

## Stephens Auto Retail Field Trip

September 21 – September 22, 2022

Stephens is hosting an **in-person** field trip for institutional investors to meet with the following companies. We will be providing transportation via Stephens corporate plane from Fort Lauderdale to Atlanta for a limited number of spots.

- Asbury Automotive Group, Inc. (ABG)
- AutoNation, Inc. (AN)
- Group 1 Automotive, Inc. (GPI)
- Lithia Motors, Inc. (LAD)
- Penske Automotive Group, Inc. (PAG)
- Sonic Automotive, Inc. (SAH)

**ASBURY**  
AUTOMOTIVE GROUP

**LITHIA &**  
**driveway**  
NYSE:LAD

**AutoNation**

**PENSKE**  
*Automotive*

**GROUP 1**  
AUTOMOTIVE®

**Sonic**  
Automotive

# Schedule for Group Meetings

## Wednesday, September 21

Fort Lauderdale, FL

**8:00am**

*Meet Daniel in hotel lobby*

**8:30am – 9:45am**

*Meeting with LAD*

**10:00am – 11:15am**

*Meeting with AN*

**12:00pm – 1:15pm**

*Meeting with PAG & Lunch*

**2:00pm – 3:00pm**

*Meeting with GPI*

**6:00pm – 7:30pm**

*Casual Group Dinner*

## Thursday, September 22

Atlanta, GA

**8:00am**

*Meet Daniel in hotel Lobby*

**8:30am - 9:40am**

*Flight to Atlanta*

**10:30am – 11:45am**

*Meeting with SAH*

**12:30pm – 1:45pm**

*Meeting with ABG*

**3:00pm**

*Flight out of ATL*

## Field Trip Hosts

### Daniel Imbro

Managing Director

Retail- Auto, Hardlines, & Leisure

(501) 377-2055

[daniel.imbro@stephens.com](mailto:daniel.imbro@stephens.com)

### Joe Enderlin

Associate

Retail- Auto, Hardlines, & Leisure

(501) 377-2108

[Joe.Enderlin@stephens.com](mailto:Joe.Enderlin@stephens.com)



INSTITUTIONAL EQUITIES & RESEARCH

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Stephens

111 Center Street

Little Rock, AR 72201

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501-377-2000

800-643 9691

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## Industry Questions and Topics

### New Vehicles

- Have you seen any changes in new vehicle production lately, anything that increases your confidence that production has or will be seeing a notable improvement? How do pre-orders look versus a few months ago?
- How do you feel about the risk that OEMs ramp production into next year as demand softens, creating an over-inventoried situation?
- Is allocation still expected to improve in 2H22? Have you seen deliveries accelerate, or are you still having trouble getting units to the lot? What are you seeing in regards to differences between Europe and US new vehicle allocation or availability?

### Used Vehicles

- Used vehicle demand remains in focus. Are you seeing a further moderation there, and any notable changes in spending behavior? Are there still low levels of affordable inventory?
- How much activity have you had in the auction lanes, and do you think pricing has gotten any more favorable? Some digital auctions are talking about building internal auctions for big groups, how would that benefit your business?

## **Parts and Service**

- How do the parts and service labor backdrop look? Many are offering recruitment incentives, what is working in the industry and how long do you think this labor shortage lasts?

## **Finance and Insurance**

- Within F&I, used selling prices are moderating, but product attachment is increasing - as rising rates increase financing costs, does it get harder to attach incremental insurance products?
- What initiatives or methods are you employing to optimize F&I penetration? What are the biggest drivers of F&I GPU sustainability and improvements? How has penetration, ASPs, and mix, driven increases here? What are notable trends you could see playing out as we move into 2023?

## **Other**

- As prices moderate, it will be harder to buy vehicles directly from the consumer, what other levers could you pull to improve sourcing costs?
- The cadence of M&A deals across the space has slowed, can you discuss what you are seeing in terms of the pipeline? Are the OEM EV investments spurring further consolidation?
- Can you talk about efficiency progress with regards to employees per unit sale? Any particular initiatives or training that is driving this? Looking forward how elastic do you see your current headcount? Could we see a reduction from current levels, particularly as efficiency improves?
- Have you seen any other dealer groups face repercussions for pricing over MSRP, and does this still primarily apply to approval for acquisitions?
- On Digital offerings - currently, what are the biggest advantages of your digital offering, and will this change over time?

## Automotive Retailing Industry Rankings - 2Q22

August 16, 2022

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### 2Q22 Rankings

Sales (Mil)		Gross Margin (% of Rev.)		SG&A ex Rent (% of Gross Profit)		EBITDA <sup>(A)</sup> (Mil)		EBITDA <sup>(A)</sup> Margin (% of Rev.)	
Lithia Motors	\$ 7,240.1	Asbury Automotive	20.3%	AutoNation	54.2%	AutoNation	\$ 601.1	Asbury Automotive	8.9%
Penske Auto Group	6,906.9	AutoNation	19.8%	Asbury Automotive	54.5%	Lithia Motors	563.8	AutoNation	8.8%
AutoNation	6,869.2	Lithia Motors	18.7%	Lithia Motors	56.7%	Penske Auto Group	410.3	Lithia Motors	7.8%
Group 1 Automotive	4,145.4	Group 1 Automotive	18.5%	Penske Auto Group	58.6%	Asbury Automotive	352.1	Group 1 Automotive	7.2%
Asbury Automotive	3,956.2	Penske Auto Group	17.9%	Group 1 Automotive	58.9%	Group 1 Automotive	299.2	Penske Auto Group	5.9%
Sonic Automotive	3,652.8	Sonic Automotive	16.1%	Sonic Automotive	65.3%	Sonic Automotive	184.3	Sonic Automotive	5.0%

Sales Growth (vs. prior-year)		Gross Margin Bps Chg. (vs. prior-year)		SG&A ex Rent (% G.P.) Bps Chg. (vs. prior-year)		EBITDA <sup>(A)</sup> Margin Bps Chg. (vs. prior-year)		Net Inc. Growth <sup>(B)</sup> (vs. prior-year)	
Asbury Automotive	53.1%	Asbury Automotive	105	AutoNation	(103)	AutoNation	60	Asbury Automotive	46.9%
Lithia Motors	20.5%	Penske Auto Group	89	Asbury Automotive	196	Asbury Automotive	16	Lithia Motors	10.4%
Group 1 Automotive	12.0%	Sonic Automotive	88	Lithia Motors	209	Penske Auto Group	(14)	Penske Auto Group	3.8%
Sonic Automotive	9.0%	AutoNation	82	Penske Auto Group	217	Group 1 Automotive	(28)	Group 1 Automotive	3.8%
Penske Auto Group	(1.2%)	Group 1 Automotive	67	Group 1 Automotive	309	Lithia Motors	(30)	AutoNation	(2.2%)
AutoNation	(1.6%)	Lithia Motors	18	Sonic Automotive	520	Sonic Automotive	(50)	Sonic Automotive	(13.0%)

Comp-Store Sales		SG&A (% of Gross Profit)		Incr. GP Flow-Through (Δ GP - Δ SG&A ex Rent) / Δ GP		EBITDAR % <sup>(A)</sup>		EPS Growth <sup>(B)</sup> (vs. prior-year)	
Lithia Motors	(1.2%)	AutoNation	55.4%	AutoNation	84.5%	Asbury Automotive	9.2%	AutoNation	34.2%
Group 1 Automotive	(4.3%)	Asbury Automotive	55.8%	Asbury Automotive	42.3%	AutoNation	9.0%	Asbury Automotive	29.1%
AutoNation	(5.4%)	Lithia Motors	58.0%	Lithia Motors	33.7%	Lithia Motors	8.0%	Group 1 Automotive	16.4%
Asbury Automotive	(7.0%)	Group 1 Automotive	60.3%	Group 1 Automotive	22.1%	Group 1 Automotive	7.5%	Penske Auto Group	10.4%
Penske Auto Group <sup>(C)</sup>	(7.8%)	Penske Auto Group	66.1%	Sonic Automotive	0.3%	Penske Auto Group	7.3%	Lithia Motors	9.5%
Sonic Automotive	(11.9%)	Sonic Automotive	67.7%	Penske Auto Group	-5.9%	Sonic Automotive	5.4%	Sonic Automotive	-6.7%

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New Vehicle Revenue Mix (% of Rev. from New Vehicle Sales)		Used Vehicle Revenue Mix (% of Rev. from Used Vehicle Sales)		Finance & Insurance Revenue Mix (% of Rev. from Finance & Insurance)		Service & Parts Revenue Mix (% of Rev. from Service & Parts)		Used/New Unit Ratio	
Asbury Automotive	47.1%	Sonic Automotive	43.0%	AutoNation	5.4%	AutoNation	15.1%	Penske Auto Group	1.54
Lithia Motors	44.9%	Penske Auto Group <sup>(C)</sup>	39.8%	Asbury Automotive	5.1%	Asbury Automotive	13.1%	Sonic Automotive	1.54
Group 1 Automotive	44.7%	Lithia Motors	39.8%	Sonic Automotive	4.7%	Group 1 Automotive	12.1%	AutoNation	1.33
AutoNation	42.7%	Group 1 Automotive	38.6%	Lithia Motors	4.6%	Sonic Automotive	10.9%	Group 1 Automotive	1.26
Sonic Automotive	41.4%	AutoNation	36.7%	Group 1 Automotive	4.6%	Penske Auto Group	10.0%	Lithia Motors	1.18
Penske Auto Group <sup>(C)</sup>	40.8%	Asbury Automotive	34.6%	Penske Auto Group	3.7%	Lithia Motors	9.4%	Asbury Automotive	1.03

New Vehicle Comp-Sales <sup>(C)</sup>		Gross Margin (New Veh. - % of Rev.)		Gross Margin Bps Chg. (New Veh. - % of Rev.) (vs. prior-year)		Gross Profit per Unit New Vehicles		Gross Profit per Unit New Vehicles Chg. (vs. prior-year)	
Group 1 Automotive	(16.2%)	Penske Auto Group	12.8%	Sonic Automotive	305	Sonic Automotive	\$ 6,871	Sonic Automotive	\$ 2,969
Lithia Motors	(16.9%)	Lithia Motors	12.6%	Penske Auto Group	293	Penske Auto Group	6,851	Penske Auto Group	2,072
AutoNation	(17.4%)	AutoNation	12.0%	Asbury Automotive	275	AutoNation	6,106	AutoNation	1,953
Asbury Automotive	(21.7%)	Asbury Automotive	11.8%	AutoNation	270	Lithia Motors	5,969	Lithia Motors	1,796
Sonic Automotive	(22.2%)	Group 1 Automotive	11.4%	Lithia Motors	265	Asbury Automotive	5,696	Asbury Automotive	1,784
Penske Auto Group	(25.5%)	Sonic Automotive	11.1%	Group 1 Automotive	245	Group 1 Automotive	5,416	Group 1 Automotive	1,563

Used Vehicle Comp-Sales <sup>(C)</sup>		Gross Margin (Used Veh. - % of Rev.)		Gross Margin Bps Chg. (Used Veh. - % of Rev.) (vs. prior-year)		Gross Profit per Unit Used Vehicles		Gross Profit per Unit Used Vehicles Chg. (vs. prior-year)	
Lithia Motors	17.5%	Lithia Motors	9.5%	Asbury Automotive	(180)	Lithia Motors	\$ 2,955	Asbury Automotive	207
Asbury Automotive	11.8%	Asbury Automotive	7.9%	Penske Auto Group	(184)	Asbury Automotive	2,530	AutoNation	(324)
Group 1 Automotive	8.3%	Penske Auto Group	6.5%	Sonic Automotive	(220)	Penske Auto Group	2,235	Lithia Motors	\$ (356)
AutoNation	7.8%	AutoNation	6.2%	AutoNation	(240)	AutoNation	1,915	Penske Auto Group	(367)
Sonic Automotive	(1.0%)	Group 1 Automotive	5.9%	Group 1 Automotive	(317)	Group 1 Automotive	1,830	Sonic Automotive	(381)
Penske Auto Group	(10.5%)	Sonic Automotive	5.0%	Lithia Motors	(335)	Sonic Automotive	1,553	Group 1 Automotive	(595)

Finance & Insurance Comp-Sales		Gross Margin (Finance & Insurance - % of Rev.)		Finance & Insurance per Retail Vehicle (\$)		F&I per Veh. % Chg. (vs. prior-year)		F&I per Veh. Chg. (vs. prior-year)	
Asbury Automotive	7.9%	AutoNation	100%	AutoNation	\$ 2,724	Asbury Automotive	21.7%	Asbury Automotive	\$ 397
Penske Auto Group	0.9%	Group 1 Automotive	100%	Sonic Automotive	2,472	Penske Auto Group	21.6%	AutoNation	384
Group 1 Automotive	0.3%	Lithia Motors	100%	Asbury Automotive	2,224	Lithia Motors	18.0%	Sonic Automotive	362
Lithia Motors	(1.6%)	Penske Auto Group	100%	Group 1 Automotive	2,168	Sonic Automotive	17.2%	Penske Auto Group	347
AutoNation	(4.7%)	Sonic Automotive	100%	Lithia Motors	2,146	Group 1 Automotive	16.7%	Lithia Motors	328
Sonic Automotive	(13.8%)	Asbury Automotive	93%	Penske Auto Group	1,951	AutoNation	16.4%	Group 1 Automotive	311

Service & Parts Comp-Sales		Gross Margin (Service & Parts - % of Rev.)		Gross Margin (Service & Parts - % of Rev.) Bps Chg. (vs. prior-year)		% Chg. Customer Pay (Component of Service & Parts)		% Chg. Warranty (Component of Service & Parts)	
Group 1 Automotive	13.5%	Penske Auto Group	60.2%	AutoNation	100	Asbury Automotive <sup>(E)(J)</sup>	73.0%	Asbury Automotive <sup>(E)(J)</sup>	24.0%
Asbury Automotive	10.1%	Asbury Automotive	55.8%	Sonic Automotive	100	Lithia Motors <sup>(D)(J)</sup>	52.7%	Lithia Motors <sup>(E)(J)</sup>	(4.0%)
Lithia Motors	9.4%	Group 1 Automotive	55.2%	Group 1 Automotive	(4)	Group 1 Automotive <sup>(D)(J)</sup>	18.0%	Group 1 Automotive <sup>(D)(J)</sup>	(4.1%)
AutoNation	6.3%	Lithia Motors	53.3%	Lithia Motors	(13)	Sonic Automotive <sup>(E)</sup>	10.0%	Sonic Automotive <sup>(E)</sup>	(6.0%)
Sonic Automotive	5.0%	Sonic Automotive	49.8%	Penske Auto Group	(153)	AutoNation <sup>(E)</sup>	9.8%	AutoNation <sup>(E)</sup>	(10.4%)
Penske Auto Group	4.4%	AutoNation	46.5%	Asbury Automotive	(662)	Penske Auto Group <sup>(D)(J)</sup>	9.0%	Penske Auto Group <sup>(D)(J)</sup>	(11.6%)

Brand Mix (Import + Luxury - % of Vehicle Rev. or Unit Sales)		Revenue Mix (% of Rev. from International)		Floor Plan Int. (% of Rev.)		Floor Plan Int. Bps Chg. (vs. prior-year)		% Chg. Avg. Diluted Sharecount (vs. prior-year)	
Penske Auto Group <sup>(G)</sup>	99.0%	Penske Auto Group	39.0%	Asbury Automotive	0.0%	Lithia Motors	(5)	AutoNation	(27.1%)
Group 1 Automotive <sup>(F)</sup>	80.0%	Group 1 Automotive	17.1%	Penske Auto Group	0.1%	Asbury Automotive	(4)	Group 1 Automotive	(10.8%)
Sonic Automotive <sup>(G)</sup>	73.6%	Asbury Automotive	0.0%	Group 1 Automotive	0.1%	Group 1 Automotive	(3)	Sonic Automotive <sup>(H)</sup>	(6.7%)
Asbury Automotive <sup>(F)</sup>	73.6%	AutoNation	0.0%	Lithia Motors	0.1%	AutoNation	(1)	Penske Auto Group	(6.1%)
AutoNation <sup>(F)</sup>	71.0%	Lithia Motors	0.0%	AutoNation	0.1%	Penske Auto Group	2	Lithia Motors	0.7%
Lithia Motors <sup>(F)</sup>	70.6%	Sonic Automotive	0.0%	Sonic Automotive	0.2%	Sonic Automotive	4	Asbury Automotive	13.8%

Inventory Days Supply New Vehicles		Inventory Days Supply Used Vehicles		Goodwill/Total Assets		Debt/Total Cap. <sup>(I)</sup>		LTM Return on Equity	
Lithia Motors	32	Lithia Motors	62	Asbury Automotive	29.2%	Penske Auto Group	26.2%	AutoNation	53.7%
Penske Auto Group	21	Penske Auto Group	42	Group 1 Automotive	26.2%	Lithia Motors	43.0%	Asbury Automotive	40.8%
Sonic Automotive	18	AutoNation	40	Penske Auto Group	15.8%	Group 1 Automotive	50.4%	Group 1 Automotive	40.6%
Group 1 Automotive <sup>(L)</sup>	15	Group 1 Automotive <sup>(L)</sup>	35	AutoNation	13.3%	Sonic Automotive	57.5%	Sonic Automotive	38.0%
Asbury Automotive	13	Asbury Automotive	34	Lithia Motors	9.5%	Asbury Automotive	58.6%	Penske Auto Group	35.5%
AutoNation	11	Sonic Automotive	31	Sonic Automotive	8.4%	AutoNation	60.4%	Lithia Motors	28.5%

(A) EBITDA is after floor plan (FP) int. exp.

(B) Continuing operations

(C) Retail (excludes Fleet and Wholesale)

(D) Measured as % chg. to sales

(E) Measured as % chg. to gross profit

(F) Percent of total new vehicle unit sales

(G) Percent of total new vehicle revenue

(H) Using "as if converted" method

(I) Total debt excludes FP notes, op. leases

(J) Same-store data presented

(K) Retail data only

(L) Inventory for U.S.

#### Companies Mentioned

Asbury Automotive

AutoNation

Group 1 Automotive

Lithia Motors

Penske Auto Group

Sonic Automotive

#### Tkr

ABG

AN

GPI

LAD

PAG

SAH

#### Price

\$186.03

\$123.52

\$184.99

\$264.25

\$117.56

\$50.00

#### Daniel Imbro

*Managing Director*

501-377-2055

[daniel.imbro@stephens.com](mailto:daniel.imbro@stephens.com)

Source: Company filings, Stephens Inc. estimates, and FactSet Research Systems Inc.

Note: Company strategies, including acquisitions, can impact consolidated results.

Note: Sonic Automotive uses franchise data for comparable purposes, PAG is retail automotive.

Daniel Imbro, Analyst  
501-377-2055  
[daniel.imbro@stephens.com](mailto:daniel.imbro@stephens.com)

**Covered Companies Mentioned:**

ABG	\$186.03
ALLY	\$35.67
AN	\$123.52
CACC	\$574.35
COF	\$113.66
GPI	\$184.99
KMX	\$101.42
LAD	\$264.25
PAG	\$117.56
PNC	\$173.93
SAH	\$50.00
WRLD	\$139.49

## Consumer: Retail: Automotive, Hardlines, and Leisure Products

**Reason for Report:** Industry Update

### Auto Retail 2Q22 Earnings Season Recap & Dive Into Captive Finance Growth

#### INVESTMENT CONCLUSION:

The auto retailers posted solid results, with earnings beats for most of the group; new vehicle profitability remains robust, new units remain pressured, and the used market is normalizing at a faster-than-expected pace.

Additionally, given increased investor interest in the sector, we have provided some detail on pages 4-5 around the dealers' expansion into captive finance lending; right now, this is just AN and LAD. Our analysis suggests that loan reserves are appropriate, and while early, LAD's reserves appear to be in-line with industry averages. In the appendix, we have also provided updated detail on the brand mix and geographic footprint.

We remain supportive of the group, as the current multiples do not reflect the scale gained and improved earnings outlook. However, as shown on page 4, consensus estimates have moved up after the quarter; we are ahead of consensus and have the highest conviction in Asbury within the group.

#### KEY POINTS:

***See below for a brief overview of what happened in 2Q22 and forward-looking commentary by segment:***

#### New Vehicles

New vehicle results were mixed in the second quarter, with softer units sold offset by stronger GPUs. Specifically, many of the import brands struggled with production capacity, while domestic brands navigated 2Q22 better. Demand on the new vehicle side remained strong, and commentary from most public and private dealer groups suggests pre-orders remain strong. As shown below, inventory has slightly improved on the new vehicle side, but we do not expect material improvement into 3Q.

Looking forward, we lowered our near-term volume assumptions, given the lack of production. We are incrementally confident that material global production improvement will take well into 2023, so while inventory should modestly improve through year-end, this will take longer than previously expected. This will support higher back half GPU assumptions across the space, and into 2023; we believe that through 2023 GPUs will remain above pre-pandemic levels, and we will monitor OEM commentary around long-term production targets. We believe it is early to say they will be more rational moving forward into perpetuity, but some have noted this is their intention.

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### **Used Vehicles**

The used vehicle market showed continued signs of normalization in 2Q22, as demand was pressured on the higher end (consumers shifted to new vehicles because of narrow price gap) and on the lower end (broader inflation hurting purchasing power). Consistently the franchise dealers are working to source higher-mileage, older units to address this affordability challenge; this has caused dealers to wholesale fewer units, and provide more parts and service work to make vehicles retail ready. Used margins softened as prices have flatlined/modestly declined and procurement costs remain elevated. The pace of rental companies' purchasing at auction did slow in late June, causing used prices to moderate, but we expect this to stabilize in the coming months.

Looking forward, we believe that the consumer shift towards older vehicles will continue in the near term, particularly as inflation continues to hamper the consumer's purchasing power. We expect used prices to slightly moderate in 2H, but the lack of new production will prevent prices from fully normalizing. The gap between new and used vehicles should continue to support new demand, at the detriment of the used market. We believe until rental companies receive more substantial OEM allocations, prices will remain above pre-COVID levels. Used inventory is starting to build on dealers' lots, so we expect the supply at wholesale auction to modestly begin improving in late 2022 as these units work through the remarketing channels.

### **Service and Parts**

Parts and service saw a favorable backdrop as constrained new vehicle production continues to bias the age of the car parc higher, and miles driven continues to improve relative to the pandemic. GPI was a standout during the quarter, and the company is attracting technicians via their 4-day work week, which led to an industry best 13.5% same-store growth. Warranty growth remains challenged, as fewer new cars has led to a decrease in warranty opportunities. However, customer pay has excelled as consumers are holding onto vehicles longer.

In the near-term we expect these trends to continue, given the limited visibility into new vehicle production improvement and moderation in fuel prices. Long-term we anticipate warranty will slowly improve through 2023 as production gradually improves. In an economic downturn, we would flag that historically consumers trade down into the aftermarket to make repairs, as they keep vehicles longer. To keep sales, we do believe that some dealers could use coupons or other discounting, posing a headwind to margins.

### **F&I**

Finance and insurance results were mixed for the quarter, skewed towards down y/y, driven primarily by lighter unit sales than normal. However, digging into the results, the F&I per unit results demonstrated double-digit growth y/y across the public dealers. While F&I/unit growth is moderating, it surprised to the upside, driven by larger loan balances, continued selling improvements (bundling, etc.), and the monetization of digital tools.

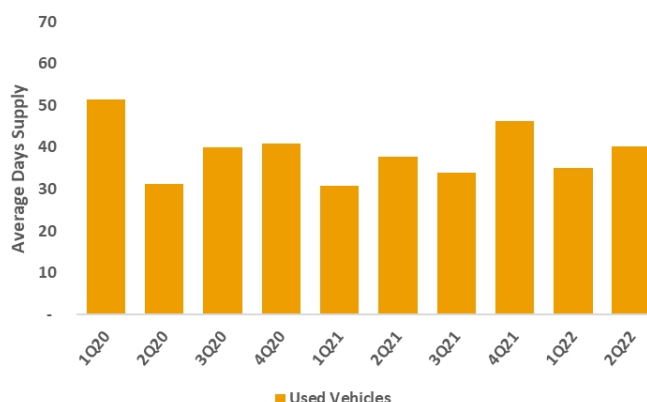
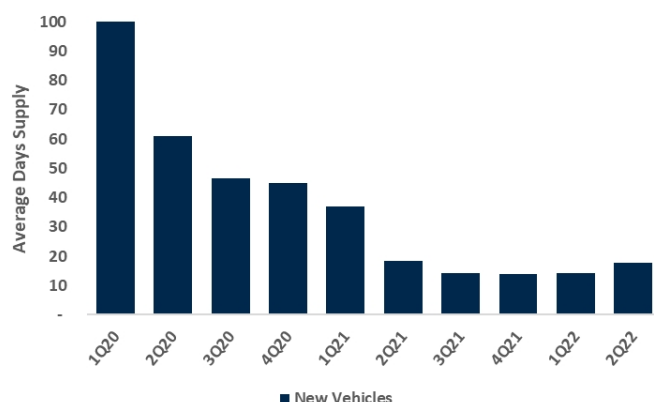
With softer unit sales in 2H, total F&I earnings will be lower. However, we are more bullish on F&I/unit, as dealers improve their selling tools and offering. We continue to believe that rising rates will limit product attachment, and have modeled F&I/unit to be relatively flat from 2Q levels, vs. our previous assumptions of F&I/unit stepping down. LAD, ABG, and AN's F&I/unit will become less comparable over the coming quarters due to the growth in first-party F&I products.

### **Inventory**

We are beginning to see signs of used vehicle inventories building at the public dealers, as we believe demand is softening given widespread affordability issues. While we have not seen a notable decline in retail prices, wholesale prices have moderated slightly, and this building of inventory increases our confidence in further price moderation in the wholesale market, and retail prices should follow after.

**Figures 1, 2, and 3: Inventory Days, New Vehicles Days, and Used Vehicle Days**

Days Supply	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
<b>AN</b>										
New Vehicles	98	49	43	42	29	14	10	9	8	11
Used Vehicles	48	31	39	39	31	34	35	40	30	40
<b>LAD</b>										
New Vehicles	120	61	50	50	41	23	24	24	27	32
Used Vehicles	86	45	64	65	42	58	48	61	50	62
<b>ABG</b>										
New Vehicles	105	52	47	40	34	17	12	8	10	13
Used Vehicles	42	26	35	31	27	37	28	34	28	34
<b>GPI</b>										
New Vehicles	121	64	52	48	34	16	11	9	9	11
Used Vehicles	36	25	33	32	23	29	25	36	28	32
<b>PAG</b>										
New Vehicles	101	76	45	50	40	26	19	17	16	21
Used Vehicles	67	35	40	48	35	38	40	60	41	42
<b>SAH</b>										
New Vehicles		64	43	39	43	15	10	16	15	18
Used Vehicles	29	25	29	30	27	31	27	46	33	31
<b>Average</b>										
New Vehicles	109	61	47	45	37	19	14	14	14	18
Used Vehicles	51	31	40	41	31	38	34	46	35	40
Vehicle Days Supply	80	46	43	43	34	28	24	30	25	29



Source: Company Filings

\*Note: ABG noted that part of its new vehicle inventory increase was due to the timing of a delivery late in the quarter

### Estimates

We have examined our estimates before and after the quarter below. We have slightly moderated our 2023 estimates, driven by lower unit assumptions over the coming 4 quarters. Coming into the quarter, our estimates were slightly ahead of consensus for this year and next year. However, after Street estimates have moved higher for this year and next, we are slightly below for this year and next (for all except Asbury).

**Figure 4: Estimate Analysis**

Ticker	EPS Before the Quarter				EPS After the Quarter			
	Stephens 2022	Consensus 2022	Stephens 2023	Consensus 2023	Stephens 2022	Consensus 2022	Stephens 2023	Consensus 2023
ABG	\$ 35.42	\$ 34.95	\$ 33.46	\$ 31.99	\$ 37.02	\$ 37.01	\$ 33.74	\$ 33.07
AN	23.35	23.72	22.48	21.36	24.03	24.48	21.89	21.92
GPI	44.71	42.98	39.69	38.48	43.90	44.71	37.04	39.28
LAD	48.07	47.67	44.54	44.42	47.41	48.30	44.48	45.00
PAG	17.65	17.42	15.96	15.42	17.91	17.99	15.24	15.60
SAH	9.56	10.06	8.57	9.04	9.73	9.74	8.76	8.65

Ticker	% Change				Stephens vs. Street	
	Stephens 2022	Consensus 2022	Stephens 2023	Consensus 2023	2022	2023
ABG	4.5%	5.9%	0.8%	3.4%	0.0%	2.0%
AN	2.9%	3.2%	(2.6%)	2.6%	(1.8%)	(0.1%)
GPI	(1.8%)	4.0%	(6.7%)	2.1%	(1.8%)	(5.7%)
LAD	(1.4%)	1.3%	(0.1%)	1.3%	(1.8%)	(1.2%)
PAG	1.5%	3.3%	(4.5%)	1.2%	(0.4%)	(2.3%)
SAH	1.8%	(3.2%)	2.2%	(4.3%)	(0.1%)	1.3%

Source: Company Filings, FactSet Research Systems, Inc. & Stephens Inc.

Note: FY22 and FY23 based on operating EPS for GPI, LAD, PAG, and SAH

## Emerging Themes: Auto Dealers' Role in Lending?

Coming out of 2Q a common debate began emerging among the dealers: the risks and strategy of building a financing business at this point in the credit cycle. We are coming out of a period of abnormally low delinquencies, and as we have discussed, credit is normalizing with delinquencies and losses beginning to rise (June monthly delinquency report [here](#)). Our Specialty Finance analyst Vincent Caintic has also noted this (Westlake CFO call takeaways note [here](#)). While most of the public franchise dealers are not pursuing this strategy, it is disproportionately impacting a number of conversations. While minimal to earnings today, we have laid out some detail below to help frame up the setup as we see it for the auto retailers.

Lithia in particular has been expanding its Driveway Finance Company business over the last 18+ months, but we believe this is becoming more of a focus because of the normalization of consumer credit and the uncertain economic backdrop. The bull case for the auto retailers is that this is an incremental profit stream, and as they scale the business the companies are able to control credit quality – i.e., by maintaining partnerships with large lending partners, if the auto retailer doesn't want to take the credit risk, the consumer can still receive a loan from a third-party. Additionally, we believe having an internal captive finance company is beneficial to building out a standalone used vehicle business. The bear case, however, is that the auto retailers are taking on additional risk because of the slowing “over-earning” dynamic over the last ~2 years due to tighter inventories. As discussed above, we do not believe that the new vehicle inventory problems will be fixed quickly, so we do not believe this is the primary driver of the expansion. However, this is increasing the potential earnings risk going forward, given credit risk, so in our opinion this could limit the upside on the multiple over the coming 12 months. We also believe that bears are concerned auto retailers will loosen credit standards to chase unit growth, increasing credit risk further. We do not believe either LAD or AN are loosening credit today.

**Figure 5: First Party F&I Comparison Table**

	ABG	AN	GPI	LAD	PAG	SAH
1st Party Finance	---	Yes	---	Yes	---	---
1st Party Insurance	Yes	---	---	---	---	---

Source: Stephens Inc.

As shown above, the only two public franchise dealers doing first-party lending are AutoNation and Lithia today. AutoNation just announced the acquisition of CIG Financial for \$85 million. CIG has ~\$325 million of loans receivable today, with ~\$300 securitized currently. LAD has been building Driveway Finance Company internally for years; as of June, the portfolio was ~\$1.3 billion, and DFC accounted for ~12.9% of loans generated. In our opinion, it makes sense to have this option as dealers build scaled standalone used businesses (AutoNation USA and Driveway, respectively), assuming

credit metrics are being monitored at this point in the cycle. We believe that FICO scores will likely moderate over the coming year, as consumers move further from stimulus and are more impacted by the softening economic backdrop.

Asbury, Group 1, Penske, and Sonic Automotive are not currently pursuing first-party financing. While we believe SAH may, over time, to help support its EchoPark business, we believe the other three retailers do not have interest in growing this business today.

**Debate Around Reserves.** Something that continues to arise in conversations is around whether the companies are reserving enough under the CECL accounting. While too early to know AN's credit profile, below we have shown LAD's credit reserves based on disclosures in the 10-Q/10-K filings. As shown the company is reserving ~3% of average managed receivables at the end of 2Q22. Per the conference call, the average FICO score of the portfolio is 718, which we believe will come down in the coming quarters, but is stronger credit than we had anticipated.

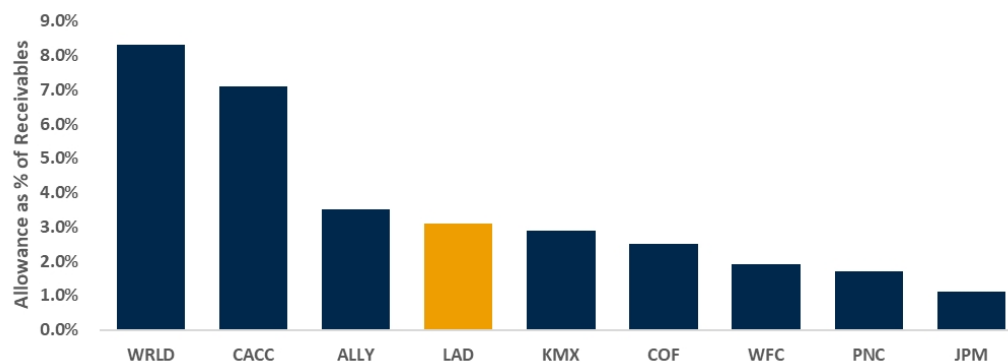
**Figure 6: Lithia Allowances for Credit Losses Detail**

	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Total Auto Loan & Lease Receivables	175.6	256.0	370.9	535.1	829.2	1,036.4	1,412.2
Average Receivables	175.6	215.8	313.5	453.0	682.2	932.8	1,224.3
Allowance For Credit Losses		(12.4)	(13.3)	(17.2)	(25.0)	(29.4)	(37.4)
% of avg. receivables		5.7%	4.2%	3.8%	3.7%	3.2%	3.1%

Source: Company Filings

To sanity check the Lithia reserve amounts, we looked at the reserve amounts of other auto lenders (shown below). We believe that LAD will not skew as prime as large bank partners, but we believe that for this credit profile, the reserves LAD is taking are fair. We do not believe that LAD's reserves should be as high as the pure-play sub-prime lenders given the disparity in FICO scores (~85% of CACC's loans are below 650 FICO).

**Figure 7: Auto Reserve Allowances**



Source: Company Filings

**Our Conclusion.** For the industry we believe that strategically there is an advantage to doing first-party lending for growing a used-only business or brand, but it does carry a risk and could limit the upside on the multiple relative to history. At the current multiples, however, we believe there is still room for multiple expansion. Over the coming quarters, we will look for additional disclosure to help frame up the financial impact of changes to reserves, which we believe will increase investors' confidence around this earnings stream. Our back-of-the-envelope math suggests that every 1% change in reserves for LAD (on a \$1.4 billion loan book) would create a (\$14 million) pre-tax impact, or a (\$0.41) impact to EPS for 2023, all else equal in our model.

## Dealer Brand Mix

# Dealer Brand Mix

Industry Note  
August 16, 2022

2Q22 Brand Mix											
ABG <sup>(a)</sup>		AN <sup>(a)</sup>		LAD <sup>(a)</sup>		PAG <sup>(b)</sup>		SAH <sup>(b)</sup>		GPI <sup>(a)(c)</sup>	
<b>Luxury:</b>	<b>32.0%</b>	<b>Luxury:</b>	<b>30.3%</b>	<b>Luxury:</b>	<b>20.0%</b>	<b>Luxury:</b>	<b>70.0%</b>	<b>Luxury:</b>	<b>53.3%</b>	<b>OEMs:</b>	
Lexus	9.0%	Mercedes-Benz	11.6%	BMW/Mini	6.0%	BMW/Mini	25.0%	BMW/Mini	22.3%	Toyota/Lexus	24.7%
Mercedes-Benz	8.0%	BMW/Mini	9.5%	Audi	3.0%	Audi	11.0%	Mercedes-Benz	11.4%	Volkswagen/Audi/Porsche	15.8%
Other Luxury	5.0%	Other Luxury	3.6%	Mercedes-Benz	3.0%	Mercedes-Benz	10.0%	Audi	5.7%	BMW/MINI	12.3%
BMW/Mini	3.0%	Audi	2.8%	Lexus	3.0%	Porsche	8.0%	Lexus	4.4%	Ford/Lincoln	8.6%
Porsche	3.0%	Lexus	2.8%	Acura	2.0%	Land Rover/Jaguar	7.0%	Porsche	4.4%	Honda/Acura	6.6%
Acura	2.0%			Land Rover/Jaguar	1.0%	Lexus	3.0%	Cadillac	1.9%	Mercedes-Benz	6.5%
Audi	1.0%			Porsche	1.0%	Ferrari/Maserati	3.0%	Land Rover/Jaguar	1.7%	General Motors	6.4%
Land Rover/Jaguar	1.0%					Acura	1.0%	Volvo	1.1%	Hyundai/Kia/Genesis	5.4%
						Bentley	1.0%	Other Luxury	0.4%	Stellantis	5.0%
						Other Luxury	1.0%			Nissan	3.5%
										Subaru	2.4%
<b>Import:</b>	<b>38.0%</b>	<b>Import:</b>	<b>40.7%</b>	<b>Import:</b>	<b>52.0%</b>	<b>Import:</b>	<b>21.0%</b>	<b>Import:</b>	<b>20.3%</b>	Jaguar/Land Rover	1.5%
Toyota	16.0%	Toyota	20.4%	Toyota	16.0%	Toyota	11.0%	Toyota	8.1%	Mazda	1.1%
Other Import	10.0%	Other Import	9.2%	Honda	14.0%	Honda	5.0%	Honda	7.4%	Other	0.3%
Honda	8.0%	Honda	9.0%	Hyundai	8.0%	Volkswagen	2.0%	Volkswagen	1.8%	<b>Total</b>	<b>100.1%</b>
Nissan	4.0%	Nissan	2.1%	Subaru	7.0%	Other Import	2.0%	Hyundai	1.6%		
				KIA	3.0%	Nissan	1.0%	Other Import	1.4%		
				Nissan	2.0%						
				Other Import	2.0%						
<b>Domestic:</b>	<b>30.0%</b>	<b>Domestic:</b>	<b>29.0%</b>	<b>Domestic:</b>	<b>28.0%</b>	<b>Domestic:</b>	<b>1.0%</b>	<b>Domestic:</b>	<b>26.4%</b>		
Stellantis	16.0%	Ford	10.8%	Stellantis	13.0%	Ford		Ford	14.0%		
Ford	9.0%	General Motors	9.6%	Ford	9.0%	Stellantis		Stellantis	8.6%		
General Motors	5.0%	Stellantis	8.6%	General Motors	6.0%	General Motors		General Motors	3.8%		
<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>	<b>Total</b>	<b>100.0%</b>		

(a) percentage mix calculated via units

(c) GPI discloses mix in terms of OEMs as opposed to by brand

(b) percentage mix calculated via revenue

(d) PAG discloses domestic as a whole

	ABG									
	2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Luxury:</b>										
Lexus	7%	6%	8%	12%	12%	12%	12%	11%	10%	9%
Mercedes-Benz	8%	6%	8%	12%	12%	12%	11%	12%	7%	8%
Other Luxury	6%	7%	6%	5%	5%	5%	7%	6%	4%	5%
BMW/Mini	6%	8%	6%	5%	5%	5%	5%	6%	3%	3%
Porsche	-	-	-	2%	2%	2%	2%	2%	1%	3%
Acura	4%	4%	4%	4%	4%	4%	4%	3%	2%	2%
Audi	2%	-	-	2%	2%	2%	2%	1%	1%	1%
Land Rover/Jaguar	1%	-	-	3%	3%	3%	2%	2%	1%	1%
Infinity	-	2%	2%	-	-	-	-	-	-	-
<b>Total Luxury</b>	<b>34%</b>	<b>33%</b>	<b>34%</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>	<b>43%</b>	<b>29%</b>	<b>32%</b>
<b>Import:</b>										
Toyota	7%	6%	13%	12%	12%	12%	12%	13%	18%	16%
Other Import	6%	7%	7%	6%	6%	6%	7%	8%	9%	10%
Honda	17%	18%	18%	15%	15%	16%	16%	12%	10%	8%
Nissan	13%	13%	6%	5%	5%	5%	5%	4%	4%	4%
<b>Total Import:</b>	<b>43%</b>	<b>44%</b>	<b>44%</b>	<b>38%</b>	<b>38%</b>	<b>39%</b>	<b>40%</b>	<b>37%</b>	<b>41%</b>	<b>38%</b>
<b>Domestic:</b>										
Stellantis	6%	6%	4%	4%	4%	4%	3%	5%	18%	16%
Ford	10%	10%	9%	6%	6%	6%	5%	7%	8%	9%
General Motors	4%	4%	6%	4%	4%	3%	4%	3%	4%	5%
Other Domestic	3%	3%	3%	3%	3%	3%	3%	5%	0%	0%
<b>Total Domestic</b>	<b>23%</b>	<b>23%</b>	<b>22%</b>	<b>17%</b>	<b>17%</b>	<b>16%</b>	<b>15%</b>	<b>20%</b>	<b>30%</b>	<b>30%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	AN									
	2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Luxury:</b>										
Mercedes-Benz	9%	10%	8%	10%	9%	9%	8%	10%	9%	12%
BMW/Mini	6%	6%	6%	7%	6%	8%	8%	11%	10%	10%
Other Luxury	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
Audi	2%	2%	2%	2%	2%	3%	2%	2%	2%	3%
Lexus	3%	2%	3%	3%	3%	3%	4%	3%	3%	3%
<b>Total Luxury</b>	<b>23%</b>	<b>24%</b>	<b>23%</b>	<b>26%</b>	<b>24%</b>	<b>25%</b>	<b>25%</b>	<b>29%</b>	<b>28%</b>	<b>30%</b>
<b>Import:</b>										
Toyota	21%	19%	21%	21%	22%	21%	23%	19%	21%	20%
Other Import	7%	8%	7%	7%	7%	8%	8%	8%	9%	9%
Honda	14%	14%	14%	12%	12%	16%	14%	12%	11%	9%
Nissan	3%	2%	3%	2%	3%	3%	3%	2%	3%	2%
<b>Total Import:</b>	<b>45%</b>	<b>43%</b>	<b>44%</b>	<b>43%</b>	<b>45%</b>	<b>47%</b>	<b>48%</b>	<b>42%</b>	<b>44%</b>	<b>41%</b>
<b>Domestic:</b>										
Ford	11%	13%	12%	11%	11%	9%	9%	13%	11%	11%
General Motors	12%	11%	11%	12%	11%	10%	9%	8%	9%	10%
Stellantis	9%	10%	10%	9%	9%	9%	10%	9%	9%	9%
<b>Total Domestic</b>	<b>32%</b>	<b>33%</b>	<b>33%</b>	<b>31%</b>	<b>31%</b>	<b>28%</b>	<b>27%</b>	<b>30%</b>	<b>29%</b>	<b>29%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	GPI									
	2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Toyota/Lexus	23%	23%	23%	27%	26%	26%	27%	22%	23%	25%
Volkswagen/Audi/Porsche	16%	12%	18%	13%	14%	15%	16%	14%	15%	16%
BMW/MINI	12%	11%	12%	11%	10%	12%	13%	16%	13%	12%
Ford/Lincoln	9%	10%	9%	10%	10%	8%	8%	9%	8%	9%
Honda/Acura	10%	12%	10%	10%	10%	10%	9%	10%	8%	7%
Mercedes-Benz	5%	5%	5%	5%	5%	6%	5%	5%	5%	7%
General Motors	7%	9%	7%	8%	7%	7%	6%	6%	6%	6%
Hyundai/Kia/Genesis	4%	5%	4%	4%	5%	5%	4%	5%	5%	5%
Stellantis	4%	5%	4%	4%	4%	4%	4%	5%	4%	5%
Nissan	5%	6%	5%	5%	5%	6%	6%	6%	6%	4%
Subaru	-	-	-	-	-	-	-	-	3%	2%
Jaguar/Land Rover	3%	2%	3%	2%	2%	2%	2%	1%	1%	2%
Mazda	-	-	-	-	-	-	-	-	1%	1%
Other	2%	2%	1%	2%	2%	1%	2%	3%	0%	0%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

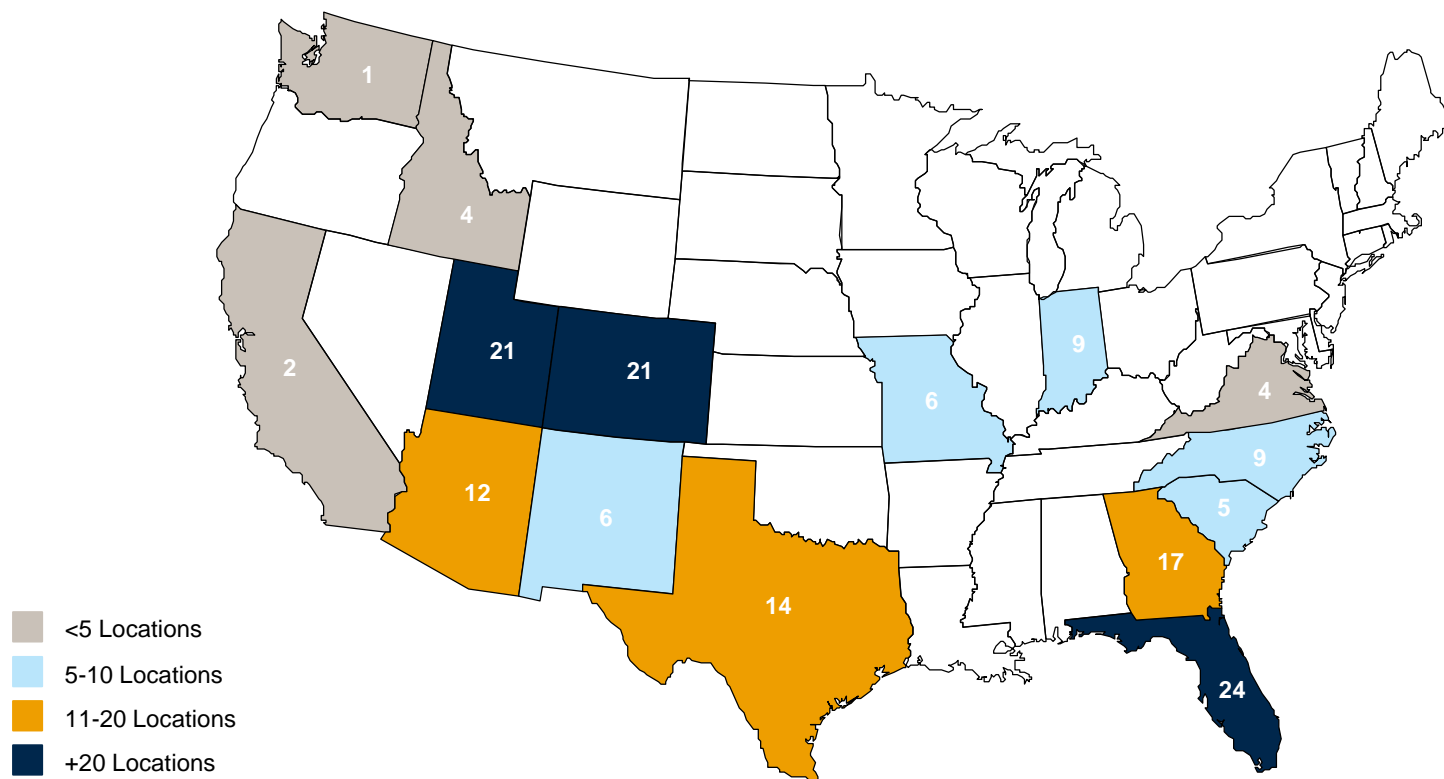
	LAD									
	2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Luxury:</b>										
BMW/Mini	4%	4%	4%	5%	4%	6%	4%	6%	6%	6%
Audi	3%	2%	2%	3%	3%	2%	3%	2%	2%	3%
Mercedes-Benz	3%	3%	3%	4%	4%	3%	4%	3%	3%	3%
Lexus	2%	3%	3%	4%	4%	2%	4%	3%	3%	3%
Acura	2%	3%	3%	3%	3%	3%	3%	2%	2%	2%
Land Rover/Jaguar	1%	1%	-	1%	1%	-	1%	1%	1%	1%
Porsche	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other Luxury	-	-	-	1%	1%	-	1%	1%	1%	1%
<b>Total Luxury</b>	<b>16%</b>	<b>17%</b>	<b>16%</b>	<b>22%</b>	<b>21%</b>	<b>17%</b>	<b>21%</b>	<b>19%</b>	<b>19%</b>	<b>20%</b>
<b>Import:</b>										
Toyota	18%	16%	22%	19%	19%	18%	19%	16%	16%	16%
Honda	19%	18%	17%	18%	18%	21%	18%	15%	15%	14%
Hyundai	-	2%	2%	2%	4%	2%	4%	8%	8%	8%
Subaru	9%	11%	10%	9%	9%	9%	9%	7%	7%	7%
KIA	-	-	-	-	-	-	-	4%	4%	3%
Nissan	4%	-	3%	2%	2%	3%	2%	3%	3%	2%
Other Import	5%	5%	3%	2%	3%	3%	3%	2%	2%	2%
<b>Total Import:</b>	<b>55%</b>	<b>52%</b>	<b>57%</b>	<b>52%</b>	<b>55%</b>	<b>56%</b>	<b>55%</b>	<b>55%</b>	<b>55%</b>	<b>52%</b>
<b>Domestic:</b>										
Stellantis	14%	15%	13%	13%	12%	14%	12%	12%	12%	13%
Ford	8%	8%	7%	7%	6%	6%	6%	9%	9%	9%
General Motors	7%	8%	7%	6%	6%	7%	6%	5%	5%	6%
<b>Total Domestic</b>	<b>29%</b>	<b>31%</b>	<b>27%</b>	<b>26%</b>	<b>24%</b>	<b>27%</b>	<b>24%</b>	<b>26%</b>	<b>26%</b>	<b>28%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	PAG									
	2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Luxury:</b>										
BMW/Mini	22%	22%	23%	24%	23%	23%	23%	26%	25%	25%
Audi	13%	13%	13%	12%	12%	12%	12%	10%	11%	11%
Mercedes-Benz	11%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Porsche	6%	7%	7%	8%	7%	7%	7%	9%	7%	8%
Land Rover/Jaguar	9%	8%	9%	9%	10%	9%	7%	7%	7%	7%
Lexus	3%	3%	2%	3%	3%	3%	3%	3%	3%	3%
Ferrari/Maserati	2%	3%	3%	3%	3%	2%	3%	3%	3%	3%
Acura	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Bentley	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other Luxury	2%	2%	2%	2%	3%	2%	2%	2%	2%	1%
<b>Total Luxury</b>	<b>70%</b>	<b>70%</b>	<b>71%</b>	<b>73%</b>	<b>73%</b>	<b>70%</b>	<b>69%</b>	<b>72%</b>	<b>70%</b>	<b>70%</b>
<b>Import:</b>										
Toyota	10%	12%	10%	11%	11%	11%	12%	10%	11%	11%
Honda	6%	7%	6%	5%	6%	6%	6%	5%	5%	5%
Volkswagen	3%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Other Import	2%	2%	2%	2%	1%	2%	1%	2%	1%	2%
Nissan	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
<b>Total Import:</b>	<b>22%</b>	<b>24%</b>	<b>21%</b>	<b>21%</b>	<b>21%</b>	<b>22%</b>	<b>22%</b>	<b>20%</b>	<b>20%</b>	<b>21%</b>
<b>Total Domestic</b>	<b>1%</b>	<b>2%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
<b>CarShop used Vehicle Centers</b>	<b>7%</b>	<b>4%</b>	<b>7%</b>	<b>5%</b>	<b>5%</b>	<b>7%</b>	<b>8%</b>	<b>7%</b>	<b>9%</b>	<b>8%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

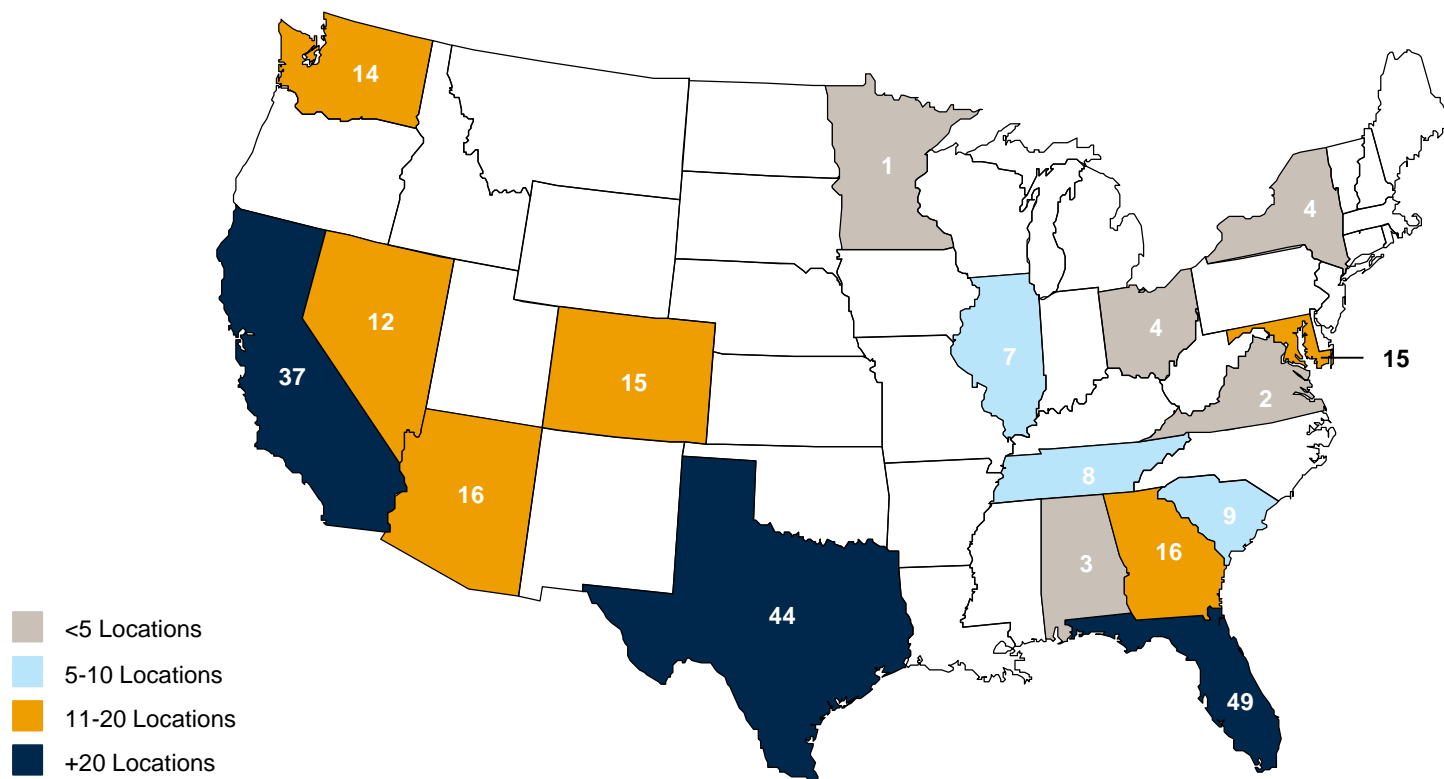
	SAH									
	2020				2021				2022	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Luxury:</b>										
BMW/Mini	26%	23%	26%	26%	25%	28%	28%	27%	24%	22%
Mercedes-Benz	13%	13%	13%	13%	13%	12%	12%	12%	10%	11%
Audi	6%	6%	7%	7%	7%	8%	6%	6%	5%	6%
Lexus	5%	4%	5%	5%	5%	5%	6%	5%	4%	4%
Porsche	3%	4%	4%	4%	4%	4%	4%	4%	3%	4%
Cadillac	2%	2%	2%	2%	3%	2%	2%	2%	2%	2%
Land Rover/Jaguar	4%	6%	4%	5%	5%	4%	4%	4%	3%	2%
Volvo	-	-	1%	-	-	-	2%	-	1%	1%
Other Luxury	2%	3%	1%	3%	3%	3%	1%	3%	0%	0%
<b>Total Luxury</b>	<b>62%</b>	<b>61%</b>	<b>62%</b>	<b>63%</b>	<b>64%</b>	<b>65%</b>	<b>65%</b>	<b>64%</b>	<b>52%</b>	<b>53%</b>
<b>Import:</b>										
Toyota	9%	9%	10%	9%	9%	8%	9%	8%	8%	8%
Honda	15%	14%	14%	14%	13%	15%	14%	13%	9%	7%
Volkswagen	1%	1%	1%	1%	1%	2%	2%	2%	2%	2%
Hyundai	1%	1%	1%	1%	1%	1%	1%	1%	1%	2%
Other Import	1%	1%	1%	1%	0%	1%	1%	1%	2%	1%
<b>Total Import:</b>	<b>26%</b>	<b>26%</b>	<b>26%</b>	<b>25%</b>	<b>25%</b>	<b>26%</b>	<b>27%</b>	<b>25%</b>	<b>21%</b>	<b>20%</b>
<b>Domestic:</b>										
Ford	6%	7%	6%	6%	6%	5%	4%	6%	13%	14%
Stellantis	-	-	-	-	-	-	-	1%	10%	9%
General Motors	6%	6%	6%	6%	6%	5%	5%	5%	3%	4%
<b>Total Domestic</b>	<b>12%</b>	<b>13%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>9%</b>	<b>9%</b>	<b>12%</b>	<b>27%</b>	<b>26%</b>
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Dealership Footprint

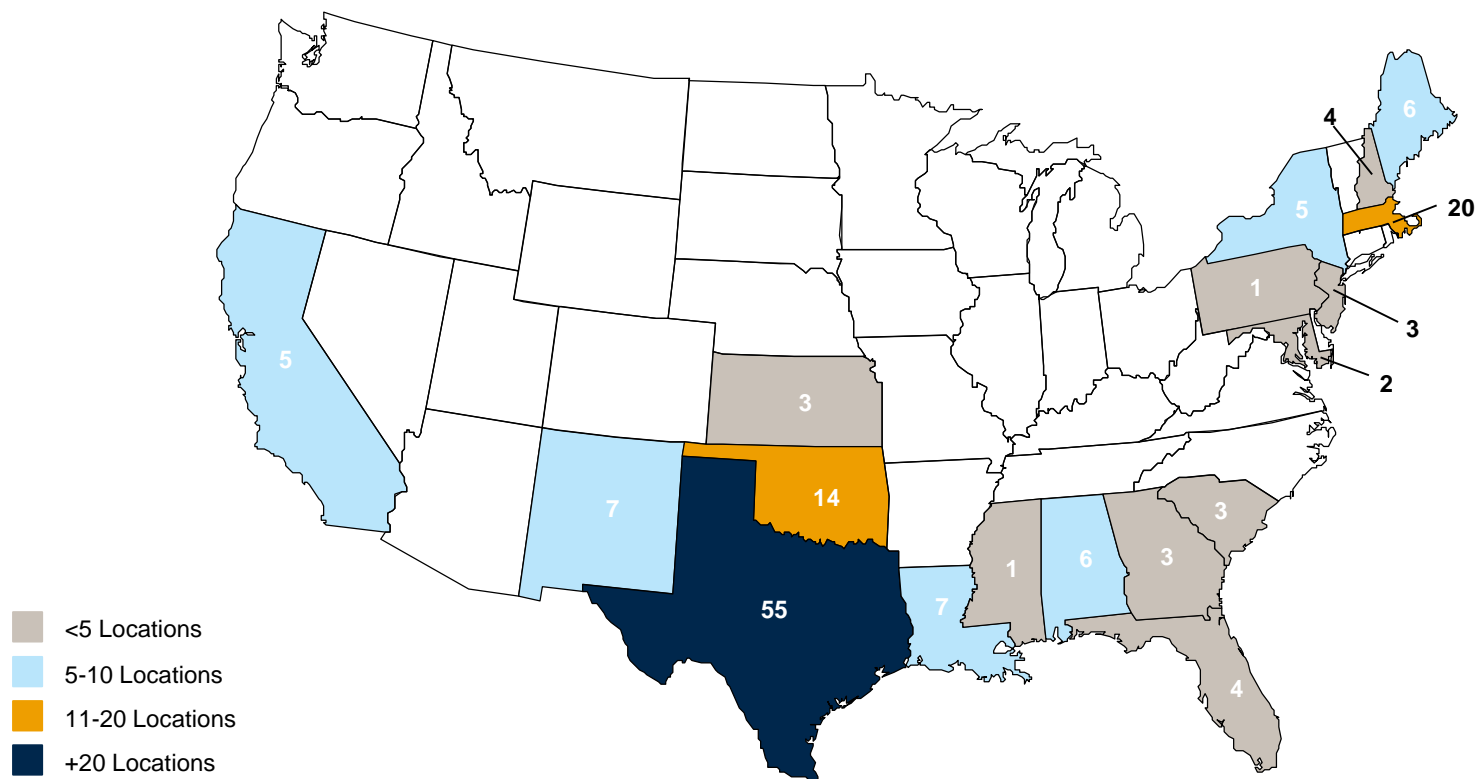
## Asbury Automotive Group, Inc.



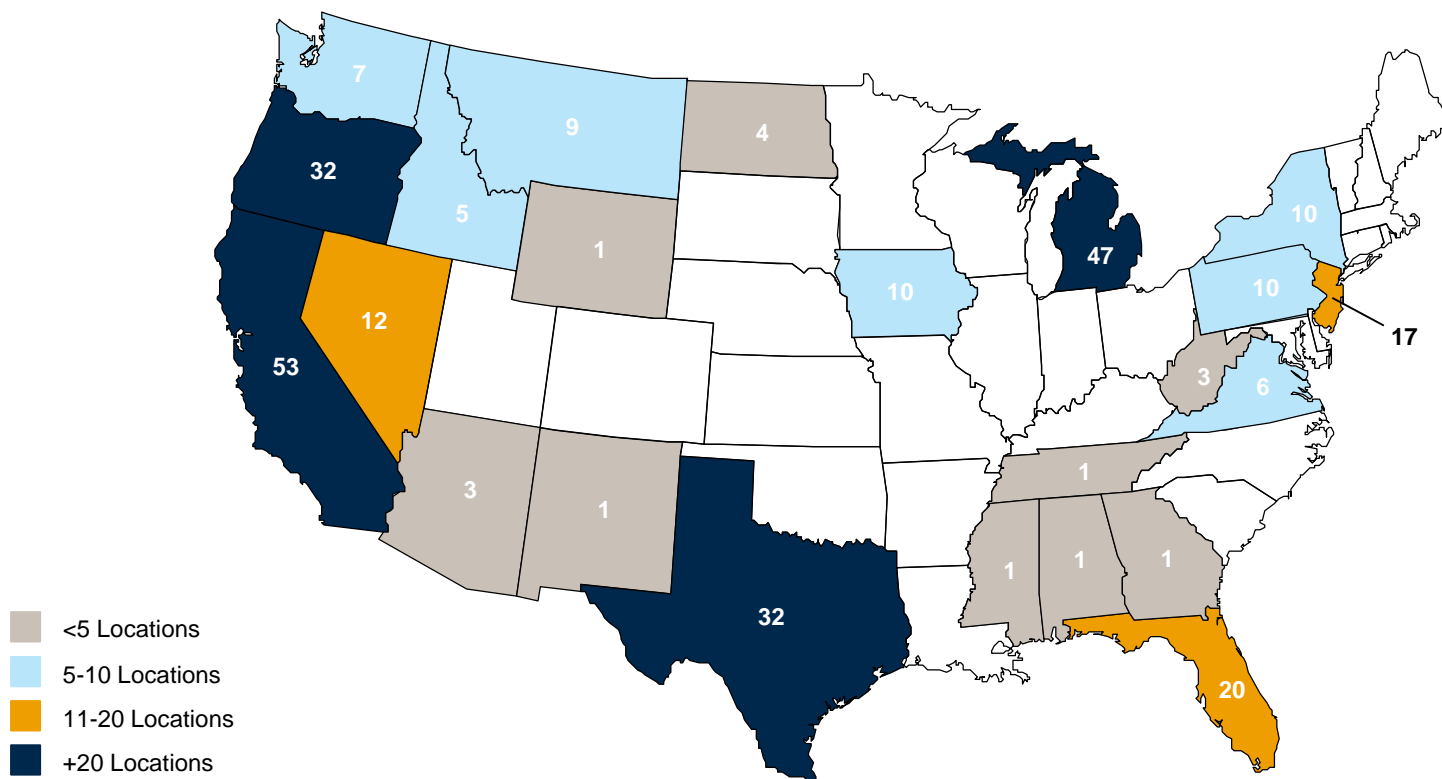
## AutoNation, Inc.



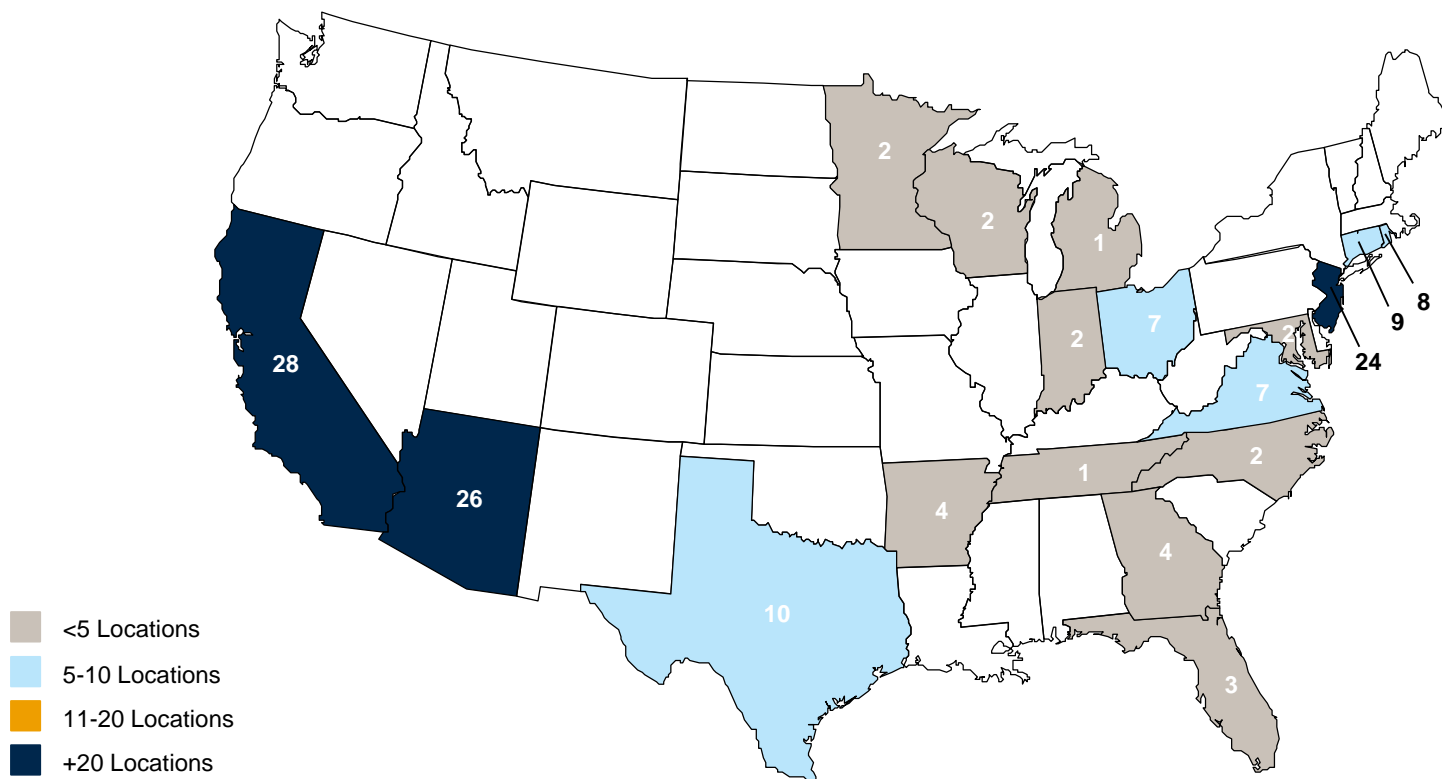
## Group 1 Automotive, Inc.



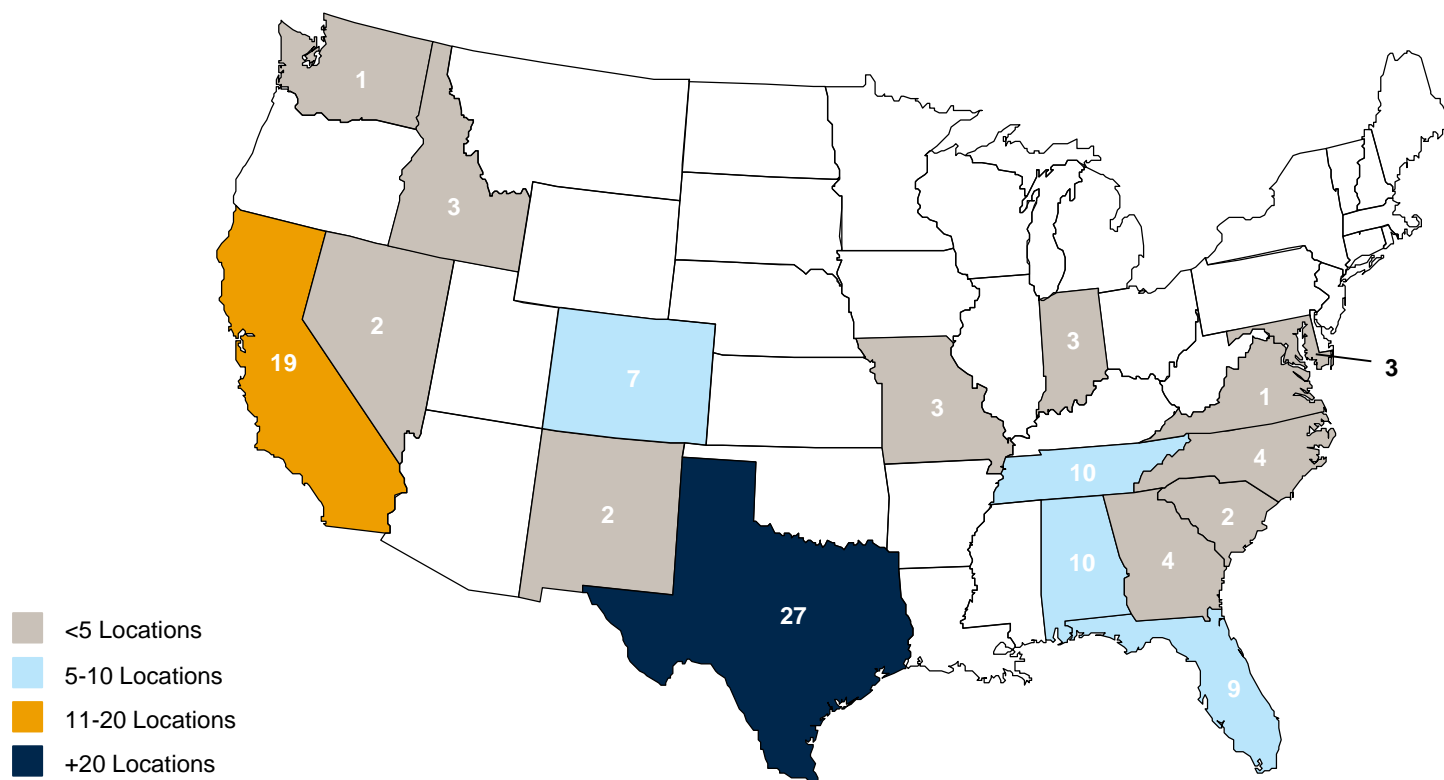
# Lithia Motors, Inc.

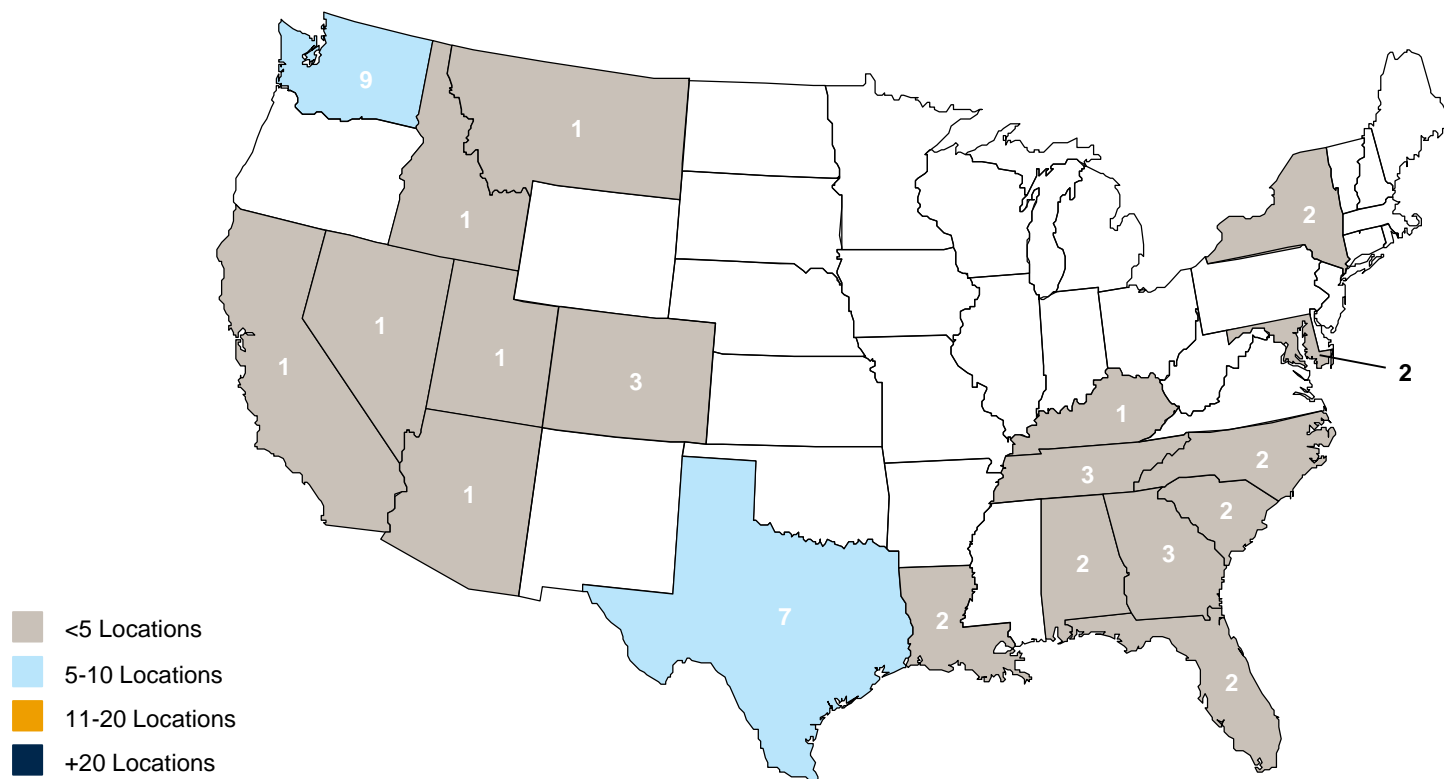


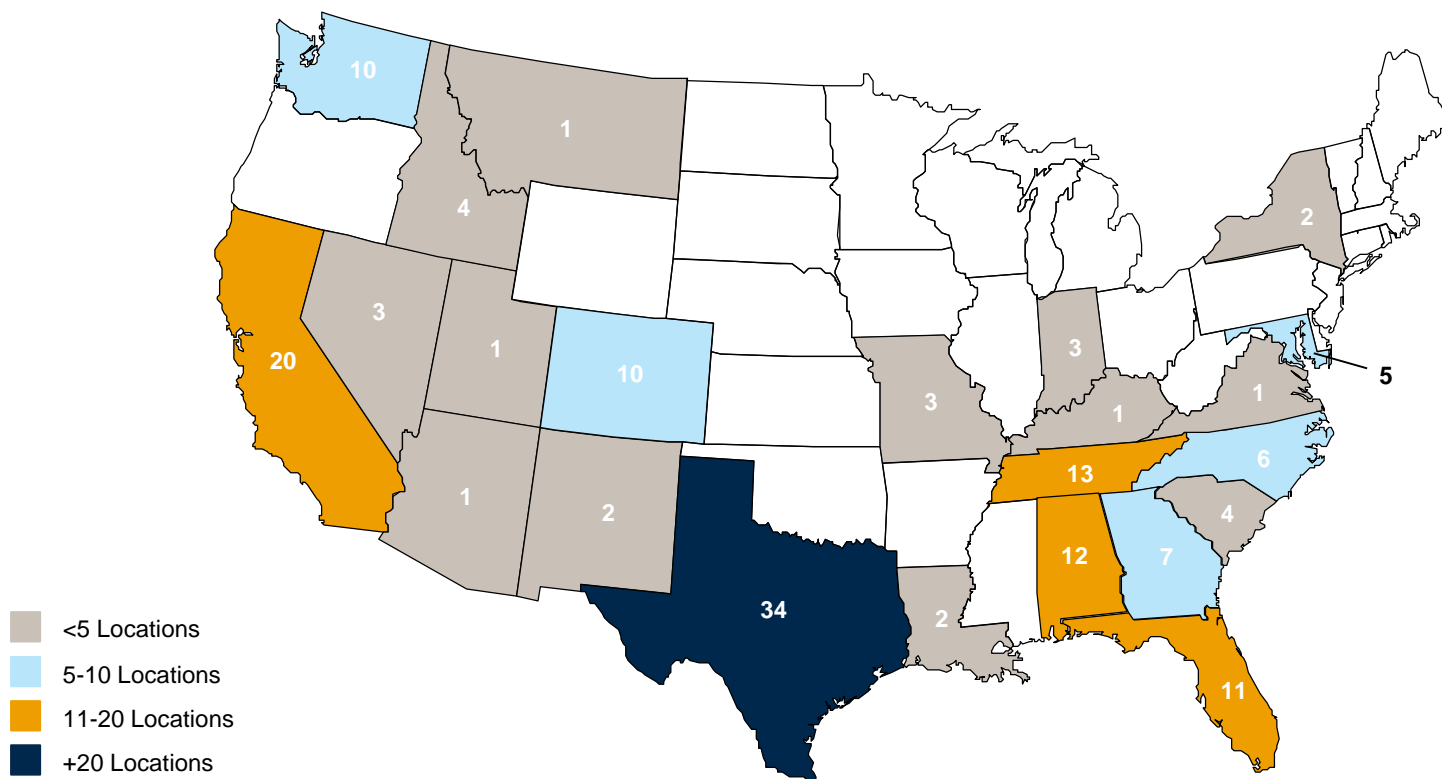
## Penske Automotive Group, Inc.



## Sonic Automotive, Inc. Franchise Dealerships







Asbury Automotive Group, Inc. (ABG)  
(in millions except per share amounts and as noted)  
Daniel Imbro  
501-517-2274

	2020A	1Q	2Q	3Q	4Q	2021A	1Q	2Q	3Q	4Q	2022E	1Q	2Q	3Q	4Q	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Mar.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles	\$ 3,767.4	\$ 1,151.7	\$ 1,368.4	\$ 1,129.5	\$ 1,284.5	\$ 4,934.1	\$ 1,855.6	\$ 1,864.5	\$ 1,712.3	\$ 1,737.5	\$ 7,169.9	\$ 1,764.0	\$ 1,808.9	\$ 1,685.6	\$ 1,720.1	\$ 6,978.6
% chg. y/y	(2.5%)	40.1%	79.6%	17.9%	4.8%	31.0%	61.1%	36.3%	51.6%	35.3%	45.3%	(4.9%)	(3.0%)	(1.6%)	(1.0%)	(2.7%)
Used Vehicles	2,169.6	690.9	816.2	879.0	929.5	3,315.6	1,350.9	1,368.5	1,387.8	1,235.3	5,342.5	1,192.9	1,284.8	1,400.4	1,223.6	5,101.7
% chg. y/y	1.8%	40.1%	82.4%	54.3%	41.0%	52.8%	95.5%	67.7%	57.9%	32.9%	61.1%	(11.7%)	(6.1%)	0.9%	(0.9%)	(4.5%)
Service & Parts	889.8	262.0	292.4	297.1	331.4	1,182.9	501.9	520.2	512.4	489.7	2,024.2	500.9	541.0	538.0	519.0	2,098.9
% chg. y/y	(3.3%)	18.2%	72.8%	25.3%	26.6%	32.9%	91.6%	77.9%	72.5%	47.8%	71.1%	(0.2%)	4.0%	5.0%	6.0%	3.7%
Finance & Insurance	305.1	88.3	107.0	100.4	109.4	405.1	203.4	203.0	191.9	185.9	784.1	176.6	188.0	195.1	186.1	745.8
% chg. y/y	(3.4%)	25.4%	60.7%	24.3%	25.3%	32.8%	130.4%	89.7%	91.1%	69.9%	93.6%	(13.2%)	(7.4%)	1.7%	0.1%	(4.9%)
<b>Total Revenues</b>	<b>\$ 7,131.9</b>	<b>\$ 2,193.5</b>	<b>\$ 2,584.0</b>	<b>\$ 2,406.0</b>	<b>\$ 2,654.8</b>	<b>\$ 9,837.7</b>	<b>\$ 3,911.8</b>	<b>\$ 3,956.2</b>	<b>\$ 3,804.4</b>	<b>\$ 3,648.3</b>	<b>\$ 15,320.7</b>	<b>\$ 3,634.4</b>	<b>\$ 3,822.7</b>	<b>\$ 3,819.2</b>	<b>\$ 3,648.9</b>	<b>\$ 14,925.1</b>
% chg. y/y	(1.4%)	36.5%	78.8%	30.4%	18.8%	37.9%	78.3%	53.1%	58.1%	37.4%	55.7%	(7.1%)	(3.4%)	0.4%	0.0%	(2.6%)
Cost of Sales	5,908.5	1,810.8	2,086.8	1,926.0	2,112.5	7,936.1	3,119.8	3,153.5	3,048.6	2,934.6	12,256.5	2,936.6	3,094.7	3,097.2	2,970.1	12,098.6
Gross Profit - New Vehicles	218.5	75.5	124.1	126.0	164.9	490.5	224.0	220.4	195.3	183.5	823.2	177.6	168.7	150.4	141.3	638.0
Gross Profit - Used Vehicles	156.6	55.8	83.5	72.2	76.8	288.3	99.3	104.2	98.9	87.8	390.3	80.8	87.1	96.5	83.1	347.6
Gross Profit - Service & Parts	543.2	163.1	182.6	181.4	194.8	721.9	276.5	290.4	286.9	274.2	1,128.1	280.5	303.0	301.3	290.7	1,175.4
Gross Profit - Finance & Insurance	305.1	88.3	107.0	100.4	105.8	401.5	192.2	187.7	174.6	168.2	722.7	159.0	169.2	173.7	163.7	665.5
<b>Gross Profit</b>	<b>\$ 1,223.4</b>	<b>\$ 382.7</b>	<b>\$ 497.2</b>	<b>\$ 480.0</b>	<b>\$ 542.3</b>	<b>\$ 1,902.2</b>	<b>\$ 792.0</b>	<b>\$ 802.7</b>	<b>\$ 755.7</b>	<b>\$ 713.8</b>	<b>\$ 3,064.2</b>	<b>\$ 697.8</b>	<b>\$ 728.0</b>	<b>\$ 721.9</b>	<b>\$ 678.8</b>	<b>\$ 2,826.5</b>
% chg. y/y	4.7%	40.5%	104.8%	42.9%	45.7%	55.5%	107.0%	61.4%	57.4%	31.6%	61.1%	(11.9%)	(9.3%)	(4.5%)	(4.9%)	(7.8%)
SG&A Expenses	771.1	236.3	270.2	265.2	294.3	1,066.0	455.5	448.3	428.9	408.8	1,741.5	403.1	417.5	418.4	395.5	1,634.5
Floorplan Interest Expense	17.7	2.9	2.1	1.5	1.7	8.2	2.6	1.5	1.9	2.7	8.7	3.6	4.2	4.2	4.6	16.6
Other Expenses / (Income)	9.5	(3.9)	(1.0)	(0.4)	(0.8)	(6.1)	(1.8)	0.8	-	-	(1.0)	-	-	-	-	-
EBITDA	425.1	147.4	225.9	213.7	247.1	834.1	335.7	352.1	325.0	302.3	1,315.0	291.1	306.3	299.4	278.7	1,175.5
Depreciation & Amortization	38.5	9.8	10.1	10.7	11.3	41.9	18.4	18.1	18.0	18.0	72.5	18.1	18.2	18.3	18.5	73.1
<b>EBIT</b>	<b>386.6</b>	<b>137.6</b>	<b>215.8</b>	<b>203.0</b>	<b>235.8</b>	<b>792.2</b>	<b>317.3</b>	<b>334.0</b>	<b>307.0</b>	<b>284.3</b>	<b>1,242.5</b>	<b>273.0</b>	<b>288.1</b>	<b>281.0</b>	<b>260.2</b>	<b>1,102.3</b>
Other Interest Expense	(56.7)	(14.0)	(14.4)	(14.8)	(23.2)	(66.4)	(37.6)	(37.6)	(38.5)	(39.0)	(152.7)	(39.3)	(39.5)	(40.0)	(40.5)	(159.3)
Other Income / (Expense)	2.1	-	-	-	-	-	-	(0.1)	-	-	(0.1)	-	-	-	-	-
Pre-Tax Income	332.0	123.6	201.4	188.2	212.6	725.8	279.7	296.3	268.5	245.3	1,089.7	233.8	248.6	241.0	219.7	943.1
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	83.2	32.9	49.7	44.6	50.0	177.2	67.5	73.4	67.1	61.3	269.4	58.4	62.1	60.3	54.9	235.8
Income Tax Rate	25.1%	26.6%	24.7%	23.7%	23.5%	24.4%	24.1%	24.8%	25.0%	25.0%	24.7%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>Net Income (continuing operations)</b>	<b>\$ 248.8</b>	<b>\$ 90.7</b>	<b>\$ 151.7</b>	<b>\$ 143.6</b>	<b>\$ 162.6</b>	<b>\$ 548.6</b>	<b>\$ 212.2</b>	<b>\$ 222.9</b>	<b>\$ 201.4</b>	<b>\$ 183.9</b>	<b>\$ 820.4</b>	<b>\$ 175.3</b>	<b>\$ 186.4</b>	<b>\$ 180.8</b>	<b>\$ 164.8</b>	<b>\$ 707.3</b>
One-time items	5.6	2.1	0.4	3.4	(22.1)	(16.3)	25.5	(21.5)	-	-	4.0	-	-	-	-	-
Net Income	254.4	92.8	152.1	147.0	140.5	532.4	237.7	201.4	201.4	183.9	824.4	175.3	186.4	180.8	164.8	707.3
<b>EPS (continuing operations)</b>	<b>\$ 12.86</b>	<b>\$ 4.68</b>	<b>\$ 7.78</b>	<b>\$ 7.36</b>	<b>\$ 7.46</b>	<b>\$ 27.36</b>	<b>\$ 9.27</b>	<b>\$ 10.04</b>	<b>\$ 9.19</b>	<b>\$ 8.50</b>	<b>\$ 37.02</b>	<b>\$ 8.21</b>	<b>\$ 8.84</b>	<b>\$ 8.68</b>	<b>\$ 8.01</b>	<b>\$ 33.74</b>
% chg. y/y	35.9%	160.0%	208.7%	80.4%	68.0%	112.8%	98.1%	29.1%	24.9%	13.9%	35.3%	(11.4%)	(12.0%)	(5.5%)	(5.8%)	(8.9%)
EPS (GAAP)	\$ 13.15	\$ 4.78	\$ 7.80	\$ 7.54	\$ 6.44	\$ 26.55	\$ 10.38	\$ 9.07	\$ 9.19	\$ 8.50	\$ 37.20	\$ 8.21	\$ 8.84	\$ 8.68	\$ 8.01	\$ 33.74
Diluted Weighted Average Shares	19.4	19.4	19.5	19.5	21.8	20.1	22.9	22.2	21.9	21.6	22.2	21.4	21.1	20.8	20.6	21.0
<b>Gross Margin (% of Revenue)</b>																
New Vehicles (Retail)	5.8%	6.6%	9.1%	11.2%	12.8%	9.9%	12.1%	11.8%	11.4%	10.6%	11.5%	10.1%	9.3%	8.9%	8.2%	9.1%
Used Light Vehicles (Retail)	7.5%	7.8%	9.7%	8.3%	8.4%	8.6%	7.9%	7.9%	7.4%	7.5%	7.7%	7.3%	7.3%	7.2%	7.2%	7.2%
Service & Parts	61.0%	62.3%	62.4%	61.1%	58.8%	61.0%	55.1%	55.8%	56.0%	56.0%	55.7%	56.0%	56.0%	56.0%	56.0%	56.0%
<b>Total</b>	<b>17.2%</b>	<b>17.4%</b>	<b>19.2%</b>	<b>20.0%</b>	<b>20.4%</b>	<b>19.3%</b>	<b>20.2%</b>	<b>20.3%</b>	<b>19.9%</b>	<b>19.6%</b>	<b>20.0%</b>	<b>19.2%</b>	<b>19.0%</b>	<b>18.9%</b>	<b>18.6%</b>	<b>18.9%</b>
<b>% of Revenue Analysis</b>																
SG&A	10.8%	10.8%	10.5%	11.0%	11.1%	10.8%	11.6%	11.3%	11.3%	11.2%	11.4%	11.1%	10.9%	11.0%	10.8%	11.0%
SG&A (% Gross Profit)	63.0%	61.7%	54.3%	55.3%	54.3%	56.0%	57.5%	55.8%	56.8%	57.3%	56.8%	57.8%	57.3%	58.0%	58.3%	57.8%
Floorplan Interest Expense	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA	6.0%	6.7%	8.7%	8.9%	9.3%	8.5%	8.6%	8.9%	8.5%	8.3%	8.6%	8.0%	8.0%	7.8%	7.6%	7.9%
Depreciation & Amortization	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
EBIT	5.4%	6.3%	8.4%	8.4%	8.9%	8.1%	8.1%	8.4%	8.1%	7.8%	8.1%	7.5%	7.5%	7.4%	7.1%	7.4%
<b>Retail Unit Sales - Cont. Ops. (actual)</b>																
New Vehicles	95,165	27,259	31,725	24,763	26,163	109,910	39,174	38,697	36,262	37,141	151,274	39,092	41,019	38,801	40,855	159,766
Used Vehicles	80,537	23,519	26,856	27,761	27,070	105,206	38,306	39,848	44,948	40,515	163,616	38,091	41,840	47,645	42,540	170,116
<b>Total</b>	<b>175,702</b>	<b>50,778</b>	<b>58,581</b>	<b>52,524</b>	<b>53,233</b>	<b>215,116</b>	<b>77,480</b>	<b>78,545</b>	<b>81,210</b>	<b>77,655</b>	<b>314,890</b>	<b>77,183</b>	<b>82,859</b>	<b>86,445</b>	<b>83,395</b>	<b>329,882</b>
<b>Comparable Store Sales</b>																
New Light Vehicles (Retail)	(8.0%)	53.1%	87.2%	17.2%	14.0%	39.8%	(9.6%)	(21.7%)	(6.8%)	(6.6%)	(12.1%)	(1.9%)	(3.0%)	(1.6%)	(1.0%)	(1.9%)
Used Vehicles (Retail)	(3.6%)	43.3%	87.2%	61.2%	73.5%	66.2%	32.2%	11.8%	(4.0%)	(9.1%)	(4.9%)	(7.3%)	(7.6%)	0.7%	(1.3%)	(3.9%)
Service & Parts	(14.1%)	22.5%	77.8%	22.5%	41.8%	23.4%	14.1%	10.1%	6.0%	2.0%	7.0%	3.0%	4.0%	5.0%	6.0%	4.5%
Finance & Insurance	(3.1%)	30.1%	66.1%	24.9%	18.2%	32.8%	25.7%	7.9%	22.4%	31.4%	93.6%	(10.4%)	(7.4%)	1.7%	0.1%	(4.9%)
<b>Total (Retail)</b>	<b>(6.1%)</b>	<b>45.4%</b>	<b>85.3%</b>	<b>34.3%</b>	<b>38.5%</b>	<b>46.4%</b>	<b>9.7%</b>	<b>(4.4%)</b>	<b>(2.6%)</b>	<b>(4.4%)</b>	<b>1.8%</b>	<b>(3.4%)</b>	<b>(3.8%)</b>	<b>0.4%</b>	<b>(0.0%)</b>	<b>(1.8%)</b>

Source: Company Filings & Stephens Inc.

AutoNation, Inc. (AN)

(In millions except per share amounts and as noted)

Daniel Imbro

501-377-2055

	2019A	1QA	2QA	3QA	4QA	2020A	1QA	2QA	3QA	4QA	2021A	1QA	2QA	3QE	4QE	2022E	1QE	2QE	3QE	4QE	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles	\$ 11,167	\$ 2,282	\$ 2,261	\$ 2,748	\$ 3,127	\$ 10,419	\$ 2,982	\$ 3,428	\$ 2,754	\$ 2,917	\$ 12,082	\$ 2,807	\$ 2,936	\$ 2,784	\$ 2,700	\$ 11,227	\$ 2,801	\$ 2,868	\$ 2,833	\$ 2,732	\$ 11,234
Used Vehicles	5,467	1,249	1,325	1,517	1,511	5,601	1,749	2,223	2,323	2,344	8,639	2,572	2,520	2,461	2,430	9,984	2,402	2,436	2,465	2,350	9,653
Used Vehicles - Retail	5,160	1,162	1,263	1,421	1,415	5,261	1,644	2,086	2,158	2,174	8,062	2,392	2,362	2,174	2,141	9,069	2,221	2,276	2,168	2,049	8,714
Used Vehicles - Wholesale	306	87	62	96	96	341	105	137	165	169	576	180	158	287	289	914	181	159	297	302	938
Service & Parts	3,572	876	690	853	838	3,257	851	951	944	961	3,707	1,004	1,036	1,017	1,024	4,081	1,044	1,078	1,057	1,065	4,244
Finance & Insurance	1,023	236	246	281	296	1,059	313	369	349	354	1,385	364	368	368	354	1,453	373	383	384	377	1,518
Fleet & Other	107	24	11	6	13	53	8	7	10	7	32	5	9	10	7	31	5	9	10	7	31
<b>Total Revenues</b>	<b>21,336</b>	<b>4,667</b>	<b>4,533</b>	<b>5,405</b>	<b>5,785</b>	<b>20,390</b>	<b>5,904</b>	<b>6,978</b>	<b>6,380</b>	<b>6,582</b>	<b>25,844</b>	<b>6,753</b>	<b>6,869</b>	<b>6,640</b>	<b>6,515</b>	<b>26,776</b>	<b>6,625</b>	<b>6,774</b>	<b>6,749</b>	<b>6,531</b>	<b>26,680</b>
% chg. y/y	(0.4%)	(6.3%)	(15.2%)	(1.0%)	4.3%	(4.4%)	26.5%	53.9%	18.0%	13.8%	26.7%	14.4%	(1.6%)	4.1%	(1.0%)	3.6%	(1.9%)	(1.4%)	1.7%	0.3%	(0.4%)
Cost of Sales	17,813	3,854	3,738	4,413	4,801	16,806	4,871	5,652	5,108	5,261	20,891	5,444	5,508	5,327	5,255	21,534	5,347	5,483	5,484	5,295	21,608
Gross Profit - New Vehicles	504	96	120	167	201	584	190	321	320	372	1,202	345	354	314	277	1,289	264	255	233	213	965
Gross Profit - Used Vehicles	368	91	117	147	104	459	140	203	177	168	688	137	157	162	156	611	161	155	160	155	631
Gross Profit - Service & Parts	1,623	389	311	396	382	1,478	389	433	425	426	1,673	461	482	468	471	1,882	480	496	486	490	1,952
Gross Profit - Finance & Insurance	1,023	236	246	281	296	1,059	313	369	349	354	1,385	364	368	368	354	1,453	373	383	384	377	1,518
Gross Profit - Fleet & Other	5	1	1	1	0	3	1	2	2	2	6	2	2	1	2	8	0	2	1	2	6
<b>Gross Profit</b>	<b>3,523</b>	<b>813</b>	<b>795</b>	<b>992</b>	<b>984</b>	<b>3,584</b>	<b>1,033</b>	<b>1,326</b>	<b>1,272</b>	<b>1,322</b>	<b>4,953</b>	<b>1,309</b>	<b>1,362</b>	<b>1,313</b>	<b>1,259</b>	<b>5,242</b>	<b>1,279</b>	<b>1,291</b>	<b>1,265</b>	<b>1,236</b>	<b>5,071</b>
% chg. y/y	3.7%	(4.2%)	(10.8%)	11.8%	9.8%	1.7%	27.0%	66.8%	28.2%	34.3%	38.2%	26.7%	2.7%	3.2%	(4.7%)	5.9%	(2.3%)	(5.2%)	(3.6%)	(1.8%)	(3.3%)
SG&A Expenses	2,553	601	542	626	628	2,397	648	749	724	750	2,870	741	755	748	743	2,987	780	800	784	779	3,144
Floorplan Interest Expense	138	26	16	11	11	64	9	7	5	5	26	5	6	7	7	24	7	8	8	9	33
Other Expenses / (Income)	(27)	(1)	(3)	5	(4)	(3)	0	(1)	(3)	(5)	(8)	(2)	-	-	-	(2)	-	-	-	-	-
<b>EBITDA</b>	<b>859</b>	<b>188</b>	<b>240</b>	<b>351</b>	<b>349</b>	<b>1,127</b>	<b>375</b>	<b>572</b>	<b>546</b>	<b>572</b>	<b>2,065</b>	<b>564</b>	<b>601</b>	<b>558</b>	<b>510</b>	<b>2,232</b>	<b>491</b>	<b>482</b>	<b>472</b>	<b>449</b>	<b>1,895</b>
% chg. y/y	3.4%	(6.1%)	8.9%	65.9%	53.0%	31.1%	100.2%	138.4%	55.6%	64.0%	83.2%	50.2%	5.2%	2.2%	(10.8%)	8.1%	(12.8%)	(19.8%)	(15.3%)	(12.0%)	(15.1%)
Depreciation & Amortization	181	48	49	52	50	199	48	48	48	50	193	50	49	49	49	196	49	49	50	50	198
<b>EBIT</b>	<b>679</b>	<b>139</b>	<b>191</b>	<b>299</b>	<b>299</b>	<b>928</b>	<b>328</b>	<b>524</b>	<b>498</b>	<b>522</b>	<b>1,871</b>	<b>514</b>	<b>552</b>	<b>509</b>	<b>461</b>	<b>2,036</b>	<b>442</b>	<b>433</b>	<b>423</b>	<b>399</b>	<b>1,696</b>
Other Interest Expense	(106)	(23)	(23)	(24)	(23)	(94)	(21)	(21)	(24)	(27)	(93)	(30)	(34)	(35)	(35)	(134)	(36)	(36)	(37)	(38)	(147)
Other Income / (Expense)	10	(3)	(0)	6	7	11	4	9	(1)	-	12	(6)	(14)	-	-	(20)	-	-	-	-	-
Pre-Tax Income	582	113	167	282	283	845	310	512	474	495	1,790	478	505	474	426	1,882	407	397	386	361	1,550
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	161	31	43	70	70	214	76	127	112	115	429	116	128	126	113	482	108	105	102	96	411
Income Tax Rate	-	0	0	0	0	-	0	0	0	0	-	0	0	0	0	-	0	0	0	0	-
<b>Net Income (continuing operations)</b>	<b>422</b>	<b>82</b>	<b>124</b>	<b>212</b>	<b>213</b>	<b>631</b>	<b>234</b>	<b>385</b>	<b>362</b>	<b>380</b>	<b>1,360</b>	<b>362</b>	<b>377</b>	<b>349</b>	<b>313</b>	<b>1,400</b>	<b>299</b>	<b>292</b>	<b>283</b>	<b>265</b>	<b>1,139</b>
% chg. y/y	3.2%	(12.8%)	14.8%	99.2%	88.3%	49.6%	184.0%	210.8%	70.8%	78.3%	115.6%	54.9%	(2.2%)	(3.6%)	(17.6%)	2.9%	(17.4%)	(22.5%)	(18.7%)	(15.3%)	(18.6%)
One-time Items	28	(315)	156	(29)	(62)	(249)	6	(0)	-	7	13	-	(0)	-	-	(0)	-	-	-	-	-
Net Income	450	(232)	280	183	152	382	240	385	362	387	1,373	362	376	349	313	1,400	299	292	283	265	1,139
<b>EPS (continuing operations)</b>	<b>\$ 4.66</b>	<b>\$ 0.91</b>	<b>\$ 1.41</b>	<b>\$ 2.38</b>	<b>\$ 2.43</b>	<b>\$ 7.12</b>	<b>\$ 2.79</b>	<b>\$ 4.83</b>	<b>\$ 5.12</b>	<b>\$ 5.76</b>	<b>\$ 18.12</b>	<b>\$ 5.78</b>	<b>\$ 6.48</b>	<b>\$ 6.14</b>	<b>\$ 5.64</b>	<b>\$ 24.03</b>	<b>\$ 5.53</b>	<b>\$ 5.54</b>	<b>\$ 5.52</b>	<b>\$ 5.30</b>	<b>\$ 21.89</b>
EPS (GAAP)	\$ 4.97	\$ (2.58)	\$ 3.18	\$ 2.05	\$ 1.73	\$ 4.30	\$ 2.85	\$ 4.83	\$ 5.12	\$ 5.87	\$ 18.29	\$ 5.78	\$ 6.48	\$ 6.14	\$ 5.64	\$ 24.03	\$ 5.53	\$ 5.54	\$ 5.52	\$ 5.30	\$ 21.89
Diluted Weighted Average Shares	91	90	88	89	88	89	84	80	71	66	75	63	58	57	56	58	54	53	51	50	52
<b>Gross Margin (% of Revenue)</b>																					
New Vehicles	4.5%	4.2%	5.3%	6.1%	6.4%	5.6%	6.4%	9.3%	11.6%	12.7%	10.3%	12.3%	12.0%	11.3%	10.2%	11.5%	9.4%	8.9%	8.2%	7.8%	8.6%
Used Vehicles	6.7%	7.2%	8.4%	9.1%	6.8%	7.9%	7.6%	8.6%	7.6%	7.1%	7.7%	5.2%	6.2%	6.8%	6.6%	6.3%	6.7%	6.3%	6.4%	6.5%	6.5%
Service & Parts	45.4%	44.4%	45.1%	46.4%	45.6%	45.4%	45.7%	45.5%	45.0%	44.4%	45.1%	45.9%	46.5%	46.0%	46.0%	46.1%	46.0%	46.0%	46.0%	46.0%	46.0%
Fleet & Other	4.8%	4.9%	5.5%	17.9%	3.2%	6.0%	7.1%	21.6%	16.2%	28.4%	17.6%	42.6%	26.4%	15.0%	28.0%	25.9%	7.0%	21.5%	15.0%	28.0%	18.3%
<b>Total</b>	<b>16.5%</b>	<b>17.4%</b>	<b>17.5%</b>	<b>18.4%</b>	<b>17.0%</b>	<b>17.6%</b>	<b>17.5%</b>	<b>19.0%</b>	<b>19.9%</b>	<b>20.1%</b>	<b>19.2%</b>	<b>19.4%</b>	<b>19.8%</b>	<b>19.8%</b>	<b>19.3%</b>	<b>19.6%</b>	<b>19.3%</b>	<b>19.1%</b>	<b>18.7%</b>	<b>18.9%</b>	<b>19.0%</b>

% of Revenue Analysis

SG&A	12.0%	12.9%	12.0%	11.6%	10.9%	11.8%	11.0%	10.7%	11.3%	11.4%	11.1%	11.0%	11.0%	11.3%	11.4%	11.2%	11.8%	11.8%	11.6%	11.9%	11.8%
SG&A (% Gross Profit)	72.5%	73.9%	68.2%	63.0%	63.8%	66.9%	62.7%	56.5%	56.9%	56.7%	58.0%	56.6%	55.4%	57.0%	59.0%	57.0%	61.0%	62.0%	62.0%	63.0%	62.0%
Floorplan Interest Expense	0.6%	0.5%	0.4%	0.2%	0.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA	4.0%	4.0%	5.3%	6.5%	6.0%	5.5%	6.4%	8.2%	8.6%	8.7%	8.0%	8.3%	8.8%	8.4%	7.8%	8.3%	7.4%	7.1%	7.0%	6.9%	7.1%
EBIT	3.2%	3.0%	4.2%	5.5%	5.2%	4.6%	5.5%	7.5%	7.8%	7.9%	7.2%	7.6%	8.0%	7.7%	7.1%	7.6%	6.7%	6.4%	6.3%	6.1%	6.4%
Pre-Tax Income	2.7%	2.4%	3.7%	5.2%	4.9%	4.1%	5.2%	7.3%	7.4%	7.5%	6.9%	7.1%	7.3%	7.1%	6.5%	7.0%	6.1%	5.9%	5.7%	5.5%	5.8%
Income Tax Rate	27.6%	27.1%	25.9%	24.9%	24.6%	25.3%	24.5%	24.8%	23.6%	23.2%	24.0%	24.2%	25.4%	26.5%	26.5%	25.6%	26.5%	26.5%	26.5%	26.5%	26.5%
Net Income (before one-time items)	2.0%	1.8%	2.7%	3.9%	3.7%	3.1%	4.0%	5.5%	5.7%	5.8%	5.3%	5.4%	5.5%	5.2%	4.8%	5.2%	4.5%	4.3%	4.2%	4.1%	4.3%

Retail Unit Sales - Cont. Ops. (actual)

New Vehicles	282,602	56,739	54,513	65,998	72,404	249,654	69,361	77,164	58,277	57,601	262,403	56,442	57,890	57,755	55,012	227,099	57,571	59,627	61,221	60,513	238,931
Used Vehicles	246,113	56,149	58,920	64,587	61,526	241,182	71,780	80,589	77,553	74,442	304,364	79,763	77,080	78,041	77,083	311,967	82,156	82,476	81,943	80,166	326,741
<b>Total</b>	<b>528,715</b>	<b>112,888</b>	<b>113,433</b>	<b>130,585</b>	<b>133,930</b>	<b>490,836</b>	<b>141,141</b>	<b>157,753</b>	<b>135,830</b>	<b>132,043</b>	<b>566,767</b>	<b>136,205</b>	<b>134,970</b>	<b>135,796</b>	<b>132,095</b>	<b>539,066</b>	<b>139,727</b>	<b>142,102</b>	<b>143,164</b>	<b>140,679</b>	<b>565,672</b>

Gross Profit per Unit

Gross per unit - new retail	\$1,801	\$1,693	\$2,194	\$2,535	\$2,775	\$2,340	\$2,739	\$4,157	\$5,484	\$6,446	\$4,537	\$6,113	\$6,109	\$5,429	\$5,028	\$5,541	\$4,585	\$4,276	\$3,800	\$3,520	\$4,037
Gross per unit - used retail	\$1,420	\$1,489	\$1,801	\$1,994	\$1,565	\$1,719	\$1,744	\$2,240	\$2,104	\$2,059	\$2,020	\$1,568	\$1,916	\$1,894	\$1,833	\$1,748	\$1,803	\$1,744	\$1,704	\$1,668	\$1,730
F&I Per Retail Unit	\$1,935	\$2,089	\$2,172	\$2,153	\$2,209	\$2,158	\$2,218	\$2,339	\$2,569	\$2,678	\$2,663	\$2,672	\$2,724	\$2,697	\$2,678	\$2,693	\$2,672	\$2,696	\$2,670	\$2,678	\$2,679
Variable Gross per Unit	\$1,935	\$3,682	\$4,159	\$4,420	\$4,429	\$4,193	\$4,451	\$5,514	\$6,122	\$6,655	\$5,661	\$6,122	\$6,436	\$6,094	\$5,842	\$6,125	\$5,621	\$5,503	\$5,271	\$5,142	\$5,384

Group 1 Automotive, Inc. (GPI)  
(In millions except per share amounts and as noted)  
Daniel Imbro  
501.377.2055

	2020A	1Q A	2Q A	3Q A	4Q A	2021A	1Q A	2Q A	3Q E	4Q E	2022E	1Q E	2Q E	3Q E	4Q E	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles	\$5,580.9	\$1,543.4	\$1,855.3	\$1,576.2	\$1,676.2	\$6,651.1	\$1,745.1	\$1,851.3	\$1,755.5	\$1,671.5	\$7,023.4	\$1,448.1	\$1,457.1	\$1,479.2	\$1,449.1	\$5,833.5
% chg. y/y	(15.6%)	15.0%	74.6%	(0.3%)	5.1%	19.2%	14.1%	(0.2%)	14.4%	(0.3%)	17.0%	(17.0%)	(15.2%)	(13.3%)	(13.3%)	(13.3%)
Used Vehicles retail	3,105.6	898.8	1,195.6	1,248.3	1,136.6	4,479.3	1,359.9	1,505.4	1,447.6	1,183.8	5,496.6	1,157.4	1,199.5	1,227.0	1,047.0	4,630.9
% chg. y/y	(7.8%)	15.4%	86.5%	43.9%	38.9%	44.2%	51.3%	25.9%	16.0%	4.1%	22.7%	(14.9%)	(20.3%)	(15.2%)	(11.6%)	(15.7%)
Used Vehicles wholesale	308.1	80.2	96.4	109.4	87.7	373.7	93.5	95.8	92.2	83.2	364.6	74.0	86.9	78.4	78.1	317.3
% chg. y/y	(13.3%)	(7.3%)	97.9%	26.3%	3.7%	21.3%	16.6%	(0.6%)	(15.7%)	(5.2%)	(2.4%)	(20.9%)	(9.3%)	(15.0%)	(6.1%)	(13.0%)
Used Vehicles	3,413.7	979.0	1,292.0	1,357.7	1,224.3	4,853.0	1,453.4	1,601.2	1,539.8	1,266.9	5,861.3	1,231.3	1,286.4	1,305.4	1,125.1	4,948.2
% chg. y/y	(8.3%)	13.1%	87.3%	42.3%	35.4%	42.2%	48.5%	23.9%	13.4%	3.5%	20.8%	(15.3%)	(19.7%)	(15.2%)	(11.2%)	(15.6%)
Service & Parts	1,389.4	360.6	392.1	427.6	439.0	1,619.3	472.9	502.6	543.5	545.5	2,064.6	507.6	539.3	582.5	574.0	2,203.4
% chg. y/y	(8.0%)	(2.7%)	39.0%	13.8%	21.5%	16.5%	31.1%	28.2%	27.1%	24.3%	27.5%	7.3%	7.3%	7.2%	5.2%	6.7%
Finance & Insurance	468.0	127.0	161.0	147.7	150.2	585.9	173.0	190.2	190.8	166.7	720.6	155.1	162.8	170.0	154.9	642.7
Fleet & Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenues</b>	<b>\$ 10,852.0</b>	<b>\$ 3,010.0</b>	<b>\$ 3,700.4</b>	<b>\$ 3,509.2</b>	<b>\$ 3,489.7</b>	<b>\$ 13,709.3</b>	<b>\$ 3,844.4</b>	<b>\$ 4,145.4</b>	<b>\$ 4,029.5</b>	<b>\$ 3,650.6</b>	<b>\$ 15,669.9</b>	<b>\$ 3,342.1</b>	<b>\$ 3,445.7</b>	<b>\$ 3,537.1</b>	<b>\$ 3,303.1</b>	<b>\$ 13,627.9</b>
% chg. y/y	(9.9%)	11.9%	73.6%	15.4%	16.7%	26.3%	27.7%	12.0%	14.8%	4.6%	14.3%	(13.1%)	(16.9%)	(12.2%)	(9.5%)	(13.0%)
Cost of Sales	9,082.7	2,519.4	3,039.2	2,856.0	2,818.3	11,232.9	3,119.7	3,377.0	3,288.6	2,962.1	12,747.3	2,702.5	2,780.9	2,838.4	2,651.4	10,973.2
% chg. y/y	(11.2%)	10.8%	71.5%	13.0%	12.4%	23.7%	23.8%	11.1%	15.1%	5.1%	13.5%	(13.4%)	(17.7%)	(13.7%)	(10.5%)	(13.9%)
<b>Gross Profit</b>	<b>1,769.3</b>	<b>490.7</b>	<b>661.3</b>	<b>653.2</b>	<b>671.2</b>	<b>2,476.4</b>	<b>724.7</b>	<b>768.4</b>	<b>740.9</b>	<b>688.5</b>	<b>2,922.6</b>	<b>639.5</b>	<b>664.8</b>	<b>698.7</b>	<b>651.6</b>	<b>2,654.7</b>
% chg. y/y	(2.6%)	17.8%	84.3%	27.6%	39.3%	40.0%	47.7%	16.2%	13.4%	2.6%	18.0%	(11.8%)	(13.5%)	(5.7%)	(5.4%)	(9.2%)
SG&A Expenses	1,165.6	318.4	377.5	383.9	415.8	1,495.6	439.9	463.4	470.1	440.0	1,813.3	411.5	429.1	454.2	424.0	1,718.8
% chg. y/y	(13.2%)	(2.9%)	67.5%	25.5%	35.7%	28.3%	38.2%	22.7%	22.5%	5.8%	21.2%	(6.4%)	(7.4%)	(3.4%)	(3.6%)	(5.2%)
Floorplan Interest Expense	39.5	7.6	6.5	5.7	3.8	23.6	5.3	5.9	6.0	6.4	23.6	7.4	7.8	8.8	9.9	33.9
Other Expenses / (Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	563.9	164.7	277.3	263.6	251.6	957.2	279.5	299.2	264.8	242.2	1,085.7	220.7	227.9	235.7	217.7	902.0
Depreciation & Amortization	75.8	19.5	18.8	19.6	20.6	78.5	21.2	23.0	21.3	21.5	87.0	21.6	21.7	21.8	21.9	87.0
<b>EBIT</b>	<b>\$ 488.1</b>	<b>\$ 145.2</b>	<b>\$ 258.5</b>	<b>\$ 244.0</b>	<b>\$ 231.0</b>	<b>\$ 878.7</b>	<b>\$ 258.3</b>	<b>\$ 276.2</b>	<b>\$ 243.5</b>	<b>\$ 220.7</b>	<b>\$ 998.7</b>	<b>\$ 199.1</b>	<b>\$ 206.3</b>	<b>\$ 213.9</b>	<b>\$ 195.8</b>	<b>\$ 815.0</b>
% chg. y/y	43.8%	154.7%	147.4%	36.3%	56.5%	80.0%	77.9%	6.9%	(0.2%)	(4.5%)	13.7%	(22.9%)	(25.3%)	(12.1%)	(11.3%)	(18.4%)
Other Interest Expense	(62.5)	(13.8)	(13.7)	(13.2)	(16.0)	(56.7)	(17.4)	(18.5)	(18.2)	(18.2)	(18.2)	(18.2)	(18.2)	(18.2)	(18.2)	(72.6)
Other Income / (Expense)	0.8	0.9	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Income	426.4	132.3	244.8	230.8	215.0	822.9	240.9	257.8	225.3	202.6	926.5	180.9	188.1	195.7	177.7	742.4
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	92.9	29.6	54.6	53.4	45.2	182.8	56.3	60.3	50.0	45.0	211.6	40.2	41.8	43.5	39.4	164.8
Income Tax Rate	21.8%	22.4%	22.3%	23.1%	21.0%	22.2%	23.4%	23.4%	22.2%	22.2%	22.8%	22.2%	22.2%	22.2%	22.2%	22.2%
Net Income (Cont Ops / Adj.)	<b>\$ 333.5</b>	<b>\$ 102.7</b>	<b>\$ 190.2</b>	<b>\$ 177.4</b>	<b>\$ 169.8</b>	<b>\$ 640.1</b>	<b>\$ 184.6</b>	<b>\$ 197.5</b>	<b>\$ 175.3</b>	<b>\$ 157.6</b>	<b>\$ 714.9</b>	<b>\$ 140.8</b>	<b>\$ 146.3</b>	<b>\$ 152.3</b>	<b>\$ 138.2</b>	<b>\$ 577.6</b>
Dealership dispositions	0.0	0.0	0.0	0.0	(76.1)	(76.1)	1.8	(8.8)	0.0	0.0	(7.0)	0.0	0.0	0.0	0.0	0.0
Net Income (before one-time items)	333.5	102.7	190.2	177.4	93.7	564.0	186.4	188.7	175.3	157.6	707.9	140.8	146.3	152.3	138.2	577.6
One-time items	(46.3)	(0.9)	0.8	(5.4)	(6.7)	(12.2)	16.5	10.6	0.0	0.0	27.1	0.0	0.0	0.0	0.0	0.0
Net Income	287.2	101.8	191.0	172.0	87.0	551.8	202.9	199.3	175.3	157.6	735.0	140.8	146.3	152.3	138.2	577.6
Earnings allocated to participating securities	9.7	(3.5)	(6.4)	5.7	(2.9)	(7.1)	(5.9)	(5.4)	5.8	(5.3)	(10.7)	(4.1)	(4.0)	5.0	(4.6)	(7.6)
Net Income Available to Common	296.9	98.3	184.6	177.7	84.1	544.7	197.0	193.9	181.1	152.3	724.3	136.7	142.4	157.3	133.6	570.0
After-tax adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. Net Income Available to Common	296.9	98.3	184.6	177.7	84.1	544.7	197.0	193.9	181.1	152.3	724.3	136.7	142.4	157.3	133.6	570.0
<b>Adj. EPS</b>	<b>\$ 18.05</b>	<b>\$ 5.57</b>	<b>\$ 10.31</b>	<b>\$ 9.62</b>	<b>\$ 9.43</b>	<b>\$ 34.92</b>	<b>\$ 10.81</b>	<b>\$ 12.00</b>	<b>\$ 10.94</b>	<b>\$ 10.11</b>	<b>\$ 43.90</b>	<b>\$ 9.03</b>	<b>\$ 9.38</b>	<b>\$ 9.77</b>	<b>\$ 8.86</b>	<b>\$ 37.04</b>
% chg. y/y	65.3%	236.7%	173.5%	38.1%	66.5%	93.5%	94.1%	16.4%	13.7%	7.1%	25.7%	(16.5%)	(21.8%)	(10.7%)	(12.3%)	(15.6%)
EPS (GAAP)	\$15.55	\$5.52	\$10.35	\$9.33	\$9.06	\$30.10	\$11.88	\$12.11	\$10.94	\$10.11	\$45.13	\$9.03	\$9.38	\$9.77	\$8.86	\$37.04
Total Weighted Average Shares Outstanding	18.5	18.4	18.4	18.4	18.0	18.3	17.1	16.5	16.0	15.6	16.3	15.6	15.6	15.6	15.6	15.6

#### Gross Margin (% of Revenue)

New Vehicles	6.0%	6.4%	8.9%	10.6%	11.5%	9.4%	11.5%	11.4%	9.7%	9.4%	10.5%	9.9%	9.8%	9.4%	8.5%	9.4%
Used Vehicles (retail)	6.8%	6.6%	9.1%	7.9%	8.0%	8.0%	6.5%	5.9%	6.0%	5.9%	6.1%	5.8%	5.9%	5.9%	5.8%	5.8%
Service & Parts	54.0%	55.7%	55.3%	54.2%	52.9%	54.4%	54.9%	55.2%	53.1%	53.1%	54.1%	53.6%	53.6%	53.6%	53.6%	53.6%
<b>Total</b>	<b>16.3%</b>	<b>16.3%</b>	<b>17.9%</b>	<b>18.6%</b>	<b>19.2%</b>	<b>18.1%</b>	<b>18.9%</b>	<b>18.5%</b>	<b>18.4%</b>	<b>18.9%</b>	<b>18.7%</b>	<b>19.1%</b>	<b>19.3%</b>	<b>19.8%</b>	<b>19.7%</b>	<b>19.5%</b>

#### % of Revenue Analysis

SG&A	10.7%	10.6%	10.2%	10.9%	11.9%	10.9%	11.4%	11.2%	11.7%	12.1%	11.6%	12.3%	12.5%	12.8%	12.8%	12.6%
SG&A (% Gross Profit)	65.9%	64.9%	57.1%	58.8%	61.9%	60.4%	60.7%	60.3%	63.4%	63.9%	62.0%	64.3%	64.5%	65.0%	65.1%	64.7%
Floorplan Interest Expense	0.4%	0.3%	0.2%	0.2%	0.1%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%
EBITDA	5.2%	5.5%	7.5%	7.5%	7.2%	7.0%	7.3%	7.2%	6.6%	6.6%	6.9%	6.6%	6.6%	6.7%	6.6%	6.6%
Depreciation & Amortization	0.7%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%
EBIT	4.5%	4.8%	7.0%	7.0%	6.6%	6.4%	6.7%	6.7%	6.0%	6.0%	6.4%	6.0%	6.0%	6.0%	5.9%	6.0%
Other Interest Expense	(0.6%)	(0.5%)	(0.4%)	(0.4%)	(0.5%)	(0.4%)	(0.5%)	(0.4%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)
Pre-Tax Income	3.9%	4.4%	6.6%	6.6%	6.2%	6.0%	6.3%	6.2%	5.6%	5.5%	5.9%	5.4%	5.5%	5.5%	5.4%	5.4%
Net Income (before one-time items)	3.1%	3.4%	5.1%	5.1%	4.9%	4.7%	4.8%	4.8%	4.3%	4.3%	4.6%	4.2%	4.2%	4.3%	4.2%	4.2%

#### Retail Unit Sales - Cont. Ops. (actual)

New Vehicles	140,221	36,863	42,893	35,126	35,573	150,455	36,733	38,822	37,503	36,008	149,066	31,839	33,073	34,395	33,944	133,252
Used Vehicles (retail)	140,118	38,059	45,002	43,240	37,298	163,599	43,606	48,771	40,406	41,540	141,690	39,602	42,364	43,540	37,123	162,629
<b>Total</b>	<b>280,339</b>	<b>74,922</b>	<b>87,895</b>	<b>78,366</b>	<b>72,871</b>	<b>314,054</b>	<b>80,339</b>	<b>87,729</b>	<b>86,274</b>	<b>86,414</b>	<b>330,755</b>	<b>71,441</b>	<b>75,437</b>	<b>77,935</b>	<b>71,068</b>	<b>295,881</b>

#### Comparable Store Sales

New Vehicles (Retail)	(11.7%)	14.2%	74.9%	(2.3%)	(6.0%)	12.7%	(4.5%)	(17.3%)	(3.7%)	(14.8%)	(10.5%)	(19.1%)	(21.2%)	(15.7%)	(13.3%)	(17.4%)
Used Vehicles (Retail)	(7.9%)	15.2%	87.7%	40.2%	29.0%	39.4%	31.0%	7.0%	(0.8%)	(9.2%)	5.5%	(16.8%)	(20.3%)	(15.2%)	(11.6%)	(16.2%)
Service & Parts	(8.1%)	(1.7%)	38.6%	13.0%	12.5%	12.1%	14.8%	11.0%	13.0%	9.3%	11.3%	5.1%	7.3%	7.2%	5.2%	6.2%
Finance & Insurance	(6.1%)	15.0%	67.3%	12.9%	7.6%	22.2%	18.3%	(1.1%)	7.7%	(4.7%)	4.4%	(12.6%)	(14.4%)	(10.9%)	(7.1%)	(11.3%)
Wholesale, Fleet & Other (non-comp)	(13.2%)	(4.7%)	98.5%	22.8%	(2.8%)	17.5%	1.8%	(15.8%)	(29.9%)	(15.7%)	(16.1%)	(22.5%)	(9.3%)	(15.0%)	(6.1%)	(13.4%)
<b>Total (includes Fleet and Wholesale)</b>	<b>(10.0%)</b>	<b>12.0%</b>	<b>72.0%</b>	<b>13.0%</b>	<b>7.0%</b>	<b>21.0%</b>	<b>10.0%</b>	<b>(6.0%)</b>	<b>(1.0%)</b>	<b>(10.0%)</b>	<b>(2.0%)</b>	<b>(15.0%)</b>	<b>(17.0%)</b>	<b>(12.0%)</b>	<b>(10.0%)</b>	<b>(14.0%)</b>

Source: Company Filings & Stephens Inc.

	2019A	1Qa	2Qa	3Qa	4Qa	2020A	1Qa	2Qa	3Qa	4Qa	2021A	1Qa	2Qa	3Qe	4Qe	2022E	1Qe	2Qe	3Qe	4Qe	2023E
	Yr	(Mar)	(Jun)	(Sept.)	(Dec)	Yr	(Mar)	(Jun)	(Sept.)	(Dec)	Yr	(Mar)	(Jun)	(Sept.)	(Dec)	Yr	(Mar)	(Jun)	(Sept.)	(Dec)	Yr
New Vehicles	\$6,799.1	\$1,373.5	\$1,367.8	\$1,883.3	\$2,149.4	\$6,774.0	\$2,193.2	\$3,146.2	\$2,898.2	\$2,960.0	\$11,197.6	\$3,061.8	\$3,250.7	\$3,070.3	\$2,898.3	\$12,281.1	\$3,124.6	\$3,221.0	\$3,099.7	\$3,070.2	\$12,515.5
% chg. y/y	3.0%	-6.0%	-19.9%	3.2%	19.0%	-0.4%	5.7%	130.0%	5.3%	37.7%	65.3%	39.6%	3.3%	5.9%	-2.1%	9.7%	2.0%	-0.9%	1.0%	5.9%	1.9%
Used Vehicles (retail)	3,527.2	874.4	922.2	1,093.2	1,108.7	3,998.5	1,352.2	1,804.9	2,079.5	2,018.7	7,255.3	2,234.5	2,509.9	2,421.8	2,241.4	9,407.6	2,364.3	2,615.0	2,399.0	2,306.4	9,684.7
% chg. y/y	14.6%	5.6%	3.8%	19.3%	23.9%	13.4%	54.6%	95.7%	90.2%	82.1%	81.5%	65.2%	39.1%	16.5%	11.0%	29.7%	5.8%	4.2%	-0.9%	2.9%	2.9%
Used Vehicles (wholesale)	301.2	66.7	51.3	98.8	91.8	308.6	135.2	217.4	260.9	343.6	957.1	385.8	369.2	382.3	415.6	1,552.9	411.5	384.7	339.5	378.0	1,513.6
% chg. y/y	-9.1%	-13.8%	-37.2%	32.8%	35.6%	2.5%	102.7%	323.8%	164.1%	274.3%	210.1%	185.4%	69.8%	46.5%	21.0%	62.2%	6.6%	4.2%	-11.2%	-9.1%	-5.5%
Finance & Insurance	518.8	121.9	124.9	160.5	172.6	579.9	198.4	269.9	297.0	286.3	1,051.3	313.2	330.4	332.1	315.3	1,291.0	334.5	343.8	340.1	332.5	1,351.0
% chg. y/y	14.0%	3.7%	3.2%	17.8%	26.9%	11.8%	62.8%	115.9%	85.0%	65.9%	81.3%	57.9%	22.6%	11.8%	10.1%	22.8%	6.8%	4.1%	2.4%	5.4%	4.6%
Service & Parts	1,325.2	329.9	275.5	359.5	383.9	1,348.8	404.0	521.0	578.3	607.6	2,110.9	627.8	682.6	714.3	698.5	2,702.3	694.7	786.6	743.4	726.5	2,903.1
% chg. y/y	3.9%	5.6%	-17.0%	22.5%	6.2%	1.5%	22.5%	85.1%	92.0%	50.8%	68.0%	62.0%	10.0%	6.2%	4.0%	20.6%	10.0%	12.0%	10.0%	4.0%	6.0%
Fleet & Other	201.3	37.4	16.9	24.9	35.4	114.6	60.0	50.3	55.9	93.3	259.5	82.2	97.3	84.7	103.5	367.7	91.8	106.6	79.3	98.0	375.3
% chg. y/y	53.6%	-22.7%	-78.8%	-37.9%	7.3%	-43.1%	60.4%	197.6%	124.5%	163.6%	126.4%	37.0%	93.4%	51.5%	11.0%	41.7%	11.6%	9.2%	-4.4%	-5.4%	2.1%
Total Revenues	12,672.8	2,803.8	2,758.6	3,620.2	3,941.8	13,124.4	4,343.0	6,009.4	6,169.8	6,309.5	22,831.7	6,705.3	7,240.1	7,005.4	6,672.7	27,633.5	7,012.1	7,409.4	7,001.1	6,911.4	28,343.1
% chg. y/y	7.2%	-1.6%	-14.4%	8.6%	20.6%	3.6%	54.9%	117.8%	70.4%	60.1%	74.0%	54.4%	25.5%	13.5%	5.8%	21.0%	4.7%	2.3%	-0.1%	3.6%	2.6%
Cost of Sales	10,719.0	2,342.9	2,294.2	2,968.6	3,293.1	10,898.8	3,627.5	4,898.8	4,980.7	5,065.7	18,572.7	5,427.2	5,889.4	5,680.9	5,440.1	22,437.6	5,785.5	6,174.0	5,786.3	5,742.7	23,488.5
% chg. y/y	6.7%	-2.3%	-15.9%	5.2%	18.9%	1.7%	54.8%	113.5%	67.8%	53.8%	70.4%	49.6%	20.2%	14.1%	7.4%	20.8%	6.6%	4.8%	1.9%	5.6%	4.7%
Gross Profit	1,953.8	460.9	464.4	651.6	648.7	2,225.6	715.5	1,110.6	1,189.1	1,243.8	4,259.0	1,278.1	1,350.7	1,324.5	1,232.6	5,185.9	1,235.8	1,235.3	1,214.8	1,168.7	4,854.6
% chg. y/y	10.0%	2.3%	-5.9%	27.5%	30.1%	13.9%	55.2%	139.1%	82.5%	91.7%	91.4%	78.6%	21.6%	11.4%	-0.9%	21.8%	-3.3%	-8.5%	-8.3%	-5.2%	-6.4%
SG&A Expenses	1,371.4	344.8	300.3	389.1	402.4	1,436.6	447.6	618.3	663.6	706.4	2,435.9	729.5	781.3	782.1	737.1	3,031.8	745.8	753.6	744.7	722.3	2,966.3
% chg. y/y	8.5%	7.2%	-13.3%	10.8%	14.3%	6.9%	29.8%	65.9%	70.6%	63.9%	68.0%	63.8%	26.7%	17.8%	-4.3%	24.3%	2.3%	3.0%	-0.8%	-4.8%	-2.2%
Floorplan Interest Expense	(72.6)	(14.0)	(8.1)	(6.1)	(6.2)	(64.4)	(6.8)	(6.4)	(3.6)	(5.4)	(22.2)	(4.9)	(3.8)	(4.9)	(5.0)	(18.6)	(6.7)	(6.4)	(7.0)	(7.2)	(7.2)
Other Expenses / (Income)	0.0	(2.3)	0.0	(2.2)	(7.0)	(11.5)	(3.7)	0.0	(7.8)	(6.1)	(17.6)	(6.9)	0.0	0.0	0.0	(6.9)	0.0	0.0	0.0	0.0	0.0
EBITDA	509.8	104.4	156.0	258.6	247.1	766.1	264.8	485.9	529.7	538.1	1,818.5	550.6	563.8	537.5	490.5	2,142.4	483.7	475.1	463.1	438.8	1,860.7
Depreciation & Amortization	82.4	22.0	22.3	22.9	25.2	92.4	26.8	30.3	34.4	35.8	127.3	39.2	40.9	40.9	41.5	162.5	42.1	42.7	43.3	43.9	172.8
EBIT	427.4	82.4	133.7	235.7	221.9	673.7	238.0	455.6	495.3	502.3	1,691.2	511.4	522.9	496.6	448.9	1,979.8	441.5	424.2	419.8	395.0	1,680.8
% chg. y/y	13.4%	-9.5%	24.0%	95.1%	106.0%	57.6%	188.7%	240.8%	110.1%	126.4%	151.0%	114.9%	14.8%	0.3%	-10.6%	17.1%	-13.7%	-17.3%	-15.5%	-12.0%	-14.7%
Other Interest Expense	(60.8)	(17.0)	(16.8)	(16.6)	(22.7)	(73.1)	(23.5)	(28.1)	(28.0)	(28.6)	(108.2)	(30.1)	(34.4)	(35.0)	(35.0)	(134.5)	(35.0)	(37.5)	(37.5)	(40.0)	(150.0)
Other Income / (Expense)	13.7	0.0	3.5	0.0	0.0	3.5	0.0	6.4	0.0	0.0	6.4	0.0	(3.8)	0.0	0.0	(3.8)	0.0	0.0	0.0	0.0	0.0
Pre-Tax Income	380.3	65.4	120.4	219.1	199.2	604.1	214.5	433.9	467.3	473.7	1,589.4	481.3	484.7	461.6	413.9	1,841.5	406.5	394.9	382.3	355.0	1,538.8
% chg. y/y	15.9%	-16.5%	25.7%	100.5%	105.8%	58.9%	227.8%	260.4%	113.3%	137.8%	163.1%	124.4%	11.7%	-1.2%	-12.6%	15.9%	-15.5%	-18.5%	-17.2%	-14.2%	-16.4%
Income Taxes	105.2	18.3	60.3	105.8	53.3	166.8	55.1	124.9	126.1	125.4	430.2	125.4	130.2	126.6	126.6	410.8	109.6	114.3	110.5	106.3	419.2
Tax Rate	27.7%	28.0%	29.0%	27.5%	26.8%	27.6%	25.7%	27.3%	26.7%	26.3%	26.1%	26.6%	26.9%	27.0%	27.0%	26.7%	27.0%	27.0%	27.0%	27.0%	27.0%
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.5	2.6	1.4	6.3	3.0	3.0	3.0	13.7	3.0	3.0	3.0	3.0	12.0
Net Income (continuing operations)	275.1	47.1	85.5	158.8	145.9	473.7	158.4	315.5	341.3	346.2	1,161.4	354.4	348.2	334.0	299.2	1,335.7	293.8	285.3	276.1	256.1	1,111.3
Dealership dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (before one-time items)	275.1	47.1	85.5	158.8	145.9	473.7	158.4	315.5	341.3	346.2	1,161.4	354.4	348.2	334.0	299.2	1,335.7	293.8	285.3	276.1	256.1	1,111.3
One-time Items	(3.6)	(0.9)	(7.8)	0.0	41.7	33.0	(2.2)	(10.6)	(33.4)	(55.2)	(101.4)	(12.2)	(16.7)	0.0	0.0	(28.9)	0.0	0.0	0.0	0.0	0.0
Net Income	271.5	46.2	77.7	158.8	187.6	470.3	156.2	304.9	307.9	291.0	1,060.0	342.2	331.5	334.0	299.2	1,306.8	293.8	285.3	276.1	256.1	1,111.3
EPS (continuing operations)	\$ 11.76	\$ 2.01	\$ 3.72	\$ 6.86	\$ 5.46	\$ 18.16	\$ 5.89	\$ 11.12	\$ 11.21	\$ 11.39	\$ 40.01	\$ 11.96	\$ 12.18	\$ 12.06	\$ 11.16	\$ 47.41	\$ 11.35	\$ 11.43	\$ 11.05	\$ 10.63	\$ 44.48
% chg. y/y	18.0%	-17.8%	25.9%	102.3%	85.4%	54.4%	193.7%	199.2%	63.3%	108.5%	120.3%	103.2%	9.5%	7.6%	-2.0%	18.5%	-5.1%	-6.2%	-8.4%	-7.7%	-6.2%
EPS (GAAP)	\$ 11.60	\$ 1.97	\$ 3.38	\$ 6.86	\$ 7.02	\$ 19.53	\$ 5.81	\$ 10.75	\$ 10.11	\$ 9.57	\$ 36.51	\$ 11.55	\$ 11.60	\$ 12.06	\$ 11.16	\$ 46.38	\$ 11.35	\$ 11.43	\$ 11.05	\$ 10.63	\$ 44.48
Diluted Weighted Average Shares	23.4	23.5	23.0	23.1	26.7	24.1	26.9	28.4	30.5	30.4	29.0	29.6	28.6	27.7	26.8	28.2	25.9	25.5	25.5	25.1	24.5

**Gross Margin (% of Revenue)**

5.7%	5.7%	6.7%	7.4%	7.0%	6.8%	7.1%	10.0%	12.1%	13.5%	10.9%	13.1%	12.6%	12.4%	12.0%	12.5%	10.5%	9.5%	8.9%	8.5%	9.4%
10.4%	10.3%	10.7%	13.2%	10.2%	11.2%	10.1%	12.9%	11.2%	11.2%	11.4%	10.0%	9.5%	9.6%	9.0%	9.5%	8.7%	8.0%	8.6%	8.3%	8.4%
50.4%	51.0%	52.4%	54.5%	54.3%	53.1%	54.0%	53.4%	52.3%	51.3%	52.6%	52.4%	53.3%	52.5%	51.5%	52.4%	52.0%	52.0%	52.0%	52.0%	52.0%
15.4%	16.4%	16.8%	18.0%	16.5%	17.0%	16.5%	18.5%	19.3%	19.7%	18.7%	19.1%	18.7%	18.9%	18.5%	18.8%	17.6%	16.7%	17.4%	16.9%	17.1%

### % of Revenue Analysis

10.8%	12.3%	10.9%	10.7%	10.2%	10.9%	10.3%	10.3%	10.8%	11.2%	10.7%	10.9%	10.8%	11.2%	11.0%	11.0%	10.6%	10.2%	10.6%	10.5%	10.5%
70.2%	74.8%	64.7%	59.7%	62.0%	64.5%	62.6%	55.7%	55.8%	57.2%	57.1%	58.0%	59.1%	59.8%	58.5%	58.5%	60.4%	61.0%	61.3%	61.8%	61.1%
(90.0)	340.0	(540.0)	(910.0)	(860.0)	(570.0)	(1,220.0)	(900.0)	(390.0)	(520.0)	(730.0)	(550.0)	230.0	325.0	300.0	130.0	325.0	300.0	225.0	200.0	260.0
0.6%	0.5%	0.3%	0.2%	0.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
4.0%	3.7%	5.7%	7.1%	6.3%	5.8%	6.1%	8.1%	8.6%	8.5%	8.0%	8.2%	7.8%	7.7%	7.4%	7.8%	6.9%	6.4%	6.6%	6.3%	6.6%
0.7%	0.8%	0.8%	0.6%	0.6%	0.7%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
3.4%	2.9%	4.8%	6.5%	5.6%	5.1%	5.5%	7.6%	8.0%	8.0%	7.4%	7.6%	7.2%	7.1%	6.7%	7.2%	6.3%	5.8%	6.0%	5.7%	6.0%
0.6%	0.5%	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
3.0%	2.3%	4.4%	6.1%	5.1%	4.6%	4.9%	7.2%	7.6%	7.5%	7.0%	7.2%	6.7%	6.6%	6.2%	6.7%	5.8%	5.3%	5.5%	5.1%	5.4%
27.7%	28.0%	29.0%	27.5%	26.8%	27.6%	26.2%	27.3%	26.7%	26.6%	26.8%	26.1%	26.9%	27.0%	27.0%	26.7%	27.0%	27.0%	27.0%	27.0%	27.0%
2.2%	1.7%	3.1%	4.4%	3.7%	3.3%	3.6%	5.3%	5.5%	5.5%	5.1%	5.3%	4.8%	4.8%	4.5%	4.8%	4.2%	3.9%	3.9%	3.7%	3.9%

## Retail Unit Sales - Cont. Ops. (actual)

180,532	35,907	34,869	47,923	52,469	171,168	53,864	75,176	66,894	64,812	260,746	64,942	68,752	67,362	65,685	266,741	70,163	72,514	70,112	70,283	283,071
170,423	42,631	43,505	49,363	47,731	183,230	59,027	70,254	76,362	69,914	275,557	73,689	81,026	87,202	79,900	321,817	83,348	87,808	88,144	83,895	343,195
350,955	78,588	78,374	97,286	100,200	354,398	112,891	145,430	143,256	134,726	536,303	138,631	149,778	154,564	155,588	583,558	153,511	160,322	158,256	154,178	626,266

**Gross Profit per Unit**

\$	2,100	\$	2,178	\$	2,643	\$	2,922	\$	2,870	\$	2,654	\$	2,909	\$	4,173	\$	5,222	\$	6,153	\$	4,673	\$	6,179	\$	5,969	\$	5,630	\$	5,306	\$	5,772	\$	4,678	\$	4,209	\$	3,941	\$	3,714	\$	4,136
	2,117		2,110		2,259		2,932		2,369		2,418		2,307		3,311		3,046		3,224		2,972		3,037		2,955		2,660		2,255		2,794		2,461		2,379		2,341		2,372		2,363
	1,478		1,552		1,593		1,649		1,723		1,636		1,757		1,818		2,009		2,178		1,819		2,260		2,146		2,149		2,166		2,194		2,179		2,058		2,148		2,157		2,135
	3,587		3,661		3,983		4,655		4,371		4,131		4,016		4,014		4,767		5,281		4,534		5,404		5,572		5,508		5,541		5,508		5,430		5,131		5,195		5,086		5,210

### Comparable Store Sales

2.9%	(6.4%)	(19.8%)	1.6%	16.7%	(1.8%)	54.8%	122.6%	(3.2%)	(8.1%)	34.2%	(2.6%)	(16.9%)	(10.6%)	(13.0%)	(11.4%)	(4.6%)	(5.1%)	0.9%	5.9%	(0.8%)
14.3%	5.5%	4.2%	18.3%	22.6%	12.8%	48.2%	92.6%	39.9%	39.4%	53.7%	30.6%	17.5%	(0.1%)	0.1%	10.1%	(0.8%)	(0.0%)	(1.0%)	2.9%	0.2%
13.8%	3.6%	(7.3%)	4.5%	14.8%	1.3%	20.4%	85.0%	7.2%	11.7%	27.6%	13.3%	9.4%	7.0%	4.0%	7.9%	4.0%	4.0%	4.0%	4.0%	4.0%
13.7%	34.4%	(2.5%)	15.9%	26.4%	18.3%	20.8%	112.1%	22.1%	18.5%	44.0%	16.6%	(1.6%)	(4.7%)	(0.8%)	1.2%	0.2%	(0.1%)	2.3%	5.4%	1.9%
<b>7.0%</b>	<b>(0.3%)</b>	<b>(12.2%)</b>	<b>7.8%</b>	<b>18.7%</b>	<b>4.0%</b>	<b>47.7%</b>	<b>111.3%</b>	<b>16.6%</b>	<b>15.0%</b>	<b>40.2%</b>	<b>16.0%</b>	<b>(0.3%)</b>	<b>(3.3%)</b>	<b>(5.2%)</b>	<b>1.0%</b>	<b>(2.0%)</b>	<b>(1.9%)</b>	<b>0.6%</b>	<b>4.2%</b>	<b>0.0%</b>

Source: Company data and Stephens Inc. estimates

Penske Automotive Group Inc. (PAG)  
(in millions except per share amounts and as noted)  
Daniel Imbro  
501-377-2055

	2019A	1Q A	2Q A	3Q A	4Q A	2020A	1Q A	2Q A	3Q A	4Q A	2021A	1Q A	2Q A	3Q E	4Q E	2022E	1Q E	2Q E	3Q E	4Q E	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
Automotive Retail:																					
New Vehicles	\$ 9,319.3	\$ 1,864.5	\$ 1,384.7	\$ 2,350.6	\$ 2,480.7	\$ 8,080.5	\$ 2,421.4	\$ 2,811.3	\$ 2,275.2	\$ 2,335.3	\$ 9,843.2	\$ 2,445.5	\$ 2,446.0	\$ 2,255.5	\$ 2,181.8	\$ 9,328.7	\$ 2,294.0	\$ 2,446.6	\$ 2,220.3	\$ 2,147.7	\$ 9,108.6
Used Vehicles	7,241.2	1,619.6	1,166.0	1,954.1	1,674.9	6,414.6	1,808.0	2,327.6	2,302.3	2,111.1	8,549.0	2,422.9	2,387.8	2,332.2	2,012.5	9,154.3	2,271.6	2,386.5	2,327.4	2,031.4	9,017.0
Service & Parts	2,195.9	513.3	345.2	521.8	503.4	1,883.7	503.2	546.2	555.3	560.9	2,165.6	586.2	597.0	602.2	603.3	2,388.7	620.4	633.7	620.3	627.4	2,501.8
Finance & Insurance	652.1	144.4	97.1	174.4	160.5	576.4	168.8	212.3	202.7	196.7	780.5	217.3	221.4	218.4	199.9	857.0	223.3	235.4	229.6	209.5	897.8
Fleet & Wholesale	1,197.1	274.8	160.5	257.1	281.2	973.6	305.5	300.2	299.4	269.9	1,175.0	357.3	345.1	334.0	307.0	1,343.4	381.8	370.7	350.7	316.2	1,419.4
Total Automotive Retail	\$ 20,605.6	\$ 4,416.6	\$ 3,153.5	\$ 5,258.0	\$ 5,100.7	\$ 17,928.8	\$ 5,206.9	\$ 6,197.6	\$ 5,634.9	\$ 5,473.9	\$ 22,513.3	\$ 6,029.2	\$ 5,997.3	\$ 5,741.2	\$ 5,304.5	\$ 23,072.2	\$ 5,791.2	\$ 6,072.9	\$ 5,748.3	\$ 5,332.2	\$ 22,944.6
Total Retail Commercial Truck Operations	2,050.5	491.4	399.2	590.9	579.4	2,060.9	434.7	625.3	717.3	688.4	2,465.7	792.3	768.7	740.0	729.7	3,030.7	750.9	747.7	759.5	736.8	2,995.0
Total Commercial Vehicles Australia/Power Systems & Other	\$ 513.1	\$ 101.1	\$ 98.4	\$ 122.7	\$ 132.0	\$ 454.2	\$ 132.2	\$ 164.6	\$ 145.1	\$ 133.8	\$ 575.7	\$ 153.9	\$ 140.9	\$ 142.2	\$ 135.1	\$ 572.1	\$ 155.4	\$ 142.3	\$ 143.6	\$ 136.5	\$ 577.9
<b>Total Revenues</b>	<b>\$ 23,169.2</b>	<b>\$ 5,009.1</b>	<b>\$ 3,651.1</b>	<b>\$ 5,971.6</b>	<b>\$ 5,812.1</b>	<b>\$ 20,443.9</b>	<b>\$ 5,773.8</b>	<b>\$ 6,987.5</b>	<b>\$ 6,497.3</b>	<b>\$ 6,296.1</b>	<b>\$ 25,554.7</b>	<b>\$ 6,975.4</b>	<b>\$ 6,906.9</b>	<b>\$ 6,623.4</b>	<b>\$ 6,169.3</b>	<b>\$ 26,675.0</b>	<b>\$ 6,697.6</b>	<b>\$ 6,962.9</b>	<b>\$ 6,651.4</b>	<b>\$ 6,205.5</b>	<b>\$ 26,517.4</b>
Cost of Sales	19,713.7	4,232.4	3,098.2	5,015.1	4,913.7	17,259.4	4,860.7	5,804.8	5,331.6	5,116.9	21,114.0	5,743.7	5,669.9	5,432.5	5,049.1	21,895.2	5,527.6	5,761.8	5,494.8	5,113.9	21,898.1
Automotive Retail Gross Profit																					
Gross Profit - New Vehicles	695.7	138.6	106.2	192.8	215.2	652.8	205.0	276.6	264.0	299.9	1,045.5	311.4	312.3	272.1	247.4	1,143.2	248.6	251.9	225.6	209.1	935.3
Gross Profit - Used Vehicles	366.1	85.9	55.8	143.3	104.0	389.0	109.4	194.1	193.2	169.9	666.6	155.8	155.2	154.9	133.5	599.4	150.9	151.0	149.9	123.7	575.5
Gross Profit - Service & Parts	1,305.8	303.7	201.2	322.0	300.4	1,127.3	305.4	337.0	333.7	331.2	1,307.3	350.5	359.2	358.3	358.9	1,427.0	359.9	367.5	359.8	363.9	1,451.0
Gross Profit - F&I	652.1	144.4	97.1	174.4	160.5	576.4	168.8	212.3	202.7	196.7	780.5	217.3	221.4	218.4	200.2	857.3	223.6	236.8	229.6	209.5	899.5
Gross Profit - Fleet & Wholesale	19.3	5.5	6.0	17.2	7.1	35.8	11.3	20.4	17.3	21.3	70.3	15.7	11.9	10.0	9.2	46.8	11.5	11.1	10.5	9.5	42.6
Total Gross Profit	3,039.0	678.1	466.3	849.7	787.2	2,781.3	799.9	1,040.4	1,010.9	1,019.0	3,870.2	1,050.7	1,060.0	1,013.7	949.2	4,073.7	994.4	1,018.4	975.4	915.7	3,903.9
Retail Commercial Truck Operations Gross Profit	277.8	68.8	60.2	73.1	78.8	280.9	80.0	102.7	115.3	118.9	416.9	141.2	136.0	135.6	129.3	542.1	132.3	138.4	136.4	131.1	538.2
Commercial Vehicles Australia/Power Systems & Other:	138.7	29.8	26.4	33.7	32.4	122.3	33.3	39.6	39.5	41.3	153.7	39.8	41.0	41.6	41.7	164.1	43.3	44.3	44.8	44.9	177.3
<b>Consolidated Gross Profit</b>	<b>\$ 3,455.5</b>	<b>\$ 776.7</b>	<b>\$ 552.9</b>	<b>\$ 956.5</b>	<b>\$ 898.4</b>	<b>\$ 3,184.5</b>	<b>\$ 931.2</b>	<b>\$ 1,182.7</b>	<b>\$ 1,165.7</b>	<b>\$ 1,179.2</b>	<b>\$ 4,440.8</b>	<b>\$ 1,231.7</b>	<b>\$ 1,237.0</b>	<b>\$ 1,190.8</b>	<b>\$ 1,120.2</b>	<b>\$ 4,779.8</b>	<b>\$ 1,170.0</b>	<b>\$ 1,201.1</b>	<b>\$ 1,156.6</b>	<b>\$ 1,091.6</b>	<b>\$ 4,619.4</b>
SG&A Expenses	2,693.2	641.8	453.6	643.3	638.5	2,377.2	664.3	749.8	757.7	791.1	2,962.9	797.8	817.7	797.9	756.2	3,169.5	795.6	822.7	798.1	758.7	3,175.1
Floor Plan Interest Expense	(84.5)	(17.7)	(11.7)	(8.0)	(8.9)	(46.3)	(9.5)	(7.9)	(6.0)	(2.8)	(26.2)	(7.5)	(9.0)	(8.0)	(8.0)	(32.5)	(8.5)	(9.0)	(10.0)	(11.0)	(38.5)
Other Expenses / (Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	677.8	117.2	87.6	305.2	251.0	761.0	239.4	425.0	402.0	385.3	1,451.7	426.4	410.3	385.0	356.1	1,577.8	365.9	369.3	348.6	322.0	1,405.8
Depreciation & Amortization	109.6	28.5	27.9	29.0	30.1	115.5	29.3	30.2	30.2	31.8	121.5	31.9	31.7	31.8	32.9	128.3	34.1	34.6	34.9	36.0	139.5
<b>EBIT</b>	<b>\$ 568.2</b>	<b>\$ 88.7</b>	<b>\$ 59.7</b>	<b>\$ 276.2</b>	<b>\$ 220.9</b>	<b>\$ 645.5</b>	<b>\$ 210.1</b>	<b>\$ 394.8</b>	<b>\$ 371.8</b>	<b>\$ 353.5</b>	<b>\$ 1,330.2</b>	<b>\$ 394.5</b>	<b>\$ 378.6</b>	<b>\$ 353.2</b>	<b>\$ 323.2</b>	<b>\$ 1,449.5</b>	<b>\$ 331.8</b>	<b>\$ 334.8</b>	<b>\$ 313.7</b>	<b>\$ 286.0</b>	<b>\$ 1,266.2</b>
Other Interest Expense	(124.2)	(31.7)	(28.4)	(30.8)	(23.6)	(114.5)	(17.9)	(19.7)	(16.2)	(14.8)	(68.6)	(16.5)	(17.0)	(17.5)	(18.0)	(69.0)	(18.0)	(18.5)	(19.0)	(19.0)	(74.5)
Other Income / Equity Interest	147.5	14.5	29.9	66.2	58.4	169.0	55.4	105.6	120.5	93.0	374.5	119.6	138.0	108.6	83.9	450.1	78.1	90.1	82.0	63.3	313.5
Pre-Tax Income	591.5	71.5	61.2	311.6	255.7	700.0	247.6	480.7	476.1	431.7	1,636.1	497.6	499.6	444.2	389.1	1,830.5	391.9	406.3	376.7	330.3	1,505.3
Income Taxes	156.7	20.1	16.5	79.5	54.6	170.7	64.5	116.6	120.1	109.6	412.8	128.1	123.7	117.7	103.1	472.6	103.9	107.7	99.8	87.5	398.9
Income Tax Rate	26.5%	28.1%	27.0%	25.5%	21.4%	24.4%	26.1%	24.7%	25.2%	25.4%	25.2%	25.7%	24.8%	26.5%	26.5%	25.8%	26.5%	26.5%	26.5%	26.5%	26.5%
<b>Net Income (continuing operations)</b>	<b>434.8</b>	<b>51.4</b>	<b>44.7</b>	<b>232.1</b>	<b>201.1</b>	<b>529.3</b>	<b>183.1</b>	<b>362.1</b>	<b>356.0</b>	<b>322.1</b>	<b>1,223.3</b>	<b>369.5</b>	<b>375.9</b>	<b>326.5</b>	<b>286.0</b>	<b>1,357.9</b>	<b>288.1</b>	<b>298.7</b>	<b>276.9</b>	<b>242.8</b>	<b>1,106.4</b>
Dealership dispositions	0.6	-	0.1	0.1	0.1	0.3	-	-	0.3	0.9	1.2	-	-	0.3	0.9	1.2	-	-	0.3	0.9	-
Net Income (before one-time items)	435.4	51.4	44.8	232.2	201.2	529.6	183.1	362.1	356.3	323.0	1,224.5	369.5	375.9	326.8	286.9	1,359.1	288.1	298.7	277.2	243.7	1,106.4
NI attrib to non-controlling shareholders	0.4	0.2	0.3	(1.0)	(1.2)	(1.7)	(0.6)	(1.5)	(1.2)	(1.6)	(4.9)	(1.6)	(1.9)	(1.2)	(1.6)	(6.3)	(1.6)	(1.5)	(1.2)	(1.6)	-
Net Income	435.8	51.6	45.1	231.2	200.0	527.9	182.5	360.7	355.1	321.4	1,219.6	367.9	374.0	325.6	285.3	1,352.8	286.5	297.2	276.0	242.1	1,106.4
One-time Items	-	0.1	-	15.4	0.2	15.7	-	(21.8)	-	(10.1)	(31.9)	-	-	-	-	-	-	-	-	-	-
Net Income (GAAP)	435.8	51.7	45.1	246.6	200.2	543.6	182.5	338.9	355.1	311.3	1,187.7	367.9	374.0	325.6	285.3	1,352.8	286.5	297.2	276.0	242.1	1,106.4
<b>EPS (continuing operations)</b>	<b>\$ 5.27</b>	<b>\$ 0.64</b>	<b>\$ 0.56</b>	<b>\$ 2.87</b>	<b>\$ 2.49</b>	<b>\$ 6.55</b>	<b>\$ 2.26</b>	<b>\$ 4.47</b>	<b>\$ 4.46</b>	<b>\$ 4.10</b>	<b>\$ 15.28</b>	<b>\$ 4.76</b>	<b>\$ 4.93</b>	<b>\$ 4.34</b>	<b>\$ 3.84</b>	<b>\$ 17.91</b>	<b>\$ 3.91</b>	<b>\$ 4.09</b>	<b>\$ 3.81</b>	<b>\$ 3.35</b>	<b>\$ 15.24</b>
EPS (GAAP)	\$ 5.28	\$ 0.64	\$ 0.56	\$ 3.07	\$ 2.49	\$ 6.74	\$ 2.26	\$ 4.20	\$ 4.47	\$ 3.97	\$ 14.90	\$ 4.76	\$ 4.93	\$ 4.35	\$ 3.85	\$ 17.92	\$ 3.91	\$ 4.09	\$ 3.82	\$ 3.37	\$ 15.24
Diluted Weighted Average Shares	82.5	81.1	80.5	80.4	80.4	80.6	80.6	80.7	79.5	78.1	79.7	77.2	75.8	74.9	74.0	75.5	73.4	72.7	72.3	71.9	72.6
<b>Automotive Retail Gross Margin</b>																					
New Vehicles	7.5%	7.4%	7.7%	8.2%	8.7%	8.1%	8.5%	9.8%	11.6%	12.8%	10.6%	12.7%	12.8%	12.1%	11.3%	12.3%	10.8%	10.3%	10.2%	9.7%	10.3%
Used Vehicles	5.1%	5.3%	4.8%	7.3%	6.2%	6.1%	6.1%	8.3%	8.4%	8.0%	7.8%	6.4%	6.5%	6.6%	6.6%	6.5%	6.6%	6.3%	6.4%	6.1%	6.4%
Service & Parts	59.5%	59.2%	58.3%	61.7%	59.7%	59.8%	60.7%	61.7%	60.1%	59.0%	60.4%	59.8%	60.2%	59.5%	59.5%	59.7%	58.0%	58.0%	58.0%	58.0%	58.0%
<b>Automotive Retail Gross Margin</b>	<b>14.7%</b>	<b>15.4%</b>	<b>14.8%</b>	<b>16.2%</b>	<b>15.4%</b>	<b>15.5%</b>	<b>15.4%</b>	<b>16.8%</b>	<b>17.9%</b>	<b>18.6%</b>	<b>17.2%</b>	<b>17.4%</b>	<b>17.7%</b>	<b>17.7%</b>	<b>17.9%</b>	<b>17.7%</b>	<b>17.2%</b>	<b>16.8%</b>	<b>17.0%</b>	<b>17.2%</b>	<b>17.0%</b>
Retail Commercial Truck Operations Gross Margin	13.5%	14.0%	15.1%	12.4%	13.6%	13.6%	18.4%	16.4%	16.1%	17.3%	16.9%	17.8%	17.7%	18.3%	17.7%	17.9%	17.6%	18.5%	18.0%	17.8%	18.0%
Commercial Vehicle/Power Systems/Other	27.0%	29.5%	26.8%	27.5%	24.5%	26.9%	25.2%	24.1%	27.2%	30.9%	26.7%	25.9%	29.1%	29.2%	30.9%	28.7%	27.9%	31.1%	31.2%	32.9%	30.7%
<b>Total Company Gross Margin</b>	<b>14.9%</b>	<b>15.5%</b>	<b>15.1%</b>	<b>16.0%</b>	<b>15.5%</b>	<b>15.6%</b>	<b>15.8%</b>	<b>16.9%</b>	<b>17.9%</b>	<b>18.7%</b>	<b>17.4%</b>	<b>17.7%</b>	<b>17.9%</b>	<b>18.0%</b>	<b>18.2%</b>	<b>17.9%</b>	<b>17.5%</b>	<b>17.2%</b>	<b>17.4%</b>	<b>17.6%</b>	<b>17.4%</b>
<b>% of Revenue Analysis</b>																					
SG&A	11.6%	12.8%	12.4%	10.8%	11.0%	11.6%	11.5%	10.7%	11.7%	12.6%	11.6%	11.4%	11.8%	12.0%	12.3%	11.9%	11.9%	11.8%	12.0%	12.2%	12.0%
SG&A (% Gross Profit)	77.9%	82.6%	82.0%	67.3%	71.1%	74.6%	72.7%	63.4%	65.0%	67.1%	66.7%	64.8%	66.1%	67.0%	67.5%	66.3%	68.0%	68.5%	69.0%	69.5%	68.7%

Sonic Automotive, Inc. (SAH)  
(in millions except per share amounts and as noted)  
Daniel Imbro  
501-377-2055

	2019A	2020A	1Q A	2Q A	3Q A	4Q A	2021A	1Q A	2Q A	3Q E	4Q E	2022E	1Q E	2Q E	3Q E	4Q E	2023E
	Yr	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles (retail)	\$4,889.2	\$4,281.2	\$1,134.0	\$1,462.9	\$1,146.9	\$1,351.9	\$5,095.7	\$1,351.3	\$1,344.3	\$1,323.2	\$1,353.6	\$5,372.4	\$1,350.4	\$1,320.4	\$1,239.0	\$1,321.8	\$5,231.6
New Vehicles - Fleet	-	-	22.3	-	-	-	-	\$148.6	\$166.4	\$152.5	\$152.5	620.0	\$152.3	\$169.8	\$151.7	\$151.7	625.5
Used Vehicles (retail)	3,490.0	3,564.8	1,090.1	1,266.7	1,309.5	1,210.9	4,877.2	1,370.9	1,449.4	1,372.2	1,333.3	5,525.8	1,335.0	1,387.8	1,350.1	1,368.8	5,441.7
Used Vehicles - Wholesale	202.9	197.4	74.8	84.8	97.1	110.5	367.2	168.7	121.4	93.4	109.4	492.9	111.0	84.4	97.1	111.9	414.3
Service & Parts	1,395.3	1,233.7	320.9	360.6	355.2	360.1	1,396.8	380.5	398.1	426.6	421.5	1,626.7	396.5	418.0	410.4	404.9	1,629.9
Finance & Insurance	477.0	489.9	144.7	177.3	164.1	151.2	637.2	166.6	173.2	176.2	181.9	698.0	175.7	176.8	175.7	187.5	715.8
Fleet & Other	202.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$10,657.3</b>	<b>\$9,767.0</b>	<b>\$2,786.8</b>	<b>\$3,352.2</b>	<b>\$3,072.8</b>	<b>\$3,184.6</b>	<b>\$12,374.1</b>	<b>\$3,586.6</b>	<b>\$3,652.8</b>	<b>\$3,544.1</b>	<b>\$3,552.2</b>	<b>\$14,335.8</b>	<b>\$3,520.9</b>	<b>\$3,567.3</b>	<b>\$3,424.0</b>	<b>\$3,546.6</b>	<b>\$14,058.7</b>
Cost of Sales	9,038.1	8,343.4	2,385.9	2,841.4	2,600.8	2,654.0	10,482.1	3,014.5	3,064.0	2,970.4	2,986.5	12,035.4	2,976.3	3,024.2	2,899.2	3,021.7	11,921.5
<b>Gross Profit</b>	<b>1,521.0</b>	<b>1,423.6</b>	<b>400.9</b>	<b>510.8</b>	<b>472.0</b>	<b>530.6</b>	<b>1,914.3</b>	<b>572.1</b>	<b>588.8</b>	<b>573.7</b>	<b>565.8</b>	<b>2,300.4</b>	<b>544.5</b>	<b>543.1</b>	<b>524.7</b>	<b>524.9</b>	<b>2,137.3</b>
SG&A Expenses	1,169.1	1,029.5	289.4	320.6	321.4	335.6	1,267.0	387.0	398.4	386.1	371.0	1,542.5	356.4	352.8	342.3	344.5	1,396.1
Floorplan Interest Expense	(48.5)	(27.2)	(5.1)	(4.3)	(3.3)	(4.1)	(16.9)	(5.0)	(6.1)	(3.7)	(4.5)	(15.4)	(4.4)	(5.8)	(6.2)	(6.7)	(23.1)
Other Expenses / (Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>303.4</b>	<b>366.9</b>	<b>106.4</b>	<b>185.9</b>	<b>147.3</b>	<b>190.9</b>	<b>630.5</b>	<b>180.1</b>	<b>184.3</b>	<b>183.9</b>	<b>190.3</b>	<b>742.5</b>	<b>183.7</b>	<b>184.5</b>	<b>176.2</b>	<b>173.6</b>	<b>718.0</b>
Depreciation & Amortization	93.2	91.0	23.7	24.8	25.2	27.4	101.1	29.9	31.2	28.4	28.4	117.9	31.4	32.1	30.8	31.9	126.2
<b>EBIT</b>	<b>210.2</b>	<b>275.9</b>	<b>82.7</b>	<b>161.1</b>	<b>122.1</b>	<b>163.5</b>	<b>529.4</b>	<b>150.2</b>	<b>153.1</b>	<b>155.6</b>	<b>161.9</b>	<b>624.7</b>	<b>152.3</b>	<b>152.4</b>	<b>145.4</b>	<b>141.7</b>	<b>591.8</b>
Other Interest Expense	(53.0)	(41.6)	(10.3)	(10.1)	(9.8)	(17.8)	(48.0)	(20.8)	(21.3)	(23.4)	(23.2)	(88.7)	(24.9)	(24.8)	(24.4)	(24.4)	(98.5)
Other Income / (Expense)	(0.6)	(9.1)	0.1	-	(0.3)	(0.3)	(0.2)	0.3	(0.2)	-	-	0.1	-	-	-	-	-
<b>Pre-Tax Income</b>	<b>156.7</b>	<b>225.2</b>	<b>72.6</b>	<b>151.0</b>	<b>112.3</b>	<b>145.4</b>	<b>481.2</b>	<b>129.7</b>	<b>131.6</b>	<b>132.2</b>	<b>138.6</b>	<b>536.1</b>	<b>127.5</b>	<b>127.6</b>	<b>121.0</b>	<b>117.3</b>	<b>493.3</b>
Income Taxes	40.9	68.3	18.9	37.0	27.6	31.7	115.1	31.8	32.4	36.4	38.1	138.7	35.0	35.1	33.3	32.3	135.7
<b>Net Income (continuing operations)</b>	<b>115.8</b>	<b>168.9</b>	<b>53.7</b>	<b>114.0</b>	<b>84.7</b>	<b>113.7</b>	<b>366.1</b>	<b>97.9</b>	<b>99.2</b>	<b>95.9</b>	<b>100.5</b>	<b>397.4</b>	<b>92.4</b>	<b>92.5</b>	<b>87.7</b>	<b>85.1</b>	<b>357.7</b>
Dealership dispositions	(0.4)	(0.4)	-	-	(0.2)	-	(0.2)	-	-	-	-	-	-	-	-	-	-
<b>Net Income (before one-time items)</b>	<b>115.4</b>	<b>168.5</b>	<b>53.7</b>	<b>114.0</b>	<b>84.5</b>	<b>113.7</b>	<b>365.8</b>	<b>97.9</b>	<b>99.2</b>	<b>95.9</b>	<b>100.5</b>	<b>397.4</b>	<b>92.4</b>	<b>92.5</b>	<b>87.7</b>	<b>85.1</b>	<b>357.7</b>
One-time Items	28.8	(219.0)	-	-	-	(17.4)	(17.4)	-	(4.4)	-	-	(4.4)	-	-	-	-	-
<b>Net Income</b>	<b>\$ 144.2</b>	<b>\$ (50.6)</b>	<b>\$ 53.7</b>	<b>\$ 114.0</b>	<b>\$ 84.5</b>	<b>\$ 96.3</b>	<b>\$ 348.4</b>	<b>\$ 97.9</b>	<b>\$ 94.8</b>	<b>\$ 95.9</b>	<b>\$ 100.5</b>	<b>\$ 393.0</b>	<b>\$ 92.4</b>	<b>\$ 92.5</b>	<b>\$ 87.7</b>	<b>\$ 85.1</b>	<b>\$ 357.7</b>
<b>EPS (continuing operations) *</b>	<b>\$ 2.65</b>	<b>\$ 3.85</b>	<b>\$ 1.23</b>	<b>\$ 2.63</b>	<b>\$ 1.96</b>	<b>\$ 2.66</b>	<b>\$ 8.46</b>	<b>\$ 2.34</b>	<b>\$ 2.45</b>	<b>\$ 2.37</b>	<b>\$ 2.48</b>	<b>\$ 9.73</b>	<b>\$ 2.26</b>	<b>\$ 2.27</b>	<b>\$ 2.15</b>	<b>\$ 2.08</b>	<b>\$ 8.76</b>
<b>EPS (GAAP) *</b>	<b>\$ 3.30</b>	<b>\$ (1.15)</b>	<b>\$ 1.23</b>	<b>\$ 2.63</b>	<b>\$ 1.95</b>	<b>\$ 2.25</b>	<b>\$ 8.05</b>	<b>\$ 2.34</b>	<b>\$ 2.34</b>	<b>\$ 2.37</b>	<b>\$ 2.48</b>	<b>\$ 9.63</b>	<b>\$ 2.26</b>	<b>\$ 2.27</b>	<b>\$ 2.15</b>	<b>\$ 2.08</b>	<b>\$ 8.76</b>
Diluted Weighted Average Shares	43.6	43.9	43.5	43.4	43.3	42.8	43.3	41.8	40.5	40.5	40.5	40.8	40.8	40.8	40.8	40.8	40.8

#### Gross Margin (% of Revenue)

New Vehicles (retail & fleet)	4.8%	5.5%	6.0%	8.1%	10.1%	11.7%	9.1%	11.2%	11.1%	10.5%	9.9%	10.7%	8.8%	8.1%	7.7%	6.7%	7.8%
Used Vehicles (retail)	4.2%	3.0%	2.8%	2.7%	1.5%	3.9%	3.5%	3.2%	3.1%	2.9%	3.2%	2.8%	2.5%	2.7%	2.5%	2.6%	2.6%
Service & Parts	47.9%	48.2%	48.3%	48.8%	48.3%	47.5%	48.2%	49.0%	49.8%	46.3%	46.2%	47.8%	49.9%	50.0%	50.0%	50.0%	50.0%
<b>Total</b>	<b>14.3%</b>	<b>14.6%</b>	<b>14.4%</b>	<b>15.2%</b>	<b>15.4%</b>	<b>16.7%</b>	<b>15.5%</b>	<b>16.0%</b>	<b>16.1%</b>	<b>16.2%</b>	<b>15.9%</b>	<b>16.0%</b>	<b>15.5%</b>	<b>15.2%</b>	<b>15.3%</b>	<b>14.8%</b>	<b>15.2%</b>

#### % of Revenue Analysis

SG&A	11.0%	10.5%	10.4%	9.6%	10.5%	10.5%	10.2%	10.8%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
SG&A (% Gross Profit)	76.9%	72.3%	72.2%	62.8%	68.1%	63.3%	66.2%	67.6%	67.7%	67.3%	65.6%	67.1%	65.5%	65.0%	65.2%	65.6%	65.3%
Floorplan Interest Expense	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
EBITDA	2.8%	3.8%	3.8%	5.5%	4.8%	6.0%	5.1%	5.0%	5.0%	5.2%	5.4%	5.2%	5.2%	5.2%	5.1%	4.9%	2.7%
Depreciation & Amortization	0.9%	0.9%	0.8%	0.7%	0.8%	0.9%	0.8%	0.8%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
EBIT	2.0%	2.8%	3.0%	4.8%	4.0%	5.1%	1.8%	4.2%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Other Interest Expense	0.5%	0.4%	0.4%	0.3%	0.3%	0.6%	0.4%	0.6%	0.6%	0.7%	0.7%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%
Pre Tax Income	1.5%	2.3%	2.6%	4.5%	3.7%	4.6%	1.2%	3.6%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Income Tax Rate	26.4%	29.3%	26.0%	24.5%	24.6%	21.8%	24.2%	24.5%	27.5%	27.5%	27.5%	26.8%	27.5%	27.5%	27.5%	27.5%	27.5%
Net Income (before one-time items)	1.1%	1.7%	1.9%	3.4%	2.8%	3.6%	0.7%	2.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%

#### Retail Unit Sales - Cont. Ops. (actual)

New Vehicles (retail)	114,131	92,831	24,358	30,488	22,846	25,780	108,448	24,687	24,342	29,684	30,883	119,334	27,113	26,779	25,988	27,841	107,701
Used Vehicles (retail)	162,149	159,025	46,906	49,811	47,658	41,017	183,292	47,450	49,640	50,145	50,577	178,802	45,243	46,324	47,448	50,048	189,041
<b>Total</b>	<b>276,280</b>	<b>251,856</b>	<b>71,805</b>	<b>80,299</b>	<b>70,504</b>	<b>66,797</b>	<b>291,740</b>	<b>76,518</b>	<b>73,982</b>	<b>79,829</b>	<b>81,460</b>	<b>298,136</b>	<b>72,356</b>	<b>73,102</b>	<b>73,436</b>	<b>77,889</b>	<b>296,742</b>

#### Gross Profit per Unit

Gross per unit - new retail (includes fleet)	\$ 2,042	\$ 2,522	\$ 2,852	\$ 3,884	\$ 5,053	\$ 6,129	\$ 4,254	\$ 6,825	\$ 6,914	\$ 5,236	\$ 4,812	\$ 5,370	\$ 4,857	\$ 4,515	\$ 4,104	\$ 3,559	\$ 4,256
Gross per unit - used retail	\$ 909	\$ 667	\$ 658	\$ 698	\$ 414	\$ 1,148	\$ 723	\$ 1,016	\$ 949	\$ 853	\$ 771	\$ 990	\$ 837	\$ 758	\$ 761	\$ 695	\$ 761
F&I Per Retail Unit	\$ 1,726	\$ 1,945	\$ 2,015	\$ 2,207	\$ 2,327	\$ 2,264	\$ 2,184	\$ 2,177	\$ 2,341	\$ 2,208	\$ 2,233	\$ 2,341	\$ 2,429	\$ 2,419	\$ 2,393	\$ 2,407	\$ 2,412
Variable Gross per Unit	\$ 3,103	\$ 3,295	\$ 3,412	\$ 4,115	\$ 4,244	\$ 5,334	\$ 4,219	\$ 5,009	\$ 5,253	\$ 4,691	\$ 4,536	\$ 5,085	\$ 4,712	\$ 4,553	\$ 4,337	\$ 4,126	\$ 4,442

#### Revenue Growth - Cont. Ops. (YOY)

New Vehicles (retail)	(1.7%)	(12.4%)	18.2%	62.5%	4.4%	2.2%	19.0%	19.2%	(8.1%)	15.4%	0.1%	5.4%	(0.1%)	(1.8%)	(6.4%)	(2.3%)	(2.6%)
Used Vehicles (retail)	17.4%	2.1%	28.2%	36.8%	38.4%	26.2%	36.8%	25.8%	14.4%	4.8%	10.1%	13.3%	(2.6%)	(4.2%)	(1.6%)	2.7%	(1.5%)
Service & Parts	1.0%	(11.6%)	(4.1%)	39.2%	10.7%	12.9%	13.2%	18.6%	10.4%	20.1%	17.0%	16.5%	4.2%	5.0%	(3.8%)	(3.9%)	0.2%
Finance & Insurance	17.6%	2.7%	25.5%	60.0%	29.4%	10.3%	30.1%	15.2%	(2.3%)	7.4%	20.3%	9.5%	5.5%	2.1%	(0.3%)	3.1%	2.6%
<b>Total</b>	<b>4.8%</b>	<b>(8.4%)</b>	<b>20.7%</b>	<b>58.7%</b>	<b>20.6%</b>	<b>13.8%</b>	<b>26.7%</b>	<b>28.7%</b>	<b>9.0%</b>	<b>15.3%</b>	<b>11.5%</b>	<b>15.9%</b>	<b>(1.8%)</b>	<b>(2.3%)</b>	<b>(3.4%)</b>	<b>(0.2%)</b>	<b>(1.9%)</b>

#### Comparable Store Sales

New Vehicles (retail)	4.0%	(9.7%)	21.6%	64.6%	4.1%	(7.8%)	17.1%	(4.0%)	(23.0%)	(4.8%)	(7.4%)	(10.6%)	21.1%	17.0%	14.0%	18.4%	17.7%
Used Vehicles (retail)	15.0%	(0.9%)	17.1%	42.1%	27.8%	26.7%	14.0%	5.4%	(0.8%)	(0.9%)	1.3%	(10.3%)	7.8%	4.1%	7.4%	10.4%	2.8%
Service & Parts	5.0%	(8.3%)	(5.1%)	37.3%	9.6%	12.5%	12.2%	23.5%	15.0%	15.0%	11.4%	16.0%	4.1%	5.0%	5.0%	5.0%	4.8%
Finance & Insurance	18.0%	3.2%	24.0%	59.1%	28.2%	9.9%	29.8%	17.3%	(1.4%)	7.0%	20.8%	10.5%	4.6%	1.9%	(0.4%)	2.6%	2.3%
Fleet & Other (non-comp)	(19.7%)	(2.7%)	54.1%	155.6%	71.8%	86.8%	86.0%	125.5%	43.1%	(3.8%)	(1.0%)	34.2%	(34.2%)	(22.3%)	3.9%	2.3%	(15.9%)
<b>Total (includes Fleet and Wholesale)</b>	<b>6.0%</b>	<b>(7.4%)</b>	<b>14.0%</b>	<b>50.0%</b>	<b>12.0%</b>	<b>5.0%</b>	<b>14.0%</b>	<b>1.0%</b>	<b>(11.0%)</b>	<b>(3.0%)</b>	<b>(4.0%)</b>	<b>(9.0%)</b>	<b>3.0%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>4.0%</b>	<b>1.0%</b>

Source: Company data and Stephens Inc. estimates

EchoPark - Detailed Model	2019A	2020A	1QA	2QA	3QE	4QE	2021A	1QA	2QA	3QA	4QA	2022E	1QA	2QA	3QA	4QA	2023E
	Yr	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
Used Vehicle Revenue	996.5	1218.9	428.6	505.2	559.2	497.0	1990.0	517.2	473.6	492.1	574.0	2057.0	512.0	472.4	501.2	612.5	2098.2
New Vehicle Revenue	0.0	0.0	0.0	0.0	3.5	4.6	9.0	5.6	4.1	4.0	4.8	18.4	4.3	4.3	4.2	5.1	17.8
Used Vehicle Wholesale Revenue	22.9	28.7	18.6	21.9	33.0	36.5	110.0	62.4	42.2	22.5	27.6	154.7	27.5	32.3	24.1	27.7	111.6
F&I Revenue	113.8	132.0	47.1	53.2	52.3	41.1	193.7	40.1	41.9	43.9	45.7	173.6	44.6	44.4	46.6	50.7	186.3
Service/Parts Revenue	28.8	39.3	12.8	14.5	15.3	0.0	42.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>1162.0</b>	<b>1419.0</b>	<b>507.1</b>	<b>595.6</b>	<b>663.3</b>	<b>579.2</b>	<b>2345.3</b>	<b>625.3</b>	<b>540.7</b>	<b>561.7</b>	<b>646.3</b>	<b>2374.1</b>	<b>592.2</b>	<b>547.0</b>	<b>573.9</b>	<b>683.9</b>	<b>2397.0</b>
Cost of Sales	1049.6	1304.8	474.1	559.4	637.5	538.3	2209.3	581.0	616.1	534.0	537.0	2268.2	547.2	619.2	555.0	579.1	2300.5
New vehicle Gross Profit	-0.1	-17.0	-1.1	-20.5	-30.4	-3.7	-55.7	1.3	3.4	-0.4	-2.6	1.7	-3.3	-4.4	-4.4	-5.8	-18.0
Used Vehicle Gross Profit	0.0	0.0	0.0	0.1	0.2	0.7	1.0	1.1	1.0	0.5	0.5	3.1	0.6	1.0	0.5	0.5	2.5
Used Vehicle Wholesale Gross Profit	-0.3	-0.1	0.1	3.1	3.2	2.8	9.2	1.8	1.7	1.1	0.7	5.3	0.4	0.5	0.3	0.3	1.4
F&I Gross Profit	113.8	132.0	47.1	53.2	52.3	41.1	193.7	40.1	43.4	43.4	46.5	173.4	44.6	46.5	46.4	52.1	189.6
Service/Parts Gross Profit	-0.9	-0.8	-0.2	0.3	0.4	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross Profit</b>	<b>112.4</b>	<b>114.2</b>	<b>45.9</b>	<b>36.2</b>	<b>25.8</b>	<b>40.9</b>	<b>148.8</b>	<b>44.3</b>	<b>42.8</b>	<b>44.3</b>	<b>44.2</b>	<b>175.6</b>	<b>42.1</b>	<b>41.0</b>	<b>42.8</b>	<b>45.8</b>	<b>171.7</b>
SG&A	87.6	100.1	39.3	44.9	53.0	54.0	191.2	71.8	75.3	63.3	58.6	269.0	47.5	43.0	41.1	43.5	175.1
Depreciation Expense	10.5	11.1	3.3	4.1	4.0	4.8	16.2	5.0	5.9	4.6	4.7	19.6	5.0	6.0	5.4	5.6	17.3
Impairment Charge	3.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest & Other	5.2	4.1	1.3	1.5	1.7	2.3	6.9	2.5	3.3	1.9	1.7	8.1	2.4	2.3	1.9	1.9	8.2
<b>Pre-Tax Earnings</b>	<b>6.1</b>	<b>-1.1</b>	<b>2.0</b>	<b>-14.4</b>	<b>-32.9</b>	<b>-20.3</b>	<b>-65.6</b>	<b>-35.1</b>	<b>-34.9</b>	<b>-25.2</b>	<b>-19.9</b>	<b>-113.3</b>	<b>-12.6</b>	<b>-7.8</b>	<b>-5.6</b>	<b>-4.0</b>	<b>-25.1</b>
<b>Retail Unit Sales:</b>																	
Used Unit Retail Sales	49,520	57,161	19,670	21,261	21,255	15,649	77,835	14,995	16,608	16,791	17,527	65,921	16,495	17,604	17,799	19,455	71,353
Average Used Selling Price	20,123	\$ 21,324	\$ 22,440	\$ 23,761	\$ 26,310	\$ 31,759	\$ 25,805	\$ 34,491	\$ 34,772	\$ 30,257	\$ 28,583	\$ 32,026	\$ 31,042	\$ 33,034	\$ 29,349	\$ 27,726	\$ 30,288
Gross Profit per Unit	(3)	(297)	(57)	(963)	(1,429)	(236)	(701)	87	205	(25)	(150)	25	(200)	(250)	(250)	(300)	(252)
F&I per Unit	2,298	\$ 2,310	\$ 2,396	\$ 2,502	\$ 2,459	\$ 2,626	\$ 4,133	\$ 2,674	\$ 2,613	\$ 2,582	\$ 2,653	\$ 2,631	\$ 2,701	\$ 2,639	\$ 2,608	\$ 2,679	\$ 2,657
<b>Total GPU &amp; F&amp;I per Unit</b>	<b>2,295</b>	<b>\$ 2,013</b>	<b>\$ 2,339</b>	<b>\$ 1,539</b>	<b>\$ 1,039</b>	<b>\$ 2,390</b>	<b>\$ 1,773</b>	<b>\$ 2,761</b>	<b>\$ 2,818</b>	<b>\$ 2,557</b>	<b>\$ 2,503</b>	<b>\$ 2,655</b>	<b>\$ 2,501</b>	<b>\$ 2,389</b>	<b>\$ 2,358</b>	<b>\$ 2,379</b>	<b>\$ 2,405</b>
<b>YOY % Change</b>																	
Used Unit Retail Sales	68.2%	15.4%	40.6%	61.0%	40.5%	5.4%	36.2%	-23.8%	-25.0%	-20.0%	10.0%	-16.3%	10.0%	5.0%	5.0%	10.0%	10.0%
Average Used Selling Price	-1.7%	6.0%	7.6%	14.9%	20.4%	41.9%	19.9%	58.3%	25.0%	10.0%	5.0%	23.5%	-10.0%	-5.0%	-3.0%	-3.0%	-10.0%
Used Gross Profit per Unit	-98.4%	9958.3%	335.9%	317.5%	240.5%	-52.4%	141.2%	-251.2%	-97.4%	-96.5%	-36.6%	-94.6%	-330.7%	900.0%	400.0%	100.0%	548.1%
F&I per Unit	11.4%	0.5%	3.9%	8.8%	4.1%	15.9%	7.7%	11.6%	5.0%	5.0%	1.0%	5.8%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Total GPU &amp; F&amp;I per Unit</b>	<b>22.1%</b>	<b>-12.3%</b>	<b>2.0%</b>	<b>-25.6%</b>	<b>-47.0%</b>	<b>35.0%</b>	<b>-11.9%</b>	<b>18.0%</b>	<b>69.0%</b>	<b>145.9%</b>	<b>4.7%</b>	<b>46.3%</b>	<b>-9.4%</b>	<b>-7.6%</b>	<b>-6.9%</b>	<b>-4.9%</b>	<b>-7.2%</b>
<b>Wholesale Unit Sales</b>																	
Used Unit Retail Sales	4,604	7,178	2,861	2,878	3,492	2,436	11,667	3,649	2,694	2,267	2,454	11,064	2,144	2,289	2,314	2,529	9,276
Average Selling Price	\$ 4,980	\$ 4,001	\$ 6,503	\$ 7,592	\$ 9,460	\$ 14,984	\$ 9,428	\$ 17,101	\$ 15,664	\$ 9,933	\$ 11,238	\$ 9,428	\$ 12,825	\$ 14,098	\$ 10,430	\$ 10,957	\$ 9,428
Gross Profit per Unit	(72)	(12)	39	1,075	928	1,149	793	493	631	500	300	481	200	200	125	100	156
Wholesale as % of Used Retail	9.3%	12.6%	14.5%	13.5%	16.4%	15.6%	15.0%	24.3%	16.2%	13.5%	14.0%	16.8%	13.0%	13.0%	13.0%	13.0%	13.0%
<b>New Unit Sales</b>																	
New Unit Retail Sales	-	-	-	14	55	59	128	85	85	77	83	330	85	85	85	85	340
Average New Selling Price	\$ -	\$ -	\$ -	\$ 64,929	\$ 63,745	\$ 77,966	\$ 77,966	\$ 65,882	\$ 29,412	\$ 60,558	\$ 85,763	\$ 85,763	\$ 62,588	\$ 27,941	\$ 57,530	\$ 81,475	\$ 81,475
Gross Profit per Unit	\$ -	\$ -	\$ -	\$ 7,143	\$ 4,418	\$ 11,864	\$ 8,148	\$ 12,941	\$ 11,765	\$ 6,627	\$ 5,932	\$ 9,406	\$ 6,471	\$ 11,176	\$ 6,296	\$ 5,636	\$ 7,395
<b>SG&amp;A Analysis</b>																	
SG&A as % of Gross Profit	78.0%	87.7%	85.6%	124.1%	205.4%	132.0%	128.5%	162.1%	152.1%	142.0%	130.0%	146.7%	112.5%	99.0%	96.0%	92.5%	99.8%
SG&A \$ YOY % Change	32.1%	14.3%	52.6%	115.3%	109.7%	91.2%	91.0%	82.8%	67.7%	19.4%	8.5%	40.7%	-33.8%	-42.8%	-35.1%	-25.8%	-34.9%
SG&A \$ per Store	9.738	6.258	1.708	1.604	1.560	1.500	5.312	1.841	1.793	1.319	1.066	4.891	0.779	0.642	0.563	0.551	2.217
YOY % Change	17.5%	-35.7%	-40.3%	-23.1%	-26.0%	-15.0%	-15.1%	7.8%	11.8%	-15.4%	-29.0%	-7.9%	-57.7%	-64.2%	-57.3%	-48.3%	-54.7%
<b>% of Sales</b>																	
Depreciation Expense	0.9%	0.8%	0.6%	0.7%	0.6%	0.8%	0.7%	0.8%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.7%
Impairment Charge	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest & Other	0.4%	0.3%	0.3%	0.3%	0.3%	0.4%	0.3%	0.4%	0.5%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%
<b>Locations in Operation</b>																	
Beginning	8	9	16	23	28	34	16	36	39	42	48	36	55	61	67	73	55
Open/Closed	1	7	7	5	6	2	20	3	3	6	7	19	6	6	6	6	24
Ending Store Count	9	16	23	28	34	36	36	39	42	48	55	55	61	67	73	79	79
<b>Unit Sales Per Store &amp; Per Month</b>																	
Retail Unit Sales per Store	5,502	3,573	855	759	625	435	2,162	384	395	350	319	1,199	270	263	244	246	903
YOY % Change	49.5%	-35.1%	-45.0%	-42.5%	-50.4%	-53.1%	-39.5%	-55.0%	-47.9%	-44.0%	-26.7%	-44.6%	-29.7%	-33.6%	-30.3%	-22.7%	-24.6%
Implied Unit Sales per Store per Month	459	298	285	253	208	145	721	128	132	117	106	400	90	88	81	82	301
<b>Capacity Utilization</b>																	
	56.2%	52.1%	59.5%	64.3%	64.3%	47.3%	58.9%	45.4%	48.2%	51.4%	52.1%	197.2%	49.9%	50.7%	54.0%	57.3%	211.9%

Source: Company data and Stephens Inc. estimates

Franchise - Detailed Model	2019A	2020A	1Q	2Q	3Q	4Q	2021A	1Q	2Q	3Q	4Q	2022E	1Q	2Q	3Q	4Q	2023E
	Yr	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles (retail)	\$4,889.2	\$4,200.3	\$1,134.0	\$1,452.3	\$1,143.4	\$1,347.3	\$5,077.0	\$1,345.7	\$1,341.7	\$1,318.5	\$1,346.6	\$5,352.5	\$1,345.0	\$1,318.1	\$1,234.1	\$1,314.9	\$5,212.1
Used Vehicles (retail)	2,493.5	2,345.9	648.7	761.5	750.3	727.7	2,888.2	853.7	871.9	864.1	832.3	3,422.1	823.0	806.3	827.8	829.4	3,286.4
Used Vehicles - Wholesale	180.0	168.7	56.2	63.0	64.1	74.0	257.2	106.3	79.2	70.9	81.8	338.2	83.5	62.1	72.9	84.2	302.7
Service & Parts	1,366.6	1,194.4	308.1	346.1	339.9	360.1	1,354.2	380.5	398.1	426.6	421.5	1,626.7	396.5	418.0	410.4	404.9	1,629.9
Finance & Insurance	363.1	357.8	97.5	124.1	111.8	110.1	443.5	126.5	129.8	132.9	135.4	524.6	131.2	130.4	129.3	135.4	526.2
Fleet & Other	180.0	168.7	56.2	63.0	64.1	74.0	257.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	9,292.4	8,267.1	2,244.5	2,747.0	2,409.5	2,619.2	10,020.1	2,961.3	2,987.2	2,965.5	2,970.1	11,884.1	2,931.5	2,904.7	2,826.2	2,920.4	11,582.7
Cost of Sales	7,883.7	6,942.3	1,889.3	2,272.3	1,963.3	2,129.5	8,243.6	2,433.5	2,447.9	2,436.4	2,449.4	9,758.3	2,429.2	2,405.0	2,344.2	2,442.6	9,620.9
Gross Profit	1,408.6	1,324.8	355.2	474.6	446.2	489.7	1,776.6	527.8	539.3	529.1	520.7	2,125.8	502.3	499.7	481.9	477.9	1,961.8
Gross Profit - New Vehicles Retail	233.1	234.1	69.5	118.3	115.2	157.3	477.5	167.4	167.3	154.9	148.1	638.6	131.1	119.9	106.1	98.6	455.7
Gross Profit - Used Vehicles Retail	147.5	122.9	32.0	55.2	50.1	50.8	182.0	46.9	43.7	43.2	41.6	147.7	41.1	39.5	40.6	40.6	161.8
Gross Profit - Used Vehicles Wholesale	(4.1)	14.6	0.7	1.4	(2.0)	0.4	0.6	(0.4)	(0.5)	0.0	0.0	(0.9)	0.0	0.0	0.0	0.0	0.0
Gross Profit - Service & Parts	669.0	595.3	155.3	175.6	171.1	171.1	673.0	186.6	198.1	197.4	194.8	812.6	198.1	209.0	205.2	205.5	814.9
Gross Profit - Finance & Insurance	363.1	357.8	97.5	124.1	111.8	110.1	443.5	126.5	129.8	132.9	135.4	524.6	131.2	130.4	129.3	135.4	526.2
SG&A Expenses	1,081.5	929.4	250.1	275.7	268.3	281.6	1,075.7	315.5	327.5	322.8	312.4	1,278.2	308.9	309.8	301.2	301.1	1,221.0
Floorplan Interest Expense	(48.5)	(24.7)	(5.1)	(4.3)	(3.3)	(4.1)	(16.9)	(3.3)	(3.9)	(3.7)	(4.5)	(15.4)	(4.4)	(5.8)	(6.2)	(6.7)	(23.1)
Other Expenses / (Income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	278.7	370.8	100.0	194.6	174.5	204.0	683.9	209.0	207.9	202.7	203.8	832.2	189.0	184.1	174.5	170.1	717.7
Depreciation & Amortization	82.7	79.9	20.4	20.6	21.3	22.6	84.9	24.9	25.3	23.7	23.8	97.7	26.4	26.1	25.4	26.3	104.2
EBIT	196.0	290.9	79.6	174.0	153.2	181.4	599.1	184.1	182.6	178.9	180.1	734.6	162.6	157.9	149.1	143.8	613.4
Other Interest Expense	(47.8)	(37.5)	(9.0)	(8.5)	(8.1)	(15.5)	(41.1)	(20.1)	(20.2)	(21.5)	(21.5)	(83.3)	(22.5)	(22.5)	(22.5)	(22.5)	(90.0)
Other Income / (Expense)	(0.6)	(9.1)	0.1	(0.0)	(0.0)	(0.3)	0.9	0.2	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Income	147.6	244.3	70.7	165.4	145.1	165.6	558.9	164.2	162.1	157.4	158.6	651.3	140.1	135.4	126.6	121.3	523.4
Consolidated Unit Sales/GPU																	
New Units	110,414	98,720	27,236	30,488	22,904	27,820	108,448	29,573	29,206	29,679	30,876	119,334	27,107	26,776	25,983	27,834	107,701
YOY % Change	-10.0%	-10.6%	8.2%	32.1%	-10.0%	11.2%	9.9%	8.6%	-4.2%	29.6%	11.0%	10.0%	-8.3%	-8.3%	-12.5%	-9.9%	-9.7%
New GPU	2,111	2,371	2,550	3,881	5,030	5,654	4,403	5,661	5,728	5,220	4,797	5,351	4,838	4,479	4,085	3,543	4,231
YOY % Change	13.3%	12.3%	41.4%	97.4%	104.1%	75.5%	85.7%	121.9%	47.6%	3.8%	-15.2%	21.5%	-14.5%	-21.8%	-21.7%	-26.1%	-20.9%
Used Units - Retail	112,629	100,396	27,236	28,550	26,403	25,368	105,457	32,455	33,032	33,353	33,050	112,881	28,749	28,719	29,649	30,593	117,688
YOY % Change	-8.2%	-9.6%	4.6%	27.2%	-13.5%	0.9%	4.3%	-9.7%	-20.2%	9.6%	3.1%	-5.5%	10.1%	10.0%	4.0%	5.0%	7.2%
Used GPU - Retail	1,310	1,168	1,175	1,844	1,907	2,172	1,725	1,731	1,553	1,501	1,442	1,308	1,432	1,376	1,368	1,328	1,375
YOY % Change	-2.7%	-10.8%	-6.3%	63.3%	45.9%	114.3%	47.7%	47.3%	-15.8%	-21.3%	-33.6%	-24.2%	-17.3%	-11.4%	-8.9%	-7.9%	5.1%
F&I per Unit	1,612	1,769	1,790	2,101	2,279	2,242	2,095	2,448	2,472	2,324	2,317	2,459	2,350	2,349	2,324	2,317	2,335
YOY % Change	8.9%	9.7%	12.3%	25.3%	29.4%	9.6%	18.4%	36.7%	17.7%	2.0%	3.4%	17.4%	-4.0%	-5.0%	0.0%	0.0%	-5.1%
SG&A Ratio																	
SG&A as % of Gross Profit	76.8%	70.1%	70.4%	58.1%	60.1%	57.5%	60.6%	59.8%	60.7%	61.0%	60.0%	60.1%	61.5%	62.0%	62.5%	63.0%	62.2%
SG&A Dollar Growth	0.4%	-14.1%	-2.5%	31.1%	15.7%	22.1%	15.7%	26.2%	18.8%	20.3%	10.9%	18.8%	-2.1%	-5.4%	-6.7%	-3.6%	-4.5%
Floorplan Interest																	
Floorplan as % of Sales	0.5%	0.3%	0.2%	0.2%	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
\$ Growth	0.2%	-49.2%	-51.3%	-23.7%	-21.1%	-3.2%	-31.5%	-35.5%	-9.9%	11.0%	8.7%	-9.0%	33.2%	49.0%	67.7%	50.8%	50.6%
Depreciation & Amortization																	
Depreciation as % of Sales	0.9%	1.0%	0.9%	0.8%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
\$ Growth	-3.7%	-3.4%	4.0%	3.6%	5.4%	11.5%	6.2%	22.2%	22.7%	11.6%	5.1%	15.1%	6.0%	3.3%	7.2%	10.6%	6.7%
Source: Company data and Stephens Inc. estimates																	

## COMPANIES MENTIONED

JPMorgan Chase & Co. (JPM-\$122.46)  
Wells Fargo & Company (WFC-\$45.75)  
Bayerische Motoren Werke (BAMXF-\$79.39)  
Mercedes-Benz Group AG (DAI-\$61.88)  
Ford Motor Co. (F-\$16.32)  
Stellantis N.V. (STLA-MIL-\$15.07)  
Subaru Corporation Unsponsored ADR (FUJHY-\$9.18)  
General Motors Corp. (GM-\$39.40)  
Honda Motor Company (HMC-\$27.23)  
Hyundai Motor Company (foreign)  
Isuzu Motors Ltd. (ISUZY-\$11.75)  
Kia Motors Corp. (foreign)  
Mazda Motors Corp Unsponsored ADR (MZDAY-\$4.66)  
Mitsubishi Motors Corp (foreign)  
Nissan Motor Corp. Unsponsored ADR (NSANY-\$8.03)  
Porsche Automobil Holding SE Unsponsored ADR (POAHY-\$7.10)  
Tata Motors Ltd. (TTM-\$30.36)  
Toyota Motor Co (TM-\$160.46)  
Volkswagen AG (VWAGY-\$20.13)  
Volvo (VLVLY-\$17.57)  
Fair Isaac Corporation (FICO-\$489.79)

## APPENDIX A

### ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

## REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

### Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. EQUAL-WEIGHT (E) - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. UNDERWEIGHT (U) - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

## Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	234	61.10	50	21.37
HOLD [EW]	145	37.86	23	15.86
SELL [UW]	4	1.04	0	0.00

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## Questions – Asbury Automotive Group, Inc.

- Last quarter you outperformed the industry on used pretty materially, as you look back, what do you think drove that beat?
- With Clicklane, how do you foresee this driving growth? Is it more in-market conversion, or new market expansion? And what are the pros and cons of each?
- Some of your peers have discussed using the online tools to drive service and parts appointments - can you discuss your opportunity to use ClickLane to drive parts of the business other than unit sales?
- Michael can you talk about TCA - I think we all understand the concept of first party insurance, but how's the adoption been across the chain? Any hiccups rolling it out?
- You've chosen to not pursue a captive FinCo thus far, while some peers are pushing into that - can you talk about why you think insurance is a better decision for Asbury?
- Michael last quarter you got down to about 2x leverage, how is the M&A market looking?
- How much of your remaining debt is variable rate vs. fixed?

**Daniel Imbro, Analyst**

501-377-2055, daniel.imbro@stephens.com

Changes	Previous	Current
Rating	--	Overweight
Target Price	--	\$265.00
Price:		\$171.96
Fully Diluted Shares Out (mil.):		22.13
52-Week High:		\$230.97
52-Week Low:		\$146.43
Market Cap (mil.):		\$3,805.7
Fiscal Year End:		Dec
Average Daily Volume:		147,510
Float:		99.2%
Debt/Cap:		58.7%
Cash/Shr:		\$4.98
Dividend/Yield:		\$0.00/0.0%
Book Value/Shr:		\$98.62

EPS	2021A	2022E	2023E
Mar	\$4.78A	\$10.38A	\$8.21
Prev.	--	--	\$7.95
Jun	\$7.80A	\$9.07A	\$8.84
Prev.	--	\$8.89	\$8.56
Sep	\$7.54A	\$9.19	\$8.68
Prev.	--	\$9.02	\$8.83
Dec	\$6.44A	\$8.50	\$8.01
Prev.	--	\$8.21	\$8.13
FY	\$26.55A	\$37.20	\$33.74
Prev.	--	\$36.55	\$33.46
P/E	6.5x	4.6x	5.1x

Oper. EPS	2021A	2022E	2023E
Mar	\$4.68A	\$9.27A	\$8.21
Prev.	--	--	\$7.95
Jun	\$7.78A	\$10.04A	\$8.84
Prev.	--	\$8.89	\$8.56
Sep	\$7.36A	\$9.19	\$8.68
Prev.	--	\$9.02	\$8.83
Dec	\$7.46A	\$8.50	\$8.01
Prev.	--	\$8.21	\$8.13
FY	\$27.36A	\$37.02	\$33.74
Prev.	--	\$35.42	\$33.46
P/E	6.3x	4.6x	5.1x

**Rev.** \$9.84B \$15.32B \$14.93B  
**Prev.** -- \$15.49B \$15.53B

**Asbury Automotive Group, Inc.**, headquartered in Duluth, GA, is the sixth-largest public U.S. automotive retailer as measured by total revenues of \$9.8 billion in 2021. The Company sells and services 31 domestic and foreign brands through 154 dealership locations across the country.

**Asbury Automotive**

ABG – NYSE

**Overweight****Reason for Report:** Estimate Changes, Analysis of Sales/Earnings**ABG Reports 2Q22; Strong Expense Control; GPUs Offset Unit Headwinds; OW****INVESTMENT CONCLUSION:**

Asbury reported adj. 2Q22 EPS of \$10.04, compared with our/consensus estimates of \$8.89/\$8.82. Revenues rose +53%, and adj. EPS increased +29.1%. ABG's unit sales were under pressure due to supply challenges in new and used, but demand remains strong and commentary on the call suggests the current backdrop will sustain over the coming quarters. Within used, ABG performed well in 2Q, with comps outperforming the industry and GPUs remained stable. Service/parts grew double-digits, continuing the recent outsized growth. ABG reiterated its 2025 goals, and we have increased confidence that ABG is well-positioned to achieve its \$55+ EPS target. Management continues to control expenses very well, and leveraging Clicklane could drive further long-term improvements. Balance sheet leverage at 2.1x provides flexibility for M&A and share repurchases in the near to intermediate term. We reiterate our **Overweight** rating; our PT remains \$265, based on ~8x 2023E.

**KEY POINTS:**

**Estimates.** We have moved our 2022 adj. EPS estimate from \$35.42 to \$37.02, driven by 2Q results, lower SG&A margin, and an updated share count, partially offset by lower top-line growth. Additionally, we are moving our 2023 adj. EPS estimate from \$33.46 to \$33.74. See table to the left and attached model for GAAP estimates.

**2Q22 Results.** Asbury reported adj. 2Q22 EPS of \$10.04, compared to our/consensus estimates of \$8.89/\$8.82. Revenues rose +53% and adj. EPS increased +29.1%. Units were challenged, as both new and used same-store units missed our estimates (new likely weighed on by brand mix, given import exposure). Offsetting this, new and used GPUs outperformed our estimates, and we were impressed by the used vehicle performance vs. peers.

**New Vehicle Sales/Margins.** ABG reported new vehicle revenue of \$1.86 billion vs. our estimate of \$1.87 billion and \$1.37 billion last year. Same-store units decreased (31.3%) vs. our (19.5%) estimate and the industry at (20.6%). New vehicle gross margin leveraged ~275 bps to 11.8% and new vehicle total GPU was \$5,696 vs. \$5,718 in 1Q22 and \$3,912 last year. New unit sales remain constrained due to continued OEM production delays, and the company expects this to continue through 2022. As a result, demand continues to outpace supply, many vehicles are pre-sold and there is a backlog of vehicle orders, and we expect GPU to remain above historical levels over the coming quarters. New vehicle days supply was 13 days, up modestly from last quarter. Management did note the 13 day supply should have been lower, but the figure was bumped up from a late delivery. We believe demand remains strong, but given the under-supplied situation, demand could

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soften and we believe allocations would still be sold at full MSRP. Looking forward to 3Q, we model a (10.0%) decrease in same-store units, an improvement from 2Q due to an easier comparison. While we do model a moderation in GPU, it is gradual, and GPUs remain much higher than pre-COVID. For 3Q, we model GPU of \$5,385. For the full year, we model a (17.0%) decline in same-store units and GPU of \$5,444.

**Used Vehicle Sales/Margins.** ABG reported used vehicle revenue of \$1.37 billion vs. our estimate of \$1.37 billion and \$816 million last year. Same-store units decreased (2.3%), while GPU of \$2,530, down from \$2,737 last year but up from ~\$2,501 in the first quarter. We believe that ABG's balance of unit outperformance and sequential GPU expansion stands out among peers, as ABG has improved its used vehicle sourcing and is leveraging its Clicklane offering. 90% of units sourced were from either lease returns, trades, loaner cars, or direct purchase from consumers. We believe the Clicklane Sell Your Car Tool has driven improved customer-sourcing. A lack of affordable inventory is hampering unit sales, but we believe that demand remains strong. Looking forward to 3Q, we model a (3.0%) decrease in same-store units, and we model GPU of \$2,186. For the full year, we model a (0.4%) decrease in same-store units and GPU of \$2,263.

**Parts and Service Sales/Margins.** ABG reported service/parts revenue of \$520 million vs. our estimate of \$477 million and \$292 million last year, driven by a comp sales increase of 10.1%. Sales benefited from a 15% increase in customer pay, while warranty continues to lag, down (19%) y/y. We would note, improvements in new vehicle production and increased new unit sales over the nexts 12-18 months should accelerate the recovery of warranty. ABG saw a 38% y/y increase in online service appointments during the quarter. ABG continues to outperform in parts and service, and we believe the convenience of scheduling appointments online has attracted incremental business. The company remains focused on recruiting and training technicians, as well as matching capacity with demand. Looking forward to 3Q, we model parts and service same-store growth of 6.0%, and gross margin of 56.0%. For the full year, we model parts and service same-store growth of 7.0%, and gross margin of 55.7%.

**F&I Sales/GPU.** ABG reported F&I gross profit of \$187.7 million vs our estimate of \$179.9 million. F&I per unit was \$2,224 vs. \$2,296 last quarter and \$1,830 2Q21. On its core F&I product, we believe the redesign of the Clicklane interface should drive further F&I/unit growth as consumers can bundle products or choose them individually. Others in the space have seen increased product adoption through digital channels relative to in-store sales. On Clicklane a consumer can complete a purchase in only 14 minutes for financed deals. Clicklane's average credit score is 700, with an average down payment of \$8,871, with 80% of consumers seeking financing received instant approval. Additionally, the rollout of TCA continues to drive incremental profit and, importantly, does not introduce credit risk to the business (an investor focus for peers' results). TCA delivered \$9 million of pre-tax income in the quarter, included a negative (\$8 million) headwind from unrealized losses on equity investments.

**Balance Sheet/Capital Allocation.** YTD ABG has generated \$544 million in operating cash flow, which, along with divestitures from the beginning of the quarter, allowed the company to pay off \$487 million of debt and repurchased ~\$200 million in shares. The company has ~\$1.0 billion in liquidity, including \$244 million in cash and \$756 million available under the used vehicle floor plan line and revolver. Long-term debt is ~\$3.4 billion and the adjusted net leverage ratio was 2.1x at quarter end. Management noted on the earnings call that its target leverage is ~2.0x, and we believe at this level the company is actively in the market looking to deploy incremental excess cash flow to M&A or opportunistic share repurchase. The company has ~\$200 million remaining under its existing repurchase authorization.

**Valuation.** Shares currently trade at ~5.1x our new 2023 EPS estimates, vs. the 5-year FY2 average of 8.8x. ABG remains one of the best operators in the space, with strong cost control and continued evidence that Clicklane is driving incremental sales. Our \$265 price target is based on only ~8x our 2023 adj. EPS estimate, and with consensus numbers moving higher we believe shares can outperform, particularly with how negative sentiment has gotten for the group.

Asbury Automotive Group, Inc. (ABG)  
(in millions except per share amounts and as noted)  
Daniel Imbro  
501-517-2274

	2020A	1Q	2Q	3Q	4Q	2021A	1Q	2Q	3Q	4Q	2022E	1Q	2Q	3Q	4Q	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Mar.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles	\$ 3,767.4	\$ 1,151.7	\$ 1,368.4	\$ 1,129.5	\$ 1,284.5	\$ 4,934.1	\$ 1,855.6	\$ 1,864.5	\$ 1,712.3	\$ 1,737.5	\$ 7,169.9	\$ 1,764.0	\$ 1,808.9	\$ 1,685.6	\$ 1,720.1	\$ 6,978.6
% chg. y/y	(2.5%)	40.1%	79.6%	17.9%	4.8%	31.0%	61.1%	36.3%	51.6%	35.3%	45.3%	(4.9%)	(3.0%)	(1.6%)	(1.0%)	(2.7%)
Used Vehicles	2,169.6	690.9	816.2	879.0	929.5	3,315.6	1,350.9	1,368.5	1,387.8	1,235.3	5,342.5	1,192.9	1,284.8	1,400.4	1,223.6	5,101.7
% chg. y/y	1.8%	40.1%	82.4%	54.3%	41.0%	52.8%	95.5%	67.7%	57.9%	32.9%	61.1%	(11.7%)	(6.1%)	0.9%	(0.9%)	(4.5%)
Service & Parts	889.8	262.0	292.4	297.1	331.4	1,182.9	501.9	520.2	512.4	489.7	2,024.2	500.9	541.0	538.0	519.0	2,098.9
% chg. y/y	(3.3%)	18.2%	72.8%	25.3%	26.6%	32.9%	91.6%	77.9%	72.5%	47.8%	71.1%	(0.2%)	4.0%	5.0%	6.0%	3.7%
Finance & Insurance	305.1	88.3	107.0	100.4	109.4	405.1	203.4	203.0	191.9	185.9	784.1	176.6	188.0	195.1	186.1	745.8
% chg. y/y	(3.4%)	25.4%	60.7%	24.3%	25.3%	32.8%	130.4%	89.7%	91.1%	69.9%	93.6%	(13.2%)	(7.4%)	1.7%	0.1%	(4.9%)
<b>Total Revenues</b>	<b>\$ 7,131.9</b>	<b>\$ 2,193.5</b>	<b>\$ 2,584.0</b>	<b>\$ 2,406.0</b>	<b>\$ 2,654.8</b>	<b>\$ 9,837.7</b>	<b>\$ 3,911.8</b>	<b>\$ 3,956.2</b>	<b>\$ 3,804.4</b>	<b>\$ 3,648.3</b>	<b>\$ 15,320.7</b>	<b>\$ 3,634.4</b>	<b>\$ 3,822.7</b>	<b>\$ 3,819.2</b>	<b>\$ 3,648.9</b>	<b>\$ 14,925.1</b>
% chg. y/y	(1.4%)	36.5%	78.8%	30.4%	18.8%	37.9%	78.3%	53.1%	58.1%	37.4%	55.7%	(7.1%)	(3.4%)	0.4%	0.0%	(2.6%)
Cost of Sales	5,908.5	1,810.8	2,086.8	1,926.0	2,112.5	7,936.1	3,119.8	3,153.5	3,048.6	2,934.6	12,256.5	2,936.6	3,094.7	3,097.2	2,970.1	12,098.6
Gross Profit - New Vehicles	218.5	75.5	124.1	126.0	164.9	490.5	224.0	220.4	195.3	183.5	823.2	177.6	168.7	150.4	141.3	638.0
Gross Profit - Used Vehicles	156.6	55.8	83.5	72.2	76.8	288.3	99.3	104.2	98.9	87.8	390.3	80.8	87.1	96.5	83.1	347.6
Gross Profit - Service & Parts	543.2	163.1	182.6	181.4	194.8	721.9	276.5	290.4	286.9	274.2	1,128.1	280.5	303.0	301.3	290.7	1,175.4
Gross Profit - Finance & Insurance	305.1	88.3	107.0	100.4	105.8	401.5	192.2	187.7	174.6	168.2	722.7	159.0	169.2	173.7	163.7	665.5
<b>Gross Profit</b>	<b>\$ 1,223.4</b>	<b>\$ 382.7</b>	<b>\$ 497.2</b>	<b>\$ 480.0</b>	<b>\$ 542.3</b>	<b>\$ 1,902.2</b>	<b>\$ 792.0</b>	<b>\$ 802.7</b>	<b>\$ 755.7</b>	<b>\$ 713.8</b>	<b>\$ 3,064.2</b>	<b>\$ 697.8</b>	<b>\$ 728.0</b>	<b>\$ 721.9</b>	<b>\$ 678.8</b>	<b>\$ 2,826.5</b>
% chg. y/y	4.7%	40.5%	104.8%	42.9%	45.7%	55.5%	107.0%	61.4%	57.4%	31.6%	61.1%	(11.9%)	(9.3%)	(4.5%)	(4.9%)	(7.8%)
SG&A Expenses	771.1	236.3	270.2	265.2	294.3	1,066.0	455.5	448.3	428.9	408.8	1,741.5	403.1	417.5	418.4	395.5	1,634.5
Floorplan Interest Expense	17.7	2.9	2.1	1.5	1.7	8.2	2.6	1.5	1.9	2.7	8.7	3.6	4.2	4.2	4.6	16.6
Other Expenses / (Income)	9.5	(3.9)	(1.0)	(0.4)	(0.8)	(6.1)	(1.8)	0.8	-	-	(1.0)	-	-	-	-	-
EBITDA	425.1	147.4	225.9	213.7	247.1	834.1	335.7	352.1	325.0	302.3	1,315.0	291.1	306.3	299.4	278.7	1,175.5
Depreciation & Amortization	38.5	9.8	10.1	10.7	11.3	41.9	18.4	18.1	18.0	18.0	72.5	18.1	18.2	18.3	18.5	73.1
<b>EBIT</b>	<b>386.6</b>	<b>137.6</b>	<b>215.8</b>	<b>203.0</b>	<b>235.8</b>	<b>792.2</b>	<b>317.3</b>	<b>334.0</b>	<b>307.0</b>	<b>284.3</b>	<b>1,242.5</b>	<b>273.0</b>	<b>288.1</b>	<b>281.0</b>	<b>260.2</b>	<b>1,102.3</b>
Other Interest Expense	(56.7)	(14.0)	(14.4)	(14.8)	(23.2)	(66.4)	(37.6)	(37.6)	(38.5)	(39.0)	(152.7)	(39.3)	(39.5)	(40.0)	(40.5)	(159.3)
Other Income / (Expense)	2.1	-	-	-	-	-	-	(0.1)	-	-	(0.1)	-	-	-	-	-
Pre-Tax Income	332.0	123.6	201.4	188.2	212.6	725.8	279.7	296.3	268.5	245.3	1,089.7	233.8	248.6	241.0	219.7	943.1
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	83.2	32.9	49.7	44.6	50.0	177.2	67.5	73.4	67.1	61.3	269.4	58.4	62.1	60.3	54.9	235.8
Income Tax Rate	25.1%	26.6%	24.7%	23.7%	23.5%	24.4%	24.1%	24.8%	25.0%	25.0%	24.7%	25.0%	25.0%	25.0%	25.0%	25.0%
<b>Net Income (continuing operations)</b>	<b>\$ 248.8</b>	<b>\$ 90.7</b>	<b>\$ 151.7</b>	<b>\$ 143.6</b>	<b>\$ 162.6</b>	<b>\$ 548.6</b>	<b>\$ 212.2</b>	<b>\$ 222.9</b>	<b>\$ 201.4</b>	<b>\$ 183.9</b>	<b>\$ 820.4</b>	<b>\$ 175.3</b>	<b>\$ 186.4</b>	<b>\$ 180.8</b>	<b>\$ 164.8</b>	<b>\$ 707.3</b>
One-time items	5.6	2.1	0.4	3.4	(22.1)	(16.3)	25.5	(21.5)	-	-	4.0	-	-	-	-	-
Net Income	254.4	92.8	152.1	147.0	140.5	532.4	237.7	201.4	201.4	183.9	824.4	175.3	186.4	180.8	164.8	707.3
<b>EPS (continuing operations)</b>	<b>\$ 12.86</b>	<b>\$ 4.68</b>	<b>\$ 7.78</b>	<b>\$ 7.36</b>	<b>\$ 7.46</b>	<b>\$ 27.36</b>	<b>\$ 9.27</b>	<b>\$ 10.04</b>	<b>\$ 9.19</b>	<b>\$ 8.50</b>	<b>\$ 37.02</b>	<b>\$ 8.21</b>	<b>\$ 8.84</b>	<b>\$ 8.68</b>	<b>\$ 8.01</b>	<b>\$ 33.74</b>
% chg. y/y	35.9%	160.0%	208.7%	80.4%	68.0%	112.8%	98.1%	29.1%	24.9%	13.9%	35.3%	(11.4%)	(12.0%)	(5.5%)	(5.8%)	(8.9%)
EPS (GAAP)	\$ 13.15	\$ 4.78	\$ 7.80	\$ 7.54	\$ 6.44	\$ 26.55	\$ 10.38	\$ 9.07	\$ 9.19	\$ 8.50	\$ 37.20	\$ 8.21	\$ 8.84	\$ 8.68	\$ 8.01	\$ 33.74
Diluted Weighted Average Shares	19.4	19.4	19.5	19.5	21.8	20.1	22.9	22.2	21.9	21.6	22.2	21.4	21.1	20.8	20.6	21.0
<b>Gross Margin (% of Revenue)</b>																
New Vehicles (Retail)	5.8%	6.6%	9.1%	11.2%	12.8%	9.9%	12.1%	11.8%	11.4%	10.6%	11.5%	10.1%	9.3%	8.9%	8.2%	9.1%
Used Light Vehicles (Retail)	7.5%	7.8%	9.7%	8.3%	8.4%	8.6%	7.9%	7.9%	7.4%	7.5%	7.7%	7.3%	7.3%	7.2%	7.2%	7.2%
Service & Parts	61.0%	62.3%	62.4%	61.1%	58.8%	61.0%	55.1%	55.8%	56.0%	56.0%	55.7%	56.0%	56.0%	56.0%	56.0%	56.0%
<b>Total</b>	<b>17.2%</b>	<b>17.4%</b>	<b>19.2%</b>	<b>20.0%</b>	<b>20.4%</b>	<b>19.3%</b>	<b>20.2%</b>	<b>20.3%</b>	<b>19.9%</b>	<b>19.6%</b>	<b>20.0%</b>	<b>19.2%</b>	<b>19.0%</b>	<b>18.9%</b>	<b>18.6%</b>	<b>18.9%</b>
<b>% of Revenue Analysis</b>																
SG&A	10.8%	10.8%	10.5%	11.0%	11.1%	10.8%	11.6%	11.3%	11.3%	11.2%	11.4%	11.1%	10.9%	11.0%	10.8%	11.0%
SG&A (% Gross Profit)	63.0%	61.7%	54.3%	55.3%	54.3%	56.0%	57.5%	55.8%	56.8%	57.3%	56.8%	57.8%	57.3%	58.0%	58.3%	57.8%
Floorplan Interest Expense	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA	6.0%	6.7%	8.7%	8.9%	9.3%	8.5%	8.6%	8.9%	8.5%	8.3%	8.6%	8.0%	8.0%	7.8%	7.6%	7.9%
Depreciation & Amortization	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
EBIT	5.4%	6.3%	8.4%	8.4%	8.9%	8.1%	8.1%	8.4%	8.1%	7.8%	8.1%	7.5%	7.5%	7.4%	7.1%	7.4%
<b>Retail Unit Sales - Cont. Ops. (actual)</b>																
New Vehicles	95,165	27,259	31,725	24,763	26,163	109,910	39,174	38,697	36,262	37,141	151,274	39,092	41,019	38,801	40,855	159,766
Used Vehicles	80,537	23,519	26,856	27,761	27,070	105,206	38,306	39,848	44,948	40,515	163,616	38,091	41,840	47,645	42,540	170,116
<b>Total</b>	<b>175,702</b>	<b>50,778</b>	<b>58,581</b>	<b>52,524</b>	<b>53,233</b>	<b>215,116</b>	<b>77,480</b>	<b>78,545</b>	<b>81,210</b>	<b>77,655</b>	<b>314,890</b>	<b>77,183</b>	<b>82,859</b>	<b>86,445</b>	<b>83,395</b>	<b>329,882</b>
<b>Comparable Store Sales</b>																
New Light Vehicles (Retail)	(8.0%)	53.1%	87.2%	17.2%	14.0%	39.8%	(9.6%)	(21.7%)	(6.8%)	(6.6%)	(12.1%)	(1.9%)	(3.0%)	(1.6%)	(1.0%)	(1.9%)
Used Vehicles (Retail)	(3.6%)	43.3%	87.2%	61.2%	73.5%	66.2%	32.2%	11.8%	(4.0%)	(9.1%)	(4.9%)	(7.3%)	(7.6%)	0.7%	(1.3%)	(3.9%)
Service & Parts	(14.1%)	22.5%	77.8%	22.5%	41.8%	23.4%	14.1%	10.1%	6.0%	2.0%	7.0%	3.0%	4.0%	5.0%	6.0%	4.5%
Finance & Insurance	(3.1%)	30.1%	66.1%	24.9%	18.2%	32.8%	25.7%	7.9%	22.4%	31.4%	93.6%	(10.4%)	(7.4%)	1.7%	0.1%	(4.9%)
<b>Total (Retail)</b>	<b>(6.1%)</b>	<b>45.4%</b>	<b>85.3%</b>	<b>34.3%</b>	<b>38.5%</b>	<b>46.4%</b>	<b>9.7%</b>	<b>(4.4%)</b>	<b>(2.6%)</b>	<b>(4.4%)</b>	<b>1.8%</b>	<b>(3.4%)</b>	<b>(3.8%)</b>	<b>0.4%</b>	<b>(0.0%)</b>	<b>(1.8%)</b>

Source: Company Filings & Stephens Inc.

## APPENDIX A

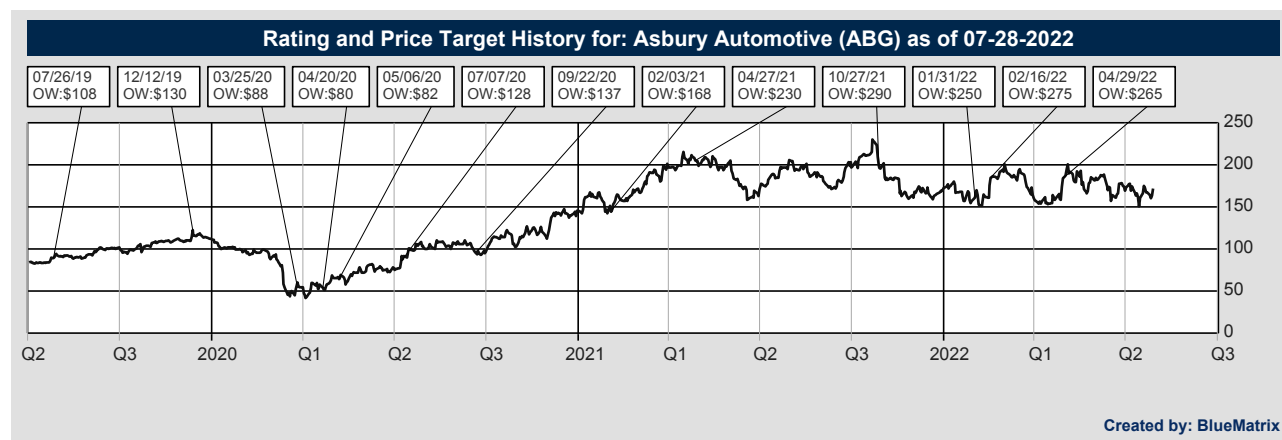
### ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Asbury Automotive as of the date of this report and may act as principal in these transactions.



### Valuation Methodology for Asbury Automotive

Our target price is based on a target P/E multiple on projected earnings. In some cases, we may use for valuation a "normalized" earnings number that assumes how the Company might perform in a steadier macroeconomic environment. In arriving at a target P/E multiple, we analyze peer group valuations and take into account Asbury Automotive Group's earnings growth, visibility, cash flow generation, and financial position relative to its peers.

### Risks to Achievement of Target Price for Asbury Automotive

Vehicles are discretionary items, and purchases are affected by numerous factors, including consumer confidence, unemployment, inflation, interest rates, credit availability, fuel prices, and general economic and business conditions. Any of these factors, individually or in combination, could negatively affect consumer spending, which, in turn, would impact sales and results of operations. Another risk involves auto retailers' acquisition strategy. Growth depends in large part on the Company's ability to acquire dealerships, manage expansion, and successfully integrate the operations into the organization. Numerous risks are involved in pursuing this strategy. In addition, the Company's decentralized approach could become more unwieldy as the number of platform dealers grows. Like its public auto retail peers, the Company's debt level is relatively high, heightening the risk of increased interest costs or default if operating results materially deteriorate. Asbury Automotive Group did not receive manufacturer approval for a meaningful acquisition in the past; manufacturer acquisition restrictions could limit the Company's growth strategy.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

### Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	234	61.10	50	21.37
HOLD [EW]	145	37.86	23	15.86
SELL [UW]	4	1.04	0	0.00

## OTHER DISCLOSURES

Certain investment programs offered by Stephens to clients sometimes engage in purchases or sales of securities that are consistent or inconsistent with Research Analyst recommendations. These programs are managed on a discretionary basis, or provide investment recommendations, by program managers in the exercise of their independent judgment and analysis. Stephens' directors, officers and employees are allowed to participate in these programs subject to established account minimums and applicable compliance restrictions.

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## Questions – AutoNation, Inc.

- AN's used inventory stepped up in 2Q and GPUs began to step lower - what levers could you pull to improve sourcing of lower cost used inventory in the market?
- Last quarter you said AutoNation USA has 5 profitable pilot stores - are there commonalities among the profitable stores vs. the unprofitable ones?
- Considering the inflationary pressures and macro factors that threaten the health of the consumer, why is now the appropriate time to take on a captive finance company?
- You mentioned on the earnings call that you expect CIG to achieve around 40% penetration in AN USA - what kind of time frame would you expect it to take to achieve that?
- Over time do you think CIG could take share in the core dealership business as a financing partner?
- You have been able to control SG&A well lately, but said that you will give back some of that as GPUS normalize. Are there investments in tech or operational efficiency that could help drive costs lower long term?
- With the management change, AutoNation seems more keen for M&A and investing in growth - now that you've bought CIG, do you anticipate being more active in traditional dealer M&A or are there other capabilities you'd like to add to the portfolio?

**Daniel Imbro, Analyst**

501-377-2055, daniel.imbro@stephens.com

Changes	Previous	Current
Rating	--	Equal-Weight
Target Price	\$125.00	\$130.00
Price:		\$115.62
Fully Diluted Shares Out (mil.):		58.32
52-Week High:		\$133.48
52-Week Low:		\$96.56
Market Cap (mil.):		\$6,743.5
Fiscal Year End:		Dec
Average Daily Volume:		1,150,292
Float:		64.1%
Debt/Cap:		68.9%
Cash/Shr:		\$8.11
Dividend/Yield:		\$0.00/0.0%
Book Value/Shr:		\$39.31

EPS	2021A	2022E	2023E
Mar	\$2.85A	\$5.78A	\$5.53
Prev.	--	--	\$5.47
Jun	\$4.83A	\$6.48A	\$5.54
Prev.	--	\$6.16	\$5.76
Sep	\$5.12A	\$6.14	\$5.52
Prev.	--	\$5.78	\$5.67
Dec	\$5.87A	\$5.64	\$5.30
Prev.	--	\$5.61	\$5.58
FY	\$18.29A	\$24.03	\$21.89
Prev.	--	\$23.35	\$22.48
P/E	6.3x	4.8x	5.3x

Oper. EPS	2021A	2022E	2023E
Mar	\$2.79A	\$5.78A	\$5.53
Prev.	--	--	\$5.47
Jun	\$4.83A	\$6.48A	\$5.54
Prev.	--	\$6.16	\$5.76
Sep	\$5.12A	\$6.14	\$5.52
Prev.	--	\$5.78	\$5.67
Dec	\$5.76A	\$5.64	\$5.30
Prev.	--	\$5.61	\$5.58
FY	\$18.12A	\$24.03	\$21.89
Prev.	--	\$23.35	\$22.48
P/E	6.4x	4.8x	5.3x

**Rev.** \$25.84B \$26.78B \$26.68B

**Prev.** -- \$27.44B \$27.97B

**AutoNation, Inc.**, headquartered in Fort Lauderdale, Florida, is the largest automotive retailer in the United States as measured by total U.S. revenue of \$25.8 billion in 2021. The Company owns and operates over 300 new vehicle franchises through dealership locations in 16 states, predominantly in the Sunbelt.

**AutoNation, Inc.**

AN – NYSE

**Equal-Weight**

**Reason for Report:** Target Price Change, Estimate Changes, Analysis of Sales/Earnings

## AN Reports 2Q22; Lowering New Unit Est's; Acquires CIG Financial; Maintain EW

**INVESTMENT CONCLUSION:**

AutoNation reported adj. EPS of \$6.48, beating our/consensus estimates of \$6.16/\$6.22. New and used unit sales came in lower than anticipated, partially offset by stronger new GPUs. SG&A as a % of gross was a positive standout, and commentary suggests this will remain lower when GPUs normalize. These results, similar to peers, increase our conviction that new vehicle inventory will take longer to build, and GPUs will remain elevated. With results, AN announced the acquisition of CIG Financial, as AN builds out a captive finance arm. We believe investors will remain skeptical of building the portfolio at this point in the credit cycle, which could limit the multiple more than peers. We expect continued balanced capital allocation, as AN announced a \$1 billion increase to the repurchase authorization and we expect more of a focus on M&A as well. PT moves to \$130 (from \$125); maintain EW.

**KEY POINTS:**

**Estimates.** We have moved our 2022 adj. EPS estimate from \$23.35 to \$24.03, reflecting 2Q results, slower top-line growth for the rest of the year, and improved SG&A assumptions. Additionally, we are moving our 2023 adj. EPS estimate from \$22.48 to \$21.89, reflecting a decrease of (8.9%). See table to the left and attached model for GAAP estimates.

**2Q22 Results.** 2Q22 Adj. EPS of \$6.48 topped our/consensus estimate of \$6.16/\$6.22. Revenues decreased (1.6%) and EPS rose +34.2%. The earnings beat vs. our estimate was primarily driven by lower SG&A (+\$0.26), lower share count (+\$0.24), higher gross margin (+\$0.12), and lower tax rate (+\$0.09), partially offset by lower revenue (-\$0.19), higher other expense (-\$0.17), and higher interest expense (-\$0.03).

**New Vehicle Sales/Margins.** AN reported new vehicle revenue of \$2.94 billion vs. our estimate of \$3.04 billion and \$3.43 billion last year. The decrease was driven by lower unit sales as new vehicle production remains challenged at certain import brands. Same-store units decreased (27.5%) vs. our (21.0%) estimate and the industry at (20.6%). New vehicle gross margin leveraged ~269 bps to 12.0% and new vehicle GPU was \$6,106 vs. \$6,112 in 1Q22 and \$4,153 last year. Looking forward to 3Q, we model a (2.5%) decline y/y in new units, implying relatively flat units from 2Q, as production improvements may take months and new inventory likely doesn't improve until 2023. Given this longer outlook for inventory normalizing, we are increasingly convinced that GPUs will remain elevated for longer. While demand may be slowing modestly, it still outpaces supply, and with a narrow gap in valuation between new and used, we believe this will continue. For 3Q,

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we model GPU of \$5,429. For the full year, we model a (15.4%) decline in same-store units and GPU of \$5,543.

**Used Vehicle Sales/Margins.** AN reported used vehicle revenue of \$2.52 billion vs. our estimate of \$2.65 billion and \$2.22 billion last year. The increase was driven by higher ASPs, partially offset by lower unit sales. Same-store units decreased (9.0%) vs. our (2.0%) estimate and softer than recent peer results. Management noted this was due to weakness in vehicles under \$20,000 price point, and in response the company is prioritizing changing its mix to more \$20,000 to \$40,000 vehicles. We believe that the lower prices units are underperforming partially due to softening low-end demand, but also due to a dearth of vehicles available at this price point. We believe sourcing these vehicles will continue to be difficult, as we expect prices to remain relatively high over the coming ~12 months due to the lack of new production and rental companies re-fleeting in the used market again. Used vehicle gross margin deleveraged 240 bps to 6.2% and used vehicle GPU was \$1,915 vs. \$1,566 in 1Q22 and \$2,239 last year. Used inventory was up to 40 days vs. 30 last quarter, but management noted that this was due to a shipment that came in earlier than expected at the end of the quarter, and there was not enough time to prep and recondition. Additionally, the company is confident this is desirable inventory as a result of the inventory cleanse last quarter. Looking forward to 3Q, we model a (1.0%) decrease in same-store units, and we model same-store GPU of \$1,894. For the full year, we model a (0.6%) decrease in same-store units and same-store GPU of \$1,748, as we assume used vehicle prices will see a slight moderation throughout the year. We would note used vehicles are likely less favorable for consumers in this environment, as the gap in valuation between new and used remains tight.

**Parts and Service Sales/Margins.** AN reported service/parts revenue of \$1.036 billion vs. our estimate of \$0.989 billion and \$0.951 billion last year, driven by a comp sales increase of 6.3%. We believe warranty work remains challenged in this environment, given the pressure on new vehicle unit sales in recent years, while customer pay continues to outperform. Customer pay should continue to trend favorably, supported by improving miles driven. Looking forward to 3Q, we model parts and service same-store growth of 6.0%, and gross margin of 46.0%. For the full year, we model parts and service same-store growth of 9.2%, and gross margin of 46.1%.

**F&I Sales/GPU.** AN reported F&I gross profit of \$367.6 million vs. our estimate of \$389.4 million and \$369.0 million last year. F&I per unit was \$2,724 vs. \$2,672 last quarter and \$2,339 last year. We are modeling sequential declines in F&I/unit through year-end, as we anticipate consumers opting into fewer programs as financing costs increase (though this could be offset by continued company-specific improvements). With results, AN announced the acquisition of CIG Financial; this provides the scale needed to build out a robust captive finance company to help capture additional profitability. The company noted its intention is to focus the new captive finance business on AutoNation USA, while business with other retail partners is expected to continue. AN is aiming for penetration of 40%+ in AutoNation USA once coverage of licenses and footprint has been built out over the course of the year. While the acquisition could provide long-term earnings upside, with delinquency rates rising, we are hesitant about the timing of the acquisition and believe investors will be wary of any changes in credit performance.

**Balance Sheet/Capital Allocation.** AN ended the quarter with \$336.5 million in cash. AN announced the acquisition of CIG Financial for \$85 million and assumption of undisclosed certain liabilities, a portion of which will be repaid at closing. On the call, management stated that they found the acquisition attractive because of the tech, capabilities, footprint, experienced management, and the low-risk profile (\$300 million of the \$325 million of loans receivable is securitized). We continue to expect AN to deploy significant cash towards share repurchase, but new management has shown more of a propensity towards M&A; we anticipate a more balanced approach. During the quarter the company repurchased 3.7 million shares for \$404 million, and YTD has repurchased 7.2 million shares (11% of the float) for \$789 million.

**Valuation.** Shares currently trade at ~5.3x our new 2023 EPS estimates, vs. the 3-year and 5-year FY2 averages of 8.9x and 9.4x, respectively. Our \$130 price target is based on ~6x our 2023 EPS estimate.

AutoNation, Inc. (AN)

(In millions except per share amounts and as noted)

Daniel Imbro

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	2019A	1QA	2QA	3QA	4QA	2020A	1QA	2QA	3QA	4QA	2021A	1QA	2QA	3QE	4QE	2022E	1QE	2QE	3QE	4QE	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles	\$ 11,167	\$ 2,282	\$ 2,261	\$ 2,748	\$ 3,127	\$ 10,419	\$ 2,982	\$ 3,428	\$ 2,754	\$ 2,917	\$ 12,082	\$ 2,807	\$ 2,936	\$ 2,784	\$ 2,700	\$ 11,227	\$ 2,801	\$ 2,868	\$ 2,833	\$ 2,732	\$ 11,234
Used Vehicles	5,467	1,249	1,325	1,517	1,511	5,601	1,749	2,223	2,323	2,344	8,639	2,572	2,520	2,461	2,430	9,984	2,402	2,436	2,465	2,350	9,653
Used Vehicles - Retail	5,160	1,162	1,263	1,421	1,415	5,261	1,644	2,086	2,158	2,174	8,062	2,392	2,362	2,174	2,141	9,069	2,221	2,276	2,168	2,049	8,714
Used Vehicles - Wholesale	306	87	62	96	96	341	105	137	165	169	576	180	158	287	289	914	181	159	297	302	938
Service & Parts	3,572	876	690	853	838	3,257	851	951	944	961	3,707	1,004	1,036	1,017	1,024	4,081	1,044	1,078	1,057	1,065	4,244
Finance & Insurance	1,023	236	246	281	296	1,059	313	369	349	354	1,385	364	368	368	354	1,453	373	383	384	377	1,518
Fleet & Other	107	24	11	6	13	53	8	7	10	7	32	5	9	10	7	31	5	9	10	7	31
<b>Total Revenues</b>	<b>21,336</b>	<b>4,667</b>	<b>4,533</b>	<b>5,405</b>	<b>5,785</b>	<b>20,390</b>	<b>5,904</b>	<b>6,978</b>	<b>6,380</b>	<b>6,582</b>	<b>25,844</b>	<b>6,753</b>	<b>6,869</b>	<b>6,640</b>	<b>6,515</b>	<b>26,776</b>	<b>6,625</b>	<b>6,774</b>	<b>6,749</b>	<b>6,531</b>	<b>26,680</b>
% chg. y/y	(0.4%)	(6.3%)	(15.2%)	(1.0%)	4.3%	(4.4%)	26.5%	53.9%	18.0%	13.8%	26.7%	14.4%	(1.6%)	4.1%	(1.0%)	3.6%	(1.9%)	(1.4%)	1.7%	0.3%	(0.4%)
Cost of Sales	17,813	3,854	3,738	4,413	4,801	16,806	4,871	5,652	5,108	5,261	20,891	5,444	5,508	5,327	5,255	21,534	5,347	5,483	5,484	5,295	21,608
Gross Profit - New Vehicles	504	96	120	167	201	584	190	321	320	372	1,202	345	354	314	277	1,289	264	255	233	213	965
Gross Profit - Used Vehicles	368	91	117	147	104	459	140	203	177	168	688	137	157	162	156	611	161	155	160	155	631
Gross Profit - Service & Parts	1,623	389	311	396	382	1,478	389	433	425	426	1,673	461	482	468	471	1,882	480	496	486	490	1,952
Gross Profit - Finance & Insurance	1,023	236	246	281	296	1,059	313	369	349	354	1,385	364	368	368	354	1,453	373	383	384	377	1,518
Gross Profit - Fleet & Other	5	1	1	1	0	3	1	2	2	2	6	2	2	1	2	8	0	2	1	2	6
<b>Gross Profit</b>	<b>3,523</b>	<b>813</b>	<b>795</b>	<b>992</b>	<b>984</b>	<b>3,584</b>	<b>1,033</b>	<b>1,326</b>	<b>1,272</b>	<b>1,322</b>	<b>4,953</b>	<b>1,309</b>	<b>1,362</b>	<b>1,313</b>	<b>1,259</b>	<b>5,242</b>	<b>1,279</b>	<b>1,291</b>	<b>1,265</b>	<b>1,236</b>	<b>5,071</b>
% chg. y/y	3.7%	(4.2%)	(10.8%)	11.8%	9.8%	1.7%	27.0%	66.8%	28.2%	34.3%	38.2%	26.7%	2.7%	3.2%	(4.7%)	5.9%	(2.3%)	(5.2%)	(3.6%)	(1.8%)	(3.3%)
SG&A Expenses	2,553	601	542	626	628	2,397	648	749	724	750	2,870	741	755	748	743	2,987	780	800	784	779	3,144
Floorplan Interest Expense	138	26	16	11	11	64	9	7	5	5	26	5	6	7	7	24	7	8	8	9	33
Other Expenses / (Income)	(27)	(1)	(3)	5	(4)	(3)	0	(1)	(3)	(5)	(8)	(2)	-	-	-	(2)	-	-	-	-	-
<b>EBITDA</b>	<b>859</b>	<b>188</b>	<b>240</b>	<b>351</b>	<b>349</b>	<b>1,127</b>	<b>375</b>	<b>572</b>	<b>546</b>	<b>572</b>	<b>2,065</b>	<b>564</b>	<b>601</b>	<b>558</b>	<b>510</b>	<b>2,232</b>	<b>491</b>	<b>482</b>	<b>472</b>	<b>449</b>	<b>1,895</b>
% chg. y/y	3.4%	(6.1%)	8.9%	65.9%	53.0%	31.1%	100.2%	138.4%	55.6%	64.0%	83.2%	50.2%	5.2%	2.2%	(10.8%)	8.1%	(12.8%)	(19.8%)	(15.3%)	(12.0%)	(15.1%)
Depreciation & Amortization	181	48	49	52	50	199	48	48	48	50	193	50	49	49	49	196	49	49	50	50	198
<b>EBIT</b>	<b>679</b>	<b>139</b>	<b>191</b>	<b>299</b>	<b>299</b>	<b>928</b>	<b>328</b>	<b>524</b>	<b>498</b>	<b>522</b>	<b>1,871</b>	<b>514</b>	<b>552</b>	<b>509</b>	<b>461</b>	<b>2,036</b>	<b>442</b>	<b>433</b>	<b>423</b>	<b>399</b>	<b>1,696</b>
Other Interest Expense	(106)	(23)	(23)	(24)	(23)	(94)	(21)	(21)	(24)	(27)	(93)	(30)	(34)	(35)	(35)	(134)	(36)	(36)	(37)	(38)	(147)
Other Income / (Expense)	10	(3)	(0)	6	7	11	4	9	(1)	-	12	(6)	(14)	-	-	(20)	-	-	-	-	-
Pre-Tax Income	582	113	167	282	283	845	310	512	474	495	1,790	478	505	474	426	1,882	407	397	386	361	1,550
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	161	31	43	70	70	214	76	127	112	115	429	116	128	126	113	482	108	105	102	96	411
Income Tax Rate	-	0	0	0	0	-	0	0	0	0	-	0	0	0	0	-	0	0	0	0	-
<b>Net Income (continuing operations)</b>	<b>422</b>	<b>82</b>	<b>124</b>	<b>212</b>	<b>213</b>	<b>631</b>	<b>234</b>	<b>385</b>	<b>362</b>	<b>380</b>	<b>1,360</b>	<b>362</b>	<b>377</b>	<b>349</b>	<b>313</b>	<b>1,400</b>	<b>299</b>	<b>292</b>	<b>283</b>	<b>265</b>	<b>1,139</b>
% chg. y/y	3.2%	(12.8%)	14.8%	99.2%	88.3%	49.6%	184.0%	210.8%	70.8%	78.3%	115.6%	54.9%	(2.2%)	(3.6%)	(17.6%)	2.9%	(17.4%)	(22.5%)	(18.7%)	(15.3%)	(18.6%)
One-time items	28	(315)	156	(29)	(62)	(249)	6	(0)	-	7	13	-	(0)	-	-	(0)	-	-	-	-	-
<b>Net Income</b>	<b>450</b>	<b>(232)</b>	<b>280</b>	<b>183</b>	<b>152</b>	<b>382</b>	<b>240</b>	<b>385</b>	<b>362</b>	<b>387</b>	<b>1,373</b>	<b>362</b>	<b>376</b>	<b>349</b>	<b>313</b>	<b>1,400</b>	<b>299</b>	<b>292</b>	<b>283</b>	<b>265</b>	<b>1,139</b>
<b>EPS (continuing operations)</b>	<b>\$ 4.66</b>	<b>\$ 0.91</b>	<b>\$ 1.41</b>	<b>\$ 2.38</b>	<b>\$ 2.43</b>	<b>\$ 7.12</b>	<b>\$ 2.79</b>	<b>\$ 4.83</b>	<b>\$ 5.12</b>	<b>\$ 5.76</b>	<b>\$ 18.12</b>	<b>\$ 5.78</b>	<b>\$ 6.48</b>	<b>\$ 6.14</b>	<b>\$ 5.64</b>	<b>\$ 24.03</b>	<b>\$ 5.53</b>	<b>\$ 5.54</b>	<b>\$ 5.52</b>	<b>\$ 5.30</b>	<b>\$ 21.89</b>
EPS (GAAP)	\$ 4.97	\$ (2.58)	\$ 3.18	\$ 2.05	\$ 1.73	\$ 4.30	\$ 2.85	\$ 4.83	\$ 5.12	\$ 5.87	\$ 18.29	\$ 5.78	\$ 6.48	\$ 6.14	\$ 5.64	\$ 24.03	\$ 5.53	\$ 5.54	\$ 5.52	\$ 5.30	\$ 21.89
Diluted Weighted Average Shares	91	90	88	89	88	89	84	80	71	66	75	63	58	57	56	58	54	53	51	50	52
<b>Gross Margin (% of Revenue)</b>																					
New Vehicles	4.5%	4.2%	5.3%	6.1%	6.4%	5.6%	6.4%	9.3%	11.6%	12.7%	10.3%	12.3%	12.0%	11.3%	10.2%	11.5%	9.4%	8.9%	8.2%	7.8%	8.6%
Used Vehicles	6.7%	7.2%	8.4%	9.1%	6.8%	7.9%	7.6%	8.6%	7.6%	7.1%	7.7%	5.2%	6.2%	6.8%	6.6%	6.3%	6.7%	6.3%	6.4%	6.5%	6.5%
Service & Parts	45.4%	44.4%	45.1%	46.4%	45.6%	45.4%	45.7%	45.5%	45.0%	44.4%	45.1%	45.9%	46.5%	46.0%	46.0%	46.1%	46.0%	46.0%	46.0%	46.0%	46.0%
Fleet & Other	4.8%	4.9%	5.5%	17.9%	3.2%	6.0%	7.1%	21.6%	16.2%	28.4%	17.6%	42.6%	26.4%	15.0%	28.0%	25.9%	7.0%	21.5%	15.0%	28.0%	18.3%
<b>Total</b>	<b>16.5%</b>	<b>17.4%</b>	<b>17.5%</b>	<b>18.4%</b>	<b>17.0%</b>	<b>17.6%</b>	<b>17.5%</b>	<b>19.0%</b>	<b>19.9%</b>	<b>20.1%</b>	<b>19.2%</b>	<b>19.4%</b>	<b>19.8%</b>	<b>19.8%</b>	<b>19.3%</b>	<b>19.6%</b>	<b>19.3%</b>	<b>19.1%</b>	<b>18.7%</b>	<b>18.9%</b>	<b>19.0%</b>

% of Revenue Analysis

SG&A	12.0%	12.9%	12.0%	11.6%	10.9%	11.8%	11.0%	10.7%	11.3%	11.4%	11.1%	11.0%	11.0%	11.3%	11.4%	11.2%	11.8%	11.8%	11.6%	11.9%	11.8%
SG&A (% Gross Profit)	72.5%	73.9%	68.2%	63.0%	63.8%	66.9%	62.7%	56.5%	56.9%	56.7%	58.0%	56.6%	55.4%	57.0%	59.0%	57.0%	61.0%	62.0%	62.0%	63.0%	62.0%
Floorplan Interest Expense	0.6%	0.5%	0.4%	0.2%	0.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA	4.0%	4.0%	5.3%	6.5%	6.0%	5.5%	6.4%	8.2%	8.6%	8.7%	8.0%	8.3%	8.8%	8.4%	7.8%	8.3%	7.4%	7.1%	7.0%	6.9%	7.1%
EBIT	3.2%	3.0%	4.2%	5.5%	5.2%	4.6%	5.5%	7.5%	7.8%	7.9%	7.2%	7.6%	8.0%	7.7%	7.1%	7.6%	6.7%	6.4%	6.3%	6.1%	6.4%
Pre-Tax Income	2.7%	2.4%	3.7%	5.2%	4.9%	4.1%	5.2%	7.3%	7.4%	7.5%	6.9%	7.1%	7.3%	7.1%	6.5%	7.0%	6.1%	5.9%	5.7%	5.5%	5.8%
Income Tax Rate	27.6%	27.1%	25.9%	24.9%	24.6%	25.3%	24.5%	24.8%	23.6%	23.2%	24.0%	24.2%	25.4%	26.5%	26.5%	25.6%	26.5%	26.5%	26.5%	26.5%	26.5%
Net Income (before one-time items)	2.0%	1.8%	2.7%	3.9%	3.7%	3.1%	4.0%	5.5%	5.7%	5.8%	5.3%	5.4%	5.5%	5.2%	4.8%	5.2%	4.5%	4.3%	4.2%	4.1%	4.3%

Retail Unit Sales - Cont. Ops. (actual)

New Vehicles	282,602	56,739	54,513	65,998	72,404	249,654	69,361	77,164	58,277	57,601	262,403	56,442	57,890	57,755	55,012	227,099	57,571	59,627	61,221	60,513	238,931
Used Vehicles	246,113	56,149	58,920	64,587	61,526	241,182	71,780	80,589	77,553	74,442	304,364	79,763	77,080	78,041	77,083	311,967	82,156	82,476	81,943	80,166	326,741
<b>Total</b>	<b>528,715</b>	<b>112,888</b>	<b>113,433</b>	<b>130,585</b>	<b>133,930</b>	<b>490,836</b>	<b>141,141</b>	<b>157,753</b>	<b>135,830</b>	<b>132,043</b>	<b>566,767</b>	<b>136,205</b>	<b>134,970</b>	<b>135,796</b>	<b>132,095</b>	<b>539,066</b>	<b>139,727</b>	<b>142,102</b>	<b>143,164</b>	<b>140,679</b>	<b>565,672</b>

Gross Profit per Unit

Gross per unit - new retail	\$1,801	\$1,693	\$2,194	\$2,535	\$2,775	\$2,340	\$2,739	\$4,157	\$5,484	\$6,446	\$4,537	\$6,113	\$6,109	\$5,429	\$5,028	\$5,541	\$4,585	\$4,276	\$3,800	\$3,520	\$4,037
Gross per unit - used retail	\$1,420	\$1,489	\$1,801	\$1,994	\$1,565	\$1,719	\$1,744	\$2,240	\$2,104	\$2,059	\$2,020	\$1,568	\$1,916	\$1,894	\$1,833	\$1,748	\$1,803	\$1,744	\$1,704	\$1,668	\$1,730
F&I Per Retail Unit	\$1,935	\$2,089	\$2,172	\$2,153	\$2,209	\$2,158	\$2,218	\$2,339	\$2,569	\$2,678	\$2,443	\$2,672	\$2,724	\$2,697	\$2,678	\$2,693	\$2,672	\$2,696	\$2,670	\$2,678	\$2,679
Variable Gross per Unit	\$1,935	\$3,682	\$4,159	\$4,252	\$4,429	\$4,193	\$4,451	\$5,514	\$6,122	\$6,655	\$5,661	\$6,122	\$6,436	\$6,094	\$5,842	\$6,125	\$5,621	\$5,503	\$5,271	\$5,142	\$5,384

## APPENDIX A

### ANALYST CERTIFICATION

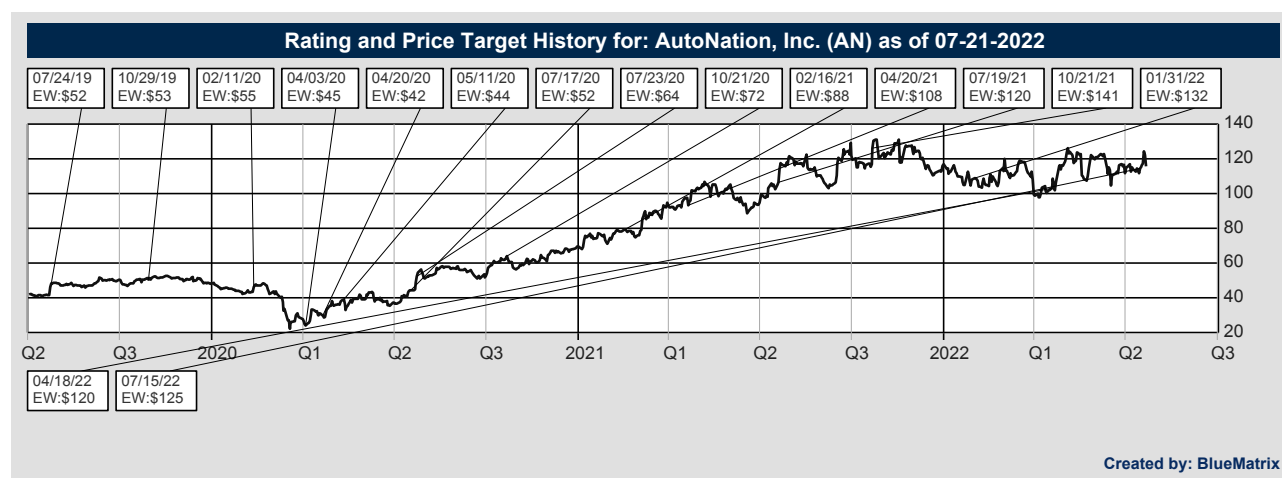
The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of AutoNation, Inc. as of the date of this report and may act as principal in these transactions.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from AutoNation, Inc. in the next three months.



### Valuation Methodology for AutoNation, Inc.

Our target price is based on a target P/E multiple on projected earnings. In arriving at a target P/E multiple, we analyze peer group valuations and take into account AutoNation's earnings growth, visibility, cash flow generation, and financial position relative to its peers.

### Risks to Achievement of Target Price for AutoNation, Inc.

Vehicles are discretionary items, and purchases are affected by numerous factors, including consumer confidence, unemployment, inflation, interest rates, credit availability, fuel prices, and general economic and business conditions. Any of these factors, individually or in combination, could negatively affect consumer spending, which, in turn, would impact sales and results of operations. Another risk involves auto retailers' acquisition strategy. Growth depends in large part on their ability to acquire dealerships, manage expansion, and successfully integrate the operations into the organization. Numerous risks are involved in pursuing this strategy, including manufacturer acquisition restrictions that could limit the Company's growth. Also, the Company still has heavy exposure to domestic manufacturers relative to some of its peers (despite a recent shift toward import labels). Furthermore, the Company's large size requires significant acquisitions to grow top-line revenue. Absent these acquisitions, cost reductions must continue to grow bottom-line profits. Like its public auto retail peers, the Company's debt level is relatively high, heightening the risk of increased interest costs or default if operating results materially deteriorate.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

## Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	234	61.10	50	21.37
HOLD [EW]	145	37.86	23	15.86
SELL [UW]	4	1.04	0	0.00

## OTHER DISCLOSURES

Certain investment programs offered by Stephens to clients sometimes engage in purchases or sales of securities that are consistent or inconsistent with Research Analyst recommendations. These programs are managed on a discretionary basis, or provide investment recommendations, by program managers in the exercise of their independent judgment and analysis. Stephens' directors, officers and employees are allowed to participate in these programs subject to established account minimums and applicable compliance restrictions.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Such information is believed to be accurate on the date of issuance of the report, and all expressions of opinion apply on the date of issuance of the report. No subsequent publication or distribution of this report shall mean or imply that any such information or opinion remains current at any time after the stated date of the report. We do not undertake to advise you of any changes in any such information or opinion. Additional risk factors as identified by the Subject Company and filed with the Securities and Exchange Commission may be found on EDGAR at [www.sec.gov](http://www.sec.gov). Prices, yields, and availability are subject to change with the market. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Any discussion of tax attributes is provided for informational purposes only, and each investor should consult his/her/its own tax advisors regarding any and all tax implications or tax consequences of any investment in securities discussed in this report. From time to time, our research reports may include discussions about potential short-term trading opportunities or market movements that may or may not be consistent with Stephens' long-term investment thesis, rating, or price target. Please note that we provide supplemental news and analysis in Quick Take blogs available to clients on our website. ***If applicable, when reading research on Business Development Companies, you should consider carefully the investment objectives, charges, risks, fees and expenses of the investment company before investing. The prospectus, and, if available, the summary prospectus, contain this and other information about the investment company. You can obtain a current prospectus, and, if available, a summary prospectus, by calling your financial consultant. Please read the prospectus, and, if available, the summary prospectus, carefully before investing as it contains information about the previous referenced factors and other important information. Also, please note other reports filed with the Securities and Exchange Commission by the relevant investment company at [www.sec.gov](http://www.sec.gov).*** Please also note that the report may include one or more links to external or third-party websites. Stephens Inc. has not independently verified the information contained on such websites and can provide no assurance as to the reliability of such information, and there can be no assurance that any opinions expressed on such websites reflect the opinions of Stephens Inc. or its management. Additional information available upon request.

## Questions – Group 1 Automotive, Inc.

- Within the used car business, obviously the consumer is feeling pressure - how are you able to change your sourcing to better meet demand for those vehicles?
- On the new vehicle side, Pete, you've been vocal you are not charging above MSRP, even when you could, can you talk about why you've done that?
- Daniel, with the sale of the Brazilian asset, how do you feel about the asset base today? Are there further divestiture opportunities?
- The UK has been slower to recover, can you discuss how the European geopolitical climate is affecting the consumer and in turn your outlook for that business?
- On service and parts, you guys continue to outperform the peers with your 4 day workweek - can you talk about why it's so difficult for others to implement?
- Pete you have chosen to not do first-party financing, can you talk about your strategic thinking behind that? Would it ever make sense to have?
- Acceleride has been helpful in driving costs out of the stores so far, can you talk about further cost benefits from the growth at Acceleride?
- You've stepped up the share repurchase pretty meaningfully this year, maybe in lieu of more aggressive M&A, can you discuss how you come to those decisions and what you're seeing on M&A multiples?

**Daniel Imbro, Analyst**

501-377-2055, daniel.imbro@stephens.com

Changes	Previous		Current
Rating	--		Overweight
Target Price	\$285.00		\$275.00
Price:			\$170.96
Fully Diluted Shares Out (mil.):			16.60
52-Week High:			\$211.39
52-Week Low:			\$145.43
Market Cap (mil.):			\$2,837.3
Fiscal Year End:			Dec
Average Daily Volume:			116,583
Float:			95.6%
Debt/Cap:			60.3%
Cash/Shr:			\$0.94
Dividend/Yield:			\$1.42/0.8%
Book Value/Shr:			\$117.42
EPS	2021A	2022E	2023E
Mar	\$5.52A	\$11.88A	\$9.03
Prev.	--	--	\$9.87
Jun	\$10.35A	\$12.11A	\$9.38
Prev.	--	\$11.36	\$10.09
Sep	\$9.33A	\$10.94	\$9.77
Prev.	--	\$11.69	\$10.15
Dec	\$9.06A	\$10.11	\$8.86
Prev.	--	<u>\$10.86</u>	<u>\$9.58</u>
FY	\$30.10A	\$45.13	\$37.04
Prev.	--	<u>\$45.83</u>	<u>\$39.69</u>
P/E	5.7x	3.8x	4.6x
Oper. EPS	2021A	2022E	2023E
Mar	\$5.57A	\$10.81A	\$9.03
Prev.	--	--	\$9.87
Jun	\$10.31A	\$12.00A	\$9.38
Prev.	--	\$11.36	\$10.09
Sep	\$9.62A	\$10.94	\$9.77
Prev.	--	\$11.69	\$10.15
Dec	\$9.43A	\$10.11	\$8.86
Prev.	--	<u>\$10.86</u>	<u>\$9.58</u>
FY	\$34.92A	\$43.90	\$37.04
Prev.	--	<u>\$44.71</u>	<u>\$39.69</u>
P/E	4.9x	3.9x	4.6x
Rev.	\$13.71B	\$15.67B	\$13.63B
Prev.	--	\$15.69B	\$15.13B

**Group 1 Automotive, Inc.**, headquartered in Houston, TX, is the third-largest public auto retailer in the US with \$13.5 bil. in revenues in 2021. It owns and operates 202 auto dealerships consisting of 268 franchises and 34 brands, as well as 46 collision centers located in the U.S. and UK.

**Group 1 Automotive**

GPI – NYSE

**Overweight**

**Reason for Report:** Target Price Change, Estimate Changes, Analysis of Sales/Earnings

## GPI Reports 2Q22; Execution Remains Strong; Cash Generation Underappreciated

**INVESTMENT CONCLUSION:**

GPI delivered a strong second quarter, with adj. EPS of \$12.00 well ahead of our/consensus \$11.36/\$10.82. GPI delivered better-than-expected gross and SG&A margin, while service and parts growth leads the peers. Elevated new vehicle profitability is sustaining for longer than initially expected, and while this will moderate, excess cash is fueling capital allocation that will drive sustainably higher earnings. Additionally, we would note that in the case of moderating GPUs, an increase in volume and continued parts and service growth will provide a partial offset. Management has executed well through COVID, controlling SG&A well and de-levering the balance sheet (sub-2x today). During the quarter GPI repurchased ~0.8 million shares of common stock, and we believe the discounted valuation is unjustified (particularly after recent Brazilian asset disposal). We reiterate our **Overweight** rating; our price target moves to \$275 (was \$285).

**KEY POINTS:**

**Estimates.** We have decreased our 2022 adj. EPS estimate from \$44.71 to \$43.90, reflecting the stronger 2Q results and a lower top-line growth and margin assumption in the back half of the year. Additionally, we are increasing our 2023 adj. EPS estimate from \$39.69 to \$37.04, reflecting a (15.6%) decline. See table to the left and attached model for GAAP EPS.

**2Q22 Results.** GPI reported 2Q22 adj. EPS from continued ops of \$12.00 vs. our/consensus estimate of \$11.36/\$10.82. The EPS beat vs. our estimate was driven by lower SG&A expense, stronger comps, stronger new gross margin, and lower floorplan expense, partially offset by higher tax rate and higher share count.

**New Vehicle Units Light, GPUs Strong.** GPI reported new vehicle revenue of \$1.85 billion vs. our estimate of \$1.83 billion and \$1.81 billion last year. The increase was driven by higher ASPs, partially offset by lower unit sales. New vehicle profitability remains a bright-spot, with GPUs very elevated due to the lack of inventory. Consolidated new vehicle GPUs were \$5,416, up from \$3,863 last year. New vehicle demand continues to outpace supply, and the dealer reports thus far this earnings season increases our conviction that GPUs will stay elevated likely through the year (we are conservatively assuming modest deceleration, but still well above pre-COVID levels). Same-store units decreased (23.7%) vs. the industry at (20.6%), driven by brand-mix, in our opinion. New vehicle gross margin leveraged ~250 bps to 11.4% vs. our estimate of 10.2% (and 8.9% last 2Q). The company noted it continues to sell most units almost immediately after OEM delivery, while the UK new vehicle order bank of 17,000 units

See important disclosures and analyst certification on pages 4 - 5 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

represents more than a six-month backlog (based on first half unit sales). GPI noted pent-up demand due to Brexit and pandemic lock-downs are contributing to the strong UK demand. Further, we believe new vehicles are preferred among consumers currently, given the narrowing price gap between new and used vehicles. For 3Q, we model new vehicle gross margin of 9.7%, and we model full-year gross margin of 10.5%. For 2023 we anticipate new gross margin will moderate through the year, but for the full year will be 9.4%.

**Used Vehicles Remain In Focus.** GPI reported used vehicle revenue of \$1.51 billion vs. our estimate of \$1.43 billion and \$1.18 billion last year. We believe the used vehicle market's supply/demand is more balanced, and retailers with improved sourcing are gaining share. The increase was driven by higher ASPs and unit sales (organic units were down y/y, while overall units were up). Same-store used units decreased (6.8%) in the quarter, and the company ended the quarter with 35 days of used inventory. The company faced significantly fewer trade-ins during the quarter due to weaker new unit sales, but organic sourcing efforts (including 9,200 units through Acceleride) continue to support growth. The company noted used demand is shifting towards lower price points, and in response is working to lower the average price of used vehicle inventory. One initiative is GPI is wholesaling fewer units as it retains older, lower priced units. The UK is seeing a similar dynamic, with older, lower priced cars being sold. As a result of the older inventory, reconditioning costs have increased, and this has put margins under pressure. GPI saw used vehicle gross margin of 5.9% during 2Q, down from 9.1% last year. We model full-year used gross margin of 6.1% in 2022 and 5.8% in 2023.

**Parts and Service Sales/Margins.** GPI reported service/parts revenue of \$503 million vs. our estimate of \$476 million and \$383 million last year, driven by a comp sales increase of 13.5%. Customer pay same-store revenue grew 20% y/y, same-store collision revenue grew 18%, wholesale parts increased 16%, and warranty saw a decline y/y. We believe GPI's 4-day technician work week has made the company an employer of choice, and this continues to show in results. Looking forward to 3Q, we model parts and service same-store growth of 10.0%, and gross margin of 53.1%. For the full year, we model parts and service same-store growth of 11.3%, and gross margin of 54.1%.

**F&I Sales/GPU.** GPI reported F&I gross profit of \$190.2 million vs. our estimate of \$192.4 million and \$159.6 million last year. F&I comps increased 0.3% vs. our estimate of (0.8%), as F&I per unit increased 17.9%, but weaker unit sales weighed on overall dollar growth. Over the coming quarters, softer unit sales are likely to continue, while we expect F&I per unit to be relatively flat from 2Q levels, as selling process improvements offset consumer wallet pressures from rising rates. This quarter F&I had a 70% penetration rate, and we believe this is partially driven by the scaling of Acceleride, as management noted the platform is helping drive sales per F&I manager. The company also noted delinquencies continue to trend back to pre-pandemic levels, but there is still a healthy appetite for lending.

**Acceleride Continues to Scale.** We are encouraged by Acceleride's progress, as the tool has proved useful for both sourcing and selling used vehicles. This quarter GPI acquired 9,200 and sold 6,900 units through Acceleride; this represented ~10% of total U.S. retail sales and was a ~19% sequential increase from 1Q22. Encouragingly, a majority of transactions are now touching Acceleride somewhere along the car-buying journey, and we believe this speaks to consumers' adoption of the platform. Every dealership now offers delivery through Acceleride, and more than 70% of customers who choose delivery are local. As a reminder, selling in local markets allows GPI to capture aftersales revenue following the delivery of the vehicle. Looking forward, we believe Acceleride could offer material long-term SG&A leverage as transactions become faster and product attachment within F&I continues to increase.

**Balance Sheet/Capital Allocation.** GPI ended the quarter with \$26.3 million in cash, \$83 million in floor plan offset accounts (total cash liquidity of \$109 million), and \$1.97 billion in total debt. A majority of GPI's debt is fixed-rate, with every 100 bps increase in overnight rates resulting in an only \$0.32 impact. At quarter-end the rent-adjusted leverage ratio was only 1.8x. With an underlevered balance sheet, we expect GPI to remain acquisitive while also deploying capital towards share repurchases (focus on growth via M&A). During 2Q GPI repurchased 799,033 shares for \$139.0 million, and YTD the company has repurchased \$254.1 million of common stock, representing ~8.3% of the float from the beginning of the year. GPI has \$139 million left on the authorization.

**Valuation.** Shares currently trade at ~4.3x our new NTM EPS estimates, vs. the 3-year and 5-year NTM averages of 6.8x and 7.3x, respectively. Our \$275 price target is based on ~7.5x our NTM EPS estimate.

Group 1 Automotive, Inc. (GPI)  
(In millions except per share amounts and as noted)  
Daniel Imbro  
501.377.2055

	2020A	1Q A	2Q A	3Q A	4Q A	2021A	1Q A	2Q A	3Q E	4Q E	2022E	1Q E	2Q E	3Q E	4Q E	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles	\$5,580.9	\$1,543.4	\$1,855.3	\$1,576.2	\$1,676.2	\$6,651.1	\$1,745.1	\$1,851.3	\$1,755.5	\$1,671.5	\$7,023.4	\$1,448.1	\$1,457.1	\$1,479.2	\$1,449.1	\$5,833.5
% chg. y/y	(15.6%)	15.0%	74.6%	(0.3%)	5.1%	19.2%	14.1%	(0.2%)	14.4%	(0.3%)	17.0%	(17.0%)	(15.2%)	(15.2%)	(13.3%)	(13.9%)
Used Vehicles retail	3,105.6	898.8	1,195.6	1,248.3	1,136.6	4,479.3	1,359.9	1,505.4	1,447.6	1,183.8	5,496.6	1,157.4	1,199.5	1,227.0	1,047.0	4,630.9
% chg. y/y	(7.8%)	15.4%	86.5%	43.9%	38.9%	44.2%	51.3%	25.9%	16.0%	4.1%	22.7%	(14.9%)	(20.3%)	(15.2%)	(11.6%)	(15.7%)
Used Vehicles wholesale	308.1	80.2	96.4	109.4	87.7	373.7	93.5	95.8	92.2	83.2	364.6	74.0	86.9	78.4	78.1	317.3
% chg. y/y	(13.3%)	(7.3%)	97.9%	26.3%	3.7%	21.3%	16.6%	(0.6%)	(15.7%)	(5.2%)	(2.4%)	(20.9%)	(9.3%)	(15.0%)	(6.1%)	(13.0%)
Used Vehicles	3,413.7	979.0	1,292.0	1,357.7	1,224.3	4,853.0	1,453.4	1,601.2	1,539.8	1,266.9	5,861.3	1,231.3	1,286.4	1,305.4	1,125.1	4,948.2
% chg. y/y	(8.3%)	13.1%	87.3%	42.3%	35.4%	42.2%	48.5%	23.9%	13.4%	3.5%	20.8%	(15.3%)	(19.7%)	(15.2%)	(11.2%)	(15.6%)
Service & Parts	1,389.4	360.6	392.1	427.6	439.0	1,619.3	472.9	502.6	543.5	545.5	2,064.6	507.6	539.3	582.5	574.0	2,203.4
% chg. y/y	(8.0%)	(2.7%)	39.0%	13.8%	21.5%	16.5%	31.1%	28.2%	27.1%	24.3%	27.5%	7.3%	7.3%	7.2%	5.2%	6.7%
Finance & Insurance	468.0	127.0	161.0	147.7	150.2	585.9	173.0	190.2	190.8	166.7	720.6	155.1	162.8	170.0	154.9	642.7
Fleet & Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenues</b>	<b>\$ 10,852.0</b>	<b>\$ 3,010.0</b>	<b>\$ 3,700.4</b>	<b>\$ 3,509.2</b>	<b>\$ 3,489.7</b>	<b>\$ 13,709.3</b>	<b>\$ 3,844.4</b>	<b>\$ 4,145.4</b>	<b>\$ 4,029.5</b>	<b>\$ 3,650.6</b>	<b>\$ 15,669.9</b>	<b>\$ 3,342.1</b>	<b>\$ 3,445.7</b>	<b>\$ 3,537.1</b>	<b>\$ 3,303.1</b>	<b>\$ 13,627.9</b>
% chg. y/y	(9.9%)	11.9%	73.6%	15.4%	16.7%	26.3%	27.7%	12.0%	14.8%	4.6%	14.3%	(13.1%)	(16.9%)	(12.2%)	(9.5%)	(13.0%)
Cost of Sales	9,082.7	2,519.4	3,039.2	2,856.0	2,818.3	11,232.9	3,119.7	3,377.0	3,288.6	2,962.1	12,747.3	2,702.5	2,780.9	2,838.4	2,651.4	10,973.2
% chg. y/y	(11.2%)	10.8%	71.5%	13.0%	12.4%	23.7%	23.8%	11.1%	15.1%	5.1%	13.5%	(13.4%)	(17.7%)	(13.7%)	(10.5%)	(13.9%)
<b>Gross Profit</b>	<b>1,769.0</b>	<b>490.7</b>	<b>661.3</b>	<b>653.2</b>	<b>671.2</b>	<b>2,476.4</b>	<b>724.7</b>	<b>768.4</b>	<b>740.9</b>	<b>688.5</b>	<b>2,922.6</b>	<b>639.5</b>	<b>664.8</b>	<b>698.7</b>	<b>651.6</b>	<b>2,654.7</b>
% chg. y/y	(2.6%)	17.8%	84.3%	27.6%	39.3%	40.0%	47.7%	16.2%	13.4%	2.6%	18.0%	(11.8%)	(13.5%)	(5.7%)	(5.4%)	(9.2%)
SG&A Expenses	1,165.6	318.4	377.5	383.9	415.8	1,495.6	439.9	463.4	470.1	440.0	1,813.3	411.5	429.1	454.2	424.0	1,718.8
% chg. y/y	(13.2%)	(2.9%)	67.5%	25.5%	35.7%	28.3%	38.2%	22.7%	22.5%	5.8%	21.2%	(6.4%)	(7.4%)	(3.4%)	(3.6%)	(5.2%)
Floorplan Interest Expense	39.5	7.6	6.5	5.7	3.8	23.6	5.3	5.9	6.0	6.4	23.6	7.4	7.8	8.8	9.9	33.9
Other Expenses / (Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	563.9	164.7	277.3	263.6	251.6	957.2	279.5	299.2	264.8	242.2	1,085.7	220.7	227.9	235.7	217.7	902.0
Depreciation & Amortization	75.8	19.5	18.8	19.6	20.6	78.5	21.2	23.0	21.3	21.5	87.0	21.6	21.7	21.8	21.9	87.0
<b>EBIT</b>	<b>\$ 488.1</b>	<b>\$ 145.2</b>	<b>\$ 258.5</b>	<b>\$ 244.0</b>	<b>\$ 231.0</b>	<b>\$ 878.7</b>	<b>\$ 258.3</b>	<b>\$ 276.2</b>	<b>\$ 243.5</b>	<b>\$ 220.7</b>	<b>\$ 998.7</b>	<b>\$ 199.1</b>	<b>\$ 206.3</b>	<b>\$ 213.9</b>	<b>\$ 195.8</b>	<b>\$ 815.0</b>
% chg. y/y	43.8%	154.7%	147.4%	36.3%	56.5%	80.0%	77.9%	6.9%	(0.2%)	(4.5%)	13.7%	(22.9%)	(25.3%)	(12.1%)	(11.3%)	(18.4%)
Other Interest Expense	(62.5)	(13.8)	(13.7)	(13.2)	(16.0)	(56.7)	(17.4)	(18.5)	(18.2)	(18.2)	(72.2)	(18.2)	(18.2)	(18.2)	(18.2)	(72.6)
Other Income / (Expense)	0.8	0.9	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Income	426.4	132.3	244.8	230.8	215.0	822.9	240.9	257.8	225.3	202.6	926.5	180.9	188.1	195.7	177.7	742.4
Minority Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Income Taxes	92.9	29.6	54.6	53.4	45.2	182.8	56.3	60.3	50.0	45.0	211.6	40.2	41.8	43.5	39.4	164.8
Income Tax Rate	21.8%	22.4%	22.3%	23.1%	21.0%	22.2%	23.4%	23.4%	22.2%	22.2%	22.8%	22.2%	22.2%	22.2%	22.2%	22.2%
Net Income (Cont Ops / Adj.)	<b>\$ 333.5</b>	<b>\$ 102.7</b>	<b>\$ 190.2</b>	<b>\$ 177.4</b>	<b>\$ 169.8</b>	<b>\$ 640.1</b>	<b>\$ 184.6</b>	<b>\$ 197.5</b>	<b>\$ 175.3</b>	<b>\$ 157.6</b>	<b>\$ 714.9</b>	<b>\$ 140.8</b>	<b>\$ 146.3</b>	<b>\$ 152.3</b>	<b>\$ 138.2</b>	<b>\$ 577.6</b>
Dealership dispositions	0.0	0.0	0.0	0.0	(76.1)	(76.1)	1.8	(8.8)	0.0	0.0	(7.0)	0.0	0.0	0.0	0.0	0.0
Net Income (before one-time items)	333.5	102.7	190.2	177.4	93.7	564.0	186.4	188.7	175.3	157.6	707.9	140.8	146.3	152.3	138.2	577.6
One-time items	(46.3)	(0.9)	0.8	(5.4)	(6.7)	(12.2)	16.5	10.6	0.0	0.0	27.1	0.0	0.0	0.0	0.0	0.0
Net Income	287.2	101.8	191.0	172.0	87.0	551.8	202.9	199.3	175.3	157.6	735.0	140.8	146.3	152.3	138.2	577.6
Earnings allocated to participating securities	9.7	(3.5)	(6.4)	5.7	(2.9)	(7.1)	(5.9)	(5.4)	5.8	(5.3)	(10.7)	(4.1)	(4.0)	5.0	(4.6)	(7.6)
Net Income Available to Common	296.9	98.3	184.6	177.7	84.1	544.7	197.0	193.9	181.1	152.3	724.3	136.7	142.4	157.3	133.6	570.0
After-tax adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. Net Income Available to Common	296.9	98.3	184.6	177.7	84.1	544.7	197.0	193.9	181.1	152.3	724.3	136.7	142.4	157.3	133.6	570.0
<b>Adj. EPS</b>	<b>\$ 18.05</b>	<b>\$ 5.57</b>	<b>\$ 10.31</b>	<b>\$ 9.62</b>	<b>\$ 9.43</b>	<b>\$ 34.92</b>	<b>\$ 10.81</b>	<b>\$ 12.00</b>	<b>\$ 10.94</b>	<b>\$ 10.11</b>	<b>\$ 43.90</b>	<b>\$ 9.03</b>	<b>\$ 9.38</b>	<b>\$ 9.77</b>	<b>\$ 8.86</b>	<b>\$ 37.04</b>
% chg. y/y	65.3%	236.7%	173.5%	38.1%	66.5%	93.5%	94.1%	16.4%	13.7%	7.1%	25.7%	(16.5%)	(21.8%)	(10.7%)	(12.3%)	(15.6%)
EPS (GAAP)	\$15.55	\$5.52	\$10.35	\$9.33	\$9.06	\$30.10	\$11.88	\$12.11	\$10.94	\$10.11	\$45.13	\$9.03	\$9.38	\$9.77	\$8.86	\$37.04
Total Weighted Average Shares Outstanding	18.5	18.4	18.4	18.4	18.0	18.3	17.1	16.5	16.0	15.6	16.3	15.6	15.6	15.6	15.6	15.6

#### Gross Margin (% of Revenue)

New Vehicles	6.0%	6.4%	8.9%	10.6%	11.5%	9.4%	11.5%	11.4%	9.7%	9.4%	10.5%	9.9%	9.8%	9.4%	8.5%	9.4%
Used Vehicles (retail)	6.8%	6.6%	9.1%	7.9%	8.0%	8.0%	6.5%	5.9%	6.0%	5.9%	6.1%	5.8%	5.9%	5.9%	5.8%	5.8%
Service & Parts	54.0%	55.7%	55.3%	54.2%	52.9%	54.4%	54.9%	55.2%	53.1%	53.1%	54.1%	53.6%	53.6%	53.6%	53.6%	53.6%
<b>Total</b>	<b>16.3%</b>	<b>16.3%</b>	<b>17.9%</b>	<b>18.6%</b>	<b>19.2%</b>	<b>18.1%</b>	<b>18.9%</b>	<b>18.5%</b>	<b>18.4%</b>	<b>18.9%</b>	<b>18.7%</b>	<b>19.1%</b>	<b>19.3%</b>	<b>19.8%</b>	<b>19.7%</b>	<b>19.5%</b>

#### % of Revenue Analysis

SG&A	10.7%	10.6%	10.2%	10.9%	11.9%	10.9%	11.4%	11.2%	11.7%	12.1%	11.6%	12.3%	12.5%	12.8%	12.8%	12.6%
SG&A (% Gross Profit)	65.9%	64.9%	57.1%	58.8%	61.9%	60.4%	60.7%	60.3%	63.4%	63.9%	62.0%	64.3%	64.5%	65.0%	65.1%	64.7%
Floorplan Interest Expense	0.4%	0.3%	0.2%	0.2%	0.1%	0.2%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%
EBITDA	5.2%	5.5%	7.5%	7.5%	7.2%	7.0%	7.3%	7.2%	6.6%	6.6%	6.9%	6.6%	6.6%	6.7%	6.6%	6.6%
Depreciation & Amortization	0.7%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%
EBIT	4.5%	4.8%	7.0%	7.0%	6.6%	6.4%	6.7%	6.7%	6.0%	6.0%	6.4%	6.0%	6.0%	6.0%	5.9%	6.0%
Other Interest Expense	(0.6%)	(0.5%)	(0.4%)	(0.4%)	(0.5%)	(0.4%)	(0.5%)	(0.4%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)	(0.5%)
Pre-Tax Income	3.9%	4.4%	6.6%	6.6%	6.2%	6.0%	6.3%	6.2%	5.6%	5.5%	5.4%	5.5%	5.5%	5.5%	5.4%	5.4%
Net Income (before one-time items)	3.1%	3.4%	5.1%	5.1%	4.9%	4.7%	4.8%	4.8%	4.3%	4.3%	4.6%	4.2%	4.2%	4.3%	4.2%	4.2%

#### Retail Unit Sales - Cont. Ops. (actual)

New Vehicles	140,221	36,863	42,893	35,126	35,573	150,455	36,733	38,822	37,503	36,008	149,066	31,839	33,073	34,395	33,944	133,252
Used Vehicles (retail)	140,118	38,059	43,240	37,298	37,298	163,599	43,606	48,771	40,406	40,406	181,690	39,602	42,364	43,540	37,123	162,629
<b>Total</b>	<b>280,339</b>	<b>74,922</b>	<b>87,895</b>	<b>78,366</b>	<b>72,871</b>	<b>314,054</b>	<b>80,339</b>	<b>87,729</b>	<b>86,274</b>	<b>86,414</b>	<b>330,755</b>	<b>71,441</b>	<b>75,437</b>	<b>77,935</b>	<b>71,068</b>	<b>295,881</b>

#### Comparable Store Sales

New Vehicles (Retail)	(11.7%)	14.2%	74.9%	(2.3%)	(6.0%)	12.7%	(4.5%)	(17.3%)	(3.7%)	(14.8%)	(10.5%)	(19.1%)	(21.2%)	(15.7%)	(13.3%)	(17.4%)
Used Vehicles (Retail)	(7.9%)	15.2%	87.7%	40.2%	29.0%	39.4%	31.0%	7.0%	(0.8%)	(9.2%)	5.5%	(16.8%)	(20.3%)	(15.2%)	(11.6%)	(16.2%)
Service & Parts	(8.1%)	(1.7%)	38.6%	13.0%	12.5%	12.1%	14.8%	11.7%	10.0%	9.3%	11.3%	5.1%	7.3%	7.2%	5.2%	6.2%
Finance & Insurance	(6.1%)	15.0%	67.3%	12.9%	7.6%	22.2%	18.3%	(1.1%)	7.7%	(4.7%)	4.4%	(12.6%)	(14.4%)	(10.9%)	(7.1%)	(11.3%)
Wholesale, Fleet & Other (non-comp)	(13.2%)	(4.7%)	98.5%	22.8%	(2.8%)	17.5%	1.8%	(15.8%)	(29.9%)	(15.7%)	(16.1%)	(9.3%)	(15.0%)	(15.0%)	(6.1%)	(13.4%)
<b>Total (includes Fleet and Wholesale)</b>	<b>(10.0%)</b>	<b>12.0%</b>	<b>72.0%</b>	<b>13.0%</b>	<b>7.0%</b>	<b>21.0%</b>	<b>10.0%</b>	<b>(6.0%)</b>	<b>(1.0%)</b>	<b>(10.0%)</b>	<b>(2.0%)</b>	<b>(15.0%)</b>	<b>(17.0%)</b>	<b>(12.0%)</b>	<b>(10.0%)</b>	<b>(14.0%)</b>

Source: Company Filings & Stephens Inc.

## APPENDIX A

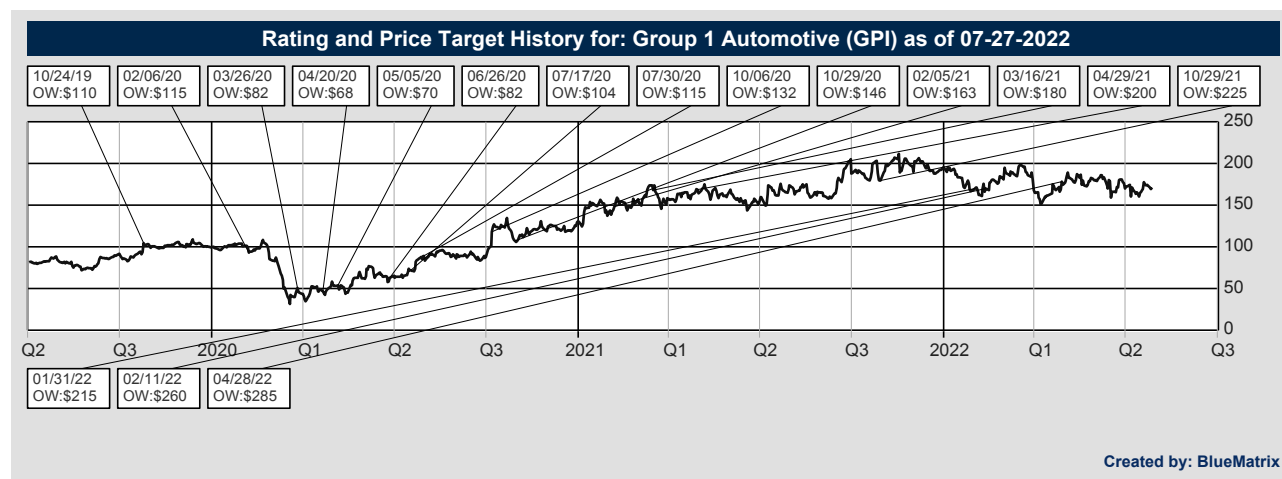
### ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Group 1 Automotive as of the date of this report and may act as principal in these transactions.



### Valuation Methodology for Group 1 Automotive

- Our target price is based on a target P/E multiple on projected earnings. In some cases, we may use for valuation a "normalized" earnings number that assumes how the Company might perform under a steadier macroeconomic environment. In arriving at a target P/E multiple, we analyze peer group valuations and take into account Group 1 Automotive's earnings growth, visibility, cash flow generation, and financial position relative to its peers.

### Risks to Achievement of Target Price for Group 1 Automotive

- Vehicles are discretionary items, and purchases are affected by numerous factors, including consumer confidence, unemployment, inflation, interest rates, credit availability, fuel prices, and general economic and business conditions. Any of these factors, individually or in combination, could negatively affect consumer spending, which, in turn, would impact sales and results of operations. Another risk involves auto retailers' acquisition strategy. Growth depends in large part on Group 1 Automotive's ability to acquire dealerships, manage expansion, and successfully integrate the operations into the organization. Numerous risks are involved in pursuing this strategy. A large portion of Group 1 Automotive's revenue is derived from sales of domestic vehicles, where sales have been weak. Group 1 Automotive's high concentration of sales in Texas and Oklahoma exposes the Company to regional economic downturns. Like its public auto retail peers, the Company's debt level is relatively high, heightening the risk of increased interest costs or default if operating results materially deteriorate.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

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Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	234	61.10	50	21.37
HOLD [EW]	145	37.86	23	15.86
SELL [UW]	4	1.04	0	0.00

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**Daniel Imbro, Analyst**

501-377-2055, daniel.imbro@stephens.com

**Current**

Rating	Overweight
Target Price	\$275.00
Price:	\$186.57
Fully Diluted Shares Out (mil.):	15.79
52-Week High:	\$211.39
52-Week Low:	\$145.43
Market Cap (mil.):	\$2,945.6
Fiscal Year End:	Dec
Average Daily Volume:	123,960
Float:	95.6%
Debt/Cap:	60.0%
Cash/Shr:	\$1.48
Dividend/Yield:	\$1.46/0.8%
Book Value/Shr:	\$126.53

EPS	2021A	2022E	2023E
Mar	\$5.52A	\$11.88A	\$9.03
Jun	\$10.35A	\$12.11A	\$9.38
Sep	\$9.33A	\$10.94	\$9.77
Dec	<u>\$9.06A</u>	<u>\$10.11</u>	<u>\$8.86</u>
FY	\$30.10A	\$45.13	\$37.04
P/E	6.2x	4.1x	5.0x

Oper. EPS	2021A	2022E	2023E
Mar	\$5.57A	\$10.81A	\$9.03
Jun	\$10.31A	\$12.00A	\$9.38
Sep	\$9.62A	\$10.94	\$9.77
Dec	<u>\$9.43A</u>	<u>\$10.11</u>	<u>\$8.86</u>
FY	\$34.92A	\$43.90	\$37.04
P/E	5.3x	4.2x	5.0x

Rev.           \$13.71B   \$15.67B   \$13.63B

**Group 1 Automotive, Inc.**, headquartered in Houston, TX, is the third-largest public auto retailer in the US with \$13.5 bil. in revenues in 2021. It owns and operates 202 auto dealerships consisting of 268 franchises and 34 brands, as well as 46 collision centers located in the U.S. and UK.

**Group 1 Automotive**

GPI – NYSE

**Overweight****First Look: GPI Announces CEO Succession Plan****INVESTMENT CONCLUSION:**

This morning Group 1 announced that CEO Earl Hesterberg will retire at year-end, and current President of U.S. Operations Daryl Kenningham will assume the CEO role on January 1, 2023. Mr. Kenningham is being promoted to President and Chief Operating Officer this morning until January 1, and is joining the Board of Directors. We anticipate a smooth CEO transition, given Mr. Kenningham's ~11 years at the company and leadership positions over recent years. We wish Mr. Hesterberg the best in retirement. We maintain our **OW** rating and \$275 price target.

See important disclosures and analyst certification on pages 2 - 3 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

## APPENDIX A

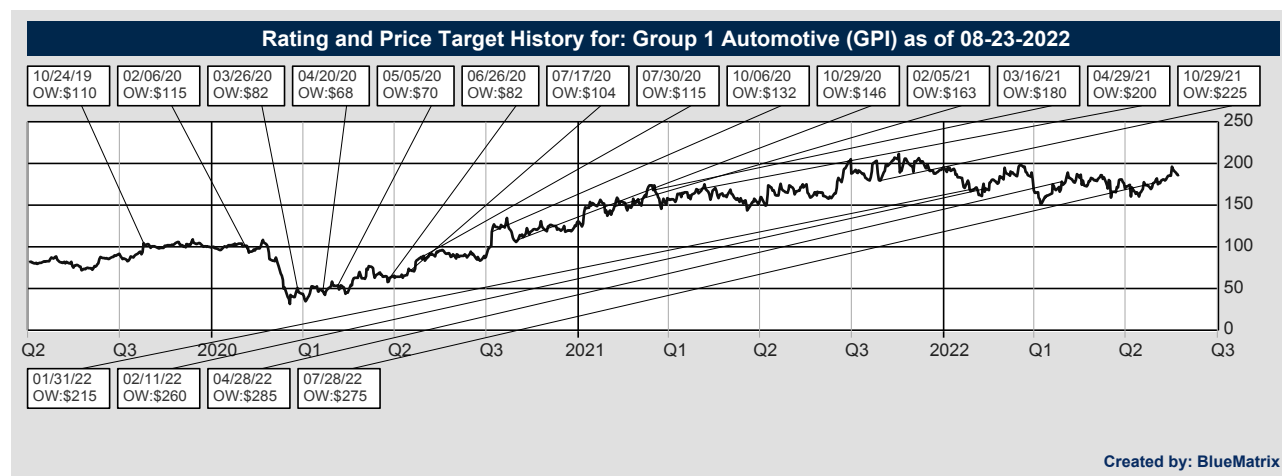
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## Questions – Lithia Motors, Inc.

- Your used business historically caters to older units - can you lean into this more in this backdrop to gain market share? And how does the profitability of older units compare to younger used cars?
- Historically LAD grew into more rural markets, allowing for best practices to improve results – as you've ramped M&A into more urban markets, can you discuss the synergy opportunities today for deals?
- You guys have leaned into the shift towards EVs, both online and in some of the dealer investments - how do you see that playing out over the coming years and what will that change for Lithia's profitability?
- Greencars.com is more informational today, how could you monetize that site in the future?
- Last year you expanded internationally into Canada, can you talk about why that market makes sense, and the M&A backdrop in Canada?
- Can you talk strategically about what gave you comfort to grow into a captive finance business at this point in the cycle?
- On Driveway Finance, FICO scores stepped up last quarter, what drove that step-up to 718? And how are you feeling about the consumer credit outlook as prices moderate?
- Have you seen any change in support from your traditional finance partners as you grow into Driveway Finance? Is that a risk as we scale the business?

**Daniel Imbro, Analyst**

501-377-2055, daniel.imbro@stephens.com

Changes	Previous	Current
Rating	--	Overweight
Target Price	--	\$430.00
Price:		\$279.52
Fully Diluted Shares Out (mil.):		28.93
52-Week High:		\$385.85
52-Week Low:		\$252.56
Market Cap (mil.):		\$8,087.5
Fiscal Year End:		Dec
Average Daily Volume:		398,868
Float:		97.9%
Debt/Cap:		56.7%
Cash/Shr:		\$3.90
Dividend/Yield:		\$1.68/0.6%
Book Value/Shr:		\$166.82

EPS	2021A	2022E	2023E
Mar	\$5.81A	\$11.55A	\$11.35
Prev.	--	--	\$11.00
Jun	\$10.75A	\$11.60A	\$11.43
Prev.	--	\$12.57	\$11.28
Sep	\$10.11A	\$12.06	\$11.05
Prev.	--	\$12.44	\$11.98
Dec	\$9.57A	\$11.16	\$10.63
Prev.	--	\$11.07	\$10.31
FY	\$36.51A	\$46.38	\$44.48
Prev.	--	\$47.64	\$44.54
P/E	7.7x	6.0x	6.3x

Oper. EPS	2021A	2022E	2023E
Mar	\$5.89A	\$11.96A	\$11.35
Prev.	--	--	\$11.00
Jun	\$11.12A	\$12.18A	\$11.43
Prev.	--	\$12.57	\$11.28
Sep	\$11.21A	\$12.06	\$11.05
Prev.	--	\$12.44	\$11.98
Dec	\$11.39A	\$11.16	\$10.63
Prev.	--	\$11.07	\$10.31
FY	\$40.01A	\$47.41	\$44.48
Prev.	--	\$48.07	\$44.54
P/E	7.0x	5.9x	6.3x

Rev.	\$22.83B	\$27.62B	\$28.34B
Prev.	--	\$28.80B	\$29.71B

**Lithia Motors, Inc.**, headquartered in Medford, Oregon, is the second-largest automotive retailer in the U.S. as measured by total revenue of \$22.8 billion in 2021. Lithia sells 33 brands of new vehicles and operates 209 stores in 22 states in the U.S.

**Lithia Motors, Inc.**

LAD – NYSE

**Overweight****Reason for Report:** Estimate Changes, Analysis of Sales/Earnings**LAD Reports 2Q22: Units Light, GPUs Strong; 2025 Targets On-Track; Reit. OW****INVESTMENT CONCLUSION:**

Lithia's 2Q adj. EPS of \$12.18 compared with our/consensus estimates of \$12.57/\$12.08. Units missed our expectation, primarily weighed on by unfavorable brand mix (we expect this to continue in the near term). However, on the call LAD noted it gained ~5% market share within its brands. Partially offsetting this, new and used GPU remained elevated, and we are increasing our 2H GPU assumptions, driven by limited production and improved used procurement. Driveway is on track to achieve its \$1 billion revenue target this year, and DFC penetration is running ahead of schedule. We expect both of these to contribute to earnings growth in future years, particularly DFC (expected ~\$20 million income drag this year, \$10 million of positive income next year). Credit appears to be stable, with improving metrics thus far. Though 2Q units underwhelmed, we believe LAD's investments position it to limit EPS contraction next year. Reiterate **OW**/\$430 PT.

**KEY POINTS:**

**Estimates.** We are decreasing our 2022 adj. EPS estimate from \$48.07 to \$47.41. This estimate reflects the 2Q results and a lower unit assumption, partially offset by higher GPUs. Our 2023 adj. EPS estimate moves from \$44.54 to \$44.48, which reflects a slower recovery for unit sales, partially offset by higher GPUs and increased buyback activity at this valuation. See table to the left and attached model for GAAP estimates.

**1Q22 Results.** Lithia reported 2Q adj. EPS of \$12.18, vs. our/consensus estimates of \$12.57/\$12.08. These results included \$0.25 of FX headwinds not in our estimates. The EPS result relative to our estimate was driven by lower revenue (-\$0.35), higher earnings from non-controlling interests (-\$0.22), higher interest/other expense (-\$0.21), higher SG&A expense (-\$0.18), and higher D&A (-\$0.04) partially offset by higher gross profit (+\$0.34), lower share count (+\$0.22), and lower floor-plan interest (+\$0.05). During the quarter LAD repurchased 1.9 million shares and the company has \$114 million remaining under authorization.

**New Vehicle Sales/Margins.** LAD reported new vehicle revenue of \$3.251 billion vs. our estimate of \$3.536 billion and \$3.146 billion last year. The 3.3% increase was driven by revenue from acquisitions, partially offset by a comp sales decrease of (16.9%). Same-store units declined more than expected at (27.2%) vs. our (18.5%) estimate and the industry at ~(-20.6%). The outsized decrease was primarily due to brand exposure, however the company did note it improved market share within brands by 5% in the quarter. New vehicle gross margin leveraged 265 bps to 12.6% and new vehicle GPU was \$5,970 vs. \$6,179 in 1Q22 and \$4,173 in 2Q21. Looking forward to 3Q, we model

See important disclosures and analyst certification on pages 5 - 6 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

a (15.0%) y/y decrease in same-store units as production remains a challenge, and we model GPU of \$5,630. For the full year, we model a (19.8%) decline in same-store units, and GPU of \$5,772. We believe demand for new vehicles may be seeing some moderation, but demand continues to outpace supply, and this should support GPUs in the near term. We are increasingly convinced notable production improvements are far off, while inventory may improve in the back half of 2023.

**Used Vehicle Sales/Margins.** LAD reported used vehicle revenue of \$2.510 billion vs. our estimate of \$2.445 billion and \$1.805 billion last year. The 39.1% increase was driven by a comp sales increase of 17.5% and incremental revenue from acquisitions. Pricing was in-line with last quarter as the gap in valuation between new and used remains tight. Same-store units declined by (0.2%) vs. our estimate of +0.5%, we believe outperforming the broader industry due to successful procurement initiatives. We believe supply/demand is more normalized in used vehicles, as we have seen a return to historical days supply and turn. LAD sold 90 used vehicles per month per location, and the company is approaching its goal of 100 units. Used vehicle gross margin deleveraged 335 bps to 9.5%, while GPU was \$2,955 vs. \$3,037 in 1Q22 and \$3,311 last year. Looking forward to 3Q, we model used retail margin of 9.6% and GPU of \$2,660. We model a (2.0%) decrease in same-store units in 3Q, based on our belief that the used industry slowed through 2Q due to a softening consumer. For the full year, we model gross margin of 9.5%, and GPU of \$2,794, with a (2.4%) decrease in same-store units. Affordability is likely pricing consumers out of the market, and we believe consumers are increasingly trading down into older, higher mileage vehicles. This could drive further share gains towards LAD, due to the company's value offering.

**Parts and Service Sales/Margins.** LAD reported service/parts revenue of \$682.6 million vs. our estimate of \$661.1 million and \$521.0 million last year, driven by a comp sales increase of 9.4%. Parts and service continues to see a favorable backdrop, as constrained new vehicle production is encouraging consumers to hold onto cars longer, and miles driven continue to improve as we move out of the pandemic. Parts and service gross margin was 53.3% vs. our estimate of 52.0%, and we model 52.5% gross margin in 3Q22, and 52.4% for 2022.

**F&I Sales/GPU.** LAD reported F&I gross profit of \$330.4 million vs. our estimate of \$341.9 million. F&I per unit was \$2,146 vs. \$2,260 last quarter and \$1,818 last year. The decrease in second quarter F&I earnings compared to the last year was primarily driven by the unit sales weakness. We also believe that the rising rate environment could be discouraging attachment of some ancillary insurance products, due to fixed monthly budgets; in hindsight, we believe the decrease in rates drove an increased product attachment over the last 18 months. Looking forward, we model F&I per unit of \$2,149 for 3Q22, and \$2,194 for 2022.

**Driveway/DFC.** During the quarter, LAD retailed or wholesaled 12,000 units through Driveway that contributed over \$233 million in revenue. The company is on track to meet its goal of \$1 billion in annual revenue from Driveway. Driveway increased monthly unique visitors to 2.3 million during the month of June, and is targeting 40,000 transactions for FY22. Additionally, DFC significantly increased its penetration to 12.9% in June, with a weighted average FICO of 718, up 28 bps sequentially. The company pointed out there was a modest compression on interest margin and on spread rates due mainly to higher credit quality and the impacts of a rising interest rates, and plans to offset this by increasing yield rates to mitigate spread compression in the near term. The company revised its full year penetration rate projections to between 9% and 10%, up from 7%. On the call, the company reiterated the belief that DFC will be responsible for \$650 million in earnings in the future on \$50 billion of revenue. We are encouraged that loan penetration appears to be scaling faster than anticipated, and while a near-term drag on earnings, this should pull profitability forward.

**SG&A Update.** SG&A as a % of gross was modestly higher than expected at 58.0% vs. our estimate of 57.5% and last year at 55.7%. Investments in Driveway and Driveway finance were the main drivers of the deleverage, with Driveway.com advertising contributing 160 bps and DFC contributing 25 bps. Management noted advertising spend can be tapered when needed, and the DFC expense will improve as the portfolio continues to mature. Looking forward, the company has set a long-term goal of 50% SG&A to gross, driven by the growth in higher profit margin horizontal growth avenues (DFC, fleet/leasing, etc.). In the medium term, management believes SG&A/gross should be between ~60% to ~62% when GPUs normalize. Looking forward we model 59.1% SG&A as a % of gross in 3Q, and 58.5% in 2022.

**Balance Sheet/Capital Allocation.** Cash flow from operating activities was (\$263.1 million) in 2Q22, down from last year primarily due to inventory building on the balance sheet. Management has used cash flow for continued M&A growth, and the company has acquired \$2.3 billion in annual revenue this year (and \$12.7 billion in annual revenue since the announcement of the 2025 plan in 2020). Looking forward we believe LAD remains focused on acquisitive growth to bolster the build-out of Driveway.com and improve its geographic reach. The company noted it remains disciplined with acquisitions, targeting prices of 15% to 30% of revenues, 3x to 7x times EBITDA (based on normalized earnings) and generating a minimum 15% after-tax return. Capital deployment priorities remain unchanged, with 65% allocated towards acquisitions, 25% toward internal investments including Driveway and DFC, and 10% toward shareholder return in the form of dividends and share repurchase. The company has repurchased 2.1 million shares year-to-date at an average price slightly above the current trading price (\$284.58/share); LAD has \$114 million remaining under authorization.

**Valuation.** Shares currently trade at ~6.1x our new NTM EPS estimates, vs. the 3-year and 5-year averages of 11.7x and 10.9x, respectively. While we believe LAD has been over-earning, we believe the stock is oversold at these prices and the market is too bearish on the pace of earnings moving lower. Our \$430 price target is based on ~9.7 our 2023 EPS estimate. Additionally, if we put an average multiple of 11x on the midpoint of LAD's 2025 adj. EPS range of \$55 to \$60 and discount it back to today at a 15% discount rate (conservative, in our view), it would imply a stock around \$450 today.

	2019a	1Qa	2Qa	3Qa	4Qa	2020a	1Qa	2Qa	3Qa	4Qa	2021a	1Qa	2Qa	3Qe	4Qe	2022e	1Qe	2Qe	3Qe	4Qe	2023e
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles	\$6,799.1	\$1,373.5	\$1,367.8	\$1,883.3	\$2,149.4	\$6,774.0	\$2,193.2	\$3,146.2	\$2,898.2	\$2,960.0	\$11,197.6	\$3,061.8	\$3,250.7	\$3,070.3	\$2,898.3	\$12,281.1	\$3,124.6	\$3,221.0	\$3,099.7	\$3,070.2	\$12,515.5
% chg. y/y	3.0%	-6.0%	-19.9%	3.2%	19.0%	-0.4%	59.7%	130.0%	53.9%	37.7%	65.3%	39.6%	3.3%	5.9%	-2.1%	9.7%	2.0%	-0.9%	1.0%	5.9%	1.9%
Used Vehicles (retail)	3,527.2	874.4	922.2	1,093.2	1,108.7	3,998.5	1,352.2	1,804.9	2,079.5	2,018.7	7,255.3	2,234.5	2,509.9	2,421.8	2,241.4	9,407.6	2,364.3	2,615.0	2,399.0	2,306.4	9,684.7
% chg. y/y	14.6%	5.6%	3.8%	19.3%	23.9%	13.4%	54.6%	95.7%	90.2%	82.1%	81.5%	65.2%	39.1%	16.5%	11.0%	29.7%	5.8%	4.2%	-0.9%	2.9%	2.9%
Used Vehicles (wholesale)	301.2	66.7	51.3	98.8	91.8	308.6	135.2	217.4	260.9	343.6	957.1	385.8	369.2	382.3	415.6	1,552.9	411.5	384.7	339.5	378.0	1,513.6
% chg. y/y	-9.1%	-13.8%	-37.2%	32.8%	35.6%	2.5%	102.7%	323.8%	164.1%	274.3%	210.1%	185.4%	69.8%	45.5%	21.0%	62.2%	6.6%	4.2%	-11.2%	-9.1%	-2.1%
Finance & Insurance	518.8	121.9	124.9	160.5	172.6	579.9	198.4	269.6	297.0	286.3	1,051.3	313.2	330.4	333.1	315.3	1,291.0	334.5	343.8	340.1	332.5	1,351.0
% chg. y/y	14.0%	3.7%	-3.2%	17.8%	26.9%	11.8%	62.8%	115.9%	85.0%	65.9%	81.3%	37.9%	22.6%	11.8%	10.1%	22.8%	6.8%	4.1%	2.4%	5.4%	4.6%
Service & Parts	1,325.2	339.9	350.0	275.0	383.0	1,488.0	574.3	570.6	607.0	607.0	2,110.0	627.9	689.6	714.3	695.8	7,272.2	693.7	706.6	743.4	726.5	2,903.1
% chg. y/y	8.4%	15.9%	2.9%	-5.6%	85.7%	11.8%	22.5%	89.1%	60.9%	58.3%	56.5%	55.4%	31.0%	23.5%	10.6%	29.0%	10.6%	8.2%	10.6%	4.0%	6.6%
Fleet & Other	201.3	37.4	16.9	24.9	35.4	114.6	60.0	50.3	55.9	93.3	299.5	82.2	97.3	84.7	103.5	367.7	91.8	708.3	79.8	38.0	375.3
% chg. y/y	53.6%	-22.7%	-78.8%	-37.9%	7.3%	-43.1%	60.4%	197.6%	124.5%	163.6%	126.4%	37.0%	93.4%	51.5%	11.0%	41.7%	11.6%	9.2%	-6.4%	-5.4%	2.1%
<b>Total Revenues</b>	<b>12,672.8</b>	<b>2,803.8</b>	<b>2,758.6</b>	<b>3,620.2</b>	<b>3,941.8</b>	<b>13,124.4</b>	<b>4,343.0</b>	<b>6,009.4</b>	<b>6,169.8</b>	<b>6,309.5</b>	<b>22,831.7</b>	<b>6,705.3</b>	<b>7,240.1</b>	<b>7,005.4</b>	<b>6,672.7</b>	<b>27,623.5</b>	<b>7,021.2</b>	<b>7,409.4</b>	<b>7,001.1</b>	<b>6,911.4</b>	<b>28,343.1</b>
% chg. y/y	7.2%	-1.6%	-1.4%	8.6%	20.0%	3.6%	54.9%	117.8%	70.4%	60.1%	74.0%	54.4%	20.5%	13.5%	5.8%	21.0%	4.7%	2.3%	-0.1%	3.6%	2.6%
Cost of Sales	10,719.0	2,342.9	2,294.2	2,968.6	3,293.1	10,898.8	3,627.5	4,898.8	4,980.7	5,065.7	18,572.7	5,427.2	5,889.4	5,680.9	5,440.1	22,437.6	5,785.5	6,174.0	5,786.3	5,742.7	23,488.5
% chg. y/y	6.7%	-2.3%	-15.9%	5.2%	18.8%	1.7%	54.8%	113.5%	67.8%	53.8%	70.4%	49.6%	20.2%	14.1%	7.4%	20.8%	6.6%	4.8%	1.9%	5.6%	4.7%
<b>Gross Profit</b>	<b>1,953.8</b>	<b>460.9</b>	<b>464.4</b>	<b>651.6</b>	<b>648.7</b>	<b>2,225.6</b>	<b>715.5</b>	<b>1,110.6</b>	<b>1,189.1</b>	<b>1,243.8</b>	<b>4,259.0</b>	<b>1,278.1</b>	<b>1,350.7</b>	<b>1,324.5</b>	<b>1,232.6</b>	<b>5,185.9</b>	<b>1,235.8</b>	<b>1,235.3</b>	<b>1,214.8</b>	<b>1,168.7</b>	<b>4,854.6</b>
% chg. y/y	10.0%	2.3%	-5.9%	27.5%	30.1%	13.9%	55.2%	139.1%	82.5%	91.7%	91.4%	78.6%	21.6%	11.4%	-0.9%	21.8%	-3.3%	-8.5%	-8.3%	-5.2%	-6.4%
SG&A Expenses	1,371.4	344.8	300.3	389.1	402.4	1,436.6	447.6	618.3	663.7	706.4	2,435.9	729.5	783.1	782.1	737.1	3,331.8	745.8	753.6	744.7	722.3	2,966.3
% chg. y/y	8.5%	7.2%	-13.3%	10.8%	14.3%	7.4%	29.8%	105.9%	70.6%	75.4%	60.0%	64.0%	28.7%	1.3%	-4.8%	20.4%	2.2%	-3.8%	-2.2%	-2.0%	-4.8%
Floorplan Interest Expense	(72.6)	(14.0)	(8.1)	(6.1)	(6.2)	(34.4)	(6.8)	(6.4)	(3.6)	(5.0)	(22.2)	(4.9)	(3.8)	(4.9)	(5.0)	(18.6)	(6.5)	(6.7)	(7.0)	(7.6)	(27.6)
Other Expenses / (Income)	0.0	(2.3)	0.0	(2.2)	(7.0)	(11.5)	(3.7)	0.0	(7.8)	(6.1)	(17.6)	(6.9)	0.0	(6.9)	0.0	(6.9)	0.0	0.0	0.0	0.0	0.0
EBITDA	509.8	104.4	156.0	258.6	247.1	766.1	264.8	485.9	529.7	538.1	1,815.8	550.6	563.8	537.5	490.5	2,142.4	483.7	475.1	463.1	438.8	1,860.7
Depreciation & Amortization	82.4	22.0	22.3	22.9	25.2	92.4	26.8	30.3	34.4	35.8	127.3	39.2	40.9	40.9	41.5	162.5	42.1	42.7	43.3	43.9	172.8
<b>EBIT</b>	<b>427.4</b>	<b>82.4</b>	<b>133.7</b>	<b>235.7</b>	<b>221.9</b>	<b>673.7</b>	<b>238.0</b>	<b>455.6</b>	<b>495.3</b>	<b>502.3</b>	<b>1,688.5</b>	<b>511.4</b>	<b>522.9</b>	<b>498.6</b>	<b>448.9</b>	<b>1,979.8</b>	<b>441.5</b>	<b>432.4</b>	<b>419.8</b>	<b>395.0</b>	<b>1,668.8</b>
% chg. y/y	13.4%	-9.5%	24.0%	95.1%	106.0%	57.6%	188.7%	240.8%	110.1%	126.4%	151.0%	114.9%	14.8%	0.3%	-10.6%	17.1%	-13.7%	-17.3%	-15.5%	-12.0%	-14.7%
Other Interest Expense	(60.8)	(17.0)	(16.8)	(16.6)	(22.7)	(73.1)	(23.5)	(28.1)	(28.0)	(28.6)	(108.2)	(30.1)	(34.4)	(35.0)	(30.0)	(134.5)	(35.0)	(37.5)	(37.5)	(40.0)	(150.0)
Other Income / (Expense)	13.7	0.0	3.5	0.0	0.0	3.5	0.0	6.4	0.0	0.0	5.4	0.0	(3.8)	0.0	(3.8)	0.0	(3.8)	0.0	0.0	0.0	0.0
Pre-Tax Income	380.3	65.4	120.4	219.1	199.2	604.1	214.5	433.9	467.3	473.7	1,689.4	481.3	484.7	461.6	419.9	1,841.5	406.5	394.9	382.3	355.0	1,538.8
% chg. y/y	15.9%	-16.5%	25.7%	100.5%	105.8%	58.9%	227.8%	260.4%	113.3%	137.8%	163.1%	124.4%	11.7%	-1.2%	-12.6%	15.9%	-15.5%	-18.5%	-17.2%	-14.2%	-16.4%
Income Taxes	105.2	18.3	30.3	33.3	35.8	165.8	34.9	118.4	123.0	135.4	425.6	120.2	136.2	130.2	119.1	408.2	110.6	114.0	110.6	95.8	415.5
Tax Rate	27.7%	28.0%	29.0%	27.0%	26.0%	27.6%	26.2%	27.3%	26.7%	26.6%	26.6%	26.1%	26.9%	26.6%	26.7%	26.7%	27.0%	27.0%	27.0%	27.0%	27.0%
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.1	1.5	2.6	1.4	6.3	3.0	3.0	13.7	3.0	3.0	3.0	3.0	12.0
<b>Net Income (continuing operations)</b>	<b>275.1</b>	<b>47.1</b>	<b>85.5</b>	<b>158.8</b>	<b>145.9</b>	<b>437.3</b>	<b>158.4</b>	<b>315.5</b>	<b>341.3</b>	<b>346.2</b>	<b>1,161.4</b>	<b>354.4</b>	<b>348.2</b>	<b>334.0</b>	<b>299.2</b>	<b>1,335.7</b>	<b>293.8</b>	<b>285.3</b>	<b>276.1</b>	<b>256.1</b>	<b>1,111.3</b>
Dealership dispositions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Income (before one-time items)</b>	<b>275.1</b>	<b>47.1</b>	<b>85.5</b>	<b>158.8</b>	<b>145.9</b>	<b>437.3</b>	<b>158.4</b>	<b>315.5</b>	<b>341.3</b>	<b>346.2</b>	<b>1,161.4</b>	<b>354.4</b>	<b>348.2</b>	<b>334.0</b>	<b>299.2</b>	<b>1,335.7</b>	<b>293.8</b>	<b>285.3</b>	<b>276.1</b>	<b>256.1</b>	<b>1,111.3</b>
One-time Items	(3.6)	(0.9)	(7.8)	0.0	41.7	33.0	(2.2)	(10.6)	(33.4)	(55.2)	(101.4)	(12.2)	(16.7)	0.0	0.0	(28.9)	0.0	0.0	0.0	0.0	0.0
<b>Net Income</b>	<b>271.5</b>	<b>46.2</b>	<b>77.7</b>	<b>158.8</b>	<b>187.6</b>	<b>470.3</b>	<b>156.2</b>	<b>304.9</b>	<b>307.9</b>	<b>291.0</b>	<b>1,060.0</b>	<b>342.2</b>	<b>331.5</b>	<b>334.0</b>	<b>299.2</b>	<b>1,306.8</b>	<b>293.8</b>	<b>285.3</b>	<b>276.1</b>	<b>256.1</b>	<b>1,111.3</b>
<b>EPS (continuing operations)</b>	<b>\$ 11.76</b>	<b>\$ 2.01</b>	<b>\$ 3.72</b>	<b>\$ 6.86</b>	<b>\$ 5.46</b>	<b>\$ 18.16</b>	<b>\$ 5.89</b>	<b>\$ 11.12</b>	<b>\$ 12.31</b>	<b>\$ 11.39</b>	<b>\$ 40.01</b>	<b>\$ 11.96</b>	<b>\$ 12.18</b>	<b>\$ 12.06</b>	<b>\$ 11.16</b>	<b>\$ 47.41</b>	<b>\$ 11.35</b>	<b>\$ 11.43</b>	<b>\$ 11.05</b>	<b>\$ 10.63</b>	<b>\$ 44.48</b>
% chg. y/y	18.0%	-17.8%	25.9%	102.3%	85.4%	54.4%	193.7%	199.2%	61.3%	63.0%	128.3%	103.2%	9.5%	7.6%	-2.1%	18.5%	-5.1%	-6.2%	-8.4%	-7.7%	-6.2%
EPS (GAAP)	\$ 11.60	\$ 1.97	\$ 3.38	\$ 6.86	\$ 7.02	\$ 19.53	\$ 5.81	\$ 10.75	\$ 10.11	\$ 9.57	\$ 36.51	\$ 11.55	\$ 11.60	\$ 12.06	\$ 11.16	\$ 46.38	\$ 11.35	\$ 11.43	\$ 11.05	\$ 10.63	\$ 44.48
Diluted Weighted Average Shares	23.4	23.5	23.0	23.1	26.7	24.1	26.9	28.4	30.5	30.4	29.0	29.6	28.6	27.7	26.8	28.2	25.5	25.5	25.0	24.1	25.0

New Vehicles	5.7%	5.7%	6.7%	7.4%	7.0%	6.8%	7.1%	10.0%	12.1%	13.5%	10.9%	13.1%	12.6%	12.4%	12.0%	12.5%	10.5%	9.5%	8.9%	8.5%	9.4%
Used Vehicles (Retail)	10.4%	10.3%	10.7%	13.2%	10.2%	11.2%	10.1%	12.9%	11.2%	11.2%	11.4%	10.0%	9.5%	9.6%	9.0%	9.5%	8.7%	8.0%	8.6%	8.3%	8.4%
Service & Parts	50.4%	51.0%	52.4%	54.5%	54.3%	53.1%	54.0%	53.4%	52.3%	51.3%	52.6%	52.4%	53.3%	52.5%	51.5%	52.4%	52.0%	52.0%	52.0%	52.0%	52.0%
Total	15.4%	16.4%	16.8%	18.0%	16.5%	17.0%	16.5%	18.5%	19.3%	19.7%	18.7%	19.1%	18.7%	18.9%	18.5%	18.8%	17.6%	16.7%	17.4%	16.9%	17.1%

SG&A	10.8%	12.3%	10.9%	10.7%	10.2%	10.9%	10.3%	10.3%	10.8%	11.2%	10.7%	10.9%	10.8%	11.2%	11.0%	11.0%	10.6%	10.2%	10.6%	10.5%	10.5%
SG&A (% Gross Profit)	70.2%	74.8%	64.7%	59.7%	62.0%	64.5%	62.6%	55.7%	55.8%	56.8%	57.2%	59.1%	58.0%	59.1%	59.8%	58.5%	60.4%	61.0%	61.3%	61.8%	61.1%
bps. Chg.	(90.0)	340.0	(540.0)	(910.0)	(860.0)	(570.0)	(1,220.0)	(900.0)	(390.0)	(520.0)	(730.0)	(550.0)	230.0	325.0	300.0	130.0	325.0	300.0	225.0	200.0	260.0
Financial Interest Expense	0.6%	0.5%	0.3%	0.2%	0.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
EBITDA	4.0%	3.7%	5.7%	7.1%	6.3%	5.8%	6.1%	8.1%	8.6%	8.5%	8.0%	8.2%	7.8%	7.7%	7.4%	7.8%	6.9%	6.4%	6.6%	6.3%	6.6%
Depreciation & Amortization	0.7%	0.8%	0.8%	0.6%	0.6%	0.7%	0.6%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
EBT	3.4%	2.9%	4.8%	6.5%	5.6%	5.1%	5.5%	7.6%	8.0%	7.8%	7.6%	7.2%	7.7%	6.7%	6.7%	7.2%	6.3%	5.8%	6.0%	5.7%	6.0%
Other Interest Expense	0.5%	0.6%	0.6%	0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.5%
Pretax Income	3.0%	2.3%	4.4%	6.1%	5.1%	4.6%	4.9%	7.2%	7.6%	7.5%	7.0%	7.2%	6.7%	6.6%	6.2%	6.7%	5.8%	5.3%	5.5%	5.1%	5.4%
Income Tax Rate	27.7%	28.0%	29.0%	27.5%	26.8%	27.6%	26.2%	27.3%	26.7%	26.6%	26.8%	26.1%	26.9%	27.0%	27.0%	26.7%	27.0%	27.0%	27.0%	27.0%	27.0%
Net Income (before one-time items)	2.2%	1.7%	3.1%	4.4%	3.7%	3.3%	3.6%	5.3%	5.5%	5.5%	5.1%	5.3%	4.8%	4.8%	4.5%	4.8%	4.2%	3.9%	3.9%	3.7%	3.9%

New Vehicles	180,532	35,907	34,869	47,923	52,469	171,168	53,864	75,176	66,894	64,812	260,746	64,942	68,752	67,362	65,685	266,741	70,163	72,514	70,112	70,283	283,071
Used Vehicles (Retail)	170,423	42,631	43,505	49,363	47,731	183,230	59,027	70,254	76,362	69,914	275,557	73,689	81,026	87,202	79,900	321,817	83,348	87,808	88,144	83,895	343,195
Total	350,955	78,538	78,374	97,286	100,200	354,398	112,891	145,430	143,256	134,726	540,303	138,631	149,778	154,564	145,585	588,558	153,511	160,322	158,256	154,178	626,266

Gross per unit - new retail	\$	2,100	\$	2,178	\$	2,643	\$	2,922	\$	2,870	\$	2,654	\$	2,909	\$	4,173	\$	5,222	\$	6,153	\$	4,673	\$	6,179	\$	5,969	\$	5,630	\$	5,306	\$	5,772	\$	4,678	\$	4,209	\$	3,941	\$	3,714	\$	4,136
Gross per unit - used retail		2,117		2,110		2,259		2,932		2,369		2,418		2,307		3,311		3,046		3,224		2,972		3,037		2,955		2,660		2,525		2,794		2,461		2,379		2,241		2,263		
F&I per unit		1,478		1,552		1,593		1,649		1,723		1,636		1,757		1,818		2,009		2,178		1,819		2,260		2,146		2,149		2,166		2,194		2,179		2,058		2,148		2,157		2,135
Variable gross per unit		3,587		3,661		3,983		4,655		4,371		4,131		4,016		4,014		4,767		5,281		4,534		5,404		5,572		5,508		5,541		5,508		5,430		5,131		5,195		5,086		5,210

New Vehicles (Retail)	2.9%	(6.4%)	(19.8%)	1.6%	16.7%	(1.8%)	54.8%	122.6%	(3.2%)	(8.1%)	34.2%	(2.6%)	(16.9%)	(10.6%)	(13.0%)	(11.4%)	(4.6%)	(5.1%)	0.9%	5.9%	(0.8%)
Used Vehicles (Retail)	14.3%	5.5%	4.2%	18.3%	22.6%	12.8%	48.2%	92.6%	39.9%	39.4%	53.7%	30.6%	17.5%	(0.1%)	0.1%	10.1%	(0.8%)	(0.0%)	(1.0%)	2.9%	0.2%
Service & Parts	13.8%	3.6%	(17.3%)	4.5%	14.8%	1.3%	20.4%	85.0%	7.2%	11.7%	27.6%	13.3%	9.4%	7.0%	4.0%	7.9%	4.0%	4.0%	4.0%	4.0%	4.0%
Finance & Insurance	13.7%	34.4%	(2.5%)	15.9%	26.4%	18.3%	20.8%	112.1%	22.1%	18.5%	40.2%	16.6%	(1.6%)	(4.7%)	(0.8%)	1.2%	0.2%	(0.1%)	2.3%	5.4%	1.9%
Total (excludes Fleet)	<b>7.0%</b>	<b>(0.3%)</b>	<b>(12.2%)</b>	<b>7.8%</b>	<b>18.7%</b>	<b>4.0%</b>	<b>47.7%</b>	<b>111.3%</b>	<b>16.6%</b>	<b>15.0%</b>	<b>40.4%</b>	<b>16.0%</b>	<b>(0.3%)</b>	<b>(3.3%)</b>	<b>(5.2%)</b>	<b>1.0%</b>	<b>(2.0%)</b>	<b>(1.9%)</b>	<b>0.6%</b>	<b>4.2%</b>	<b>0.0%</b>

**Stephens Inc.**

## APPENDIX A

### ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

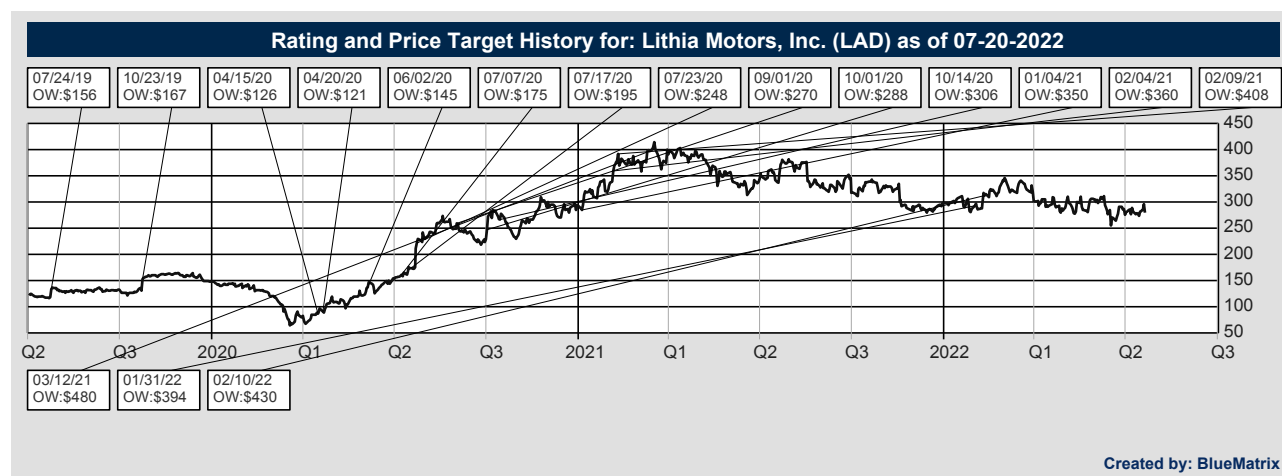
The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Lithia Motors, Inc. as of the date of this report and may act as principal in these transactions.

Stephens Inc. received compensation for investment banking services from Lithia Motors, Inc. in the past 12 months.

Lithia Motors, Inc. is or has been a client of Stephens Inc. for investment banking services within the past 12 months.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Lithia Motors, Inc. in the next three months.



### Valuation Methodology for Lithia Motors, Inc.

Our target price is based on a target P/E multiple on normalized earnings. In arriving at a target P/E multiple, we analyze peer group valuations and take into account Lithia Motors' earnings growth, visibility, cash flow generation, and financial position relative to its peers.

### Risks to Achievement of Target Price for Lithia Motors, Inc.

Vehicles are discretionary items, and purchases are affected by numerous factors, including consumer confidence, unemployment, inflation, interest rates, credit availability, fuel prices, and general economic and business conditions. Any of these factors, individually or in combination, could negatively affect consumer spending, which, in turn, would impact sales and results of operations. Another risk involves auto retailers' acquisition strategy. Growth depends in large part on Lithia's ability to acquire dealerships, manage expansion, and successfully integrate the operations into the organization. Numerous risks are involved in pursuing this strategy. Lithia's focus on smaller, turnaround opportunities is management-intensive, requiring strong leadership at the store level. This approach could become more difficult as the Company grows. Heavy brand exposure to domestic manufacturers also poses some risk. Like its public auto retail peers, the Company's debt level is relatively high, heightening the risk of increased interest costs or default if operating results materially deteriorate.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

## Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	234	61.10	50	21.37
HOLD [EW]	145	37.86	23	15.86
SELL [UW]	4	1.04	0	0.00

## OTHER DISCLOSURES

Certain investment programs offered by Stephens to clients sometimes engage in purchases or sales of securities that are consistent or inconsistent with Research Analyst recommendations. These programs are managed on a discretionary basis, or provide investment recommendations, by program managers in the exercise of their independent judgment and analysis. Stephens' directors, officers and employees are allowed to participate in these programs subject to established account minimums and applicable compliance restrictions.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Such information is believed to be accurate on the date of issuance of the report, and all expressions of opinion apply on the date of issuance of the report. No subsequent publication or distribution of this report shall mean or imply that any such information or opinion remains current at any time after the stated date of the report. We do not undertake to advise you of any changes in any such information or opinion. Additional risk factors as identified by the Subject Company and filed with the Securities and Exchange Commission may be found on EDGAR at [www.sec.gov](http://www.sec.gov). Prices, yields, and availability are subject to change with the market. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Any discussion of tax attributes is provided for informational purposes only, and each investor should consult his/her/its own tax advisors regarding any and all tax implications or tax consequences of any investment in securities discussed in this report. From time to time, our research reports may include discussions about potential short-term trading opportunities or market movements that may or may not be consistent with Stephens' long-term investment thesis, rating, or price target. Please note that we provide supplemental news and analysis in Quick Take blogs available to clients on our website. ***If applicable, when reading research on Business Development Companies, you should consider carefully the investment objectives, charges, risks, fees and expenses of the investment company before investing. The prospectus, and, if available, the summary prospectus, contain this and other information about the investment company. You can obtain a current prospectus, and, if available, a summary prospectus, by calling your financial consultant. Please read the prospectus, and, if available, the summary prospectus, carefully before investing as it contains information about the previous referenced factors and other important information. Also, please note other reports filed with the Securities and Exchange Commission by the relevant investment company at [www.sec.gov](http://www.sec.gov).*** Please also note that the report may include one or more links to external or third-party websites. Stephens Inc. has not independently verified the information contained on such websites and can provide no assurance as to the reliability of such information, and there can be no assurance that any opinions expressed on such websites reflect the opinions of Stephens Inc. or its management. Additional information available upon request.

## Questions – Penske Automotive Group, Inc.

- How does your luxury mix on the new vehicle side benefit you in this backdrop of a softening global consumer?
- In the UK, the consumer seems to be softening, how can you insulate your business from that, or is that expected to slow across the board?
- On the used side, the CarShop brand is growing nicely, can you talk about your growth outlook there?
- You chose to use a third-party omni-channel solution, rather than build one, what drove that decision and how has the implementation of the product been?
- The commercial truck market appears to be softening as rates decline and capacity picks up, how are you navigating the supply/demand changes?
- The next emissions regulation is coming in 2024, how should that impact commercial truck sales over the coming 12 months as the industry prepares?
- Within PTS, how much exposure is there to housing as we think about the rental business, and does that create a risk into 2023 for you?
- You've pursued more heavy duty M&A in recent years, as multiples on the auto side have increased - how do you prefer the uses of capital between the segments today?

**Daniel Imbro, Analyst**

501-377-2055, daniel.imbro@stephens.com

Changes	Previous		Current
Rating	--		Overweight
Target Price	\$120.00		\$129.00
Price:			\$109.97
Fully Diluted Shares Out (mil.):			75.89
52-Week High:			\$123.60
52-Week Low:			\$77.16
Market Cap (mil.):			\$8,345.7
Fiscal Year End:			Dec
Average Daily Volume:			475,330
Float:			35.8%
Debt/Cap:			61.2%
Cash/Shr:			\$2.14
Dividend/Yield:			\$1.96/1.8%
Book Value/Shr:			\$53.99
EPS	2021A	2022E	2023E
Mar	\$2.26A	\$4.76A	\$3.91
Prev.	--	--	\$4.11
Jun	\$4.20A	\$4.93A	\$4.09
Prev.	--	\$4.62	\$4.16
Sep	\$4.47A	\$4.35	\$3.82
Prev.	--	\$4.28	\$3.94
Dec	\$3.97A	\$3.85	\$3.37
Prev.	--	\$3.98	\$3.68
FY	\$14.90A	\$17.92	\$15.24
Prev.	--	\$17.66	\$15.96
P/E	7.4x	6.1x	7.2x
Oper. EPS	2021A	2022E	2023E
Mar	\$2.26A	\$4.76A	\$3.91
Prev.	--	--	\$4.11
Jun	\$4.47A	\$4.93A	\$4.09
Prev.	--	\$4.62	\$4.16
Sep	\$4.46A	\$4.34	\$3.81
Prev.	--	\$4.28	\$3.94
Dec	\$4.10A	\$3.84	\$3.35
Prev.	--	\$3.97	\$3.67
FY	\$15.28A	\$17.91	\$15.24
Prev.	--	\$17.65	\$15.96
P/E	7.2x	6.1x	7.2x
Rev.	\$25.55B	\$26.68B	\$26.52B
Prev.	--	\$27.55B	\$27.80B

**Penske Automotive Group, Inc.**, is a diversified transportation services company with 2021 revenues of \$25.6 bil. The Company operates automotive dealerships in the US and Western Europe, freestanding used car stores in the US and UK, commercial truck dealerships in the US and Canada, and is a distributor of commercial vehicles and power systems in Australia, New Zealand, and the Pacific. PAG also owns a 28.9% stake in Penske

See important disclosures and analyst certification on pages 5 - 6 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

**Penske Automotive Group**

PAG – NYSE

**Overweight**

**Reason for Report:** Target Price Change, Estimate Changes, Analysis of Sales/Earnings

**PAG Reports 2Q22 Beat; Revising Estimates & PT; Maintain OW Rating****INVESTMENT CONCLUSION:**

PAG reported a 2Q22 beat, with EPS of \$4.93 ahead of our/consensus expectations of \$4.62/\$4.47. A majority of the beat vs. our model was driven by stronger PTS results, but automotive trends remain strong as new unit GPUs actually accelerated sequentially. New vehicle production continues to limit unit sales, and our forward unit estimates are moving lower, but this should support higher unit profitability. PAG's mix of luxury brands is enviable in this environment, given the uncertainty around the global consumer, and should insulate the company from demand destruction due to broader inflation. The commercial truck business faces similar supply constraints to light vehicle. The company remained active on the repurchase (increased authorization by \$250 million) and announced a sizable UK Mercedes-Benz acquisition (\$550 million annual revenue). We reiterate our **OW** rating and lift our price target from \$120 to \$129, based on only ~8x our NTM EPS.

**KEY POINTS:**

**Estimates.** We have moved our 2022 adj. EPS estimate from \$17.65 to \$17.91 reflecting 2Q results, stronger new GPU assumptions, and higher F&I assumptions, partially offset by softer unit sales. Additionally, we are moving our 2023 adj. EPS estimate from \$15.96 to \$15.24. This assumes a meaningful pullback in GPUs, and does not assume future M&A; this could prove conservative. See table to the left and attached model for GAAP estimates.

**2Q22 Results.** PAG reported 2Q22 EPS of \$4.93, vs. our/consensus estimates of \$4.62/\$4.47. Revenues decreased (1.2%) and EPS increased +10.3%. The EPS beat relative to our estimate was primarily driven by higher equity earnings at PTS (+\$0.36), lower tax rate (+\$0.11), and lower share count (+\$0.04), partially offset by lower revenue (-\$0.11), higher SG&A (-\$0.04), lower gross margin (-\$0.04), and higher floorplan (-\$0.01).

**New Vehicle Automotive Trends.** PAG reported new vehicle revenue of \$2.45 billion vs. our estimate of \$2.42 billion and \$2.81 billion last year. The decrease was driven by a decline in units, partially offset by elevated average selling prices. On a same-store basis, new units declined (25.5%) y/y (vs. the industry at (20.6%)). New vehicle demand continues to outpace supply, and management remains optimistic on inventory turns, as supply is increasingly pre-sold or accounted for before reaching the lot. This continues to contribute to full-price sales, and promotions are scarce to nonexistent. While discounting may return as production improves and inventory begins to build, near-term GPUs are likely to sustain at elevated levels given the lack of supply

(we expect into 2023). At quarter-end, PAG had a 21-day supply of new vehicles, with premium at 23, foreign at 8 days, and domestic at 21 days. New vehicle gross margin leveraged ~293 bps to 12.8% and new vehicle GPU was \$6,860 vs. \$6,840 in 1Q22 and \$4,786 in last year's second quarter. Looking ahead to 3Q, we model a (5.0%) decrease in same-store units as we see an easier compare, but production remains limited (absolute units sold down slightly). We believe PAG's elevated mix of luxury vehicles provides resistance to a weakening consumer, and the pent-up demand carried into 2022 should support new vehicle demand over the coming quarters (a common investor question in recent weeks). We have modeled elevated GPUs moderating through 2023, as we believe inventory will take time to ramp. For 3Q, we model GPU of \$6,247. For the full year, we model a (9.3%) decline in new units and GPU of \$6,453.

**Used Vehicle Automotive Trends.** PAG reported used vehicle revenue of \$2.39 billion vs. our estimate of \$2.49 billion and \$2.33 billion last year. The increase was driven by higher average selling prices (+9.5%), partially offset by a (6.3%) decrease in used units. Same-store used units decreased (10.5%), benefiting from CarShop same-store units being flat y/y. Used vehicle gross margin decreased ~184 bps to 6.5% and used vehicle GPU was \$2,218 vs. \$2,283 in 1Q22 and \$2,598 last year. Affordability remains a headwind to unit sales as inventory is scarce, and the gap in valuation between new and used remains tight. We believe PAG is successfully sourcing from consumers, but acquisition costs in this channel also remain elevated, limiting margin. Used inventory increased slightly to ~42 days (up from ~41 days last quarter). Looking ahead to 3Q, we model same-store used units down (3.0%), and we model GPU of \$2,194. For the full year, we model a 2.3% increase in used units and GPU of \$2,215. This GPU assumption assumes a step down sequentially in 3Q and 4Q.

**Automotive Parts and Service.** PAG reported service/parts revenue of \$597.0 million vs. our estimate of \$614.5 million and \$546.2 million last year, driven by a comp sales increase of 4.4% (excluding FX would have increased ~8% y/y). Online service bookings continue to accelerate, driving efficiencies and over time, we believe profitability (also supports customer pay mix in the near term). As miles driven continue to recover, we expect further organic growth in 2H and into 2023. Penske's heavy luxury mix may also provide a competitive advantage, as this customer may be less likely to utilize aftermarket parts. For the quarter, parts and service gross margin was 60.4% vs. our estimate of 59.5%; we model 59.5% gross margin in 2H22, and 59.8% for full-year 2022.

**Automotive F&I.** PAG reported F&I gross profit of \$221.4 million vs. our estimate of \$228.6 million. F&I per unit was \$1,917 vs. \$1,910 last quarter and \$1,603 last year. Rising rates could pose a risk to product attachment as higher financing costs strain monthly budgets, but PAG's F&I segment has proven resilient thus far. Looking forward, for the remainder of the year we have assumed F&I/unit remains relatively consistent with first half levels.

**Commercial Truck Business.** Commercial truck revenue was \$768.7 million vs. our estimate of \$821.0 million and \$625.3 million last year. We believe demand for commercial trucks remains strong, and PAG noted the class 8 backlog is 222,000 units as of quarter-end (~75% to ~80% of new class 8 sales are commercial trucks), and the entire allocation for class 8 product is sold for 2022, while orders for 2023 will open up sometime from September to October. Despite a potential slowing in the freight market, this backlog should insulate new sales and profitability in the back half of 2022. We do expect some slowing on the used profitability side, as used prices moderate and demand softens. As of quarter-end, PAG operated 39 commercial truck locations in North America. Parts and service continues to support profitability, accounting for 68% of commercial truck gross profit, and covering 133% of fixed costs in the quarter.

**PTS Update.** PTS profitability was higher than we expected at \$136.6 million (vs. our estimate of \$100.3 million). Penske benefited from the strong backdrop, with values (particularly early in the quarter) contributing to strong gains on sale, and rental demand remained robust. Gain on sale was ~\$95 million higher y/y for PTS, but looking to 2H we expect to see smaller gains on sale due to the moderating used truck pricing backdrop. PTS only has ~4,000 units to sell now, as it awaits new vehicle deliveries from OEMs, and barring a meaningful improvement in production we don't expect a surprise in the number of units sold (again, limiting gain on sale). Consumer rental demand likely softens with the slowing housing market (once we pass the back to school season), but thus far PTS has been able to repurpose those units to fleet customers. We are assuming lower 2H PTS income attributable to PAG relative to 1H, and assume further declines in 2023 given the lack of visibility.

**Balance Sheet/Capital Allocation.** PAG ended the quarter with \$154.9 million in cash and adj. debt/EBITDA of just 0.7x; on the call management expressed that around ~2x is a comfortable level. Total long-term debt was \$1.49 billion. This year the company has increased the dividend from \$0.46 per share to \$0.53 per share. YTD through July 26, the company has repurchased ~3.5 million shares for \$362.7 million, and acquired 148,440 shares from employees through a net share settlement feature of equity awards in the first six months of the year. The company also announced a Mercedes-Benz acquisition in the UK, expected to generate ~\$550 million in revenue. We expect the company will continue following a balanced capital allocation strategy as it looks to opportunistically repurchase stock, pursue acquisitions, and grow the dividend.

**Valuation.** Shares currently trade at ~6.8x our new NTM EPS estimates, vs. the 3-year and 5-year averages of 8.5x and 8.7x, respectively. Our \$129 price target is based on ~8.0x our NTM EPS estimate. We believe in the current GPU backdrop shares will maintain a discount to the historical multiple, but shares still offer an attractive risk/reward through this lens.

Penske Automotive Group Inc. (PAG)  
(in millions except per share amounts and as noted)  
Daniel Imbro  
501-377-2055

	2019A	1Q A	2Q A	3Q A	4Q A	2020A	1Q A	2Q A	3Q A	4Q A	2021A	1Q A	2Q A	3Q E	4Q E	2022E	1Q E	2Q E	3Q E	4Q E	2023E
	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
Automotive Retail:																					
New Vehicles	\$ 9,319.3	\$ 1,864.5	\$ 1,384.7	\$ 2,350.6	\$ 2,480.7	\$ 8,080.5	\$ 2,421.4	\$ 2,811.3	\$ 2,275.2	\$ 2,335.3	\$ 9,843.2	\$ 2,445.5	\$ 2,446.0	\$ 2,255.5	\$ 2,181.8	\$ 9,328.7	\$ 2,294.0	\$ 2,446.6	\$ 2,220.3	\$ 2,147.7	\$ 9,108.6
Used Vehicles	7,241.2	1,619.6	1,166.0	1,954.1	1,674.9	6,414.6	1,808.0	2,327.6	2,302.3	2,111.1	8,549.0	2,422.9	2,387.8	2,332.2	2,012.5	9,154.3	2,271.6	2,386.5	2,327.4	2,031.4	9,017.0
Service & Parts	2,195.9	513.3	345.2	521.8	503.4	1,883.7	503.2	546.2	555.3	560.9	2,165.6	586.2	597.0	602.2	603.3	2,388.7	620.4	633.7	620.3	627.4	2,501.8
Finance & Insurance	652.1	144.4	97.1	174.4	160.5	576.4	168.8	212.3	202.7	196.7	780.5	217.3	221.4	218.4	199.9	857.0	223.3	235.4	229.6	209.5	897.8
Fleet & Wholesale	1,197.1	274.8	160.5	257.1	281.2	973.6	305.5	300.2	299.4	269.9	1,175.0	357.3	345.1	334.0	307.0	1,343.4	381.8	370.7	350.7	316.2	1,419.4
Total Automotive Retail	\$ 20,605.6	\$ 4,416.6	\$ 3,153.5	\$ 5,258.0	\$ 5,100.7	\$ 17,928.8	\$ 5,206.9	\$ 6,197.6	\$ 5,634.9	\$ 5,473.9	\$ 22,513.3	\$ 6,029.2	\$ 5,997.3	\$ 5,741.2	\$ 5,304.5	\$ 23,072.2	\$ 5,791.2	\$ 6,072.9	\$ 5,748.3	\$ 5,332.2	\$ 22,944.6
Total Retail Commercial Truck Operations	2,050.5	491.4	399.2	590.9	579.4	2,060.9	434.7	625.3	717.3	688.4	2,465.7	792.3	768.7	740.0	729.7	3,030.7	750.9	747.7	759.5	736.8	2,995.0
Total Commercial Vehicles Australia/Power Systems & Other	\$ 513.1	\$ 101.1	\$ 98.4	\$ 122.7	\$ 132.0	\$ 454.2	\$ 132.2	\$ 164.6	\$ 145.1	\$ 133.8	\$ 575.7	\$ 153.9	\$ 140.9	\$ 142.2	\$ 135.1	\$ 572.1	\$ 155.4	\$ 142.3	\$ 143.6	\$ 136.5	\$ 577.9
<b>Total Revenues</b>	<b>\$ 23,169.2</b>	<b>\$ 5,009.1</b>	<b>\$ 3,651.1</b>	<b>\$ 5,971.6</b>	<b>\$ 5,812.1</b>	<b>\$ 20,443.9</b>	<b>\$ 5,773.8</b>	<b>\$ 6,987.5</b>	<b>\$ 6,497.3</b>	<b>\$ 6,296.1</b>	<b>\$ 25,554.7</b>	<b>\$ 6,975.4</b>	<b>\$ 6,906.9</b>	<b>\$ 6,623.4</b>	<b>\$ 6,169.3</b>	<b>\$ 26,675.0</b>	<b>\$ 6,697.6</b>	<b>\$ 6,962.9</b>	<b>\$ 6,651.4</b>	<b>\$ 6,205.5</b>	<b>\$ 26,517.4</b>
Cost of Sales	19,713.7	4,232.4	3,098.2	5,015.1	4,913.7	17,259.4	4,860.7	5,804.8	5,331.6	5,116.9	21,114.0	5,743.7	5,669.9	5,432.5	5,049.1	21,895.2	5,527.6	5,761.8	5,494.8	5,113.9	21,898.1
Automotive Retail Gross Profit																					
Gross Profit - New Vehicles	695.7	138.6	106.2	192.8	215.2	652.8	205.0	276.6	264.0	299.9	1,045.5	311.4	312.3	272.1	247.4	1,143.2	248.6	251.9	225.6	209.1	935.3
Gross Profit - Used Vehicles	366.1	85.9	55.8	143.3	104.0	389.0	109.4	194.1	193.2	169.9	666.6	155.8	155.2	154.9	133.5	599.4	150.9	151.0	149.9	123.7	575.5
Gross Profit - Service & Parts	1,305.8	303.7	201.2	322.0	300.4	1,127.3	305.4	337.0	333.7	331.2	1,307.3	350.5	359.2	358.3	358.9	1,427.0	359.9	367.5	359.8	363.9	1,451.0
Gross Profit - F&I	652.1	144.4	97.1	174.4	160.5	576.4	168.8	212.3	202.7	196.7	780.5	217.3	221.4	218.4	200.2	857.3	223.6	236.8	229.6	209.5	899.5
Gross Profit - Fleet & Wholesale	19.3	5.5	6.0	17.2	7.1	35.8	11.3	20.4	17.3	21.3	70.3	15.7	11.9	10.0	9.2	46.8	11.5	11.1	10.5	9.5	42.6
Total Gross Profit	3,039.0	678.1	466.3	849.7	787.2	2,781.3	799.9	1,040.4	1,010.9	1,019.0	3,870.2	1,050.7	1,060.0	1,013.7	949.2	4,073.7	994.4	1,018.4	975.4	915.7	3,903.9
Retail Commercial Truck Operations Gross Profit	277.8	68.8	60.2	73.1	78.8	280.9	80.0	102.7	115.3	118.9	416.9	141.2	136.0	135.6	129.3	542.1	132.3	138.4	136.4	131.1	538.2
Commercial Vehicles Australia/Power Systems & Other:	138.7	29.8	26.4	33.7	32.4	122.3	33.3	39.6	39.5	41.3	153.7	39.8	41.0	41.6	41.7	164.1	43.3	44.3	44.8	44.9	177.3
<b>Consolidated Gross Profit</b>	<b>\$ 3,455.5</b>	<b>\$ 776.7</b>	<b>\$ 552.9</b>	<b>\$ 956.5</b>	<b>\$ 898.4</b>	<b>\$ 3,184.5</b>	<b>\$ 931.2</b>	<b>\$ 1,182.7</b>	<b>\$ 1,165.7</b>	<b>\$ 1,179.2</b>	<b>\$ 4,440.8</b>	<b>\$ 1,231.7</b>	<b>\$ 1,237.0</b>	<b>\$ 1,190.8</b>	<b>\$ 1,120.2</b>	<b>\$ 4,779.8</b>	<b>\$ 1,170.0</b>	<b>\$ 1,201.1</b>	<b>\$ 1,156.6</b>	<b>\$ 1,091.6</b>	<b>\$ 4,619.4</b>
SG&A Expenses	2,693.2	641.8	453.6	643.3	638.5	2,377.2	664.3	749.8	757.7	791.1	2,962.9	797.8	817.7	797.9	756.2	3,169.5	795.6	822.7	798.1	758.7	3,175.1
Floor Plan Interest Expense	(84.5)	(17.7)	(11.7)	(8.0)	(8.9)	(46.3)	(9.5)	(7.9)	(6.0)	(2.8)	(26.2)	(7.5)	(9.0)	(8.0)	(8.0)	(32.5)	(8.5)	(9.0)	(10.0)	(11.0)	(38.5)
Other Expenses / (Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	677.8	117.2	87.6	305.2	251.0	761.0	239.4	425.0	402.0	385.3	1,451.7	426.4	410.3	385.0	356.1	1,577.8	365.9	369.3	348.6	322.0	1,405.8
Depreciation & Amortization	109.6	28.5	27.9	29.0	30.1	115.5	29.3	30.2	30.2	31.8	121.5	31.9	31.7	31.8	32.9	128.3	34.1	34.6	34.9	36.0	139.5
<b>EBIT</b>	<b>\$ 568.2</b>	<b>\$ 88.7</b>	<b>\$ 59.7</b>	<b>\$ 276.2</b>	<b>\$ 220.9</b>	<b>\$ 645.5</b>	<b>\$ 210.1</b>	<b>\$ 394.8</b>	<b>\$ 371.8</b>	<b>\$ 353.5</b>	<b>\$ 1,330.2</b>	<b>\$ 394.5</b>	<b>\$ 378.6</b>	<b>\$ 353.2</b>	<b>\$ 323.2</b>	<b>\$ 1,449.5</b>	<b>\$ 331.8</b>	<b>\$ 334.8</b>	<b>\$ 313.7</b>	<b>\$ 286.0</b>	<b>\$ 1,266.2</b>
Other Interest Expense	(124.2)	(31.7)	(28.4)	(30.8)	(23.6)	(114.5)	(17.9)	(19.7)	(16.2)	(14.8)	(68.6)	(16.5)	(17.0)	(17.5)	(18.0)	(69.0)	(18.0)	(18.5)	(19.0)	(19.0)	(74.5)
Other Income / Equity Interest	147.5	14.5	29.9	66.2	58.4	169.0	55.4	105.6	120.5	93.0	374.5	119.6	138.0	108.6	83.9	450.1	78.1	90.1	82.0	63.3	313.5
Pre-Tax Income	591.5	71.5	61.2	311.6	255.7	700.0	247.6	480.7	476.1	431.7	1,636.1	497.6	499.6	444.2	389.1	1,830.5	391.9	406.3	376.7	330.3	1,505.3
Income Taxes	156.7	20.1	16.5	79.5	54.6	170.7	64.5	118.6	120.1	109.6	412.8	128.1	123.7	117.7	103.1	472.6	103.9	107.7	99.8	87.5	398.9
Income Tax Rate	26.5%	28.1%	27.0%	25.5%	21.4%	24.4%	26.1%	24.7%	25.2%	25.4%	25.2%	25.7%	24.8%	26.5%	26.5%	25.8%	26.5%	26.5%	26.5%	26.5%	26.5%
<b>Net Income (continuing operations)</b>	<b>434.8</b>	<b>51.4</b>	<b>44.7</b>	<b>232.1</b>	<b>201.1</b>	<b>529.3</b>	<b>183.1</b>	<b>362.1</b>	<b>356.0</b>	<b>322.1</b>	<b>1,223.3</b>	<b>369.5</b>	<b>375.9</b>	<b>326.5</b>	<b>286.0</b>	<b>1,357.9</b>	<b>288.1</b>	<b>298.7</b>	<b>276.9</b>	<b>242.8</b>	<b>1,106.4</b>
Dealership dispositions	0.6	-	0.1	0.1	0.1	0.3	-	-	0.3	0.9	1.2	-	-	0.3	0.9	1.2	-	-	0.3	0.9	-
Net Income (before one-time items)	435.4	51.4	44.8	232.2	201.2	529.6	183.1	362.1	356.3	323.0	1,224.5	369.5	375.9	326.8	286.9	1,359.1	288.1	298.7	277.2	243.7	1,106.4
NI attrib to non-controlling shareholders	0.4	0.2	0.3	(1.0)	(1.2)	(1.7)	(0.6)	(1.5)	(1.2)	(1.6)	(4.9)	(1.6)	(1.9)	(1.2)	(1.6)	(6.3)	(1.6)	(1.5)	(1.2)	(1.6)	-
Net Income	435.8	51.6	45.1	231.2	200.0	527.9	182.5	360.7	355.1	321.4	1,219.6	367.9	374.0	325.6	285.3	1,352.8	286.5	297.2	276.0	242.1	1,106.4
One-time Items	-	0.1	-	15.4	0.2	15.7	-	(21.8)	-	(10.1)	(31.9)	-	-	-	-	-	-	-	-	-	-
Net Income (GAAP)	435.8	51.7	45.1	246.6	200.2	543.6	182.5	338.9	355.1	311.3	1,187.7	367.9	374.0	325.6	285.3	1,352.8	286.5	297.2	276.0	242.1	1,106.4
<b>EPS (continuing operations)</b>	<b>\$ 5.27</b>	<b>\$ 0.64</b>	<b>\$ 0.56</b>	<b>\$ 2.87</b>	<b>\$ 2.49</b>	<b>\$ 6.55</b>	<b>\$ 2.26</b>	<b>\$ 4.47</b>	<b>\$ 4.46</b>	<b>\$ 4.10</b>	<b>\$ 15.28</b>	<b>\$ 4.76</b>	<b>\$ 4.93</b>	<b>\$ 4.34</b>	<b>\$ 3.84</b>	<b>\$ 17.91</b>	<b>\$ 3.91</b>	<b>\$ 4.09</b>	<b>\$ 3.81</b>	<b>\$ 3.35</b>	<b>\$ 15.24</b>
EPS (GAAP)	\$ 5.28	\$ 0.64	\$ 0.56	\$ 3.07	\$ 2.49	\$ 6.74	\$ 2.26	\$ 4.20	\$ 4.47	\$ 3.97	\$ 14.90	\$ 4.76	\$ 4.93	\$ 4.35	\$ 3.85	\$ 17.92	\$ 3.91	\$ 4.09	\$ 3.82	\$ 3.37	\$ 15.24
Diluted Weighted Average Shares	82.5	81.1	80.5	80.4	80.4	80.6	80.6	80.7	79.5	78.1	79.7	77.2	75.8	74.9	74.0	75.5	73.4	72.7	72.3	71.9	72.6
<b>Automotive Retail Gross Margin</b>																					
New Vehicles	7.5%	7.4%	7.7%	8.2%	8.7%	8.1%	8.5%	9.8%	11.6%	12.8%	10.6%	12.7%	12.8%	12.1%	11.3%	12.3%	10.8%	10.3%	10.2%	9.7%	10.3%
Used Vehicles	5.1%	5.3%	4.8%	7.3%	6.2%	6.1%	6.1%	8.3%	8.4%	8.0%	7.8%	6.4%	6.5%	6.6%	6.6%	6.5%	6.6%	6.3%	6.4%	6.1%	6.4%
Service & Parts	59.5%	59.2%	58.3%	61.7%	59.7%	59.8%	60.7%	61.7%	60.1%	59.0%	60.4%	59.8%	60.2%	59.5%	59.5%	59.7%	58.0%	58.0%	58.0%	58.0%	58.0%
<b>Automotive Retail Gross Margin</b>	<b>14.7%</b>	<b>15.4%</b>	<b>14.8%</b>	<b>16.2%</b>	<b>15.4%</b>	<b>15.5%</b>	<b>15.4%</b>	<b>16.8%</b>	<b>17.9%</b>	<b>18.6%</b>	<b>17.2%</b>	<b>17.4%</b>	<b>17.7%</b>	<b>17.7%</b>	<b>17.9%</b>	<b>17.7%</b>	<b>17.2%</b>	<b>16.8%</b>	<b>17.0%</b>	<b>17.2%</b>	<b>17.0%</b>
Retail Commercial Truck Operations Gross Margin	13.5%	14.0%	15.1%	12.4%	13.6%	13.6%	18.4%	16.4%	16.1%	17.3%	16.9%	17.8%	17.7%	18.3%	17.7%	17.9%	17.6%	18.5%	18.0%	17.8%	18.0%
Commercial Vehicle/Power Systems/Other	27.0%	29.5%	26.8%	27.5%	24.5%	26.9%	25.2%	24.1%	27.2%	30.9%	26.7%	25.9%	29.1%	29.2%	30.9%	28.7%	27.9%	31.1%	31.2%	32.9%	30.7%
<b>Total Company Gross Margin</b>	<b>14.9%</b>	<b>15.5%</b>	<b>15.1%</b>	<b>16.0%</b>	<b>15.5%</b>	<b>15.6%</b>	<b>15.8%</b>	<b>16.9%</b>	<b>17.9%</b>	<b>18.7%</b>	<b>17.4%</b>	<b>17.7%</b>	<b>17.9%</b>	<b>18.0%</b>	<b>18.2%</b>	<b>17.9%</b>	<b>17.5%</b>	<b>17.2%</b>	<b>17.4%</b>	<b>17.6%</b>	<b>17.4%</b>
<b>% of Revenue Analysis</b>																					
SG&A	11.6%	12.8%	12.4%	10.8%	11.0%	11.6%	11.5%	10.7%	11.7%	12.6%	11.6%	11.4%	11.8%	12.0%	12.3%	11.9%	11.9%	11.8%	12.0%	12.2%	12.0%
SG&A (% Gross Profit)	77.9%	82.6%	82.0%	67.3%	71.1%	74.6%	72.7%	63.4%	65.0%	67.1%	66.7%	64.8%	66.1%	67.0%	67.5%	66.3%	68.0%	68.5%	69.0%	69.5%	68.7%
Floor Plan Interest Expense	0.4%	0.4%	0.3%	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.						

## COMPANIES MENTIONED

Mercedes-Benz Group AG Un-sponsored ADR (DMLRY-\$14.44)

## APPENDIX A

### ANALYST CERTIFICATION

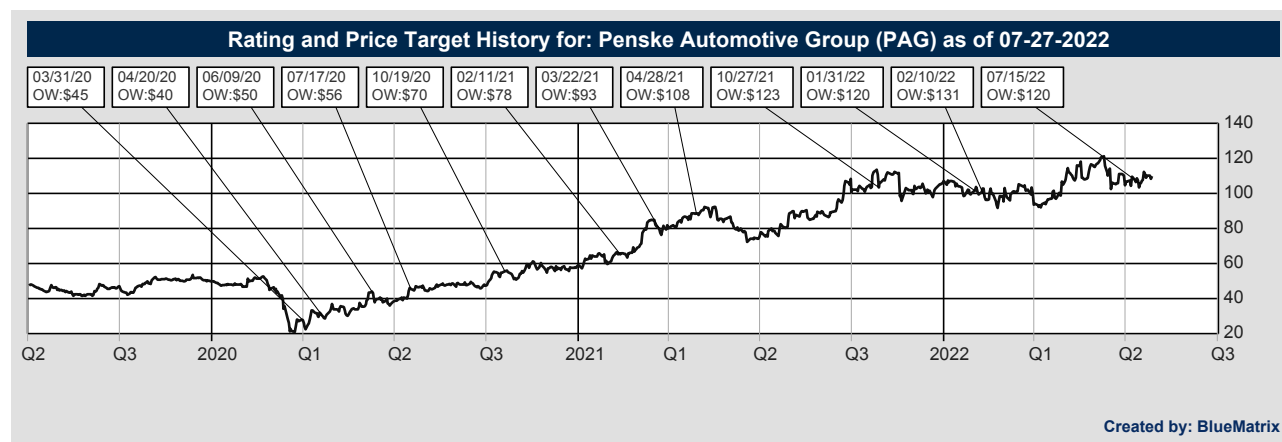
The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Penske Automotive Group as of the date of this report and may act as principal in these transactions.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Penske Automotive Group in the next three months.



### Valuation Methodology for Penske Automotive Group

Our target price is based on a target P/E multiple on projected earnings. In arriving at a target P/E multiple, we analyze peer group valuations and take into account Penske Automotive Group's earnings growth, visibility, cash flow generation, and financial position relative to its peers.

### Risks to Achievement of Target Price for Penske Automotive Group

Vehicles are discretionary items, and purchases are affected by numerous factors, including consumer confidence, unemployment, inflation, interest rates, credit availability, fuel prices, and general economic and business conditions. Any of these factors, individually or in combination, could negatively affect consumer spending, which, in turn, would impact sales and results of operations. Another risk involves auto retailers' acquisition strategy. Growth depends in large part on their ability to acquire dealerships, manage expansion, and successfully integrate the operations into the organization. Numerous risks are involved in pursuing this strategy. International operations bring risks not faced by other public auto retailers. In addition, a critical ingredient to Penske Automotive Group's success is Roger Penske, Chairman, CEO, and major shareholder. Any change in leadership, we believe, would pose a significant risk.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

## Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	234	61.10	50	21.37
HOLD [EW]	145	37.86	23	15.86
SELL [UW]	4	1.04	0	0.00

## OTHER DISCLOSURES

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## Questions – Sonic Automotive, Inc.

- You're expecting EchoPark to see some recovery in profitability as wholesale prices gradually move lower and you can source more affordable units. What trends have you seen from the wholesale market recently and what is your outlook for improvement?
- In the EchoPark business you moved into older vehicles, how is that initiative trending? As the younger vehicle supply improves, do you see this being additive to the EchoPark value proposition?
- You have a substantial repurchase authorization currently. In terms of capital allocation, where does your priority lie in terms of share repurchase, EchoPark growth, and franchise acquisitions?
- Have you seen any positive effects from rolling out the echopark.com e-commerce platform nationwide?
- Your mix for franchise is predominantly luxury, how has this affected your sales recently? Would you say higher-end units have been more resistant to inflationary pressure given the customer demographic?
- Are there any regions that you are prioritizing when it comes to franchise dealership expansion?
- What is your opinion on employee productivity in both the franchise and EchoPark segment? Do you think your headcount is at an optimal level, or do you think any changes need to be made?

**Daniel Imbro, Analyst**

501-377-2055, daniel.imbro@stephens.com

Changes	Previous	Current
Rating	--	Overweight
Target Price	\$57.00	\$56.00
Price:		\$41.17
Fully Diluted Shares Out (mil.):		39.56
52-Week High:		\$57.19
52-Week Low:		\$34.17
Market Cap (mil.):		\$1,628.7
Fiscal Year End:		Dec
Average Daily Volume:		315,729
Float:		67.0%
Debt/Cap:		74.1%
Cash/Shr:		\$8.32
Dividend/Yield:		\$1.00/2.5%
Book Value/Shr:		\$27.99

EPS	2021A	2022E	2023E
Mar	\$1.23A	\$2.34A	\$2.26
Prev.	--	--	\$2.07
Jun	\$2.63A	\$2.34A	\$2.27
Prev.	--	\$2.52	\$2.25
Sep	\$1.95A	\$2.37	\$2.15
Prev.	--	\$2.34	\$2.14
Dec	\$2.25A	\$2.48	\$2.08
Prev.	--	\$2.36	\$2.11
FY	\$8.05A	\$9.63	\$8.76
Prev.	--	\$9.56	\$8.57
P/E	5.1x	4.3x	4.7x

Oper. EPS	2021A	2022E	2023E
Mar	\$1.23A	\$2.34A	\$2.26
Prev.	--	--	\$2.07
Jun	\$2.63A	\$2.45A	\$2.27
Prev.	--	\$2.52	\$2.25
Sep	\$1.96A	\$2.37	\$2.15
Prev.	--	\$2.34	\$2.14
Dec	\$2.66A	\$2.48	\$2.08
Prev.	--	\$2.36	\$2.11
FY	\$8.46A	\$9.73	\$8.76
Prev.	--	\$9.56	\$8.57
P/E	4.9x	4.2x	4.7x

Rev.	\$12.37B	\$14.34B	\$14.06B
Prev.	--	\$14.73B	\$14.66B

**Sonic Automotive, Inc.** is headquartered in Charlotte, North Carolina, and is the 5th largest automotive retailer in the United States as measured by total revenue of \$12.4 bill in 2021. The company operates 110 franchise dealerships representing 28 brands in 17 states. The company also operates stand-alone used vehicle stores under the EchoPark brand, a volume-based discount pricing model that has produced unit sales per location well above the industry average.

See important disclosures and analyst certification on pages 6 - 7 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

**Sonic Automotive**

SAH – NYSE

**Overweight**

**Reason for Report:** Target Price Change, Estimate Changes, Analysis of Sales/Earnings

## SAH Reports 2Q22; NT EchoPark EBITDA Softer, But LT Opportunity/Val. Keep Us OW

**INVESTMENT CONCLUSION:**

2Q results were mixed, with strong franchise fundamentals overshadowed by the continued challenges at EchoPark. However, this was expected and we were encouraged by the improving EchoPark EBITDA trends late in the quarter; as pricing moderates over the coming years EchoPark's profitability should improve. On the franchise side, we increasingly expect new vehicle inventories will remain lean into 2023, supporting higher GPUs. We expect excess cash to be deployed across the business, funding EchoPark expansion, franchise dealer M&A, and opportunistic share repurchase. Concurrent with results, SAH announced a \$500 million increase to the repurchase authorization, over 30% of the market cap today. Shares trade at ~4.4x NTM earnings, and while near-term EchoPark monetization is less likely (and may take a few years, given the backdrop), we continue to believe the value is not reflected. We reiterate our **Overweight** rating; our PT moves to \$56 (was \$57).

**KEY POINTS:**

**Estimates.** We have adjusted our 2022 adj. EPS estimate from \$9.56 to \$9.73, reflecting a stronger GPU outlook, partially offset by softer unit growth and the 2Q results. Additionally, we are adjusting our 2023 adj. EPS estimate from \$8.57 to \$8.76. See table to the left and attached model for GAAP EPS.

**2Q22 Results.** Sonic reported 2Q22 adj. EPS of \$2.45, short of our/consensus estimates of \$2.52/\$2.55. The EPS result vs. our estimate was primarily driven by lower comp units, and higher EchoPark losses, partially offset by a lower tax rate.

**Franchise Sales/Margins.** Franchise reported sales of \$2.99 billion, slightly below our estimate of \$3.13 billion and an increase over \$2.76 billion last year. On a same-store basis, franchise sales were down 12%, driven by softer unit sales than anticipated. Same-store new retail units were down (33.2%), vs. the industry at ~(-20.6%). Used vehicle unit comp sales declined ~(-17.1%) y/y. Retail new GPU was \$6,871 vs. \$3,902 last year, and used vehicle GPU was \$1,553 vs. \$1,934 last year. SAH noted its mix concentration of luxury and imports weighed on sales vs. the industry, as domestics outperformed during the quarter. New vehicle inventory ended the quarter at 18 days supply. Franchised used inventory ended the quarter at 31 days supply. As new vehicle production remains constrained over the coming quarter, demand will continue to outpace supply and GPUs will remain elevated above pre-COVID levels. We believe the new market continues to benefit from pent-up demand carried into this year, and while investor concerns are picking up around new vehicle demand slowing, we are

not seeing signs of that in results. Particularly as affordable used units are difficult to source and the price gap narrows between new and used, new demand should continue. We do believe that used sales are being hampered by this dynamic, and the used retail unit weakness reflects this. Looking forward, we anticipate a continuation of the current backdrop, with softer units being partially offset by stronger profitability. See attached model for estimate details.

**EchoPark Sales/Margins.** EchoPark recorded second quarter revenues of \$665.6 million, up from \$595.6 million in the prior year. EchoPark posted a pre-tax loss of (\$34.9 million) in the quarter, worse than the (\$14.4 million) loss last year. Retail sales volume was down 22% y/y to 16,608 units, as the lack of affordable vehicles crimped supply to this market. We were encouraged by the sequential unit growth, as EchoPark expanded into 5+ year-old vehicles (represented 9% of units sold). The pre-tax loss was ~flat compared to the first quarter, but management noted improvement towards the end of the quarter as strategic shifts in inventory mix and sourcing began to flow to the bottom line. As the company expands these inventory changes to other markets, we expect profitability to sequentially improve through 2H. SAH opened locations in three new markets in 2Q. During the quarter, SAH completed its nationwide expansion of EchoPark.com, rolling out the e-commerce platform nationwide. The platform accounted for 19% of retail volume during the quarter, with out-of-market buyers representing 69% of e-commerce sales. GPU on the front end was positive for the second straight quarter, as older vehicles typically carry a higher front-end margin and lower F&I/unit. Looking forward, SAH expects improved customer sourcing (~57% in July) to contribute to improving losses in 2H22 and into 1H23. Management remains confident demand is strong for Echo Park, but the core EchoPark customer remains priced out of the market. Consumers have been open to higher-mileage and older vehicles, and longer term we believe that EchoPark will have some sustainable mix of 5+ year-old units. The elevated franchise earnings continue to fund growth at EchoPark, and while management has slowed its location expansion, we believe it will continue to open new locations as it progresses towards its 90% population coverage target by 2025. Due to the ongoing sourcing challenges, SAH now expects that it will not reach its 2025 targets on time (not surprising, in our opinion). Additionally, given market conditions the company has concluded its strategic review, though verbiage in the release suggests that alternatives will be consistently monitored over the coming years. We model a pre-tax loss of \$25.2 million for 3Q and \$112.5 million for the full year.

**Service/Parts Sales/Margins.** Service/Parts revenue was \$398 million in the quarter, up from \$381 million in 1Q22 and \$346 million last year. Parts and service gross profit was up 4% on a same-store basis, with a 11% increase in customer pay gross profit. Warranty gross profit continues to lag and was down (10%) in the quarter. Parts and service gross margin was 49.8% in the quarter, up from 48.8% last year. Looking forward, we model parts and service gross margin of 46.3% in 3Q and 47.8% for the full year.

**F&I Sales/GPU.** F&I gross profit was \$173 million in the quarter, down from \$177 million last year. Same-store F&I gross profit was down (14%) at franchise dealerships and down (42%) at Echo Park. Lower unit sales weighed on F&I gross profit during the quarter with new and used units down y/y. We believe rising interest rates could pose a headwind to F&I as product attachment subsides, but we have not heard of this materializing yet. We model F&I per retail unit of \$2,208 for 3Q and \$2,500 for the full year.

**Balance Sheet/Capital Allocation.** SAH ended the quarter with \$755 million in available liquidity including \$453 million in cash and short-term deposits on hand. During the quarter, SAH repurchased 1.4 million shares for \$59.4 million, and the board increased the authorization by \$500 million to \$633 million. The company gave a strategic update on EchoPark in the earnings release, and based on that we believe that the company will be redirecting a portion of the capital allocated there to higher ROI investment until the macro backdrop is more conducive to growth. Capital allocation looking forward should also include share repurchases and opportunistic M&A.

**Valuation.** Shares currently trade at ~4.4x our new NTM EPS estimates, compared with the 5-year average of 9.1x. Our new \$56 price target is based on only 6x our NTM EPS estimate. We believe that the value of EchoPark remains underappreciated in SAH, though results need to improve with sustained EBITDA results before the market will underwrite this earnings stream.

Sonic Automotive, Inc. (SAH)  
(in millions except per share amounts and as noted)  
Daniel Imbro  
501-377-2055

	2019A	2020A	1Q	2Q	3Q	4Q	2021A	1Q	2Q	3Q	4Q	2022E	1Q	2Q	3Q	4Q	2023E
	Yr	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles (retail)	\$4,889.2	\$4,281.2	\$1,134.0	\$1,462.9	\$1,146.9	\$1,351.9	\$5,095.7	\$1,351.3	\$1,344.3	\$1,323.2	\$1,353.6	\$5,372.4	\$1,350.4	\$1,320.4	\$1,239.0	\$1,321.8	\$5,231.6
New Vehicles - Fleet	-	-	22.3	-	-	-	-	\$148.6	\$166.4	\$152.5	\$152.5	620.0	\$152.3	\$169.8	\$151.7	\$151.7	625.5
Used Vehicles (retail)	3,490.0	3,564.8	1,090.1	1,266.7	1,309.5	1,210.9	4,877.2	1,370.9	1,449.4	1,372.2	1,333.3	5,525.8	1,335.0	1,387.8	1,350.1	1,368.8	5,441.7
Used Vehicles - Wholesale	202.9	197.4	74.8	84.8	97.1	110.5	367.2	168.7	121.4	93.4	109.4	492.9	111.0	94.4	97.1	111.9	414.3
Service & Parts	1,395.3	1,233.7	320.9	360.6	355.2	360.1	1,396.8	380.5	398.1	426.6	421.5	1,626.7	396.5	418.0	410.4	404.9	1,629.9
Finance & Insurance	477.0	489.9	144.7	177.3	164.1	151.2	637.2	166.6	173.2	176.2	181.9	698.0	175.7	176.8	175.7	187.5	715.8
Fleet & Other	202.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>\$10,657.3</b>	<b>\$9,767.0</b>	<b>\$2,786.8</b>	<b>\$3,352.2</b>	<b>\$3,072.8</b>	<b>\$3,184.6</b>	<b>\$12,374.1</b>	<b>\$3,586.6</b>	<b>\$3,652.8</b>	<b>\$3,544.1</b>	<b>\$3,552.2</b>	<b>\$14,335.8</b>	<b>\$3,520.9</b>	<b>\$3,567.3</b>	<b>\$3,424.0</b>	<b>\$3,546.6</b>	<b>\$14,058.7</b>
Cost of Sales	9,038.1	8,343.4	2,385.9	2,841.4	2,600.8	2,654.0	10,482.1	3,014.5	3,064.0	2,970.4	2,986.5	12,035.4	2,976.3	3,024.2	2,899.2	3,021.7	11,921.5
<b>Gross Profit</b>	<b>1,521.0</b>	<b>1,423.6</b>	<b>400.9</b>	<b>510.8</b>	<b>472.0</b>	<b>530.6</b>	<b>1,914.3</b>	<b>572.1</b>	<b>588.8</b>	<b>573.7</b>	<b>565.8</b>	<b>2,300.4</b>	<b>544.5</b>	<b>543.1</b>	<b>524.7</b>	<b>524.9</b>	<b>2,137.3</b>
SG&A Expenses	1,169.1	1,029.5	289.4	320.6	321.4	335.6	1,267.0	387.0	398.4	386.1	371.0	1,542.5	356.4	352.8	342.3	344.5	1,396.1
Floorplan Interest Expense	(48.5)	(27.2)	(5.1)	(4.3)	(3.3)	(4.1)	(16.9)	(5.0)	(6.1)	(3.7)	(4.5)	(15.4)	(4.4)	(5.8)	(6.2)	(6.7)	(23.1)
Other Expenses / (Income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>EBITDA</b>	<b>303.4</b>	<b>366.9</b>	<b>106.4</b>	<b>185.9</b>	<b>147.3</b>	<b>190.9</b>	<b>630.5</b>	<b>180.1</b>	<b>184.3</b>	<b>183.9</b>	<b>190.3</b>	<b>742.5</b>	<b>183.7</b>	<b>184.5</b>	<b>176.2</b>	<b>173.6</b>	<b>718.0</b>
Depreciation & Amortization	93.2	91.0	23.7	24.8	25.2	27.4	101.1	29.9	31.2	28.4	28.4	117.9	31.4	32.1	30.8	31.9	126.2
<b>EBIT</b>	<b>210.2</b>	<b>275.9</b>	<b>82.7</b>	<b>161.1</b>	<b>122.1</b>	<b>163.5</b>	<b>529.4</b>	<b>150.2</b>	<b>153.1</b>	<b>155.6</b>	<b>161.9</b>	<b>624.7</b>	<b>152.3</b>	<b>152.4</b>	<b>145.4</b>	<b>141.7</b>	<b>591.8</b>
Other Interest Expense	(53.0)	(41.6)	(10.3)	(10.1)	(9.8)	(17.8)	(48.0)	(20.8)	(21.3)	(23.4)	(23.2)	(88.7)	(24.9)	(24.8)	(24.4)	(24.4)	(98.5)
Other Income / (Expense)	(0.6)	(9.1)	0.1	-	(0.3)	(0.3)	(0.2)	0.3	(0.2)	-	-	0.1	-	-	-	-	-
<b>Pre-Tax Income</b>	<b>156.7</b>	<b>225.2</b>	<b>72.6</b>	<b>151.0</b>	<b>112.3</b>	<b>145.4</b>	<b>481.2</b>	<b>129.7</b>	<b>131.6</b>	<b>132.2</b>	<b>138.6</b>	<b>536.1</b>	<b>127.5</b>	<b>127.6</b>	<b>121.0</b>	<b>117.3</b>	<b>493.3</b>
Income Taxes	40.9	68.3	18.9	37.0	27.6	31.7	115.1	31.8	32.4	36.4	38.1	138.7	35.0	35.1	33.3	32.3	135.7
<b>Net Income (continuing operations)</b>	<b>115.8</b>	<b>168.9</b>	<b>53.7</b>	<b>114.0</b>	<b>84.7</b>	<b>113.7</b>	<b>366.1</b>	<b>97.9</b>	<b>99.2</b>	<b>95.9</b>	<b>100.5</b>	<b>397.4</b>	<b>92.4</b>	<b>92.5</b>	<b>87.7</b>	<b>85.1</b>	<b>357.7</b>
Dealership dispositions	(0.4)	(0.4)	-	-	(0.2)	-	(0.2)	-	-	-	-	-	-	-	-	-	-
<b>Net Income (before one-time items)</b>	<b>115.4</b>	<b>168.5</b>	<b>53.7</b>	<b>114.0</b>	<b>84.5</b>	<b>113.7</b>	<b>365.8</b>	<b>97.9</b>	<b>99.2</b>	<b>95.9</b>	<b>100.5</b>	<b>397.4</b>	<b>92.4</b>	<b>92.5</b>	<b>87.7</b>	<b>85.1</b>	<b>357.7</b>
One-time Items	28.8	(219.0)	-	-	-	(17.4)	(17.4)	-	(4.4)	-	-	(4.4)	-	-	-	-	-
<b>Net Income</b>	<b>\$ 144.2</b>	<b>\$ (50.6)</b>	<b>53.7</b>	<b>114.0</b>	<b>84.5</b>	<b>96.3</b>	<b>348.4</b>	<b>97.9</b>	<b>94.8</b>	<b>95.9</b>	<b>100.5</b>	<b>393.0</b>	<b>92.4</b>	<b>92.5</b>	<b>87.7</b>	<b>85.1</b>	<b>357.7</b>
<b>EPS (continuing operations) *</b>	<b>\$ 2.65</b>	<b>\$ 3.85</b>	<b>\$ 1.23</b>	<b>\$ 2.63</b>	<b>\$ 1.96</b>	<b>\$ 2.66</b>	<b>\$ 8.46</b>	<b>\$ 2.34</b>	<b>\$ 2.45</b>	<b>\$ 2.37</b>	<b>\$ 2.48</b>	<b>\$ 9.73</b>	<b>\$ 2.26</b>	<b>\$ 2.27</b>	<b>\$ 2.15</b>	<b>\$ 2.08</b>	<b>\$ 8.76</b>
<b>EPS (GAAP) *</b>	<b>\$ 3.30</b>	<b>\$ (1.15)</b>	<b>\$ 1.23</b>	<b>\$ 2.63</b>	<b>\$ 1.95</b>	<b>\$ 2.25</b>	<b>\$ 8.05</b>	<b>\$ 2.34</b>	<b>\$ 2.34</b>	<b>\$ 2.37</b>	<b>\$ 2.48</b>	<b>\$ 9.63</b>	<b>\$ 2.26</b>	<b>\$ 2.27</b>	<b>\$ 2.15</b>	<b>\$ 2.08</b>	<b>\$ 8.76</b>
Diluted Weighted Average Shares	43.6	43.9	43.5	43.4	43.3	42.8	43.3	41.8	40.5	40.5	40.5	40.8	40.8	40.8	40.8	40.8	40.8

#### Gross Margin (% of Revenue)

New Vehicles (retail & fleet)	4.8%	5.5%	6.0%	8.1%	10.1%	11.7%	9.1%	11.2%	11.1%	10.5%	9.9%	10.7%	8.8%	8.1%	7.7%	6.7%	7.8%
Used Vehicles (retail)	4.2%	3.0%	2.8%	2.7%	1.5%	3.9%	3.5%	3.2%	3.1%	2.9%	3.2%	2.8%	2.5%	2.7%	2.5%	2.6%	2.6%
Service & Parts	47.9%	48.2%	48.3%	48.8%	48.3%	47.5%	48.2%	49.0%	49.8%	46.3%	46.2%	47.8%	49.9%	50.0%	50.0%	50.0%	50.0%
<b>Total</b>	<b>14.3%</b>	<b>14.6%</b>	<b>14.4%</b>	<b>15.2%</b>	<b>15.4%</b>	<b>16.7%</b>	<b>15.5%</b>	<b>16.0%</b>	<b>16.1%</b>	<b>16.2%</b>	<b>15.9%</b>	<b>16.0%</b>	<b>15.5%</b>	<b>15.2%</b>	<b>15.3%</b>	<b>14.8%</b>	<b>15.2%</b>

#### % of Revenue Analysis

SG&A	11.0%	10.5%	10.4%	9.6%	10.5%	10.5%	10.2%	10.8%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%	11.9%
SG&A (% Gross Profit)	76.9%	72.3%	72.2%	62.8%	68.1%	63.3%	66.2%	67.6%	67.7%	67.3%	65.6%	67.1%	65.5%	65.0%	65.2%	65.6%	65.3%
Floorplan Interest Expense	0.5%	0.3%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%
EBITDA	2.8%	3.8%	3.8%	5.5%	4.8%	6.0%	5.1%	5.0%	5.0%	5.2%	5.4%	2.7%	5.2%	5.2%	5.1%	4.9%	2.7%
Depreciation & Amortization	0.9%	0.9%	0.8%	0.7%	0.8%	0.9%	0.8%	0.8%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
EBIT	2.0%	2.8%	3.0%	4.8%	4.0%	5.1%	1.8%	4.2%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Other Interest Expense	0.5%	0.4%	0.4%	0.3%	0.3%	0.6%	0.4%	0.6%	0.6%	0.7%	0.7%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%
Pre Tax Income	1.5%	2.3%	2.6%	4.5%	3.7%	4.6%	1.2%	3.6%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Income Tax Rate	26.4%	29.3%	26.0%	24.5%	24.6%	21.8%	24.2%	24.5%	27.5%	27.5%	27.5%	26.8%	27.5%	27.5%	27.5%	27.5%	27.5%
Net Income (before one-time items)	1.1%	1.7%	1.9%	3.4%	2.8%	3.6%	0.7%	2.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%

#### Retail Unit Sales - Cont. Ops. (actual)

New Vehicles (retail)	114,131	92,831	24,358	30,488	22,846	25,780	108,448	24,687	24,342	29,684	30,883	119,334	27,113	26,779	25,988	27,841	107,701
Used Vehicles (retail)	162,149	159,025	46,906	49,811	47,658	41,017	183,292	47,450	49,640	50,145	50,577	178,802	45,243	46,324	47,448	50,048	189,041
<b>Total</b>	<b>276,280</b>	<b>251,856</b>	<b>71,805</b>	<b>80,299</b>	<b>70,504</b>	<b>66,797</b>	<b>291,740</b>	<b>76,518</b>	<b>73,982</b>	<b>79,829</b>	<b>81,460</b>	<b>298,136</b>	<b>72,356</b>	<b>73,102</b>	<b>73,436</b>	<b>77,889</b>	<b>296,742</b>

#### Gross Profit per Unit

Gross per unit - new retail (includes fleet)	\$ 2,042	\$ 2,522	\$ 2,852	\$ 3,884	\$ 5,053	\$ 6,129	\$ 4,254	\$ 6,825	\$ 6,914	\$ 5,236	\$ 4,812	\$ 5,370	\$ 4,857	\$ 4,515	\$ 4,104	\$ 3,559	\$ 4,256
Gross per unit - used retail	\$ 909	\$ 667	\$ 658	\$ 698	\$ 414	\$ 1,148	\$ 723	\$ 1,016	\$ 949	\$ 853	\$ 771	\$ 990	\$ 837	\$ 758	\$ 761	\$ 695	\$ 761
F&I Per Retail Unit	\$ 1,726	\$ 1,945	\$ 2,015	\$ 2,207	\$ 2,327	\$ 2,264	\$ 2,184	\$ 2,177	\$ 2,341	\$ 2,208	\$ 2,233	\$ 2,341	\$ 2,429	\$ 2,419	\$ 2,393	\$ 2,407	\$ 2,412
Variable Gross per Unit	\$ 3,103	\$ 3,295	\$ 3,412	\$ 4,115	\$ 4,244	\$ 5,334	\$ 4,219	\$ 5,009	\$ 5,253	\$ 4,691	\$ 4,536	\$ 5,085	\$ 4,712	\$ 4,553	\$ 4,337	\$ 4,126	\$ 4,442

#### Revenue Growth - Cont. Ops. (YOY)

New Vehicles (retail)	(1.7%)	(12.4%)	18.2%	62.5%	4.4%	2.2%	19.0%	19.2%	(8.1%)	15.4%	0.1%	5.4%	(0.1%)	(1.8%)	(6.4%)	(2.3%)	(2.6%)
Used Vehicles (retail)	17.4%	2.1%	28.2%	36.8%	38.4%	26.2%	36.8%	25.8%	14.4%	4.8%	10.1%	13.3%	(2.6%)	(4.2%)	(1.6%)	2.7%	(1.5%)
Service & Parts	1.0%	(11.6%)	(4.1%)	39.2%	10.7%	12.9%	13.2%	18.6%	10.4%	20.1%	17.0%	16.5%	4.2%	5.0%	(3.8%)	(3.9%)	0.2%
Finance & Insurance	17.6%	2.7%	25.5%	60.0%	29.4%	10.3%	30.1%	15.2%	(2.3%)	7.4%	20.3%	9.5%	5.5%	2.1%	(0.3%)	3.1%	2.6%
<b>Total</b>	<b>4.8%</b>	<b>(8.4%)</b>	<b>20.7%</b>	<b>58.7%</b>	<b>20.6%</b>	<b>13.8%</b>	<b>26.7%</b>	<b>28.7%</b>	<b>9.0%</b>	<b>15.3%</b>	<b>11.5%</b>	<b>15.9%</b>	<b>(1.8%)</b>	<b>(2.3%)</b>	<b>(3.4%)</b>	<b>(0.2%)</b>	<b>(1.9%)</b>

#### Comparable Store Sales

New Vehicles (retail)	4.0%	(9.7%)	21.6%	64.6%	4.1%	(7.8%)	17.1%	(4.0%)	(23.0%)	(4.8%)	(7.4%)	(10.6%)	21.1%	17.0%	14.0%	18.4%	17.7%
Used Vehicles (retail)	15.0%	(0.9%)	17.1%	42.1%	27.8%	26.7%	14.0%	5.4%	(0.8%)	(0.9%)	1.3%	(10.3%)	7.8%	4.1%	7.4%	10.4%	2.8%
Service & Parts	5.0%	(8.3%)	(5.1%)	37.3%	9.6%	12.5%	12.2%	23.5%	15.0%	15.0%	11.4%	16.0%	4.1%	5.0%	5.0%	5.0%	4.8%
Finance & Insurance	18.0%	3.2%	24.0%	59.1%	28.2%	9.9%	29.8%	17.3%	(1.4%)	7.0%	20.8%	10.5%	4.6%	1.9%	(0.4%)	2.6%	2.3%
Fleet & Other (non-comp)	(19.7%)	(2.7%)	54.1%	155.6%	71.8%	86.8%	86.0%	125.5%	43.1%	(3.8%)	(1.0%)	34.2%	(34.2%)	(22.3%)	3.9%	2.3%	(15.9%)
<b>Total (includes Fleet and Wholesale)</b>	<b>6.0%</b>	<b>(7.4%)</b>	<b>14.0%</b>	<b>50.0%</b>	<b>12.0%</b>	<b>5.0%</b>	<b>14.0%</b>	<b>1.0%</b>	<b>(11.0%)</b>	<b>(3.0%)</b>	<b>(4.0%)</b>	<b>(9.0%)</b>	<b>3.0%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>4.0%</b>	<b>1.0%</b>

Source: Company data and Stephens Inc. estimates

EchoPark - Detailed Model	2019A	2020A	1QA	2QA	3QE	4QE	2021A	1QA	2QA	3QA	4QA	2022E	1QA	2QA	3QA	4QA	2023E
	Yr	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
Used Vehicle Revenue	996.5	1218.9	428.6	505.2	559.2	497.0	1990.0	517.2	473.6	492.1	574.0	2057.0	512.0	472.4	501.2	612.5	2098.2
New Vehicle Revenue	0.0	0.0	0.0	0.0	3.5	4.6	9.0	5.6	4.1	4.0	4.8	18.4	4.3	4.3	4.2	5.1	17.8
Used Vehicle Wholesale Revenue	22.9	28.7	18.6	21.9	33.0	36.5	110.0	62.4	42.2	22.5	27.6	154.7	27.5	32.3	24.1	27.7	111.6
F&I Revenue	113.8	132.0	47.1	53.2	52.3	41.1	193.7	40.1	41.9	43.9	45.7	173.6	44.6	44.4	46.6	50.7	186.3
Service/Parts Revenue	28.8	39.3	12.8	14.5	15.3	0.0	42.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenue</b>	<b>1162.0</b>	<b>1419.0</b>	<b>507.1</b>	<b>595.6</b>	<b>663.3</b>	<b>579.2</b>	<b>2345.3</b>	<b>625.3</b>	<b>540.7</b>	<b>561.7</b>	<b>646.3</b>	<b>2374.1</b>	<b>592.2</b>	<b>547.0</b>	<b>573.9</b>	<b>683.9</b>	<b>2397.0</b>
Cost of Sales	1049.6	1304.8	474.1	559.4	637.5	538.3	2209.3	581.0	616.1	534.0	537.0	2268.2	547.2	619.2	555.0	579.1	2300.5
New vehicle Gross Profit	-0.1	-17.0	-1.1	-20.5	-30.4	-3.7	-55.7	1.3	3.4	-0.4	-2.6	1.7	-3.3	-4.4	-4.4	-5.8	-18.0
Used Vehicle Gross Profit	0.0	0.0	0.0	0.1	0.2	0.7	1.0	1.1	1.0	0.5	0.5	3.1	0.6	1.0	0.5	0.5	2.5
Used Vehicle Wholesale Gross Profit	-0.3	-0.1	0.1	3.1	3.2	2.8	9.2	1.8	1.7	1.1	0.7	5.3	0.4	0.5	0.3	0.3	1.4
F&I Gross Profit	113.8	132.0	47.1	53.2	52.3	41.1	193.7	40.1	43.4	43.4	46.5	173.4	44.6	46.5	46.4	52.1	189.6
Service/Parts Gross Profit	-0.9	-0.8	-0.2	0.3	0.4	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross Profit</b>	<b>112.4</b>	<b>114.2</b>	<b>45.9</b>	<b>36.2</b>	<b>25.8</b>	<b>40.9</b>	<b>148.8</b>	<b>44.3</b>	<b>42.8</b>	<b>44.3</b>	<b>44.2</b>	<b>175.6</b>	<b>42.1</b>	<b>41.0</b>	<b>42.8</b>	<b>45.8</b>	<b>171.7</b>
SG&A	87.6	100.1	39.3	44.9	53.0	54.0	191.2	71.8	75.3	63.3	58.6	269.0	47.5	43.0	41.1	43.5	175.1
Depreciation Expense	10.5	11.1	3.3	4.1	4.0	4.8	16.2	5.0	5.9	4.6	4.7	19.6	5.0	6.0	5.4	5.6	17.3
Impairment Charge	3.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest & Other	5.2	4.1	1.3	1.5	1.7	2.3	6.9	2.5	3.3	1.9	1.7	8.1	2.4	2.3	1.9	1.9	8.2
<b>Pre-Tax Earnings</b>	<b>6.1</b>	<b>-1.1</b>	<b>2.0</b>	<b>-14.4</b>	<b>-32.9</b>	<b>-20.3</b>	<b>-65.6</b>	<b>-35.1</b>	<b>-34.9</b>	<b>-25.2</b>	<b>-19.9</b>	<b>-113.3</b>	<b>-12.6</b>	<b>-7.8</b>	<b>-5.6</b>	<b>-4.0</b>	<b>-25.1</b>
<b>Retail Unit Sales:</b>																	
Used Unit Retail Sales	49,520	57,161	19,670	21,261	21,255	15,649	77,835	14,995	16,608	16,791	17,527	65,921	16,495	17,604	17,799	19,455	71,353
Average Used Selling Price	20,123	\$ 21,324	\$ 22,440	\$ 23,761	\$ 26,310	\$ 31,759	\$ 25,805	\$ 34,491	\$ 34,772	\$ 30,257	\$ 28,583	\$ 32,026	\$ 31,042	\$ 33,034	\$ 29,349	\$ 27,726	\$ 30,288
Gross Profit per Unit	(3)	(297)	(57)	(963)	(1,429)	(236)	(701)	87	205	(25)	(150)	25	(200)	(250)	(250)	(300)	(252)
F&I per Unit	2,298	\$ 2,310	\$ 2,396	\$ 2,502	\$ 2,459	\$ 2,626	\$ 4,133	\$ 2,674	\$ 2,613	\$ 2,582	\$ 2,653	\$ 2,631	\$ 2,701	\$ 2,639	\$ 2,608	\$ 2,679	\$ 2,657
<b>Total GPU &amp; F&amp;I per Unit</b>	<b>2,295</b>	<b>\$ 2,013</b>	<b>\$ 2,339</b>	<b>\$ 1,539</b>	<b>\$ 1,039</b>	<b>\$ 2,390</b>	<b>\$ 1,773</b>	<b>\$ 2,761</b>	<b>\$ 2,818</b>	<b>\$ 2,557</b>	<b>\$ 2,503</b>	<b>\$ 2,655</b>	<b>\$ 2,501</b>	<b>\$ 2,389</b>	<b>\$ 2,358</b>	<b>\$ 2,379</b>	<b>\$ 2,405</b>
<b>YOY % Change</b>																	
Used Unit Retail Sales	68.2%	15.4%	40.6%	61.0%	40.5%	5.4%	36.2%	-23.8%	-25.0%	-20.0%	10.0%	-16.3%	10.0%	5.0%	5.0%	10.0%	10.0%
Average Selling Price	-1.7%	6.0%	7.6%	14.9%	20.4%	41.9%	19.9%	58.3%	25.0%	10.0%	5.0%	23.5%	-10.0%	-5.0%	-3.0%	-3.0%	-10.0%
Used Gross Profit per Unit	-98.4%	9958.3%	335.9%	317.5%	240.5%	-52.4%	141.2%	-251.2%	-97.4%	-96.5%	-36.6%	-94.6%	-330.7%	900.0%	400.0%	100.0%	548.1%
F&I per Unit	11.4%	0.5%	3.9%	8.8%	4.1%	15.9%	7.7%	11.6%	5.0%	5.0%	1.0%	5.8%	1.0%	1.0%	1.0%	1.0%	1.0%
<b>Total GPU &amp; F&amp;I per Unit</b>	<b>22.1%</b>	<b>-12.3%</b>	<b>2.0%</b>	<b>-25.6%</b>	<b>-47.0%</b>	<b>35.0%</b>	<b>-11.9%</b>	<b>18.0%</b>	<b>69.0%</b>	<b>145.9%</b>	<b>4.7%</b>	<b>46.3%</b>	<b>-9.4%</b>	<b>-7.6%</b>	<b>-6.9%</b>	<b>-4.9%</b>	<b>-7.2%</b>
<b>Wholesale Unit Sales</b>																	
Used Unit Retail Sales	4,604	7,178	2,861	2,878	3,492	2,436	11,667	3,649	2,694	2,267	2,454	11,064	2,144	2,289	2,314	2,529	9,276
Average Selling Price	\$ 4,980	\$ 4,001	\$ 6,503	\$ 7,592	\$ 9,460	\$ 14,984	\$ 9,428	\$ 17,101	\$ 15,664	\$ 9,933	\$ 11,238	\$ 9,428	\$ 12,825	\$ 14,098	\$ 10,430	\$ 10,957	\$ 9,428
Gross Profit per Unit	(72)	(12)	39	1,075	928	1,149	793	493	631	500	300	481	200	200	125	100	156
Wholesale as % of Used Retail	9.3%	12.6%	14.5%	13.5%	16.4%	15.6%	15.0%	24.3%	16.2%	13.5%	14.0%	16.8%	13.0%	13.0%	13.0%	13.0%	13.0%
<b>New Unit Sales</b>																	
New Unit Retail Sales	-	-	-	14	55	59	128	85	85	77	83	330	85	85	85	85	340
Average New Selling Price	\$ -	\$ -	\$ -	\$ 64,929	\$ 63,745	\$ 77,966	\$ 77,966	\$ 65,882	\$ 29,412	\$ 60,558	\$ 85,763	\$ 85,763	\$ 62,588	\$ 27,941	\$ 57,530	\$ 81,475	\$ 81,475
Gross Profit per Unit	\$ -	\$ -	\$ -	\$ 7,143	\$ 4,418	\$ 11,864	\$ 8,148	\$ 12,941	\$ 11,765	\$ 6,627	\$ 5,932	\$ 9,406	\$ 6,471	\$ 11,176	\$ 6,296	\$ 5,636	\$ 7,395
<b>SG&amp;A Analysis</b>																	
SG&A as % of Gross Profit	78.0%	87.7%	85.6%	124.1%	205.4%	132.0%	128.5%	162.1%	152.1%	142.0%	130.0%	146.7%	112.5%	99.0%	96.0%	92.5%	99.8%
SG&A \$ YOY % Change	32.1%	14.3%	52.6%	115.3%	109.7%	91.2%	91.0%	82.8%	67.7%	19.4%	8.5%	40.7%	-33.8%	-42.8%	-35.1%	-25.8%	-34.9%
SG&A \$ per Store	9.738	6.258	1.708	1.604	1.560	1.500	5.312	1.841	1.793	1.319	1.066	4.891	0.779	0.642	0.563	0.551	2.217
YOY % Change	17.5%	-35.7%	-40.3%	-23.1%	-26.0%	-15.0%	-15.1%	7.8%	11.8%	-15.4%	-29.0%	-7.9%	-57.7%	-64.2%	-57.3%	-48.3%	-54.7%
<b>% of Sales</b>																	
Depreciation Expense	0.9%	0.8%	0.6%	0.7%	0.6%	0.8%	0.7%	0.8%	0.9%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.7%
Impairment Charge	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest & Other	0.4%	0.3%	0.3%	0.3%	0.3%	0.4%	0.3%	0.4%	0.5%	0.3%	0.3%	0.3%	0.4%	0.4%	0.3%	0.3%	0.3%
<b>Locations in Operation</b>																	
Beginning	8	9	16	23	28	34	16	36	39	42	48	36	55	61	67	73	55
Open/Closed	1	7	7	5	6	2	20	3	3	6	7	19	6	6	6	6	24
Ending Store Count	9	16	23	28	34	36	36	39	42	48	55	55	61	67	73	79	79
<b>Unit Sales Per Store &amp; Per Month</b>																	
Retail Unit Sales per Store	5,502	3,573	855	759	625	435	2,162	384	395	350	319	1,199	270	263	244	246	903
YOY % Change	49.5%	-35.1%	-45.0%	-42.5%	-50.4%	-53.1%	-39.5%	-55.0%	-47.9%	-44.0%	-26.7%	-44.6%	-29.7%	-33.6%	-30.3%	-22.7%	-24.6%
Implied Unit Sales per Store per Month	459	298	285	253	208	145	721	128	132	117	106	400	90	88	81	82	301
Capacity Utilization	56.2%	52.1%	59.5%	64.3%	64.3%	47.3%	58.9%	45.4%	48.2%	51.4%	52.1%	197.2%	49.9%	50.7%	54.0%	57.3%	211.9%
Source: Company data and Stephens Inc. estimates																	

Franchise - Detailed Model	2019A	2020A	1Q	2Q	3Q	4Q	2021A	1Q	2Q	3Q	4Q	2022E	1Q	2Q	3Q	4Q	2023E
	Yr	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr	(Mar.)	(Jun.)	(Sept.)	(Dec.)	Yr
New Vehicles (retail)	\$4,889.2	\$4,200.3	\$1,134.0	\$1,452.3	\$1,143.4	\$1,347.3	\$5,077.0	\$1,345.7	\$1,341.7	\$1,318.5	\$1,346.6	\$5,352.5	\$1,345.0	\$1,318.1	\$1,234.1	\$1,314.9	\$5,212.1
Used Vehicles (retail)	2,493.5	2,345.9	648.7	761.5	750.3	727.7	2,888.2	853.7	871.9	864.1	832.3	3,422.1	823.0	806.3	827.8	829.4	3,286.4
Used Vehicles - Wholesale	180.0	168.7	56.2	63.0	64.1	74.0	257.2	106.3	79.2	70.9	81.8	338.2	83.5	62.1	72.9	84.2	302.7
Service & Parts	1,366.6	1,194.4	308.1	346.1	339.9	360.1	1,354.2	380.5	398.1	426.6	421.5	1,626.7	396.5	418.0	410.4	404.9	1,629.9
Finance & Insurance	363.1	357.8	97.5	124.1	111.8	110.1	443.5	126.5	129.8	132.9	135.4	524.6	131.2	130.4	129.3	135.4	526.2
Fleet & Other	180.0	168.7	56.2	63.0	64.1	74.0	257.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Revenues	<b>9,292.4</b>	<b>8,267.1</b>	<b>2,244.5</b>	<b>2,747.0</b>	<b>2,409.5</b>	<b>2,619.2</b>	<b>10,020.1</b>	<b>2,961.3</b>	<b>2,987.2</b>	<b>2,965.5</b>	<b>2,970.1</b>	<b>11,884.1</b>	<b>2,931.5</b>	<b>2,904.7</b>	<b>2,826.2</b>	<b>2,920.4</b>	<b>11,582.7</b>
Cost of Sales	7,883.7	6,942.3	1,889.3	2,272.3	1,963.3	2,129.5	8,243.6	2,433.5	2,447.9	2,436.4	2,449.4	9,758.3	2,429.2	2,405.0	2,344.2	2,442.6	9,620.9
Gross Profit	<b>1,408.6</b>	<b>1,324.8</b>	<b>355.2</b>	<b>474.6</b>	<b>446.2</b>	<b>489.7</b>	<b>1,776.6</b>	<b>527.8</b>	<b>539.3</b>	<b>529.1</b>	<b>520.7</b>	<b>2,125.8</b>	<b>502.3</b>	<b>499.7</b>	<b>481.9</b>	<b>477.9</b>	<b>1,961.8</b>
Gross Profit - New Vehicles Retail	233.1	234.1	69.5	118.3	115.2	157.3	477.5	167.4	167.3	154.9	148.1	638.6	131.1	119.9	106.1	98.6	455.7
Gross Profit - Used Vehicles Retail	147.5	122.9	32.0	55.2	50.1	50.8	182.0	46.9	43.7	43.2	41.6	147.7	41.1	39.5	40.6	40.6	161.8
Gross Profit - Used Vehicles Wholesale	(4.1)	14.6	0.7	1.4	(2.0)	0.4	0.6	(0.4)	(0.5)	0.0	0.0	(0.9)	0.0	0.0	0.0	0.0	0.0
Gross Profit - Service & Parts	669.0	595.3	155.3	175.6	171.1	171.1	673.0	186.6	198.1	197.4	194.8	812.6	198.1	209.0	205.2	202.5	814.9
Gross Profit - Finance & Insurance	363.1	357.8	97.5	124.1	111.8	110.1	443.5	126.5	129.8	132.9	135.4	524.6	131.2	130.4	129.3	135.4	526.2
SG&A Expenses	<b>1,081.5</b>	<b>929.4</b>	<b>250.1</b>	<b>275.7</b>	<b>268.3</b>	<b>281.6</b>	<b>1,075.7</b>	<b>315.5</b>	<b>327.5</b>	<b>322.8</b>	<b>312.4</b>	<b>1,278.2</b>	<b>308.9</b>	<b>309.8</b>	<b>301.2</b>	<b>301.1</b>	<b>1,221.0</b>
Floorplan Interest Expense	(48.5)	(24.7)	(5.1)	(4.3)	(3.3)	(4.1)	(16.9)	(3.3)	(3.9)	(3.7)	(4.5)	(15.4)	(4.4)	(5.8)	(6.2)	(6.7)	(23.1)
Other Expenses / (Income)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	<b>278.7</b>	<b>370.8</b>	<b>100.0</b>	<b>194.6</b>	<b>174.5</b>	<b>204.0</b>	<b>683.9</b>	<b>209.0</b>	<b>207.9</b>	<b>202.7</b>	<b>203.8</b>	<b>832.2</b>	<b>189.0</b>	<b>184.1</b>	<b>174.5</b>	<b>170.1</b>	<b>717.7</b>
Depreciation & Amortization	82.7	79.9	20.4	20.6	21.3	22.6	84.9	24.9	25.3	23.7	23.8	97.7	26.4	26.1	25.4	26.3	104.2
EBIT	<b>196.0</b>	<b>290.9</b>	<b>79.6</b>	<b>174.0</b>	<b>153.2</b>	<b>181.4</b>	<b>599.1</b>	<b>184.1</b>	<b>182.6</b>	<b>178.9</b>	<b>180.1</b>	<b>734.6</b>	<b>162.6</b>	<b>157.9</b>	<b>149.1</b>	<b>143.8</b>	<b>613.4</b>
Other Interest Expense	(47.8)	(37.5)	(9.0)	(8.5)	(8.1)	(15.5)	(41.1)	(20.1)	(20.2)	(21.5)	(21.5)	(83.3)	(22.5)	(22.5)	(22.5)	(22.5)	(90.0)
Other Income / (Expense)	(0.6)	(9.1)	0.1	(0.0)	(0.0)	(0.3)	0.9	0.2	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-Tax Income	<b>147.6</b>	<b>244.3</b>	<b>70.7</b>	<b>165.4</b>	<b>145.1</b>	<b>165.6</b>	<b>558.9</b>	<b>164.2</b>	<b>162.1</b>	<b>157.4</b>	<b>158.6</b>	<b>651.3</b>	<b>140.1</b>	<b>135.4</b>	<b>126.6</b>	<b>121.3</b>	<b>523.4</b>
Consolidated Unit Sales/GPU																	
New Units	110,414	98,720	27,236	30,488	22,904	27,820	108,448	29,573	29,206	29,679	30,876	119,334	27,107	26,776	25,983	27,834	107,701
YOY % Change	-10.0%	-10.6%	8.2%	32.1%	-10.0%	11.2%	9.9%	8.6%	-4.2%	29.6%	11.0%	10.0%	-8.3%	-8.3%	-12.5%	-9.9%	-9.7%
New GPU	2,111	2,371	2,550	3,881	5,030	5,654	4,403	5,661	5,728	5,220	4,797	5,351	4,838	4,479	4,085	3,543	4,231
YOY % Change	13.3%	12.3%	41.4%	97.4%	104.1%	75.5%	85.7%	121.9%	47.6%	3.8%	-15.2%	21.5%	-14.5%	-21.8%	-21.7%	-26.1%	-20.9%
Used Units - Retail	112,629	100,396	27,236	28,550	26,403	25,368	105,457	32,455	33,032	33,353	33,050	112,881	28,749	28,719	29,649	30,593	117,688
YOY % Change	-8.2%	-9.6%	4.6%	27.2%	-13.5%	0.9%	4.3%	-9.7%	-20.2%	9.6%	3.1%	-5.5%	10.1%	10.0%	4.0%	5.0%	7.2%
Used GPU - Retail	1,310	1,168	1,175	1,844	1,907	2,172	1,725	1,731	1,553	1,501	1,442	1,308	1,432	1,376	1,368	1,328	1,375
YOY % Change	-2.7%	-10.8%	-6.3%	63.3%	45.9%	114.3%	47.7%	47.3%	-15.8%	-21.3%	-33.6%	-24.2%	-17.3%	-11.4%	-8.9%	-7.9%	5.1%
F&I per Unit	1,612	1,769	1,790	2,101	2,279	2,242	2,095	2,448	2,472	2,324	2,317	2,459	2,350	2,349	2,324	2,317	2,335
YOY % Change	8.9%	9.7%	12.3%	25.3%	29.4%	9.6%	18.4%	36.7%	17.7%	2.0%	3.4%	17.4%	-4.0%	-5.0%	0.0%	0.0%	-5.1%
SG&A Ratio																	
SG&A as % of Gross Profit	76.8%	70.1%	70.4%	58.1%	60.1%	57.5%	60.6%	59.8%	60.7%	61.0%	60.0%	60.1%	61.5%	62.0%	62.5%	63.0%	62.2%
SG&A Dollar Growth	0.4%	-14.1%	-2.5%	31.1%	15.7%	22.1%	15.7%	26.2%	18.8%	20.3%	10.9%	18.8%	-2.1%	-5.4%	-6.7%	-3.6%	-4.5%
Floorplan Interest																	
Floorplan as % of Sales	0.5%	0.3%	0.2%	0.2%	0.1%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%
\$ Growth	0.2%	-49.2%	-51.3%	-23.7%	-21.1%	-3.2%	-31.5%	-35.5%	-9.9%	11.0%	8.7%	-9.0%	33.2%	49.0%	67.7%	50.8%	50.6%
Depreciation & Amortization																	
Depreciation as % of Sales	0.9%	1.0%	0.9%	0.8%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%
\$ Growth	-3.7%	-3.4%	4.0%	3.6%	5.4%	11.5%	6.2%	22.2%	22.7%	11.6%	5.1%	15.1%	6.0%	3.3%	7.2%	10.6%	6.7%
Source: Company data and Stephens Inc. estimates																	

## APPENDIX A

### ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

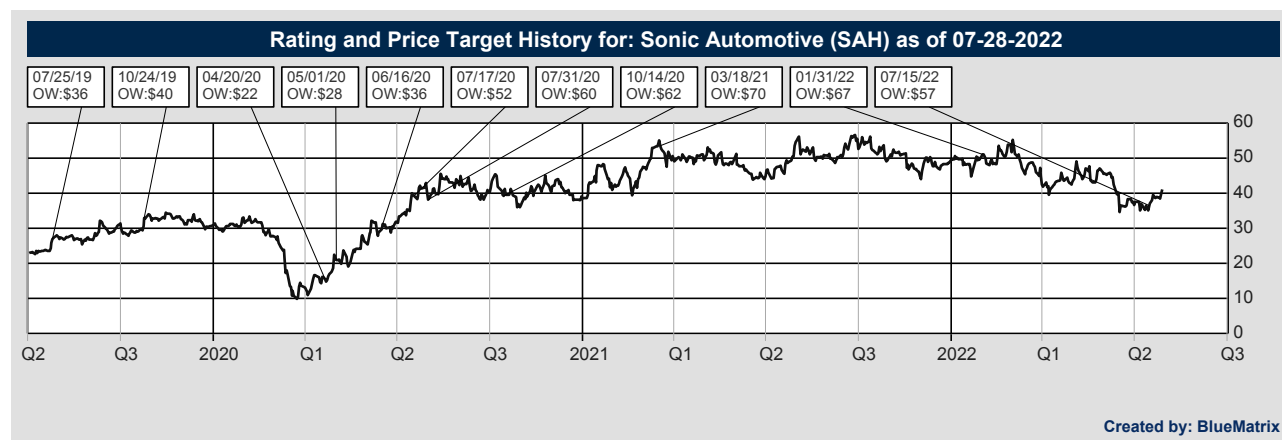
Stephens Inc. maintains a market in the common stock of Sonic Automotive as of the date of this report and may act as principal in these transactions.

Stephens Inc. received compensation for investment banking services from Sonic Automotive in the past 12 months.

Sonic Automotive is or has been a client of Stephens Inc. for investment banking services within the past 12 months.

Stephens Inc. expects to receive or intends to seek compensation for investment banking services from Sonic Automotive in the next three months.

Stephens Inc. served as a co-manager in Sonic Automotive's offering of subordinated debt that was priced on October 15, 2021.



### Valuation Methodology for Sonic Automotive

Our target price is based on a target P/E multiple on projected earnings. In arriving at a target P/E multiple, we analyze peer group valuations and take into account Sonic Automotive's earnings growth, visibility, cash flow generation, and financial position relative to its peers. Our target price is based on a target P/E multiple on projected earnings. In some cases, we may use for valuation a "normalized" earnings number that assumes how the Company might perform under a steadier macroeconomic environment.

### Risks to Achievement of Target Price for Sonic Automotive

Vehicles are discretionary items, and purchases are affected by numerous factors, including consumer confidence, unemployment, inflation, interest rates, credit availability, fuel prices, and general economic and business conditions. Any of these factors, individually or in combination, could negatively affect consumer spending, which, in turn, would impact sales and results of operations. Another risk involves auto retailers' acquisition strategy. Growth depends in large part on their ability to acquire dealerships, manage expansion, and successfully integrate the operations into the organization. Numerous risks are involved in pursuing this strategy. Sonic Automotive has experienced volatile sales and has posted earnings shortfalls in the past. Like its public auto retail peers, the Company's debt level is relatively high, heightening the risk of increased interest costs or default if operating results materially deteriorate.

### Ratings Definitions

**OVERWEIGHT (O)** - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **EQUAL-WEIGHT (E)** - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **UNDERWEIGHT (U)** - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. **VOLATILE (V)** - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

## Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	234	61.10	50	21.37
HOLD [EW]	145	37.86	23	15.86
SELL [UW]	4	1.04	0	0.00

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# Stephens Auto Retail Field Trip

## Companies Mentioned (as of 9/19/2022):

Asbury Automotive Group, Inc. (ABG - \$158.79)  
AutoNation, Inc. (AN - \$110.68)  
Group 1 Automotive, Inc. (GPI - \$161.50)  
Lithia Motors, Inc. (LAD - \$239.25)  
Penske Automotive Group, Inc. (PAG - \$106.94)  
Sonic Automotive, Inc. Class A (SAH - \$47.58)  
Mercedes-Benz Group AG Unsponsored ADR (MBGYY - \$14.51)  
JPMorgan Chase & Co. (JPM - \$118.16)  
Wells Fargo & Company (WFC - \$44.32)  
Bayerische Motoren Werke (BMWYY - \$25.40)  
Ford Motor Co. (F - \$14.93)  
Stellantis N.V. (STLA-MIL - \$13.55)  
Subaru Corporation Unsponsored ADR (FUJHY - \$8.91)  
General Motors Corp. (GM - \$41.39)  
Honda Motor Company (HMC - \$24.84)  
Hyundai Motor Company (foreign)  
Isuzu Motors Ltd. (ISUZY - \$12.43)  
Kia Motors Corp. (foreign)  
Mazda Motors Corp Unsponsored ADR (MZDAY - \$4.13)  
Mitsubishi Motors Corp. (Foreign)  
Nissan Motor Corp. Unsponsored ADR (NSANY - \$7.55)  
Porsche Automobil Holding SE Unsponsored ADR (POAHY - \$6.98)  
Tata Motors Co. (TTM - \$27.04)  
Toyota Motor Co (TM - \$141.45)  
Volkswagen AG (VWAGY - \$20.63)  
Volvo (VLVLY - \$15.55)  
Fair Isaac Corporation (FICO - \$449.84)

For current disclosures on these companies, please access the attached research reports.

## OTHER DISCLOSURES

Note: The purpose of this document is to suggest questions investors might like to ask company management and to help investors develop their own questions. This document is not intended to express any opinion or investment recommendation.

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