, or 67.5%, as compared to the same period in 2019. Total same store revenues in Brazil during the three months ended June 30, 2020 decreased \$71.3 million, or 66.1%, as compared to the same period in 2019. On a constant currency basis, total same store revenues decreased 53.9% driven by declines in all business lines except for used vehicle wholesale caused by the COVID-19 pandemic. Beginning March 20, 2020, all our dealerships were required to close in efforts to stop the spread of the virus and while our service centers reopened and operated throughout the second quarter, our showrooms did not reopen until May 2020 with reduced hours. New vehicle retail same store revenues on a constant currency basis decreased 63.0% as a 72.0% decrease in new vehicle retail same store unit sales was partially offset by a 32.2% increase in new vehicle retail same store average sales price per unit sold. The decline in new vehicle same store unit sales was a result of the reduced demand and closure of our dealerships caused by the COVID-19 pandemic. Used vehicle retail same store revenues on a constant currency basis decreased 45.2% reflecting a 62.2% decrease in used vehicle same store unit sales partially offset by a 45.1% increase in used vehicle retail same store average sales price per unit sold. The decrease in used vehicle retail same store unit sales was driven by the COVID-19 pandemic. Used vehicle wholesale same store revenues increased 19.5% on a constant currency basis. The improvement in used vehicle wholesale same store revenues and the increases in new and used vehicle retail same store average sales price per unit sold were driven by a change in brand mix, which has shifted towards our higher priced luxury brands. Parts and service same store revenues on a constant currency basis decreased 32.0% driven by declines in warranty, customer-pay and collision revenues, partially offset by an increase in wholesale revenues. F&I same store revenues on a constant currency basis decreased 55.0% primarily due to the decline in retail unit sales partially offset by an increase in income per contract for our retail finance fees.

Gross Profit

Total gross profit in Brazil during the three months ended June 30, 2020 decreased \$8.5 million, or 63.3%, as compared to the same period in 2019. Total same store gross profit in Brazil during the three months ended June 30, 2020 decreased \$8.2 million, or 62.3%, as compared to the same period in 2019. On a constant currency basis, total same store gross profit decreased 48.7% driven by declines in all business lines. New vehicle retail same store gross profit on a constant currency basis decreased 56.4% driven by the 72.0% decline in new vehicle retail same store units sold partially offset by a 55.8% increase in new vehicle retail same store average gross profit per unit sold. The improvement in new vehicle retail same store gross profit reflects the mix shift towards our higher priced luxury brands and supply constraints experienced during the COVID-19 pandemic. Used vehicle retail same store gross profit on a constant currency basis decreased 61.9% reflecting the 62.2% decline in used vehicle retail same store unit sales. Parts and service same store gross profit on a constant currency basis decreased 35.9% as a result of the 32.0% decrease in revenues described above. F&I same store gross profit on a constant currency basis decreased 55.0% as discussed above.

SG&A Expenses

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in Brazil during the three months ended June 30, 2020 decreased \$6.0 million, or 51.5%, as compared to the same period in 2019. Total same store SG&A expenses in Brazil during the three months ended June 30, 2020 decreased \$6.2 million, or 52.3%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 34.8%. The decrease in same store SG&A can be more than explained by expense control measures taken by management due to COVID-19, primarily driven by a decrease in personnel expense. Despite the reduction in same store SG&A expenses, total same store SG&A as a % of gross profit increased to 114.0% driven by the decline in same store gross profit discussed above.

Reported Operating Data - Brazil

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 77.3	\$ 138.5	\$ (61.3)	(44.2)%	\$ (16.3)	(32.5)%
Used vehicle retail sales	27.4	40.7	(13.3)	(32.6)%	(5.8)	(18.3)%
Used vehicle wholesale sales	6.7	8.9	(2.2)	(24.3)%	(1.6)	(5.7)%
Total used	34.1	49.5	(15.4)	(31.1)%	(7.5)	(16.0)%
Parts and service sales	15.5	24.2	(8.7)	(36.1)%	(3.7)	(20.7)%
F&I, net	2.3	3.8	(1.5)	(39.1)%	(0.5)	(26.2)%
Total revenues	\$ 129.1	\$ 216.0	\$ (86.9)	(40.2)%	\$ (28.0)	(27.3)%
Gross profit:						
New vehicle retail sales	\$ 4.9	\$ 8.1	\$ (3.2)	(39.8)%	\$ (1.1)	(26.9)%
Used vehicle retail sales	1.5	2.9	(1.4)	(49.1)%	(0.3)	(38.1)%
Used vehicle wholesale sales	0.3	0.6	(0.3)	(50.2)%	(0.1)	(38.8)%
Total used	1.8	3.5	(1.7)	(49.2)%	(0.4)	(38.2)%
Parts and service sales	6.7	10.7	(4.0)	(37.6)%	(1.6)	(22.8)%
F&I, net	2.3	3.8	(1.5)	(39.1)%	(0.5)	(26.2)%
Total gross profit	\$ 15.6	\$ 26.1	\$ (10.4)	(40.1)%	\$ (3.5)	(26.6)%
Gross margin:						
New vehicle retail sales	6.3%	5.9%	0.5 %			
Used vehicle retail sales	5.4%	7.2%	(1.7)%			
Used vehicle wholesale sales	4.2%	6.4%	(2.2)%			
Total used	5.2%	7.0%	(1.8)%			
Parts and service sales	43.1%	44.1%	(1.0)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	12.1%	12.1%	— %			
Units sold:						
Retail new vehicles sold	2,665	4,649	(1,984)	(42.7)%		
Retail used vehicles sold	1,454	2,076	(622)	(30.0)%		
Wholesale used vehicles sold	799	956	(157)	(16.4)%		
Total used	2,253	3,032	(779)	(25.7)%		
Average sales price per unit sold:						
New vehicle retail	\$ 28,994	\$ 29,798	\$ (804)	(2.7)%	\$ (6,111)	17.8 %
Used vehicle retail	\$ 18,847	\$ 19,586	\$ (739)	(3.8)%	\$ (4,014)	16.7 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,839	\$ 1,752	\$ 87	5.0 %	\$ (396)	27.6 %
Used vehicle retail sales	\$ 1,019	\$ 1,402	\$ (382)	(27.3)%	\$ (219)	(11.6)%
Used vehicle wholesale sales	\$ 356	\$ 597	\$ (241)	(40.4)%	\$ (81)	(26.8)%
Total used	\$ 784	\$ 1,148	\$ (364)	(31.7)%	\$ (170)	(16.9)%
F&I PRU	\$ 557	\$ 561	\$ (4)	(0.6)%	\$ (118)	20.5 %
Other:						
SG&A expenses	\$ 16.2	\$ 24.0	\$ (7.7)	(32.3)%	\$ (3.9)	(16.0)%
SG&A as % gross profit	103.8%	91.9%	11.9 %			

Same Store Operating Data - Brazil

(In millions, except unit and per unit amounts)

	Six Months Ended June 30,				Currency Impact on Current Period Results	Constant Currency % Change
	2020	2019	Increase/ (Decrease)	% Change		
Revenues:						
New vehicle retail sales	\$ 77.3	\$ 135.7	\$ (58.4)	(43.1)%	\$ (16.3)	(31.1)%
Used vehicle retail sales	27.4	38.0	(10.7)	(28.0)%	(5.8)	(12.7)%
Used vehicle wholesale sales	6.7	6.8	—	(0.7)%	(1.7)	24.0 %
Total used	34.1	44.8	(10.7)	(23.9)%	(7.5)	(7.2)%
Parts and service sales	15.5	23.6	(8.1)	(34.5)%	(3.7)	(18.8)%
F&I, net	2.3	3.7	(1.4)	(37.9)%	(0.5)	(24.7)%
Total revenues	\$ 129.1	\$ 207.8	\$ (78.7)	(37.9)%	\$ (28.0)	(24.4)%
Gross profit:						
New vehicle retail sales	\$ 4.9	\$ 8.1	\$ (3.2)	(39.8)%	\$ (1.1)	(26.8)%
Used vehicle retail sales	1.5	2.9	(1.4)	(49.3)%	(0.3)	(38.2)%
Used vehicle wholesale sales	0.3	0.6	(0.3)	(48.6)%	(0.1)	(37.0)%
Total used	1.8	3.5	(1.7)	(49.2)%	(0.4)	(38.0)%
Parts and service sales	6.7	10.3	(3.7)	(35.6)%	(1.6)	(20.4)%
F&I, net	2.3	3.7	(1.4)	(37.9)%	(0.5)	(24.7)%
Total gross profit	\$ 15.6	\$ 25.7	\$ (10.0)	(39.1)%	\$ (3.5)	(25.4)%
Gross margin:						
New vehicle retail sales	6.3%	6.0%	0.3 %			
Used vehicle retail sales	5.4%	7.7%	(2.3)%			
Used vehicle wholesale sales	4.2%	8.2%	(3.9)%			
Total used	5.2%	7.7%	(2.6)%			
Parts and service sales	43.1%	43.9%	(0.7)%			
F&I, net	100.0%	100.0%	— %			
Total gross margin	12.1%	12.3%	(0.2)%			
Units sold:						
Retail new vehicles sold	2,665	4,604	(1,939)	(42.1)%		
Retail used vehicles sold	1,454	2,001	(547)	(27.3)%		
Wholesale used vehicles sold	799	889	(90)	(10.1)%		
Total used	2,253	2,890	(637)	(22.0)%		
Average sales price per unit sold:						
New vehicle retail	\$ 28,994	\$ 29,474	\$ (480)	(1.6)%	\$ (6,113)	19.1 %
Used vehicle retail	\$ 18,828	\$ 19,011	\$ (183)	(1.0)%	\$ (4,008)	20.1 %
Gross profit per unit sold:						
New vehicle retail sales	\$ 1,839	\$ 1,768	\$ 71	4.0 %	\$ (396)	26.4 %
Used vehicle retail sales	\$ 1,018	\$ 1,458	\$ (440)	(30.2)%	\$ (221)	(15.0)%
Used vehicle wholesale sales	\$ 356	\$ 622	\$ (267)	(42.9)%	\$ (81)	(29.9)%
Total used	\$ 783	\$ 1,201	\$ (418)	(34.8)%	\$ (172)	(20.5)%
F&I PRU	\$ 557	\$ 560	\$ (3)	(0.5)%	\$ (118)	20.7 %
Other:						
SG&A expenses	\$ 16.2	\$ 23.2	\$ (7.0)	(30.3)%	\$ (3.9)	(13.5)%
SG&A as % gross profit	103.5%	90.5%	13.0 %			

The following discussion of our Brazil operating results is on a same store basis. The difference between reported amounts and same store amounts is related to acquisition and disposition activity, as well as new add-point openings. Our Brazil dealership operations have been significantly impacted by the reduced demand caused by the COVID-19 pandemic and the restrictions put in place by local governments to contain the virus.

Revenues

Total revenues in Brazil during the six months ended June 30, 2020 decreased \$86.9 million, or 40.2%, as compared to the same period in 2019. Total same store revenues in Brazil during the six months ended June 30, 2020 decreased \$78.7 million, or 37.9%, as compared to the same period in 2019. On a constant currency basis, total same store revenues decreased 24.4% with declines in all revenue lines except for used vehicle wholesale. Beginning March 20, 2020, all our dealerships were required to close in efforts to stop the spread of the virus and while our service centers reopened and operated throughout the second quarter, our showrooms did not reopen until May 2020 with reduced hours. New vehicle retail same store revenues on a constant currency basis decreased 31.1%, as a 42.1% decrease in new vehicle retail same store unit sales was partially offset by a 19.1% increase in new vehicle retail same store average sales price per unit sold. The decline in new vehicle same store unit sales was a result of the reduced demand and closure of our dealerships caused by the COVID-19 pandemic. Used vehicle retail same store revenues on a constant currency basis decreased 12.7%, as a 27.3% decrease in used vehicle retail same store unit sales more than offset a 20.1% increase in used vehicle retail same store average sales price per unit sold. The decrease in used vehicle retail same store unit sales was driven by the COVID-19 pandemic. Used vehicle wholesale same store revenues increased 24.0% on a constant currency basis. The improvement in used vehicle wholesale same store revenues and the increases in new and used vehicle retail same store average sales price per unit sold reflect a shift in brand mix to higher priced luxury brands. Parts and service same store revenues on a constant currency basis decreased 18.8% driven by declines in warranty, customer-pay and collision revenues partially offset by an increase in wholesale revenues. F&I same store revenues on a constant currency basis decreased 24.7% primarily as a result of a decline in our retail unit sales partially offset by an improvement in income per contract on our retail finance fees.

Gross profit

Total gross profit in Brazil during the six months ended June 30, 2020 decreased \$10.4 million, or 40.1%, as compared to the same period in 2019. Total same store gross profit in Brazil during the six months ended June 30, 2020 decreased \$10.0 million, or 39.1%, as compared to the same period in 2019. On a constant currency basis total same store gross profit decreased 25.4% driven by declines in all business lines. New vehicle retail same store gross profit on a constant currency basis decreased 26.8%, driven by a 42.1% decrease in new vehicle retail same store units sold partially offset by a 26.4% increase in new vehicle retail same store average gross profit per unit sold. The improvement in new vehicle retail same store gross profit per unit reflects the shift towards our higher priced luxury brands and supply constraints experienced during the COVID-19 pandemic. Used vehicle retail same store gross profit on a constant currency basis decreased 38.2%, reflecting a 27.3% decrease in used vehicle retail same store unit sales and a 15.0% decrease in used vehicle retail same store average gross profit per unit sold. The declines were attributable to the negative impacts of COVID-19. Parts and service same store gross profit decreased 20.4% on a constant currency basis, driven by the 18.8% decrease in parts and service revenues described above. F&I same store gross profit on a constant currency basis decreased 24.7% as discussed above.

SG&A Expenses

Our SG&A expenses consist primarily of personnel costs, including salaries, commissions and incentive-based compensation, as well as rent and facility costs, advertising and other expenses, which include legal, professional fees and general corporate expenses. Total SG&A expenses in Brazil during the six months ended June 30, 2020 decreased \$7.7 million, or 32.3%, as compared to the same period in 2019. Total same store SG&A expenses in Brazil during the six months ended June 30, 2020, decreased \$7.0 million, or 30.3%, as compared to the same period in 2019. On a constant currency basis, total same store SG&A expenses decreased 13.5% while total same store gross profit decreased 25.4%, resulting in a 1,300 basis points increase in total same store SG&A as a % of gross profit. The decrease in SG&A expenses was a result of cost control initiatives implemented by the management team centered around reducing personnel expense and lower legal expenses. Total same store SG&A expenses in 2020 included \$0.9 million of severance costs associated with the termination of employees as a result of the COVID-19 pandemic.

The following discussion of our results of operations is on a consolidated basis, unless otherwise noted.

Depreciation and Amortization Expense

Our total depreciation and amortization expense increased from \$17.9 million to \$18.8 million and from \$34.9 million to \$37.4 million for the three and six months ended June 30, 2020, respectively, when compared to the same period in 2019. 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.

Impairment of Assets

We evaluate intangible assets, consisting entirely of indefinite-lived franchise rights and goodwill, for impairment annually, or more frequently if events or circumstances indicate possible impairment. During the three and six months ended June 30, 2020, we recorded goodwill impairment charges of \$10.7 million within the Brazil reporting unit. During the three and six months ended June 30, 2020, we recorded franchise rights impairment charges of \$11.1 million within the U.K. segment and \$0.1 million within the Brazil segment. During the three and six months ended June 30, 2019, there was no impairment to indefinite-lived franchise rights or goodwill. See Part I, "Item 1. Financial Statements," Note 8 "Intangibles" for additional discussion of our interim impairment assessment.

We also review long-lived assets that are held-for-use, including our property and equipment and ROU assets, for impairment at the lowest level of identifiable cash flows whenever there are indicators that the carrying value of these assets may not be recoverable. During the three and six months ended June 30, 2020, we recognized ROU asset impairment charges of \$1.7 million relating to seven dealerships within the U.K. segment and \$0.2 million relating to one dealership within the Brazil segment. During the three and six months ended June 30, 2019, we recognized asset impairment charges of \$0.5 million within the Brazil segment. See Part I, "Item 1. Financial Statements," Note 1 "Interim Financial Information" for additional discussion of our interim impairment assessment.

The impairment charges were recognized within *Asset impairments* in our Condensed Consolidated Statements of Operations.

Floorplan Interest Expense

Our floorplan interest expense fluctuates with changes in our borrowings outstanding and interest rates, which are based on 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 borrowing.

For the three months ended June 30, 2020, total floorplan interest expense decreased 36.4% as compared to the same period in 2019. For the six months ended June 30, 2020, total floorplan interest expense decreased 27.3% as compared to the same period in 2019. The decrease in both comparative periods is primarily due to lower weighted average interest rates as a result of a decline in LIBOR and lower inventory levels, partially offset by higher expense on our interest rate swaps.

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 other long-term debt, partially offset by interest income. For the three months ended June 30, 2020, other interest expense, net decreased from \$18.0 million to \$16.2 million as compared to the same period in 2019. For the six months ended June 30, 2020, other interest expense, net decreased from \$36.9 million to \$34.3 million as compared to the same period in 2019. The decrease in both comparative periods was primary attributable to the redemption of our 5.25% Senior Notes on April 2, 2020 and lower interest rates on our Acquisition Line and real estate related debt, partially offset by increased borrowings on said debt.

Loss on Extinguishment of Debt

On April 2, 2020, we fully redeemed \$300.0 million in aggregate principal amount of our outstanding 5.25% Senior Notes due June 2023, at a premium of 102.625%. The total redemption price, consisting of the principal amount of the notes redeemed plus associated premium, amounted to \$307.9 million. We recognized a loss on extinguishment of \$10.4 million which included write offs of unamortized discount in the amount of \$1.9 million and unamortized premium in the amount of \$0.6 million.

Provision for Income Taxes

Our provision for income taxes decreased \$1.8 million to \$12.2 million for the three months ended June 30, 2020 as compared to the same period in 2019. For the six months ended June 30, 2020, our provision for income taxes decreased \$6.3 million to \$21.3 million, as compared to the same period in 2019. The decreases were primarily due to decreases in pretax book income. For the three months ended June 30, 2020, our effective tax rate increased to 28.7% from 22.2% as compared to the same period in 2019. This increase was primarily due to an increase in excess compensation from an out-of-period adjustment to accelerate stock-based compensation, and the decrease in tax deductions in excess of book expense with respect to RSAs that vested in 2020, offset by changes to valuation allowances provided for net operating losses in certain U.S. states and in Brazil. For the six months ended June 30, 2020, our effective tax rate increased to 26.2% from 23.9% as compared to the same period in 2019. This increase was primarily due to the increase in excess compensation expense as a result of the out-of-period adjustment to accelerate stock-based compensation, offset by changes to valuation allowances provided for net operating losses in certain U.S. states and in Brazil, and the increase of tax deductions in excess of book expense with respect to RSAs that vested in 2020.

We expect our effective tax rate for the remainder of 2020 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. The anticipated effects of the COVID-19 pandemic should not materially impact our estimated effective tax rate for the full-year of 2020.

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 levels (see Part I, “Item 1. Financial Statements,” Note 10 “Floorplan Notes Payable” in the Notes to Condensed Consolidated Financial Statements for additional information), cash from operations, borrowings under our credit facilities, which provide vehicle floorplan financing, working capital, 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 next 12 months. If economic and business conditions deteriorate or if our capital expenditures or acquisition plans for 2020 change, we may need to access the private or public capital markets to obtain additional funding. See “Sources and Uses of Liquidity from Investing Activities” below for further discussion of expectations regarding future capital expenditures.

Cash on Hand

As of June 30, 2020, our total cash on hand was \$72.7 million. The balance of cash on hand excludes \$107.8 million of immediately available funds used to pay down our Floorplan Line and FMCC Facility as of June 30, 2020. 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 *Cash Flows from Operating Activities* or *Cash Flows from Financing Activities* in our 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* in the Condensed Consolidated Statements of Cash Flows in conformity with U.S. GAAP. All borrowings from, and repayments to, the Revolving Credit Facility (see Part I, “Item 1. Financial Statements,” Note 10 “Floorplan Notes Payable” in the Notes to 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/used in operating activities” and “Adjusted net cash provided by/used in financing activities” 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 *Cash Flow from Operating Activities* or *Cash Flow from Financing Activities* in our Condensed Consolidated Statements 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, which more closely reflects the cash flows associated with our acquisitions and disposition strategy and eliminates excess volatility in our operating cash flows prepared in accordance with U.S. GAAP. We have made such adjustments in our adjusted operating cash flow presentations.

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 (in millions):

	Six Months Ended June 30,		
	2020	2019	% Change
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net cash provided by (used in) operating activities:	\$ 688.2	\$ 252.9	172.1 %
Change in Floorplan notes payable — credit facilities and other, excluding floorplan offset and net acquisition and disposition	(450.8)	(68.7)	
Change in Floorplan notes payable — manufacturer affiliates associated with net acquisition and disposition and floorplan offset activity	0.2	0.1	
Adjusted net cash provided by (used in) operating activities	<u>\$ 237.6</u>	<u>\$ 184.3</u>	28.9 %
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net cash provided by (used in) investing activities:	\$ (61.2)	\$ (71.6)	14.6 %
Change in proceeds from disposition of franchises, property and equipment, associated with Floorplan notes payable	—	(15.7)	
Adjusted net cash provided by (used in) investing activities	<u>\$ (61.2)</u>	<u>\$ (87.3)</u>	29.9 %
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash provided by (used in) financing activities:	\$ (579.0)	\$ (157.8)	(267.0)%
Change in Floorplan notes payable, excluding floorplan offset	450.7	84.4	
Adjusted net cash provided by (used in) financing activities	<u>\$ (128.3)</u>	<u>\$ (73.4)</u>	(74.8)%

Sources and Uses of Liquidity from Operating Activities

For the six months ended June 30, 2020, we generated \$688.2 million of net cash flows from operating activities. On an adjusted basis for the same period, we generated \$237.6 million in net cash flows from operating activities, primarily consisting of \$60.0 million in net income, coupled with non-cash adjustments related to depreciation and amortization of \$37.4 million, asset impairments of \$23.8 million, stock-based compensation of \$21.7 million, operating lease assets of \$12.9 million and a loss on extinguishment of \$10.4 million related to the 5.25% Senior Notes. Adjusted net cash flows from operating activities also included a \$70.9 million adjusted net change in operating assets and liabilities, including cash inflows of \$536.7 million from decreases in inventory levels, \$77.2 million from net decreases in contracts-in-transit and vehicle receivables and \$64.8 million from decreases in accounts and notes receivables. These cash inflows were partially offset by cash outflows of \$540.9 million from an adjusted net decrease of floorplan borrowings and \$48.0 million from decreases in accounts payable and accrued expenses.

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 included 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 levels. 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.

Working Capital

At June 30, 2020, we had a \$59.5 million surplus of working capital. This represents a decrease of \$34.5 million from December 31, 2019, when we had a \$94.0 million surplus of working capital. Changes in our working capital are 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, 2020, we used \$61.2 million in net cash flows from investing activities on both unadjusted and adjusted basis, which represented \$60.5 million used for purchases of property and equipment and to construct new and improve existing facilities and \$1.3 million used for acquisition activity, partially offset by cash inflows of \$0.6 million related to the disposition of property and equipment. Of the \$60.5 million in property and equipment purchases, \$35.3 million was used for non-real estate related capital expenditures, \$22.4 million was used for the purchase of real estate associated with existing dealership operations and \$2.7 million represented the net decrease in the accrual for capital expenditures from year-end.

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 and to construct new and improve existing facilities, 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 non-real estate related capital expenditures, \$59.2 million was used for the purchase of real estate associated with existing dealership operations and \$3.5 million represented 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 2020 will be approximately \$70 million excluding expenditures related to real estate purchases and future acquisitions, which could generally be funded from excess cash.

Acquisitions

We evaluate the expected return on investment in our consideration of potential business purchases. Cash needed to complete our acquisitions generally comes from excess working capital, operating cash flows of our dealerships and borrowings under our floorplan facilities, term loans and our Acquisition Line.

Sources and Uses of Liquidity from Financing Activities

For the six months ended June 30, 2020, we used \$579.0 million in net cash flows from financing activities. On an adjusted basis for the same period, we used \$128.3 million in net cash flows from financing activities, primarily related to cash outflows of \$307.9 million related to the extinguishment of our 5.25% Senior Notes, \$48.9 million related to the repurchase of our common stock and \$5.5 million in dividend payments. These cash outflows were partially offset by \$173.9 million net borrowings on debt related to real estate, which reflected increased mortgage borrowings in the U.S. to partially fund the redemption of the 5.25% Senior Notes, as well as \$68.8 million net borrowings on our Acquisition Line.

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 debt related to real estate, and \$9.7 million in dividend payments.

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, 2020 (in millions):

	Total Commitment	Outstanding	Available
Floorplan line ⁽¹⁾	\$ 1,396.0	\$ 664.0	\$ 732.0
Acquisition line ⁽²⁾	349.0	155.7	193.3
Total Revolving Credit Facility	1,745.0	819.7	925.3
FMCC facility ⁽³⁾	300.0	129.0	171.0
Total U.S. credit facilities ⁽⁴⁾	\$ 2,045.0	\$ 948.7	\$ 1,096.3

(1) The available balance at June 30, 2020 includes \$99.7 million of immediately available funds. The remaining available balance can be used for inventory financing.

(2) The outstanding balance of \$155.7 million is related to outstanding letters of credit of \$18.6 million and \$137.1 million in borrowings as of June 30, 2020. The borrowings outstanding under the Acquisition Line include \$75 million of U.S. dollar borrowings and £50 million of British pound sterling borrowings 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, 2020 includes \$8.1 million of immediately available funds. The remaining available balance can be used for Ford new vehicle inventory financing.

(4) The outstanding balance excludes \$261.3 million of borrowings with manufacturer-affiliates and third-party financial institutions for foreign and rental vehicle financing not associated with any of our U.S. credit facilities.

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% Senior Notes, as well as real estate related and other long-term debt instruments.

5.25% Senior Notes Redemption and Debt Refinancing

On April 2, 2020, we fully redeemed \$300.0 million in aggregate principal amount of our outstanding 5.25% Senior Notes due 2023, at a premium of 102.625%. The total redemption price, consisting of the principal amount of the notes redeemed plus associated premium, amounted to \$307.9 million. We recognized a loss on extinguishment of \$10.4 million which included write offs of unamortized discount in the amount of \$1.9 million and unamortized premium in the amount of \$0.6 million. Additionally, we paid \$4.6 million of accrued interest up to the date of redemption. The redemption was funded through a combination of Acquisition Line borrowings, mortgage borrowings, and excess cash. Additional mortgage debt was funded during the second quarter of 2020 to provide supplemental liquidity. These refinancings are expected to lower our annual interest expense by approximately \$8.5 million.

Covenants

Our Revolving Credit Facility, indentures governing our senior notes and certain mortgage term loans contain customary financial and operating covenants that place restrictions on us, including our ability to incur additional indebtedness, create liens or to sell or otherwise dispose of assets, and to merge or consolidate with other entities. Certain of our mortgage agreements contain cross-default provisions that in the event of a default of certain mortgage agreements and of our Revolving Credit Facility, could trigger an uncured default.

As of June 30, 2020, we were in compliance with the requirements of the financial covenants under our debt agreements. We are required to maintain the ratios detailed in the following table:

	As of June 30, 2020	
	Required	Actual
Total adjusted leverage ratio	< 5.50	2.99
Fixed charge coverage ratio	> 1.20	3.42

As of June 30, 2020, we had \$72.7 million of cash on hand and an additional \$107.8 million invested in our floorplan offset accounts, bringing total cash liquidity to \$180.5 million. In addition, we had \$193.3 million of additional borrowing capacity on our Acquisition Line, bringing total immediate liquidity to \$373.8 million as of June 30, 2020. Based on our position as of June 30, 2020 and our outlook as discussed within “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” we have sufficient liquidity currently and do not anticipate any material liquidity constraints or issues with our ability to remain in compliance with our debt covenants.

See Part I, “Item 1. Financial Statements,” Note 9 “Debt” and Note 10 “Floorplan Notes Payable” in our Notes to Condensed Consolidated Financial Statements for further discussion of our debt instruments, credit facilities, and other financing arrangements existing as of June 30, 2020.

Stock Repurchases and Dividends

Our Board of Directors from time to time, authorizes the repurchase of shares of our common stock up to a certain monetary limit. On April 7, 2020, we canceled our most recently authorized share repurchase program in light of the COVID-19 pandemic. During the first quarter 2020 and through the cancellation date, 597,764 shares were repurchased at an average price of \$81.83 per share, for a total of \$48.9 million.

During the first quarter of 2020, our Board of Directors approved a quarterly cash dividend of \$0.30 per share on all shares of our common stock, which resulted in \$5.3 million paid to common shareholders and \$0.2 million to unvested RSA holders. On April 7, 2020, we temporarily suspended quarterly dividends in light of the COVID-19 pandemic.

Future stock repurchase programs and the payment of any future dividends are subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, current economic environment and other factors considered relevant.

Supplemental Guarantor Financial Information

In 2014, Group 1 Automotive, Inc. (the “Parent”) issued and registered \$550.0 million aggregate principal 5.00% Senior Notes, due June 1, 2022 (the “5.00% Senior Notes”), with the SEC. Obligations under the 5.00% Senior Notes are fully and unconditionally and jointly and severally guaranteed on a senior unsecured basis by our wholly owned domestic subsidiaries (“Guarantors”). The guarantees rank equally in the right of payment to all of the Guarantors’ existing and future subordinated debt. There are no significant restrictions on the ability of the Guarantors to make distributions to the Parent or on the ability of the Parent or the Guarantors to obtain funds from other Guarantors by dividend or loan. The Guarantors will be released and discharged of their obligations upon customary events, including the sale, transfer or other disposition of all or substantially all of the assets or Capital Stock of that Guarantor (including by way of merger or consolidation) or the designation of a guarantor as an “Unrestricted Subsidiary” under the indenture.

Our other subsidiaries do not guarantee the 5.00% Senior Notes (such subsidiaries are referred to as the “Non-Guarantors”).

The following summarized financial information presents the Parent and Guarantors on a combined basis after 1) the elimination of intercompany transactions between the Parent and Guarantors and 2) the elimination of equity in earnings from and investment in subsidiaries of Non-Guarantors.

Summarized balance sheets information is as follows (in millions):

	June 30, 2020	December 31, 2019
Current assets ⁽¹⁾	\$ 1,435.4	\$ 2,024.6
Long-term assets	\$ 2,549.6	\$ 2,506.5
Current liabilities	\$ 1,301.9	\$ 1,874.7
Long-term liabilities	\$ 1,645.9	\$ 1,644.9

⁽¹⁾ Includes receivables due from Non-Guarantors of \$93.2 million and \$99.0 million as of June 30, 2020 and December 31, 2019, respectively.

Summarized statements of operations information is as follows (in millions):

	Six Months Ended June 30, 2020	Year Ended December 31, 2019
Revenues	\$ 3,838.7	\$ 9,184.2
Gross profit	\$ 665.4	\$ 1,494.8
Income (loss) from operations	\$ 179.6	\$ 354.0
Net income (loss)	\$ 171.4	\$ 354.8

Recent Regulatory Developments

In Brazil, Law No. 13,709/2018, the General Data Protection Act (Lei Geral de Proteção de Dados, or “GDPA”) will come into force in May 2021 and will change personal data protection in Brazil. The GDPA establishes a new legal framework covering personal data processing, including client, supplier and employee data. The GDPA establishes, among others, personal data owners’ rights, the legal basis for personal data protection, requirements for obtaining consent from personal data owners, obligations and requirements related to security incidents, data leaks and data transfers, as well as the creation of a National Data Protection Authority. We have begun initial preparations to comply with the GDPA ahead of its May 2021 effective date; however, we may have difficulty adapting our systems and processes to the new legislation due to the legislation’s complexity. In the event of non-compliance with the GDPA, we may be subject to penalties, beginning in August 2021, including making certain disclosures to authorities, the required deletion of personal data and fines, per infraction, of up to 2% (subject to an upper limit of R\$50,000,000) of our revenues in Brazil during our last fiscal year, excluding taxes. See the risk factor titled “We are subject to substantial governmental laws and regulations, which if we are found to be in violation of, or subject to liabilities under, may adversely affect our business and results of operations” in Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019.

On March 31, 2020, the U.S. Environmental Protection Agency and National Highway Traffic Safety Administration under the Trump Administration issued a final rule re-setting corporate average fuel economy (“CAFE”) and greenhouse gas (“GHG”) emissions standards for model years 2021-2026 passenger cars and light trucks. The March 31, 2020 final rule will increase stringency of CAFE and GHG emissions standards by 1.5% each year through model year 2026, as compared with the standards issued in 2012, which would have required annual increases of about 5%. Legal challenges to the March 31, 2020 final rule are expected. See the risk factor titled “Our operations are subject to environmental laws and regulations that may expose us to significant costs and liabilities” in Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019.

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, 2020 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 on our variable-rate debt obligations, primarily consisting of our Floorplan Line. Based on the amount of variable-rate borrowings outstanding of \$1.6 billion and \$1.8 billion as of June 30, 2020 and 2019, respectively, a 100 basis-point change in interest rates would have resulted in an approximate \$7.5 million and \$8.9 million change to our annual interest expense, respectively, after consideration of the average interest rate swaps in effect during the periods.

The majority of our floorplan notes payable, mortgages and other debt are benchmarked to LIBOR. On July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority, which regulates LIBOR, announced that it intends to stop persuading or requiring banks to submit rates for the calculation of LIBOR after 2021. The use of an alternative rate could result in increased interest expense, in addition to costs to amend the loan agreements and other applicable arrangements to a new reference rate.

Our exposure to changes in interest rates with respect to our variable-rate floorplan borrowings is partially mitigated by manufacturers’ interest assistance, which in some cases is 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, 2020 and 2019, we recognized \$20.4 million and \$22.3 million of interest assistance as a reduction of new vehicle cost of sales, respectively.

For additional information about the potential impact of LIBOR phase out on our results of operations, see Part I, “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019.

Foreign Currency Exchange Rates

The functional currency of our U.K. subsidiaries is the GBP and of our Brazil subsidiaries is the BRL. Our exposure to fluctuating exchange rates relates to the effects of translating financial statements of those 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 GBP to the USD would have resulted in a \$77.7 million and \$114.2 million decrease to our revenues for the six months ended June 30, 2020 and 2019, respectively. A 10% devaluation in average exchange rates for the BRL to the USD would have resulted in an \$11.7 million and \$19.6 million decrease to our revenues for the six months ended June 30, 2020 and 2019, respectively.

For additional information about our market sensitive financial instruments, see Part I, “Item 1. Financial Statements,” Note 6 “Financial Instruments and Fair Value Measurements” within our Notes to Condensed Consolidated Financial Statements.

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, 2020 at the reasonable assurance level.

In light of the COVID-19 pandemic, a significant portion of our back office employees remain working remotely due to the restricted social distancing environment or other restrictions. Established business continuity plans were activated in order to mitigate the impact to our control environment, operating procedures, data and internal controls. The design of our processes and controls allow for remote execution with accessibility to secure data.

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, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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,” Note 12 “Commitments and Contingencies” within our Notes to Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Except as set forth below, during the six months ended June 30, 2020, there were no changes to the Risk Factors disclosed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019.

The global outbreak of the COVID-19 pandemic has materially adversely affected, and may further materially adversely affect, our business, results of operations and cash flows.

The global outbreak of the COVID-19 pandemic has materially disrupted, and could continue to significantly disrupt, our operations and adversely affect our financial condition and results of operations. The measures taken by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of the COVID-19 pandemic included mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. As a result we were required to completely shut down or significantly reduce the operating capacity of all of our dealerships in the U.S., the U.K. and Brazil in late March 2020 and early April 2020. These measures significantly reduced our new and used vehicle sales volumes, parts and service revenues and F&I revenues, as well as impacted our vehicle and parts supply chain during March 2020 and April 2020 in particular. If the shutdowns, other travel and business restrictions or additional restrictions were continued or imposed, our business would be adversely impacted. Such business disruptions suffered as a result of the COVID-19 pandemic are not covered by our insurance policies.

In addition, the impacts from the COVID-19 pandemic caused most vehicle manufacturers and parts suppliers to suspend or limit their production or distribution of new vehicles and parts and they have not returned to normal levels yet. This has materially adversely affected, and could continue to materially adversely affect, the financial condition and results of operations of our vehicle manufacturers and impacts their ability to profitably design, market, produce or distribute new vehicles and parts. This in turn has had, and could continue to have, a material adverse effect on our business, results of operations and financial condition.

The increased volatility in market conditions due to the COVID-19 pandemic could also make it more difficult for us to raise additional capital in order to supplement our cash flow from operations. If we are unable to raise necessary additional funds on acceptable terms or do not have sufficient cash flow from operations, our business and, in particular, our acquisitions and integration strategy could be adversely affected. The substantial cost-cutting measures, stockholder dividend and share repurchase cancellations and other liquidity preserving measures we have taken or may take in the future may not sufficiently reduce the risks associated with our indebtedness, including maintaining available borrowing capacity and compliance with financial covenants and having the ability to refinance or repay indebtedness on favorable terms or at all. Further, any decrease in liquidity or our share price, tightened credit conditions, reduced access to the capital markets or reduced operating performance due to the COVID-19 pandemic may adversely affect our financial performance as well as our ability to purchase or sell certain dealerships.

As the potential impact from the COVID-19 pandemic is difficult to predict, the extent to which it may negatively affect our operating results or the duration of any potential business disruption is uncertain. Any potential impact will depend on future developments and new information that may emerge regarding the severity and duration of the COVID-19 pandemic and the actions taken by authorities to contain it or treat its impact, all of which are beyond our control. Even if the various restrictions on business activity are lifted, there is no guarantee when or if customer demand and workforce availability will return to prior levels, and our operations could be impacted by any restrictions we may have to impose or costs we may have to incur to ensure the ongoing safety of our employees, customers and others. In addition, there is no assurance that our relationship with and the financial and operational capacities of vehicle manufacturers and distributors will remain the same. These potential impacts, while uncertain, could adversely affect our business, financial condition and results of operations.

The impairment of our goodwill and/or indefinite-lived intangibles could have a material adverse effect on our results of operations.

We assess goodwill and other indefinite-lived intangibles for impairment on an annual basis, or more frequently when events or circumstances indicate that an impairment may have occurred. See Part I, “Item 1. Financial Statements,” Note 8 “Intangibles” within our Notes to Condensed Consolidated Financial Statements for further discussion of our impairment model and related assumptions. During the three months ended June 30, 2020, we performed an interim impairment assessment of goodwill and intangible franchise rights to determine if events or changes in circumstances, including the impacts of the COVID-19 pandemic, indicated that it was more-likely-than-not that the assets were impaired. Based on the results of our assessment, it was concluded that it was more-likely-than-not that our goodwill for Brazil (resulting in an impairment charge of \$10.7 million) and some of our intangible franchise rights for the U.K. and Brazil (resulting in impairment charges of \$11.1 million and \$0.1 million, respectively) were impaired as of June 30, 2020, which was mainly attributed to our assumptions that the potential long-term impacts of the COVID-19 pandemic had worsened during the second quarter of 2020. We may be required to record additional impairment charges if the COVID-19 pandemic continues, and we cannot accurately predict the amount and timing of any additional impairment charge at this time, however, any such impairment charge could have an adverse effect on our results of operations.

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

Recent Sales of Unregistered Securities

None.

Use of Proceeds

None.

Issuer Purchases of Equity Securities

Our Board of Directors from time to time, authorizes the repurchase of shares of our common stock up to a certain monetary limit. On April 7, 2020, we canceled our most recently authorized share repurchase program in light of the COVID-19 pandemic. Future stock repurchase programs are subject to the business judgment of our Board of Directors, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, current economic environment and other factors considered relevant.

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*	— Incentive, Compensation, Confidentiality, Non-Disclosure and Non-Compete Agreement dated June 6, 2011, between Group 1 Automotive, Inc. and Darryl Kenningham
10.2*	— Transition and Separation Agreement, effective June 1, 2020, between Group 1 Automotive, Inc. and John C. Rickel
10.3*	— Offer Letter, dated June 1, 2020, between Group 1 Automotive, Inc. and Daniel McHenry
22	— List of Subsidiary Guarantors (incorporated by reference to Exhibit 22 of Group 1 Automotive, Inc.'s Quarterly Report on Form 10-Q (File No. 001-13461) filed May 8, 2020)
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
104*	— Cover Page Interactive Data File (formatted in Inline XBRL and contained in exhibit 101)

* Filed or furnished herewith

SIGNATURE

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

Group 1 Automotive, Inc.

Date: August 3, 2020

By:

/s/ John C. Rickel

John C. Rickel

Senior Vice President and Chief Financial Officer
*(Duly Authorized Officer and Principal Financial and Accounting
and Accounting Officer)*

INCENTIVE COMPENSATION, CONFIDENTIALITY,**NON-DISCLOSURE AND NON-COMPETE AGREEMENT**

This Incentive Compensation, Confidentiality, Non-Disclosure and Non-Compete Agreement (“Agreement”) is entered into between Group 1 Automotive, Inc. (“Employer”), and Daryl A. Kenningham (“Employee”), as of June 6, 2011 (the “Effective Date”).

RECITALS

WHEREAS, Employer desires to grant to Employee shares of restricted stock or restricted stock units (collectively “Restricted Stock”) as part of an incentive compensation plan to encourage Employee’s loyalty, future performance and continued employment with Employer.

WHEREAS, in exchange for Employer granting to Employee shares of restricted stock or restricted stock units and providing Employee with certain confidential and proprietary information and trade secrets for the purpose of carrying out his employment responsibilities (as set forth in Section 2 of this Agreement), Employee agrees to the non-competition provisions of Section 3 of this Agreement.

AGREEMENT

For and in consideration of the mutual promises, covenants, and obligations contained herein, Employer and Employee agree as follows:

1. INCENTIVE COMPENSATION

1.1. Initial Grant. Employer hereby grants to Employee 7,000 shares of Restricted Stock in accordance with the terms and conditions of Employer’s Long Term Incentive Plan and pursuant to the Restricted Stock Agreement attached hereto as Exhibit “A,” which is incorporated by reference as if set forth fully herein (the “Restricted Stock Agreement”). Such shares of Restricted Stock shall vest as follows: (i) forty percent (40%) of the shares (or units) shall vest on June 6, 2013; (ii) twenty percent (20%) of the shares (or units) shall vest on June 6, 2014; (iii) twenty percent (20%) of the shares (or units) shall vest on June 6, 2015; and (iv) twenty percent (20%) of the shares (or units) shall vest on June 6, 2016.

1.2. Additional Grants. Employee shall be eligible to receive additional grants under Employer’s Long Term Incentive Plan in such amounts as determined in the sole discretion of the Compensation Committee, including grants of options or Restricted Stock.

1.3. Options. If Employee is granted stock options, Employee shall enter into a separate written stock option agreement pursuant to which Employee shall be granted the option to acquire common stock of Employer subject to the terms and conditions of Employer’s Long Term Incentive Plan, or any successor plan, and the stock option agreement entered into thereunder. The number of shares, exercise price per share and other terms of the options shall be as specified in such other written agreement, unless modified specifically herein.

1.4. Condition of Grants. The rights and liabilities of Employer and Employee regarding entitlement to, and vesting of, any incentive compensation granted pursuant to this Agreement shall be conditioned and dependent on the Employee’s consent and agreement to the promises set forth in Sections 2 and 3 of this Agreement. In the event that any provision set forth in Sections 2 and 3 are violated, Employer shall have the right, among other remedies, to demand forfeiture of any equity award realized during the twelve (12) months prior to such violation or declaration.

2. OWNERSHIP AND PROTECTION OF INFORMATION; COPYRIGHTS

2.1. Provision of Confidential and Proprietary Information. Employer owns certain confidential and proprietary information and trade secrets which Employer promises to provide to Employee for the purpose of carrying out his employment responsibilities hereunder. Furthermore, Employer promises to provide Employee with confidential and proprietary information and trade secrets regarding Employer and its subsidiaries and affiliates, in order to assist Employee in satisfying his obligations hereunder. Employer shall provide Employee with specialized training including orientation, sales and financial information, and computer and systems training.

2.2. Return of Proprietary Material. All information, ideas, concepts, improvements, discoveries, and inventions, whether patentable or not, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by Employer (whether during business hours or otherwise and whether on Employer's premises or otherwise) which relate to Employer's or any of its subsidiaries' or affiliates' businesses, products or services (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, and marks) shall be disclosed to Employer and are and shall be the sole and exclusive property of Employer. Upon termination of Employee's employment, for any reason, Employee promptly shall deliver the same, and all copies thereof, to Employer.

2.3. Nondisclosure of Confidential Information. Except as required by law or process, Employee promises that he will not, at any time during or after his employment by Employer, make any unauthorized disclosure of any confidential business information or trade secrets of Employer or its subsidiaries or affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. As a result of Employee's employment by Employer, Employee may also from time to time have access to, or knowledge of, confidential business information or trade secrets of third parties, such as customers, suppliers, partners, joint venturers, and the like, of Employer and its subsidiaries and affiliates. Employee also agrees to preserve and protect the confidentiality of such third party confidential information and trade secrets to the same extent, and on the same basis, as Employer's or any of its subsidiaries' or affiliates' confidential business information and trade secrets.

2.4. Ownership of Copyrighted Works. If, during Employee's employment by Employer, Employee creates any original work of authorship fixed in any tangible medium of expression which is the subject matter of copyright (such as videotapes, written presentations on acquisitions, computer programs, E-mail, voice mail, electronic databases, drawings, maps, architectural renditions, models, manuals, brochures, or the like) relating to Employer's, or any of its subsidiaries' or affiliates' businesses, products, or services, whether such work is created solely by Employee or jointly with others (whether during business hours or otherwise and whether on Employer's or any of its subsidiaries' or affiliates' premises or otherwise), Employer shall be deemed the author of such work if the work is prepared by Employee in the scope of his employment; or, if the work is not prepared by Employee within the scope of his employment, but is specially ordered by Employer or any of its subsidiaries or affiliates as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, or as an instructional text, then the work shall be considered to be work made for hire and Employer or any of its subsidiaries or affiliates shall be the author of the work. If such work is neither prepared by Employee within the scope of his employment, nor a work specially ordered that is deemed to be a work made for hire, then Employee hereby agrees to assign, and by these presents does assign, to Employer all of Employee's worldwide right, title, and interest in and to such work and all rights of copyright therein.

2.5. Protection of Proprietary Material. Both during the period of Employee's employment by Employer and thereafter, Employee shall assist Employer, or any of its subsidiaries or affiliates and their nominees, at any time, in the protection of Employer's or any of its subsidiaries' or affiliates' worldwide right, title, and interest in and to information, ideas, concepts, improvements, discoveries, and inventions, and its copyrighted works, including without limitation, the execution of all formal assignment documents requested by Employer or any of its subsidiaries or affiliates or their nominees and the execution of all lawful oaths and applications for patents and registration of copyright in the United States and foreign countries.

3. NON-COMPETITION OBLIGATIONS

3.1. Non-Competition Obligations. Ancillary to and in consideration for the mutual promises contained in Section 2 of this Agreement, and in consideration for Employer's promises contained in Section 1 of this Agreement, and as an additional incentive for Employer to enter into this Agreement, Employer and Employee agree to the non-competition provisions of this Section 3.1. Employee agrees that during the period of Employee's non-competition obligations hereunder, Employee will not, directly or indirectly for Employee or for others:

- (i) engage in the Restricted Area in any business competitive with any line of business conducted by Employer or any of its subsidiaries or affiliates (including without limitation any public or private auto retailer);
- (ii) render advice or services to, or otherwise assist, any other person, association, or entity who is engaged in the Restricted Area, directly or indirectly, in any business competitive with any line of business conducted by Employer or any of its subsidiaries or affiliates (including without limitation any public or private auto retailer);

(iii) engage in any business of, render advice or services to, or otherwise assist, any private or public automobile dealership consolidator with annual revenues of \$800 million or more at the time Employee seeks to engage in any business of, render advice or services to, or otherwise assist any such automobile dealership consolidator;

(iv) solicit or accept the business of, or call upon, any customer or client of Employer with whom Employee has had any business dealings during his employment with Employer for the purpose of conducting competitive business or otherwise seeking profit from a competitive activity; and

(v) encourage or induce any current or former employee of Employer or any of its subsidiaries or affiliates to leave the employment of Employer or any of its subsidiaries or affiliates or proselytize, offer employment, retain, hire or assist in the hiring of any such employee by any person, association, or entity not affiliated with Employer or any of its subsidiaries or affiliates; provided, however, that nothing in this subsection (v) shall prohibit Employee from offering employment to any prior employee of Employer or any of its subsidiaries or affiliates who was not employed by Employer or any of its subsidiaries or affiliates at any time in the twelve (12) months prior to the termination of Employee's employment.

The non-competition obligations set forth in this Section 3.1 shall apply during Employee's employment and for a period of two (2) years after termination of employment. If Employer or any of its subsidiaries or affiliates abandons a particular aspect of its business, that is, ceases such aspect of its business with the intention to permanently refrain from such aspect of its business, then this post-employment non-competition covenant shall not apply to such former aspect of that business. Provided, however, this Section shall not apply if Employee seeks employment with a automotive manufacturer.

For purposes of this Section 3.1, the term "Restricted Area" shall mean a 50-mile radius from each dealership that Employer has an ownership interest in on the date of Employee's termination of employment with Employer.

3.2. Future Employment.

3.2.1. If Employee in the future, seeks or is offered employment, or any other position or capacity with another company or entity, Employee agrees to inform each new employer or entity, before accepting employment, of the existence of the restrictions contained in Section 3.1. Further, before taking any employment position with any person during the non-competition period, Employee agrees to give prior written notice to Employer of the name of such person or entity. Employer shall be entitled to advise such person or entity of the provisions of Section 3.1 and to otherwise deal with such person or entity to ensure that the provisions of this Section are enforced and duly discharged.

3.2.2. If Employee in the future seeks or is offered employment with another company or entity, Employee may provide Employer with written notice stating the name of the prospective employer, Employee's prospective position, responsibilities and duties, and the industry or industries in which the prospective employer operates. Employer shall have ten (10) business days from receipt of such notice to notify Employee of its belief that such prospective employment would be a violation of the provisions of Section 3.1. If Employer fails to respond to Employee in writing within such ten (10) business day period, Employer shall be estopped from asserting its rights, if any, arising from a violation of Section 3.1 by reason of such employment as described in such notice.

3.3. Tolling of Restrictive Periods. If the Employee violates any of the restrictions contained in Section 3.1, the restrictive periods shall be suspended and will not run in favor of the Employee until such time as the Employee cures the violation to the satisfaction of Employer.

3.4. Acknowledgment. Employee understands that the foregoing restrictions may limit his ability to engage in certain businesses in locations where the Employer conducts business during the period provided for above, but acknowledges that Employee's job duties during his employment with Employer, receipt of Employer's confidential and proprietary information and trade secrets (as well as access to certain confidential and proprietary information and trade secrets) and Employee's receipt of sufficiently high remuneration and other benefits under this Agreement justifies such restriction.

3.5. Materiality and Conditionality of Section. Section 3.1 is material to this Agreement. Employee's agreement to strictly comply with Section 3.1 is a precondition for Employee's receipt of payments and vesting of Restricted Stock and stock options pursuant to Section 1 of this Agreement. Whether or not Section 3.1 or any portion thereof has been held or found invalid or unenforceable for any reason whatsoever by a court or other constituted legal authority of competent jurisdiction, upon any violation of Section 3.1 or any portion thereof, or upon a finding that a violation would have occurred if such Section or any portion thereof were enforceable, the Employee and Employer agree that (i) the Employee's interest in the Restricted Stock and stock options pursuant to Section 1 of this Agreement shall automatically lapse and be forfeited; (ii) Employer shall have no obligation to make any further payments to Employee under the terms of Section 1 of this Agreement; and (iii) Employer shall be entitled to receive the full value of any payments which were previously made to the Employee pursuant to Section 1 of this Agreement in the previous twelve (12) months, as well as the value of any Restricted Stock or stock options that may have vested during the past twelve (12) months from the date of the Employee's termination, for any reason, to the date on which a court or arbitration panel held or found the non-compete article to have been violated.

3.6 Survival of Section. The Employee and Employer agree that all of the covenants contained in Section 3.1 shall survive the termination or expiration of this Agreement, and agree further that in the event any of the covenants contained in Section 3.1 shall be held by any court to be effective in any particular area or jurisdiction only if said covenant is modified to be limited in its duration or scope, then, at the sole option of Employer, the provisions of Section 3.5 may be deemed to have been triggered, and the rights, liabilities and obligations set forth therein shall apply. In the event Employer does not elect to trigger application of Section 3.5, then the court shall have such authority to so reform the covenants and the parties hereto shall consider such covenants and/or other provisions of Section 3 to be amended and modified with respect to that particular area or jurisdiction so as to comply with the order of such court and, as to all other jurisdictions, the covenants contained herein shall remain in full force and effect as originally written. Should any court hold that the covenants in Section 3.1 are void and otherwise unenforceable in a particular area or jurisdiction, then notwithstanding the foregoing provisions of this Section 3.6, the provisions of Section 3.5 shall be applicable and the rights, liabilities and obligations of the parties set forth therein shall apply. Alternatively, at the sole option of Employer, Employer may consider such covenants to be amended and modified so as to eliminate therefrom the particular area or jurisdictions as to which such covenants are so held void or otherwise unenforceable and, as to all other areas and jurisdictions covered herein, the covenants contained herein shall remain in full force and effect as originally written.

4. TERMINATION

Employee's employment and this Agreement (except for Sections 2 and 3), shall terminate upon the occurrence of any of the following events:

4.1. Subject to any applicable legal requirements, in the event the Employee becomes "permanently disabled or incapacitated". The term "permanently disabled or incapacitated" means any ailment or condition that prevents the Employee from actively carrying out his duties hereunder for the Employer for a continuous period of one hundred twenty (120) days. At the expiration of the one hundred twenty (120) day period, this Agreement shall be deemed terminated. Employee will be paid his regular salary in effect at the start of such disability up to the entire one hundred twenty (120) day period of disability.

4.2. The written agreement of both the Employer and Employee.

4.3. Termination For Cause. The Employer may terminate Employee with Cause as defined below. For purposes of this Agreement, "Cause" shall mean: (i) indictment or conviction of any felony or of any crime involving dishonesty; (ii) participation in any fraud or act of dishonesty against the Employer; (iii) a violation of Employer policy which causes a material detriment to the Employer; (iv) breach of Employee's duties to the Employer, including but not limited to unsatisfactory performance of job duties, in the sole reasonable determination of the Employer, which Employee fails to correct within thirty (30) days after Employee is given written notice; (v) intentional damage to any property of the Employer; (vi) conduct by Employee which, in the good faith and reasonable determination of the Employer, demonstrates gross unfitness to serve; and (vii) material breach of this Agreement.

4.4. The death of Employee.

4.5. Termination Without Cause. Employee's employment with Employer can be terminated by the Employer at anytime without cause on thirty (30) days' written notice by Employer. In the event Employer terminates this Agreement without cause, Employer has the option to provide Employee thirty (30) days' pay in lieu of thirty (30) days' written notice at Employer's sole option. This pay in lieu of notice is in addition to any severance that Employee may be eligible for as provided in Section 4.8 below.

4.6. Termination by Employee. Notwithstanding any other provisions of this Agreement, Employee shall have the right to terminate the employment relationship under this Agreement at any time for any of the following reasons:

(i) A breach by Employer of any material provision of this Agreement or the occurrence of a "Constructive Termination Event," which shall be defined as the failure by the Employer to pay the Employee's compensation as provided in this Agreement, relocation without the Employee's consent of the Employee's primary employment location to a location that is more than 50 miles from the location to which he will be required to report on his first day of employment, a material diminution in the Employee's position, duties, responsibilities, reporting status, or authority, or if the Employee is requested to perform any illegal activity or to sign-off on any inappropriate financial statement or acknowledgement, except that before exercising his right to terminate the employment relationship pursuant to any of the provisions of this subsection (i), the Employee must first give written notice to the Employer's Board of Directors of the circumstances purportedly giving rise to his right to so terminate and must provide the Employer with a minimum fifteen (15) days to correct the problem, unless correction is inherently impossible;

(ii) The involuntary reduction of Employee's base salary or incentive compensation targets (other than a reduction in such targets applied consistently to the Company's other executive officers that is designed to account for changes in relative EPS projections as a result of such Corporate Change) within six (6) months after the occurrence of any Corporate Change (defined below) that is not cured by Employer or its successor, as applicable, within thirty (30) days of receiving detailed written notice of such event from Employee. A "Corporate Change" shall mean the first to occur of any of the following events: (1) an acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (each, a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either: (i) the then outstanding shares of common stock of Employer (the "Outstanding Common Stock") or (ii) the combined voting power of the then outstanding voting securities of Employer entitled to vote generally in the election of directors (the "Outstanding Voting Securities"); excluding, however, the following: (A) any acquisition directly from Employer (including without limitation any public offering), other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from Employer; (B) any acquisition by Employer; (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by Employer or any Person controlled by Employer; or (D) any acquisition by any Person pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (1) of this definition of "Corporate Change"; (2) within any period of 24 consecutive months, a change in the composition of the board of directors of Employer (the "Board") such that the individuals who, immediately prior to such period, constituted the Board (such Board will be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, for purposes of this definition of "Corporate Change" that any individual who becomes a member of the Board during such period, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this provision) will be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board will not be so considered as a member of the Incumbent Board; provided further that any individual who voluntarily resigns from the Board in connection with the reduction in size of the Board will not be deemed to be a member of the Incumbent Board; (3) the consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of Employer (a "Corporate Transaction"); excluding, however, such a Corporate Transaction pursuant to which (i) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Common Stock and Outstanding Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Corporate Transaction (including, without limitation, an entity which as a result of such transaction owns Employer or all or substantially all of the Employer's assets, either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Common Stock and Outstanding Voting Securities, as the case may be, (ii) no Person (other than Employer, any employee benefit plan (or related trust) sponsored or maintained by Employer, by any entity controlled by Employer, or by such entity resulting from such Corporate Transaction) will beneficially own, directly or indirectly, more than 50% of, respectively, the outstanding shares of common stock of the entity resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, except to the extent that such ownership existed with respect to Employer prior to the Corporate Transaction, and (iii) individuals who were members of the Board immediately prior to the approval by the stockholders of Employer of such Corporate Transaction will constitute at least a majority of the members of the board of directors of

the entity resulting from such Corporate Transaction (it is intended that this subsection (3) include Corporate Transactions that result in entities other than corporations that are governed by bodies other than a board of directors, including without limitation, limited liability companies that are governed by a board of managers); or (4) the approval by the stockholders of Employer of a complete liquidation or dissolution of Employer, other than to a corporation pursuant to a transaction which would comply with clauses (i), (ii) and (iii) of subsection (3) of this definition of "Corporate Change," assuming for this purpose that such transaction were a Corporate Transaction. Any such Corporate Change must also constitute a change in control as such phrase is defined in section 409A(a)(2)(A)(v) of the Internal Revenue Code of 1986, as amended (the "Code") and the guidance issued thereunder, including consideration of all applicable attribution of ownership rules under section 318 of the Code to the extent required by any guidance under section 409 A of the Code; or

(iii) For any other reason whatsoever, in the sole discretion of Employee, upon thirty (30) days' written notice by Employee.

The termination of Employee's employment by Employee shall constitute an "Involuntary Termination" if made pursuant to Section 4.6(i) or 4.6(ii). The termination of Employee's employment by Employee shall constitute a "Voluntary Termination" if made pursuant to Section 4.6(iii).

4.7. Payments Upon Voluntary Termination and Termination for Cause. Upon a "Voluntary Termination" of the employment relationship by Employee pursuant to Section 4.6(iii), or for "Cause" by Employer pursuant to Section 4.3, all compensation and benefits for Employee shall cease and terminate as of the date of termination, and Employee shall not be entitled to Severance Pay (as defined in Section 4.8 below). Employee shall be entitled to pro rata salary through the date of such termination, but Employee shall not be entitled to any bonuses with respect to the operations of Employer, its subsidiaries and/or affiliates for the calendar year in which Employee's employment with Employer is terminated.

4.8. Severance Pay. Upon "Involuntary Termination" of the employment relationship pursuant to Sections 4.6(i) or 4.6(ii), or upon "Termination Without Cause" pursuant to Section 4.5, the Employer shall pay Employee severance in the amount of one (1) year of base salary at his most recent rate of pay, less standard deductions and withholdings ("Severance Pay"), in a single lump sum payment on the first (1st) day of the seventh (7th) month following the Employee's "separation from service" (within the meaning of Treasury Regulation § 1.409A-1(h)) with the Employer ("Separation from Service") provided that Employee has not breached his obligations under sections 2 and 3 of this Agreement and provided Employee first executes, and does not revoke, and delivers to the Employer a valid release substantially in the form attached hereto as Exhibit "B" within ninety (90) days following the Employee's Separation from Service. With the exception of the Seven Thousand (7,000) shares issued pursuant to Exhibit "A," upon "Involuntary Termination" of the employment relationship pursuant to Sections 4.6(i) or 4.6(ii), or upon "Termination Without Cause" pursuant to Section 4.5, all Restricted Stock granted to Employee shall become 100% vested. Employee will be entitled to a pro-rated bonus (based on the termination date), calculated in accordance with the Employer's Compensation Plan. Employee shall not be under any duty or obligation to seek or accept other employment following an Involuntary Termination and the amounts due Employee hereunder shall not be reduced or suspended if Employee accepts subsequent employment. As noted in the Long Term Incentive Plan, the rights and liabilities of Employer and Employee regarding entitlement to vesting of all Restricted Stock shall be conditioned and dependent on the Employee's consent and agreement to the promises set forth therein and to the enforceability of such covenants stated therein. Employee's rights and remedies under this Section 4.8 shall be Employee's sole and exclusive rights and remedies against Employer or its subsidiaries or affiliates concerning Employee's employment and termination from Employer, and Employer's and its subsidiaries' and affiliates' sole and exclusive liability to Employee under this Agreement, in contract, tort, or otherwise, for any Involuntary Termination of the employment relationship or concerning Employee's employment and termination from Employer.

5. MISCELLANEOUS

5.1. Fiduciary Duties. Employee acknowledges and agrees that Employee owes a fiduciary duty of loyalty, fidelity and allegiance to act at all times in the best interests of Employer or any of its subsidiaries or affiliates and to do no act which would be inconsistent with those duties. In keeping with these duties, Employee shall make full disclosure to Employer of all business opportunities pertaining to Employer's business and shall not appropriate for Employee's own benefit business opportunities concerning the subject matter of the fiduciary relationship.

5.2. Employment At-Will. Employee agrees and understands that nothing in this Agreement shall confer any right with respect to continuation of employment with Employer, nor shall it interfere in any way with Employee's right or Employer's right to terminate Employee's employment at any time, with or without cause, with or without notice (except as set forth in Section 4.5 and 4.6(iii)).

5.3. Definition of “Affiliates” and “Affiliated.” For purposes of this Agreement the terms “affiliates” or “affiliated” means an entity who directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with Employer.

5.4. Prohibition of Publication of Certain Information. Except as required by law or process, Employee shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any oral or written statements about Employer at any of its subsidiaries’ or affiliates’ directors, officers, employees, agents or representatives that are slanderous, libelous, or defamatory; or that disclose private or confidential information about Employer or any of its subsidiaries’ or affiliates’ business affairs, officers, employees, agents, or representatives; or that constitute an intrusion into the seclusion or private lives of Employer or any of its subsidiaries’ or affiliates’ directors, officers, employees, agents, or representatives; or that give rise to unreasonable publicity about the private lives of Employer or any of its subsidiaries’ or affiliates’ officers, employees, agents, or representatives; or that place Employer or its subsidiaries’ or affiliates’ officers, employees, agents, or representatives in a false light before the public; or that constitute a misappropriation of the name or likeness of Employer or any of its subsidiaries’ or affiliates’ or its officers, employees, agents, or representatives. Except as required by law or process, the Employer shall refrain, and shall use its best efforts to assure that its directors, officers, employees, agents and representatives, and its subsidiaries and affiliates and their directors, officers, employees, agents and representatives, shall refrain, both during the employment relationship and after the employment relationship terminates, from publishing any untrue oral or written statements about the Employee that are slanderous, libelous, or defamatory; or that disclose private or confidential information about the Employee; or that constitute an intrusion into the seclusion or private life of the Employee; or that give rise to unreasonable publicity about the private life of the Employee; or that place the Employee in a false light before the public.

5.5. Notice. For purposes of this Agreement, notices and all other communications provided for herein shall be in writing and shall be deemed to have been duly given when personally delivered or when mailed by United States registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Employer to:

Group 1 Automotive, Inc.
800 Gessner, Suite 500
Houston, TX 77024
Attn: Presiding Director of the Board

With a copy to:

Fisher & Phillips LLP
2050 Main Street, Suite 1000
Irvine, CA 92614
Attn: John M. Polson, Esq. and

Group 1 Automotive, Inc.
800 Gessner, Suite 500
Houston, TX 77024
Attn: General Counsel

If to Employee:

Daryl A. Kenningham
16610 Hamilton Park Drive
Cypress, Texas 77429

Either Employer or Employee may furnish a change of address to the other in writing in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

5.6. Governing Law. This Agreement shall be governed in all respects by the law of the State of Texas, excluding any conflict-of-law rule or principle that might refer the construction of the Agreement to the laws of another State or country.

5.7. No Waiver. No failure by either party hereto at anytime to give notice of any breach by the other party of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

5.8. Severability. It is a desire and intent of the parties that the terms, provisions, covenants, and remedies contained in this Agreement shall be enforceable to the fullest extent permitted by law. If any such term, provision, covenant, or remedy of this Agreement or the application thereof to any person, association, or entity or circumstances shall, to any extent, be construed to be invalid or unenforceable in whole or in part, then such term, provision, covenant, or remedy shall be construed in a manner so as to permit its enforceability under the applicable law to the fullest extent permitted by law. In any case, the remaining provisions of this Agreement or the application thereof to any person, association, or entity or circumstances other than those to which they have been held invalid or unenforceable, shall remain in full force and effect.

5.9. Arbitration. The parties agree that any claim, dispute, and/or controversy that they may have arising from, related to, or having any relationship or connection whatsoever with this Agreement, Employee's employment, or other association with the Company, shall be submitted to and determined exclusively by binding arbitration under the Federal Arbitration Act. In addition to any other requirements imposed by law, the arbitrator selected shall be a retired Judge, or otherwise qualified individual to whom the parties mutually agree, and shall be subject to disqualification on the same grounds as would apply to a Judge. The arbitrator shall apply the Federal Rules of Civil Procedure and Evidence, including all rules of pleading, discovery, evidence and all rights to resolution of the dispute by means of motions for summary judgment and judgment on the pleadings. Resolution of the dispute shall be based solely upon the law governing the claims and defenses pleaded, and the arbitrator may not invoke any basis (including but not limited to, notions of "just cause") other than such controlling law. The arbitrator shall have the immunity of a judicial officer from civil liability when acting in the capacity of an arbitrator, which immunity supplements any other existing immunity. Likewise, all communications during or in connection with the arbitration proceedings are privileged. Awards shall include the arbitrator's written reasoned opinion. All hearings pursuant to this Section shall be held in Harris County, Texas.

5.10. Injunctive Relief. Employee agrees that breach of the restrictive covenants contained in this Agreement will irreparably harm the Employer for which it may not have an adequate remedy at law. As such, notwithstanding Section 5.9 of this Agreement, Employee agrees that the Employer shall be entitled to seek injunctive relief, including but not limited to temporary, preliminary, final injunctions, temporary restraining orders, and temporary protective orders, from a court of competent jurisdiction to enforce said covenants in the event of breach or threatened breach by Employee.

5.11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of Employer, its subsidiaries and affiliates and any other person, association, or entity which may hereafter acquire or succeed to all or a portion of the business or assets of Employer by any means whether direct or indirect, by purchase, merger, consolidation, or otherwise. Employee's rights and obligations under this Agreement are personal and such rights, benefits, and obligations of Employee shall not be voluntarily or involuntarily assigned, alienated, or transferred, whether by operation of law or otherwise, by Employee without the prior written consent of Employer. Notwithstanding anything to the contrary in this Section 5.11 or elsewhere in the Agreement, in the event of the Employee's death after becoming entitled to receipt of any payment or benefit, but before receiving all such payments or benefits, the remaining payments shall be made to the Employee's survivors or estate and the remaining benefits shall be provided to his widow or other survivors to the same extent and in the same manner as if he were still alive.

5.12. Entire Agreement. Except as provided in (1) written company policies promulgated by Employer dealing with issues such as securities trading, business ethics, governmental affairs and political contributions, consulting fees, commissions and other payments, compliance with law, investments and outside business interests as officers and employees, reporting responsibilities, administrative compliance, and the like, (2) the written benefits, plans, and programs referenced in Section 1.3 of this Agreement or (3) any signed written agreements contemporaneously or hereafter executed by Employer and Employee, this Agreement constitutes the entire agreement of the parties with regard to such subject matters, and contains all of the covenants, promises, representations, warranties, and agreements between the parties with respect to such subject matters and replaces and merges previous agreements and discussions pertaining to the employment relationship between Employer and Employee.

5.13. Headings. The headings contained in this Agreement are for reference only and shall not affect the meaning or interpretation of any provision of this Agreement.

5.14. Amendment. No amendments or additions to this Agreement shall be binding unless in writing and signed by both parties hereto.

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

IN WITNESS WHEREOF, Employer and Employee have duly executed this Agreement in multiple originals to be effective on the date first stated above.

DATE: 5-6-11

GROUP 1 AUTOMOTIVE, INC.

By: /s/ James B. O'Hara

Name: James B. O'Hara

Title: VP-HR

DATE: 5-5-11

/s/ Daryl Kenningham

Daryl Kenningham

TRANSITION AND SEPARATION AGREEMENT

This Transition and Separation Agreement (“**Agreement**”) is entered into by and between Group 1 Automotive, Inc. (“**Group 1**” or the “**Company**”) and John C. Rickel (“**Employee**”) (collectively, the “**Parties**”), effective as of June 1, 2020 (the “**Effective Date**”).

A. RECITALS

1. Employee is currently employed by the Company, pursuant to an Employment Agreement between Employee and the Company dated January 1, 2009 (the “**Employment Agreement**”). Group 1 and Employee hereby agree that, subject to the terms of this Agreement, effective as of August 14, 2020 (the “**Transition Date**”), and so long as Employee remains employed through such date, Employee shall become Corporate Finance Director and shall serve in that capacity until his retirement on December 31, 2020 (the “**Retirement Date**”). Between the Effective Date and the Transition Date (such period, the “**Initial Period**”) and from the Transition Date through the Retirement Date (such period, the “**Transition Period**,” and cumulatively with the Initial Period, the “**Term**”), unless earlier terminated pursuant to Section 3 below, Employee will continue to serve in the following roles and perform the duties commensurate with the applicable position, for the respective periods during the Term: (a) as the Senior Vice President, Chief Financial Officer of the Company during the Initial Period, and (b) as the Corporate Finance Director of the Company during the Transition Period.

B. AGREEMENT

In consideration of the following promises and covenants, the Parties agree as follows:

1. **Resignation; Release:** In return for the Company’s agreement to enter into this Agreement and, provided that Employee is still employed by the Company at the end of the Initial Period, (a) the Company agrees to employ Employee as Corporate Finance Director beginning on the Transition Date and (b) subject to other promises as outlined herein, Employee (i) agrees to accept the terms of this Agreement, (ii) has delivered, together with the execution of this Agreement, a letter of retirement, attached hereto as Exhibit “A,” and (iii) agrees to execute on December 31, 2020, the Release and Waiver of Claims Agreement (“**Release**,” attached hereto as Exhibit “B”).
2. **Role; Compensation & Benefits:** Unless Employee’s employment earlier terminates pursuant to Section 3 below, (a) Employee shall continue to serve as Senior Vice President and Chief Financial Officer for Group 1 for the Initial Period, and (b) Employee shall serve as Corporate Finance Director for the Transition Period. During these periods of employment and subject to the foregoing sentence, Employee (i) will continue to be paid his regular salary, (ii) shall continue to participate in and receive all health and welfare benefits to which he is entitled as a Group 1 employee, including, but not limited to, those set forth in Section 4 below, and (iii) be provided with office space, computer access, and phone privileges. Except as otherwise provided in this Agreement, Employee acknowledges and agrees that Employee has no right to receive any additional form or type of remuneration of any kind or type that may be paid to other executives prior to the Retirement Date. For the sake of clarity, Employee shall not be eligible for an annual bonus for 2020 and shall not be entitled to receive any additional equity-based award grants following the Effective Date. During the Initial Period, Employee agrees to perform all duties as the Chief Financial Officer of the Company, including completion and execution of all filings with the Securities and Exchange Commission until the Transition Date (or the filing of the Company’s Form 10-Q for the second quarter of 2020 (the “**Q2 Date**”), whichever is later). During the Transition Period, Employee’s duties shall be at the discretion of the Chief Executive Officer of the Company, with a minimum time commitment of thirty (30) hours per week.

3. **Term:** Both Group 1 and Employee expressly understand and agree that until the Retirement Date, unless terminated pursuant to the following sentence, Employee will remain employed (a) as the Senior Vice President and Chief Financial Officer of Group 1 through the Transition Date and (b) as the Company's Corporate Finance Director from the Transition Date through the Retirement Date. A termination of employment prior to the Retirement Date, by either party, shall occur only in the event or occurrence of one of the following: (i) Employee's death or "Disability" as such term is defined in the Employee's Restricted Stock Agreement(s) (as such term is defined below) (a "**Qualified Termination**"), or (ii) a termination by the Company for "Cause" as such term is defined in the Employment Agreement. Prior to a termination of employment for Cause, the Parties shall follow any notice and cure provisions applicable under the Employment Agreement. If the Employee's employment is terminated on the Retirement Date, or if Employee's employment is terminated prior to the Retirement Date for any reason other than (A) for Cause, (B) on account of Employee's death or Disability, or (C) any termination by Employee, then, subject to Employee's entry into (and non-revocation in the time provided to do so), on the date of termination or within 21 days thereafter, a release of claims acceptable to the Company in a form (subject to adjustment by the Company to reflect applicable law, Employee's particular terms and date of separation) similar to the Release, the Company agrees that any restricted stock award which has not vested and been released as of the date of termination (the "**Restricted Stock**"), will become vested on the "Compliance Expiration Date," as such term is defined in the agreements evidencing the Restricted Stock (the "**Restricted Stock Agreements**"), under and subject to the Qualified Retirement provisions of the Restricted Stock Agreements or, if earlier, Employee's death. These shares will become vested and nonforfeitable following such two-year holding period relating to the Compliance Expiration Date provided that the Employee satisfies the confidentiality, non-competition, and non-solicitation provisions contained in Exhibit A of the Restricted Stock Agreement. The Company acknowledges and agrees that the Compensation Committee of the Board of Directors has agreed to waive the age requirement of the Qualified Retirement provision under these circumstances. For the purpose of determining the timing of payments upon termination pursuant to this Section 3, "date of termination," "termination of employment" and similar terms will mean "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h). The Parties agree that, as of the Effective Date, all of Employee's Performance Share Units that are then outstanding shall be forfeited, and Employee shall not be entitled to any payment thereunder.
4. **Rights Not Affected:** This Agreement will not affect Employee's rights in the Group 1 Automotive, Inc. Deferred Compensation Plan, the Executive Term Life & Accidental Death and Dismemberment Insurance, the Disability Income Insurance: Long Term Benefits, the Company's 401(k) plans or any deferred compensation plan, or Employee's ownership rights to shares of stock in the Company.
5. **Restrictive Covenants; Employee Obligations:**
- (a) Employee acknowledges and reaffirms the continued effectiveness of the post-employment and non-competition obligations owed by Employee under Section 2 of the Incentive Compensation and Non-Compete Agreement, entered into between Employee and the Company as of June 2, 2006 ("**Incentive Agreement**").
 - (b) Employee reaffirms his commitment to maintain all confidentiality and non-disparagement obligations imposed under Sections 5 and 6.2 of the Employment Agreement and under Section 3 of the Incentive Agreement.
 - (c) Employee has executed the attached retirement letter on the Effective Date. Employee agrees to execute any additional documents necessary to effectuate his resignation as Chief Financial Officer with Group 1 and to cooperate in any filings with the Securities and Exchange Commission related to his retirement.

(d) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

6. **Prior Agreements:** Except as otherwise specified herein, all other terms of Employee's agreements with Group 1, including the terms of the Employment Agreement and the Incentive Agreement, remain in full force and effect during and after the Term, subject to the terms of those agreements; provided, however, that Employee agrees that nothing in this Agreement, including any action taken pursuant to this Agreement, shall entitle Employee to terminate employment under sections 3.3(i) or 3.3(ii) of the Employment Agreement. Employee further agrees that Employee's termination of employment at any time following the Effective Date shall under no circumstances constitute an Involuntary Termination of employment under the Employment Agreement. For the avoidance of doubt, Employee acknowledges and agrees that the terms of the Company's compensation recovery policy, which allows for clawback of certain performance-based payments under certain events, shall remain in full and effect during and after the Term.
7. **Severability:** In the event that any one or more of the provisions of this Agreement shall be or become invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions of this Agreement shall not be affected thereby.
8. **Employee Indemnity Not Affected:** The releases contained herein shall not affect Group 1's obligation under law, to the extent applicable, to indemnify Employee as an employee for actions taken within the scope and course of Employee's employment.
9. **Jurisdiction and Choice of Law:** The Employee and Company agrees to use the Laws of Texas to enforce the terms of this Agreement and the matter shall be heard in Harris County, Texas. Employee agrees to service and personal jurisdiction in Harris County, Texas.

In Witness Whereof, the parties have executed this Agreement effective as of the Effective Date.

JOHN C. RICKEL ("EMPLOYEE")

GROUP 1 AUTOMOTIVE, INC.

By: /s/ John C. Rickel

By: /s/ Darryl M. Burman

Dated: June 1, 2020

Dated: June 1, 2020

EXHIBIT "A"

RETIREMENT LETTER

[____], 2020

Group 1 Automotive, Inc.
Board of Directors
Chief Executive Officer
800 Gessner, Suite 500
Houston, Texas 77024

Dear All:

I hereby give notice that effective as of August 14, 2020 or such later date as may be mutually agreed, I will retire from my position as Chief Financial Officer of Group 1 Automotive, Inc. (the "Company") and will, effective as of December 31, 2020, retire from all other officer, director and other positions I hold (including as an employee and as the Corporate Finance Director) at the Company and all of its respective subsidiaries and affiliates.

EXHIBIT "B"**RELEASE AND WAIVER OF CLAIMS AGREEMENT**

This Release and Waiver of Claims Agreement ("Agreement") is made and entered into by and between John C. Rickel (the "Employee") and Group 1 Automotive, Inc. (the "Company").

NOW, THEREFORE, in consideration of and exchange for the promises, covenants, and releases contained herein, the parties mutually agree as follows:

1. **Effective Date.** Except as provided herein, this Agreement shall be effective the date it is signed by both parties (the "Release Effective Date").
2. **Retirement Date.** Employee has resigned from his position as Chief Financial Officer of the Company, effective as of August 14, 2020 and will resign all other positions and responsibilities effective December 31, 2020 ("Retirement Date").
3. **Consideration by the Company.** For and in consideration of the promises made by the Employee in this Agreement, the Company shall:
 - a. Waive any age requirement under, and deem Employee's termination of employment to constitute, a Qualified Retirement under any Restricted Stock Award(s) that are unvested and outstanding as of the Retirement Date.
 - b. With the exception of any claim arising from fraud, illegal activity or dishonesty, the Company and its subsidiaries, related companies, parents, successors and assigns agrees to forever unconditionally release, waive and discharge Employee and his heirs, executors, administrators successors and assigns from any and all claims, debts, liabilities, promises, agreements, demands, causes of action, attorneys' fees, losses and expenses of every nature whatsoever, known or unknown, suspected or unsuspected, filed or unfiled, arising prior to the Release Effective Date of this Agreement, or arising out of or in connection with Employee's employment with the Company or any affiliate of the Company.
 - c. The Company agrees and promises that it will not engage in any disparaging conduct directed at Employee, and the Company shall refrain from making any derogatory statements or disparaging behavior concerning Employee in the future.

Employee SPECIFICALLY ACKNOWLEDGES THAT HE WOULD NOT OTHERWISE BE ENTITLED TO THE CONSIDERATION SET FORTH IN THIS PARAGRAPH WERE IT NOT FOR HIS COVENANTS, PROMISES AND RELEASES SET FORTH HEREUNDER.

4. **Consideration by the Employee.** For and in consideration of the promises made by the Company in Paragraph 3 of this Agreement, Employee agrees as follows:

a. Employee agrees for himself and his heirs, executors, administrators, successors and assigns to forever unconditionally release, waive and discharge the Company and its subsidiaries, related companies, parents, affiliates and each of the foregoing entities' respective successors and assigns, and current and former divisions, partnerships, related entities, officers, directors, managers, members, shareholders, attorneys, agents, insurers, benefit plans (and the fiduciaries and trustees of such plans) and employees (collectively, the "Released Parties") from any and all claims, debts, liabilities, promises, agreements, demands, causes of action, attorneys' fees, losses and expenses of every nature whatsoever, known or unknown, suspected or unsuspected, filed or unfiled, arising on or prior to the Release Effective Date. This total release includes, but is not limited to, all claims or demands related to: (i) salary, bonuses, commissions, compensation, stock, stock options, performance shares, vacation pay, fringe benefits and expense reimbursements pursuant to any federal, state or local statutory or common law or ordinance or cause of action, including, but not limited to, breach of contract, breach of the implied covenant of good faith and fair dealing, infliction of emotional harm, wrongful discharge, violation of public policy, and impairment of economic opportunity; (ii) any federal, state or local anti-discrimination or anti-retaliation law; (iii) violation of (each, as may have been amended): the United States and Texas Constitutions; the Texas Labor Code (specifically including the Texas Payday Act, the Texas Anti-Retaliation Act, Chapter 21 of the Texas Labor Code and the Texas Whistleblower Act), the Civil Rights Act of 1866, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, the Older Workers' Benefit Protection Act, the Americans With Disabilities Act of 1990, the Employee Retirement Income and Security Act of 1974 ("ERISA"), the Fair Labor Standards Act, the Family and Medical Leave Act, the Occupational Safety and Health Act, and the Sarbanes Oxley Act. Employee specifically does not release his right to apply for unemployment compensation benefits or any rights he may have under the Deferred Compensation Plan as a Plan Participant. Should Employee apply for such employment benefits, the Company will not oppose such application. Additionally, nothing herein shall prohibit employee from enforcing his rights to receive the Restricted Stock as provided in the Transition and Separation Agreement so long as all conditions required in the Incentive Agreement are met.

b. Employee agrees and promises that Employee will not engage in any disparaging conduct directed at the Company or any other Released Party, and Employee shall refrain from making any derogatory statements or disparaging behavior concerning the Company or any other Released Party in the future.

c. Employee hereby represents and warrants that he will return to the Company all Company property, materials, files and documents in his possession including, but not limited to, Company files, notes, records, computer recorded information, electronically stored information, tangible property, credit cards, entry cards, pagers, identification badges, and keys.

d. Employee agrees that Darryl Burman and Earl Hesterberg have been designated as the only persons he will contact on matters related to this Agreement. Employee specifically agrees that he will not contact any other employee or director of the Company concerning these matters.

e. Employee understands and agrees that, after December 31, 2020, he is no longer authorized to incur any expenses or obligations or liabilities on behalf of the Company or to make or take any actions as an officer of the Company unless specifically instructed to do so by Earl Hesterberg.

f. Employee agrees that during his tenure as an employee and thereafter, he shall not, directly or indirectly, personally, or on behalf of any other person, business, corporation or entity, divulge or make use of any confidential business information or trade secrets of the Company or any other Released Party, including but not limited to: customer or employee information, training material, information related to acquisitions or divestments, buying habits and preferences of customers; marketing strategies; pricing or financial information; technical information; operations information and operations strategies.

g. Employee specifically waives his right to recover in any action which may be brought on his behalf by any person or entity, including, but not limited to, any governmental department or agency such as the Equal Employment Opportunity Commission or the United States Department of Labor. Employee specifically represents and warrants that he has not initiated or caused to be initiated any legal action with any court and that he has not filed or caused to be filed an administrative charge, claim or complaint with any governmental office or department or agency, including but not limited to the Equal Employment Opportunity Commission.

h. Notwithstanding this release of liability, *nothing in this Agreement prevents Employee from filing any non-legally waivable claim (including a challenge to the validity of this Agreement) with the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB"), Department of Labor ("DOL") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC, NLRB, DOL or comparable state or local agency or cooperating with such agency*; however, Employee understands and agrees that Employee is waiving any and all rights to recover any monetary or personal relief or recover as a result of such EEOC, NLRB, DOL or comparable state or local agency or proceeding or subsequent legal actions. Further notwithstanding this release of liability, nothing in this Agreement limits Employee's right to obtain vested benefits under any benefit plan governed by ERISA.

i. Employee hereby acknowledges that a partial consideration for the benefits he will receive pursuant to this Agreement and an inducement for the Company to enter into this Agreement is Employee's agreement, if reasonably requested by the Company, to cooperate with the Company in the defense or prosecution of one or more existing or future court actions, governmental investigations, arbitrations, mediations or other legal or equitable proceedings which involve Company or any of its current or former employees, officers or directors. This cooperation may include, but shall not be limited to, the availability to provide testimony in deposition, affidavit, trial, mediation or arbitration, as well as preparation for that testimony. Employee acknowledges that he shall make himself available at the Company's reasonable request for any meetings or conferences the Company deems necessary in preparation for the defense or prosecution of any such legal proceedings. If the Company requests Employee to travel or travel is otherwise required in conjunction with the Employee providing assistance to the Company pursuant to this provision, the Company will reimburse or pay for Employee's necessary and reasonable travel expenses.

j. In signing below, except as otherwise provided herein, Employee expressly represents that, as of the date Employee signs this Agreement, he has received all leaves (paid and unpaid) to which he has been entitled during his employment with the Company and any other Released Party and he has received all wages, bonuses and any other compensation or other form of remuneration, equity-based or otherwise, that he is owed and has been by the Company and each other Released Party.

k. The parties hereby expressly agree and acknowledge that this release of liability of claims shall inure to the benefit of, and apply to, each of the Released Parties that are not signatories hereto, even though such Released Parties are not signatories to this Agreement, as the parties expressly agree and acknowledge that each such Released Party is a third-party beneficiary of Employee's releases, covenants and representations set forth in this Agreement.

5. **No Admissions.** Employee agrees that this Agreement does not, and shall not be construed to, constitute an admission by the Company or any other Released Party of any violation of any federal, state or local statute or regulation, or any violation of any of the Employee's rights or of any duty owed by the Company or any other Released Party to the Employee.

6. **Modification.** This Agreement along with the Employment Agreement and any Restricted Stock Agreement contain the entire agreement of the parties hereto and there are no agreements, understandings or representations made by the Company or the Employee, except as expressly stated herein. This Agreement supersedes all prior agreements and understandings between the Company and the Employee. No cancellation, modification, amendment, deletion, addition or other changes in this Agreement or any provision hereof or any right herein provided shall be effective for any purpose unless specifically set forth in a subsequent written agreement signed by both Employee and an authorized representative of the Company.

7. **Construction.** The parties agree that this Agreement shall be construed as if the parties jointly prepared it so that any uncertainty or ambiguity shall not be interpreted against any one party and in favor of the other.

8. **Severability and Waiver.** The parties agree that the covenants of this Agreement are severable and that if any single clause or clauses shall be found unenforceable, the entire Agreement shall not fail but shall be construed and enforced without any severed clauses in accordance with the terms of this Agreement. The parties also agree that any failure by any party to enforce any right or privilege under this Agreement shall not be deemed to constitute waiver of any rights and privileges contained herein. The terms of this Agreement are to be construed under the laws of the State of Texas. The parties consent to the jurisdiction of the courts of the State of Texas for any disputes arising hereunder.

9. **Adequacy of Consideration.** The parties further acknowledge the adequacy of the additional consideration provided herein by each to the other, that this is a legally binding document, and that they intend to be bound by and faithful to its terms.

10. **Period of Consideration.** The Employee is fully aware of the contents of this Agreement and of its legal effect. The Employee acknowledges that he was advised on the date he received this Agreement that he had a period of twenty-one (21) calendar days to review and consider this Agreement before signing. The Employee further acknowledges that he voluntarily may waive his right to take the full 21-day consideration period and may sign this Agreement at any time before the 21-day period elapses.

11. **Period of Revocation.** The Employee understands that after signing this Agreement he may, in his sole discretion, revoke his acceptance of the Agreement by giving written notice to Darryl Burman, within seven (7) days after the Employee signs the Agreement. Notice of revocation must be received no later than the close of business on the seventh (7th) day following the Employee’s execution of this Agreement.

12. **Attorney Consultation.** Employee certifies that by signing this Agreement he has had a reasonable amount of time to consider its terms, that he has had the opportunity to consult with an attorney before signing this Agreement, and that he has signed this Agreement after good-faith negotiations concerning its terms. Employee is hereby advised in writing to consult with an attorney prior to signing this Agreement.

13. **Voluntary and Knowing.** This Agreement is executed voluntarily and without any duress or undue influence on the part or behalf of the parties hereto.

In Witness Whereof, the parties have executed this Agreement effective as of the date last written below.

JOHN C RICKEL (“EMPLOYEE”)

GROUP 1 AUTOMOTIVE, INC.

By: _____

By: _____

Dated: _____

Dated: _____

May 30, 2020

Daniel McHenry
 dmchenry@group1auto.co.uk
 Dear Daniel:

Via Email

We are very excited about you accepting the position of *Senior Vice President and Chief Financial Officer of Group 1 Automotive, Inc.* effective on or about August 15, 2020*. We feel that your business experience and knowledge of our Company and industry will be a major factor in the continued success of Group 1 Automotive. It is contemplated that your execution of this offer sheet as provided below will evidence your agreement to the following terms which will be memorialized in an Employment Agreement to be executed by you and the Company.

Base Annual Salary (paid semi-monthly) \$575,000

Less all applicable withholding and taxes. Initial Salary will be reduced by 20% to \$460,000 until full salary for Senior Vice Presidents is restored to 100% by the Compensation Committee.

Total Annual GPI Corporate Bonus Opportunity** \$661,250

Maximum 115% of base salary. Less all applicable withholding and taxes.

Initial Restricted Stock Grant \$200,000

Upon commencement of employment under the terms of your Employment Agreement, you will be provided with an initial Restricted Stock grant valued at the time of the grant at \$200,000 upon execution of an Incentive Compensation and Non-compete Agreement. Such shares will be subject to the standard vesting schedule for all employee's restricted stock grants as follows: 40% after 2 years, 20% after years 3,4 and 5.

Vehicle Allowance (paid semi-monthly) **and Demonstrator** \$15,000

Group 1 will provide one car allowance (\$1250.00/month) and one demonstrator for your use. Demonstrator will be governed by Group 1 demonstrator policy. Less all applicable withholding and taxes.

Relocation and Housing Assistance \$75,000

Group 1 will pay up to a \$75,000 relocation allowance to cover your relocation expenses, including incidentals and miscellaneous moving expenses, from the United Kingdom to the United States at any time within one year from your start date. Additionally, the Company will agree to pay all rental expenses Not to exceed \$7,000 per month for up to one year from your start date for temporary housing in Houston, Texas.

Annual Restricted Stock

You will be eligible to receive restricted stock awards under the Group 1 Stock Incentive Plan. These restricted shares are governed by the plan document and award agreement and are approved in February of each year by the Compensation Committee of the Board and will be subject to the vesting schedule described above. Eligibility for future annual awards is based on your performance.

Benefit Plans

You will continue to be eligible for Group 1’s medical, executive and supplemental benefits. You will also be able to participate in the Company’s Deferred Compensation Plan in accordance with its terms.

You are eligible for the Executive Life Insurance Plan and Executive Long-Term Disability Plan which offers coverage for incomes up to \$400,000 annually in the event of long-term disability. The company subsidizes approximately 55% of this cost; the employee pays the remainder of the coverage.

Employment Agreement

The information provided above is an explanation of the compensation and benefits to be offered to you in conjunction with your employment as the Company’s Chief Financial Officer. These terms will only become binding upon your execution of an Employment Agreement with Group 1 Automotive, Inc., and all other accompanying documents.

Please call Frank Grese, at 713-647-5755 should you have any questions concerning this offer, or any of the terms provided herein.

Sincerely,

Frank Grese,
Senior Vice President, Human Resources

* This offer is contingent on the departure from Group 1 of the incumbent Senior Vice President and Chief Financial Officer.

** Bonus based on achieving established objective and subjective targets, bonus range \$0 - \$661,250. Bonus for all employees is ultimately approved and granted at the discretion of the Board of Directors. You must be actively employed on December 31st of each year to be eligible.

Acknowledgement & Acceptance

Please sign this letter in acknowledgement and acceptance of this offer and email to fgrese@group1auto.com by June 1, 2020.

/s/ Daniel McHenry
Daniel McHenry

June 1, 2020
Date

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, 2020 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 3, 2020

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, 2020 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 3, 2020

**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, 2020 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 3, 2020

**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, 2020 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 3, 2020