

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2022

or

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

For the transition period from _____ to _____

Commission File Number: 1-13107

AUTONATION, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

200 SW 1st Avenue

Fort Lauderdale, Florida

(Address of principal executive offices)

73-1105145

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

33301

(Zip Code)

(954)769-6000

(Registrant's telephone number, including area code)

N/A

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	AN	New York Stock Exchange

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of April 19, 2022, the registrant had 58,324,657 shares of common stock outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share and per share data)

	March 31, 2022	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 608.1	\$ 60.4
Receivables, net	747.9	730.0
Inventory	1,698.3	1,847.9
Other current assets	195.3	173.4
Total Current Assets	3,249.6	2,811.7
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1.8 billion and \$1.8 billion, respectively	3,413.6	3,419.5
OPERATING LEASE ASSETS	283.8	284.0
GOODWILL	1,232.7	1,235.3
OTHER INTANGIBLE ASSETS, NET	743.1	743.5
OTHER ASSETS	435.1	449.6
Total Assets	<u>\$ 9,357.9</u>	<u>\$ 8,943.6</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Vehicle floorplan payable - trade	\$ 443.6	\$ 489.9
Vehicle floorplan payable - non-trade	952.1	967.7
Accounts payable	385.8	395.9
Commercial paper	—	340.0
Current maturities of long-term debt	11.8	12.2
Accrued payroll and benefits	255.2	279.9
Other current liabilities	756.1	574.2
Total Current Liabilities	2,804.6	3,059.8
LONG-TERM DEBT, NET OF CURRENT MATURITIES	3,536.5	2,846.2
NONCURRENT OPERATING LEASE LIABILITIES	261.0	260.1
DEFERRED INCOME TAXES	81.4	78.2
OTHER LIABILITIES	328.8	322.3
COMMITMENTS AND CONTINGENCIES (Note 13)		
SHAREHOLDERS' EQUITY:		
Common stock, par value \$0.01 per share; 1,500,000,000 shares authorized; 86,562,149 shares issued at March 31, 2022, and December 31, 2021, including shares held in treasury	0.8	0.8
Additional paid-in capital	2.4	3.2
Retained earnings	4,943.9	4,639.9
Treasury stock, at cost; 26,890,422 and 23,951,543 shares held, respectively	(2,601.5)	(2,266.9)
Total Shareholders' Equity	2,345.6	2,377.0
Total Liabilities and Shareholders' Equity	<u>\$ 9,357.9</u>	<u>\$ 8,943.6</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Three Months Ended March 31,	
	2022	2021
Revenue:		
New vehicle	\$ 2,807.2	\$ 2,982.3
Used vehicle	2,572.4	1,749.1
Parts and service	1,003.9	851.0
Finance and insurance, net	363.9	313.0
Other	5.4	8.4
TOTAL REVENUE	6,752.8	5,903.8
Cost of sales:		
New vehicle	2,462.2	2,792.3
Used vehicle	2,435.8	1,608.9
Parts and service	542.8	462.0
Other	3.1	7.8
TOTAL COST OF SALES (excluding depreciation shown below)	5,443.9	4,871.0
Gross profit:		
New vehicle	345.0	190.0
Used vehicle	136.6	140.2
Parts and service	461.1	389.0
Finance and insurance	363.9	313.0
Other	2.3	0.6
TOTAL GROSS PROFIT	1,308.9	1,032.8
Selling, general, and administrative expenses	741.4	647.9
Depreciation and amortization	50.0	47.9
Other (income) expense, net	(1.5)	0.1
OPERATING INCOME	519.0	336.9
Non-operating income (expense) items:		
Floorplan interest expense	(5.2)	(9.4)
Other interest expense	(29.6)	(21.2)
Other income (loss), net	(6.4)	11.0
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	477.8	317.3
Income tax provision	115.7	77.8
NET INCOME FROM CONTINUING OPERATIONS	362.1	239.5
Loss from discontinued operations, net of income taxes	—	(0.1)
NET INCOME	\$ 362.1	\$ 239.4
BASIC EARNINGS (LOSS) PER SHARE:		
Continuing operations	\$ 5.83	\$ 2.88
Discontinued operations	\$ —	\$ —
Net income	\$ 5.83	\$ 2.88
Weighted average common shares outstanding	62.1	83.1
DILUTED EARNINGS (LOSS) PER SHARE:		
Continuing operations	\$ 5.78	\$ 2.85
Discontinued operations	\$ —	\$ —
Net income	\$ 5.78	\$ 2.85
Weighted average common shares outstanding	62.6	83.9
COMMON SHARES OUTSTANDING, net of treasury stock, at period end	59.7	80.5

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In millions, except share data)

	Three Months Ended March 31, 2022					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares	Amount				
BALANCE AT DECEMBER 31, 2021	86,562,149	\$ 0.8	\$ 3.2	\$ 4,639.9	\$ (2,266.9)	\$ 2,377.0
Net income	—	—	—	362.1	—	362.1
Repurchases of common stock	—	—	—	—	(380.9)	(380.9)
Stock-based compensation expense	—	—	15.9	—	—	15.9
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(16.7)	(58.1)	46.3	(28.5)
BALANCE AT MARCH 31, 2022	86,562,149	\$ 0.8	\$ 2.4	\$ 4,943.9	\$ (2,601.5)	\$ 2,345.6

	Three Months Ended March 31, 2021					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares	Amount				
BALANCE AT DECEMBER 31, 2020	102,562,149	\$ 1.0	\$ 53.1	\$ 4,069.4	\$ (887.8)	\$ 3,235.7
Net income	—	—	—	239.4	—	239.4
Repurchases of common stock	—	—	—	—	(306.1)	(306.1)
Stock-based compensation expense	—	—	20.8	—	—	20.8
Shares awarded under stock-based compensation plans, net of shares withheld for taxes	—	—	(32.9)	—	37.0	4.1
BALANCE AT MARCH 31, 2021	102,562,149	\$ 1.0	\$ 41.0	\$ 4,308.8	\$ (1,156.9)	\$ 3,193.9

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Three Months Ended	
	March 31,	
	2022	2021
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Net income	\$ 362.1	\$ 239.4
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	—	0.1
Depreciation and amortization	50.0	47.9
Amortization of debt issuance costs and accretion of debt discounts	1.4	1.1
Stock-based compensation expense	15.9	20.8
Deferred income tax provision (benefit)	3.2	(19.6)
Net gain related to business/property dispositions	(0.3)	(0.7)
Non-cash impairment charges	0.4	1.0
Loss (gain) on equity investments	0.1	(7.5)
Other	6.7	(3.1)
(Increase) decrease, net of effects from business acquisitions and divestitures:		
Receivables	(18.2)	(38.3)
Inventory	142.6	343.9
Other assets	14.6	(8.2)
Increase (decrease), net of effects from business acquisitions and divestitures:		
Vehicle floorplan payable - trade	(43.3)	(256.5)
Accounts payable	(6.6)	76.8
Other liabilities	114.6	129.3
Net cash provided by continuing operations	<u>643.2</u>	<u>526.4</u>
Net cash used in discontinued operations	—	(0.1)
Net cash provided by operating activities	<u>643.2</u>	<u>526.3</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES:		
Purchases of property and equipment	(56.6)	(41.3)
Insurance recoveries on property and equipment	0.3	—
Cash received from business divestitures, net of cash relinquished	—	1.9
Proceeds from the sale of equity securities	—	109.4
Other	(2.7)	0.6
Net cash provided by (used in) continuing operations	<u>(59.0)</u>	<u>70.6</u>
Net cash provided by (used in) discontinued operations	—	—
Net cash provided by (used in) investing activities	<u>(59.0)</u>	<u>70.6</u>

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AUTONATION, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Continued)

	Three Months Ended	
	March 31,	
	2022	2021
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:		
Repurchases of common stock	(342.3)	(310.7)
Proceeds from 3.85% Senior Notes due 2032	698.8	—
Payment of 3.35% Senior Notes due 2021	—	(300.0)
Net payments of commercial paper	(340.0)	—
Payment of debt issuance costs	(6.4)	—
Net payments of vehicle floorplan payable - non-trade	(15.1)	(206.1)
Payments of other debt obligations	(3.0)	(3.8)
Proceeds from the exercise of stock options	0.9	21.2
Payments of tax withholdings for stock-based awards	(29.4)	(17.1)
Net cash used in continuing operations	(36.5)	(816.5)
Net cash used in discontinued operations	—	—
Net cash used in financing activities	(36.5)	(816.5)
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	547.7	(219.6)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at beginning of period	60.6	569.7
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH at end of period	\$ 608.3	\$ 350.1

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In millions, except per share data)

1. INTERIM FINANCIAL STATEMENTS

Business and Basis of Presentation

AutoNation, Inc., through its subsidiaries, is the largest automotive retailer in the United States. As of March 31, 2022, we owned and operated 339 new vehicle franchises from 247 stores located in the United States, predominantly in major metropolitan markets in the Sunbelt region. Our stores, which we believe include some of the most recognizable and well-known in our key markets, sell 33 different new vehicle brands. The core brands of new vehicles that we sell, representing approximately 89% of the new vehicles that we sold during the three months ended March 31, 2022, are manufactured by Toyota (including Lexus), Honda, Ford, BMW, General Motors, Stellantis, Mercedes-Benz, and Volkswagen (including Audi and Porsche). As of March 31, 2022, we also owned and operated 56 AutoNation-branded collision centers, 11 AutoNation USA used vehicle stores, 4 AutoNation-branded automotive auction operations, and 3 parts distribution centers.

We offer a diversified range of automotive products and services, including new vehicles, used vehicles, “parts and service” (also referred to as “After-Sales”), which includes automotive repair and maintenance services as well as wholesale parts and collision businesses, and automotive “finance and insurance” products, which include vehicle service and other protection products, as well as the arranging of financing for vehicle purchases through third-party finance sources. For convenience, the terms “AutoNation,” “Company,” and “we” are used to refer collectively to AutoNation, Inc. and its subsidiaries, unless otherwise required by the context. Our dealership operations are conducted by our subsidiaries.

The accompanying Unaudited Condensed Consolidated Financial Statements include the accounts of AutoNation, Inc. and its subsidiaries; intercompany accounts and transactions have been eliminated. The accompanying Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. Additionally, operating results for interim periods are not necessarily indicative of the results that can be expected for a full year. The Unaudited Condensed Consolidated Financial Statements herein should be read in conjunction with our audited Consolidated Financial Statements and notes thereto included within our most recent Annual Report on Form 10-K. These Unaudited Condensed Consolidated Financial Statements reflect, in the opinion of management, all material adjustments (which include only normal recurring adjustments) necessary to fairly state, in all material respects, our financial position and results of operations for the periods presented.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates. We periodically evaluate estimates and assumptions used in the preparation of the financial statements and make changes on a prospective basis when adjustments are necessary. Such estimates and assumptions affect, among other things, our goodwill, indefinite-lived intangible asset, and long-lived asset valuations; inventory valuation; equity investment valuation; assets held for sale; assessments of variable consideration and related constraints related to retrospective commissions; accruals for chargebacks against revenue recognized from the sale of finance and insurance products; accruals related to self-insurance programs; certain legal proceedings; assessment of the annual income tax expense; valuation of deferred income taxes and income tax contingencies; the allowance for expected credit losses; and measurement of performance-based compensation costs.

2. REVENUE RECOGNITION

Disaggregation of Revenue

The significant majority of our revenue is from contracts with customers. Taxes assessed by governmental authorities that are directly imposed on revenue transactions are excluded from revenue. In the following tables, revenue is disaggregated by major lines of goods and services and timing of transfer of goods and services. We have determined that these categories depict how the nature, amount, timing, and uncertainty of our revenue and cash flows are affected by economic factors. The tables below also include a reconciliation of the disaggregated revenue to reportable segment revenue.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

	Three Months Ended March 31, 2022				
	Domestic	Import	Premium Luxury	Corporate and other⁽¹⁾	Total
Major Goods/Service Lines					
New vehicle	\$ 822.5	\$ 881.6	\$ 1,103.1	\$ —	\$ 2,807.2
Used vehicle	823.1	707.6	916.1	125.6	2,572.4
Parts and service	268.7	255.5	351.9	127.8	1,003.9
Finance and insurance, net	119.2	126.4	107.2	11.1	363.9
Other	0.9	3.0	0.4	1.1	5.4
	<u>\$ 2,034.4</u>	<u>\$ 1,974.1</u>	<u>\$ 2,478.7</u>	<u>\$ 265.6</u>	<u>\$ 6,752.8</u>

Timing of Revenue Recognition					
Goods and services transferred at a point in time	\$ 1,850.7	\$ 1,783.8	\$ 2,186.4	\$ 186.5	\$ 6,007.4
Goods and services transferred over time ⁽²⁾	183.7	190.3	292.3	79.1	745.4
	<u>\$ 2,034.4</u>	<u>\$ 1,974.1</u>	<u>\$ 2,478.7</u>	<u>\$ 265.6</u>	<u>\$ 6,752.8</u>

	Three Months Ended March 31, 2021				
	Domestic	Import	Premium Luxury	Corporate and other⁽¹⁾	Total
Major Goods/Service Lines					
New vehicle	\$ 935.4	\$ 958.0	\$ 1,088.9	\$ —	\$ 2,982.3
Used vehicle	563.7	484.7	642.3	58.4	1,749.1
Parts and service	234.1	214.1	285.2	117.6	851.0
Finance and insurance, net	109.3	109.1	86.8	7.8	313.0
Other	4.2	3.7	0.3	0.2	8.4
	<u>\$ 1,846.7</u>	<u>\$ 1,769.6</u>	<u>\$ 2,103.5</u>	<u>\$ 184.0</u>	<u>\$ 5,903.8</u>

Timing of Revenue Recognition					
Goods and services transferred at a point in time	\$ 1,681.6	\$ 1,604.1	\$ 1,863.6	\$ 107.3	\$ 5,256.6
Goods and services transferred over time ⁽²⁾	165.1	165.5	239.9	76.7	647.2
	<u>\$ 1,846.7</u>	<u>\$ 1,769.6</u>	<u>\$ 2,103.5</u>	<u>\$ 184.0</u>	<u>\$ 5,903.8</u>

⁽¹⁾ “Corporate and other” is comprised of our other businesses, including collision centers, AutoNation USA used vehicle stores, auction operations, and parts distribution centers.

⁽²⁾ Represents revenue recognized during the period for automotive repair and maintenance services.

Transaction Price Allocated to Remaining Performance Obligations

We sell a vehicle maintenance program (the AutoNation Vehicle Care Program or “VCP”) under which a customer purchases a specific number of maintenance services to be redeemed at an AutoNation location over a five-year term from the date of purchase. We satisfy our performance obligations related to this program and recognize revenue as the maintenance services are rendered, since the customer benefits when we have completed the maintenance service.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table includes estimated revenue expected to be recognized in the future related to VCP performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period:

	Revenue Expected to Be Recognized by Period			
	Total	Next 12 Months	13 - 36 Months	37 - 60 Months
Revenue expected to be recognized on VCP contracts sold as of period end	\$ 94.5	\$ 33.4	\$ 44.8	\$ 16.3

As a practical expedient, since automotive repair and maintenance services are performed within one year or less, we do not disclose estimated revenue expected to be recognized in the future for automotive repair and maintenance performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period or when we expect to recognize such revenue.

Contract Assets and Liabilities

When the timing of our provision of goods or services is different from the timing of payments made by our customers, we recognize either a contract asset (performance precedes contractual due date) or a contract liability (customer payment precedes performance). Contract assets primarily relate to our right to consideration for work in process not yet billed at the reporting date associated with automotive repair and maintenance services, as well as our estimate of variable consideration that has been included in the transaction price for certain finance and insurance products (retrospective commissions). These contract assets are reclassified to receivables when the right to consideration becomes unconditional. Contract liabilities primarily relate to upfront payments received from customers for the sale of VCP contracts.

Our receivables from contracts with customers are included in Receivables, net, our current contract asset is included in Other Current Assets, our long-term contract asset is included in Other Assets, our current contract liability is included in Other Current Liabilities, and our long-term contract liability is included in Other Liabilities in our Unaudited Condensed Consolidated Balance Sheets.

The following table provides the balances of our receivables from contracts with customers and our current and long-term contract assets and contract liabilities:

	March 31, 2022	December 31, 2021
Receivables from contracts with customers, net	\$ 566.5	\$ 539.9
Contract Asset (Current)	\$ 31.7	\$ 30.4
Contract Asset (Long-Term)	\$ 4.7	\$ 14.2
Contract Liability (Current)	\$ 33.7	\$ 33.6
Contract Liability (Long-Term)	\$ 61.1	\$ 60.5

The change in the balances of our contract assets and contract liabilities primarily result from the timing differences between our performance and the customer's payment, as well as changes in the estimated transaction price related to variable consideration that was constrained for performance obligations satisfied in previous periods. The following table presents revenue recognized during the period from amounts included in the contract liability balance at the beginning of the period and performance obligations satisfied in previous periods:

	Three Months Ended March 31,	
	2022	2021
Amounts included in contract liability at the beginning of the period	\$ 9.0	\$ 8.7
Performance obligations satisfied in previous periods	\$ 3.8	\$ 5.4

Other significant changes include contract assets reclassified to receivables of \$28.0 million for the three months ended March 31, 2022, and \$17.6 million for the three months ended March 31, 2021.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

3. EARNINGS PER SHARE

Basic earnings per share (“EPS”) is computed by dividing net income by the weighted average number of common shares outstanding for the period, including vested restricted stock unit (“RSU”) awards. Diluted EPS is computed by dividing net income by the weighted average number of shares outstanding, noted above, adjusted for the dilutive effect of stock options and unvested RSU awards.

The following table presents the calculation of basic and diluted EPS:

	Three Months Ended	
	March 31,	
	2022	2021
Net income from continuing operations	\$ 362.1	\$ 239.5
Loss from discontinued operations, net of income taxes	—	(0.1)
Net income	<u>\$ 362.1</u>	<u>\$ 239.4</u>
Basic weighted average common shares outstanding	62.1	83.1
Dilutive effect of stock options and unvested RSUs	0.5	0.8
Diluted weighted average common shares outstanding	<u>62.6</u>	<u>83.9</u>
Basic EPS amounts⁽¹⁾:		
Continuing operations	\$ 5.83	\$ 2.88
Discontinued operations	\$ —	\$ —
Net income	\$ 5.83	\$ 2.88
Diluted EPS amounts⁽¹⁾:		
Continuing operations	\$ 5.78	\$ 2.85
Discontinued operations	\$ —	\$ —
Net income	\$ 5.78	\$ 2.85

⁽¹⁾ EPS amounts are calculated discretely and, therefore, may not add up to the total due to rounding.

A summary of anti-dilutive equity instruments excluded from the computation of diluted EPS is as follows:

	Three Months Ended	
	March 31,	
	2022	2021
Anti-dilutive equity instruments excluded from the computation of diluted EPS	0.1	—

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

4. RECEIVABLES, NET

The components of receivables, net of allowances for expected credit losses, are as follows:

	March 31, 2022	December 31, 2021
Contracts-in-transit and vehicle receivables	\$ 362.3	\$ 347.4
Trade receivables	171.3	162.6
Manufacturer receivables	141.8	148.4
Other	76.4	77.0
	<u>751.8</u>	<u>735.4</u>
Less: allowances for expected credit losses	(3.9)	(5.4)
Receivables, net	<u>\$ 747.9</u>	<u>\$ 730.0</u>

Contracts-in-transit and vehicle receivables primarily represent receivables from financial institutions for the portion of the vehicle sales price financed by our customers. Trade receivables represent amounts due for parts and services sold, excluding amounts due from manufacturers, as well as receivables from finance organizations for commissions on the sale of finance and insurance products. Manufacturer receivables represent amounts due from manufacturers for holdbacks, rebates, incentives, floorplan assistance, and warranty claims. We evaluate our receivables for collectability based on past collection experience, current information, and reasonable and supportable forecasts.

5. INVENTORY AND VEHICLE FLOORPLAN PAYABLE

The components of inventory are as follows:

	March 31, 2022	December 31, 2021
New vehicles	\$ 469.5	\$ 515.1
Used vehicles	1,001.5	1,109.3
Parts, accessories, and other	227.3	223.5
Inventory	<u>\$ 1,698.3</u>	<u>\$ 1,847.9</u>

The components of vehicle floorplan payable are as follows:

	March 31, 2022	December 31, 2021
Vehicle floorplan payable - trade	\$ 443.6	\$ 489.9
Vehicle floorplan payable - non-trade	952.1	967.7
Vehicle floorplan payable	<u>\$ 1,395.7</u>	<u>\$ 1,457.6</u>

Vehicle floorplan payable-trade reflects amounts borrowed to finance the purchase of specific new and, to a lesser extent, used vehicle inventories with the corresponding manufacturers' captive finance subsidiaries ("trade lenders"). Vehicle floorplan payable-non-trade represents amounts borrowed to finance the purchase of specific new and, to a lesser extent, used vehicle inventories with non-trade lenders, as well as amounts borrowed under our secured used vehicle floorplan facilities. Changes in vehicle floorplan payable-trade are reported as operating cash flows and changes in vehicle floorplan payable-non-trade are reported as financing cash flows in the accompanying Unaudited Condensed Consolidated Statements of Cash Flows.

Our inventory costs are generally reduced by manufacturer holdbacks, incentives, floorplan assistance, and non-reimbursement-based manufacturer advertising rebates, while the related vehicle floorplan payables are reflective of the gross cost of the vehicle. The vehicle floorplan payables, as shown in the above table, may also be higher than the inventory cost due to the timing of the sale of a vehicle and payment of the related liability.

Vehicle floorplan facilities are due on demand, but in the case of new vehicle inventories, are generally paid within several business days after the related vehicles are sold. Vehicle floorplan facilities are primarily collateralized by vehicle inventories and related receivables.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

At March 31, 2022, most of our new vehicle floorplan facilities utilized LIBOR-based interest rates and a smaller portion utilized Prime-based interest rates. Our new vehicle floorplan outstanding had a weighted-average interest rate of 1.9% at March 31, 2022, and 1.6% at December 31, 2021. As of March 31, 2022, the aggregate capacity under our new vehicle floorplan facilities to finance our new vehicle inventory was approximately \$4.8 billion, of which \$0.8 billion had been borrowed.

At March 31, 2022, most of our used vehicle floorplan facilities utilized LIBOR-based interest rates and a smaller portion utilized Prime-based interest rates. Our used vehicle floorplan outstanding had a weighted-average annual interest rate of 2.1% at March 31, 2022, and 1.8% at December 31, 2021. As of March 31, 2022, the aggregate capacity under our used vehicle floorplan facilities with various lenders to finance a portion of our used vehicle inventory was \$592.0 million, of which \$584.7 million had been borrowed. The remaining borrowing capacity of \$7.3 million was limited to \$0.1 million based on the eligible used vehicle inventory that could have been pledged as collateral.

6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill and intangible assets, net, consist of the following:

	March 31, 2022	December 31, 2021
Goodwill	\$ 1,232.7	\$ 1,235.3
Franchise rights - indefinite-lived	\$ 727.5	\$ 727.5
Other intangibles	24.0	24.0
	751.5	751.5
Less: accumulated amortization	(8.4)	(8.0)
Other intangible assets, net	\$ 743.1	\$ 743.5

We are scheduled to complete our annual impairment tests of our goodwill and franchise rights as of April 30, 2022.

7. LONG-TERM DEBT AND COMMERCIAL PAPER

Long-term debt consists of the following:

Debt Description	Maturity Date	Interest Payable	March 31, 2022	December 31, 2021
3.5% Senior Notes	November 15, 2024	May 15 and November 15	\$ 450.0	\$ 450.0
4.5% Senior Notes	October 1, 2025	April 1 and October 1	450.0	450.0
3.8% Senior Notes	November 15, 2027	May 15 and November 15	300.0	300.0
1.95% Senior Notes	August 1, 2028	February 1 and August 1	400.0	400.0
4.75% Senior Notes	June 1, 2030	June 1 and December 1	500.0	500.0
2.4% Senior Notes	August 1, 2031	February 1 and August 1	450.0	450.0
3.85% Senior Notes	March 1, 2032	March 1 and September 1	700.0	—
Revolving credit facility	March 26, 2025	Monthly	—	—
Finance leases and other debt	Various dates through 2041		327.4	330.6
			3,577.4	2,880.6
Less: unamortized debt discounts and debt issuance costs			(29.1)	(22.2)
Less: current maturities			(11.8)	(12.2)
Long-term debt, net of current maturities			\$ 3,536.5	\$ 2,846.2

Senior Unsecured Notes and Credit Agreement

On February 28, 2022, we issued \$700 million aggregate principal amount of 3.85% Senior Notes due 2032, which were sold at 99.835% of the aggregate principal amount.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The interest rates payable on our 3.5% Senior Notes, 4.5% Senior Notes, 3.8% Senior Notes, and 4.75% Senior Notes are subject to adjustment upon the occurrence of certain credit rating events as provided in the indentures for these senior unsecured notes.

Under our amended and restated credit agreement, we have a \$1.8 billion revolving credit facility that matures on March 26, 2025. The credit agreement also contains an accordion feature that allows us, subject to credit availability and certain other conditions, to increase the amount of the revolving credit facility, together with any added term loans, by up to \$500.0 million in the aggregate. As of March 31, 2022, we had no borrowings outstanding under our revolving credit facility. We have a \$200.0 million letter of credit sublimit as part of our revolving credit facility. The amount available to be borrowed under the revolving credit facility is reduced on a dollar-for-dollar basis by the cumulative amount of any outstanding letters of credit, which was \$39.8 million at March 31, 2022, leaving a borrowing capacity under the revolving credit facility of \$1.8 billion at March 31, 2022.

Our revolving credit facility under the amended credit agreement provides for a commitment fee on undrawn amounts ranging from 0.125% to 0.20% and interest on borrowings at LIBOR or the base rate, in each case plus an applicable margin. The applicable margin ranges from 1.125% to 1.50% for LIBOR borrowings and 0.125% to 0.50% for base rate borrowings. The interest rate charged for our revolving credit facility is affected by our leverage ratio. For instance, an increase in our leverage ratio from greater than or equal to 2.0x but less than 3.25x to greater than or equal to 3.25x would result in a 12.5 basis point increase in the applicable margin.

Within the meaning of Regulation S-X, Rule 3-10, AutoNation, Inc. (the parent company) has no independent assets or operations. If guarantees of our subsidiaries were to be issued under our existing registration statement, we expect that such guarantees would be full and unconditional and joint and several, and any subsidiaries other than the guarantor subsidiaries would be minor.

Other Long-Term Debt

At March 31, 2022, we had finance leases and other debt obligations of \$327.4 million, which are due at various dates through 2041.

Commercial Paper

We have a commercial paper program pursuant to which we may issue short-term, unsecured commercial paper notes on a private placement basis up to a maximum aggregate amount outstanding at any time of \$1.0 billion. The interest rate for the commercial paper notes varies based on duration and market conditions. The maturities of the commercial paper notes may vary, but may not exceed 397 days from the date of issuance. Proceeds from the issuance of commercial paper notes are used to repay borrowings under the revolving credit facility, to finance acquisitions, and for strategic initiatives, working capital, capital expenditures, share repurchases, and/or other general corporate purposes. We plan to use the revolving credit facility under our credit agreement as a liquidity backstop for borrowings under the commercial paper program. A downgrade in our credit ratings could negatively impact our ability to issue, or the interest rates for, commercial paper notes.

We had no commercial paper notes outstanding at March 31, 2022. At December 31, 2021, we had \$340.0 million commercial paper notes outstanding with a weighted-average annual interest rate of 0.47% and weighted-average remaining term of 10 days.

8. INCOME TAXES

Income taxes payable included in Other Current Liabilities totaled \$118.5 million at March 31, 2022, and \$6.9 million at December 31, 2021.

We file income tax returns in the U.S. federal jurisdiction and various states. As a matter of course, various taxing authorities, including the IRS, regularly audit us. Currently, no tax years are under examination by the IRS, and tax years from 2014 to 2019 are under examination by certain U.S. state jurisdictions. These audits may result in proposed assessments where the ultimate resolution may result in our owing additional taxes.

It is our policy to account for interest and penalties associated with income tax obligations as a component of Income Tax Provision in the accompanying Unaudited Condensed Consolidated Statements of Operations.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

9. SHAREHOLDERS' EQUITY

A summary of shares repurchased under our stock repurchase program authorized by our Board of Directors follows:

	Three Months Ended	
	March 31,	
	2022	2021
Shares repurchased	3.5	3.8
Aggregate purchase price	\$ 380.9	\$ 306.1
Average purchase price per share	\$ 110.04	\$ 79.76

As of March 31, 2022, \$513.7 million remained available under our stock repurchase limit most recently authorized by our Board of Directors.

We have 5.0 million authorized shares of preferred stock, par value \$0.01 per share, none of which are issued or outstanding. The Board of Directors has the authority to issue the preferred stock in one or more series and to establish the rights, preferences, and dividends of such preferred stock.

A summary of shares of common stock issued in connection with the exercise of stock options follows:

	Three Months Ended	
	March 31,	
	2022	2021
Shares issued (in actual number of shares)	22,396	419,069
Proceeds from the exercise of stock options	\$ 0.9	\$ 21.2
Average exercise price per share	\$ 38.21	\$ 50.57

The following table presents a summary of shares of common stock issued in connection with the settlement of RSUs, as well as shares surrendered to AutoNation to satisfy tax withholding obligations in connection with the vesting of restricted stock and settlement of RSUs:

	Three Months Ended	
	March 31,	
	2022	2021
Shares issued	0.8	0.6
Shares surrendered to AutoNation to satisfy tax withholding obligations	0.3	0.2

10. ACQUISITIONS

We did not purchase any stores during the three months ended March 31, 2022 and 2021. During the second half of 2021, we purchased 20 stores and 4 collision centers operating in South Carolina, Georgia, and Maryland.

The amounts of revenue and earnings of the stores and collision centers acquired during 2021 included in our Unaudited Condensed Consolidated Statement of Operations for the three months ended March 31, 2022 were \$237.8 million and \$8.2 million, respectively. Our supplemental pro forma revenue and net income from continuing operations for the three months ended March 31, 2021 had the acquisition dates been January 1, 2021 are as follows:

<u>Unaudited supplemental pro forma:</u>	Three Months Ended	
	March 31, 2021	
Revenue	\$	6,097.1
Net income from continuing operations	\$	245.4

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

The following table provides a reconciliation of cash and cash equivalents reported on our Unaudited Condensed Consolidated Balance Sheets to the total amounts, which include cash, cash equivalents, and restricted cash, reported on our Unaudited Condensed Consolidated Statements of Cash Flows:

	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 608.1	\$ 60.4
Restricted cash included in Other Current Assets	0.2	0.2
Total cash, cash equivalents, and restricted cash	<u>\$ 608.3</u>	<u>\$ 60.6</u>

Non-Cash Investing and Financing Activities

We had accrued purchases of property and equipment of \$20.1 million at March 31, 2022, and \$12.7 million at March 31, 2021.

	Three Months Ended March 31,	
	2022	2021
Supplemental noncash information on adjustments to right-of-use assets, including right-of-use assets obtained in exchange for new:		
Operating lease liabilities	\$ 9.6	\$ 2.8
Finance lease liabilities	\$ 4.7	\$ 7.7

Interest and Income Taxes Paid

We made interest payments, net of amounts capitalized and including interest on vehicle inventory financing, of \$18.4 million during the three months ended March 31, 2022, and \$17.9 million during the three months ended March 31, 2021. We made income tax payments, net of income tax refunds, of \$0.5 million during the three months ended March 31, 2022, and \$0.1 million during the three months ended March 31, 2021.

12. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of judgment, and therefore cannot be determined with precision.

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

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity can access at the measurement date
Level 2	Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly
Level 3	Unobservable inputs

The following methods and assumptions were used by us in estimating fair value disclosures for financial instruments:

- *Cash and cash equivalents, receivables, other current assets, vehicle floorplan payable, accounts payable, other current liabilities, commercial paper, and variable rate debt:* The amounts reported in the accompanying

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

Unaudited Condensed Consolidated Balance Sheets approximate fair value due to their short-term nature or the existence of variable interest rates that approximate prevailing market rates.

- *Investments in Equity Securities:* Our equity investments with readily determinable fair values are measured at fair value using Level 1 inputs. In the first quarter of 2021, we sold one of our minority equity investments with a readily determinable fair value for total proceeds of \$109.4 million. The fair value of our equity investments with readily determinable fair values totaled \$2.1 million at March 31, 2022 and \$2.2 million at December 31, 2021.

Our equity investment that does not have a readily determinable fair value is measured using the measurement alternative as permitted by accounting standards and was recorded at cost, to be subsequently adjusted for observable price changes. The carrying amount of our equity investment without a readily determinable fair value was \$56.7 million at March 31, 2022, and \$56.7 million at December 31, 2021. This equity investment reflects a cumulative upward adjustment of \$3.4 million based on an observable price change. We did not record any upward adjustments during the three months ended March 31, 2022. Additionally, we have not recorded any impairments or downward adjustments to the carrying amount of our equity investment as of and for the three months ended March 31, 2022.

Investments in equity securities are reported in Other Assets in the accompanying Unaudited Condensed Consolidated Balance Sheets. Realized and unrealized gains and losses are reported in Other Income (Loss), Net (non-operating) in the Unaudited Condensed Consolidated Statements of Operations and in the “Corporate and other” category of our segment information.

	Three Months Ended March 31,	
	2022	2021
Net gains (losses) recognized during the period on equity securities	\$ (0.1)	\$ 7.5
Less: Net gains recognized during the period on equity securities sold during the period	—	7.5
Unrealized losses recognized during the reporting period on equity securities still held at the reporting date	\$ (0.1)	\$ —

- *Fixed rate long-term debt:* Our fixed rate long-term debt primarily consists of amounts outstanding under our senior unsecured notes. We estimate the fair value of our senior unsecured notes using quoted prices for the identical liability (Level 1). A summary of the aggregate carrying values and fair values of our fixed rate long-term debt is as follows:

	March 31, 2022	December 31, 2021
Carrying value	\$ 3,548.3	\$ 2,858.4
Fair value	\$ 3,498.2	\$ 3,017.8

Nonfinancial assets such as goodwill, other intangible assets, long-lived assets held and used, and right-of-use assets are measured at fair value when there is an indicator of impairment and recorded at fair value only when impairment is recognized or for a business combination. The fair values less costs to sell of long-lived assets held for sale are assessed each reporting period they remain classified as held for sale. Subsequent changes in the held for sale long-lived asset’s fair value less cost to sell (increase or decrease) is reported as an adjustment to its carrying amount, except that the adjusted carrying amount cannot exceed the carrying amount of the long-lived asset at the time it was initially classified as held for sale.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

The following table presents assets measured and recorded at fair value on a nonrecurring basis during the three months ended March 31, 2022 and 2021:

Description	2022		2021	
	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Gain/(Loss)	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)	Gain/(Loss)
Right-of-use assets	\$ —	\$ —	\$ —	\$ (0.1)
Long-lived assets held and used	\$ —	\$ (0.4)	\$ 6.0	\$ (0.9)

Long-Lived Assets and Right-of-Use Assets

Fair value measurements for our long-lived assets and right-of-use assets are based on Level 3 inputs. Changes in fair value measurements are reviewed and assessed each quarter for long-lived assets classified as held for sale, or when an indicator of impairment exists for long-lived assets classified as held and used or for right-of-use assets. The valuation process is generally based on a combination of the market and replacement cost approaches.

In a market approach, we use transaction prices for comparable properties that have recently been sold. These transaction prices are adjusted for factors related to a specific property. We evaluate changes in local real estate markets, and/or recent market interest or negotiations related to a specific property. In a replacement cost approach, the cost to replace a specific long-lived asset is considered, which is adjusted for depreciation from physical deterioration, as well as functional and economic obsolescence, if present and measurable.

To validate the fair values determined under the valuation process noted above, we also obtain independent third-party appraisals for our properties and/or third-party brokers' opinions of value, which are generally developed using the same valuation approaches described above, and we evaluate any recent negotiations or discussions with third-party real estate brokers related to a specific long-lived asset or market.

The non-cash impairment charges related to right-of-use assets and long-lived assets held and used are included in Other (Income) Expense, Net in our Unaudited Condensed Consolidated Statements of Operations and in the "Corporate and other" category of our segment information.

We had assets held for sale in continuing operations of \$72.9 million as of March 31, 2022, and \$53.3 million as of December 31, 2021, primarily related to property held for sale, as well as inventory, goodwill, and property of disposal groups held for sale. We had assets held for sale in discontinued operations of \$1.1 million as of March 31, 2022, and \$1.1 million as of December 31, 2021, related to property held for sale. Assets held for sale are included in Other Current Assets in our Unaudited Condensed Consolidated Balance Sheets.

13. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business, including litigation with customers, wage and hour and other employment-related lawsuits, and actions brought by governmental authorities. Some of these lawsuits purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. We establish accruals for specific legal proceedings when it is considered probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Our accruals for loss contingencies are reviewed quarterly and adjusted as additional information becomes available. We disclose the amount accrued if material or if such disclosure is necessary for our financial statements to not be misleading. If a loss is not both probable and reasonably estimable, or if an exposure to loss exists in excess of the amount accrued, we assess whether there is at least a reasonable possibility that a loss, or additional loss, may have been incurred. If there is a reasonable possibility that a loss, or additional loss, may have been incurred, we disclose the estimate of the possible loss or range of loss if it is material or a statement that such an estimate cannot be made. Our evaluation of whether a loss is reasonably possible or probable is based on our assessment and consultation with legal counsel regarding the ultimate outcome of the matter.

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

As of March 31, 2022 and 2021, we have accrued for the potential impact of loss contingencies that are probable and reasonably estimable, and there was no indication of a reasonable possibility that a material loss, or additional material loss, may have been incurred. We do not believe that the ultimate resolution of these matters will have a material adverse effect on our results of operations, financial condition, or cash flows. However, the results of these matters cannot be predicted with certainty, and an unfavorable resolution of one or more of these matters could have a material adverse effect on our results of operations, financial condition, or cash flows.

Other Matters

AutoNation, acting through its subsidiaries, is the lessee under many real estate leases that provide for the use by our subsidiaries of their respective store premises. Pursuant to these leases, our subsidiaries generally agree to indemnify the lessor and other related parties from certain liabilities arising as a result of the use of the leased premises, including environmental liabilities, or a breach of the lease by the lessee. Additionally, from time to time, we enter into agreements with third parties in connection with the sale of assets or businesses in which we agree to indemnify the purchaser or related parties from certain liabilities or costs arising in connection with the assets or business. Also, in the ordinary course of business in connection with purchases or sales of goods and services, we enter into agreements that may contain indemnification provisions. In the event that an indemnification claim is asserted, our liability would be limited by the terms of the applicable agreement.

From time to time, primarily in connection with dispositions of automotive stores, our subsidiaries assign or sublet to the store purchaser the subsidiaries' interests in any real property leases associated with such stores. In general, our subsidiaries retain responsibility for the performance of certain obligations under such leases to the extent that the assignee or sublessee does not perform, whether such performance is required prior to or following the assignment or subletting of the lease. Additionally, AutoNation and its subsidiaries generally remain subject to the terms of any guarantees made by us and our subsidiaries in connection with such leases. Although we generally have indemnification rights against the assignee or sublessee in the event of non-performance under these leases, as well as certain defenses, we estimate that lessee rental payment obligations during the remaining terms of these leases with expirations ranging from 2022 to 2034 are approximately \$8 million at March 31, 2022. We do not have any material known commitments that we or our subsidiaries will be called on to perform under any such assigned leases or subleases at March 31, 2022. There can be no assurance that any performance by AutoNation or its subsidiaries required under these leases would not have a material adverse effect on our business, financial condition, and cash flows.

At March 31, 2022, surety bonds, letters of credit, and cash deposits totaled \$106.1 million, of which \$39.8 million were letters of credit. In the ordinary course of business, we are required to post performance and surety bonds, letters of credit, and/or cash deposits as financial guarantees of our performance. We do not currently provide cash collateral for outstanding letters of credit.

In the ordinary course of business, we are subject to numerous laws and regulations, including automotive, environmental, health and safety, and other laws and regulations. We do not anticipate that the costs of compliance with such laws will have a material adverse effect on our business, results of operations, cash flows, or financial condition, although such outcome is possible given the nature of our operations and the extensive legal and regulatory framework applicable to our business. We do not have any material known environmental commitments or contingencies.

14. BUSINESS AND CREDIT CONCENTRATIONS

We own and operate franchised automotive stores in the United States pursuant to franchise agreements with vehicle manufacturers. During the three months ended March 31, 2022, approximately 62% of our total retail new vehicle unit sales was generated by our stores in Florida, Texas, and California. We are subject to a concentration of risk in the event of financial distress of or other adverse event related to a major vehicle manufacturer or related lender or supplier. The core brands of vehicles that we sell, representing approximately 89% of the new vehicles sold during the three months ended March 31, 2022, are manufactured by Toyota (including Lexus), Honda, Ford, BMW, General Motors, Stellantis, Mercedes-Benz, and Volkswagen (including Audi and Porsche). Our business could be materially adversely impacted by a bankruptcy of or other adverse event related to a major vehicle manufacturer or related lender or supplier.

We had receivables from manufacturers or distributors of \$141.8 million at March 31, 2022, and \$148.4 million at December 31, 2021. Additionally, a large portion of our contracts-in-transit included in Receivables, net, in the accompanying Unaudited Condensed Consolidated Balance Sheets, are due from automotive manufacturers' captive finance subsidiaries, which provide financing directly to our new and used vehicle customers. Concentrations of credit risk with respect to non-

AUTONATION, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

manufacturer trade receivables are limited due to the wide variety of customers and markets in which our products are sold as well as their dispersion across many different geographic areas in the United States. Consequently, at March 31, 2022, we do not consider AutoNation to have any significant non-manufacturer concentrations of credit risk.

15. SEGMENT INFORMATION

At March 31, 2022 and 2021, we had three reportable segments: (1) Domestic, (2) Import, and (3) Premium Luxury. Our Domestic segment is comprised of retail automotive franchises that sell new vehicles manufactured by Ford, General Motors, and Stellantis. Our Import segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Toyota, Honda, Subaru, and Nissan. Our Premium Luxury segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Mercedes-Benz, BMW, Lexus, Audi, and Jaguar Land Rover. The franchises in each segment also sell used vehicles, parts and automotive repair and maintenance services, and automotive finance and insurance products.

“Corporate and other” is comprised of our other businesses, including collision centers, AutoNation USA used vehicle stores, auction operations, and parts distribution centers, all of which generate revenues but do not meet the quantitative thresholds for reportable segments, as well as unallocated corporate overhead expenses and other income items.

The reportable segments identified above are the business activities of the Company for which discrete financial information is available and for which operating results are regularly reviewed by our chief operating decision maker to allocate resources and assess performance. Our chief operating decision maker is our Chief Executive Officer.

The following table provides information on revenues from external customers and segment income of our reportable segments:

	Three Months Ended		
	March 31, 2022		
	Domestic	Import	Premium Luxury
Revenues from external customers	\$ 2,034.4	\$ 1,974.1	\$ 2,478.7
Segment income ⁽¹⁾	\$ 149.4	\$ 186.2	\$ 229.5

	Three Months Ended		
	March 31, 2021		
	Domestic	Import	Premium Luxury
Revenues from external customers	\$ 1,846.7	\$ 1,769.6	\$ 2,103.5
Segment income ⁽¹⁾	\$ 118.5	\$ 125.9	\$ 158.5

⁽¹⁾ Segment income represents income for each of our reportable segments and is defined as operating income less floorplan interest expense.

The following is a reconciliation of total segment income for reportable segments to our consolidated income from continuing operations before income taxes:

	Three Months Ended	
	March 31,	
	2022	2021
Total segment income for reportable segments	\$ 565.1	\$ 402.9
Corporate and other	(51.3)	(75.4)
Other interest expense	(29.6)	(21.2)
Other income (loss), net	(6.4)	11.0
Income from continuing operations before income taxes	<u>\$ 477.8</u>	<u>\$ 317.3</u>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Unaudited Condensed Consolidated Financial Statements and notes thereto included under Part I, Item 1 of this Quarterly Report on Form 10-Q. In addition, reference should be made to our audited Consolidated Financial Statements and notes thereto and related "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our most recent Annual Report on Form 10-K.

Overview

AutoNation, Inc., through its subsidiaries, is the largest automotive retailer in the United States. As of March 31, 2022, we owned and operated 339 new vehicle franchises from 247 stores located in the United States, predominantly in major metropolitan markets in the Sunbelt region. Our stores, which we believe include some of the most recognizable and well known in our key markets, sell 33 different new vehicle brands. The core brands of new vehicles that we sell, representing approximately 89% of the new vehicles that we sold during the three months ended March 31, 2022, are manufactured by Toyota (including Lexus), Honda, Ford, BMW, General Motors, Stellantis, Mercedes-Benz, and Volkswagen (including Audi and Porsche). As of March 31, 2022, we also owned and operated 56 AutoNation-branded collision centers, 11 AutoNation USA used vehicle stores, 4 AutoNation-branded automotive auction operations, and 3 parts distribution centers.

We offer a diversified range of automotive products and services, including new vehicles, used vehicles, "parts and service" (also referred to as "After-Sales"), which includes automotive repair and maintenance services as well as wholesale parts and collision businesses, and automotive "finance and insurance" products, which include vehicle service and other protection products, as well as the arranging of financing for vehicle purchases through third-party finance sources. We believe that the significant scale of our operations and the quality of our managerial talent allow us to achieve efficiencies in our key markets by, among other things, leveraging the AutoNation retail brand and advertising, implementing standardized processes, and increasing productivity across all of our stores.

At March 31, 2022, we had three reportable segments: (1) Domestic, (2) Import, and (3) Premium Luxury. Our Domestic segment is comprised of retail automotive franchises that sell new vehicles manufactured by Ford, General Motors, and Stellantis. Our Import segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Toyota, Honda, Subaru, and Nissan. Our Premium Luxury segment is comprised of retail automotive franchises that sell new vehicles manufactured primarily by Mercedes-Benz, BMW, Lexus, Audi, and Jaguar Land Rover. The franchises in each segment also sell used vehicles, parts and automotive repair and maintenance services, and automotive finance and insurance products.

For the three months ended March 31, 2022, new vehicle sales accounted for 42% of our total revenue and 26% of our total gross profit. Used vehicle sales accounted for 38% of our total revenue and 10% of our total gross profit. Our parts and service operations, while comprising 15% of our total revenue, contributed 35% of our total gross profit. Our finance and insurance sales, while comprising 5% of our total revenue, contributed 28% of our total gross profit.

Market Conditions

In the first quarter of 2022, U.S. industry retail new vehicle unit sales decreased 15% as compared to the first quarter of 2021, primarily as a result of the limited supply of new vehicles to sell. During the first quarter of 2022, the demand for vehicles continued to exceed supply. While market demand for vehicles remains high, there continues to be a shortage of available new vehicles for sale driven largely by disruptions in the manufacturers' supply chains. This demand and supply imbalance continues to result in higher levels of profitability for available new vehicles. The reduced levels of new vehicle availability is currently expected to continue throughout 2022; however, there is still significant uncertainty as to when new vehicle availability will improve, as well as duration and/or degree of the higher levels of profitability being realized during this time.

Results of Operations

During the three months ended March 31, 2022, we had net income from continuing operations of \$362.1 million and diluted earnings per share of \$5.78, as compared to net income from continuing operations of \$239.5 million and diluted earnings per share of \$2.85 during the same period in 2021.

Our total gross profit increased 26.7% during the first quarter of 2022 compared to the first quarter of 2021, driven by increases in new vehicle gross profit of 81.6%, parts and service gross profit of 18.5%, and finance and insurance gross profit of 16.3%, each as compared to the first quarter of 2021. New vehicle gross profit benefited from an increase in gross profit per vehicle retailed ("PVR") resulting from strong demand and historically low new vehicle inventory levels due to disruptions in

the manufacturers' supply chains. Parts and service results benefited primarily from increases in gross profit from customer-pay service, the preparation of vehicles for sale, and wholesale parts sales. Finance and insurance gross profit benefited from an increase in finance and insurance gross profit PVR. The increases in gross profit were partially offset by a slight decrease in used vehicle gross profit due to margin pressure as a result of a decline in used vehicle values during the first quarter of 2022.

SG&A expenses increased largely due to performance-driven increases in compensation expense, as well as newly acquired and opened stores. With improvements in gross profit and our continued focus on cost control, SG&A expenses as a percentage of gross profit decreased to 56.6% during the three months ended March 31, 2022, from 62.7% in the same period in 2021.

Net income from continuing operations during the three months ended March 31, 2021, benefited from an after-tax gain of \$5.7 million related to the sale of our remaining shares in a minority equity investment.

Inventory Management

Our new and used vehicle inventories are stated at the lower of cost or net realizable value on our consolidated balance sheets. We monitor our vehicle inventory levels based on current economic conditions and seasonal sales trends. Our new vehicle inventory units at March 31, 2022 and 2021, were 9,055 and 33,281, respectively. By historical standards, our inventory unit levels were significantly lower at March 31, 2022, driven by strong demand and disruptions in the manufacturers' supply chains. Inadequate levels of new vehicle availability could adversely affect our financial results.

We have typically not experienced significant losses on the sale of new vehicle inventory, in part due to incentives provided by manufacturers to promote sales of new vehicles and our inventory management practices. We monitor our new vehicle inventory values as compared to net realizable values, and had no new vehicle inventory write-downs at March 31, 2022, or at December 31, 2021.

We recondition the majority of used vehicles acquired for retail sale in our parts and service departments and capitalize the related costs to the used vehicle inventory. We monitor our used vehicle inventory values as compared to net realizable values. Typically, used vehicles that are not sold on a retail basis are sold at wholesale auctions. Our used vehicle inventory balance was net of cumulative write-downs of \$3.4 million at March 31, 2022, and \$3.6 million at December 31, 2021.

Parts, accessories, and other inventory are carried at the lower of cost or net realizable value. We estimate the amount of potentially damaged and/or excess and obsolete inventory based upon historical experience, manufacturer return policies, and industry trends. Our parts, accessories, and other inventory balance was net of cumulative write-downs of \$6.3 million at March 31, 2022, and \$5.8 million at December 31, 2021.

Critical Accounting Estimates

We prepare our Unaudited Condensed Consolidated Financial Statements in conformity with U.S. generally accepted accounting principles ("GAAP"), which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates on an ongoing basis, and we base our estimates on historical experience and various other assumptions we believe to be reasonable. Actual outcomes could differ materially from those estimates in a manner that could have a material effect on our Unaudited Condensed Consolidated Financial Statements. For additional discussion of our critical accounting estimates, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our most recent Annual Report on Form 10-K.

Goodwill

Goodwill for our reporting units is tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that the carrying value of a reporting unit more likely than not exceeds its fair value. We are scheduled to complete our annual goodwill impairment test as of April 30, 2022.

We may first perform a qualitative assessment to determine whether it is more likely than not that a reporting unit is impaired. When assessing goodwill for impairment, our decision to perform a qualitative assessment for an individual reporting unit is influenced by a number of factors, including the carrying value of the reporting unit's goodwill, the significance of the excess of the reporting unit's estimated fair value over carrying value at the last quantitative assessment date, the amount of time in between quantitative fair value assessments, macroeconomic conditions, automotive industry and market conditions, and our operating performance.

If we do not perform a qualitative assessment, or if we determine that it is not more likely than not that the fair value of the reporting unit exceeds its carrying amount, we calculate the estimated fair value of the reporting unit using an “income” valuation approach, which discounts projected free cash flows of the reporting unit at a computed weighted average cost of capital as the discount rate. The income valuation approach requires the use of significant estimates and assumptions, which include revenue growth rates and future operating margins used to calculate projected future cash flows, weighted average cost of capital, and future economic and market conditions. In connection with this process, we also reconcile the estimated aggregate fair values of our reporting units to our market capitalization, including consideration of a control premium based upon our stock price and/or average stock price over a reasonable period as of the measurement date. We base our cash flow forecasts on our knowledge of the automotive industry, our recent performance, our expectations of our future performance, and other assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from those estimates. We also make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units.

As of March 31, 2022, we have \$228.7 million of goodwill related to the Domestic reporting unit, \$517.9 million related to the Import reporting unit, \$481.5 million related to the Premium Luxury reporting unit, and \$4.6 million related to the Collision Centers reporting unit.

Other Intangible Assets

Our principal identifiable intangible assets are individual store rights under franchise agreements with vehicle manufacturers, which have indefinite lives and are tested for impairment annually as of April 30 or more frequently when events or changes in circumstances indicate that impairment may have occurred. We are scheduled to complete our annual impairment test of our franchise rights as of April 30, 2022.

We may first perform a qualitative assessment to determine whether it is more likely than not that a franchise right asset is impaired. The quantitative impairment test for franchise rights requires the comparison of the franchise rights’ estimated fair value to carrying value by store. Fair values of rights under franchise agreements are estimated using unobservable (Level 3) inputs by discounting expected future cash flows of the store. The forecasted cash flows contain inherent uncertainties, including significant estimates and assumptions related to growth rates, margins, working capital requirements, capital expenditures, and cost of capital, for which we utilize certain market participant-based assumptions, using third-party industry projections, economic projections, and other marketplace data we believe to be reasonable.

Reported Operating Data

Historical operating results include the results of acquired businesses from the date of acquisition.

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 2,807.2	\$ 2,982.3	\$ (175.1)	(5.9)
Retail used vehicle	2,392.2	1,644.1	748.1	45.5
Wholesale	180.2	105.0	75.2	71.6
Used vehicle	2,572.4	1,749.1	823.3	47.1
Finance and insurance, net	363.9	313.0	50.9	16.3
Total variable operations ⁽¹⁾	5,743.5	5,044.4	699.1	13.9
Parts and service	1,003.9	851.0	152.9	18.0
Other	5.4	8.4	(3.0)	
Total revenue	\$ 6,752.8	\$ 5,903.8	\$ 849.0	14.4
Gross profit:				
New vehicle	\$ 345.0	\$ 190.0	\$ 155.0	81.6
Retail used vehicle	124.9	125.2	(0.3)	(0.2)
Wholesale	11.7	15.0	(3.3)	
Used vehicle	136.6	140.2	(3.6)	(2.6)
Finance and insurance	363.9	313.0	50.9	16.3
Total variable operations ⁽¹⁾	845.5	643.2	202.3	31.5
Parts and service	461.1	389.0	72.1	18.5
Other	2.3	0.6	1.7	
Total gross profit	1,308.9	1,032.8	276.1	26.7
Selling, general, and administrative expenses	741.4	647.9	(93.5)	(14.4)
Depreciation and amortization	50.0	47.9	(2.1)	
Other (income) expense, net	(1.5)	0.1	1.6	
Operating income	519.0	336.9	182.1	54.1
Non-operating income (expense) items:				
Floorplan interest expense	(5.2)	(9.4)	4.2	
Other interest expense	(29.6)	(21.2)	(8.4)	
Other income (loss), net	(6.4)	11.0	(17.4)	
Income from continuing operations before income taxes	\$ 477.8	\$ 317.3	\$ 160.5	50.6
Retail vehicle unit sales:				
New vehicle	56,442	69,361	(12,919)	(18.6)
Used vehicle	79,763	71,780	7,983	11.1
	136,205	141,141	(4,936)	(3.5)
Revenue per vehicle retailed:				
New vehicle	\$ 49,736	\$ 42,997	\$ 6,739	15.7
Used vehicle	\$ 29,991	\$ 22,905	\$ 7,086	30.9
Gross profit per vehicle retailed:				
New vehicle	\$ 6,112	\$ 2,739	\$ 3,373	123.1
Used vehicle	\$ 1,566	\$ 1,744	\$ (178)	(10.2)
Finance and insurance	\$ 2,672	\$ 2,218	\$ 454	20.5
Total variable operations ⁽²⁾	\$ 6,122	\$ 4,451	\$ 1,671	37.5

⁽¹⁾ Total variable operations includes new vehicle, used vehicle (retail and wholesale), and finance and insurance results.

⁽²⁾ Total variable operations gross profit per vehicle retailed is calculated by dividing the sum of new vehicle, retail used vehicle, and finance and insurance gross profit by total retail vehicle unit sales.

	Three Months Ended March 31,	
	2022 (%)	2021 (%)
Revenue mix percentages:		
New vehicle	41.6	50.5
Used vehicle	38.1	29.6
Parts and service	14.9	14.4
Finance and insurance, net	5.4	5.3
Other	—	0.2
Total	100.0	100.0
Gross profit mix percentages:		
New vehicle	26.4	18.4
Used vehicle	10.4	13.6
Parts and service	35.2	37.7
Finance and insurance	27.8	30.3
Other	0.2	—
Total	100.0	100.0
Operating items as a percentage of revenue:		
Gross profit:		
New vehicle	12.3	6.4
Used vehicle - retail	5.2	7.6
Parts and service	45.9	45.7
Total	19.4	17.5
Selling, general, and administrative expenses	11.0	11.0
Operating income	7.7	5.7
Other operating items as a percentage of total gross profit:		
Selling, general, and administrative expenses	56.6	62.7
Operating income	39.7	32.6
March 31,		
	2022	2021
Inventory days supply:		
New vehicle (industry standard of selling days)	8 days	29 days
Used vehicle (trailing calendar month days)	30 days	31 days

Same Store Operating Data

We have presented below our operating results on a same store basis, which reflect the results of our stores for the identical months in each period presented in the comparison, commencing with the first full month in which the store was owned by us. Results from divested stores are excluded from both current and prior periods. Therefore, the amounts presented in the 2021 columns may differ from the same store amounts presented for 2021 in the prior year. We believe the presentation of this information provides a meaningful comparison of period-over-period results of our operations.

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 2,707.5	\$ 2,977.3	\$ (269.8)	(9.1)
Retail used vehicle	2,281.1	1,640.8	640.3	39.0
Wholesale	172.1	104.9	67.2	64.1
Used vehicle	2,453.2	1,745.7	707.5	40.5
Finance and insurance, net	351.1	312.5	38.6	12.4
Total variable operations ⁽¹⁾	5,511.8	5,035.5	476.3	9.5
Parts and service	966.6	837.0	129.6	15.5
Other	5.1	8.5	(3.4)	
Total revenue	\$ 6,483.5	\$ 5,881.0	\$ 602.5	10.2
Gross profit:				
New vehicle	\$ 333.4	\$ 189.6	\$ 143.8	75.8
Retail used vehicle	119.1	124.8	(5.7)	(4.6)
Wholesale	12.0	15.0	(3.0)	
Used vehicle	131.1	139.8	(8.7)	(6.2)
Finance and insurance	351.1	312.5	38.6	12.4
Total variable operations ⁽¹⁾	815.6	641.9	173.7	27.1
Parts and service	441.9	383.3	58.6	15.3
Other	2.1	0.8	1.3	
Total gross profit	\$ 1,259.6	\$ 1,026.0	\$ 233.6	22.8
Retail vehicle unit sales:				
New vehicle	54,539	69,212	(14,673)	(21.2)
Used vehicle	75,941	71,566	4,375	6.1
	130,480	140,778	(10,298)	(7.3)
Revenue per vehicle retailed:				
New vehicle	\$ 49,643	\$ 43,017	\$ 6,626	15.4
Used vehicle	\$ 30,038	\$ 22,927	\$ 7,111	31.0
Gross profit per vehicle retailed:				
New vehicle	\$ 6,113	\$ 2,739	\$ 3,374	123.2
Used vehicle	\$ 1,568	\$ 1,744	\$ (176)	(10.1)
Finance and insurance	\$ 2,691	\$ 2,220	\$ 471	21.2
Total variable operations ⁽²⁾	\$ 6,159	\$ 4,453	\$ 1,706	38.3

⁽¹⁾ Total variable operations includes new vehicle, used vehicle (retail and wholesale), and finance and insurance results.

⁽²⁾ Total variable operations gross profit per vehicle retailed is calculated by dividing the sum of new vehicle, retail used vehicle, and finance and insurance gross profit by total retail vehicle unit sales.

	Three Months Ended March 31,	
	2022 (%)	2021 (%)
Revenue mix percentages:		
New vehicle	41.8	50.6
Used vehicle	37.8	29.7
Parts and service	14.9	14.2
Finance and insurance, net	5.4	5.3
Other	0.1	0.2
Total	100.0	100.0
Gross profit mix percentages:		
New vehicle	26.5	18.5
Used vehicle	10.4	13.6
Parts and service	35.1	37.4
Finance and insurance	27.9	30.5
Other	0.1	—
Total	100.0	100.0
Operating items as a percentage of revenue:		
Gross profit:		
New vehicle	12.3	6.4
Used vehicle - retail	5.2	7.6
Parts and service	45.7	45.8
Total	19.4	17.4

New Vehicle

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Reported:				
Revenue	\$ 2,807.2	\$ 2,982.3	\$ (175.1)	(5.9)
Gross profit	\$ 345.0	\$ 190.0	\$ 155.0	81.6
Retail vehicle unit sales	56,442	69,361	(12,919)	(18.6)
Revenue per vehicle retained	\$ 49,736	\$ 42,997	\$ 6,739	15.7
Gross profit per vehicle retained	\$ 6,112	\$ 2,739	\$ 3,373	123.1
Gross profit as a percentage of revenue	12.3%	6.4%		
Inventory days supply (industry standard of selling days)	8 days	29 days		

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Same Store:				
Revenue	\$ 2,707.5	\$ 2,977.3	\$ (269.8)	(9.1)
Gross profit	\$ 333.4	\$ 189.6	\$ 143.8	75.8
Retail vehicle unit sales	54,539	69,212	(14,673)	(21.2)
Revenue per vehicle retained	\$ 49,643	\$ 43,017	\$ 6,626	15.4
Gross profit per vehicle retained	\$ 6,113	\$ 2,739	\$ 3,374	123.2
Gross profit as a percentage of revenue	12.3%	6.4%		

The following discussion of new vehicle results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of \$99.7 million and \$5.0 million in new vehicle revenue and \$11.6 million and \$0.4 million in new vehicle gross profit for the three months ended March 31, 2022 and March 31, 2021, respectively, is related to acquisition and divestiture activity.

First Quarter 2022 compared to First Quarter 2021

Same store new vehicle revenue decreased during the three months ended March 31, 2022, as compared to the same period in 2021, due to a decrease in same store unit volume, partially offset by an increase in same store revenue PVR. Same store unit volume in the current year was adversely impacted by historically low inventory levels due to manufacturer supply shortages.

Same store revenue PVR and gross profit PVR both increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to strong demand and reduced availability of new vehicle inventory.

New Vehicle Inventory Carrying Benefit

The following table details net new vehicle inventory carrying benefit, consisting of new vehicle floorplan interest expense, net of floorplan assistance earned (amounts received from manufacturers specifically to support store financing of new vehicle inventory). Floorplan assistance is accounted for as a component of new vehicle gross profit in accordance with GAAP.

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance	
Floorplan assistance	\$ 27.6	\$ 32.0	\$ (4.4)	
New vehicle floorplan interest expense	(3.7)	(8.9)	5.2	
Net new vehicle inventory carrying benefit	\$ 23.9	\$ 23.1	\$ 0.8	

The net new vehicle inventory carrying benefit increased during the three months ended March 31, 2022, as compared to the same period in 2021, due to a decrease in floorplan interest expense, partially offset by a decrease in floorplan assistance. Floorplan interest expense decreased due to lower average floorplan balances. Floorplan assistance decreased due to decreases in unit volume, partially offset by an increase the average floorplan assistance rate per unit.

Used Vehicle

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Reported:				
Retail revenue	\$ 2,392.2	\$ 1,644.1	\$ 748.1	45.5
Wholesale revenue	180.2	105.0	75.2	71.6
Total revenue	\$ 2,572.4	\$ 1,749.1	\$ 823.3	47.1
Retail gross profit	\$ 124.9	\$ 125.2	\$ (0.3)	(0.2)
Wholesale gross profit	11.7	15.0	(3.3)	
Total gross profit	\$ 136.6	\$ 140.2	\$ (3.6)	(2.6)
Retail vehicle unit sales	79,763	71,780	7,983	11.1
Revenue per vehicle retailed	\$ 29,991	\$ 22,905	\$ 7,086	30.9
Gross profit per vehicle retailed	\$ 1,566	\$ 1,744	\$ (178)	(10.2)
Retail gross profit as a percentage of retail revenue	5.2%	7.6%		
Inventory days supply (trailing calendar month days)	30 days	31 days		
Three Months Ended March 31,				
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Same Store:				
Retail revenue	\$ 2,281.1	\$ 1,640.8	\$ 640.3	39.0
Wholesale revenue	172.1	104.9	67.2	64.1
Total revenue	\$ 2,453.2	\$ 1,745.7	\$ 707.5	40.5
Retail gross profit	\$ 119.1	\$ 124.8	\$ (5.7)	(4.6)
Wholesale gross profit	12.0	15.0	(3.0)	
Total gross profit	\$ 131.1	\$ 139.8	\$ (8.7)	(6.2)
Retail vehicle unit sales	75,941	71,566	4,375	6.1
Revenue per vehicle retailed	\$ 30,038	\$ 22,927	\$ 7,111	31.0
Gross profit per vehicle retailed	\$ 1,568	\$ 1,744	\$ (176)	(10.1)
Retail gross profit as a percentage of retail revenue	5.2%	7.6%		

The following discussion of used vehicle results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of \$119.2 million and \$3.4 million in total used vehicle revenue and \$5.5 million and \$0.4 million in total used vehicle gross profit for three months ended March 31, 2022 and March 31, 2021, respectively, is related to acquisition and divestiture activity, as well as the opening of AutoNation USA stores.

First Quarter 2022 compared to First Quarter 2021

Same store retail used vehicle revenue increased during the three months ended March 31, 2022, as compared to the same period in 2021, due to increases in same store revenue PVR and same store unit volume. The increase in same store unit volume was primarily due to reduced availability of new vehicles.

Same store revenue PVR increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to reduced availability of new vehicle inventory.

Same store gross profit PVR decreased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to margin pressure as a result of a decline in used vehicle values during the first quarter of 2022.

Parts and Service

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Reported:				
Revenue	\$ 1,003.9	\$ 851.0	\$ 152.9	18.0
Gross Profit	\$ 461.1	\$ 389.0	\$ 72.1	18.5
Gross profit as a percentage of revenue	45.9%	45.7%		
Same Store:				
Revenue	\$ 966.6	\$ 837.0	\$ 129.6	15.5
Gross Profit	\$ 441.9	\$ 383.3	\$ 58.6	15.3
Gross profit as a percentage of revenue	45.7%	45.8%		

Parts and service revenue is primarily derived from vehicle repairs paid directly by customers or via reimbursement from manufacturers and others under warranty programs, as well as from wholesale parts sales, collision services, and the preparation of vehicles for sale.

The following discussion of parts and service results is on a same store basis. The difference between reported amounts and same store amounts in the above tables of \$37.3 million and \$14.0 million in parts and service revenue and \$19.2 million and \$5.7 million in parts and service gross profit for the three months ended March 31, 2022 and March 31, 2021, respectively, is related to acquisition and divestiture activity, as well as the opening of new AutoNation USA stores.

First Quarter 2022 compared to First Quarter 2021

During the three months ended March 31, 2022, same store parts and service gross profit increased compared to the same period in 2021, primarily due to increases in gross profit associated with customer-pay service of \$21.1 million, the preparation of vehicles for sale of \$16.2 million, and wholesale parts sales of \$8.5 million.

Gross profit associated with customer-pay service benefited from higher value repair orders. Gross profit associated with the preparation of vehicles for sale benefited from higher value repair orders and improved margin performance, partially offset by a decrease in repair order volume. Gross profit associated with wholesale parts sales benefited from an increase in sales volume and improved margin performance.

Finance and Insurance

(\$ in millions, except per vehicle data)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Reported:				
Revenue and gross profit	\$ 363.9	\$ 313.0	\$ 50.9	16.3
Gross profit per vehicle retailed	\$ 2,672	\$ 2,218	\$ 454	20.5
Same Store:				
Revenue and gross profit	\$ 351.1	\$ 312.5	\$ 38.6	12.4
Gross profit per vehicle retailed	\$ 2,691	\$ 2,220	\$ 471	21.2

Revenue on finance and insurance products represents commissions earned by us for the placement of: (i) loans and leases with financial institutions in connection with customer vehicle purchases financed, (ii) vehicle service contracts with third-party providers, and (iii) other vehicle protection products with third-party providers. We sell these products on a commission basis, and we also participate in the future underwriting profit on certain products pursuant to retrospective commission arrangements with the issuers of those products.

The following discussion of finance and insurance results is on a same store basis. The difference between reported amounts and same store amounts in finance and insurance revenue and gross profit in the above tables of \$12.8 million and \$0.5 million for the three months ended March 31, 2022 and March 31, 2021, respectively, is related to acquisition and divestiture activity, as well as the opening of new AutoNation USA stores.

First Quarter 2022 compared to First Quarter 2021

Same store finance and insurance revenue and gross profit increased during the three months ended March 31, 2022, as compared to the same period in 2021, due to an increase in finance and insurance gross profit PVR, partially offset by a decrease in new vehicle unit volume. The increase in finance and insurance gross profit PVR was primarily due to an increase in product penetration and higher realized margins on vehicle service contracts. Finance and insurance gross profit PVR also benefited from an increase in amounts financed per transaction.

Segment Results

In the following table, revenue and segment income of our reportable segments are reconciled to consolidated revenue and consolidated operating income, respectively. The following discussions of segment results are on a reported basis.

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
Domestic	\$ 2,034.4	\$ 1,846.7	\$ 187.7	10.2
Import	1,974.1	1,769.6	204.5	11.6
Premium Luxury	2,478.7	2,103.5	375.2	17.8
Total	6,487.2	5,719.8	767.4	13.4
Corporate and other	265.6	184.0	81.6	44.3
Total consolidated revenue	\$ 6,752.8	\$ 5,903.8	\$ 849.0	14.4
Segment income⁽¹⁾:				
Domestic	\$ 149.4	\$ 118.5	\$ 30.9	26.1
Import	186.2	125.9	60.3	47.9
Premium Luxury	229.5	158.5	71.0	44.8
Total	565.1	402.9	162.2	40.3
Corporate and other	(51.3)	(75.4)	24.1	
Floorplan interest expense	5.2	9.4	4.2	
Operating income	\$ 519.0	\$ 336.9	\$ 182.1	54.1
Retail new vehicle unit sales:				
Domestic	16,365	21,669	(5,304)	(24.5)
Import	24,536	30,843	(6,307)	(20.4)
Premium Luxury	15,541	16,849	(1,308)	(7.8)
Total	56,442	69,361	(12,919)	(18.6)
Retail used vehicle unit sales:				
Domestic	26,596	24,479	2,117	8.6
Import	26,529	25,101	1,428	5.7
Premium Luxury	21,949	19,534	2,415	12.4
Total	75,074	69,114	5,960	8.6

⁽¹⁾ Segment income represents income for each of our reportable segments and is defined as operating income less floorplan interest expense.

Domestic

The Domestic segment operating results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 822.5	\$ 935.4	\$ (112.9)	(12.1)
Used vehicle	823.1	563.7	259.4	46.0
Parts and service	268.7	234.1	34.6	14.8
Finance and insurance, net	119.2	109.3	9.9	9.1
Other	0.9	4.2	(3.3)	
Total Revenue	\$ 2,034.4	\$ 1,846.7	\$ 187.7	10.2
Segment income	\$ 149.4	\$ 118.5	\$ 30.9	26.1
Retail new vehicle unit sales	16,365	21,669	(5,304)	(24.5)
Retail used vehicle unit sales	26,596	24,479	2,117	8.6

First Quarter 2022 compared to First Quarter 2021

Domestic revenue increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to increases in used vehicle unit volume and new and used vehicle revenue PVR, partially offset by a decrease in new vehicle unit volume resulting from historically low new vehicle inventory levels due to manufacturer supply shortages. New and used vehicle revenue PVR and used vehicle unit volume benefited from reduced availability of new vehicle inventory. Domestic revenue also benefited from increases in parts and service revenue associated with wholesale parts sales, the preparation of vehicles for sale, and customer-pay service, as well as an increase in finance and insurance revenue PVR.

Domestic segment income increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to increases in new vehicle gross profit, parts and service gross profit, and finance and insurance gross profit. New vehicle gross profit benefited from high demand and reduced availability of new vehicle inventory. Parts and service results benefited from increases in gross profit associated with the preparation of vehicles for sale, customer-pay service, and wholesale parts sales. Finance and insurance results benefited from an increase in finance and insurance gross profit PVR. Increases to Domestic segment income were partially offset by an increase in performance-driven SG&A expenses.

Import

The Import segment operating results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 881.6	\$ 958.0	\$ (76.4)	(8.0)
Used vehicle	707.6	484.7	222.9	46.0
Parts and service	255.5	214.1	41.4	19.3
Finance and insurance, net	126.4	109.1	17.3	15.9
Other	3.0	3.7	(0.7)	
Total Revenue	\$ 1,974.1	\$ 1,769.6	\$ 204.5	11.6
Segment income	\$ 186.2	\$ 125.9	\$ 60.3	47.9
Retail new vehicle unit sales	24,536	30,843	(6,307)	(20.4)
Retail used vehicle unit sales	26,529	25,101	1,428	5.7

First Quarter 2022 compared to First Quarter 2021

Import revenue increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to increases in new and used vehicle revenue PVR and used vehicle unit volume, partially offset by a decrease in new vehicle unit volume resulting from historically low new vehicle inventory levels due to manufacturer supply shortages. New and used vehicle revenue PVR and used vehicle unit volume benefited from reduced availability of new vehicle inventory. Import revenue also benefited from increases in parts and service revenue associated with wholesale parts sales, customer-pay service, and the preparation of vehicles for sale, as well as an increase in finance and insurance revenue PVR. Additionally, Import revenue benefited from the acquisitions we completed in 2021.

Import segment income increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to increases in new vehicle gross profit, parts and service gross profit, and finance and insurance gross profit. New vehicle gross profit benefited from high demand and reduced availability of new vehicle inventory. Parts and service results benefited from increases in gross profit associated with customer-pay service, the preparation of vehicles for sale, and wholesale parts sales. Finance and insurance results benefited from an increase in finance and insurance gross profit PVR. Increases to Import segment income were partially offset by an increase in performance-driven SG&A expenses.

Premium Luxury

The Premium Luxury segment operating results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
New vehicle	\$ 1,103.1	\$ 1,088.9	\$ 14.2	1.3
Used vehicle	916.1	642.3	273.8	42.6
Parts and service	351.9	285.2	66.7	23.4
Finance and insurance, net	107.2	86.8	20.4	23.5
Other	0.4	0.3	0.1	
Total Revenue	\$ 2,478.7	\$ 2,103.5	\$ 375.2	17.8
Segment income	\$ 229.5	\$ 158.5	\$ 71.0	44.8
Retail new vehicle unit sales	15,541	16,849	(1,308)	(7.8)
Retail used vehicle unit sales	21,949	19,534	2,415	12.4

First Quarter 2022 compared to First Quarter 2021

Premium Luxury revenue increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to increases in new and used vehicle revenue PVR and used vehicle unit volume, partially offset by a decrease in new vehicle unit volume resulting from historically low new vehicle inventory levels due to manufacturer supply shortages. New and used vehicle revenue PVR and used vehicle unit volume benefited from reduced availability of new vehicle inventory. Premium Luxury revenue also benefited from increases in parts and service revenue associated with customer-pay service, wholesale parts sales, and the preparation of vehicles for sale, as well as an increase in finance and insurance revenue PVR. Additionally, Premium Luxury revenue benefited from the acquisitions we completed in 2021.

Premium Luxury segment income increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to increases in new vehicle gross profit, parts and service gross profit, and finance and insurance gross profit. New vehicle gross profit benefited from high demand and reduced availability of new vehicle inventory. Parts and service results benefited from increases in gross profit associated with customer-pay service, the preparation of vehicles for sale, and wholesale parts sales. Finance and insurance results benefited from an increase in finance and insurance gross profit PVR. Increases to Premium Luxury segment income were partially offset by an increase in performance-driven SG&A expenses.

Corporate and other

Corporate and other results included the following:

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Revenue:				
Used vehicle	\$ 125.6	\$ 58.4	\$ 67.2	115.1
Parts and service	127.8	117.6	10.2	8.7
Finance and insurance, net	11.1	7.8	3.3	42.3
Other	1.1	0.2	0.9	
Revenue	<u>\$ 265.6</u>	<u>\$ 184.0</u>	<u>\$ 81.6</u>	44.3
Income (loss)	<u>\$ (51.3)</u>	<u>\$ (75.4)</u>	<u>\$ 24.1</u>	

“Corporate and other” is comprised of our other businesses, including collision centers, AutoNation USA used vehicle stores, auction operations, and parts distribution centers, all of which generate revenues but do not meet the quantitative thresholds for reportable segments, as well as unallocated corporate overhead expenses and other income items.

As of March 31, 2022, we had 56 AutoNation-branded collision centers, 11 AutoNation USA used vehicle stores, 4 AutoNation-branded automotive auction operations, and 3 parts distribution centers that service our wholesale parts sales markets for the sale of original equipment manufacturer parts. We plan to expand our AutoNation USA used vehicle stores and are targeting to have over 130 stores by the end of 2026. The planned expansion may be impacted by a number of variables, including customer adoption, market conditions, availability of used vehicle inventory, and our ability to identify, acquire, and build out suitable locations in a timely manner.

Selling, General, and Administrative Expenses

Our Selling, General, and Administrative (“SG&A”) expenses consist primarily of compensation, including store and corporate salaries, commissions, and incentive-based compensation, as well as advertising (net of reimbursement-based manufacturer advertising rebates), and store and corporate overhead expenses, which include occupancy costs, legal, accounting, and professional services, and general corporate expenses. The following table presents the major components of our SG&A expenses.

(\$ in millions)	Three Months Ended March 31,			
	2022	2021	Variance Favorable / (Unfavorable)	% Variance
Reported:				
Compensation	\$ 515.8	\$ 441.6	\$ (74.2)	(16.8)
Advertising	39.9	36.7	(3.2)	(8.7)
Store and corporate overhead	185.7	169.6	(16.1)	(9.5)
Total	<u>\$ 741.4</u>	<u>\$ 647.9</u>	<u>\$ (93.5)</u>	<u>(14.4)</u>
SG&A as a % of total gross profit:				
Compensation	39.4	42.8	340	bps
Advertising	3.0	3.6	60	bps
Store and corporate overhead	14.2	16.3	210	bps
Total	<u>56.6</u>	<u>62.7</u>	<u>610</u>	<u>bps</u>

First Quarter 2022 compared to First Quarter 2021

SG&A expenses increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to a performance-driven increase in compensation expense, as well as increases in compensation expenses and store and corporate overhead expenses due in part to newly acquired and opened stores. Additionally, gross advertising expenses increased \$2.8 million and advertising reimbursements from manufacturers decreased \$0.4 million. As a percentage of total gross profit, SG&A expenses decreased to 56.6% during the three months ended March 31, 2022, from 62.7% in the same period in 2021, primarily due to improvements in gross profit PVR and effective cost management.

Non-Operating Income (Expense)

Floorplan Interest Expense

First Quarter 2022 compared to First Quarter 2021

Floorplan interest expense was \$5.2 million for the three months ended March 31, 2022, compared to \$9.4 million for the same period in 2021. The decrease in floorplan interest expense of \$4.2 million was the result of lower average vehicle floorplan balances.

Other Interest Expense

First Quarter 2022 compared to First Quarter 2021

Other interest expense was \$29.6 million for the three months ended March 31, 2022, compared to \$21.2 million for the same period in 2021. The increase in interest expense of \$8.4 million was driven by higher average debt balances, partially offset by lower average interest rates.

Other Income (Loss), Net (included in Non-Operating Income)

During the three months ended March 31, 2022 and 2021, we recognized a net loss of \$6.7 million and a net gain of \$3.5 million, respectively, related to changes in the cash surrender value of corporate-owned life insurance (“COLI”) held in a Rabbi Trust for deferred compensation plan participants as a result of changes in market performance of the underlying investments. Gains and losses related to the COLI are substantially offset by corresponding increases and decreases, respectively, in the deferred compensation obligations, which are reflected in SG&A expenses.

In the first quarter of 2021, we sold the remaining shares of one of our minority equity investments and recorded a realized gain of \$7.5 million. See Note 12 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

Income Tax Provision

Income taxes are provided based upon our anticipated underlying annual blended federal and state income tax rates adjusted, as necessary, for any discrete tax matters occurring during the period. As we operate in various states, our effective tax rate is also dependent upon our geographic revenue mix.

Our effective income tax rate was 24.2% for the three months ended March 31, 2022, and 24.5% for the three months ended March 31, 2021.

Discontinued Operations

Discontinued operations are related to stores that were sold or terminated prior to January 1, 2014. Results from discontinued operations, net of income taxes, were primarily related to carrying costs for real estate we have not yet sold associated with stores that were closed prior to January 1, 2014, and other adjustments related to disposed operations.

Liquidity and Capital Resources

We manage our liquidity to ensure access to sufficient funding at acceptable costs to fund our ongoing operating requirements and future capital expenditures while continuing to meet our financial obligations. We believe that our cash and cash equivalents, funds generated through operations, and amounts available under our revolving credit facility, commercial paper program, and secured used vehicle floorplan facilities will be sufficient to fund our working capital requirements, service our debt, pay our tax obligations and commitments and contingencies, and meet any seasonal operating requirements for the foreseeable future. Depending on market conditions, we may from time to time issue debt, including in private or public offerings, to augment our liquidity, to reduce our cost of capital, or for general corporate purposes.

Available Liquidity Resources

We had the following sources of liquidity available:

(In millions)	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 608.1	\$ 60.4
Revolving credit facility	\$ 1,760.2 ⁽¹⁾	\$ 1,760.3
Secured used vehicle floorplan facilities ⁽²⁾	\$ 0.1	\$ 0.1

⁽¹⁾ At March 31, 2022, we had \$39.8 million of letters of credit outstanding. In addition, we use the revolving credit facility under our credit agreement as a liquidity backstop for borrowings under our commercial paper program. We had no commercial paper notes outstanding at March 31, 2022. See Note 7 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

⁽²⁾ Based on the eligible used vehicle inventory that could have been pledged as collateral. See Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information.

In the ordinary course of business, we are required to post performance and surety bonds, letters of credit, and/or cash deposits as financial guarantees of our performance relating to insurance matters. At March 31, 2022, surety bonds, letters of credit, and cash deposits totaled \$106.1 million, of which \$39.8 million were letters of credit. We do not currently provide cash collateral for outstanding letters of credit.

In February 2022, we filed an automatic shelf registration statement with the SEC that enables us to offer for sale, from time to time and as the capital markets permit, an unspecified amount of common stock, preferred stock, debt securities, warrants, subscription rights, depository shares, stock purchase contracts, units, and guarantees of debt securities.

Capital Allocation

Our capital allocation strategy is focused on growing long-term value per share. We invest capital in our business to maintain and upgrade our existing facilities and to build new facilities for existing franchises and new AutoNation USA used vehicle stores, as well as for other strategic and technology initiatives. We also deploy capital opportunistically to complete acquisitions or investments, build facilities for newly awarded franchises, and/or repurchase our common stock and/or debt. Our capital allocation decisions will be based on factors such as the expected rate of return on our investment, the market price of our common stock versus our view of its intrinsic value, the market price of our debt, the potential impact on our capital structure, our ability to complete acquisitions that meet our market and vehicle brand criteria and return on investment threshold, and limitations set forth in our debt agreements.

Share Repurchases

Our Board of Directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. A summary of shares repurchased under our stock repurchase program authorized by our Board of Directors follows:

(In millions, except per share data)	Three Months Ended	
	March 31,	
	2022	2021
Shares repurchased	3.5	3.8
Aggregate purchase price	\$ 380.9	\$ 306.1
Average purchase price per share	\$ 110.04	\$ 79.76

As of March 31, 2022, \$513.7 million remained available for share repurchases under the program. The decision to repurchase shares at any given point in time is based on factors such as the market price of our common stock versus our view of its intrinsic value, the potential impact on our capital structure (including compliance with our maximum leverage ratio and other financial covenants in our debt agreements as well as our available liquidity), and the expected return on competing uses of capital such as acquisitions or investments, capital investments in our current businesses, or repurchases of our debt.

Capital Expenditures

The following table sets forth information regarding our capital expenditures:

(In millions)	Three Months Ended	
	March 31,	
	2022	2021
Purchases of property and equipment, including operating lease buy-outs ⁽¹⁾	\$ 50.8	\$ 44.4

⁽¹⁾ Includes accrued construction in progress and excludes property associated with leases entered into during the year.

At March 31, 2022, we owned approximately 82% of our new vehicle franchise store locations with a net book value of \$2.3 billion, as well as other properties associated with our collision centers, AutoNation USA used vehicle stores, parts distribution centers, auction operations, and other excess properties with a net book value of \$599.2 million. None of these properties are mortgaged or encumbered.

We plan to expand our AutoNation USA used vehicle stores and are targeting to have over 130 stores by the end of 2026. We anticipate that the initial capital investment will be approximately \$10 million to \$12 million for each new store on average. The planned expansion may be impacted by a number of variables, including customer adoption, market conditions, availability of used vehicle inventory, and our ability to identify, acquire, and build out suitable locations in a timely manner.

Acquisitions and Divestitures

The following table sets forth information regarding cash used in business acquisitions, net of cash acquired, and cash received from business divestitures, net of cash relinquished:

(In millions)	Three Months Ended	
	March 31,	
	2022	2021
Cash received from (used in) business acquisitions, net	\$ —	\$ —
Cash received from (used in) business divestitures, net	\$ —	\$ 1.9

We did not purchase or divest stores during the three months ended March 31, 2022. We divested one collision center during the three months ended March 31, 2021.

Long-Term Debt and Commercial Paper

The following table sets forth our non-vehicle long-term debt, net of debt issuance costs, as of March 31, 2022, and December 31, 2021.

Debt Description	Maturity Date	Interest Payable	March 31, 2022	December 31, 2021
3.5% Senior Notes	November 15, 2024	May 15 and November 15	450.0	450.0
4.5% Senior Notes	October 1, 2025	April 1 and October 1	450.0	450.0
3.8% Senior Notes	November 15, 2027	May 15 and November 15	300.0	300.0
1.95% Senior Notes	August 1, 2028	February 1 and August 1	400.0	400.0
4.75% Senior Notes	June 1, 2030	June 1 and December 1	500.0	500.0
2.40% Senior Notes	August 1, 2031	February 1 and August 1	450.0	450.0
3.85% Senior Notes	March 1, 2032	March 1 and September 1	700.0	—
Revolving credit facility	March 26, 2025	Monthly	—	—
Finance leases and other debt	Various dates through 2041		327.4	330.6
			3,577.4	2,880.6
Less: unamortized debt discounts and debt issuance costs			(29.1)	(22.2)
Less: current maturities			(11.8)	(12.2)
Long-term debt, net of current maturities			\$ 3,536.5	\$ 2,846.2

On February 28, 2022, we issued \$700 million aggregate principal amount of 3.85% Senior Notes due 2032, which were sold at 99.835% of the aggregate principal amount.

We had no commercial paper notes outstanding at March 31, 2022, and \$340.0 million commercial paper notes outstanding at December 31, 2021.

A downgrade in our credit ratings could negatively impact the interest rate payable on our 3.5% Senior Notes, 4.5% Senior Notes, 3.8% Senior Notes, and 4.75% Senior Notes and could negatively impact our ability to issue, or the interest rates for, commercial paper notes. Additionally, an increase in our leverage ratio could negatively impact the interest rates charged for borrowings under our revolving credit facility.

See Note 7 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on our long-term debt and commercial paper.

Restrictions and Covenants

Our credit agreement, the indentures for our senior unsecured notes, and our vehicle floorplan facilities contain numerous customary financial and operating covenants that place significant restrictions on us, including our ability to incur additional indebtedness or prepay existing indebtedness, to create liens or other encumbrances, to sell (or otherwise dispose of) assets, and to merge or consolidate with other entities.

Under our credit agreement, we are required to remain in compliance with a maximum leverage ratio and maximum capitalization ratio. The leverage ratio is a contractually defined amount principally reflecting non-vehicle debt divided by a contractually defined measure of earnings with certain adjustments. The capitalization ratio is a contractually defined amount principally reflecting vehicle floorplan payable and non-vehicle debt divided by our total capitalization including vehicle floorplan payable. The specific terms of these covenants can be found in our credit agreement, which we filed with our Current Report on Form 8-K on March 26, 2020.

The indentures for our senior unsecured notes contain certain limited covenants, including limitations on liens and sale and leaseback transactions.

Our failure to comply with the covenants contained in our debt agreements could result in the acceleration of all of our indebtedness. Our debt agreements have cross-default provisions that trigger a default in the event of an uncured default under other material indebtedness of AutoNation.

As of March 31, 2022, we were in compliance with the requirements of the financial covenants under our debt agreements. Under the terms of our credit agreement, at March 31, 2022, our leverage ratio and capitalization ratio were as follows:

	March 31, 2022	
	Requirement	Actual
Leverage ratio	≤ 3.75x	1.53x
Capitalization ratio	≤ 70.0%	54.4%

Vehicle Floorplan Payable

The components of vehicle floorplan payable are as follows:

(In millions)	March 31, 2022	December 31, 2021
Vehicle floorplan payable - trade	\$ 443.6	\$ 489.9
Vehicle floorplan payable - non-trade	952.1	967.7
Vehicle floorplan payable	<u>\$ 1,395.7</u>	<u>\$ 1,457.6</u>

Vehicle floorplan facilities are due on demand, but in the case of new vehicle inventories, are generally paid within several business days after the related vehicles are sold. Vehicle floorplan facilities are primarily collateralized by vehicle inventories and related receivables.

Our vehicle floorplan facilities currently primarily utilize LIBOR-based interest rates. In connection with global reference rate reform initiatives, particularly related to LIBOR, in October 2021, we began modifying our floorplan agreements to replace the reference rate from LIBOR to an alternative reference rate. The floorplan agreement modifications will be accounted for by prospectively adjusting the effective interest rate in accordance with accounting standards. We do not expect the change from LIBOR to an alternative reference rate to have a material impact on our annual floorplan interest expense. See Note 5 of the Notes to Unaudited Condensed Consolidated Financial Statements for more information on our vehicle floorplan payable.

Cash Flows

The following table summarizes the changes in our cash provided by (used in) operating, investing, and financing activities:

(In millions)	Three Months Ended March 31,	
	2022	2021
Net cash provided by operating activities	\$ 643.2	\$ 526.3
Net cash provided by (used in) investing activities	\$ (59.0)	\$ 70.6
Net cash used in financing activities	\$ (36.5)	\$ (816.5)

Cash Flows from Operating Activities

Our primary sources of operating cash flows result from the sale of vehicles and finance and insurance products, collections from customers for the sale of parts and services, and proceeds from vehicle floorplan payable-trade. Our primary uses of cash from operating activities are repayments of vehicle floorplan payable-trade, purchases of inventory, personnel-related expenditures, and payments related to taxes and leased properties.

Net cash provided by operating activities increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to an increase in earnings, partially offset by an increase in working capital requirements.

Cash Flows from Investing Activities

Net cash flows from investing activities consist primarily of cash used in capital additions and activity from business acquisitions, business divestitures, property dispositions, and other transactions.

Net cash used in investing activities increased during the three months ended March 31, 2022, as compared to the same period in 2021, primarily due to a decrease in proceeds from the sale of equity securities and an increase in purchases of property and equipment.

Cash Flows from Financing Activities

Net cash flows from financing activities primarily include repurchases of common stock, debt activity, and changes in vehicle floorplan payable-non-trade.

During the three months ended March 31, 2022, we issued \$700.0 million aggregate principal amount of 3.85% Senior Notes due 2032. Cash flows from financing activities during the three months ended March 31, 2022, reflect cash payments of \$6.4 million for debt issuance costs associated with the senior note issuance that are being amortized to interest expense over the term of the senior notes. During the three months ended March 31, 2021, we repaid the outstanding \$300.0 million of 3.35% Senior Notes due 2021.

Cash flows from financing activities include changes in commercial paper notes outstanding totaling net payments of \$340.0 million during the three months ended March 31, 2022, and vehicle floorplan payable-non-trade totaling net payments of \$15.1 million and \$206.1 million during the three months ended March 31, 2022 and 2021, respectively.

During the three months ended March 31, 2022, we repurchased 3.5 million shares of common stock for an aggregate purchase price of \$380.9 million (average purchase price per share of \$110.04), including repurchases for which settlement occurred subsequent to March 31, 2022. During the three months ended March 31, 2021, we repurchased 3.8 million shares of common stock for an aggregate purchase price of \$306.1 million (average purchase price per share of \$79.76), including repurchases for which settlement occurred subsequent to March 31, 2021.

Forward-Looking Statements

Our business, financial condition, results of operations, cash flows, and prospects, and the prevailing market price and performance of our common stock may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Quarterly Report on Form 10-Q, including, without limitation, statements regarding our strategic initiatives, partnerships, or investments, including the planned expansion of our AutoNation USA used vehicle stores and our anticipated investments in connection therewith; our expectations for the future performance of our business and the automotive retail industry; our investments in digital and online capabilities; pending acquisitions; as well as other written or oral statements made from time to time by us or by our authorized executive officers on our behalf that describe our objectives, goals, or plans constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact, including statements that describe our objectives, plans or goals are, or may be deemed to be, forward-looking statements. Words such as “anticipate,” “expect,” “intend,” “goal,” “target,” “project,” “plan,” “believe,” “continue,” “may,” “will,” “could,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Our forward-looking statements reflect our current expectations concerning future results and events, and they involve known and unknown risks, uncertainties and other factors that are difficult to predict and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these statements. These forward-looking statements speak only as of the date of this report, and we undertake no obligation to revise or update these statements to reflect subsequent events or circumstances. The risks,

uncertainties, and other factors that our stockholders and prospective investors should consider include, but are not limited to, the following:

- The automotive retail industry is sensitive to changing economic conditions and various other factors, including, but not limited to, unemployment levels, consumer confidence, fuel prices, interest rates, and tariffs. Our business and results of operations are substantially dependent on new and used vehicle sales levels in the United States and in our particular geographic markets, as well as the gross profit margins that we can achieve on our sales of vehicles, all of which are very difficult to predict.
- The COVID-19 pandemic has disrupted, and may continue to disrupt, our business, results of operations, and financial condition going forward. Future epidemics, pandemics, and other outbreaks could also disrupt our business, results of operations, and financial condition.
- Our new vehicle sales are impacted by the incentive, marketing, and other programs of vehicle manufacturers.
- We are dependent upon the success and continued financial viability of the vehicle manufacturers and distributors with which we hold franchises.
- We are subject to restrictions imposed by, and significant influence from, vehicle manufacturers that may adversely impact our business, financial condition, results of operations, cash flows, and prospects, including our ability to acquire additional stores.
- We are investing significantly in various strategic initiatives, and if they are not successful, we will have incurred significant expenses without the benefit of improved financial results.
- If we are not able to maintain and enhance our retail brands and reputation or to attract consumers to our own digital channels, or if events occur that damage our retail brands, reputation, or sales channels, our business and financial results may be harmed.
- The carrying value of our minority equity investment that does not have a readily determinable fair value is required to be adjusted for observable price changes or impairments, both of which could adversely impact our results of operations and financial condition.
- New laws, regulations, or governmental policies in response to climate change, including fuel economy and greenhouse gas emission standards, or changes to existing standards, could adversely impact our business, results of operations, financial condition, cash flow, and prospects.
- We are subject to numerous legal and administrative proceedings, which, if the outcomes are adverse to us, could materially adversely affect our business, results of operations, financial condition, cash flows, and prospects.
- Our operations are subject to extensive governmental laws and regulations. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our operations, our business, operating results, and prospects could suffer.
- A failure of our information systems or any security breach or unauthorized disclosure of confidential information could have a material adverse effect on our business.
- Our debt agreements contain certain financial ratios and other restrictions on our ability to conduct our business, and our substantial indebtedness could adversely affect our financial condition and operations and prevent us from fulfilling our debt service obligations.
- We are subject to interest rate risk in connection with our vehicle floorplan payables, revolving credit facility, and commercial paper program that could have a material adverse effect on our profitability.
- Goodwill and other intangible assets comprise a significant portion of our total assets. We must test our goodwill and other intangible assets for impairment at least annually, which could result in a material, non-cash write-down of goodwill or franchise rights and could have a material adverse impact on our results of operations and shareholders' equity.
- Our largest stockholders, as a result of their ownership stakes in us, may have the ability to exert substantial influence over actions to be taken or approved by our stockholders. In addition, future share repurchases and fluctuations in the levels of ownership of our largest stockholders could impact the volume of trading, liquidity, and market price of our common stock.
- Natural disasters and adverse weather events, including the effects of climate change, can disrupt our business.

Please refer to our most recent Annual Report on Form 10-K for additional discussion of the foregoing risks. These forward-looking statements speak only as of the date of this report, and we undertake no obligation to update any forward-looking statements to reflect subsequent events or circumstances.

Additional Information

Investors and others should note that we announce material financial information using our company website (www.autonation.com), our investor relations website (investors.autonation.com), SEC filings, press releases, public conference calls, and webcasts. Information about AutoNation, its business, and its results of operations may also be announced by posts on AutoNation's Twitter feed, www.twitter.com/autonation.

The information that we post on our websites and social media channels could be deemed to be material information. As a result, we encourage investors, the media, and others interested in AutoNation to review the information that we post on those websites and social media channels. Our social media channels may be updated from time to time on our investor relations website. The information on or accessible through our websites and social media channels is not incorporated by reference in this Quarterly Report on Form 10-Q.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have market risk exposure on various instruments that are based on variable interest rates. Interest rate derivatives may be used to hedge a portion of our variable rate debt, when appropriate, based on market conditions.

We had \$1.4 billion of variable rate vehicle floorplan payable at March 31, 2022, and \$1.5 billion at December 31, 2021. Based on these amounts, a 100 basis point change in interest rates would result in an approximate change to our annual floorplan interest expense of \$14.0 million at March 31, 2022, and \$14.6 million at December 31, 2021. Our exposure to changes in interest rates with respect to total vehicle floorplan payable is partially mitigated by manufacturers' floorplan assistance, which in some cases is based on variable interest rates.

We had no commercial paper notes outstanding at March 31, 2022 and \$340.0 million at December 31, 2021. Based on the amount outstanding, a 100 basis point change in interest rates would result in an approximate change to our annual interest expense of \$3.4 million at December 31, 2021.

Our fixed rate long-term debt, consisting of amounts outstanding under our senior unsecured notes and finance lease and other debt obligations, totaled \$3.5 billion and had a fair value of \$3.5 billion as of March 31, 2022, and totaled \$2.9 billion and had a fair value of \$3.0 billion as of December 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or 15d-15 under the Exchange Act that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**ITEM 1A. RISK FACTORS**

In addition to the information set forth in this Form 10-Q, you should carefully consider the risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, which could materially affect our business, financial condition, or future results.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The table below sets forth information with respect to shares of common stock repurchased by AutoNation, Inc. during the three months ended March 31, 2022.

Period	Total Number of Shares Purchased ⁽¹⁾	Avg. Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under The Plans or Programs (in millions) ⁽¹⁾
January 1, 2022 - January 31, 2022	1,096,648	\$ 107.84	1,096,648	\$ 776.3
February 1, 2022 - February 28, 2022	600,000	\$ 110.43	600,000	\$ 710.1
March 1, 2022 - March 31, 2022	1,764,788	\$ 111.28	1,764,788	\$ 513.7
Total	3,461,436		3,461,436	

⁽¹⁾ Our Board of Directors from time to time authorizes the repurchase of shares of our common stock up to a certain monetary limit. As of March 31, 2022, \$513.7 million remained available under our stock repurchase limit. Our stock repurchase program does not have an expiration date.

ITEM 6. EXHIBITS

Exhibit No.	Description
4.1	Supplemental Indenture, dated as of February 28, 2022, by and between AutoNation, Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K filed on March 1, 2022).
4.2	Form of Global 2032 Note (included in Exhibit 4.1).
10.1	Form of AutoNation, Inc. Stock Unit Award Agreement for grants in 2022.
10.2	Letter Agreement, dated as of February 10, 2022, by and between AutoNation, Inc. and Gianluca Camplone.
10.3	Restricted Stock Unit Award Agreement, dated as of March 1, 2022, by and between AutoNation, Inc. and Gianluca Camplone.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) of the Exchange Act.
32.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document.

SIGNATURE

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

AUTONATION, INC.

Date: April 21, 2022

By: /s/ Christopher Cade
Christopher Cade
Senior Vice President and Chief Accounting Officer
(Duly Authorized Officer and
Principal Accounting Officer)

FORM OF AUTONATION, INC.
STOCK UNIT AWARDS AGREEMENT

THIS STOCK UNIT AWARDS AGREEMENT (this “Agreement”) is entered into as of _____, ____ (the “Date of Grant”), by and between the Company and _____ (the “Participant”) who accepts the Awards of the [one-year performance-based]¹ Restricted Stock Units (the “RSUs”) and the three-year performance-based Restricted Stock Units (the “PSUs”) made hereby, and agrees to be bound by this Agreement.

RECITALS

- A. The Company has established the AutoNation, Inc. 2017 Employee Equity and Incentive Plan (the “Plan”) in order to provide valued employees of the Company incentives to create and maintain long-term stockholder value; and
- B. The Compensation Committee of the Board of Directors of the Company has approved the grant to the Participant of RSUs and PSUs on the terms and conditions set forth in this Agreement.

TERMS OF AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. Definitions and Schedules. All capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan. In addition, terms in respect of these Awards that are not addressed in this Agreement shall be set forth on one or more Schedules attached hereto.
2. Award of RSUs and PSUs Pursuant to Plan. Subject to the terms and conditions, including the restrictions and risk of forfeiture, set forth herein and in the Plan, the Participant is hereby granted under the Plan, as of the Date of Grant, an Award of RSUs and three (3) grants of PSUs, the number of each of which is set forth for the Participant on the BOL System under the Grant Information tab (for the Date of Grant) and on the applicable Schedule attached hereto.
3. Number of Shares. The Company will establish a bookkeeping account to reflect the number of shares of Stock that are subject to each of the Participant’s Awards. The Participant shall not be deemed to be the holder of, or to have any of the rights of a stockholder with respect to, any shares of Stock subject to each of the Participant’s Awards unless and until the shares have been delivered in accordance with Section 7 of this Agreement.
4. Vesting.
 - (a) *RSUs Grant 1* – Except as otherwise provided in Section 5 of this Agreement or in the Plan, the RSUs shall become vested on the applicable vesting date set forth on Schedule 1, subject to the Participant’s continued employment with the Company, its Subsidiaries or its Affiliates, through such vesting date. [If the Performance Goal set forth on Schedule 1 is not achieved, the RSUs shall be immediately forfeited.]¹
 - (b) *PSUs*. Except as otherwise provided in Section 5 of this Agreement or in the Plan:
 - (i) *Grant 2* – the PSUs in respect of this Grant 2 shall be earned based on the achievement of the Performance Goal set forth on Schedule 2 attached hereto and become vested on the date that the Board certifies the level at which such Performance Goal has been achieved, subject to the Participant’s continued employment with the Company, its Subsidiaries or its Affiliates through the end of the Performance Period set forth on such Schedule. If the Performance Goal set forth on Schedule 2 is not achieved, the PSUs in respect of this Grant 2 shall be immediately forfeited.

¹ For awards made to executive officers that were appointed prior to November 1, 2021.

- (ii) *Grant 3* – the PSUs in respect of this Grant 3 shall be earned based on the achievement of the Performance Goal set forth on Schedule 3 attached hereto and become vested on the date the Board certifies the level at which such Performance Goal has been achieved, subject to the Participant’s continued employment with the Company, its Subsidiaries or its Affiliates through the end of the Performance Period set forth on such Schedule. If the Performance Goal set forth on Schedule 3 is not achieved, the PSUs in respect of this Grant 3 shall be immediately forfeited.
 - (iii) *Grant 4* – the PSUs in respect of this Grant 4 shall be earned based on the achievement of the Performance Goal set forth on Schedule 4 attached hereto and become vested on the date the Board certifies the level at which such Performance Goal has been achieved, subject to the Participant’s continued employment with the Company, its Subsidiaries or its Affiliates through the end of the Performance Period set forth on such Schedule. If the Performance Goal set forth on Schedule 4 is not achieved, the PSUs in respect of this Grant 4 shall be immediately forfeited.
- (c) Without limiting the generality of the foregoing, the Board may exercise negative discretion in respect of the final determination of each Award as set forth on each Schedule to the extent the Board determines such adjustment to be equitable in good faith.

5. Termination of Employment. Except as set forth in this Section 5 or as may otherwise be provided in a written employment agreement with the Participant (if applicable), upon the Participant’s termination of employment for any reason, any RSUs or PSUs that have not been earned or that have not become vested, in each case in accordance with the applicable Schedule, shall be immediately forfeited. Notwithstanding the foregoing, the following provisions shall apply to the Awards:

- (a) Termination of Employment for Cause. Upon the termination of the Participant’s employment for Cause by the Company, its Subsidiaries or its Affiliates, this Agreement shall terminate and all rights of the Participant with respect to all RSUs or PSUs that have not been settled shall immediately terminate. The RSUs and PSUs shall be forfeited without payment of any consideration, and neither the Participant nor any of the Participant’s successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such RSUs or PSUs.
 - (b) Qualifying Termination of Employment.
 - (i) Termination of Employment without Cause or Resignation for Good Reason. Upon the termination of the Participant’s employment with the Company, its Subsidiaries or its Affiliates thereof without Cause, or upon the Participant’s resignation from the Company, its Subsidiaries or its Affiliates thereof for Good Reason, and provided that the Participant executes a reasonable and mutually acceptable severance agreement with the Company that includes a release of the Company, a covenant not to compete for one-year and non-solicitation, confidentiality and non-disparagement covenants for five years (the “Separation Agreement”), the Participant shall immediately vest in full in the RSUs and in a pro-rated portion of the PSUs, subject to the achievement of the Performance Goal as set forth on the applicable Schedule and the immediately following sentence. The pro-rated portion of the PSUs shall continue to vest only if the Participant fully complies with any non-compete, non-solicitation, confidentiality, non-disparagement and other restrictive covenants set forth in the Separation Agreement. The Board shall determine whether the Participant has complied with such restrictive covenants. Any portion of the PSUs that do not vest in accordance with the foregoing shall automatically be forfeited. For purposes of the foregoing, the pro-rated portion of the PSUs shall equal the number of full months in the Performance Period during which the Participant was employed by the Company, its Subsidiaries or its Affiliates divided by thirty-six (36). For purposes of this subsection, a resignation for Good Reason shall be defined as a resignation within a
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reasonable period of time following a material decrease in compensation, a material change in duties or responsibilities and/or a relocation of the Participant's place of employment of more than 50 miles, which reason has not been cured within 10 days of notice by the Participant to the Company.]²

- (ii) Death – RSUs. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof on account of death, the Participant shall immediately vest in full in the RSUs[, without regard to the level of achievement of the Performance Goal]³.
- (iii) Death – PSUs. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof on account of death, the Participant shall continue to vest (as if the Participant's employment had not been terminated) in a pro-rated portion of the PSUs, subject to the achievement of the Performance Goals as set forth on the applicable Schedule and the immediately following sentence. Any portion of the PSUs that do not vest in accordance with the foregoing shall automatically be forfeited. For purposes of the foregoing, the pro-rated portion of the PSUs shall equal the number of full months in the Performance Period during which the Participant was employed by the Company, its Subsidiaries or its Affiliates divided by thirty-six (36).
- (iv) Disability and Retirement – RSUs and PSUs. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof (i) due to Disability or (ii) by the Participant due to Retirement, the Participant shall continue to vest (as if the Participant's employment had not been terminated) in the RSUs and in a pro-rated portion of the PSUs, subject to the achievement of the Performance Goals as set forth on the applicable Schedule and the immediately following sentence. The RSUs and the pro-rated portion of the PSUs shall continue to vest only if the Participant fully complies with any non-compete, non-disparagement, confidentiality and other restrictive covenants set forth in any agreement entered into between the Participant and the Company or its Subsidiaries or its Affiliates from time to time (including, but not limited to any Restrictive Covenants and Confidentiality Agreement entered into between the Participant and the Company) determined, notwithstanding the time periods set forth therein, as if all such restrictive covenants applied at all times while the Awards are outstanding. The Board shall determine whether the Participant has complied with such restrictive covenants. Any portion of the RSUs or PSUs that does not vest in accordance with the foregoing shall automatically be forfeited. For purposes of the foregoing, the pro-rated portion of the PSUs shall equal the number of full months in the Performance Period during which the Participant was employed by the Company, its Subsidiaries or its Affiliates divided by thirty-six (36).

6. Dividend Equivalents. On each date on which a dividend is paid with respect to shares of Stock, dividend equivalents shall be credited hereunder in respect of the shares subject to the Awards. Such dividend equivalents shall be credited as a number of additional RSUs or PSUs equal to (i) the aggregate amount or value of the dividends paid with respect to that number of shares equal to the number of shares subject to such Award on the record date of such dividend, divided by (ii) the Fair Market Value per share on the payment date for such dividend. Such additional RSUs or PSUs shall be subject to all the terms and conditions of this Agreement and shall vest at the same time that the related Award vests, and the shares subject to such additional RSUs or PSUs shall be distributed only upon the distribution of the underlying shares with respect to which the dividend equivalents were granted.

² For awards made to Gianluca Camplone.

³ For awards made to executive officers that were appointed prior to November 1, 2021.

7. Payment.

- (a) RSU Payment. The Company shall deliver to the Participant either, in its sole and absolute discretion (a) a number of shares of Stock equal to the number of vested shares subject to the RSU Award, including dividend equivalents credited with respect to such shares, or (b) an amount of cash equal to the Fair Market Value of such shares on the date of the distribution, in either case, on or as soon as administratively practical following the date of vesting of the applicable portion of the total RSUs pursuant to the terms hereof (and in all events within [seventy-five (75) days of the vesting date to the extent necessary to determine whether the Performance Goal has been achieved and otherwise within]⁴ thirty (30) days of the vesting date).
- (b) PSU Payment. The Company shall deliver to the Participant either, in its sole and absolute discretion (a) a number of shares of Stock equal to the number of shares of Stock earned and vested with respect to each applicable PSU Award, including dividend equivalents credited with respect to such shares, or (b) an amount of cash equal to the Fair Market Value of such shares on the date of the distribution, in either case, on or as soon as administratively practical following expiration of the applicable Performance Period (and in all events within seventy-five (75) days thereof).

8. Participant Bound by Terms of Plan. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms, conditions and provisions thereof.

9. Withholding. The Participant must satisfy any tax or other applicable withholding by having the Company withhold shares of Stock otherwise issuable hereunder.

10. Governing Law. This Agreement shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

11. Severability. The invalidity or enforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Notices. All notices, requests, demands, claims and other communications by the Participant with respect to this Award shall be in writing and shall be deemed given if delivered by certified or registered mail (first class postage prepaid), guaranteed overnight delivery or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage prepaid) or guaranteed overnight delivery, to the following address (or to such other addresses or telecopy numbers which the Company shall designate in writing to the Participant from time to time):

AutoNation, Inc.
200 SW 1st Avenue, Suite 1400
Fort Lauderdale, Florida 33301
Attention: Human Resources
Telecopy: (954) 769-xxxx

with a copy to:

AutoNation, Inc.
200 SW 1st Avenue, Suite 1600
Fort Lauderdale, Florida 33301
Attention: General Counsel
Telecopy: (954) 769-xxxx

⁴ For awards made to executive officers that were appointed prior to November 1, 2021.

13. Binding Effect. This Agreement shall not constitute a binding obligation of the Company or the Participant unless it is accepted by the Participant on the BOL System by the Acceptance Deadline. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company and to the Participant's heirs, legatees, distributees and personal representatives. No handmarked or interlineated modifications shall constitute a part of this Agreement.

14. Conflict with Terms of the Plan. These Awards are subject to the terms of the Plan, which provisions are hereby incorporated herein as if fully set forth herein. In the event that any provision of this Agreement conflicts with any provision of the Plan and cannot reasonably be interpreted to be a clarification of such provision of the Plan or an exercise of the authority granted to the Plan's administrator pursuant to the Plan, the provision of the Plan shall govern and be controlling.

15. 409A. This Agreement is intended to be exempt from, or to the extent subject thereto, comply with, the requirements of Section 409A of the Code, and shall in all respects be administered and interpreted in accordance with such intent. Notwithstanding anything to the contrary in this Agreement, to the extent necessary to avoid the imposition of any individual penalty tax and late interest charges imposed under Section 409A of the Code, such payment shall instead be made on the first business day after the date that is six (6) months following such separation from service (or upon the Participant's death, if earlier).

16. Integration. This Agreement supersedes all prior agreements and understandings between the Participant and the Company, its Subsidiaries and its Affiliates relating to the grant of these Awards, whether oral or otherwise; provided, however, that this Agreement shall not supersede any agreement (including any employment agreement) with the Company, its Subsidiaries and its Affiliates or policy of the Company, its Subsidiaries and its Affiliates relating to confidentiality, no-solicitation, no-hire, non-competition, non-disparagement or recoupment of compensation, including but not limited to the Restrictive Covenants and Confidentiality Agreement previously entered into between the Company and the Participant; provided, further, that this Agreement shall not supersede any written employment agreement with the Participant relating to the treatment of this Award upon the Participant's termination of employment, if applicable.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

By:

By: AUTONATION, INC.

Name:

Title:

Schedule 1
Grant 1 — RSUs

Award:

Vesting:

Schedule 2
Grant 2 — PSUs

Award:

Vesting:

Schedule 3
Grant 3 — PSUs

Award:

Vesting:

Schedule 4
Grant 4 — PSUs

Award:

Vesting:

[AUTONATION LETTERHEAD]

February 10, 2022

Mr. Gianluca Camplone

Dear Gianluca:

Congratulations! It is my pleasure to extend an offer of employment for you to join the AutoNation team! Subject to the approval of the Compensation Committee (the "Committee") of AutoNation's Board of Directors, the terms of your employment offer are as follows:

- **Position Title:** COO Precision Parts, EVP
Head of Mobility, Business Strategy and Development
 - **Reporting To:** Mike Manley, CEO
 - **Commencement Date:** March 1, 2022
 - **Base Rate of Pay:** \$785,000 (\$32,708.34 payable semi-monthly)
 - **Target Bonus (90%):** \$706,500
 - **Total Target Cash Compensation:** \$1,491,500
 - **Annual Equity (at target):** \$2,000,000
 - **Total Direct Compensation (at target):** \$3,491,500
- **Bonus Eligibility:** You will be eligible for the 2022 bonus plan applicable to Company executives and payable in 2023. This plan will target 90% of your annual base rate of pay and is based on overall company performance. Future years' bonus eligibility, percentage, and metrics will be at the level commensurate with your position in effect at that time as determined by the Committee. Your 2022 bonus will be prorated for your hire date.
 - **Equity Plan:** You will be eligible for a 2022 grant of restricted stock units with a grant date closing value of \$2,000,000 at target. Equity awards are subject to the terms and conditions of the equity plan and corresponding grant agreements substantially in the form of the attached. While terms and conditions of the plan are subject to approval of the Committee, the 2022 grant for you will consist of:
 - **RSUs:** One-third of the equity award will be in the form of restricted stock units, that will vest over a three-year period, one third per year during your term of employment.
 - **PBRsUs:** Two-thirds of the equity award will be in the form of performance based restricted stock units that are subject to three-year performance conditions as established by the Committee.
 - **Sign-on Cash Payment:** You will receive a one-time sign-on cash payment by the Company in the amount of \$600,000.00 less applicable taxes and withholdings. This amount will be paid as soon as administratively feasible following your employment in accordance with the Company's normal payroll schedule. If you resign from the Company before the one-year anniversary of your start date, you will be required to pay back the full \$600,000.00 amount to the Company, less applicable taxes and withholdings.
 - **Sign-on Equity Grant:** You will receive a one-time grant of restricted stock units with a grant date Fair Market value of \$200,000. The closing price of AutoNation stock on your Commencement Date will be used to determine the number of shares granted, rounded down to the nearest whole number. The equity award will
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vest after one year of service on March 1, 2023 and is subject to the terms and conditions of the equity plan and corresponding grant agreements.

- **Severance:** You will receive one year Base Salary and one year Target Bonus, in a cash lump sum, less applicable withholdings, within 30 days of a “qualifying employment termination.” Also upon a “qualifying employment termination” all outstanding time-based equity awards will vest 100%, and all outstanding performance based equity awards will pay out on a pro rata basis (based on the number of full months employed during the outstanding performance cycle), based on actual performance at the end of each open cycle. A “qualifying employment termination” will be defined as an involuntary termination by the Company without cause or a “good reason” termination by you for constructive termination (i.e., a material decrease in compensation, a material change in duties or responsibilities, and/or a required relocation of more than 50 miles, which reason has not been cured within 10 days of notice by you to the Company). The severance is in lieu of any other severance plan applicable to executive officers generally and will be subject to your signing a separation agreement, which will include a release of claims against the Company and a one-year “non-compete” covenant (and non-solicitation of employees, and confidentiality and non-disparagement provisions, all of which will be 5 years in length).
 - **401(k) Plan:** You will be eligible to participate in the AutoNation 401(k) Plan. An enrollment kit will be mailed to your home approximately 30 days following date of hire. However, any time after receiving your first paycheck you may enroll in the plan administered by Wells Fargo by texting “Retire” to 93557. Once eligible for the DCP match, you will no longer be eligible for the 401(k) plan match.
 - **Deferred Compensation Plan:** You will be eligible to participate in the Deferred Compensation Plan (“DCP”) in 2023. The DCP is a complement to our 401(k) plan, is limited to a select group of management associates and allows you to defer a larger percentage of your income toward your retirement savings than within the 401(k) plan. The DCP also offers the flexibility of in-service distributions for college tuition or other major expenses. In addition, AutoNation offers a matching contribution, the amount is determined annually and is subject to a vesting schedule. The DCP matching contribution is in lieu of a matching contribution under the AutoNation 401(k) Plan.
 - **Fitness Center Membership:** You will be invited to use the AutoNation Body Shop exercise facility located in the AutoNation Headquarters building. You will have free access to the fitness center which includes free weights, cardio and weight equipment as well as private changing rooms.
 - **Vacation Benefit:** Associates accrue vacation time on a per pay period basis at a rate commensurate with their length of service with the Company. You will be eligible for 17 days of vacation per year. Future years vacation eligibility will be determined by the Company’s policy in effect at that time.
 - **Benefit Eligibility:** Prior to becoming eligible for benefits, you will receive notification that you can enroll online at www.KnowYourBenefits.org. On the website you will find your benefit options, cost, plan comparison information and your enrollment deadline. You will also receive information on how to earn healthy credits to substantially reduce your (and your spouse’s) medical, life, and critical illness insurance premiums. The elections you make will be effective the first day of the month following one month of regular, Full-Time employment. However, if you are hired on the first day of a month, your coverage will be effective on the first day of the following month. If you are planning to enroll dependents in AutoNation’s health, dental or vision insurance plans you will be required to submit proof of dependency for those dependents by the end of the month in which your benefits become effective. Proof of dependency includes marriage and/or birth certificates. Failure to provide dependent certification by the deadline will result in those dependents not being eligible for health, dental or vision insurance benefits until the next annual enrollment period, or as a result of a qualifying life event during the year.
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- **Vehicle Allowance:** As provided for within the Executive Vehicle Allowance Program policy, you will be eligible for an annual vehicle allowance, of \$15,600 or a demonstrator vehicle. You can choose to receive your vehicle allowance as an annual lump sum or paid semi-monthly. Your vehicle allowance will be prorated based on your hire date.
- **Relocation:** The Company will provide you with relocation assistance in moving you and your personal property to South Florida, which may be utilized one-time within the first five years of your employment, subject to your signing the Company's Relocation Policy Acknowledgment Form. Attached for your review is a copy of the Executive Relocation Benefits. Your contact for relocation will be _____. _____ can be reached at (954) 769-xxxx.
- **Executive Physical:** You will be eligible for an annual executive physical as provided for within the AutoNation Executive Health Management Plan.
- **Drug Screening:** This offer is contingent upon the successful completion of the Company's drug screening process.
- **Background Verification:** This offer is contingent upon the successful completion of the Company's background verification process. Once you accept this offer, you will be invited to complete the background consent form online.
- **Confidentiality, No-Solicit/No-Hire & Non-Compete Agreement and Arbitration Agreement:** This offer is contingent upon your electronic signature to be obtained on the first day of employment.
- **At-Will Employment:** This letter is not a guarantee of continued employment nor does it in any way abridge the employment-at-will relationship that exists between the Company and its employees, nor does it create a contractual relationship. Management retains the right to terminate employment of any associate with or without notice and with or without reason. Similarly, the associate also has the right to terminate employment with or without notice and with or without reason.
- **Employment Eligibility Verification:** This offer is contingent upon your ability to produce acceptable documents that establish identity and employment eligibility (U.S. Department of Justice Form I-9). The Company requires you to produce these documents on your first day of employment.

Please indicate your acceptance of these terms and conditions by signing below.

Should you have any questions, please feel free to call me. We look forward to having you join the AutoNation team!

Sincerely,
/s/Mike Manley
 Mike Manley
 CEO

Accepted:
/s/ Gianluca Camplone 2/14/2022
 Gianluca Camplone Date

AUTONATION, INC.
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this “Agreement”) is entered into as of March 1, 2022 (the “Date of Grant”), by and between the Company and Gianluca Camplone (the “Participant”) who accepts the Award of Restricted Stock Units (the “RSUs”) made hereby, and agrees to be bound by this Agreement, through Merrill Lynch’s Benefits OnLine System (the “BOL System”). If the Participant does not accept this Award and any and all related documents provided on the BOL System by March 21, 2022 (the “Acceptance Deadline”), the RSUs shall be immediately forfeited and surrendered to the Company, and such RSUs shall cease to remain outstanding.

RECITALS

A. The Company has established the AutoNation, Inc. 2017 Employee Equity and Incentive Plan (the “Plan”) in order to provide valued employees of the Company incentives to create and maintain long-term stockholder value; and

B. The Compensation Committee of the Board of Directors of the Company has approved the grant to the Participant of RSUs on the terms and conditions set forth in this Agreement.

TERMS OF AGREEMENT

NOW THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereby agree as follows:

1. Definitions and Schedules. All capitalized terms used but not defined in this Agreement shall have the meanings given to them in the Plan. In addition, terms in respect of this Award that are not addressed in this Agreement shall be set forth on the Schedule attached hereto.
2. Award of RSUs Pursuant to Plan. Subject to the terms and conditions, including the restrictions and risk of forfeiture, set forth herein and in the Plan, the Participant is hereby granted under the Plan, as of the Date of Grant, an Award of RSUs, the number of which is set forth for the Participant on the BOL System under the Grant Information tab (for the Date of Grant) and on the Schedule attached hereto.
3. Number of Shares. The Company will establish a bookkeeping account to reflect the number of shares of Stock that are subject to the Participant’s Award. The Participant shall not be deemed to be the holder of, or to have any of the rights of a stockholder with respect to, any shares of Stock subject to the Participant’s Award unless and until the shares have been delivered in accordance with Section 7 of this Agreement.
4. Vesting. Except as otherwise provided in Section 5 of this Agreement or in the Plan, the RSUs shall become vested on the applicable vesting date set forth on Schedule 1, subject to the Participant’s continued employment with the Company, its Subsidiaries, or its Affiliates, through such vesting date.
5. Termination of Employment. Except as set forth in this Section 5 or as may otherwise be provided in a written employment agreement with the Participant (if applicable), upon the Participant’s termination of employment for any reason, any RSUs that have not become vested in accordance with Schedule 1 shall be immediately forfeited. Notwithstanding the foregoing, the following provisions shall apply to the Award:
 - (a) Termination of Employment for Cause. Upon the termination of the Participant’s employment for Cause by the Company, its Subsidiaries or its Affiliates, this Agreement shall terminate and all rights of the Participant with respect to all RSUs that have not been settled shall immediately terminate. The RSUs shall be forfeited without payment of any consideration, and

neither the Participant nor any of the Participant's successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such RSUs.

(b) Qualifying Termination of Employment.

(i) Termination of Employment without Cause or Resignation for Good Reason. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof without Cause, or upon the Participant's resignation from the Company, its Subsidiaries or its Affiliates thereof for Good Reason, and provided that the Participant executes a reasonable and mutually acceptable severance agreement with the Company that includes a release of the Company, a covenant not to compete for one-year and non-solicitation, confidentiality and non-disparagement covenants for five years, the Participant shall immediately vest in full in the RSUs. For purposes of this subsection, a resignation for Good Reason shall be defined as a resignation within a reasonable period of time following a material decrease in compensation, a material change in duties or responsibilities and/or a relocation of the Participant's place of employment of more than 50 miles, which reason has not been cured within 10 days of notice by the Participant to the Company.

(ii) Death. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof on account of death, the Participant shall immediately vest in full in the RSUs.

(iii) Disability and Retirement. Upon the termination of the Participant's employment with the Company, its Subsidiaries or its Affiliates thereof (i) due to Disability or (ii) by the Participant due to Retirement, the Participant shall continue to vest (as if the Participant's employment had not been terminated) in the RSUs as set forth on Schedule 1 and the immediately following sentence. The RSUs shall continue to vest only if the Participant fully complies with any non-compete, non-disparagement, confidentiality and other restrictive covenants set forth in any agreement entered into between the Participant and the Company or its Subsidiaries or its Affiliates from time to time (including, but not limited to any Restrictive Covenants and Confidentiality Agreement entered into between the Participant and the Company) determined, notwithstanding the time periods set forth therein, as if all such restrictive covenants applied at all times while the Award is outstanding. The Board shall determine whether the Participant has complied with such restrictive covenants. Any portion of the RSUs that does not vest in accordance with the foregoing shall automatically be forfeited.

6. Dividend Equivalents. On each date on which a dividend is paid with respect to shares of Stock, dividend equivalents shall be credited hereunder in respect of the shares subject to the Award. Such dividend equivalents shall be credited as a number of additional RSUs equal to (i) the aggregate amount or value of the dividends paid with respect to that number of shares equal to the number of shares subject to such Award on the record date of such dividend, divided by (ii) the Fair Market Value per share on the payment date for such dividend. Such additional RSUs shall be subject to all the terms and conditions of this Agreement and shall vest at the same time that the related Award vests, and the shares subject to such additional RSUs shall be distributed only upon the distribution of the underlying shares with respect to which the dividend equivalents were granted.

7. Payment. The Company shall deliver to the Participant either, in its sole and absolute discretion (a) a number of shares of Stock equal to the number of vested shares subject to the RSU Award, including dividend equivalents credited with respect to such shares, or (b) an amount of cash equal to the Fair Market Value of such shares on the date of the distribution, in either case, on or as soon as administratively practical following the date of vesting of the applicable portion of the total RSUs pursuant to the terms hereof (and in all events within thirty (30) days of the vesting date).

8. Participant Bound by Terms of Plan. The Participant hereby acknowledges receipt of a copy of the Plan and agrees to be bound by all of the terms, conditions and provisions thereof.

9. Withholding. The Participant must satisfy any tax or other applicable withholding by having the Company withhold shares of Stock otherwise issuable hereunder.

10. Governing Law. This Agreement shall be administered, interpreted and enforced under the internal laws of the State of Delaware without regard to conflicts of laws thereof.

11. Severability. The invalidity or enforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Notices. All notices, requests, demands, claims and other communications by the Participant with respect to this Award shall be in writing and shall be deemed given if delivered by certified or registered mail (first class postage prepaid), guaranteed overnight delivery or facsimile transmission if such transmission is confirmed by delivery by certified or registered mail (first class postage prepaid) or guaranteed overnight delivery, to the following address (or to such other addresses or telecopy numbers which the Company shall designate in writing to the Participant from time to time):

AutoNation, Inc.
200 SW 1st Avenue, Suite 1400
Fort Lauderdale, Florida 33301
Attention: Human Resources
Telecopy: (954) 769-xxxx

with a copy to:

AutoNation, Inc.
200 SW 1st Avenue, Suite 1600
Fort Lauderdale, Florida 33301
Attention: General Counsel
Telecopy: (954) 769-xxxx

13. Binding Effect. This Agreement shall not constitute a binding obligation of the Company or the Participant unless it is accepted by the Participant on the BOL System by the Acceptance Deadline. Subject to the limitations stated above and in the Plan, this Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Company and to the Participant's heirs, legatees, distributees and personal representatives. No handmarked or interlineated modifications shall constitute a part of this Agreement.

14. Conflict with Terms of the Plan. This Award is subject to the terms of the Plan, which provisions are hereby incorporated herein as if fully set forth herein. In the event that any provision of this Agreement conflicts with any provision of the Plan and cannot reasonably be interpreted to be a clarification of such provision of the Plan or an exercise of the authority granted to the Plan's administrator pursuant to the Plan, the provision of the Plan shall govern and be controlling.

15. 409A. This Agreement is intended to be exempt from, or to the extent subject thereto, comply with, the requirements of Section 409A of the Code, and shall in all respects be administered and interpreted in accordance with such intent. Notwithstanding anything to the contrary in this Agreement, to the extent necessary to avoid the imposition of any individual penalty tax and late interest charges imposed under Section 409A of the Code, such payment shall instead be made on the first business day after the date that is six (6) months following such separation from service (or upon the Participant's death, if earlier).

16. Integration. This Agreement supersedes all prior agreements and understandings between the Participant and the Company, its Subsidiaries and its Affiliates relating to the grant of this Award, whether oral or otherwise; provided, however that this Agreement shall not supersede any agreement (including any employment agreement) with the Company, its Subsidiaries and its Affiliates or policy of the Company, its Subsidiaries and its Affiliates relating to confidentiality, no-solicitation, no-hire, non-competition, non-disparagement or recoupment of compensation, including but not limited to the Restrictive Covenants and Confidentiality Agreement previously entered into between the Company and the Participant; provided, further, that this Agreement shall not supersede any written employment agreement with the Participant relating to the treatment of this Award upon the Participant's termination of employment, if applicable.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first above written.

By: /s/ Gianluca Camplone

By: AUTONATION, INC.

/s/ C. Coleman Edmunds

Name: C. Coleman Edmunds

Title: Executive Vice President, General Counsel and Corporate Secretary

Schedule 1

Award: 1,772 RSUs

Vesting: The Award shall vest on the following schedule:

Vesting Date	Vesting Schedule
March 1, 2023	100% of the Award

CERTIFICATION

I, Mike Manley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoNation, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Mike Manley

Mike Manley

Chief Executive Officer and Director

Date: April 21, 2022

CERTIFICATION

I, Joseph T. Lower, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoNation, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph T. Lower

Joseph T. Lower

Executive Vice President and Chief Financial Officer

Date: April 21, 2022

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of AutoNation, Inc. (the "Company") for the quarter ended March 31, 2022, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Mike Manley, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Mike Manley

Mike Manley

Chief Executive Officer and Director

Date: April 21, 2022

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of AutoNation, Inc. (the "Company") for the quarter ended March 31, 2022, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Joseph T. Lower, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

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

/s/ Joseph T. Lower

Joseph T. Lower

Executive Vice President and Chief Financial Officer

Date: April 21, 2022