GROUP 1 AUTOMOTIVE INC
Form 10-K
February 24, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2014
or

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

For the transition period from to
Commission file number: 1-13461
Group 1 Automotive, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	76-0506313 (I.R.S. Employer Identification No.)
800 Gessner, Suite 500 Houston, Texas 77024 (Address of principal executive offices, including zip code)	(713) 647-5700 (Registrant's telephone number, including area code)

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

Title of each class	Name of exchange on which registered
Common stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 þ No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer	þ		¨	Accelerated filer
Non-accelerated filer	¨	(Do not check if a smaller reporting company)	¨	Smaller reporting company

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $1,929.7 million based on the reported last sale price of common stock on June 30, 2014, which was the last business day of the registrant's most recently completed second quarter.

As of February 20, 2015, there were 24,243,510 shares of our common stock, par value $0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2015 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2014, are incorporated by reference into Part III of this Form 10-K.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K") includes certain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 ("Securities Act") and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). This information includes statements regarding our plans, goals or current expectations with respect to, among other things:

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

Although we believe that the expectations reflected in these forward-looking statements are reasonable when and as made, we cannot assure you that these expectations will prove to be correct. When used in this Form 10-K, the words "anticipate," "believe," "estimate," "expect," "intend," "may" and similar expressions, as they relate to our company and management, are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues and operating results are based on our forecasts for our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections. Known material factors that could cause our actual results to differ from those in the forward-looking statements are those described in Part I, "Item 1A. Risk Factors."

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. We undertake no responsibility to publicly release the result of any revision of our forward-looking statements after the date they are made.

PART I

Item 1. Business

General

Group 1 Automotive, Inc., a Delaware corporation organized in 1995, is a leading operator in the automotive retail industry. As of December 31, 2014, we owned and operated 149 franchises, representing 29 brands of automobiles, at 116 dealership locations and 28 collision service centers in the United States of America ("U.S."), 25 franchises at 17 dealerships and six collision centers in the United Kingdom ("U.K.") and 21 franchises at 17 dealerships and four collision centers in Brazil. Through our dealerships, we sell new and used cars and light trucks; arrange related vehicle financing; sell service and insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts. Our operations are primarily located in major metropolitan areas in Alabama, California, Florida, Georgia, Kansas, Louisiana, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, Oklahoma, South Carolina, and Texas in the U.S., in 16 towns in the U.K., and in key metropolitan markets in the states of Sao Paulo, Parana and Mato Grosso do Sul in Brazil.

As of December 31, 2014, our U.S. retail network consisted of the following two regions (with the number of dealerships they comprised): (a) the East (41 dealerships in Alabama, Florida, Georgia, Louisiana, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, and South Carolina) and (b) the West (75 dealerships in California, Kansas, Louisiana, Oklahoma, and Texas). Each U.S. region is managed by a regional vice president who reports directly to our Chief Executive Officer and is responsible for the overall performance of their region. The financial matters of each U.S. region are managed by a regional chief financial officer who reports directly to our Chief Financial Officer. In addition, as of December 31, 2014, we had two international regions, one of which consisted of the 17 dealerships in the U.K. and the other of which consisted of the 17 dealerships in Brazil. Our international regions are also managed locally with direct reporting responsibilities to our corporate management team.

As discussed in more detail in Note 2 of our Consolidated Financial Statements, "Summary of Significant Accounting Policies and Estimates," all of our operating subsidiaries are aligned into one of four operating segments. Our financial information, including our revenues from external customers, a measure of profit or loss, and total assets, is included in our Consolidated Financial Statements and related notes beginning on page F-1.

Business Strategy

Our business strategy is to leverage what we believe to be one of our key strengths — the talent of our people to: (a) sell new and used cars and light trucks; (b) arrange related vehicle financing, service and insurance contracts; (c) provide automotive maintenance and repair services; and (d) sell vehicle parts via an expanding network of franchised dealerships located primarily in growing regions of the U.S., the U.K. and Brazil. We believe that we have developed a distinguished management team with substantial industry expertise. With our management structure and level of executive talent, we plan to continue empowering the operators of our dealerships to make appropriate decisions to grow their respective dealership operations and to control fixed and variable costs. We believe this approach allows us to continue to attract and retain talented employees, as well as provide the best possible service to our customers.

We continue to primarily focus on the performance of our existing dealerships to achieve growth, capture market share, and maximize the investment return to our stockholders. For 2015, we will primarily focus on four key areas as we continue to become a best-in-class automotive retailer. These areas are:

- sustained growth of our higher margin parts and service business;
- capture of additional new and used vehicle retail market share;
- promotion of the customer experience and customer satisfaction, improvement of operating efficiencies, further development of our operating model that promotes commonality of processes, systems and training and further leveraging of our cost base; and
- enhancement of our current dealership portfolio by strategic acquisitions and improving or disposing of underperforming dealerships.

Our focus on growth in our parts and service operations continues to hinge on targeted marketing efforts, strategic selling and operational efficiencies, as well as capital investments designed to support our growth targets. In our new and used retail vehicle operations, our efforts are centered on the efficient and effective use of technology and advertising to enhance our sales efforts. We intend to make resource investments that are focused on the customer experience and customer satisfaction in all areas of our business, but particularly in the new and used retail vehicle and parts and service operations. We made significant changes in our operating model during the last five years, which were designed to reduce variable and fixed expenses, appropriately leverage our scale and generate operating efficiencies. As our business grows in 2015 and beyond, we intend to manage our costs carefully and to look for opportunities to improve our operating efficiencies. We continue to look for opportunities to improve our process and disseminate best practices. We believe that our management structure supports more rapid decision making and facilitates a quicker roll-out of new processes. We continue our efforts to fully leverage our scale, reduce costs, enhance internal controls, and enable further growth and, as such, we are taking steps to standardize key operating processes. Over the last five years, we have consolidated our U.S. dealership accounting, human resources, and other administrative functions and we implemented standardized training programs for our vehicle and service sales processes. We have also fully commonized key operating computer systems in the U.S. These actions represent key building blocks that we are using to more effectively manage the business operations, support extension of best practices, and further leverage the scale of the business. We are constantly evaluating opportunities to improve the profitability of our dealerships.

In 2014, we completed 19 franchise acquisitions, which had an aggregate of $910.0 million in expected annualized revenues estimated at the time of acquisition, and disposed of seven dealerships and one franchise in the U.S. and three dealerships in Brazil with annual revenues of approximately $450.0 million. We believe that substantial opportunities for growth through acquisitions remain in our industry. An absolute acquisition target has not been established for 2015, but we expect to acquire dealerships that meet our stringent acquisitions and return on investment criteria. We believe that as of December 31, 2014, we have sufficient financial resources to support additional acquisitions. We plan to focus our growth in geographically diverse areas with positive economic outlooks over the longer-term. Further, we intend to critically evaluate our return on invested capital in our current dealership portfolio for disposition opportunities. For more information on our acquisitions and dispositions, including those occurring in 2014, see "Acquisition and Divestiture Program" below.

Dealership Operations

Our operations are located in geographically diverse markets that extend domestically across 14 states and internationally in the U.K. and Brazil. By segment, our revenues from external customers for the years ended December 31, 2014, 2013, and 2012 were $8,175.2 million, $7,353.3 million and $6,954.0 million from our U.S. operations, respectively, and $987.3 million, $810.8 million, and $522.1 million from our U.K. operations, respectively. For the years ended December 31, 2014 and 2013, our revenues from external customers from our Brazil operations were $775.4 million and $754.5 million, respectively. Net income by segment for the years ended December 31, 2014, 2013, and 2012 were $97.2 million, $105.3 million and $94.5 million from our U.S. operations, respectively, and $14.3 million, $10.1 million and $5.7 million from our U.K. operations, respectively. In our Brazil operations net loss was $18.5 million and $1.4 million for the years ended December 31, 2014 and 2013, respectively. As of December 31, 2014, 2013, and 2012, our aggregate long-lived assets other than goodwill and intangible assets and financial instruments in our U.S. operations were $849.2 million, $726.6 million, and $645.4 million, respectively, and our U.K. operations were $100.7 million, $65.9 million, and $33.0 million, respectively. As of December 31, 2014 and 2013 our long-lived assets other than goodwill and intangible assets and financial instruments in our Brazil operations were $22.1 million and $16.4 million, respectively. For a discussion of the risks associated with our operations in the U.K. and Brazil, please see Part I, "Item 1A. Risk Factors." The following table sets forth the regions and geographic markets in which we operate, the percentage of new vehicle retail units sold in each region in 2014 and the number of dealerships and franchises in each region:

Region	Geographic Market	Percentage of Our New Vehicle Retail Units Sold During the Year Ended December 31, 2014		As of December 31, 2014 Number of Dealerships	Number of Franchises
East	Massachusetts	5.8	%	7	7
	Georgia	4.6		8	11
	New Jersey	3.1		6	6
	New Hampshire	2.1		3	3
	Louisiana	1.7		3	4
	South Carolina	1.5		4	4
	Mississippi	1.4		3	3
	Florida	1.4		3	3
	New York	1.3		—	—
	Alabama	0.8		2	2
	Maryland	0.5		2	2
		24.2		41	45
West	Texas	36.2		48	64
	California	9.5		9	14
	Oklahoma	8.3		13	20
	Kansas	2.3		4	4
	Louisiana	0.6		1	2
		56.9		75	104
International	Brazil	10.1		17	21
	United Kingdom	8.8		17	25
Total		100.0	%	150	195

Each of our local operations has a management structure designed to promote and reward entrepreneurial spirit and the achievement of team goals. The general manager of each dealership, with assistance from the managers of new vehicle sales, used vehicle sales, parts, service, and finance and insurance, is ultimately responsible for the operation, personnel and financial performance of the dealership. Our dealerships are operated as distinct profit centers, and our general managers have a reasonable degree of empowerment within our organization. In the U.S., each general manager reports to one of our market directors or one of two regional vice presidents. Our U.S. regional vice presidents report directly to our Chief Executive Officer and are responsible for the overall performance of their regions, as well as for overseeing the market directors and dealership general managers that report to them. Our U.K. and Brazil operations are structured similarly, with a regional vice president reporting directly to our Chief Executive Officer.

New Vehicle Retail Sales

In 2014, we sold or leased 166,896 new vehicles representing 34 brands in retail transactions at our dealerships. Our retail sales of new vehicles accounted for 21.5% of our gross profit in 2014. In addition to the profit related to the transactions, a typical new vehicle retail sale or lease may create the following additional profit opportunities for our dealerships:

- manufacturer dealer incentives;
- the resale of any used vehicle trade-in purchased by the dealership;
- the sale of third-party finance, vehicle service and insurance contracts in connection with the retail sale;
- the sale of accessories or after-market products; and
- the service and repair of the vehicle both during and after the warranty period.

We consider brand diversity to be one of our strengths. The following table sets forth new vehicle sales revenue by brand and the number of new vehicle retail units sold in the year ended, and the number of franchises we owned, as of December 31, 2014:

	New Vehicle Revenues	New Vehicle Unit Sales	% of Total Units Sold	Franchises Owned as of December 31, 2014
	(In thousands)			
Toyota [1]	$1,066,685	37,435	22.4	16
BMW	822,007	15,522	9.3	25
Ford	594,293	17,933	10.7	16
Mercedes-Benz	421,550	6,997	4.2	8
Honda	410,672	15,697	9.4	8
Nissan	393,872	15,664	9.4	12
Lexus	308,949	6,546	3.9	4
Chevrolet	251,152	6,586	3.9	6
Audi	251,010	6,035	3.6	7
Hyundai	146,849	5,916	3.5	6
Acura	122,833	3,079	1.8	4
Volkswagen	103,705	4,111	2.5	7
Jeep	102,268	2,941	1.8	6
GMC	100,084	2,279	1.4	5
MINI	99,465	3,603	2.2	15
RAM	77,407	1,890	1.1	6
Land Rover	75,709	775	0.5	1
Kia	74,333	3,235	1.9	4
Dodge	53,715	1,784	1.1	6
Cadillac	53,126	1,037	0.6	2
Subaru	40,339	1,541	0.9	2
Buick	28,389	789	0.5	5
Peugeot	27,954	1,307	0.8	4
Renault [2]	27,027	1,447	0.9	—
Chrysler	18,847	558	0.3	6
Scion	14,838	684	0.4	N/A
Lincoln	10,855	229	0.1	3
Mazda	9,568	388	0.2	2
Sprinter	9,299	185	0.1	5
Volvo	8,450	226	0.1	1
Porsche	7,989	97	0.1	1
smart	3,889	260	0.2	1
Jaguar	2,507	26	0.0	1
Fiat [2]	1,984	94	0.1	—
Total	$5,741,619	166,896	100.0	195

(1) The Scion brand is not considered a separate franchise, but rather is governed by our Toyota franchise agreements. We sell the Scion brand at our Toyota franchised locations.

(2) Renault and Fiat franchises were disposed in 2014.

Our diversity by manufacturer, based on new vehicle unit sales for the years ended December 31, 2014, 2013, and 2012, is set forth below:

	For the Year Ended December 31,								
	2014	% of Total		2013	% of Total		2012	% of Total	
Toyota	44,621	26.7	%	41,419	26.6	%	38,951	30.3	%
BMW	19,125	11.5		17,277	11.1		14,529	11.3	
Honda	18,776	11.3		19,219	12.3		14,302	11.1	
Ford	18,161	10.9		18,081	11.6		11,957	9.3	
Nissan	15,664	9.4		15,845	10.2		14,638	11.4	
General Motors	10,691	6.4		7,520	4.8		7,237	5.6	
Volkswagen	10,243	6.1		9,802	6.3		8,439	6.6	
Hyundai	9,151	5.5		7,234	4.6		3,950	3.1	
Daimler (1)	7,442	4.5		7,011	4.5		6,613	5.1	
Chrysler	7,268	4.4		6,173	4.0		5,624	4.4	
Other	5,754	3.3		6,285	4.0		2,310	1.8	
Total	166,896	100.0	%	155,866	100.0	%	128,550	100.0	%

(1) Daimler includes Mercedes-Benz, smart and Sprinter brands.

Our new vehicle unit sales mix was affected by our acquisitions and dispositions during 2014, 2013 and 2012.

Some new vehicles we sell are purchased by customers under lease or lease-type financing arrangements with third-party lenders. New vehicle leases generally have shorter terms, bringing the customer back to the vehicle market, and our dealerships specifically, sooner than if the vehicle purchase was debt financed. In addition, leasing provides our dealerships with a steady supply of late-model, off-lease vehicles to be sold as used vehicles. Generally, leased vehicles remain under factory warranty, allowing the dealerships to provide repair services for the contract term. However, the penetration of finance and insurance product sales on leases tends to be less than in other financing arrangements (such as debt financed vehicles). We typically do not guarantee residual values on lease transactions. Lease vehicle unit sales represented 15.1%, 16.8% and 19.6% of our total new vehicle retail unit sales for the years ended December 31, 2014, 2013 and 2012, respectively.

Used Vehicle Sales, Retail and Wholesale

We sell used vehicles at each of our franchised dealerships. In 2014, we sold or leased 109,873 used vehicles at our dealerships, and sold 54,602 used vehicles in wholesale markets. Our retail sales of used vehicles accounted for 12.0% of our gross profit in 2014. Used vehicles sold at retail typically generate higher gross margins on a percentage basis than new vehicles primarily because of their relatively limited comparability, which is dependent on a vehicle's age, mileage and condition, among other things.

Valuations of used vehicles vary based on supply and demand factors, the level of new vehicle incentives, and the availability of retail financing and general economic conditions. Profit from the sale of used vehicles depends primarily on a dealership's ability to obtain a high-quality supply of used vehicles at reasonable prices and to effectively manage that inventory. Our new vehicle operations provide our used vehicle operations with a large supply of generally high-quality trade-ins and off-lease vehicles, and are the best source of high-quality used vehicles. Our dealerships supplement their used vehicle inventory with purchases at auctions, including manufacturer-sponsored auctions available only to franchised dealers. We continue to extensively utilize a common used vehicle management software in all of our U.S. dealerships with the goal to enhance the management of used vehicle inventory, focusing on the more profitable retail used vehicle business and reducing our wholesale used vehicle business. This internet-based software tool is an integral part of our used vehicle process, enabling our managers to make used vehicle inventory decisions based on real time market valuation data. It also allows us to leverage our size and local market presence by expanding the pool from which used vehicles can be sold within a given market or region within the U.S., effectively broadening the demand for our used vehicle inventory. In addition, this software supports increased oversight of our assets in inventory, allowing us to better control our exposure to used vehicles, the values of which typically decline over time.

In addition to active management of the quality and age of our used vehicle inventory, we are focused on increasing the total lifecycle profitability of our used vehicle operations by participating in manufacturer certification programs where available. Manufacturer certified pre-owned ("CPO") vehicles offer customers the opportunity to purchase a used vehicle that has passed a rigorous array of manufacturer-defined tests, and as a result, come with a manufacturer's extended service warranty and potentially other perks. With the extended service warranty, the sale of CPO vehicles tends to generate better service loyalty for the selling dealership. CPO vehicles typically cost more to recondition, but sell at a premium compared to other used vehicles and are available only from franchised new vehicle dealerships. In some cases, CPO vehicles are eligible for manufacturer support, such as subsidized finance rates and extension of the manufacturer warranty. Our CPO vehicle sales in the U.S. and U.K. represented 33.5% of total used retail sales in 2014.

Parts and Service Sales

We sell replacement parts and provide maintenance and repair services at each of our franchised dealerships and provide collision repair services at the 38 collision centers that we operate. Our parts and service business accounted for 41.0% of our gross profit in 2014. We perform both warranty and non-warranty service work at our dealerships, primarily for the vehicle brand(s) sold at a particular location. Warranty work, customer pay, collision and wholesale accounted for 19.4%, 46.3%, 13.2% and 21.1%, respectively, of the revenues from our parts and service business in 2014. Our parts and service departments also perform used vehicle reconditioning and new vehicle enhancement services for which they realize a profit when a vehicle is sold to a retail customer. However, the revenue for that internal work is eliminated from our parts and service revenue in the consolidation of our financial statements.

The automotive repair industry is highly fragmented, with a significant number of independent maintenance and repair facilities in addition to those of the franchised dealerships. We believe, however, that the increasing complexity of new vehicles, especially in the area of electronics, has made it difficult for many independent repair shops to retain the expertise necessary to perform major or technical repairs. We have made investments in obtaining, training, and retaining qualified technicians to work in our service and repair facilities and in state of the art diagnostic and repair equipment to be utilized by these technicians. Additionally, manufacturers only permit warranty and recall work to be performed at franchised dealerships. Currently, a trend exists in the automobile industry towards longer new vehicle warranty periods and more diligence with manufacturer recalls. As a result, we believe that over time an increasing percentage of all repair work will be performed at franchised dealerships that have the sophisticated equipment and skilled personnel necessary to perform repairs and warranty work on today’s complex vehicles.

Our strategy to capture an increasing share of the parts and service work performed by franchised dealerships and enhance profitability includes the following elements:

- Focus on Customer Relationships; Emphasize Preventative Maintenance. Our dealerships seek to retain new and used vehicle customers as customers of our parts and service departments. To accomplish this goal, we use computer systems that track customers’ maintenance records and provide advance notice to owners of vehicles purchased or serviced at our dealerships when their vehicles are due for periodic service. Our use of computer-based customer relationship management tools increases the reach and effectiveness of our marketing efforts, allowing us to target our promotional offerings to areas in which service capacity is under-utilized or profit margins are greatest. We continue to train our service personnel to establish relationships with their service customers to promote a long-term business relationship. And, we are focused on enhancing access to our service facilities by providing customers with readily-accessible means to schedule service appointments. We believe our parts and service activities are an integral part of the customer service experience, allowing us to create ongoing relationships with our dealerships’ customers thereby deepening customer loyalty to the dealership as a whole.
- Sell Vehicle Service Contracts in Conjunction with Vehicle Sales. Our finance and insurance sales departments attempt to connect new and used vehicle customers with vehicle service contracts, and thereby secure repeat customer business for our parts and service departments.
- Efficient Management of Parts Inventory. Our dealerships’ parts departments support their sales and service departments, selling factory-approved parts for the vehicle makes and models sold by a particular dealership. Parts are either used in repairs made in the service department, sold at retail to customers, or sold at wholesale to independent repair shops and other franchised dealerships. Our dealerships also frequently share parts with each other. Our dealerships employ parts managers who oversee parts inventories and sales. Software programs are used to monitor parts inventory, maximize sales, avoid obsolete and unused parts, and take advantage of manufacturer return procedures.
- Expansion of Collision Center Operations. We plan to continue to grow our collision center operations. Expansion in this segment of the business is not restricted by franchise agreements or manufacturer relationships. We believe that our concentration of dealership operations in certain of the markets in which we

operate significantly enhances the profit model.
Finance and Insurance Sales
Revenues from our finance and insurance operations consist primarily of fees for arranging financing, and vehicle service and insurance contracts in connection with the retail purchase of a new or used vehicle. Our finance and insurance business accounted for 25.3% of our gross profit in 2014. We offer a wide variety of third-party finance, vehicle service and insurance

products in a convenient manner and at competitive prices. To increase transparency to our customers, we offer all of our products on menus that display pricing and other information, allowing customers to choose the products that suit their needs.

Financing. We arrange third-party purchase and lease financing for our customers. In return, we receive a fee from the third-party finance company upon completion of the financing. These third-party finance companies include manufacturers' captive finance subsidiaries, selected commercial banks and a variety of other third-parties, including credit unions and regional auto finance companies. Generally, we do not retain substantial credit risk after a customer has received financing, though we do retain limited credit risk in some circumstances. The fees we receive are subject to chargeback, or repayment, to the finance company, if a customer defaults or prepays the retail installment contract, typically during some limited time period at the beginning of the contract term. We have negotiated incentive programs with some finance companies pursuant to which we receive additional fees upon reaching a certain volume of business.

Extended Warranty, Vehicle Service and Insurance Products. We offer our customers a variety of vehicle warranty and extended protection products in connection with purchases of new and used vehicles, including:

- extended warranties;
- maintenance, or vehicle service, products and programs;
- guaranteed asset protection insurance, which covers the shortfall between a customer's contract balance and insurance payoff in the event of a total vehicle loss; and
- lease "wear and tear" insurance.

The products our dealerships currently offer are generally underwritten and administered by independent third parties, including the vehicle manufacturers' captive finance subsidiaries. Under our arrangements with the providers of these products, we either sell these products on a straight commission basis, or we sell the product, recognize commission and participate in future underwriting profit, if any, pursuant to a retrospective commission arrangement. These commissions may be subject to chargeback, in full or in part, if the contract is terminated prior to its scheduled maturity.

New and Used Vehicle Inventory Financing

Our dealerships finance their inventory purchases through the floorplan portion of our revolving credit facility and three separate floorplan credit facility arrangements with manufacturers that we represent, BMW, Volkswagen, and Ford, in addition to credit facilities we have with financial institutions in Brazil. Our revolving syndicated credit facility matures in June 2018 and provides a total borrowing capacity of $1.7 billion, (the "Revolving Credit Facility"). We utilize our Floorplan Line to finance up to 80% of the value of our used vehicle inventory in the U.S., and up to 100% of the value of all new vehicle inventory in the U.S., other than new vehicles purchased from Ford. We can expand the Revolving Credit Facility to its maximum commitment of $1.95 billion, subject to participating lender approval. The Revolving Credit Facility consists of two tranches: a maximum of $1.6 billion for vehicle inventory financing ("Floorplan Line"), as well as a maximum of $320.0 million and a minimum of $100.0 million for working capital and general corporate purposes, including acquisitions ("Acquisition Line"). The capacity under these two tranches can be re-designated within the overall $1.7 billion commitment, subject to the aforementioned limits. However, the amount of available borrowing capacity under the Acquisition Line may be limited from time to time based upon the available borrowing base calculation within the debt covenants under the Revolving Credit Facility.

We have a floorplan arrangement with Ford Motor Credit Company ("FMCC Facility") that provides $300.0 million of floorplan financing capacity. We use the funds available under this arrangement to exclusively finance our U.S. inventories of new Ford vehicles sold by the lender's manufacturer affiliate. The FMCC Facility is an evergreen arrangement that may be canceled with 30 days notice by either party. Should the FMCC Facility no longer be available to us for financing of our new U.S. Ford inventory, we could utilize the available capacity under our Floorplan Line to finance our new Ford vehicle inventory.

We also finance certain rental vehicles in the U.S. through separate arrangements with the respective automobile manufacturers. In addition, we utilize credit facilities with BMW Financial Services, Volkswagen Finance, and Ford Motor Credit Company ("FMCC") for the financing of new, used, and rental vehicle inventories associated with our U.K. operations.

Further, we have credit facilities with financial institutions in Brazil, most of which are affiliated with the manufacturers, for the financing of new, used and rental vehicle inventories related to our Brazil operations. These facilities may be canceled with notice by either party and bear interest at a benchmark rate, plus a surcharge that varies based upon the type of vehicle being financed. Many manufacturers offer interest assistance to offset a portion of floorplan interest charges incurred in connection with holding new vehicle inventory purchases, which we recognize as a reduction of cost of new vehicle sales.

Acquisition and Divestiture Program

We pursue an acquisition and divestiture program focused on the following objectives:

- enhancing brand and geographic diversity with a primary focus on import and luxury brands;
- creating economies of scale;
- delivering a targeted return on investment; and
- eliminating underperforming dealerships.

Since our inception, we have grown our business primarily through acquisitions. Over the five-year period from January 1, 2010 through December 31, 2014, we:

- purchased 89 franchises with expected annual revenues, estimated at the time of acquisition, of $3.6 billion;
- disposed of or terminated 38 franchises with annual revenues of approximately $984.0 million; and
- were granted eight new franchises by vehicle manufacturers with expected annual revenues, estimated at the time of grant, of $140.2 million.

Acquisition Strategy. We seek to acquire large, profitable, well-established dealerships and franchises that are leaders in their markets to:

- expand into geographic areas we currently do not serve;
- expand our brand, product, and service offerings in our existing markets;
- capitalize on economies of scale in our existing markets; and/or
- increase operating efficiency and cost savings in areas such as used vehicle sourcing, advertising, purchasing, data processing, personnel utilization, and the cost of floorplan financing.

We typically pursue dealerships with superior operational management, whom we seek to retain. By retaining existing personnel who have experience and in-depth knowledge of their local market, we believe that we can mitigate the risks involved with employing and training new and untested personnel. In addition, our acquisition strategy targets the purchase of the related real estate to provide maximum operating flexibility.

We focus on the acquisition of dealerships or groups of dealerships that we believe offer opportunities for higher returns, and particularly on brands which provide growth opportunities for our parts and service operations and strengthen our operations in geographic regions in which we currently operate with attractive long-term economic prospects.

Recent Acquisitions. In 2014, we acquired 19 franchises with expected annualized revenues, estimated at the time of acquisition, of $910.0 million. The new franchises included: (a) two in Brazil; (b) six in the U.K.; and (c) 11 in the U.S.

Divestiture Strategy. We continually review the investments in our dealership portfolio for disposition opportunities, based upon a number of criteria, including:

- the rate of return on our capital investment over a period of time;
- location of the dealership in relation to existing markets and our ability to leverage our cost structure;
- potential future capital investment requirements;
- the brand; and
- existing real estate obligations, coupled with our ability to exit those obligations or identify an alternate use.

While it is our desire to only acquire profitable, well-established dealerships, at times we have been requested, in connection with the acquisition of a particular dealership group, to acquire dealerships that do not fit our acquisition strategy. We acquire such dealerships with the understanding that we may need to divest some or all of them at some future time. The costs associated with such potential divestitures are included in our analysis of whether we acquire all dealerships in the same acquisition. Additionally, we may acquire a dealership whose profitability is marginal, but which we believe can be increased through various factors, such as: (a) change in management, (b) increase or improvement in facility operations, (c) relocation of facility based on demographic changes, (d) reduction in costs, or (e) sales training. If, after a period of time, a dealership's profitability does not positively respond, management will make the decision to sell the dealership to a third party, or, in a rare case, surrender the franchise back to the manufacturer. In conjunction with the disposition of certain of our dealerships, we may also dispose of the associated real estate. Management constantly monitors the performance of all of our dealerships, and routinely assesses the need for divestiture. In connection with divestitures, we are sometimes required to incur additional charges associated with lease terminations or the impairment of long-lived assets. We continue to rationalize our dealership portfolio and focus on increasing the overall profitability of our operations.

Recent Dispositions. During 2014, we disposed of seven dealerships and one franchise in the U.S. and three dealerships in Brazil with annualized revenues of approximately $450.0 million.

Competition

We operate in a highly competitive industry. In each of our markets, consumers have a number of choices in deciding where to purchase a new or used vehicle and how the purchase will be financed. Consumers also have options for the purchase of related parts and accessories, as well as the service and repair of vehicles.

In the U.S., according to The National Automobile Dealers Association, there were approximately 17,665 franchised automobile dealerships as of January 1, 2014, which was up from 17,635 as of January 1, 2013 and down 2,345 from January 1, 2009. In addition, there were approximately 35,273 independent used vehicle dealers in the retail automotive industry.

In the U.K., according to the National Franchised Dealers Association, there were approximately 4,377 franchised dealerships as of January 2014, which was down from 4,420 as of January 2013.

In Brazil, according to The National Association of Automobile Manufacturers, there were approximately 4,249 franchised automobile dealerships as of January 1, 2013, which was up 255 from January 1, 2012, 535 from January 1, 2011 and 1,039 from January 1, 2010.

Our competitive success depends, in part, on national and regional automobile-buying trends, local and regional economic factors, and other regional competitive pressures. Conditions and competitive pressures affecting the markets in which we operate, or in any new markets we enter, could adversely affect us, although the retail automobile industry as a whole might not be affected. Some of our competitors may have greater financial, marketing and personnel resources, and lower overhead and sales costs than we do. We cannot guarantee that our operating performance and our acquisition or disposition strategies will be more effective than the strategies of our competitors.

New and Used Vehicles. We believe the principal competitive factors in the automotive retailing business are location, suitability of the facility, on-site management, the acceptance of a franchise to the market in which it is located, service, price, and selection. In the new vehicle market, our dealerships compete with other franchised dealerships in their market areas, as well as auto brokers, leasing companies, and internet companies that provide referrals to, or broker vehicle sales with, other dealerships or customers. We are subject to competition from dealers that sell the same brands of new vehicles that we sell and from dealers that sell other brands of new vehicles that we do not sell in a particular market. Our new vehicle dealer competitors also have franchise agreements with the various vehicle manufacturers and, as such, generally have access to new vehicles on the same terms as we do. We do not have any cost advantage in purchasing new vehicles from vehicle manufacturers, and our franchise agreements do not grant us the exclusive right to sell a manufacturer’s product within a given geographic area.

In the used vehicle market, our dealerships compete both in their local market and nationally, including over the internet, with other franchised dealers, large multi-location used vehicle retailers, local independent used vehicle dealers, automobile rental agencies, and private parties for the supply and resale of used vehicles.

Parts, Service and Collision. We believe the principal competitive factors in the parts and service business are the quality of customer service, the use of factory-approved replacement parts, familiarity with a manufacturer’s brands and models, convenience, access to technology required for certain repairs and services (e.g., software patches, diagnostic equipment, etc.), location, price, the competence of technicians, and the availability of training programs to enhance such expertise. In the parts and service market, our dealerships compete with other franchised dealers to perform warranty repairs and sell factory replacement parts. Our dealerships also compete with other automobile dealers, franchised and independent service center chains, and independent repair shops for non-warranty repair and maintenance business. In addition, our dealerships sell replacement and aftermarket parts both locally and nationally over the internet in competition with franchised and independent retail and wholesale parts outlets. A number of regional or national chains offer selected parts and services at prices that may be lower than ours. Our collision centers compete with other large, multi-location companies, as well as local, independent, collision service operations.

Finance and Insurance. We face competition in arranging financing for our customers’ vehicle purchases from a broad range of financial institutions. We believe the principal competitive factors in the finance and insurance business are convenience, interest rates, product availability, product knowledge and flexibility in contract length. Many financial institutions now offer finance and insurance products over the internet, which may reduce our profits from the sale of

these products. We may be charged back for unearned financing, insurance contracts or vehicle service contract fees in the event of early termination of the contracts by customers.
Acquisitions.   We compete with other national dealer groups and individual investors for acquisitions. Increased competition, especially for certain luxury and import brands, may raise the cost of acquisitions. We cannot guarantee that there

will be sufficient opportunities to complete desired acquisitions, nor are we able to guarantee that we will be able to complete acquisitions on terms acceptable to us.

Financing Arrangements and Indebtedness

As of December 31, 2014, our outstanding indebtedness, coupled with lease and other obligations totaled $3,280.0 million, including the following:

- $1,098.1 million under the Floorplan Line of our Revolving Credit Facility;
- $69.7 million under the Acquisition Line of our Revolving Credit Facility;
- $307.5 million of future commitments under various operating leases;
- $540.1 million in carrying value of 5.00% senior notes due 2022 ("5.00% Notes");
- $293.5 million of term loans, entered into independently with four of our manufacturer-affiliated finance partners, Toyota Motor Credit Corporation (“TMCC”), Mercedes-Benz Financial Services USA LLC (“MBFS”), BMW Financial Services NA, LLC (“BMWFS”), and FMCC, as well as other third-party financial institutions, primarily to finance the purchase of real estate;
- $127.7 million under our FMCC Facility;
- $163.0 million under floorplan notes payable to various manufacturer affiliates and third-party financial institutions for foreign and rental vehicles;
- $58.0 million under our five-year real estate credit facility (“Real Estate Credit Facility”);
- $55.4 million of capital lease obligations related to real estate, as well as $40.7 million of estimated interest;
- $64.6 million of various other debt and other capital lease obligations;
- $28.7 million of obligations from interest rate risk management activities, as well as $51.8 million of estimated interest associated therewith;
- $295.7 million of estimated interest payments on floorplan notes payable and other long-term debt obligations;
- $43.2 million of letters of credit, to collateralize certain obligations, issued under the Acquisition Line; and
- $42.3 million of other short and long-term purchase commitments.

As of December 31, 2014, we had the following amounts available for additional borrowings under our various credit facilities:

- $281.9 million under the Floorplan Line of our Revolving Credit Facility, including $39.6 million of immediately available funds;
- $207.1 million under the Acquisition Line of our Revolving Credit Facility, which is limited based upon a borrowing base calculation within certain debt covenants under the Revolving Credit Facility; and
- $172.3 million under our FMCC Facility, including $22.5 million of immediately available funds.

In addition, the indentures relating to our other debt instruments allow us to incur additional indebtedness and enter into additional operating leases, subject to certain conditions.

Stock Repurchase Program

From time to time, our Board of Directors gives authorization to repurchase shares of our common stock, subject to the restrictions of various debt agreements and our judgment. In November 2014, a new authorization of $100.0 million was approved by the Board of Directors, replacing the prior authorization and any amount remaining. During 2014, we repurchased 537,054 shares at an average price of $68.51 per share, for a total of $36.8 million, leaving $99.4 million available for future repurchases under the Board of Director's November 2014 authorization. Future repurchases are subject to the discretion of our Board of Directors after considering our results of operations, financial condition, cash flows, capital requirements, existing debt covenants, outlook for our business, general business conditions and other factors. We are limited under the terms of the Revolving Credit Facility and Real Estate Credit Facility in our ability to, among other things, repurchase shares of our outstanding common stock and make payments of cash dividends to our stockholders ("Restricted Payment Basket").

Dividends

During 2014, our Board of Directors approved four quarterly cash dividends. The first three dividends were approved and paid at $0.17 per share and the fourth one was increased to $0.19 per share for a total of $0.70 per share, or $17.1 million, for the year ending December 31, 2014. The payment of dividends in the future is subject to the discretion of our Board of Directors, after considering our results of operations, financial condition, cash flows, capital requirements, outlook for our business, general business conditions, the political and legislative environments, and other factors. As noted above, under the terms of the Restricted Payment Basket, we are also limited in our ability to make cash dividend payments to our stockholders.

As of December 31, 2014, the Restricted Payment Basket under both facilities was $181.6 million and will increase in the future periods by 50.0% of our future cumulative net income, adjusted to exclude the Company's foreign operations, non-cash interest expense, non-cash asset impairment charges, and non-cash stock-based compensation, plus the net proceeds received from the sale of our capital stock, and decrease by the amount of future payments for cash dividends and share repurchases.

Relationships and Agreements with our Manufacturers

Each of our U.S. dealerships operates under one or more franchise agreements with vehicle manufacturers (or authorized distributors). The franchise agreements grant the franchised automobile dealership a non-exclusive right to sell the manufacturer's or distributor's brand of vehicles and offer related parts and service within a specified market area. These franchise agreements grant our dealerships the right to use the manufacturer's or distributor's trademarks in connection with their operations, and impose numerous operational requirements and restrictions relating to, among other things:

- inventory levels;
- working capital levels;
- the sales process;
- minimum sales performance requirements;
- customer satisfaction standards;
- marketing and branding;
- facility standards and signage;
- personnel;
- changes in management; and
- monthly financial reporting.

Our dealerships' franchise agreements are for various terms, ranging from one year to indefinite. Each of our franchise agreements may be terminated or not renewed by the manufacturer for a variety of reasons, including unapproved changes of ownership or management and performance deficiencies in such areas as sales volume, sales effectiveness, and customer satisfaction. In most cases, manufacturers have renewed the franchises upon expiration so long as the dealership is in compliance with the terms of the agreement. From time to time, certain manufacturers may assert sales and customer satisfaction performance deficiencies under the terms of our framework and franchise agreements at a limited number of our dealerships. We work with these manufacturers to address any performance issues.

In general, the U.S. jurisdictions in which we operate have automotive dealership franchise laws that provide that, notwithstanding the terms of any franchise agreement, it is unlawful for a manufacturer to terminate or not renew a franchise unless "good cause" exists. It generally is difficult for a manufacturer to terminate, or not renew, a franchise under these laws, which were designed to protect dealers. Though unsuccessful to date, manufacturers' lobbying efforts may lead to the repeal or revision of dealer laws. If dealer laws are repealed in the U.S. states in which we operate, manufacturers may be able to terminate our franchises without providing advance notice, an opportunity to cure or showing of good cause. Without the protection of dealer laws, it may also be more difficult for our dealers to renew their franchise agreements upon expiration. Further, U.S. federal law, including any federal bankruptcy law, may preempt U.S. state law and allow manufacturers greater freedom to terminate or not renew franchises.

The U.K. generally does not have automotive dealership franchise laws and, as a result, our U.K. dealerships operate without these types of specific protections. However, similar protections may be available as a matter of general U.K. contractual law. In addition, our U.K. dealerships are subject to European Union ("EU") and U.K. antitrust rules prohibiting certain restrictions on the sale of new vehicles and spare parts and on the provision of repairs and maintenance across the EU. For example, authorized dealers are generally able to, subject to manufacturer facility requirements, relocate or add additional facilities throughout the EU, offer multiple brands in the same facility, allow the operation of service facilities independent of new car sales facilities and ease restrictions on cross supplies (including on transfers of dealerships) between existing

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authorized dealers within the EU. However, certain restrictions on dealerships may be permissible provided the conditions set out in the relevant EU Block Exemption Regulations are met. These conditions for exemption changed on June 1, 2013, in respect of the sale of new vehicles. We do not currently believe that these legislative changes will have a material effect on us in the U.K.

The sale of vehicles in Brazil is regulated by federal law, commonly referred to in Brazil as the Ferrari Law. Such law sets forth the terms and conditions of distribution agreements executed among manufacturers and dealerships, specifically with regard to the distribution of cars, trucks, buses, tractors, motorbikes and similar vehicles. In addition, the Ferrari Law establishes the geographical area of a dealership, termination of distribution agreements and their consequences, among other things. Any contractual provision that conflicts with the Ferrari Law is considered void in Brazil. The distribution agreements contemplate the commercialization of vehicles and components fabricated by the manufacturer, the rendering of technical assistance relating to such products and the usage by the dealerships of the manufacturers' brand. According to the Ferrari Law, distribution agreements may be executed for either a determined or an undetermined term. In the case of a distribution agreement executed for a determined term, its initial term may not be less than 5 years. At the end of this initial 5 years term, such distribution agreement will be automatically converted into an undetermined term distribution agreement, unless any of the parties thereto expressly waives such right with a 180 days prior notice. In the case of an early termination of a distribution agreement other than as a result of a persistent breach or force majeure, the Ferrari law entitles the non-breaching party to, among other things, certain termination payments.

The economic recession, that began in 2008, caused domestic manufacturers to critically evaluate their respective dealer networks and terminate certain brands, and, as a result, the respective franchises. For example, General Motors chose to discontinue the Pontiac brand and, as a result, both of our Pontiac franchises were terminated. In addition, Ford chose to discontinue the Mercury brand and, as a result, all four of our Mercury franchises were terminated. Subject to similar future economic factors and material changes to the regulations discussed above, we generally expect our franchise agreements to survive for the foreseeable future and, when the agreements do not have indefinite terms, anticipate routine renewals of the agreements without substantial cost or modification.

Our dealership service departments perform vehicle repairs and service for customers under manufacturer warranties. We are reimbursed for the repairs and service directly from the manufacturer. Some manufacturers offer rebates to new vehicle customers that we are required, under specific program rules, to adequately document, support, and typically are responsible for collecting. In addition, from time to time, some manufacturers provide us with incentives to sell certain models and levels of inventory over designated periods of time. Under the terms of our dealership franchise agreements, the respective manufacturers are able to perform warranty, incentive, and rebate audits and charge us back for unsupported or non-qualifying warranty repairs, rebates or incentives.

In addition to the individual dealership franchise agreements discussed above, we have entered into framework agreements in the U.S. with most major vehicle manufacturers and distributors. These agreements impose a number of restrictions on our operations, including our ability to make acquisitions and obtain financing, and our management. These agreements also impose change of control provisions related to the ownership of our common stock. For a discussion of these restrictions and the risks related to our relationships with vehicle manufacturers, please read Part I, “Item 1A. Risk Factors.”

The following table sets forth the percentage of our new vehicle retail unit sales attributable to our top five manufacturers in terms of percent of new vehicle retail units sold:

Manufacturer	Percentage of New Vehicle Retail Units Sold during the Year Ended December 31, 2014
Toyota	22.4%
Ford	10.7%
Honda	9.4%

Nissan	9.4%
BMW	9.3%

Governmental Regulations

Automotive and Other Laws and Regulations

We operate in a highly regulated industry. A number of U.S. state and federal laws and regulations affect our business and the business of our manufacturers. In every U.S. state in which we operate, we must obtain various licenses in order to operate our businesses, including dealer, sales and finance, and insurance licenses issued by state regulatory authorities. Numerous laws and regulations govern our conduct of business, including those relating to our sales, operations, financing, insurance, advertising and employment practices. These laws and regulations include franchise laws and regulations, consumer protection laws, and other extensive laws and regulations applicable to new and used motor vehicle dealers, as well as a variety of other laws and regulations. These laws also include U.S. federal and U.S. state wage-hour, anti-discrimination and other employment practices laws.

Our financing activities with customers are subject to U.S. federal truth-in-lending, consumer leasing, and equal credit opportunity laws and regulations, as well as state and local motor vehicle finance laws, installment finance laws, usury laws, and other installment sales laws and regulations. Some U.S. states regulate finance fees and charges that may be paid as a result of vehicle sales. Claims arising out of actual or alleged violations of law may be asserted against us, or our dealerships, by individuals or governmental entities and may expose us to significant damages or other penalties, including revocation or suspension of our licenses to conduct dealership operations and fines.

Our U.S. operations are subject to the National Traffic and Motor Vehicle Safety Act, Federal Motor Vehicle Safety Standards promulgated by the United States Department of Transportation and the rules and regulations of various state motor vehicle regulatory agencies. The imported automobiles we purchase in the U.S. are subject to United States customs duties, and in the ordinary course of our business we may, from time to time, be subject to claims for duties, penalties, liquidated damages or other charges.

Our U.S. operations are subject to consumer protection laws known as Lemon Laws. These laws typically require a manufacturer or dealer to replace a new vehicle or accept it for a full refund within one year after initial purchase if the vehicle does not conform to the manufacturer’s express warranties and the dealer or manufacturer, after a reasonable number of attempts, is unable to correct or repair the defect. U.S. federal laws require various written disclosures to be provided on new vehicles, including mileage and pricing information. We are aware that several U.S. states are considering enacting consumer “bill-of-rights” statutes to provide further protection to the consumer which could affect our profitability in such states.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law and established the Consumer Financial Protection Bureau (the “CFPB”) with broad regulatory powers. Although automotive dealers are generally excluded from the CFPB’s regulatory authority, we are required to comply with regulations applicable to privacy notices, and the CFPB has announced its intention to regulate automotive financing activities through its regulation of automotive finance companies and other financial institutions that service the automotive industry. The CFPB has issued regulatory guidance instructing financial institutions to monitor dealer loans for potential discrimination resulting from the system used to compensate dealers for assisting in the customer financing transaction. The CFPB has instructed lenders that, if discrimination is found, the lender would be required to change dealer compensation practices. In addition, the CFPB has announced its intention to regulate the sale of other finance and insurance products. If the result of either of these initiatives is to substantially restrict our ability to generate revenue from arranging financing for our customers for the purchase of vehicles and associated products and services, it could have a material adverse effect on our business and results of operations.

Environmental and Occupational Health and Safety Laws and Regulations

Our operations involve the use, handling, storage and contracting for recycling and/or disposal of materials such as motor oil and filters, transmission fluids, antifreeze, refrigerants, paints, thinners, batteries, cleaning products, lubricants, degreasing agents, tires, and fuel. Consequently, our business is subject to a complex variety of stringent laws and regulations governing management and disposal of materials and wastes, protection of the environment and occupational health and safety. These laws and regulations affect many aspects of our operations, such as requiring the acquisition of permits or other governmental approvals to conduct regulated activities, restricting the manner in which we handle, recycle and dispose of our wastes, incurring capital expenditures to construct, maintain and upgrade pollution control and containment equipment and facilities, imposing specific health and safety criteria addressing worker protection, and imposing substantial liabilities for pollution caused by our operations or attributable to former operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, imposition of corrective action and remedial obligations, and issuance of injunctions delaying, restricting or prohibiting some or all of our operations. We may not be able to recover some or any of these costs from insurance.

Most of our dealerships utilize above ground storage tanks and, to a lesser extent, underground storage tanks primarily for storing and dispensing petroleum-based products. Storage tanks in the U.S. are subject to testing, containment, upgrading and removal requirements under the Resource Conservation and Recovery Act, or RCRA, and its state law counterparts. RCRA imposes requirements relating to the handling and disposal of hazardous and non-hazardous wastes and requires us to comply with stringent and costly requirements in connection with our storage and recycling or disposal of the various used fluids, paints, batteries, tires, and fuels generated by our operations. Clean-up or other remedial action may be necessary in the event of leaks or other unauthorized discharges from storage tanks or other equipment operated by us. In addition, water quality protection programs under the Federal Water Pollution Control Act (commonly known as the Clean Water Act) and comparable U.S. state and local programs govern certain wastewater and storm water discharges from our operations, which discharges may require permitting. Similarly, certain sources of air emissions from our operations may be subject to permitting, monitoring and reporting requirements, pursuant to the federal Clean Air Act and related state and local laws. Certain health and safety standards imposed under the Federal Occupational Safety and Health Act or otherwise promulgated by the Occupational Safety and Health administration of the United States Department of Labor and related state agencies are also applicable to protection of the health and safety of our employees.

We generally conduct environmental studies on dealerships to be acquired regardless of whether we are leasing or acquiring in fee the underlying real property, and as necessary, implement environmental management practices or remedial activities to reduce the risk of noncompliance with environmental laws and regulations. Nevertheless, we currently own or lease, and in connection with our acquisition program anticipate in the future owning or leasing, properties that in some instances have been used for auto retailing and servicing for many years. Laws regarding the prevention of pollution or remediation of environmental contamination generally apply regardless of whether we lease or purchase the land and facilities. Although we or our predecessors may have utilized operating and disposal practices that were standard in the industry at the time, a risk exists that petroleum products or wastes such as new and used motor oil, transmission fluids, antifreeze, lubricants, solvents and motor fuels could have been spilled or released on or under the properties owned or leased by us or on or under other locations where such materials were taken for recycling or disposal. Further, we believe that structures found on some of these properties may contain asbestos-containing materials, although in an undisturbed condition that does not require removal or other corrective action under applicable regulations. In addition, many of these properties have been operated by third parties whose use, handling and disposal of such petroleum products or wastes were not under our control. These properties and the materials disposed or released on them may be subject to the U.S. federal Comprehensive Environmental Response, Compensation, and Liability Act (also known as the Superfund law), RCRA and analogous U.S. state laws, pursuant to which we could be required to remove or remediate previously disposed wastes or property contamination or to perform remedial activities to prevent future contamination.

The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. Consequently, any changes in environmental laws and regulations or re-interpretations of enforcement policies that result in more stringent and costly vehicular pollution control equipment or waste handling, storage, transport, disposal or remediation requirements could have a material adverse effect on our business, results of operations and financial position. For example, U.S. vehicle manufacturers are subject to U.S. federal mandated corporate average fuel economy standards, which will increase substantially from 2013 through model year 2025. Furthermore, based on determinations made by the U.S. Environmental Protection Agency ("EPA"), that emissions of carbon dioxide and certain other gases, referred to as “greenhouse gases,” present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth’s atmosphere and other climatic changes, the EPA had adopted regulations that, among other things, restrict emissions of greenhouse gases from motor vehicles. Moreover, climate-change legislation and regulatory changes have been made or are being considered at state and federal levels. The adoption of any laws or regulations requiring significant increases in fuel economy requirements or new federal or state restrictions on emissions of greenhouse gases on vehicles and automotive fuels in the United States could adversely affect prices of and demand for the vehicles we sell.

Insurance and Bonding

Our operations expose us to the risk of various liabilities, including:

- claims by employees, customers or other third parties for personal injury or property damage resulting from our operations; and

- fines and civil and criminal penalties resulting from alleged violations of federal and state laws or regulatory requirements.

The automotive retailing business is also subject to substantial risk of real and personal property loss as a result of the significant concentration of real and personal property values at dealership locations. Under self-insurance programs, we retain various levels of aggregate loss limits, per claim deductibles and claims handling expenses, including property and casualty, automobile physical damage, and employee medical benefits. In certain cases, we insure costs in excess of our retained risk per claim under various contracts with third-party insurance carriers. Actuarial estimates for the portion of claims not covered by insurance are based on historical claims experience, adjusted for current trends and changes in claims-handling procedures. Risk retention levels may change in the future as a result of changes in the insurance market or other factors affecting the economics of our insurance programs. Although we believe our insurance coverage is adequate, we cannot assure that we will not be exposed to uninsured or underinsured losses that could have a material adverse effect on our business, results of operations and financial condition.

We make provisions for retained losses and deductibles by reflecting charges to expense based upon periodic evaluations of the estimated ultimate liabilities on reported and unreported claims. The insurance companies that underwrite our insurance require that we secure certain of our obligations for self-insured exposures with collateral. Our collateral requirements are set by the insurance companies and, to date, have been satisfied by posting surety bonds, letters of credit and/or cash deposits. Our collateral requirements may change from time to time based on, among other things, our total insured exposure and the related self-insured retention assumed under the policies.

Employees

We believe our relationship with our employees is favorable. As of December 31, 2014, we employed 11,978 (full-time, part-time and temporary) people, of whom:

- 1,620 were employed in managerial positions;
- 2,618 were employed in non-managerial vehicle sales department positions;
- 5,792 were employed in non-managerial parts and service department positions; and
- 1,948 were employed in administrative support positions.

In the U.S., 56 of our employees in New Jersey are represented by a labor union. In Brazil, all employees are represented by a local union. Because of our dependence on vehicle manufacturers, we may be affected by labor strikes, work slowdowns and walkouts at vehicle manufacturing facilities and/or their suppliers. Additionally, labor strikes, work slowdowns and walkouts at businesses participating in the distribution of manufacturers' products may also affect us.

For further discussion, please read Part I, "Item 1A. Risk Factors."

Seasonality

We generally experience higher volumes of vehicle sales and service in the second and third calendar quarters of each year in the U.S., in the first and third quarters in the U.K. and during the third and fourth quarters in Brazil. This seasonality is generally attributable to consumer buying trends and the timing of manufacturer new vehicle model introductions. As a result, our consolidated revenues and operating income are typically lower in the first and fourth quarters and higher in the second and third quarters. The first quarter is generally the weakest in Brazil, driven by heavy consumer vacations and activities associated with Carnival. In addition, in some regions of the U.S., vehicle purchases decline during the winter months due to inclement weather. For the U.K., the first and third calendar quarters tend to be stronger, driven by plate change months of March and September. Other factors unrelated to seasonality, such as changes in economic condition, inventory availability, manufacturer incentive programs or shifts in governmental taxes or regulations may exaggerate seasonal or cause counter-seasonal fluctuations in our revenues and operating income.

For further discussion, please read Part I, "Item 1A. Risk Factors."

Internet Website and Availability of Public Filings

Our internet address is www.group1auto.com. We make the following information available free of charge on our internet website:

- Annual Report on Form 10-K;
- Quarterly Reports on Form 10-Q;
- Current Reports on Form 8-K;
- Amendments to the reports filed or furnished electronically with the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act;
- Our Corporate Governance Guidelines;
- The charters for our Audit, Compensation, Finance/Risk Management and Nominating/Governance Committees;
- Our Code of Conduct for Directors, Officers and Employees; and
- Our Code of Ethics for our Chief Executive Officer, Chief Financial Officer and Controller.

We make our filings with the Securities and Exchange Commission ("SEC") available on our website as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. The SEC also

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maintains an internet website at http://sec.gov that contains reports, proxy and information statements, and other information regarding our company that we file and furnish electronically with the SEC. The above information is available in print to anyone who requests it free of charge. In addition, the public may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F. Street, N.E., Washington, DC 20549 and may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

Demand for and pricing of our products and services is subject to economic conditions and other factors, which have had and, in the future, could have a material adverse effect on our business and results of operations.

The automotive retail industry, and especially new vehicle unit sales, is influenced by general economic conditions, particularly consumer confidence, the level of personal discretionary spending, interest rates, fuel prices, unemployment rates and credit availability. During economic downturns, such as the recession experienced in 2008 and much of 2009, retail new vehicle sales typically experience periods of decline characterized by oversupply and weak demand. In addition, periods of economic uncertainty, as well as volatility in consumer preference around fuel-efficient vehicles in response to volatile fuel prices, and concern about manufacturer viability, may adversely impact future consumer spending and result in a difficult business environment. Any tightening of the credit markets and credit conditions may decrease the availability of automotive loans and leases and adversely impact our new and used vehicle sales and margins. In particular, if sub-prime finance companies apply higher credit standards or if there is another decline in the overall availability of credit in the sub-prime lending market, the ability of consumers to purchase vehicles could be limited, which could have a material adverse effect on our business and results of operations.

Volatile fuel prices may also continue to affect consumer preferences in connection with the purchase of our vehicles. Rising fuel prices may make consumers less likely to purchase larger, more expensive vehicles, such as sports utility vehicles or luxury automobiles and more likely to purchase smaller, less expensive and more fuel efficient vehicles. Sudden changes in customer preferences make maintenance of an optimal mix of large and small vehicle inventory a challenge. Further increases or sharp declines in fuel prices could have a material adverse effect on our business and results of operations.

In addition, local economic, competitive and other conditions affect the performance of our dealerships. Since a large concentration of our new vehicle sales are in the states of Texas and Oklahoma (44.5%) for the year ended December 31, 2014 which are dependent upon a vibrant oil and gas economy, the decline in commodity prices could have an adverse effect on our business and results of operations in those regions. Our results of operations depend substantially on general economic conditions and spending habits in those regions of the U.S. where we maintain most of our operations.

We are subject to a concentration of risk in the event of financial distress, merger, sale or bankruptcy, including potential liquidation, of, or other adverse economic impacts on, certain major vehicle manufacturers.

Toyota, Nissan, Honda, Ford, BMW, Volkswagen, Hyundai, Daimler, Chrysler and General Motors dealerships represented approximately 96.7% of our total new vehicle retail units sold in 2014. In particular, sales of Toyota/Scion/Lexus new vehicles represented 26.7% of our new vehicle unit sales in 2014. The success of our dealerships is dependent on vehicle manufacturers in several key respects. First, we rely exclusively on the various vehicle manufacturers for our new vehicle inventory. Our ability to sell new vehicles is dependent on a vehicle manufacturer’s ability to produce and allocate to our dealerships an attractive, high quality, and desirable product mix at the right time in order to satisfy customer demand. Second, manufacturers generally support their franchisees by providing direct financial assistance in various areas, including, among others, incentives, floorplan assistance and advertising assistance. A discontinuation or change in our manufacturers’ warranty and incentive programs could adversely affect our business. Third, manufacturers provide product warranties and, in some cases, service contracts to customers. Our dealerships perform warranty and service contract work for vehicles under manufacturer product warranties and service contracts and bill the manufacturer directly as opposed to invoicing the customer. In addition, we rely on manufacturers to varying extents for original equipment manufactured replacement parts, training, product brochures and point of sale materials, and other items for our dealerships.

Vehicle manufacturers may be adversely impacted by economic downturns or recessions, significant declines in the sales of their new vehicles, increases in interest rates, adverse fluctuations in currency exchange rates, declines in their credit ratings, reductions in access to capital or credit, labor strikes or similar disruptions (including within their major suppliers), supply shortages, or rising raw material costs, rising employee benefit costs, adverse publicity that may reduce consumer demand for their products (including due to bankruptcy), product defects, vehicle recall campaigns, litigation, poor product mix or unappealing vehicle design, governmental laws and regulations, natural disasters, or other adverse events. These and other risks could materially adversely affect any manufacturer and impact its ability to profitably design, market, produce or distribute new vehicles, which in turn could have a material adverse effect on our business, results of operations and financial condition.

We are dependent on our relationships with manufacturers and if we are unable to enter into new franchise agreements in connection with dealership acquisitions or maintain or renew our existing franchise agreements on favorable terms, our operations may be significantly impaired.

We are dependent on our relationships with manufacturers, which exercise a great degree of influence over our operations through the franchise agreements. For example, delays in obtaining, or failing to obtain, manufacturer approvals for dealership acquisitions could adversely affect our acquisition program. In determining whether to approve an acquisition, manufacturers may consider many factors, including the moral character and business experience of the dealership principals and the financial condition, ownership structure, CSI scores (described below), sales efficiency, and other performance measures of our other dealerships. Also, our manufacturers attempt to measure customers' satisfaction with automobile dealerships through systems generally known as CSI, which may be modified or replaced at the manufacturer's discretion. Manufacturers may use these performance indicators, as well as sales performance numbers, as conditions for certain payments and as factors in evaluating applications for additional acquisitions. In unusual cases where performance indicators, such as the ones described above, are not met to the satisfaction of the manufacturer, certain manufacturers may either limit our ability to acquire additional dealerships or require the disposal of existing dealerships or both. From time to time, we have not met all of the manufacturers' requirements to make acquisitions and have received requests to dispose of certain of our dealerships. In the event one or more of our manufacturers sought to prohibit future acquisitions, or imposed requirements to dispose of one or more of our dealerships, our acquisition and growth strategy could be adversely affected.

A manufacturer may also limit the number of its dealerships that we may own or the number that we may own in a particular geographic area. For example, in the U.S. we may acquire only six primary Lexus dealerships or six outlets nationally. As of December 31, 2014, we owned three primary Lexus dealerships. Also, under the manufacturer's interpretation of existing guidelines, as of December 31, 2014, we owned the maximum number of Toyota dealerships permitted in the Gulf States region, which is comprised of Texas, Oklahoma, Louisiana, Mississippi and Arkansas, and in the Boston region, which is comprised of Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont.

In addition, each of our franchise agreements may be terminated or not renewed by the manufacturer for a variety of reasons, including any unapproved changes of ownership or management, sales and customer satisfaction performance deficiencies and other material breaches of the franchise agreements. Manufacturers may also have a right of first refusal if we seek to sell dealerships. We cannot guarantee all of our franchise agreements will be renewed or that the terms of the renewals will be as favorable to us as our current agreements. In addition, we cannot guarantee that our manufacturers will not attempt to terminate our franchise agreements if they perceive that performance deficiencies exist. If such an instance occurs, although we are generally protected by automotive dealership franchise laws requiring "good cause" be shown for such termination, we cannot guarantee that the termination of the franchise will not be successful. Actions taken by manufacturers to exploit their bargaining position in negotiating the terms of renewals of franchise agreements could also have a material adverse effect on our results of operations. Further, the terms of certain of our real estate related indebtedness require the repayment of all amounts outstanding in the event that the associated franchise is terminated. Our results of operations may be materially and adversely affected to the extent that our franchise rights become compromised or our operations restricted due to the terms of our franchise agreements or if we lose substantial franchises.

Our ability to acquire new dealerships and successfully integrate those dealerships into our business could adversely affect the growth of our revenues and earnings.

Growth in our revenues and earnings partially depends on our ability to acquire new dealerships and successfully integrate those dealerships into our existing operations. We cannot guarantee that we will be able to identify and acquire dealerships in the future. In addition, we cannot guarantee that any acquisitions will be successful or on terms and conditions consistent with past acquisitions. Restrictions by our manufacturers, as well as covenants contained in our debt instruments, may directly or indirectly limit our ability to acquire additional dealerships. In addition, increased competition for acquisitions may develop, which could result in fewer acquisition opportunities available to us and/or higher acquisition prices. And, some of our competitors may have greater financial resources than us.

We will continue to need substantial capital in order to acquire additional automobile dealerships. We currently intend to finance future acquisitions by using cash generated from operations, borrowings under our acquisition lines, proceeds from debt and/or equity offerings and/or issuing shares of our common stock as partial consideration for acquired dealerships. If potential acquisition candidates are unwilling to accept our common stock, we will rely solely on available cash or proceeds from debt or equity financings, which could adversely affect our acquisition program. Access to funding through the debt or equity capital markets could become challenging in the future. Also, in the future, the cost of obtaining money from the credit markets could increase if lenders and institutional investors increase interest rates, enact tighter lending standards, refuse to refinance existing debt at maturity on terms similar to current debt or at all, and reduce or, in some cases, cease to provide funding to borrowers. Accordingly, our ability to complete acquisitions could be adversely affected if the price of our common stock is depressed or if our access to capital is limited.

We are subject to substantial regulations, which may adversely affect our business and results of operations.

A number of state and federal laws and regulations applicable to automotive companies affect our business. We are also subject to laws and regulations relating to business corporations generally. Any failure to comply with these laws and regulations may result in the assessment of administrative, civil, or criminal penalties, the imposition of remedial obligations or the issuance of injunctions limiting or prohibiting our operations. In every jurisdiction in which we operate, we must obtain various licenses in order to operate our businesses, including dealer, sales, finance and insurance-related licenses issued by government authorities. These laws also regulate our conduct of business, including our advertising, operating, financing, employment and sales practices. Other laws and regulations include U.S. state franchise laws and regulations, anti-trust laws and other extensive laws and regulations applicable to new and used motor vehicle dealers, as well as U.S. federal and state wage-hour, anti-discrimination and other employment practices laws. Furthermore, some states have initiated consumer “bill of rights” statutes which involve increases in our costs associated with the sale of vehicles, or decreases in some of our profit centers.

Our financing activities with customers are subject to federal truth-in-lending, consumer leasing and equal credit opportunity laws and regulations, as well as state and local motor vehicle finance laws, installment finance laws, insurance laws, usury laws and other installment sales laws and regulations. Some states regulate finance fees and charges that may be paid as a result of vehicle sales. Claims arising out of actual or alleged violations of law may be asserted against us or our dealerships by individuals or governmental entities and may expose us to significant damages or other penalties, including revocation or suspension of our licenses to conduct dealership operations and fines.

Our operations are also subject to the National Traffic and Motor Vehicle Safety Act, the Magnusson-Moss Warranty Act, Federal Motor Vehicle Safety Standards promulgated by the United States Department of Transportation and various state motor vehicle regulatory agencies. The imported automobiles we purchase are subject to U.S. customs duties and, in the ordinary course of our business, we may, from time to time, be subject to claims for duties, penalties, liquidated damages, or other charges.

Our operations are subject to consumer protection laws known as Lemon Laws. These laws typically require a manufacturer or dealer to replace a new vehicle or accept it for a full refund within one year after initial purchase if the vehicle does not conform to the manufacturer’s express warranties and the dealer or manufacturer, after a reasonable number of attempts, is unable to correct or repair the defect. Federal laws require various written disclosures to be provided on new vehicles, including mileage and pricing information.

In July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law (the "Dodd-Frank Act") and established the Consumer Financial Protection Bureau (the “CFPB”) with broad regulatory powers. Although automotive dealers are generally excluded from the CFPB’s regulatory authority, we are required to comply with regulations applicable to privacy notices, and the CFPB has announced its intention to regulate automotive financing activities through its regulation of automotive finance companies and other financial institutions that service the automotive industry. The CFPB has issued regulatory guidance instructing financial institutions to monitor dealer loans for potential discrimination resulting from the system used to compensate dealers for assisting in the customer financing transaction. The CFPB has instructed lenders that, if discrimination is found, the lender would be required to change dealer compensation practices. If this initiative substantially restricts our ability to generate revenue from arranging financing for our customers for the purchase of vehicles, the result could have an adverse effect on our business and results of operations.

In addition, the Dodd-Frank Act established federal oversight and regulation of derivative markets and entities, such as us, that participate in those markets. The Dodd-Frank Act requires the CFTC and the SEC to promulgate rules and regulations implementing the Dodd-Frank Act. Although the CFTC has finalized certain regulations, others remain to be finalized or implemented and it is not possible at this time to predict when this will be accomplished.

Pursuant to the Dodd-Frank Act, the CFTC has designated certain interest rate swaps and credit default swaps for mandatory clearing and exchange trading. To the extent we engage in such transactions that are or become subject to such rules in the future, we will be required to comply or to take steps to qualify for an exemption to such requirements. In addition, the Dodd-Frank Act requires that regulators establish margin rules for uncleared swaps. Although we believe that we qualify for the end-user exceptions to the mandatory clearing and margin requirements with respect to swaps entered to hedge our commercial risks, the application of such requirements to other market participants, such as swap dealers, may change the cost and availability of the swaps that we use for hedging.

In addition, we expect that the Patient Protection and Affordable Care Act, which was signed into law on March 23, 2010, will increase our annual employee health care costs that we fund, with the most significant increases commencing in 2015. We cannot predict the extent of the effect that this statute, or any future state or federal healthcare legislation or regulation, will have on us. However, an expansion in government’s role in the U.S. healthcare industry could result in significant long-term costs to us, which could in turn adversely affect our business,

results of operations and financial condition.
Possible penalties for violation of any of these laws or regulations include revocation or suspension of our licenses and/or civil or criminal fines and penalties. In addition, many laws may give customers a private cause of action. Violation of these laws, the cost of compliance with these laws, or changes in these laws could have a material adverse effect on our business and results of operations.
Our operations are subject to environmental laws and regulations that may expose us to significant costs and liabilities.

In the course of our operations, we generate, handle, store and recycle or dispose of various used products and wastes. These business activities are subject to stringent federal, regional, state and local laws and regulations governing the release of materials into the environment or otherwise relating to environmental protection. These laws and regulations may impose numerous obligations upon our operations including the acquisition of permits to conduct regulated activities, the imposition of restrictions on where or how to manage or dispose of used products and wastes, the incurrence of capital expenditures to limit or prevent releases of such material, and the imposition of substantial liabilities for pollution resulting from our operations. Failure to comply with these laws, regulations, and permits may result in the assessment of administrative, civil, and criminal penalties, the imposition of remedial and corrective action obligations, and the issuance of injunctions limiting or preventing some or all of our operations.

There is a risk of incurring significant environmental costs and liabilities in the operations or our automotive dealerships due to our handling of regulated used products and wastes, because of releases arising in the course of our operations, especially from storage tanks, and due to contamination arising from historical operations and waste disposal practices, including by predecessor operators or owners over whom we had no control or supervision. We could be subject to joint and several, strict liability for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release or contamination or if the operations were in compliance with all applicable laws at the time those actions were taken.

The trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment, and thus any changes in environmental laws and regulations that result in more stringent and costly pollution control equipment or waste containment, management or disposal requirements could have a material adverse effect on our business, results of operation and financial condition. For instance, vehicle manufacturers are currently subject to federally mandated corporate average fuel economy standards, which require most manufacturers to modify their engines to achieve a fleet-wide average fuel efficiency equivalent of 35.5 miles per gallon by model year 2017 and to achieve a fuel efficiency equivalent of 54.5 miles per gallon by 2025. These increased fuel efficiency requirements are expected to increase the cost of new vehicles over time, which could potentially result in a reduction in new vehicle sales. Also, based on determinations made by the EPA that emissions of greenhouse gases present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth’s atmosphere and other climatic changes, Congress and numerous states have from time to time considered and — in the case of some states, adopted — legislation to restrict greenhouse gases. Moreover, the EPA has adopted rules under existing provisions of the federal Clean Air Act that require a reduction in emissions of greenhouse gases from motor vehicles, require certain construction and operating permit reviews for greenhouse gas emissions from certain large stationary sources, and require monitoring and reporting of greenhouse gas emissions from specified sources on an annual basis. The adoption of any laws or regulations requiring significant increases in fuel economy requirements or new federal or state restrictions on emissions of greenhouse gases from our operations or on vehicles and automotive fuels in the United States could adversely affect prices of and demand for the vehicles we sell which could adversely affect our revenues and earnings. Please see “Item 1. Business — Governmental Regulations — Environmental and Occupational Health and Safety Laws and Regulations” for more information.

If we lose key personnel or are unable to attract additional qualified personnel, our business could be adversely affected because we rely on the industry knowledge and relationships of our key personnel.

We believe our success depends to a significant extent upon the efforts and abilities of our executive officers, senior management and key employees, including our regional vice presidents. The unexpected or unanticipated loss of the services of one or more members of our senior management team could have an adverse effect on our business and impair the efficiency and productivity of our operations. We do not have key man insurance for any of our executive officers or key personnel. In addition, the market for qualified employees in the industry and in the regions in which we operate, particularly for general managers and sales and service personnel, is highly competitive and may subject us to increased labor costs during periods of low unemployment. We do not have employment agreements with most of our dealership general managers and other key dealership personnel. Accordingly, the loss of any of our key employees or the failure to attract qualified managers could have an adverse effect on our business and may impact the ability of our dealerships to conduct their operations in accordance with our national standards.

Substantial competition in automotive sales and services may materially and adversely affect our results of operations due to our need to lower prices to sustain sales.

The automotive retail industry is highly competitive. Depending on the geographic market, we compete with:

- franchised automotive dealerships in our markets that sell the same or similar makes of new and used vehicles that we offer, occasionally at lower prices than we do;
- other national or regional affiliated groups of franchised dealerships and/or of used vehicle dealerships;

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- private market buyers and sellers of used vehicles;
- internet-based vehicle brokers that sell vehicles obtained from franchised dealers directly to consumers;
- auto parts retailers;
- local, regional and national collision centers;
- service center chain stores; and
- independent service and repair shops.

The internet has also become a significant part of the advertising and sales process in our industry. Customers are using the internet as part of the sales process to compare pricing for cars and related finance and insurance services, which may reduce gross profit margins for new and used cars and profits for related finance and insurance services. Some websites offer vehicles for sale over the internet without the benefit of having a dealership franchise, although they must currently source their vehicles from a franchised dealer. If internet new vehicle sales are allowed to be conducted without the involvement of franchised dealers, or if dealerships are able to effectively use the internet to sell outside of their markets, our business could be materially adversely affected. Our business would also be materially adversely affected to the extent that internet companies acquire dealerships or align themselves with our competitors' dealerships.

Please see "Item 1. Business — Competition" for more discussion of competition in our industry.

A data security breach with regard to personally identifiable information ("PII") about our customers or employees could negatively affect operations and result in high costs.

The protection of customer, employee, and our data is critical to our business. The regulatory environment surrounding information security and privacy is increasingly demanding, with the frequent imposition of new and constantly changing requirements across business units. In addition, customers have a high expectation that we will adequately protect their PII from cyber-attack or other security breaches. A significant breach of customer, employee, or our data could attract a substantial amount of media attention, damage our customer relationships and reputation and result in lost sales, fines, or lawsuits.

In the ordinary course of business, we and our business affiliates receive significant PII about our customers in order to complete the sale or service of a vehicle and related products. We also receive PII from our employees. Numerous state and federal regulations, as well as payment card industry and other vendor standards, govern the collection and maintenance of PII from consumers and other individuals. Although many companies across many industries are affected by malicious efforts to obtain access to PII, news reports suggest that the automotive dealership industry is a particular target of identity thieves. Moreover, there are numerous opportunities for a data security breach, including cyber-security breaches, burglary, lost or misplaced data, scams, or misappropriation of data by employees, vendors or unaffiliated third parties. Despite the security measures we have in place and any additional measures we may implement or adopt in the future, our facilities and systems, and those of our third-party service providers, could be vulnerable to security breaches, computer viruses, lost or misplaced data, programming errors, scams, burglary, human errors, acts of vandalism, or other events. Alleged or actual data security breaches can increase costs of doing business, negatively affect customer satisfaction and loyalty, expose us to negative publicity, individual claims or consumer class actions, administrative, civil or criminal investigations or actions, and infringe on proprietary information, any of which could have a material adverse effect on our business, results of operations or financial condition.

The impairment of our goodwill, our indefinite-lived intangibles and our other long-lived assets has had, and could in the future have, a material adverse effect on our results of operations.

We assess goodwill and other indefinite-lived intangibles for impairment on an annual basis, or more frequently when events or circumstances indicate that an impairment may have occurred. We assess the carrying value of our long-lived assets when events or circumstances indicate that an impairment may have occurred.

Based on the organization and management of our business, we determined that each region qualified as reporting units for the purpose of assessing goodwill for impairment. To determine the fair value of our reporting units in assessing the carrying value of our goodwill for impairment, we use a combination of the discounted cash flow and market approaches. In addition, we are required to evaluate the carrying value of our indefinite-lived, intangible franchise rights at a dealership level. To test the carrying value of each individual intangible franchise right for impairment, we also use a discounted cash flow based approach. Both these analysis are based upon a series of assumptions. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation — Critical Accounting Policies and Accounting Estimates — Goodwill” and “Intangible Franchise Rights” for additional information on our assumptions. If any one of these assumptions changes, or fails to materialize, the resulting decline in our estimated fair value could result in a material non-cash impairment charge.

We are required to evaluate the carrying value of our long-lived assets at the lowest level of identifiable cash flows. To test the carrying value of assets to be sold, we generally use independent, third-party appraisals or pending transactions as an estimate of fair value. In the event of an adverse change in the real estate market, the resulting decline in our estimated fair value could result in a material non-cash impairment charge to the associated long-lived assets.

Changes in interest rates could adversely impact our results of operations.

Borrowings under our credit facilities and various other notes payable bear interest based on a floating rate. Therefore, our interest expense would increase with any rise in interest rates. We have entered into derivative transactions to convert a portion of our variable-rate debt to fixed rates to partially mitigate this risk. A rise in interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used vehicle sales, because many of our customers finance their vehicle purchases. As a result, a rise in interest rates may have the effect of simultaneously increasing our costs and reducing our revenues. In addition, we receive credit assistance from certain automobile manufacturers, which is reflected as a reduction in cost of sales on our statements of operations. Please see “Item 7A. Quantitative and Qualitative Disclosures about Market Risk” for a discussion regarding our interest rate sensitivity.

Natural disasters and adverse weather events can disrupt our business.

Our dealerships are concentrated in states and regions in the U.S., U.K. and Brazil in which actual or threatened natural disasters and severe weather events (such as hurricanes, earthquakes and hail storms) have in the past, and may in the future, disrupt our dealership operations. A disruption in our operations may adversely impact our business, results of operations, financial condition and cash flows. In addition to business interruption, the automotive retailing business is subject to substantial risk of property loss due to the significant concentration of property at dealership locations. Although we have, subject to certain limitations and exclusions, substantial insurance, including business interruption insurance, we may be exposed to uninsured or underinsured losses that could have a material adverse effect on our business, results of operations and financial condition.

Our insurance does not fully cover all of our operational risks, and changes in the cost of insurance or the availability of insurance could materially increase our insurance costs or result in a decrease in our insurance coverage.

The operation of automobile dealerships is subject to compliance with a wide range of laws and regulations and is subject to a broad variety of risks. While we have insurance on our real property, comprehensive coverage for our vehicle inventory, general liability insurance, workers’ compensation insurance, employee dishonesty coverage, employment practices liability insurance, pollution coverage and errors and omissions insurance in connection with vehicle sales and financing activities, we are self-insured for a portion of our potential liabilities. We purchase insurance policies for worker’s compensation, liability, auto physical damage, property, pollution, employee medical benefits and other risks consisting of large deductibles and/or self-insured retentions.

In certain instances, our insurance may not fully cover an insured loss depending on the magnitude and nature of the claim. Additionally, changes in the cost of insurance or the availability of insurance in the future could substantially increase our costs to maintain our current level of coverage or could cause us to reduce our insurance coverage and increase the portion of our risks that we self-insure.

Our indebtedness and the associated covenants could materially adversely affect our ability to obtain additional financing, including for acquisitions and capital expenditures, limit our flexibility to manage our business, prevent us from fulfilling our financial obligations and restrict our use of capital.

Our indebtedness could impact us, in the following ways:

- our ability to obtain additional financing for acquisitions, capital expenditures, working capital or general corporate purposes may be impaired in the future;
- a portion of our current cash flow from operations must be dedicated to the payment of principal on our indebtedness, thereby reducing the funds available to us for our operations and other corporate purposes;
- some of our borrowings are and will continue to be at variable rates of interest, which exposes us to the risk of increasing interest rates; and
- we may be more leveraged than some of our competitors, which may place us at a relative competitive disadvantage and make us more vulnerable to changing market conditions and regulations.

Our debt instruments contain numerous covenants that limit our discretion with respect to business matters, including mergers or acquisitions, paying dividends, repurchasing our common stock, international investments, incurring additional debt or disposing of assets. A breach of any of these covenants could result in a default under the applicable agreement or indenture. In addition, a default under one agreement or indenture could result in a default and acceleration of our repayment obligations under the other agreements or indentures under the cross default provisions in those agreements or indentures. If a default or cross default were to occur, we may be required to renegotiate the terms of our indebtedness, which would likely be on less favorable terms than our current terms and cause us to incur additional fees to process. Alternatively, we may not be able to pay our debts or borrow sufficient funds to refinance them. As a result of this risk, we could be forced to take actions that we otherwise would not take, or not take actions that we otherwise might take, in order to comply with the covenants in these agreements and indentures.

We are subject to risks associated with our non-U.S. operations that could have a material adverse effect on our business, results of operations and financial condition.

Over the past several years, we have significantly increased our operations outside the U.S. Expanding our operations in the U.K. and Brazil are important elements of our growth strategy. Operations outside of the U.S. are subject to various risks which may not be present or as significant for operations within U.S. markets, and our exposure to these risks increases as we expand. Government actions, both in terms of policy-setting as well as actions directly affecting our operations, and economic uncertainty in some geographic regions in which we operate, such as emerging markets, could result in the disruption of markets and negatively affect our results of operations and cash flows in those areas.

Risks inherent in our international operations include, but are not limited to:

- exposure to local economic conditions;
- wage inflation in emerging markets;
- social plans that prohibit or increase the cost of certain restructuring actions;
- increases in working capital requirements related to long supply chains or regional terms of business;
- currency exchange controls;
- exposure to currency and exchange rate fluctuations;
- variations in protection of legal rights;
- import or export licensing requirements;
- the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems;
- restrictions on transfer or repatriation of funds and trade protection matters, including antidumping duties, tariffs, embargoes and other laws and regulations creating tax inefficiencies and prohibitions or restrictions on acquisitions or joint ventures;
- increased risk of corruption;
- changes in laws and regulations, including the laws and policies of the U.S. affecting trade and foreign investment;
- more expansive legal rights of foreign labor unions;
- the potential for nationalization of enterprises;
- exposure to local public health concerns and the resultant impact on economic and political conditions;
- transparency issues in general and, more specifically, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other anti-corruption compliance laws and issues;
- unsettled social and political conditions, in general, and possible terrorist attacks, drug cartel related violence or acts of war, civil unrest, expansion of hostilities and other political risks; and
- lack of franchise protection, which creates greater competition.

The likelihood of these occurrences and their potential effect on us vary from country to country and are unpredictable. These and other factors may have a material adverse effect on our international operations and, therefore, on our business, results of operations and financial condition, which may become more pronounced as we expand our international presence.

Our Consolidated Financial Statements reflect that our results of operations and financial position are reported in local currency and are converted into U.S. dollars at the applicable currency rate. Fluctuations in such currency rates may have a material effect on our results of operations or financial position as reported in U.S. dollars. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk — Foreign Currency Exchange Rates” for additional information on foreign currency exchange rate sensitivity.

We may be exposed to liabilities under the Foreign Corrupt Practices Act and similar anti-corruption laws, and any determination that we violated such laws could have a material adverse effect on our business.

We are subject to the FCPA and similar anti-bribery and anti-corruption laws that generally prohibit companies and their personnel and intermediaries from offering, authorizing, or making improper payments to government officials for the purpose of obtaining or retaining business, or securing some improper advantage in business or engaging in conduct involving money-laundering. We do business and may do additional business in the future in countries and regions where strict compliance with anti-bribery laws may not be customary. Our personnel and intermediaries may face, directly or indirectly, corrupt demands by government officials, political parties and officials, tribal or insurgent organizations, or private entities in the countries in which we operate or may operate in the future. As a result, we face the risk that an unauthorized payment or offer of payment could be made by one of our employees or intermediaries, even if such parties are not always subject to our control or are not themselves subject to the FCPA or other anti-bribery laws to which we may be subject. Existing compliance safeguards and any future improvements may not prevent all such conduct, and it is possible that our employees and intermediaries may engage in conduct for which we might be investigated by U.S. and other authorities, and held responsible. Violations of the FCPA and other anti-bribery and other anticorruption laws (either due to our acts or our inadvertence) may result in criminal and civil sanctions and could subject us to other liabilities in the U.S. and elsewhere. Even allegations of such violations could disrupt our business and result in a material adverse effect on our business and operations.

Our growth in emerging markets, such as Brazil, is subject to special risks that could have a material adverse effect on our operations.

Many emerging markets have experienced growth rates in excess of the world's largest markets, leading to an increased contribution to the industry's global performance. As a result, we have been employing strategies to grow in emerging markets. Executing on this growth strategy, we acquired UAB Motors Participações S.A. (“UAB Motors”) in February 2013, which allowed us to enter the Brazilian market. There is no assurance that our growth strategies in an emerging market, such as Brazil, will be successful or that Brazil will continue to sustain growth rates. In addition, Brazil, as an emerging market country may be particularly vulnerable to periods of financial instability or significant currency fluctuations as discussed above under “We are subject to risks associated with our non-U.S. operations that could have a material adverse effect on our business, results of operations and financial condition,” which can adversely affect our results. Further, our growth in emerging markets by acquisition of existing dealerships, such as our acquisition of UAB Motors, is subject to additional risk as discussed under “Our ability to acquire new dealerships and successfully integrate those dealerships into our business could adversely affect the growth of our revenues and earnings” above.

Certain restrictions relating to our management and ownership of our common stock could deter prospective acquirers from acquiring control of us and adversely affect our ability to engage in equity offerings.

As a condition to granting their consent to our previous acquisitions and our initial public offering, some of our manufacturers have imposed other restrictions on us. These restrictions prohibit, among other things:

- any one person, who in the opinion of the manufacturer is unqualified to own its franchised dealership or has interests incompatible with the manufacturer, from acquiring more than a specified percentage of our common stock (ranging from 20% to 50% depending on the particular manufacturer’s restrictions) and this trigger level can fall to as low as 5% if another vehicle manufacturer is the entity acquiring the ownership interest or voting rights;
- certain material changes in our business or extraordinary corporate transactions such as a merger or sale of a material amount of our assets;
- the removal of a dealership general manager without the consent of the manufacturer; and
- a change in control of our Board of Directors or a change in management.

Our manufacturers may also impose additional similar restrictions on us in the future. Actions by our stockholders or prospective stockholders, which would violate any of the above restrictions, are generally outside our control. If we are unable to comply with or renegotiate these restrictions, we may be forced to terminate or sell one or more franchises, which could have a material adverse effect on our business. These restrictions may prevent or deter prospective acquirers from acquiring control of us and, therefore, may adversely impact the value of our common stock. These restrictions also may impede our ability to acquire dealership groups, to raise required capital or to issue our stock as consideration for future acquisitions.

Our certificate of incorporation, bylaws and franchise agreements contain provisions that make a takeover of us difficult.

Our certificate of incorporation and bylaws could make it more difficult for a third party to acquire control of us, even if such change of control would be beneficial to our stockholders. These include provisions:

- providing for a Board of Directors with staggered, three-year terms, permitting the removal of a non-employee director from office only for cause;
- allowing only the Board of Directors to set the number of non-employee directors;
- requiring super-majority or class voting to affect certain amendments to our certificate of incorporation and bylaws;
- limiting the persons who may call special stockholders' meetings;
- limiting stockholder action by written consent; and
- establishing advance notice requirements for nominations for election to the Board of Directors or for proposing matters that can be acted upon at stockholders' meetings.

In addition, our certificate of incorporation authorizes us to issue "blank check" preferred stock, the designation, number, voting powers, preferences, and rights of which may be fixed or altered from time to time by our Board of Directors. Accordingly, the Board of Directors has the authority, without stockholder approval, to issue preferred stock with rights that could materially adversely affect the voting power or other rights of the common stock holders or the market value of the common stock and prevent a change of our control.

Item 1B. Unresolved Staff Comments

On September 30, 2014, the Company received a letter from the Staff of the SEC’s Division of Corporation Finance as part of its review of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed on March 3, 2014, and the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2014, as filed on August 4, 2014. The Company responded to that letter on October 14, 2014, which has been followed by a series of new letters and comments from the Staff and Company responses. Most of the Staff’s comments have been resolved. The only remaining unresolved comment relates to the Company’s determination of its reporting units for the testing of goodwill for impairment in accordance with ASC 350-20-35. More specifically, the unresolved comment relates to the Company’s aggregation of its components into four reporting units, corresponding with its four regions, on the basis of economic similarity.

Based on the results of its annual impairment test for 2014, the Company determined that the fair value of each of the Company’s reporting units exceeded the carrying value of its net assets (i.e., step one of the impairment test). As a result, the Company was not required to conduct the second step of the impairment test.

Although we believe our procedures comply with applicable accounting requirements, we may be required to change these procedures or amend our previously filed reports filed pursuant to the Exchange Act as a result of the SEC’s review. Application of alternative assumptions and definitions, such as reviewing goodwill for impairment at a different organizational level, could produce significantly different results. Consequently, the information in this Form 10-K or our other earlier SEC filings may change and information in our future SEC filings may differ. The Company will continue to work with the Staff to resolve outstanding comments.

Item 2. Properties

We presently lease our corporate headquarters, which is located at 800 Gessner, Suite 500, Houston, Texas. In addition, as of December 31, 2014, we had 195 franchises situated in 150 dealership locations throughout the U.S., U.K. and Brazil. As of December 31, 2014, we leased 81 of these dealership locations and owned the remainder. We have one location in Massachusetts, one location in Alabama, one location in California and one in Brazil where we lease the land, but own the building facilities. These locations are included in the leased column of the table below.

		Dealerships	
Region	Geographic Location	Owned	Leased
East	Georgia	8	—
	Massachusetts	4	3
	New Jersey	4	2
	Louisiana	1	2
	Mississippi	3	—
	Florida	3	—
	South Carolina	3	1
	Maryland	2	—
	Alabama	1	1
	New Hampshire	1	2
		30	11
West	Texas	17	31
	Kansas	4	—
	Oklahoma	2	11
	California	3	6
	Louisiana	1	—
		27	48
International	United Kingdom	12	5
	Brazil	—	17
Total		69	81

We use a number of facilities to conduct our dealership operations. Each of our dealerships may include facilities for (1) new and used vehicle sales, (2) vehicle service operations, (3) retail and wholesale parts operations, (4) collision service operations, (5) storage and (6) general office use. Prior to 2005, we tried to structure our operations so as to avoid the ownership of real property. In connection with our dealership acquisitions, we generally sought to lease, rather than acquire, the facilities on which the acquired dealerships were located. We generally entered into lease agreements with respect to such facilities that have 30-year total terms, consisting of 15-year initial terms and three five-year option periods, at our option. However, since 2005, we have strategically increased the number of purchased properties. As a result, we own 46.0% of our dealership properties as of December 31, 2014, an increase from 43.2% as of December 31, 2013. See Note 18 to our Consolidated Financial Statements, “Operating Leases.”

Since 2005, Group 1 Realty, Inc., one of our wholly-owned subsidiaries, has typically acquired the property in connection with our U.S. dealership acquisitions and relocations and acts as the landlord for those dealership operations. For the year ended December 31, 2014, we acquired $137.0 million of real estate, of which $74.4 million was purchased in conjunction with our dealership acquisitions. With these acquisitions, the capitalized value of the real estate used in operations that we owned was $746.1 million as of December 31, 2014. Of this capitalized value, $666.8 million is mortgaged through our Real Estate Credit Facility or another real estate related borrowing arrangement. The related mortgage indebtedness outstanding as of December 31, 2014 was $396.8 million.

We do not believe that any single facility is material to our operations and, if necessary, we would obtain a replacement facility.

Item 3. Legal Proceedings

From time to time, our dealerships are named in various types of litigation involving customer claims, employment matters, class action claims, purported class action claims, as well as claims involving the manufacturer of automobiles, contractual disputes and other matters arising in the ordinary course of business. Due to the nature of the automotive retailing business, we may be involved in legal proceedings or suffer losses that could have a material adverse effect on our business. In the normal course of business, we are required to respond to customer, employee and other third-party complaints. Amounts that have been accrued or paid related to the settlement of litigation are included in Selling, General and Administrative expenses (“SG&A”) in our Consolidated Statements of Operations. In addition, the manufacturers of the vehicles that we sell and service have audit rights allowing them to review the validity of amounts claimed for incentive, rebate or warranty-related items and charge us back for amounts determined to be invalid payments under the manufacturers’ programs, subject to our right to appeal any such decision. Amounts that have been accrued or paid related to the settlement of manufacturer chargebacks of recognized incentives and rebates are included in cost of sales in our Consolidated Statements of Operations, while such amounts for manufacturer chargebacks of recognized warranty-related items are included as a reduction of revenues in our Consolidated Statements of Operations.

We are not party to any legal proceedings, including class action lawsuits that, individually or in the aggregate, are reasonably expected to have a material adverse effect on our results of operations, financial condition or cash flows. 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 or financial condition.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II

Item 5. Market for Company's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Our common stock is listed on the New York Stock Exchange under the symbol "GPI." There were 53 holders of record of our common stock as of February 20, 2015. A substantially greater number of holders of our common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers, and other financial institutions.
The following table presents the quarterly high and low sales prices for our common stock, as reported on the New York Stock Exchange Composite Tape under the symbol "GPI" and dividends paid per common share for 2013 and 2014:

	High	Low	Dividends Declared
2013:			
First Quarter	$69.00	$57.51	$0.15
Second Quarter	66.00	54.91	0.16
Third Quarter	82.40	64.36	0.17
Fourth Quarter	78.54	61.20	0.17
2014:			
First Quarter	$71.26	$59.37	$0.17
Second Quarter	84.59	60.31	0.17
Third Quarter	87.38	71.50	0.17
Fourth Quarter	93.23	65.49	0.19

We expect comparable cash dividends to be paid in the future. However, payment of dividends in the future is subject to the discretion of our Board of Directors after considering our results of operations, financial condition, cash flows, capital requirements, outlook for our business, general business conditions, the political and legislative environments and other factors.
Further, we are limited under the terms of the Revolving Credit Facility and Real Estate Credit Facility in our ability to make cash dividend payments to our stockholders and to repurchase shares of our outstanding common stock, based primarily on our quarterly net income or loss (the "Restricted Payment Basket"). As of December 31, 2014, the Restricted Payment Basket under both facilities was $181.6 million. The Restricted Payment Basket will increase in the future periods by 50.0% of our future cumulative net income, adjusted to exclude the Company's foreign operations, non-cash interest expense, non-cash asset impairment charges, and non-cash stock-based compensation, plus the net proceeds received from the sale of our capital stock, and decrease by the amount of future payments for cash dividends and share repurchases.

Performance Graph

The following performance graph and related information shall not be deemed “soliciting material” or “filed” with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, each as amended, except to the extent that we specifically incorporate it by reference into such filing.

The graph compares the performance of our common stock to the S&P 500 Index and to an industry peer group for our last five fiscal years. The members of the peer group are Asbury Automotive Group, Inc., AutoNation, Inc., Lithia Motors, Inc., Penske Automotive Group, Inc. and Sonic Automotive, Inc. The source for the information contained in this table is Zack's Investment Research, Inc.

The returns of each member of the peer group are weighted according to each member’s stock market capitalization as of the beginning of each period measured. The graph assumes that the value of the investment in our common stock, the S&P 500 Index and the peer group was $100 on the last trading day of December 2009, and that all dividends were reinvested. Performance data for Group 1 Automotive, Inc., the S&P 500 Index and for the peer group is provided as of the last trading day of each of our last five fiscal years.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURNS

AMONG GROUP 1 AUTOMOTIVE, INC., S&P 500 INDEX AND A PEER GROUP

TOTAL RETURN BASED ON $100 INITIAL INVESTMENT & REINVESTMENT OF DIVIDENDS

Measurement Date	Group 1 Automotive, Inc.	S&P 500	Peer Group
December 2009	$100.00	$100.00	$100.00
December 2010	147.68	115.06	139.63
December 2011	185.28	117.49	174.63
December 2012	224.12	136.30	223.56
December 2013	259.31	180.44	318.76
December 2014	330.15	205.14	379.01

Recent Sales of Unregistered Securities

On June 2, 2014, we issued $350.0 million aggregate principal amount of our 5.00% Senior Notes due 2022. Subsequently, on September 9, 2014, we issued an additional $200.0 million of 5.00% Notes at a discount of 1.5% from face value. For a detailed description of the 5.00% Notes, please see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Sources and Uses of Liquidity from Financing Activities.”

Purchases of Equity Securities by the Issuer

The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the three months ended December 31, 2014:

Period	Total Number of Shares Purchased	Average 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 [(1)] (In thousands, excluding commissions)
October 1 - October 31, 2014	30,000	$82.14	30,000	$35,223
November 1 - November 30, 2014	—	$—	—	$35,223
December 1 - December 31, 2014	6,800	$83.27	6,800	$99,434
Total	36,800	$82.35	36,800	

(1) From time to time, our Board of Directors gives authorization to repurchase shares of our common stock, subject to the restrictions of various debt agreements and our judgment. During the three months ended December 31, 2014, 36,800 shares were repurchased for a total cost of $3.0 million. In November 2014, the Board of Directors approved a new authorization of $100.0 million, which replaced the prior $75.0 million authorization. The shares may be repurchased from time to time in open market or privately negotiated transactions, depending on market conditions, at our discretion, and funded by cash from operations. Future repurchases are subject to the discretion of our Board of Directors after considering our results of operations, financial condition, cash flows, capital requirements, existing debt covenants, outlook for our business, general business conditions and other factors.

Item 6. Selected Financial Data

The following selected historical financial data as of December 31, 2014, 2013, 2012, 2011, and 2010, and for the five years in the period ended December 31, 2014, have been derived from our audited Consolidated Financial Statements. This selected financial data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Consolidated Financial Statements and related notes included elsewhere in this Form 10-K.

We have accounted for all of our dealership acquisitions using the purchase method of accounting. As a result, we do not include in our financial statements the results of operations of these dealerships prior to the date we acquired them, which may impact the comparability of the financial information presented. Also, as a result of the effects of our acquisitions, dispositions, and other potential factors in the future, the historical financial information described in the selected financial data is not necessarily indicative of our results of operations and financial position in the future or the results of operations and financial position that would have resulted had such transactions occurred at the beginning of the periods presented in the selected financial data.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
		(In thousands, except per share amounts)			
Income Statement Data:					
Revenues	$9,937,889	$8,918,581	$7,476,100	$6,079,765	$5,509,169
Cost of sales	8,489,951	7,626,035	6,358,848	5,119,165	4,632,136
Gross profit	1,447,938	1,292,546	1,117,252	960,600	877,033
Selling, general and administrative expenses	1,061,964	976,856	848,446	735,229	693,635
Depreciation and amortization expense	42,344	35,826	31,534	27,063	26,455
Asset impairments	41,520	6,542	7,276	4,805	10,840
Income (loss) from operations	302,110	273,322	229,996	193,503	146,103
Other income and (expense):					
Floorplan interest expense	(41,614)	(41,667)	(31,796)	(27,687)	(34,110)
Other interest expense, net	(49,693)	(38,971)	(37,465)	(33,722)	(27,217)
Gain (loss) on extinguishment of long-term debt	(46,403)	—	—	—	(3,872)
Other expense, net	—	(789)	—	—	—
Income from continuing operations before income taxes	164,400	191,895	160,735	132,094	80,904
Provision for income taxes	(71,396)	(77,903)	(60,526)	(49,700)	(30,600)
Net income	$93,004	$113,992	$100,209	$82,394	$50,304

	Year Ended December 31,				
	2014	2013	2012	2011	2010
		(In thousands, except per share amounts)			
Earnings per common share:					
Basic:					
Net income	$3.82	$4.72	$4.39	$3.50	$2.09
Diluted:					
Net income	$3.60	$4.32	$4.19	$3.47	$2.09
Dividends per share	$0.70	$0.65	$0.59	$0.48	$0.10
Weighted average common shares outstanding:					
Basic	23,380	23,096	21,620	22,157	22,767
Diluted	24,885	25,314	22,688	22,409	22,788

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	December 31, 2014	2013	2012	2011	2010
		(Dollars in thousands)			
Balance Sheet Data:					
Working capital	$113,020	$102,762	$170,603	$130,637	$124,300
Inventories	1,556,705	1,542,318	1,194,288	867,470	777,771
Total assets	4,141,492	3,819,478	3,023,015	2,476,343	2,201,964
Floorplan notes payable — credit facility and other (1)	1,103,630	1,086,906	856,698	609,738	560,840
Floorplan notes payable — manufacturer affiliates (2)	285,156	346,572	211,965	155,980	103,345
Real Estate Credit Facility, including current portion	58,003	67,719	56,677	41,003	42,600
Long-term debt, including current portion (3)	1,023,464	631,359	521,010	456,261	423,539
Temporary Equity (4)	—	29,094	32,505	—	—
Stockholders' equity	$978,010	$1,035,175	$860,284	$807,100	$784,368
Long-term debt to capitalization (5)	53 %	40 %	39 %	38 %	37 %

(1) Includes immediately available funds of $39.6 million, $56.2 million, $112.3 million, $109.2 million, and $129.2 million, respectively, that we temporarily invest as an offset to the gross outstanding borrowings, as well as, $5.5 million and $18.1 million as of December 31, 2014 and 2013, respectively, of floorplan borrowings under credit facilities with financial institutions in Brazil.
(2) Includes immediately available funds of $22.5 million as of December 31, 2014 that we temporarily invest as an offset to the gross outstanding borrowings.
(3) Includes the 5.00% Senior Notes, Acquisition Line, and other long-term debt and excludes short-term financing.
(4) Redeemable equity portion of the 3.00% convertible notes reclassified from additional paid in capital.
(5) Includes temporary equity as a component of capitalization.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion in conjunction with Part I, including the matters set forth in "Item 1A. Risk Factors," and our Consolidated Financial Statements and notes thereto included elsewhere in this Form 10-K.

Overview

We are a leading operator in the automotive retail industry. Through our dealerships, we sell new and used cars and light trucks; arrange related vehicle financing; sell service and insurance contracts; provide automotive maintenance and repair services; and sell vehicle parts. We are aligned into four geographic regions: the East and West Regions in the U.S., the U.K. Region, and the Brazil Region. Consistent with how our chief operating decision maker evaluates performance and allocates resources, we treat each region as a separate operating segment. Each U.S. region is managed by a regional vice president who reports directly to our Chief Executive Officer and is responsible for the overall performance of their regions. The financial matters of each U.S. region are managed by a regional chief financial officer who reports directly to our Chief Financial Officer. Further, the East and West Regions of the U.S. are economically similar in that they deliver the same products and services to a common customer group, their customers are generally individuals, they follow the same procedures and methods in managing their operations, and they operate in similar regulatory environments. As a result, we aggregate the East and West Regions of the U.S. into one reportable segment. As such, our three reportable segments are the U.S., which includes the activities of our corporate office, the U.K. and Brazil.

As of December 31, 2014, we owned and operated 149 franchises, representing 29 brands of automobiles, at 116 dealership locations and 28 collision service centers in the U.S., 25 franchises at 17 dealerships and six collision centers in the U.K., and 21 franchises at 17 dealerships and four collision centers in Brazil. Our operations are primarily located in major metropolitan areas in Alabama, California, Florida, Georgia, Kansas, Louisiana, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, Oklahoma, South Carolina, and Texas in the U.S., in 16 towns of the U.K. and in key metropolitan markets in the states of Sao Paulo, Parana and Mato Grosso do Sul in Brazil.

We typically seek to acquire large, profitable, well-established and well-managed dealerships that are leaders in their respective market areas. From January 1, 2010 through December 31, 2014, we have purchased 89 franchises with expected annual revenues, estimated at the time of acquisition, of $3.6 billion and been granted eight new franchises by our manufacturers, with expected annual revenues, estimated at the time of acquisition, of $140.2 million. In 2014 alone, we acquired seven dealerships and were granted two franchises in the U.S. The Company also acquired one dealership and was granted one franchise in Brazil and three dealerships in the U.K. These acquisitions have expected annual revenues, estimated at the time of acquisition, of $910.0 million. We make disposition decisions based principally on the rate of return on our capital investment, the location of the dealership, our ability to leverage our cost structure, the brand, future capital investments required and existing real estate obligations. From January 1, 2010 through December 31, 2014, we disposed of or terminated 38 franchises with annual revenues of approximately $984.0 million. Specifically, during 2014, we disposed of seven dealerships and one franchise in the U.S. and three dealerships in Brazil with annual revenues of approximately $450.0 million. In the following discussion and analysis, we report certain performance measures of our newly acquired and disposed dealerships separately from those of our existing dealerships.

We account for our dealership acquisitions using the purchase method of accounting. As a result, we do not include in our financial statements the results of operations of these dealerships prior to the date we acquired them, which may impact the comparability of the financial information presented. Also, as a result of the effects of our acquisitions, dispositions, and other potential factors in the future, our historical financial information is not necessarily indicative of our results of operations and financial position in the future or the results of operations and financial position that would have resulted had such transactions occurred at the beginning of the periods presented.

Our operating results reflect the combined performance of each of our interrelated business activities, which include the sale of new vehicles, used vehicles, finance and insurance products, and parts, as well as service and collision repair services. Historically, each of these activities has been directly or indirectly impacted by a variety of supply/demand factors, including vehicle inventories, consumer confidence, consumer discretionary spending, availability and affordability of consumer credit, manufacturer incentives, weather patterns, fuel prices, and interest rates. For example, during periods of sustained economic downturn or significant supply/demand imbalances, new vehicle sales may be negatively impacted as consumers tend to shift their purchases to used vehicles. Some consumers may even delay their purchasing decisions altogether, electing instead to repair their existing vehicles. In such cases, however, we believe the new vehicle sales impact on our overall business is mitigated by our ability to offer other products and services, such as used vehicles and parts, service and collision repair services, as well as our ability to reduce our costs in response to lower sales. Our results of operations depend substantially on general economic conditions and spending habits in those regions of the U.S. where we maintain most of our operations. With the recent decline in commodity prices, which have led to significant declines in the price of gasoline, we may experience increased sales in regions not directly affected by the oil and gas economy.

In the U.S., we generally experience higher volumes of vehicle sales and service in the second and third calendar quarters of each year. This seasonality is generally attributable to consumer buying trends and the timing of manufacturer new vehicle model introductions. In addition, in some regions of the U.S., vehicle purchases decline during the winter months due to inclement weather. As a result, our U.S. revenues and operating income are typically lower in the first and fourth quarters and higher in the second and third quarters. For the U.K., the first and third calendar quarters tend to be stronger, driven by plate change months of March and September. For Brazil, we expect higher volumes in the third and fourth calendar quarters; however, the first quarter is the weakest, driven by heavy vacations and activities associated with Carnival. Other factors unrelated to seasonality, such as changes in economic condition and manufacturer incentive programs, may exaggerate seasonal or cause counter-seasonal fluctuations in our revenues and operating income.

According to U.S. industry experts, the annual new light vehicle unit sales for 2014 increased 918 thousand units, or 5.9%, to 16.5 million units, compared to 15.6 million units in 2013. The U.K. economy represents the sixth largest economy in the world. The U.K. remained the second largest market in the EU, surpassing the region's 5.7% average growth. Light vehicle registrations in the U.K. increased 9.3% to 2.5 million during 2014 as compared to the same period a year ago. Brazil represents the seventh largest economy in the world and the fourth largest car market. Recently, the Brazilian economy has been one of the fastest growing economies in the world. However, the Brazilian economy is facing many challenges and is not demonstrating significant growth at the moment. Light vehicle industry unit sales in Brazil declined 7.6% during 2014 to 3.3 million as compared to the same period a year ago. And in 2014, the Brazilian economy experienced a rise in inflation and interest rates and a decrease in the value of the Brazilian real compared to the U.S. dollar.

On a consolidated basis for the year ended December 31, 2014, our total revenues increased 11.4% from 2013 to $9.9 billion and gross profit improved 12.0% to $1.4 billion. For the years ended December 31, 2013 and 2012, total revenues were $8.9 billion and $7.5 billion, respectively. For the years ended December 31, 2013 and 2012, gross profits were $1,292.5 million and $1,117.3 million, respectively. We generated net income of $93.0 million, or $3.60 per diluted common share for the year ended December 31, 2014, compared to $114.0 million, or $4.32 per diluted share for the year ended December 31, 2013 and $100.2 million, or $4.19 per diluted share for the year ended December 31, 2012. In addition to the matters described above, the following factors impacted our financial condition and results of operations in 2014, 2013, and 2012:

Year Ended December 31, 2014:

- Extinguishment of Long-Term Debt: During the year, our 2014 results were negatively impacted by the extinguishment of our 2.25% Notes and 3.00% Notes. The aggregate loss for 2014 was $46.4 million.
- Asset Impairments: Primarily related to our determination that the fair value of indefinite-lived intangible franchise rights related to certain of our franchises did not exceed their carrying value and an impairment charge was required, we recorded a $31.0 million pretax non-cash impairment charge. We also recognized a total of $10.5 million in pre-tax non-cash asset impairment charges related to impairment of various real estate holdings and other long-lived assets.
- Non-Cash Interest Expense: Our 2014 results were negatively impacted by $7.2 million of non-cash interest expense relative to the amortization of the discount associated with our 2.25% Notes and 3.00% Notes representing the impact of the accounting for convertible debt as required by Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 470, Debt (“ASC 470”).
- Catastrophic Events: During the year, our 2014 results were negatively impacted by several catastrophic events. Insurance deductibles and other related expenses caused by snow storms, windstorms, and hail damage, were recognized as SG&A expense for a total of $2.8 million.
- Real Estate and Dealership Disposition Transactions: Positively impacting our 2014 results was a pre-tax net gain on sale of dealerships of $13.3 million.
- Foreign Deductible Goodwill: We recognized a $3.4 million tax benefit in 2014, as a result of a restructuring in Brazil that created tax deductible goodwill.

Year Ended December 31, 2013:

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Asset Impairments: We determined that the fair value of indefinite-lived intangible franchise rights related to four of our franchises did not exceed their carrying value and an impairment charge was required. Accordingly, we recorded a $5.4 million pretax non-cash impairment charge during the fourth quarter of 2013. We also recognized a total of $1.1 million in pretax non-cash asset impairment charges related to impairment of various long-lived assets.

- Non-Cash Interest Expense: Our 2013 results were negatively impacted by $10.8 million of non-cash interest expense relative to the amortization of the discount associated with our 2.25% Notes and 3.00% Notes representing

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the impact of the accounting for convertible debt as required by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 470, Debt ("ASC 470").

- Catastrophic Events: During the year, our 2013 results were negatively impacted by several catastrophic events. Insurance deductibles and other related expenses caused by snow storms, windstorms, and hail damage, were recognized as SG&A expense for a total of $12.2 million.
- Acquisition Costs: Primarily due to our acquisition of UAB Motors in February 2013, we incurred a total of $6.2 million in acquisition costs for the year ended December 31, 2013.
- Net Gain on Real Estate and Dealership Disposition Transactions: Positively impacting our 2013 results was a pre-tax net gain on sale of dealerships of $10.4 million.

Year Ended December 31, 2012:

- Asset Impairments: We determined that the fair value of indefinite-lived intangible franchise rights related to three of our franchises did not exceed their carrying value and an impairment charge was required. Accordingly, we recorded a $7.0 million pretax non-cash asset impairment charge during the fourth quarter of 2012. We also recognized a total of $0.3 million in pretax non-cash asset impairment charges related to impairment of various long-lived assets.
- Non-Cash Interest Expense: Our 2012 results were negatively impacted by $9.9 million of non-cash interest expense relative to the amortization of the discount associated with our 2.25% Notes and 3.00% Notes representing the impact of the accounting for convertible debt as required by ASC 470.
- Catastrophic Events: Our 2012 results were negatively impacted by several catastrophic events. Insurance deductibles and other related expenses caused by hail damage and Hurricane Sandy were recognized as SG&A expense for a total of $4.6 million.
- Acquisition Costs: During the fourth quarter of 2012, we incurred a total of $1.8 million in acquisition costs, primarily related to our acquisition of UAB Motors at the beginning of 2013.

These items, and other variances between the periods presented, are covered in the following discussion.

Key Performance Indicators

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

Consolidated Statistical Data

	For the Year Ended December 31,					
	2014		2013		2012	
Unit Sales						
Retail Sales						
New Vehicle	166,896		155,866		128,550	
Used Vehicle	109,873		98,813		85,366	
Total Retail Sales	276,769		254,679		213,916	
Wholesale Sales	54,602		50,736		43,756	
Total Vehicle Sales	331,371		305,415		257,672	
Gross Margin						
New Vehicle Retail Sales	5.4	%	5.5	%	5.8	%
Total Used Vehicle Sales	6.5	%	6.8	%	7.3	%
Parts and Service Sales	52.8	%	52.5	%	52.4	%
Total Gross Margin	14.6	%	14.5	%	14.9	%
SG&A as a % of Gross Profit	73.3	%	75.6	%	75.9	%
Operating Margin	3.0	%	3.1	%	3.1	%
Pretax Margin	1.7	%	2.2	%	2.1	%
Finance and Insurance Revenues per Retail Unit Sold	$1,324		$1,223		$1,215	

The following discussion briefly highlights certain of the results and trends occurring within our business. Throughout the following discussion, references may be made to Same Store results and variances which are discussed in more detail in the "Results of Operations" section that follows.

Our results are impacted by changes in exchange rates relating to our U.K and Brazil segments. As exchange rates fluctuate, our results of operations as reported in U.S. dollars fluctuate. For example, if the British pound were to strengthen against the U.S. dollar, our U.K. results of operations would translate into more U.S. dollar reported results. The British pound strengthened against the U.S. dollar as the average rate during the twelve months ended December 31, 2014 increased 5.1%, as compared to the same period in 2013. The Brazilian real weakened against the U.S. dollar as the average rate during the twelve months ended December 31, 2014 declined 8.5% as compared to the same period in 2013.

2014 compared to 2013

Our consolidated revenues from new vehicle retail sales increased 9.9% for the twelve months ended December 31, 2014, as compared to the same period in 2013. This growth was primarily a result of better industry conditions in the both the U.S. and U.K., dealership acquisition activity, and the execution of initiatives made by our operating team. The U.S. industry sales has risen to 16.5 million units for the year ended 2014 as compared to 15.6 million units for the same period in 2013. Our new vehicle revenue growth in the U.S. and U.K. was partially offset by weakening economic conditions in Brazil due to decreased consumer confidence, disruptions from the 2014 FIFA World Cup activities and the effect of unfavorable changes in foreign exchange rates in 2014 relative to 2013. Consolidated new vehicle retail gross margin declined 10 basis points to 5.4% for the year ended December 31, 2014, as compared to the same period in 2013, reflecting the competitive selling environment in the U.S., as well as the weaker Brazilian economy.

Our used vehicle results are directly affected by economic conditions, the level of manufacturer incentives on new vehicles and new vehicle financing, the number and quality of trade-ins and lease turn-ins, the availability of consumer credit, and our ability to effectively manage the level and quality of our overall used vehicle inventory. Our revenues from used vehicle retail sales increased 14.0% for the twelve months ended December 31, 2014, as compared to the same period in 2013. The improving economic environment in the U.S. that has benefited new vehicle sales also supported improved used vehicle demand. Used vehicle retail gross profit increased, primarily reflecting growth in used vehicle retail unit sales of 11.2%, as compared to 2013. Partially offsetting these improvements was a decline in used vehicle retail gross margin of 40 basis points for year ended December 31, 2014, as compared to the same period in 2013. Used vehicle margins are generally lower in our U.K. and Brazil segments, therefore, the decline in consolidated used vehicle gross margin partially relates to the mix shift effect, as a result of a larger contribution from our foreign segments. Further, the U.S. market softened during the second half of 2014 as a result of strong new vehicle selling environment that shifted some customers from used to new vehicles.

Our parts and service sales increased 11.4%, for the year ended December 31, 2014, as compared to the same period in 2013. This growth was driven by increases in all aspects of our business: wholesale parts, collision, warranty parts and service, and customer-pay parts and service. Generally, this is due to an increase in the number of the late-model vehicles in operation, dealership acquisition activity, and the execution of management initiatives. Specifically, the improvement in our collision sales was the result of enhanced operational processes, the addition of technicians to add operating capacity and the expansion of our relationships with insurance providers. Our warranty revenues were bolstered from high volume recall campaigns in the U.S. by original equipment manufacturers ("OEMs"), including General Motors, BMW, Toyota and Ford. Our parts and service gross margin increased 30 basis points for the twelve months ended December 31, 2014, as compared to the same period in 2013, with improving U.S. and Brazilian margins more than offsetting the decline in the U.K.

Our consolidated finance and insurance revenues per retail unit ("PRU") sold increased $101 for the twelve months ended December 31, 2014, as compared to the same period in 2013, primarily as a result of increased income per contract and penetration rates from most of our major U.S. product offerings. Finance and insurance PRU also improved in both the U.K. and Brazil segments for the year ended 2014 by $131 and $95, respectively, as compared to 2013, resulting from enhancements to selling processes and strategic training efforts.

Our total gross margin increased ten basis points for the year ended December 31, 2014, as compared to the same period in 2013, as improvements in the parts and service, as well as finance and insurance sectors of our business were partially offset by new and used vehicle retail performance.

Our consolidated SG&A expenses increased in absolute dollars for the twelve months ended December 31, 2014, as compared to 2013, primarily as a result of dealership acquisitions, as well as the correlation to vehicle sales volumes. However, SG&A expenses as a percentage of gross profit decreased by 230 basis points to 73.3% for the twelve months ended 2014 as compared to the same period in 2013, reflecting leverage of our cost structure realized with the improved revenue and gross profit, the impact of a decline in charges for catastrophic events and business acquisition costs incurred in 2013, as well as gains on real estate and dealership transactions in 2014.

For the twelve months ended December 31, 2014, floorplan interest expense decreased 0.1%, as compared to 2013. The decline was driven by a 35 basis point decrease in our weighted average floorplan interest rate for the twelve months ended December 31, 2014 as compared to the same period in 2013. This decline primarily represents the full year effect of a decline in our floorplan borrowing rate in the U.S. of 25 basis points that was effective on June 20, 2013 with the amendment to our Revolving Credit Facility. Substantially offsetting this decline was an increase of $138.9 million in our weighted average floorplan borrowings outstanding as U.S. floorplan borrowings rose to support dealership acquisitions and higher sales rates. The increase in our weighted average floorplan borrowing in the U.S. was partially offset by a decline in our Brazil segment as a result of our decision to refinance a portion of our floorplan borrowings with a working capital line of credit that reduced the overall interest rate that we are charged and redistributed the borrowings and associated interest charges to other long-term debt and interest expense categories. Other interest expense, net increased 27.5% for the year ended December 31, 2014, primarily reflecting the impact of the 5.00% Notes offering. The vast majority of the proceeds from the 5.00% Notes offering were used to extinguish our 2.25% Notes and our 3.00% Notes. In addition, other interest expense increased in our Brazil segment as discussed above.

The combination of all of these factors, including $41.5 million of non-cash asset impairments, resulted in an operating margin of 3.0% for the twelve months ended December 31, 2014, which reflects a 10 basis-point decrease from 2013.

2013 compared to 2012

Over the course of 2013, our industry experienced an increase in new vehicle unit sales. Our consolidated new vehicle retail sales revenues increased 21.8% for the twelve months ended December 31, 2013 as compared to 2012. This growth primarily reflects an increase in new vehicle unit sales of 21.2% for the year ended December 31, 2013, as compared to the same period in 2012, as a result of dealership acquisition activity, improved industry sales in the U.S., better industry conditions in the U.K., improved inventory levels, and the execution of initiatives by our operating team. New vehicle retail gross margin declined during the year ended December 31, 2013, as gross profit per retail unit sold decreased in most of our brands, primarily reflecting the increasingly competitive nature of the industry.

Our used vehicle retail sales revenues increased 16.1% for the twelve months ended December 31, 2013 as compared to 2012. This growth primarily reflects an increase in used vehicle unit sales of 15.8% for the year ended December 31, 2013 as compared to 2012, including the impact of our dealership acquisitions in the U.K. and Brazil. The improving U.S. economic environment that benefited new vehicle sales also supported increased used vehicle demand. Used vehicle retail gross margin declined 40 basis points for the twelve months ended December 31, 2013 as compared to 2012. Used vehicle margins are generally lower in our U.K. and Brazil segments. Therefore, the decline in consolidated used vehicle gross margin partially relates to the mix shift effect, as a result of a larger contribution from these foreign segments.

Our parts and service sales increased 14.8%, for the year ended December 31, 2013, as compared to the same period in 2012. This growth was driven by increases in all aspects of our business: customer-pay parts and service, collision, warranty parts and service, and wholesale parts. Our parts and service gross margin increased 10 basis points for the year ended December 31, 2013 as compared to 2012, with improving U.S. margins more than offsetting the mix effect of the U.K. and Brazil.

Our consolidated finance and insurance revenues per retail unit sold increased $8 for the twelve months ended December 31, 2013, as compared to the same period in 2012, primarily as a result of higher income per contract and increased penetration rates in the U.S., partially offset by the mix effect of increased business in the U.K. and Brazil where income per retail unit sold tends to be lower.

Our total gross margin decreased 40 basis points for the year ended December 31, 2013 as compared to 2012, primarily due to the shift in business mix towards lower margin new and used vehicle businesses and growing contribution from our foreign segments, which generally realize lower total gross margin.

Our consolidated SG&A expenses increased in absolute dollars for the twelve months ended December 31, 2013, as compared to 2012, primarily as a result of dealership acquisitions, as well as the correlation to vehicle sales volumes. However, SG&A as a percentage of gross profit declined 30 basis points to 75.6%, for the year ended December 31, 2013 from the same period in 2012, reflecting ongoing cost control and the leverage on our cost structure that higher revenues and gross profits provide.

For the twelve months ended December 31, 2013, floorplan interest expense increased 31.0%, as compared to 2012, primarily as a result of an increase in our floorplan borrowings from dealership acquisitions, particularly the acquisition of UAB Motors, and expanded inventory levels necessary to support higher sales rates. Other interest expense, net increased 4.0% for the year ended December 31, 2013, primarily due to additional real estate financing including mortgage borrowings related to acquisitions.

The combination of all of these factors, including $6.5 million of non-cash asset impairments, resulted in an operating margin of 3.1% for the twelve months ended December 31, 2013, which is flat from 2012.

We address these items further, and other variances between the periods presented, in the “Results of Operations” section below.

Recent Accounting Pronouncements

Refer to Note 2 of our Consolidated Financial Statements, “Summary of Significant Accounting Polices and Estimates,” for a discussion of those most recent pronouncements that impact us.

Critical Accounting Policies and Accounting Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) principles requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. We analyze our estimates based on our historical experience and various other assumptions that we believe to be reasonable under the circumstances. However, actual results could differ from such estimates. The following is a discussion of our critical accounting estimates and policies.

We have identified below what we believe to be the most pervasive accounting policies and estimates that are of particular importance to the portrayal of our financial position, results of operations and cash flows. See Note 2 to our Consolidated Financial Statements, “Summary of Significant Accounting Policies and Estimates,” for further discussion of all our significant accounting policies and estimates.

Revenue Recognition. Revenues from vehicle sales, parts sales, and vehicle service are recognized upon completion of the sale or service and delivery to the customer. Conditions to completing a sale include having an agreement with the customer, including pricing, and the sales price must be reasonably expected to be collected. We include revenues from our collision center operations in parts and services sales.

We record the profit we receive for arranging vehicle fleet transactions net in other finance and insurance revenues. Since all sales of new vehicles must occur through franchised new vehicle dealerships, the dealerships effectively act as agents for the automobile manufacturers in completing sales of vehicles to fleet customers. As these customers typically order the vehicles, we have no significant general inventory risk. Additionally, fleet customers generally receive special purchase incentives from the automobile manufacturers and we receive only a nominal fee for facilitating the transactions. Taxes collected from customers and remitted to governmental agencies are not included in total revenues.

We arrange financing for customers through various institutions and receive financing fees based on the difference between the loan rates charged to customers and wholesale financing rates set by the financing institution. In addition, we receive fees from the sale of insurance and vehicle service contracts to customers. Further, through agreements with certain vehicle service contract administrators, we earn volume incentive rebates and interest income on reserves, as well as participate in the underwriting profits of the products. We may be charged back for unearned financing, insurance contract or vehicle service contract fees in the event of early termination of the contracts by customers. Revenues from these fees are recorded at the time of the sale of the vehicles and a reserve for future amounts which might be charged back is established based on our historical chargeback results and the termination provisions of the applicable contracts. While chargeback results vary depending on the type of contract sold, a 10% increase in the historical chargeback results used in determining estimates of future amounts which might be charged back would have increased the reserve at December 31, 2014, by $2.9 million.

Inventories. New, used and demonstrator vehicle inventories are carried at the lower of specific cost or market and are removed from inventory using the specific identification method in the Consolidated Balance Sheets. Parts and accessories inventories are valued at lower of cost (determined on a first-in, first-out basis) or market in the Consolidated Balance Sheets. Vehicle inventory cost consists of the amount paid to acquire the inventory, plus the cost of reconditioning, cost of equipment added and transportation cost. Additionally, we receive interest assistance from some of our automobile manufacturers. This assistance is accounted for as a vehicle purchase price discount and is reflected as a reduction to the inventory cost on our Consolidated Balance Sheets and as a reduction to cost of sales in our Statements of Operations as the vehicles are sold. At December 31, 2014 and 2013, inventory cost had been reduced by $8.8 million and $9.0 million, respectively, for interest assistance received from manufacturers. New vehicle cost of sales was reduced by $45.1 million, $38.5 million, and $33.9 million for interest assistance received related to vehicles sold for the years ended December 31, 2014, 2013, and 2012, respectively. The assistance over the past three years has ranged from approximately 87.3% of our quarterly floorplan interest expense in the first quarter of 2013 to 117.7% for the fourth quarter of 2014.

As the market value of inventory typically declines over time, we establish new and used vehicle reserves based on our historical loss experience and considerations of current market trends. These reserves are charged to cost of sales and reduce the carrying value of inventory on hand. Used vehicles are complex to value as there is no standardized source for determining exact values and each vehicle and each market in which we operate is unique. As a result, the value of each used vehicle taken at trade-in, or purchased at auction, is determined based on industry data, primarily

accessed via our used vehicle management software and the industry expertise of the responsible used vehicle manager. Valuation risk is partially mitigated, by the speed at which we turn this inventory. At December 31, 2014, our used vehicle days' supply was 33 days.
We incur shipping costs in connection with selling the parts to customers. The cost of shipping these parts is included in cost of sales on the Consolidated Statements of Operations.
Goodwill. Each of our four regions represents a reporting unit for the purpose of assessing goodwill for impairment. Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. Annually in the fourth quarter, based on the carrying values of our regions as of October 31st, we perform a fair value and potential impairment assessment of goodwill. An impairment analysis is done more frequently if certain events or circumstances arise that would indicate a change in the fair value of the non-financial asset has occurred (i.e., an impairment indicator).

In evaluating goodwill, we compare the carrying value of the net assets of each reporting unit to its respective fair value, which is calculated by using unobservable inputs based upon our internally developed assumptions. This represents the first step of the impairment test. If the fair value of a reporting unit is less than the carrying value of its net assets, we must proceed to step two of the impairment test. Step two involves allocating the calculated fair value to all of the tangible and identifiable intangible assets of the reporting unit as if the calculated fair value was the purchase price in a business combination. Then we compare the value of the implied goodwill resulting from this second step to the carrying value of the goodwill in the reporting unit. To the extent the carrying value of the goodwill exceeds its implied fair value under step two of the impairment test, a non-cash impairment charge equal to the difference is recorded.

We use a combination of the discounted cash flow, or income approach (80% weighted), and the market approach (20% weighted) to determine the fair value of our reporting units. Included in the discounted cash flow are assumptions regarding revenue growth rates, future gross margins, future SG&A expenses and an estimated weighted average cost of capital ("WACC"). We also must estimate residual values at the end of the forecast period and future capital expenditure requirements. Specifically, with regards to the valuation assumptions utilized in the income approach for the U.S. (which represents our largest two reporting units) as of October 31, 2013, we based our analysis on an estimate of industry sales of 16.6 million units in 2015 and a growth rate of 1.0% a year thereafter to a U.S. industry sales rate of 17.0 million units by 2017. For the market approach, we utilize recent market multiples of guideline companies for both revenue and pretax net income. Each of these assumptions requires us to use our knowledge of (1) the industry, (2) recent transactions and (3) reasonable performance expectations for our operations. If any one of the above assumptions change or fails to materialize, the resulting decline in the estimated fair value could result in a material non-cash impairment charge to the goodwill associated with our reporting unit(s).

Intangible Franchise Rights. Our only significant identifiable intangible assets, other than goodwill, are rights under franchise agreements with manufacturers, which are recorded at an individual dealership level. We expect these franchise agreements to continue for an indefinite period and, for agreements that do not have indefinite terms, we believe that renewal of these agreements can be obtained without substantial cost, based on the history with the manufacturer. As such, we believe that our franchise agreements will contribute to cash flows for an indefinite period and, therefore, the carrying amounts of the franchise rights are not amortized. Franchise rights acquired in business acquisitions prior to July 1, 2001, were recorded and amortized as part of goodwill and remain as part of goodwill at December 31, 2014 and 2013 in the accompanying Consolidated Balance Sheets. Since July 1, 2001, intangible franchise rights acquired in business combinations have been recorded as distinctly separate intangible assets.

In accordance with guidance primarily codified within ASC 350, Intangibles — Goodwill and Other (“ASC 350”), we evaluate these franchise rights for impairment annually in the fourth quarter, based on the carrying values of our individual dealerships as of October 31st, or more frequently if events or circumstances indicate possible impairment has occurred. In performing our impairment assessments, we test the carrying value of each individual franchise right that was recorded by using a direct value method discounted cash flow model, or income approach, specifically the excess earnings method. Included in this analysis are assumptions, at a dealership level, regarding the cash flows directly attributable to the franchise rights, revenue growth rates, future gross margins and future SG&A expenses. Using an estimated WACC, estimated residual values at the end of the forecast period and estimated future capital expenditure requirements, we calculate the fair value of each dealership’s franchise rights.

If any one of the above assumptions change or fails to materialize, the resulting decline in the intangible franchise rights’ estimated fair value could result in a non-cash impairment charge to the intangible franchise right associated with the applicable dealership. See Note 15 to our Consolidated Financial Statements, “Asset Impairments,” and Note 16 to our Consolidated Financial Statements, “Intangible Franchise Rights and Goodwill,” for additional details regarding our intangible franchise rights.

Income Taxes. Currently, we operate in 14 different states in the U.S., in the U.K., and in Brazil, each of which has unique tax rates and payment calculations. As the amount of income generated in each jurisdiction varies from period to period, our estimated effective tax rate can vary based on the proportion of taxable income generated in each jurisdiction. We follow the liability method of accounting for income taxes in accordance with ASC 740, Income Taxes. Under this method, deferred income taxes are recorded based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are realized or liabilities are settled. A valuation allowance reduces deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized. Each tax position must satisfy a threshold of more-likely-than-not and a measurement attribute for some or all of the benefits of that position to be recognized in a company's financial statements. See Note 7 to our Consolidated Financial Statements, “Income Taxes,” for additional information.

We have recognized deferred tax assets, net of valuation allowances, that we believe will be realized, based primarily on the assumption of future taxable income. As it relates to net operating losses, a corresponding valuation allowance has been established to the extent that we have determined that net income attributable to certain jurisdictions will not be sufficient to realize the benefit.

Fair Value of Assets Acquired and Liabilities Assumed. The fair values of assets acquired and liabilities assumed in business combinations are estimated using various assumptions. The most significant assumptions, and those requiring the most judgment, involve the estimated fair values of property and equipment and intangible franchise rights, with the remaining amounts attributable to goodwill, if any. We utilize third-party experts to determine the fair values of property and equipment purchased, including real estate and our fair value model as discussed under "Intangible Franchise Rights" above to determine the fair value of intangible franchise rights acquired.

Derivative Financial Instruments. One of our primary market risk exposures is increasing interest rates. Interest rate derivatives, designated as cash flow hedges, are used to adjust interest rate exposures when appropriate based on market conditions.

We follow the requirements of guidance primarily codified within ASC 815, Derivatives and Hedging (“ASC 815”) pertaining to the accounting for derivatives and hedging activities. ASC 815 requires us to recognize all cash flow hedges on our Consolidated Balance Sheet at fair value. The related gains or losses on these interest rate derivatives are deferred in stockholders’ equity as a component of accumulated other comprehensive loss. These deferred gains and losses are recognized in interest expense in the period in which the related items being hedged are recognized in interest expense. However, to the extent that the change in value of a derivative contract does not perfectly offset the change in the value of the items being hedged, that ineffective portion is immediately recognized in other income or expense. Monthly contractual settlements of these swap positions are recognized as floorplan or other interest expense in the accompanying Consolidated Statements of Operations. All of our interest rate hedges were designated as cash flow hedges and were deemed to be effective at December 31, 2014, 2013, and 2012.

We measure the carrying value of our interest rate derivative instruments utilizing an income approach valuation technique, converting future amounts of cash flows to a single present value in order to obtain a transfer exit price within the bid and ask spread that is most representative of the fair value of our derivative instruments. In measuring fair value, we utilize the option-pricing Black-Scholes present value technique for all of our derivative instruments. This option-pricing technique utilizes a one-month London Interbank Offered Rate (“LIBOR”) forward yield curve, obtained from an independent external service provider, matched to the identical maturity term of the instrument being measured. Observable inputs utilized in the income approach valuation technique incorporate identical contractual notional amounts, fixed coupon rates, periodic terms for interest payments and contract maturity. Our fair value estimate of the interest rate derivative instruments also considers the credit risk of our instruments in a liability position or the counterparty for the instruments in an asset position. The credit risk is calculated by using the spread between the one-month LIBOR yield curve and the relevant average 10 and 20-year retail rate for BB+ S&P rated companies, or 6.2%, as of December 31, 2014. We have determined the valuation measurement inputs of these derivative instruments to maximize the use of observable inputs that market participants would use in pricing similar or identical instruments and market data obtained from independent sources, which is readily observable or can be corroborated by observable market data for substantially the full term of the derivative instrument. Accordingly, we have classified the derivatives within Level 2 of the ASC 820 hierarchy framework in Note 13 to our Consolidated Financial Statements, “Fair Value Measurements.” We validate the outputs of our valuation technique by comparison to valuations from the respective counterparties.

Self-Insured Medical, Property and Casualty Reserves. We purchase insurance policies for worker’s compensation, liability, auto physical damage, property, pollution, employee medical benefits and other risks, consisting of large deductibles and/or self-insured retentions.

At least annually, we engage a third-party actuary to conduct a study of the exposures under the self-insured portion of our worker’s compensation and general liability insurance programs for all open policy years. In the interim, we review the estimates within the study and monitor actual experience for unusual variances. The appropriate adjustments are made to the accrual, based upon these procedures. Actuarial estimates for the portion of claims not covered by insurance are based on historical claims experience adjusted for loss trending and loss development factors. Changes in the frequency or severity of claims from historical levels could influence our reserve for claims and our financial position, results of operations and cash flows. A 10% increase in the actuarially determined estimate of aggregate future losses would have increased the reserve for these losses at December 31, 2014, by $2.1 million.

Our auto physical damage insurance coverage is limited and contains two layers of coverage. The first layer is composed of a $10.0 million per occurrence company deductible with an annual maximum aggregate deductible of $30.0 million with no maximum payout. The secondary policy provides for an additional $10.0 million, maximum, in annual loss coverage after we have either incurred $20.0 million in company-paid deductibles related to hail loss, or incurred $5.0 million in company-paid deductibles related to any weather event other than hail.

For policy years ended prior to October 31, 2005, our workers' compensation and general liability insurance coverage included aggregate retention (stop loss) limits in addition to a per claim deductible limit ("Stop Loss Plans"). Due to historical experience in both claims frequency and severity, the likelihood of breaching the aggregate retention limits described above was deemed remote, and as such, we elected not to purchase this stop loss coverage for the policy year beginning November 1, 2005 and for each subsequent year (“No Stop Loss Plans”). Our exposure per claim under the No Stop Loss Plans is limited to $1.0 million per occurrence, with unlimited exposure on the number of claims up to $1.0 million that may be incurred. As of December 31, 2014, we have accrued $0.5 million and $20.3 million for our Stop Loss and No Stop Loss plans, respectively. Our maximum potential exposure under worker's compensation and general liability insurance Stop Loss Plans totaled $34.9 million at December 31, 2014, before consideration of amounts previously paid or accruals recorded related to our loss projections. After consideration of the amounts paid or accrued, the remaining potential loss exposure under the Stop Loss Plans totaled $13.8 million at December 31, 2014.

Variable Interest Entity. In 2013, we entered into arrangements to provide a fixed-interest-rate working capital loan and various administrative services to a related-party entity that owns and operates retail automotive dealerships for a variable fee, both of which constitute variable interests in the entity. Our exposure to loss as a result of our involvement in the entity includes the balance outstanding under the loan arrangement. We hold no equity ownership interest in the entity. We have determined that the entity meets the criteria of a variable interest entity (“VIE”). The terms of the loan and services agreements provide us with the right to control the activities of the VIE that most significantly impact the VIE's economic performance, the obligation to absorb potentially significant losses of the VIE and the right to receive potentially significant benefits from the VIE. Accordingly, we qualified as the VIE's primary beneficiary and consolidated 100% of the assets and liabilities of the VIE as of December 31, 2014 and 2013, as well as 100% of the results of operations of the VIE beginning on the effective date of the variable interests arrangements to December 31, 2013 and for the year ended December 31, 2014.

Results of Operations

The "Same Store" amounts presented below include the results of dealerships for the identical months in each period presented in the comparison, commencing with the first full month in which the dealership was owned by us and, in the case of dispositions, ending with the last full month it was owned by us. For example, for a dealership acquired in June 2013, the results from this dealership will appear in our Same Store comparison beginning in 2014 for the period July 2014 through December 2014, when comparing to July 2013 through December 2013 results. Depending on the periods being compared, the dealerships included in Same Store will vary. For this reason, the 2013 Same Store results that are compared to 2014 differ from those used in the comparison to 2012. Same Store results also include the activities of our corporate headquarters.

The following table summarizes our combined Same Store results for the year ended December 31, 2014 as compared to 2013 and for the year ended December 31, 2013 compared to 2012.

Total Same Store Data

(dollars in thousands, except per unit amounts)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Revenues						
New vehicle retail	$5,237,021	4.3%	$5,022,142	$4,354,540	6.0%	$4,107,638
Used vehicle retail	2,113,710	7.1%	1,973,062	1,794,875	6.0%	1,693,237
Used vehicle wholesale	347,341	8.8%	319,285	276,121	0.4%	275,011
Parts and service	1,032,102	6.3%	970,841	902,905	7.4%	840,383
Finance, insurance and other	339,921	12.1%	303,111	286,837	14.0%	251,544
Total revenues	$9,070,095	5.6%	$8,588,441	$7,615,278	6.2%	$7,167,813
Cost of Sales						
New vehicle retail	$4,955,323	4.5%	$4,741,862	$4,121,902	6.6%	$3,868,417
Used vehicle retail	1,956,353	7.7%	1,816,496	1,651,418	6.4%	1,552,222
Used vehicle wholesale	344,358	8.2%	318,407	276,615	1.6%	272,220
Parts and service	487,856	5.6%	462,018	423,023	5.8%	399,997
Total cost of sales	7,743,890	5.5%	7,338,783	6,472,958	6.2%	6,092,856
Gross profit	$1,326,205	6.1%	$1,249,658	$1,142,320	6.3%	$1,074,957
Selling, general and administrative expenses	$977,375	3.5%	$943,897	$858,367	6.2%	$808,218
Depreciation and amortization expenses	$38,577	9.8%	$35,125	$32,418	6.1%	$30,549
Floorplan interest expense	$37,869	(6.6)%	$40,554	$33,771	9.8%	$30,746
Gross margin						
New vehicle retail	5.4 %		5.6 %	5.3 %		5.8 %
Used vehicle	6.5 %		6.9 %	6.9 %		7.3 %
Parts and service	52.7 %		52.4 %	53.1 %		52.4 %
Total gross margin	14.6 %		14.6 %	15.0 %		15.0 %
SG&A as a % of gross profit	73.7 %		75.5 %	75.1 %		75.2 %
Operating margin	3.0 %		3.1 %	3.2 %		3.2 %
Finance and insurance revenues per retail unit sold	$1,352	9.3%	$1,237	$1,345	9.0%	$1,234

The discussion that follows provides explanation for the variances noted above. In addition, each table presents by primary income statement line item comparative financial and non-financial data of our Same Store locations, those locations acquired or disposed of ("Transactions") during the periods and the consolidated company for the years ended December 31, 2014, 2013, and 2012.

Our results are impacted by changes in exchange rates relating to our U.K and Brazil segments. As exchange rates fluctuate, our results of operations as reported in U.S. dollars fluctuate. For example, if the British pound were to strengthen against the U.S. dollar, our U.K. results of operations would translate into more U.S. dollar reported results. The British pound strengthened against the U.S. dollar as the average rate during the twelve months ended December 31, 2014 increased 5.1%, as compared to the same period in 2013. The Brazilian real weakened against the U.S. dollar as the average rate during the twelve months ended December 31, 2014 declined 8.5% as compared to the same period in 2013.

New Vehicle Retail Data
(dollars in thousands, except per unit amounts)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Retail Unit Sales						
Same Stores						
U.S.	124,274	4.3%	119,202	119,213	4.3%	114,265
U.K.	13,996	2.2%	13,699	8,428	8.4%	7,778
Brazil	13,847	(16.6)%	16,594	—	—%	—
Total Same Stores	152,117	1.8%	149,495	127,641	4.6%	122,043
Transactions	14,779		6,371	28,225		6,507
Total	166,896	7.1%	155,866	155,866	21.2%	128,550
Retail Sales Revenues						
Same Stores						
U.S.	$4,276,808	6.2%	$4,027,539	$4,053,242	5.8%	$3,830,652
U.K.	500,004	13.2%	441,537	301,298	8.8%	276,986
Brazil	460,209	(16.8)%	553,066	—	—%	—
Total Same Stores	5,237,021	4.3%	5,022,142	4,354,540	6.0%	4,107,638
Transactions	504,598		202,779	870,381		183,460
Total	$5,741,619	9.9%	$5,224,921	$5,224,921	21.8%	$4,291,098
Gross Profit						
Same Stores						
U.S.	$218,544	3.3%	$211,545	$211,373	(3.0)%	$217,871
U.K.	33,516	17.9%	28,424	21,265	(0.4)%	21,350
Brazil	29,638	(26.5)%	40,311	—	—%	—
Total Same Stores	281,698	0.5%	280,280	232,638	(2.8)%	239,221
Transactions	29,519		9,595	57,237		8,218
Total	$311,217	7.4%	$289,875	$289,875	17.2%	$247,439
Gross Profit per Retail Unit Sold						
Same Stores						
U.S.	$1,759	(0.9)%	$1,775	$1,773	(7.0)%	$1,907
U.K.	$2,395	15.4%	$2,075	$2,523	(8.1)%	$2,745
Brazil	$2,140	(11.9)%	$2,429	$—	—%	$—
Total Same Stores	$1,852	(1.2)%	$1,875	$1,823	(7.0)%	$1,960
Transactions	$1,997	32.6%	$1,506	$2,028	60.6%	$1,263
Total	$1,865	0.3%	$1,860	$1,860	(3.4)%	$1,925
Gross Margin						
Same Stores						
U.S.	5.1 %		5.3 %	5.2 %		5.7 %
U.K.	6.7 %		6.4 %	7.1 %		7.7 %
Brazil	6.4 %		7.3 %	— %		— %

Total Same Stores	5.4	%	5.6	%	5.3	%	5.8	%
Transactions	5.9	%	4.7	%	6.6	%	4.5	%
Total	5.4	%	5.5	%	5.5	%	5.8	%

The following table sets forth our top ten Same Store brands, based on retail unit sales volume and the percentage changes from year to year, as well as Same Store unit sales mix:
Same Store New Vehicle Unit Sales

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Toyota	35,346	4.0%	33,999	32,262	2.3%	31,526
Ford	16,076	(9.4)	17,735	12,444	10.2	11,288
Nissan	15,217	2.6	14,830	12,121	6.5	11,386
Honda	14,057	(2.7)	14,441	10,511	0.9	10,422
BMW	13,735	7.3	12,806	11,912	11.1	10,720
Lexus	6,546	14.4	5,724	5,724	8.6	5,269
Mercedes-Benz	6,195	(0.1)	6,203	6,652	6.5	6,248
Audi	6,035	16.1	5,198	3,762	9.5	3,437
Hyundai	5,051	15.0	4,394	3,473	5.5	3,293
Chevrolet	4,915	9.7	4,480	4,480	8.8	4,116
Other	28,944	(2.5)	29,685	24,300	(0.2)	24,338
Total	152,117	1.8%	149,495	127,641	4.6%	122,043

In total, our new vehicle retail unit sales saw improvements in many of our major brands highlighted by a 4.0% improvement in Toyota, a 7.3% increase in BMW, 16.1% growth in Audi, and a 14.4% increase in Lexus unit sales. Our U.S. Same Store new vehicle retail unit sales experienced similar brand trends. The focus that we have placed on improving our dealership sales processes, as well as the increase in overall U.S. industry sales, which has risen from 15.6 million units for the year ended December 31, 2013 to 16.5 million units for the same period in 2014, were the primary contributing factors in our U.S. new vehicle unit sales growth. Further, we experienced improvement in our new vehicle unit sales in the U.K., despite a strategic decision made early in 2014 to eliminate high-volume, low margin new vehicle sales. This increase was primarily due to enhanced sales processes, as well as an increase in overall U.K. industry sales. These factors and the corresponding results for the U.S. and U.K. were partially offset by the decline in our new vehicle unit sales in Brazil, primarily due to weaker industry sales. Brazil industry sales were down 7.6% over the same period in 2013, reflecting continued economic pressure, the disruption of sales efforts with the events of the 2014 FIFA World Cup, and a decline in consumer confidence.

Our total Same Store revenues from new vehicle retail sales increased 4.3% for the year ended December 31, 2014, as compared to the same period in 2013, primarily explained by a 4.3% and 2.2% increase in new vehicle retail unit sales in the U.S. and U.K respectively. Coupled with this growth in Same Store new vehicle retail units, we experienced increases in Same Store average retail sales price of 1.9% and 10.8% for the U.S. and U.K. respectively. The growth in our U.S. Same Store average retail sales price was highlighted by increases in our Toyota, BMW, Chrysler, Mercedes Benz and General Motors brands. The increase Same Store new vehicle retail revenues in the U.K was driven by our Audi brand as we experienced a 17.5% increase in Same Store new vehicle retail units sales coupled with a 7.4% increase in new vehicle average sales price. This was coupled with improvement in our BMW brand in the U.K. that realized increases of 13.6% in Same Store new vehicle retail unit sales and a 12.7% increase in average retail sales price. These increases more than offset the decline relating to our Ford brand volumes in the U.K. that decreased as a result of a strategic decision to stop high-volume, low margin new vehicle sales during 2014. Our Brazil segment experienced a decline in Same Store retail unit sales of 16.6%, while our average sales price remained flat for the twelve months ended December 31, 2014 as compared to the same period last year. The level of retail sales, as well as our own ability to retain or grow market share during any future period, is difficult to predict.

Our total Same Store new vehicle gross profit increased 0.5% for the year ended December 31, 2014, as compared to the same period in 2013. U.S. Same Store new vehicle gross profit rose 3.3%, on the growth in new vehicle retail unit sales which offset the 0.9% decline in gross profit per retail unit ("PRU") that reflects the competitive new vehicle selling environment. Same Store gross profit in the U.K. grew 17.9%, as a result of a 15.4% improvement in gross profit PRU coupled with an improvement in new vehicle retail unit sales. Brazil's Same Store new vehicle gross profit declined 26.5%, driven by a 16.6% decrease in unit sales and the negative impact of the devaluation in the Brazilian real to the U.S. dollar. As a result, our total Same Store new vehicle gross margin for the year ended December 31, 2014 declined 20 basis points to 5.4%, as compared to the same period in 2013.

In 2013, total Same Store new vehicle retail sales revenues increased 6.0%, as compared to 2012, resulting from increased new vehicle retail unit sales of 4.3% in the U.S. and 8.4% in the U.K. New vehicle retail unit sales improved in most of our major brand offerings, highlighted by an 11.1% increase in BMW, a 10.2% growth in Ford, a 6.5% growth in Nissan and a 2.3% improvement in Toyota unit sales.

Our total Same Store new vehicle gross profit decreased 2.8% for the year ended December 31, 2013, as compared to the same period in 2012, driven by a 7.0% decline in U.S. Same Store gross profit per retail unit ("PRU") to $1,773. Competition among U.S. dealerships for new vehicle sales continued to escalate during 2013, causing downward price pressure on most of our major brands and in most of our markets. As a result, our total Same Store new vehicle gross margin for the twelve months ended December 31, 2013 declined 50 basis points to 5.3% as compared to the same period in 2012.

Most manufacturers offer interest assistance to offset floorplan interest charges incurred in connection with inventory purchases. This assistance varies by manufacturer, but generally provides for a defined amount, adjusted periodically for changes in market interest rates, regardless of our actual floorplan interest rate or the length of time for which the inventory is financed. We record these incentives as a reduction of new vehicle cost of sales as the vehicles are sold, impacting the gross profit and gross margin detailed above. The total assistance recognized in cost of sales during the years ended December 31, 2014, 2013, and 2012 was $45.1 million, $38.5 million, and $33.9 million, respectively. The amount of interest assistance we recognize in a given period is primarily a function of: (a) the mix of units being sold, as U.S. domestic brands tend to provide more assistance, (b) the specific terms of the respective manufacturers' interest assistance programs and market interest rates, (c) the average wholesale price of inventory sold, and (d) our rate of inventory turnover. Over the past three years, manufacturers' interest assistance as a percentage of our total consolidated floorplan interest expense has ranged from 87.3% in the first quarter of 2013 to 117.7% in the fourth quarter of 2014. U.S. manufacturer's interest assistance was 134.5% of U.S. floorplan interest expense in the fourth quarter of 2014.

We decreased our new vehicle inventory levels by $27.9 million, or 2.4%, from $1,165.3 million as of December 31, 2013 to $1,137.5 million as of December 31, 2014, partially reflecting the continued improvement in the U.S. and U.K. selling environments. Our consolidated days' supply of new vehicle inventory decreased to 63 days as of December 31, 2014 compared to 72 days as of December 31, 2013.

Used Vehicle Retail Data
(dollars in thousands, except per unit amounts)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Retail Unit Sales						
Same Stores						
U.S.	85,266	3.7%	82,235	80,434	4.2%	77,214
U.K.	9,902	8.7%	9,109	5,182	13.4%	4,570
Brazil	4,135	(3.1)%	4,266	—	—%	—
Total Same Stores	99,303	3.9%	95,610	85,616	4.7%	81,784
Transactions	10,570		3,203	13,197		3,582
Total	109,873	11.2%	98,813	98,813	15.8%	85,366
Retail Sales Revenues						
Same Stores						
U.S.	$1,752,151	5.4%	$1,662,671	$1,646,050	5.3%	$1,562,637
U.K.	266,183	20.1%	221,590	148,825	14.0%	130,600
Brazil	95,376	7.4%	88,801	—	—%	—
Total Same Stores	2,113,710	7.1%	1,973,062	1,794,875	6.0%	1,693,237
Transactions	211,158		66,366	244,553		63,681
Total	$2,324,868	14.0%	$2,039,428	$2,039,428	16.1%	$1,756,918
Gross Profit						
Same Stores						
U.S.	$136,065	(1.3)%	$137,811	$133,882	1.1%	$132,429
U.K.	15,883	9.9%	14,446	9,575	11.5%	8,586
Brazil	5,409	25.5%	4,309	—	—%	—
Total Same Stores	157,357	0.5%	156,566	143,457	1.7%	141,015
Transactions	16,165		4,313	17,422		4,991
Total	$173,522	7.9%	$160,879	$160,879	10.2%	$146,006
Gross Profit per Retail Unit Sold						
Same Stores						
U.S.	$1,596	(4.8)%	$1,676	$1,664	(3.0)%	$1,715
U.K.	$1,604	1.1%	$1,586	$1,848	(1.6)%	$1,879
Brazil	$1,308	29.5%	$1,010	$—	—%	$—
Total Same Stores	$1,585	(3.2)%	$1,638	$1,676	(2.8)%	$1,724
Transactions	$1,529	13.5%	$1,347	$1,320	(5.2)%	$1,393
Total	$1,579	(3.0)%	$1,628	$1,628	(4.8)%	$1,710
Gross Margin						
Same Stores						
U.S.	7.8%		8.3%	8.1%		8.5%
U.K.	6.0%		6.5%	6.4%		6.6%
Brazil	5.7%		4.9%	—%		—%
Total Same Stores	7.4%		7.9%	8.0%		8.3%
Transactions	7.7%		6.5%	7.1%		7.8%
Total	7.5%		7.9%	7.9%		8.3%

Used Vehicle Wholesale Data
(dollars in thousands, except per unit amounts)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Wholesale Unit Sales						
Same Stores						
U.S.	40,036	4.9%	38,163	37,614	2.8%	36,590
U.K.	8,181	5.8%	7,735	4,979	8.0%	4,610
Brazil	1,904	(31.4)%	2,775	—	—%	—
Total Same Stores	50,121	3.0%	48,673	42,593	3.4%	41,200
Transactions	4,481		2,063	8,143		2,556
Total	54,602	7.6%	50,736	50,736	16.0%	43,756
Wholesale Sales Revenues						
Same Stores						
U.S.	$255,504	13.7%	$224,686	$226,486	(0.9)%	$228,604
U.K.	77,993	18.0%	66,077	49,635	7.0%	46,407
Brazil	13,844	(51.5)%	28,522	—	—%	—
Total Same Stores	347,341	8.8%	319,285	276,121	0.4%	275,011
Transactions	31,802		12,900	56,064		13,128
Total	$379,143	14.1%	$332,185	$332,185	15.3%	$288,139
Gross Profit						
Same Stores						
U.S.	$2,331	647.1%	$312	$(361)	(111.6)%	$3,102
U.K.	(446)	47.9%	(856)	(133)	57.2%	(311)
Brazil	1,098	(22.8)%	1,422	—	—%	—
Total Same Stores	2,983	239.7%	878	(494)	(117.7)%	2,791
Transactions	(664)		(1,073)	299		(347)
Total	$2,319	1,289.2%	$(195)	$(195)	(108.0)%	$2,444
Gross Profit per Wholesale Unit Sold						
Same Stores						
U.S.	$58	625.0%	$8	$(10)	(111.8)%	$85
U.K.	$(55)	50.5%	$(111)	$(27)	59.7%	$(67)
Brazil	$577	12.7%	$512	$—	—%	$—
Total Same Stores	$60	233.3%	$18	$(12)	(117.6)%	$68
Transactions	$(148)	71.5%	$(520)	$37	127.2%	$(136)
Total	$42	1,150.0%	$(4)	$(4)	(107.1)%	$56
Gross Margin						
Same Stores						
U.S.	0.9%		0.1%	(0.2)%		1.4%
U.K.	(0.6)%		(1.3)%	(0.3)%		(0.7)%
Brazil	7.9%		5.0%	—%		—%
Total Same Stores	0.9%		0.3%	(0.2)%		1.0%
Transactions	(2.1)%		(8.3)%	0.5%		(2.6)%
Total	0.6%		(0.1)%	(0.1)%		0.8%

Total Used Vehicle Data
(dollars in thousands, except per unit amounts)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Used Vehicle Unit Sales						
Same Stores						
U.S.	125,302	4.1%	120,398	118,048	3.7%	113,804
U.K.	18,083	7.4%	16,844	10,161	10.7%	9,180
Brazil	6,039	(14.2)%	7,041	—	—%	—
Total Same Stores	149,424	3.6%	144,283	128,209	4.2%	122,984
Transactions	15,051		5,266	21,340		6,138
Total	164,475	10.0%	149,549	149,549	15.8%	129,122
Sales Revenues						
Same Stores						
U.S.	$2,007,655	6.4%	$1,887,357	$1,872,536	4.5%	$1,791,241
U.K.	344,176	19.6%	287,667	198,460	12.1%	177,007
Brazil	109,220	(6.9)%	117,323	—	—%	—
Total Same Stores	2,461,051	7.4%	2,292,347	2,070,996	5.2%	1,968,248
Transactions	242,960		79,266	300,617		76,809
Total	$2,704,011	14.0%	$2,371,613	$2,371,613	16.0%	$2,045,057
Gross Profit						
Same Stores						
U.S.	$138,396	0.2%	$138,123	$133,521	(1.5)%	$135,531
U.K.	15,437	13.6%	13,590	9,442	14.1%	8,275
Brazil	6,507	13.5%	5,731	—	—%	—
Total Same Stores	160,340	1.8%	157,444	142,963	(0.6)%	143,806
Transactions	15,501		3,240	17,721		4,644
Total	$175,841	9.4%	$160,684	$160,684	8.2%	$148,450
Gross Profit per Used Vehicle Unit Sold						
Same Stores						
U.S.	$1,104	(3.7)%	$1,147	$1,131	(5.0)%	$1,191
U.K.	$854	5.8%	$807	$929	3.1%	$901
Brazil	$1,077	32.3%	$814	$—	—%	$—
Total Same Stores	$1,073	(1.6)%	$1,091	$1,115	(4.6)%	$1,169
Transactions	$1,030	67.5%	$615	$830	9.6%	$757
Total	$1,069	(0.5)%	$1,074	$1,074	(6.6)%	$1,150
Gross Margin						
Same Stores						
U.S.	6.9%		7.3%	7.1%		7.6%
U.K.	4.5%		4.7%	4.8%		4.7%
Brazil	6.0%		4.9%	—%		—%
Total Same Stores	6.5%		6.9%	6.9%		7.3%
Transactions	6.4%		4.1%	5.9%		6.0%
Total	6.5%		6.8%	6.8%		7.3%

In addition to factors such as general economic conditions and consumer confidence, our used vehicle business is affected by the level of manufacturer incentives on new vehicles and new vehicle financing, the number and quality of trade-ins and

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lease turn-ins, the availability of consumer credit, and our ability to effectively manage the level and quality of our overall used vehicle inventory.

Our total Same Store used vehicle retail revenues increased 7.1% for the twelve months ended December 31, 2014, as compared to 2013, reflecting a 3.9% increase in total Same Store used vehicle retail unit sales and a 3.1% increase in average used vehicle retail selling price to $21,285. Each of our segments generated growth in Same Store used vehicle retail revenues, led by an increase of $89.5 million, or 5.4%, in the U.S., reflecting a 3.7% increase in used vehicle retail unit sales and a 1.6% increase in average used vehicle retail sales price. Same Store average used vehicle retail sales price also grew in the U.K., by 10.5% from $24,326 in 2013 to $26,882 and used vehicle retail unit sales in the U.K. improved 8.7% to 9,902 for the twelve months ended December 31, 2014. In Brazil, we experienced a 10.8% improvement in Same Store used vehicle average retail sales price from $20,816 in 2013 to $23,066, which was partially offset by a decline of 3.1% in Same Store used vehicle retail unit sales. Our total Same Store used vehicle retail gross profit increased 0.5% for the year ended December 31, 2014, as compared to prior year, primarily driven by increases of 9.9% in the U.K. and 25.5% in Brazil which was partially offset by a 1.3% decline in the U.S. The increase in Same Store used vehicle retail gross profit in the U.K. primarily relates to an 8.7% increase in U.K. Same Store used vehicle retail units coupled with a 1.1% increase in Same Store used vehicle gross profit PRU, driven by our ability to retail more quality used vehicles. The increase in Same Store used vehicle retail gross profit in Brazil primarily relates to a 29.5% increase in Same Store used vehicle gross profit PRU, which was partially offset by a 3.1% decline in Same Store used vehicle retail units sold. This increase in Brazil's gross profit PRU was primarily a result of retailing better quality used vehicles in 2014. The decline in Same Store used vehicle retail gross profit in the U.S. was primarily a result of strong new vehicle selling environment that shifted some customers from used to new vehicles.

Our U.S. Same Store Certified Pre-Owned ("CPO") volume increased 12.1% to 24,725 units sold for the twelve months ended December 31, 2014, as compared to the same period of 2013. As a percentage of the U.S. Same Store used vehicle retail unit sales, CPO units increased 220 basis points to 29.0% for 2014, as compared to 2013.

During 2014, total Same Store revenue from wholesale used vehicle sales increased by 8.8%, driven by an increase in U.S. Same Store used vehicle wholesale average sales price of 8.4% coupled with a 4.9% increase in our U.S. Same Store wholesale used vehicle unit sales, as compared to the same period in 2013. Total Same Store wholesale used vehicle gross profit per unit improved from $18 to $60 for the year ended December 31, 2014, as compared to the same period in 2013.

Total Same Store used vehicle retail revenues increased 6.0% for the twelve months ended December 31, 2013, as compared to 2012. This improvement reflects a 4.7% increase in total Same Store used vehicle retail unit sales and a 1.3% increase in average used vehicle retail selling price to $20,964. Our U.S. Same Store average used vehicle retail selling price increased 1.1% to $20,465, while our U.S. Same Store used vehicle retail units sold increased 4.2% for the twelve months ended December 31, 2013, as compared to 2012.

Our U.S. Same Store CPO volume decreased 1.6% to 22,372 units sold for the twelve months ended December 31, 2013, as compared to 2012. As a percentage of the U.S. Same Store used vehicle retail unit sales, CPO units declined 160 basis points to 27.8% for 2013, as compared to 2012.

In total, Same Store retail used vehicle gross profit improved 1.7%, while gross profit per retail unit decreased 2.8% to $1,676 and gross margin declined 30 points, for the twelve months ended December 31, 2013, as compared to 2012. The gross profit and gross margin declines were primarily driven by decreases in our U.S. segment where used retail vehicle gross profit per retail unit declined 3.0% and gross margins decreased 40 basis points to 8.1% in 2013 as compared to 2012.

During 2013, total Same Store wholesale used vehicle revenue increased by 0.4%, driven by an increase in U.K. Same Store wholesale used vehicle unit sales of 8.0%, as compared to the same period in 2012. This growth in the U.K. corresponds to the overall rise in new and used retail sales volume in the U.K. in 2013. Total Same Store wholesale used vehicle gross profit per unit declined $80 to a loss of $12 for the twelve months ended December 31, 2013, as compared to the same period in 2012.

We increased our used vehicle inventory levels by $23.0 million, or 9.9%, from $232.0 million as of December 31, 2013 to $254.9 million as of December 31, 2014, primarily in response to an improved selling environment and our dealership acquisitions. Our consolidated days' supply of used vehicle inventory was 33 days at December 31, 2014, which was down from 35 days at December 31, 2013.

Parts and Service Data
(dollars in thousands)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Parts and Service Revenues						
Same Stores						
U.S.	$891,099	6.0%	$840,398	$854,736	7.4%	$795,984
U.K.	79,148	17.2%	67,557	48,169	8.5%	44,399
Brazil	61,855	(1.6)%	62,886	—	—%	—
Total Same Stores	1,032,102	6.3%	970,841	902,905	7.4%	840,383
Transactions	93,592		39,844	107,780		39,687
Total	$1,125,694	11.4%	$1,010,685	$1,010,685	14.8%	$880,070
Gross Profit						
Same Stores						
U.S.	$474,505	6.6%	$445,077	$453,846	8.8%	$416,950
U.K.	43,641	17.5%	37,147	26,036	11.1%	23,436
Brazil	26,100	(1.9)%	26,599	—	—%	—
Total Same Stores	544,246	7.0%	508,823	479,882	9.0%	440,386
Transactions	50,069		21,802	50,743		21,102
Total	$594,315	12.0%	$530,625	$530,625	15.0%	$461,488
Gross Margin						
Same Stores						
U.S.	53.2%		53.0%	53.1%		52.4%
U.K.	55.1%		55.0%	54.1%		52.8%
Brazil	42.2%		42.3%	—%		—%
Total Same Stores	52.7%		52.4%	53.1%		52.4%
Transactions	53.5%		54.7%	47.1%		53.2%
Total	52.8%		52.5%	52.5%		52.4%

Our total Same Store parts and service revenues increased 6.3% to $1,032.1 million for the year ended December 31, 2014, as compared to 2013. Within the total, our U.S. Same Store parts and service revenues increased 6.0%, or $50.7 million, for the year ended December 31, 2014 as compared to 2013, driven primarily by an 11.1% increase in wholesale parts revenue, a 10.5% increase in warranty revenues, a 7.3% increase in collision revenue, and a 1.4% increase in customer-pay parts and service sales. The increase in wholesale revenues was primarily due to increased focus and better overall management of this portion of our business in a few key markets. The increase in warranty revenue was primarily driven by high volume recall campaigns from General Motors, BMW, Toyota and Ford. In addition, as manufacturer-paid maintenance programs expand in the U.S., a shift of business from customer-pay business to warranty business continues. These U.S. results were tempered by the negative impact of severe weather in the U.S. during the first quarter of 2014 that resulted in a loss of productive work days.

Our U.K. Same Store parts and service revenues increased 17.2%, to $79.1 million, for the year ended December 31, 2014 as compared to 2013, driven primarily by a 12.8% increase in customer-pay parts and service sales, a 27.9% increase in warranty revenues, a 19.5% increase in wholesale parts revenue, and a 21.5% increase in collision revenue. The increase in customer-pay parts and service sales was driven by management initiatives focused on increasing capacity, while the increase in warranty revenue was primarily due to increased high volume recalls from BMW and Ford.

Our Same Store parts and service revenues in Brazil decreased 1.6%, or $1.0 million, for the year ended December 31, 2014. This decline can be more than explained by the exchange rate as Same Store parts and service revenues increased 5.2% on a local currency basis in 2014 as compared with last year. This increase in local currency Same Store revenue was largely driven by a 15.2% increase in collision revenue as a result of a strategic decision made in 2014 to increase the size and capacity of one of our collision centers.

Our total Same Store gross profit for the year ended December 31, 2014 increased 7.0% compared to 2013. Our total Same Store parts and service gross margin increased 30 basis points for the year ended December 31, 2014, compared to 2013. The increase in gross margin was primarily due to improved profitability in our warranty and wholesale parts and service business units in U.S. and U.K., as well as a higher volume of internal work between the parts and service departments of our dealerships and the new and used vehicle departments, which was generated by improved new and used retail vehicles sales volumes.

Our total Same Store parts and service revenues increased 7.4% to $902.9 million for the year ended December 31, 2013, as compared to 2012. Our U.S. Same Store parts and service revenues also increased 7.4%, or $58.8 million, for the year ended December 31, 2013, as compared to 2012, driven primarily by an 11.2% increase in warranty revenues, a 16.7% increase in collision revenue, a 4.3% increase in customer-pay parts and service sales, and a 5.7% increase in wholesale parts revenue. Our total Same Store gross profit for the year ended December 31, 2013 increased 9.0% compared to 2012. Our total Same Store parts and service gross margins increased 70 basis points for the year ended December 31, 2013, compared to 2012. The increase in gross margin was primarily due to improved profitability in our warranty and customer-pay parts and service business units, as well as a higher volume of internal work.

Finance and Insurance Data

(dollars in thousands, except per unit amounts)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Retail New and Used Unit Sales						
Same Stores						
U.S.	209,540	4.0%	201,437	199,647	4.3%	191,479
U.K.	23,898	4.8%	22,808	13,610	10.2%	12,348
Brazil	17,982	(13.8)%	20,860	—	—%	—
Total Same Stores	251,420	2.6%	245,105	213,257	4.6%	203,827
Transactions	25,349		9,574	41,422		10,089
Total	276,769	8.7%	254,679	254,679	19.1%	213,916
Retail Finance Fees						
Same Stores						
U.S.	$100,265	5.7%	$94,876	$94,303	13.9%	$82,772
U.K.	11,082	36.8%	8,101	5,720	14.2%	5,007
Brazil	2,203	(8.8)%	2,416	—	—%	—
Total Same Stores	113,550	7.7%	105,393	100,023	13.9%	87,779
Transactions	10,403		3,811	9,181		3,478
Total	$123,953	13.5%	$109,204	$109,204	19.7%	$91,257
Vehicle Service Contract Fees						
Same Stores						
U.S.	$124,043	11.1%	$111,628	$109,991	9.5%	$100,414
U.K.	284	34.6%	211	8	(81.0)%	42
Brazil	—	—%	—	—	—%	—
Total Same Stores	124,327	11.2%	111,839	109,999	9.5%	100,456
Transactions	7,796		2,311	4,151		2,985
Total	$132,123	15.7%	$114,150	$114,150	10.4%	$103,441
Insurance and Other						
Same Stores						
U.S.	$87,866	18.8%	$73,985	$73,091	21.5%	$60,138
U.K.	6,713	17.8%	5,699	3,724	17.4%	3,171
Brazil	7,465	20.5%	6,195	—	—%	—

Total Same Stores	102,044	18.8%	85,879	76,815	21.3%	63,309
Transactions	8,445		2,129	11,193		1,868
Total	$110,489	25.5%	$88,008	$88,008	35.0%	$65,177
Total Finance and Insurance Revenues						
Same Stores						
U.S.	$312,174	11.3%	$280,489	$277,385	14.0%	$243,324
U.K.	18,079	29.0%	14,011	9,452	15.0%	8,220
Brazil	9,668	12.3%	8,611	—	—%	—
Total Same Stores	339,921	12.1%	303,111	286,837	14.0%	251,544
Transactions	26,644		8,251	24,525		8,331
Total	$366,565	17.7%	$311,362	$311,362	19.8%	$259,875
Finance and Insurance Revenues per Unit Sold						

Same Stores						
U.S.	$1,490	7.0%	$1,392	$1,389	9.3%	$1,271
U.K.	$757	23.3%	$614	$694	4.2%	$666
Brazil	$538	30.3%	$413	-	—%	-
Total Same Stores	$1,352	9.3%	$1,237	$1,345	9.0%	$1,234
Transactions	$1,051		$862	$592		$826
Total	$1,324	8.3%	$1,223	$1,223	0.7 %	$1,215

Our efforts to improve our finance and insurance business processes and leverage our business relationships, coupled with improved retail vehicle sales volumes, continued to generate growth in finance and insurance revenues. Our total Same Store finance and insurance revenues increased by 12.1% to $339.9 million for the year ended December 31, 2014, as compared to 2013, driven by growth in our U.S. Same Store revenues of $31.7 million, or 11.3%. The improvement in the U.S. was primarily due to the 4.0% increase in new and used vehicle retail unit sales volume, coupled with increases in income per contract and penetration rates from most of our major product offerings, as well as a strategic decision to re-balance our lender portfolio. These increases more than offset an increase in our chargeback expense. We generated a 29.0% increase in our U.K. Same Store finance and insurance revenues, reflecting improved income per contract from our finance and vehicle service contract offerings, new and used vehicle retail unit sales volume and finance penetration rates. Additionally, our Brazil Same Store finance and insurance revenues increased 12.3% to $9.7 million for the year ended December 31, 2014 when compared to 2013, despite the negative impact of foreign currency translation during 2014. As a result, our total Same Store finance and insurance revenues PRU improved 9.3% to $1,352, as compared to 2013.

Our total Same Store finance and insurance revenues increased by 14.0% to $286.8 million for the year ended December 31, 2013 as compared to 2012. The improvement in the U.S. was primarily driven by increase in income per contract and penetration rates from all of our major product offerings, as well as a 4.3% increase in new and used retail units. These increases more than offset an increase in our chargeback expense. As a result, our total Same Store finance and insurance revenues PRU improved 9.0% to $1,345, as compared to 2012.

Selling, General and Administrative Data
(dollars in thousands)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Personnel						
Same Stores						
U.S.	$514,391	4.5%	$492,195	$493,264	5.0%	$469,739
U.K.	51,360	17.7%	43,638	31,196	11.9%	27,884
Brazil	34,728	(10.7)%	38,872	—	—%	—
Total Same Stores	600,479	4.5%	574,705	524,460	5.4%	497,623
Transactions	57,961		23,240	73,485		22,388
Total	$658,440	10.1%	$597,945	$597,945	15.0%	$520,011
Advertising						
Same Stores						
U.S.	$61,973	21.0%	$51,231	$50,349	3.2%	$48,788
U.K.	3,652	23.0%	2,969	1,842	15.4%	1,596
Brazil	1,836	(14.6)%	2,150	—	—%	—
Total Same Stores	67,461	19.7%	56,350	52,191	3.6%	50,384
Transactions	6,351		2,601	6,760		3,763
Total	$73,812	25.2%	$58,951	$58,951	8.9%	$54,147
Rent and Facility Costs						
Same Stores						
U.S.	$81,839	1.0%	$81,022	$85,141	4.8%	$81,206
U.K.	8,345	2.3%	8,161	5,341	(8.4)%	5,830
Brazil	12,813	(4.0)%	13,346	—	—%	—
Total Same Stores	102,997	0.5%	102,529	90,482	4.0%	87,036
Transactions	10,858		7,930	19,977		6,989
Total	$113,855	3.1%	$110,459	$110,459	17.5%	$94,025
Other SG&A						
Same Stores						
U.S.	$168,761	(3.3)%	$174,535	$177,666	11.3%	$159,682
U.K.	22,512	12.5%	20,011	13,568	0.6%	13,493
Brazil	15,165	(3.8)%	15,767	—	—%	—
Total Same Stores	206,438	(1.8)%	210,313	191,234	10.4%	173,175
Transactions	9,419		(812)	18,267		7,088
Total	$215,857	3.0%	$209,501	$209,501	16.2%	$180,263
Total SG&A						
Same Stores						
U.S.	$826,964	3.5%	$798,983	$806,420	6.2%	$759,415
U.K.	85,869	14.8%	74,779	51,947	6.4%	48,803
Brazil	64,542	(8.0)%	70,135	—	—%	—
Total Same Stores	977,375	3.5%	943,897	858,367	6.2%	808,218
Transactions	84,589		32,959	118,489		40,228
Total	$1,061,964	8.7%	$976,856	$976,856	15.1%	$848,446
Total Gross Profit						
Same Stores						
U.S.	$1,143,619	6.4%	$1,075,234	$1,076,125	6.2%	$1,013,675
U.K.	110,673	18.8%	93,172	66,195	8.0%	61,282

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Brazil	71,913		(11.5)%	81,252		—		—%	—	
Total Same Stores	1,326,205		6.1%	1,249,658		1,142,320		6.3%	1,074,957	
Transactions	121,733			42,888		150,226			42,295	
Total	$1,447,938		12.0%	$1,292,546		$1,292,546		15.7%	$1,117,252	
SG&A as a % of Gross Profit										
Same Stores										
U.S.	72.3	%		74.3	%	74.9	%		74.9	%
U.K.	77.6	%		80.3	%	78.5	%		79.6	%
Brazil	89.7	%		86.3	%	—	%		—	%
Total Same Stores	73.7	%		75.5	%	75.1	%		75.2	%
Transactions	69.5	%		76.8	%	78.9	%		95.1	%
Total	73.3	%		75.6	%	75.6	%		75.9	%
Employees	12,000			11,500		11,500			9,300	

Our SG&A consists primarily of salaries, commissions and incentive-based compensation, as well as rent, advertising, insurance, benefits, utilities and other fixed expenses. We believe that the majority of our personnel expenses and all of our advertising expenses are variable and can be adjusted in response to changing business conditions. Our total Same Store SG&A increased 3.5%, or $33.5 million, for the year ended December 31, 2014, as compared to 2013. Our total Same Store personnel costs increased for the year ended December 31, 2014, primarily as a result of commission payments generally correlating with increased vehicle sales in the U.S. and U.K. These increases in personnel expense were partially offset by a decrease in the Brazil segment due to management's actions to reduce headcount in response to a significant slowdown in the Brazilian economy and vehicle sales market.

Our consolidated Same Store rent and facility costs increased 0.5%, to $103.0 million for the year ended December 31, 2014, primarily driven by a 1.0% increase in our U.S. segment as compared to a year ago. This increase was partially offset by changes in year over year foreign currency exchange rates for Brazil. This increase in the U.S. primarily reflected increases in building maintenance, utilities and real estate taxes, partially offset by a decline in building rent. The decline in rent primarily relates to our strategic decision to purchase dealership related real estate.

For the year ended December 31, 2014, our total Same Store other SG&A decreased 1.8% , as compared to 2013, which primarily reflected a decrease of 3.3% in U.S. Same Store other SG&A in 2014 as compared to 2013. The decrease in the U.S. was partially due to a charge of $5.2 million for business acquisition costs incurred in 2013 primarily related with the acquisition of UAB motors, a $9.4 million decline in insurance deductible charges associated with vehicle inventory and building damage from certain catastrophic events. These decreases in the U.S. in 2014 were partially offset by an increase of $1.0 million in 2014 for net losses on the disposition of real estate and dealership transactions.

We continue to aggressively pursue opportunities that take advantage of our size and negotiating leverage with our vendors and service providers in order to rationalize our cost structure. Our ongoing cost control efforts, offset by losses on the disposition of real estate and dealership transactions and the impact of incremental charges in 2013 relative to catastrophic events and acquisition related costs, resulted in a 180 basis point improvement in our Same Store SG&A as a percentage of gross profit for the year ended December 31, 2014 to 73.7% as compared to the same period in 2013.

Our total Same Store SG&A increased 6.2%, or $50.1 million, for the year ended December 31, 2013, as compared to 2012 but declined as a percent of gross profit to 75.1%. Our total Same Store personnel costs increased for the year ended December 31, 2013, primarily as a result of commission payments generally correlating with increased vehicle sales. Our consolidated Same Store rent and facility costs increased $3.4 million, or 4.0%, to $90.5 million, while our U.S. Same Store rent and facility costs increased $3.9 million, or 4.8%, for the year ended December 31, 2013, as compared to 2012. For the year ended December 31, 2013, our total Same Store other SG&A increased 10.4%, as compared to 2012, which primarily reflected an 11.3% increase in U.S. Same Store other SG&A in 2013 as compared to 2012. The increase in the U.S. was primarily due to $12.2 million in insurance deductible charges associated with vehicle inventory and building damage from certain catastrophic events that occurred during 2013, as well as $5.2

million of costs incurred for professional advisory services associated with the acquisition of UAB Motors. Partially offsetting these expenses in 2013 were $10.2 million of net gains on the disposition of real estate and dealerships. Ongoing cost control efforts and the leverage on our cost structure that higher revenues and gross profits provide resulted in a 10 basis points improvement in our total Same Store SG&A as a percentage of gross profit for the year ended December 31, 2013, as compared to the same period in 2012, to 75.1%.

Depreciation and Amortization Data
(dollars in thousands)

	For The Year Ended December 31,					
	2014	% Change	2013	2013	% Change	2012
Same Stores						
U.S.	$33,783	8.9%	$31,015	$30,565	8.5%	$28,178
U.K.	3,156	22.7%	2,573	1,853	(21.8)%	2,371
Brazil	1,638	6.6%	1,537	—	—%	—
Total Same Stores	38,577	9.8%	35,125	32,418	6.1%	30,549
Transactions	3,767		701	3,408		985
Total	$42,344	18.2%	$35,826	$35,826	13.6%	$31,534

Our total Same Store depreciation and amortization expense increased 9.8% and 6.1% for the years ended December 31, 2014 and 2013, respectively, as compared to the respective prior year period. We continue to strategically add dealership-related real estate to our portfolio and make improvements to our existing facilities that are designed to enhance the profitability of our dealerships and the overall customer experience. We critically evaluate all planned future capital spending, working closely with our OEM partners to maximize the return on our investments.

Impairment of Assets

We perform an annual review of the fair value of our goodwill and indefinite-lived intangible assets during the fourth quarter. We also perform interim reviews for impairment when evidence exists that the carrying value of such assets may not be recoverable. We did not identify an impairment of our recorded goodwill in 2014, 2013 or 2012.

During 2014, we determined that the carrying value of certain of our intangible franchise rights were greater than fair value primarily as a result, we recognized a $31.0 million pre-tax non cash impairment charge. Also in 2014, we recognized $10.5 million in pre-tax non-cash asset impairment charges, associated with non-operating real estate holdings and other long-lived assets of our existing dealership facilities.

If in future periods, we determine that the carrying amount of our net assets exceeds the respective fair value as a result of step one of our goodwill impairment test for any or all of its reporting units, the application of the second step of the impairment test could result in a material non-cash impairment charge to the goodwill associated with the reporting unit(s). If any of our assumptions change, or fail to materialize, the resulting decline in its estimated fair market value of intangible franchise rights could result in a material non-cash impairment charge. For example, if our assumptions regarding the risk-free rate and cost of debt differed such that the estimated WACC used in its 2014 assessment for the franchises acquired prior to the previous annual test increased by 200 basis points, and all other assumptions remained constant, an additional $14.0 million of non-cash franchise rights impairment charges, would have resulted. None of our reporting units would have failed the step one impairment test for goodwill in this scenario. Further, if we forecasted no new vehicle sales growth beyond 2016 in the 2014 impairment assessment for the franchises acquired prior to the previous annual test and all other assumptions remained constant, an additional $2.0 million of non-cash franchise rights impairment charges would have resulted. And, again, none of our reporting units would have failed the step one impairment test for goodwill.

In 2013 and 2012, we noted impairment indicators relative to intangible franchise rights and, as a result, we recognized $5.4 million and $7.0 million, respectively, in pre-tax non-cash asset impairment charges. For long-lived assets, we review for impairment whenever there is evidence that the carrying amount of such assets may not be recoverable. We noted evidence that certain long-lived assets associated with our existing dealership facilities had a carrying value which may not be realized. As a result, we recognized $1.1 million and $0.3 million in pre-tax non-cash asset impairment charges in 2013 and 2012, respectively.

Floorplan Interest Expense
(dollars in thousands)

	For The Year Ended December 31,					
	2014	%	2013	2013	%	2012

		Change			Change	
Same Stores						
U.S.	$31,572	(3.6)%	$32,760	$32,652	9.7%	$29,756
U.K.	1,584	(0.3)%	1,589	1,119	13.0%	990
Brazil	4,713	(24.0)%	6,205	—	—%	—
Total Same Stores	37,869	(6.6)%	40,554	33,771	9.8%	30,746
Transactions	3,745		1,113	7,896		1,050
Total	$41,614	(0.1)%	$41,667	$41,667	31.0%	$31,796
Memo:						
Manufacturer's assistance	$45,145	17.1%	$38,543	$38,543	13.6%	$33,915

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

As of December 31, 2014, we had effective interest rate swaps with an aggregate notional amount of $563.0 million that fixed our underlying one-month LIBOR at a weighted average rate of 2.5%. The majority of the monthly settlements of these interest rate swap liabilities are recognized as floorplan interest expense. From time to time, we utilize excess cash on hand to pay down our floorplan borrowings, and the resulting interest earned is recognized as an offset to our gross floorplan interest expense.

Our total Same Store floorplan interest expense decreased 6.6% or $2.7 million, for the year ended December 31, 2014, as compared to 2013. This reduction was driven by a $1.5 million decline in floorplan interest expense in Brazil primarily due to our decision to refinance a portion of our floorplan borrowings with a working capital line of credit that reduced the overall interest rate we are charged and redistributed the borrowings and associated interest charges to our other long-term debt and interest expense categories. In addition, we experienced a decrease of Same Store floorplan interest expense in the U.S. of $1.2 million resulting from a decline in our floorplan borrowing rate of 25 basis points that was effective on June 20, 2013 with the amendment to our Revolving Credit Facility. This decline in the U.S. was partially offset by a $51.6 million increase in Same Store weighted average floorplan borrowings outstanding for the twelve months ended December 31, 2014, as compared to the same period in 2013.

Our total Same Store floorplan interest expense increased 9.8%, or $3.0 million, for the year ended December 31, 2013, as compared to 2012. This increase primarily reflects growth in our weighted average floorplan borrowings outstanding in the U.S. of $236.4 million for the year ended December 31, 2013, which was necessary to support the growth in inventory that occurred in response to the improved selling environment.

Other Interest Expense, net

Other interest expense, net consists of interest charges primarily on our real estate related debt and our other long-term debt, partially offset by interest income. For the twelve months ended December 31, 2014, other net interest expense increased $10.7 million, or 27.5%, to $49.7 million, as compared to the same period in 2013. This increase was primarily attributable to interest incurred on our 5.00% Notes offering that was executed to fund the extinguishment of our 2.25% Notes and 3.00% Notes, as well as an increase in interest relating to a working capital line of credit in Brazil that we entered into during 2014. The working capital line of credit in Brazil redistributed the borrowings and associated interest charge from our floorplan borrowings and interest related categories. Other net interest expense increased for 2014, as compared to 2013, due to additional mortgage borrowings associated with recent dealership acquisitions and purchases of existing leased properties, as well as an increase in weighted average borrowings on our Acquisition Line (as defined below) to support dealership acquisitions.

For the year ended December 31, 2013, other interest expense increased $1.5 million, or 4.0%, to $39.0 million, as compared to the same period in 2012, primarily attributable to additional real estate financing, including mortgage borrowings related to dealership acquisitions during 2013.

Included in other interest expense for the years ended December 31, 2014, 2013, and 2012 is non-cash, discount amortization expense of $7.2 million, $10.8 million, and $9.9 million, respectively. This non-cash discount amortization represents the impact of the accounting for our 2.25% and 3.00% Notes as required by Accounting Standards Codifications Topic ("ASC") 470 for convertible debt. We used the proceeds from the 5.00% Notes offering to extinguish all of the outstanding principal of the 2.25% Notes and 3.00% Notes as of September 30, 2014.

Provision for Income Taxes

For the year ended December 31, 2014, we recorded a tax provision of $71.4 million. The 2014 effective tax rate of 43.4% differed from the 2013 effective tax rate of 40.6% primarily due to a portion of the U.S. GAAP loss on the extinguishment of the 2.25% Notes and the 3.00% Notes that was not deductible for tax purposes and additional valuation allowances recorded in respect of net operating losses of certain Brazil subsidiaries. This was partially offset by the net deferred tax benefit for tax deductible goodwill in Brazil, resulting from a restructuring during 2014.

For the year ended December 31, 2013, we recorded a tax provision of $77.9 million. The 2013 effective tax rate of 40.6% differed from the 2012 effective tax rate of 37.7% primarily due to valuation allowances recognized on certain foreign company deferred tax assets, non-deductible goodwill from the disposition of certain U.S. dealerships, and non-deductible transaction costs related to foreign acquisitions.

We believe that it is more likely than not that our deferred tax assets, net of valuation allowances provided, will be realized, based primarily on the assumption of future taxable income. We expect our effective tax rate in 2015 will be approximately 38.0%.

As of December 31, 2014, we had net deferred tax liabilities totaling $127.3 million relating to the differences between the financial reporting and tax basis of assets and liabilities, some of which are expected to reverse in the future. This includes $139.0 million of deferred tax liabilities relating to intangibles for goodwill and franchise rights that are deductible for tax purposes and will not reverse until the related intangibles are disposed. In addition, as of December 31, 2014, we had $50.2 million of deferred tax assets relating to loss reserves and accruals, and $40.5 million of valuation allowances on deferred tax assets. Refer to Note 7 to our Consolidated Financial Statements for more details.

Liquidity and Capital Resources

Our liquidity and capital resources are primarily derived from cash on hand, cash temporarily invested as a pay down of Floorplan Line (defined below) and FMCC facility levels, cash from operations, borrowings under our credit facilities, which provide vehicle floorplan financing, working capital and dealership and real estate acquisition financing, and proceeds from debt and equity offerings. Based on current facts and circumstances, we believe we will have adequate cash flow, coupled with available borrowing capacity, to fund our current operations, capital expenditures and acquisitions for 2015. If economic and business conditions deteriorate or if our capital expenditures or acquisition plans for 2015 change, we may need to access the private or public capital markets to obtain additional funding.

Cash on Hand. As of December 31, 2014, our total cash on hand was $41.0 million. The balance of cash on hand excludes $62.1 million of immediately available funds used to pay down our Floorplan Lines as of December 31, 2014. We use the pay down of our Floorplan Lines as a channel for the short-term investment of excess cash.

Cash Flows. With respect to all new vehicle floorplan borrowings in the normal course of business, the manufacturers of the vehicles draft our credit facilities directly with no cash flow to or from us. With respect to borrowings for used vehicle financing, we finance up to 80% of the value of our used vehicle inventory in the U.S., and the funds flow directly to us from the lender. All borrowings from, and repayments to, lenders affiliated with our vehicle manufacturers (excluding the cash flows from or to manufacturer-affiliated lenders participating in our syndicated lending group) are presented within Cash Flows from Operating Activities on the Consolidated Statements of Cash Flows in conformity with U.S. GAAP. All borrowings from, and repayments to, the Revolving Credit Facility (defined below) (including the cash flows from or to manufacturer-affiliated lenders participating in the facility) and other credit facilities in Brazil unaffiliated with our manufacturer partners, are presented within Cash Flows from Financing Activities in conformity with U.S. GAAP. However, the incurrence of all floorplan notes payable represents an activity necessary to acquire inventory for resale, resulting in a trade payable. Our decision to utilize our Revolving Credit Facility does not substantially alter the process by which our vehicle inventory is financed, nor does it significantly impact the economics of our vehicle procurement activities. Therefore, we believe that all floorplan financing of inventory purchases in the normal course of business should correspond with the related inventory activity and be classified as an operating activity. As a result, we use the non-GAAP measure "Adjusted net cash provided by operating activities" to evaluate our cash flows. We believe that this classification eliminates excess volatility in our operating cash flows prepared in accordance with U.S. GAAP and avoids the potential to mislead the users of our financial statements.

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

The following table sets forth selected historical information regarding cash flows from our Consolidated Statements of Cash Flows on an adjusted, non-GAAP basis. For further explanation and reconciliation to the most directly comparable measures see "Non-GAAP Financial Measures" below.

	For the Year Ended December 31,		
	2014	2013	2012
		(In thousands)	
Adjusted net cash provided by operating activities	$207,139	$202,823	$159,194
Adjusted net cash used in investing activities	(315,432)	(249,516)	(208,959)
Adjusted net cash provided by (used in) financing activities	131,180	66,404	40,808
Effect of exchange rate changes on cash	(2,127)	(4,146)	(1,288)

Net increase (decrease) in cash and cash equivalents	$20,760	$15,565	$(10,245)

Sources and Uses of Liquidity from Operating Activities

For the twelve months ended December 31, 2014, we generated $198.3 million of net cash flow from operating activities. On an adjusted basis, we generated $207.1 million in net cash flow from operating activities, primarily consisting of $93.0 million in net income and non-operating cash flow adjustments for a loss on the extinguishment of our 3.00% Notes of $29.5 million and a loss on the extinguishment of our 2.25% Notes of $16.9 million, as well as non-cash adjustments related to depreciation and amortization of $42.3 million, deferred income taxes of $12.3 million, amortization of debt discounts and debt issue costs of $10.6 million, asset impairment of $41.5 million, and stock-based compensation of $16.0 million. The cash inflows were partially offset by a $41.9 million negative net change in operating assets and liabilities. Included in the adjusted net changes of operating assets and liabilities were cash inflows of $37.3 million from increases in accounts payable and accrued expenses and $27.3 million from decreases in inventory levels. These cash inflows were more than offset by adjusted cash outflows of $10.5 million from increases of vehicle receivables and contracts-in-transit, $5.4 million from the net increase in prepaid expenses and other assets, $70.0 million from the net decrease in floorplan borrowings, and $20.2 million from the net increase in accounts and notes receivable. The adjusted net cash flow from operating activities excludes $16.0 million of net gains from the disposition of assets.

For the year ended December 31, 2013, we generated $52.4 million in net cash flow from operating activities. On an adjusted basis, we generated $202.8 million in net cash flow from operating activities, primarily consisting of $114.0 million in net income, as well as non-cash adjustments related to depreciation and amortization of $35.8 million, deferred income taxes of $22.4 million, amortization of debt discounts and debt issue costs of $13.9 million, stock-based compensation of $13.9 million and asset impairments of $6.5 million. The adjusted net cash flow from operating activities also included a $6.6 million adjusted positive net change in operating assets and liabilities. Included in the net change in operating assets and liabilities were cash outflows of $241.9 million from increases in inventory, $19.0 million from increases of vehicle receivables and contracts-in-transit and $9.5 million from an increase in accounts and notes receivables, which were more than offset by cash inflows of $233.7 million from the adjusted net increase in floorplan borrowings, $41.1 million provided by increases in accounts payable and accrued expenses, and $1.9 million from a decrease in prepaid expenses and other assets. The adjusted net cash flow from operating activities excludes $11.0 million of net gains from the disposition of assets.

For the year ended December 31, 2012, we used $75.3 million in net cash flow from operating activities. On an adjusted basis, we generated $159.2 million in net cash flow from operating activities, primarily consisting of $100.2 million in net income, as well as non-cash adjustments related to depreciation and amortization of $31.5 million, deferred income taxes of $13.3 million, amortization of debt discounts and debt issue costs of $13.0 million, stock-based compensation of $11.9 million, and asset impairments of $7.3 million, partially offset by a $14.2 million adjusted negative net change in operating assets and liabilities. Included in the net change in operating assets and liabilities were cash outflows of $278.2 million from increases in inventory, $29.1 million from increases of vehicle receivables and contracts-in-transit and $6.8 million from an increase in accounts and notes receivables, partially offset by cash inflows of $267.8 million from the adjusted net increase in floorplan borrowings, $29.9 million provided by increases in accounts payable and accrued expenses, and $2.4 million from a decrease in prepaid expenses and other assets. The adjusted net cash flow from operating activities excludes $4.9 million of net gains from the disposition of assets.

Working Capital. At December 31, 2014, we had $113.0 million, of working capital. Changes in our working capital are explained primarily by changes in floorplan notes payable outstanding. Borrowings on our new vehicle floorplan notes payable, subject to agreed upon pay-off terms, are equal to 100% of the factory invoice of the vehicles. Borrowings on our used vehicle floorplan notes payable, subject to agreed upon pay-off terms, are limited to 80% of the aggregate book value of our used vehicle inventory, except in the U.K. and Brazil. At times, we have made payments on our floorplan notes payable using excess cash flow from operations and the proceeds of debt and equity offerings. As needed, we re-borrow the amounts later, up to the limits on the floorplan notes payable discussed above, for working capital, acquisitions, capital expenditures or general corporate purposes.

Sources and Uses of Liquidity from Investing Activities

During the twelve months ended December 31, 2014, we used $347.1 million in net cash flow for investing activities. On an adjusted basis, we used $315.4 million in net cash flow for investing activities. We used $244.4 million of adjusted cash flows for the acquisition of 19 franchises, including associated real estate where applicable, in California, Texas, Brazil and the UK. We also used $150.4 million during the twelve months of 2014 for purchases of property and equipment and to construct new and improve existing facilities, consisting of $97.7 million for capital expenditures, $2.9 million of which relates to facilities that were subsequently disposed during 2014, and $62.7 million for the purchase of real estate associated with existing dealership operations, offset by a $10.0 million net increase in the accrual for capital expenditures from year-end. We also used $4.7 million for escrow deposits on pending dealership and real estate acquisitions. These cash outflows were partially offset by cash inflows of $84.1

million related to dispositions of franchises and fixed assets.
During 2013, we used $268.7 million in net cash flow for investing activities. On an adjusted basis, we used $249.5 million in net cash flow for investing activities, consisting primarily of $205.3 million of adjusted cash flows related to acquisitions. We also used $102.9 million during 2013 primarily for purchases of property and equipment to construct new and improve existing facilities, consisting of $38.8 million for real estate to be used for existing dealership operations and $69.2 million for capital expenditures. These cash outflows were partially offset by $56.8 million in adjusted proceeds from the sale of franchises, property and equipment during 2013.
During 2012, we used $224.5 million in net cash flow for investing activities. On an adjusted basis, we used $209.0 million in net cash flow for investing activities, consisting primarily of $144.4 million of adjusted cash flows related to

acquisitions. We also used $88.5 million during 2012 primarily for purchases of property and equipment to construct new and improve existing facilities, consisting of $26.5 million for real estate to be used for existing dealership operations and $62.0 million for capital expenditures. These cash outflows were partially offset by $21.1 million in adjusted proceeds from the sale of franchises, property and equipment during 2012, primarily related to the disposition of one Mazda and two Nissan dealerships in the U.S.

Capital Expenditures. Our capital expenditures include costs to extend the useful lives of current facilities, as well as to start or expand operations. In general, expenditures relating to the construction or expansion of dealership facilities are driven by dealership acquisition activity, new franchises being granted to us by a manufacturer, significant growth in sales at an existing facility, relocation opportunities, or manufacturer imaging programs. We critically evaluate all planned future capital spending, working closely with our manufacturer partners to maximize the return on our
. We forecast our capital expenditures for 2015 to be no more than $125.0 million excluding expenditures related to future acquisitions, which could generally be funded from excess cash.

Acquisitions & Dispositions. In 2014, we acquired 19 franchises with expected annual revenues, estimated at the time of acquisition, of $910.0 million. In 2013, we acquired 38 franchises with expected annual revenues, estimated at the time of acquisition, of $1,317.0 million. In 2012, we acquired 16 franchises with expected annual revenues, estimated at the time of acquisition, of $715.0 million. We generally purchase businesses based on expected return on investment. In general, the purchase price, excluding real estate and floorplan liabilities, is approximately 15% to 20% of the annual revenue. Cash needed to complete our acquisitions generally comes from excess working capital, operating cash flows of our dealerships, and borrowings under our floorplan facilities, Real Estate Credit Facility, term loans and our Acquisition Line.

In 2014 we disposed of seven dealerships and one franchise in the U.S. and 3 dealerships in Brazil with annual revenues of approximately $450.0 million. During 2013, we disposed of six dealerships and one franchise with annual revenues of approximately $318.9 million. In 2012, we terminated two franchises, sold three dealerships and closed one dealership with annual revenues of approximately $127.9 million.

Sources and Uses of Liquidity from Financing Activities

For the twelve months ended December 31, 2014, we generated $171.7 million in net cash flow from financing activities. On an adjusted basis, we generated $131.2 million in net cash flow from financing activities, primarily related to $539.6 million of 5.00% Notes borrowings, $112.0 million from borrowings of long-term debt related to real estate loans, $32.7 million from proceeds of the call and warrant unwind related to the 3.00% Notes, $9.7 million of net payments on our Acquisition Line and $5.2 million of net borrowings of other debt mainly consisting of working capital loans in Brazil. These cash inflows were partially offset by $260.1 million used for the repurchase of our 3.00% Notes, $182.8 million used for the conversion and redemption of our 2.25% Notes, $11.2 million in adjusted net payments on our Floorplan Line, $60.0 million for principal payments of long-term debt related to real estate loans, $36.8 million to repurchase 537,054 shares of our Company’s common stock, and $17.1 million for dividend payments.

During 2013, we generated $236.0 million in net cash flow from financing activities. On an adjusted basis, we generated $66.4 million in net cash flow from financing activities, primarily related to borrowings of $85.3 million of real estate and other debt, $60.0 million cash inflow related to borrowings on the Acquisition Line, and $56.1 million from a decrease in our floorplan offset account. These cash inflows were partially offset by cash outflows of $3.6 million used to repurchase 55,655 shares of our common stock, $15.8 million used for dividend payments, and $116.7 million used for principal payments of real estate and other debt.

During 2012, we generated $290.8 million in net cash flow from financing activities. On an adjusted basis, we generated $40.8 million in net cash flow from financing activities, primarily related to borrowings of $89.0 million of real estate and other debt. These cash inflows were partially offset by cash outflows of $11.3 million used to repurchase 241,991 shares of our common stock, $13.4 million used for dividend payments, $20.0 million used for principal payments of real estate and other long-term debt and $3.1 million from a net decrease in our floorplan offset account.

Credit Facilities. Our various credit facilities are used to finance the purchase of inventory and real estate, provide acquisition funding and provide working capital for general corporate purposes.

Revolving Credit Facility. On June 20, 2013 we amended our Revolving Credit Facility principally to increase the total borrowing capacity from $1.35 billion to $1.7 billion and to extend the term from an expiration date of June 1, 2016 to June 20, 2018. The Revolving Credit Facility, which is comprised of 25 financial institutions, including six manufacturer-affiliated finance companies, consists of two tranches, providing a maximum of $1.6 billion for U.S. vehicle inventory floorplan financing, as well as a maximum of $320.0 million and a minimum of $100.0 million for working capital and general corporate purposes, including acquisitions. The capacity under these two tranches can be re-designated within the overall $1.7 billion commitment, subject to the aforementioned limits. Up to $125.0 million of the Acquisition Line can be borrowed in either euros or pound sterling. The Revolving Credit Facility can be expanded to a maximum commitment of $1.95 billion, subject to

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participating lender approval. The Floorplan Line bears interest at rates equal to the one-month LIBOR plus 125 basis points for new vehicle inventory and the one-month LIBOR plus 150 basis points for used vehicle inventory. The Acquisition Line bears interest at the one-month LIBOR plus 150 basis points plus a margin that ranges from zero to 100 basis points for borrowings in U.S. dollars and 150 to 250 basis points on borrowings in euros or pound sterling, depending on our total adjusted leverage ratio. The Floorplan Line also requires a commitment fee of 0.20% per annum on the unused portion. The Acquisition Line also requires a commitment fee ranging from 0.25% to 0.45% per annum, depending on our total adjusted leverage ratio, based on a minimum commitment of $100.0 million less outstanding borrowings.

As of December 31, 2014, after considering outstanding balances, we had $281.9 million of available floorplan borrowing capacity under the Floorplan Line. Included in the $281.9 million under the Floorplan Line was $39.6 million of immediately available funds. The weighted average interest rate on the Floorplan Line was 1.4% as of December 31, 2014 and 2013, respectively, excluding the impact of our interest rate swaps. After considering $69.7 million and $60.0 million in borrowings outstanding as of December 31, 2014 and 2013, respectively, $43.2 million and $32.0 million of outstanding letters of credit as of December 31, 2014 and 2013, respectively, and other factors included in our available borrowing base calculation, there was $207.1 million and $228.0 million of available borrowing capacity under the Acquisition Line as of December 31, 2014 and 2013, respectively. The amount of available borrowing capacity under the Acquisition Line may be limited from time to time based upon certain debt covenants.

All of our U.S. dealership-owning subsidiaries are co-borrowers under the Revolving Credit Facility. Our obligations under the Revolving Credit Facility are secured by essentially all of our domestic personal property (other than equity interests in dealership-owning subsidiaries), including all motor vehicle inventory and proceeds from the disposition of dealership-owning subsidiaries, excluding inventory financed directly with manufacturer-affiliates and other third party financing institutions. The Revolving Credit Facility contains a number of significant covenants that, among other things, restrict our ability to make disbursements outside of the ordinary course of business, dispose of assets, incur additional indebtedness, create liens on assets, make investments and engage in mergers or consolidations. We are also required to comply with specified financial tests and ratios defined in the Revolving Credit Facility, such as the fixed charge coverage, total adjusted leverage, and senior secured adjusted leverage ratios. Further, the Revolving Credit Facility restricts our ability to make certain payments, such as dividends or other distributions of assets, properties, cash, rights, obligations or securities (“Restricted Payments”). The Restricted Payments are limited to the sum of $125.0 million plus (or minus if negative) (a) one-half of the aggregate consolidated net income for the period beginning on January 1, 2013 and ending on the date of determination and (b) the amount of net cash proceeds received from the sale of capital stock on or after January 1, 2013 and ending on the date of determination less (c) cash dividends and share repurchases. For purposes of the calculation of the Restricted Payment Basket calculation, net income represents such amounts per our consolidated financial statements, adjusted to exclude our foreign operations, non-cash interest expense, non-cash asset impairment charges, and non-cash stock-based compensation. As of December 31, 2014, the Restricted Payment Basket totaled $181.6 million. As of December 31, 2014, we were in compliance with all our financial covenants, including:

	As of December 31, 2014	
	Required	Actual
Senior Secured Adjusted Leverage Ratio	< 3.75	2.08
Total Adjusted Leverage Ratio	< 5.50	3.49
Fixed Charge Coverage Ratio	> 1.35	2.19

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

Ford Motor Credit Company Facility. Our FMCC Facility provides for the financing of, and is collateralized by, our U.S. Ford new vehicle inventory, including affiliated brands. This arrangement provides for $300.0 million of floorplan financing and is an evergreen arrangement that may be canceled with 30 days notice by either party. As of December 31, 2014, we had an outstanding balance of $127.7 million under the FMCC Facility, with an available floorplan borrowing capacity of $172.3 million. Included in the $172.3 million available borrowings under the FMCC was $22.5 million of immediately available funds. During the fourth quarter of 2013, the Prime rate floor of 3.5% was eliminated, thus this facility bears interest at a rate of Prime plus 150 basis points minus certain incentives. As of December 31, 2014 and 2013, the interest rate on the FMCC Facility was 4.75% before considering the applicable incentives.

Other Credit Facilities. We have credit facilities with BMW Financial Services, Volkswagen Finance and FMCC for the financing of new, used and rental vehicle inventories related to our U.K. operations. These facilities are denominated in pound sterling and are evergreen arrangements that may be canceled with notice by either party and bear interest at a base rate, plus a surcharge that varies based upon the type of vehicle being financed. Dependent upon the type of inventory financed, the annual interest rates charged on borrowings outstanding under these facilities ranged from 1.41% to 3.95%, as of December 31, 2014.

We have credit facilities with financial institutions in Brazil, most of which are affiliated with the manufacturers, for the financing of new, used and rental vehicle inventories related to our operations in Brazil. These facilities are denominated in Brazilian real and have renewal terms ranging from one month to twelve months. They may be canceled with notice by either party and bear interest at a benchmark rate, plus a surcharge that varies based upon the type of vehicle being financed. Dependent upon the type of inventory financed, the annual interest rates charged on borrowings outstanding under these facilities ranged from 15.87% to 20.70% as of December 31, 2014.

Excluding rental vehicles financed through the Revolving Credit Facility, financing for U.S. rental vehicles is typically obtained directly from the automobile manufacturers. These financing arrangements generally require small monthly payments and mature in varying amounts over the next two years. As of December 31, 2014, the interest rate charged on borrowings related to our rental vehicle fleet varied up to 4.75%. Rental vehicles are typically transferred to used vehicle inventory when they are removed from rental service and repayment of the borrowing is required at that time. The following table summarizes the position of our U.S. credit facilities as of December 31, 2014:

	As of December 31, 2014		
U.S. Credit Facilities	Total Commitment	Outstanding	Available
	(In thousands)		
Floorplan Line[1]	$1,380,000	$1,098,126	$281,874
Acquisition Line[2]	320,000	112,867	207,133
Total Revolving Credit Facility	1,700,000	1,210,993	489,007
FMCC Facility[3]	300,000	127,683	172,317
Total U.S. Credit Facilities[4]	$2,000,000	$1,338,676	$661,324

(1) The available balance as of December 31, 2014 includes $39.6 million of immediately available funds.

(2) The outstanding balance of $112.9 million is related to outstanding letters of credit of $43.2 million and $69.7 million in borrowings as of December 31, 2014.

(3) The available balance as of December 31, 2014 includes $22.5 million of immediately available funds.

(4) The outstanding balance excludes $163.0 million of borrowings with manufacturer-affiliates and third-party financial institutions for foreign and rental vehicle financing not associated with any of our U.S. credit facilities.

For a more detailed discussion of our credit facilities existing as of December 31, 2014, please see Note 11 to our Consolidated Financial Statements, “Credit Facilities.”

Convertible Notes. On September 2, 2014, holders of $182.5 million in aggregate amount of our then outstanding 2.25% Convertible Senior Notes due 2036 ("2.25% Notes") elected to convert their 2.25% Notes. We redeemed the remaining outstanding 2.25% Notes. The settlement for the conversion and the redemption of the 2.25% Notes occurred on September 4, 2014. Consideration paid for the conversion and redemption was $237.5 million, including $182.8 million in cash and 701,795 shares of our common stock, which was recorded as a decrease to treasury stock. In conjunction with the conversion and redemption, we received 421,309 shares of our common stock in settlement of the purchased ten-year call options on our common stock (“2.25% Purchased Options”) and 2.25% warrants sold in connection with the 2.25% Notes (“2.25% Warrants”), which was recorded as an increase to treasury stock. As a result of the conversion and redemption of the 2.25% Notes, we recognized a loss of $16.9 million based on the difference in the carrying value of the liability component and the fair value immediately prior to the conversion and redemption.

On June 25, 2014, we repurchased $92.5 million of the $115.0 million principal outstanding on our 3.00% Notes in a tender offer, leaving an outstanding balance of $22.6 million as of June 30, 2014. Consideration paid for this repurchase was $210.4 million. In conjunction with the repurchase, we recognized a loss of $23.6 million for the three months ended June 30, 2014 based on the difference in the carrying value of the liability component and the fair value immediately prior to the purchase. Subsequent to June 30, 2014, we settled purchased ten-year call options on our common stock (“3.00% Purchased Options”) and 3.00% warrants sold in connection with the 3.00% Notes (“3.00% Warrants”) in the same proportion as the 3.00% Notes repurchased on June 25, 2014 and received $26.4 million in cash as a result, which was recognized as an increase to additional paid in capital.

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In September 2014, we repurchased the remaining outstanding $22.6 million of the 3.00% Notes. Total consideration paid for the repurchase was $49.5 million in cash. In conjunction with the repurchase, we recognized a loss of $5.9 million for the three months ended September 30, 2014 based on the difference in the carrying value of the liability component and the fair value immediately prior to the repurchase. Also, in September 2014, we settled the remaining 3.00% Purchased Options and 3.00% Warrants in conjunction with the repurchase and received $6.2 million in cash, which was recognized as an increase to additional paid in capital.

5.00% Senior Notes. On June 2, 2014, we issued $350.0 million aggregate principal amount of our 5.00% Senior Notes due 2022. Subsequently, on September 9, 2014, we issued an additional $200.0 million of 5.00% Notes at a discount of 1.5% from face value. The 5.00% Notes will mature on June 1, 2022 and pay interest semiannually, in arrears, in cash on each June 1 and December 1, beginning December 1, 2014. Prior to June 1, 2017, we may redeem up to 35.0% of the 5.00% Notes using proceeds of certain equity offerings, subject to certain conditions at a redemption price equal to 105% of principal amount of the 5.00% Notes plus accrued and unpaid interest. Otherwise, we may redeem some or all of the 5.00% Notes prior to June 1, 2017 at a redemption price equal to 100% of the principal amount of the 5.00% Notes redeemed, plus an applicable premium, and plus accrued and unpaid interest. On or after June 1, 2017, we may redeem some or all of the 5.00% Notes at specified prices, plus accrued and unpaid interest. We may be required to purchase the 5.00% Notes if we sell certain assets or triggers the change in control provisions defined in the 5.00% Notes indenture. The 5.00% Notes are senior unsecured obligations and rank equal in right of payment to all of our existing and future senior unsecured debt and senior in right of payment to all of our future subordinated debt.

The 5.00% Notes are guaranteed by substantially all of our U.S. subsidiaries. The U.S. subsidiary guarantees rank equally in the right of payment to all of our U.S. subsidiary guarantor's existing and future subordinated debt. In addition, the 5.00% Notes are structurally subordinated to the liabilities of our non-guarantor subsidiaries.

In connection with the issuance of the 5.00% Notes, we entered into registration rights agreements (the "Registration Rights Agreements") with the initial purchasers. Pursuant to the Registration Rights Agreements, we have agreed to file a registration statement with the Securities and Exchange Commission so that holders of the 5.00% Notes can exchange the 5.00% Notes for registered 5.00% Notes that have substantially identical terms as the 5.00% Notes. We have also agreed to use commercially reasonable efforts to cause the exchange to be completed by June 2, 2015. On November 21, 2014, the Company filed a Registration Statement on Form S-4 with the Securities and Exchange Commission in connection with its obligations described herein, but as of the date of this report, such Registration Statement has not yet been declared effective. We will be required to pay additional interest of up to 1.00% on the 5.00% Notes if we fail to comply with our obligations to register the 5.00% Notes within the specified time period.

Underwriters' fees and the discount relative to the $550.0 million issued totaled $10.4 million, which were recorded as a reduction of the 5.00% Notes principal balance and are being amortized over a period of eight years.

The 5.00% Notes are presented net of unamortized underwriter fees and discount of $9.9 million as of December 31, 2014. At the time of issuance of the 5.00% Notes, we capitalized $2.4 million of debt issuance costs, which are included in Other Assets on the accompanying Consolidated Balance Sheet and amortized over a period of eight years. Unamortized debt issuance costs as of December 31, 2014 totaled $2.3 million.

Real Estate Credit Facility. The Real Estate Credit Facility provides the right for up to $99.1 million of term loans, of which $74.1 million had been used as of December 31, 2014. The term loans can be expanded provided that (a) no default or event of default exists under the Real Estate Credit Facility; (b) we obtain commitments from the lenders who would qualify as assignees for such increased amounts; and (c) certain other agreed upon terms and conditions have been satisfied. The Real Estate Credit Facility is guaranteed by us and substantially all of our existing and future domestic subsidiaries. Each loan is secured by the relevant real property (and improvements related thereto) that is mortgaged under the Real Estate Credit Facility.

The interest rate is equal to (a) the per annum rate equal to one-month LIBOR plus 2.00% per annum, determined on the first day of each month, or (b) 0.95% per annum in excess of the higher of (i) the Bank of America prime rate (adjusted daily on the day specified in the public announcement of such price rate), (ii) the Federal Funds Rate adjusted daily, plus 0.50% or (iii) the per annum rate equal to one-month LIBOR plus 1.05% per annum. The Federal Funds Rate is the weighted average of the rates on overnight Federal funds transactions with members of the Federal

Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the business day succeeding such day.

We are required to make quarterly principal payments equal to 1.25% of the principal amount outstanding and are required to repay the aggregate principal amount outstanding on the maturity dates, from December 29, 2015 through February 27, 2017. During the year ended December 31, 2014, we made additional borrowings of $0.2 million and made principal payments on outstanding borrowings of $9.9 million from the Real Estate Credit Facility. As of December 31, 2014, borrowings outstanding under the Real Estate Credit Facility totaled $58.0 million, with $30.9 million recorded as a current maturity of long-term debt in the accompanying Consolidated Balance Sheet.

The Real Estate Credit Facility also contains usual and customary provisions limiting our ability to engage in certain transactions, including limitations on our ability to incur additional debt, additional liens, make investments, and pay distributions to our stockholders. In addition, the Real Estate Credit Facility requires certain financial covenants that are identical to those contained in our Revolving Credit Facility.

Other Real Estate Related and Long-Term Debt. We have entered into separate term mortgage loans in the U.S. with four of our manufacturer-affiliated finance partners, Toyota Motor Credit Corporation, Mercedes-Benz Financial Services USA, LLC, BMW Financial Services NA, LLC, and FMCC, as well as several third party financial institutions (collectively, "Real Estate Notes"). The Real Estate Notes are on specific buildings and/or properties and are guaranteed by us. Each loan was made in connection with, and is secured by mortgage liens, on the real property owned by us that is mortgaged under the Real Estate Notes. The Real Estate Notes bear interest at fixed rates between 3.00% and 9.00%, and at variable indexed rates plus a spread between 1.50% and 2.55% per annum. As of December 31, 2014, the aggregate outstanding balance under these Real Estate Notes was $293.5 million, with $25.1 million classified as a current maturity of long-term debt in the accompanying Consolidated Balance Sheet.

We have also entered into separate term mortgage loans in the U.K. with other third-party financial institutions which are denominated in pounds sterling and secured by our U.K. properties. These mortgage loans (collectively, "Foreign Notes") are being repaid in monthly installments that mature by August 2027. As of December 31, 2014, borrowings under the Foreign Notes totaled $45.3 million, with $5.0 million classified as a current maturity of long-term debt in the accompanying Consolidated Balance Sheets.

Stock Repurchases. From time to time, our Board of Directors gives authorization to repurchase shares of our common stock, subject to the restrictions of various debt agreements and our judgment. The Company issues new shares or treasury shares, if available, when restricted stock vests. With respect to shares issued under the Purchase Plan, the Company's Board of Directors has authorized specific share repurchases to fund the shares issuable under the Purchase Plan.

In November 2014, our Board of Directors authorized a new purchase program of up to $100.0 million of our common shares, replacing any amount remaining from the October 2013 authorization. During 2014, we repurchased 537,054 shares at an average stock price of $68.51 per share, for a total of $36.8 million, leaving $99.4 million available for future repurchases. In 2013, we repurchased 55,655 shares at an average price of $63.82 per share for a total cost of $3.6 million. During 2012, we repurchased 241,991 shares at an average price of $46.75 per share for a total of $11.3 million. Future repurchases are subject to the discretion of our Board of Directors after considering our results of operations, financial condition, cash flows, capital requirements, existing debt covenants, outlook for our business, general business conditions and other factors.

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

Further, we are limited under the terms of the Revolving Credit Facility and Real Estate Credit Facility in our ability to make cash dividend payments to our stockholders and to repurchase shares of our outstanding common stock, based primarily on our quarterly net income or loss. As of December 31, 2014, the Restricted Payment Basket under both facilities was $181.6 million and will increase in the future periods by 50.0% of our future cumulative net income, adjusted to exclude the Company's foreign operations, non-cash interest expense, non-cash asset impairment charges, and non-cash stock-based compensation, plus the net proceeds received from the sale of our capital stock, and decrease by the amount of future payments for cash dividends and share repurchases.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined by Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

The following is a summary of our contractual obligations as of December 31, 2014:

	Payments Due by Period				
Contractual Obligations	Total	< 1 Year	1-3 Years (In thousands)	3-5 Years	Thereafter
Floorplan notes payable	$1,388,786	$1,388,786	$—	$—	$—
Acquisition line payable	69,713	—	—	69,713	—
Estimated interest payments on floor plan notes payable(1)	16,036	8,286	6,200	1,550	—
Long-term debt obligations(2)	998,465	111,281	125,741	111,330	650,113
Estimated interest payments on fixed-rate long-term debt obligations(3)	243,902	34,658	67,642	63,379	78,223
Estimated interest payments on variable-rate long-term debt obligations(4)	35,762	9,360	13,066	6,447	6,889
Capital lease obligations(5)	56,442	4,503	7,963	8,558	35,418
Estimated interest on capital lease obligations	40,670	5,115	9,365	7,990	18,200
Operating lease obligations	307,528	49,400	87,370	62,541	108,217
Interest rate risk management obligations	28,652	3,341	14,048	8,669	2,594
Estimated interest payments on interest rate risk management obligations	51,779	12,565	23,200	13,892	2,122
Purchase commitments(6)	42,264	11,338	18,598	12,328	—
Total	$3,279,999	$1,638,633	$373,193	$366,397	$901,776

(1) Calculated using the Floorplan Line balance and weighted average interest rate at December 31, 2014, and the assumption that these liabilities would be settled within 63 days, which approximates our weighted average inventory days outstanding. In addition, amounts include estimated commitment fees on the unused portion of the Floorplan Line through the term of the Revolving Credit Facility, assuming no additional Floorplan Line borrowings beyond 63 days.

(2) Includes $43.2 million of outstanding letters of credit associated with the Acquisition Line of our Revolving Credit Facility due in 2015.

(3) Includes our 5.00% Senior Notes due 2022 and other real estate related debt.

(4) Includes interest on letters of credit associated with the Acquisition Line of our Revolving Credit Facility due 2015, commitment fees on the unused portion of the Acquisition Line through the term of the Revolving Credit Facility, and estimated interest on our Foreign Notes and other real estate related debt.

(5) Includes $55.4 million related real estate and $1.0 million of other capital leases.

(6) Includes Information Technology commitments and other.

We, acting through our subsidiaries, are the lessee under many real estate leases that provide for our use of the respective dealership premises. Generally, our real estate and facility leases have 30-year total terms with initial terms of 15 years and three additional five-year terms, at our option. Pursuant to these leases, our subsidiaries generally agree to indemnify the lessor and other 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 in connection with the sale of assets or businesses in which we agree to indemnify the purchaser, or other 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, liability would be

limited by the terms of the applicable agreement.
From time to time, primarily in connection with dealership dispositions, we assign or sublet to the dealership purchaser our interests in any real property leases associated with such dealerships. In general, we 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, we generally remain subject to the terms of any guarantees made by us 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, and we presently have no reason to believe that we will be called on to perform under any such assigned leases or subleases, we estimate that lessee rental payment obligations during the remaining terms of these leases are approximately $2.9 million as of December 31, 2014. Our exposure under these leases is difficult to estimate and there can be no assurance that any performance by us required under these leases would not have a material adverse effect on our business, results of operations and financial

condition. We may be called on to perform other obligations under these leases, such as environmental remediation of the leased premises or repair of the leased premises upon termination of the lease. However, we presently have no reason to believe that we will be called on to so perform and such obligations cannot be quantified at this time.

Non-GAAP Financial Measures

We have included certain non-GAAP financial measures as defined under SEC rules, which recharacterize certain items within the Statement of Cash Flows. These adjusted measures are not measures of financial performance under GAAP. As required by SEC rules, we provide reconciliations of these adjusted measures to the most directly comparable GAAP measures. We believe that these adjusted financial measures are relevant and useful to investors because they improve the transparency of our disclosure, provide a meaningful presentation of results from our core business operations and improve period-to-period comparability of our results from our core business operations. Our management uses these measures in conjunction with GAAP financial measures to assess our business, including in communications with our Board of Directors, investors and analysts concerning financial performance.

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

	Year Ended December 31,		
	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash provided by (used in) operating activities	$198,288	$52,372	$(75,322)
Change in floorplan notes payable-credit facilities, excluding floorplan offset account and net acquisition and disposition	5,881	165,404	245,544
Change in floorplan notes payable-manufacturer affiliates associated with net acquisition and disposition related activity	2,970	(14,953)	(11,028)
Adjusted net cash provided by operating activities	$207,139	$202,823	$159,194
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash used in investing activities	$(347,051)	$(268,654)	$(224,458)
Change in cash paid for acquisitions, associated with floorplan notes payable	92,112	64,569	33,550
Change in proceeds from disposition of franchises, property and equipment, associated with floorplan notes payable	(60,493)	(45,431)	(18,051)
Adjusted net cash used by investing activities	$(315,432)	$(249,516)	$(208,959)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided by operating activities	$171,650	$235,993	$290,823
Change in net borrowings and repayments on floorplan notes payable-credit facilities, excluding net activity associated with our floorplan offset account	(40,470)	(169,589)	(250,015)
Adjusted net cash provided by (used in) financing activities	$131,180	$66,404	$40,808

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a variety of market risks, including interest rate risk and foreign currency exchange rate risk. We address these risks through a program of risk management which includes the use of derivative instruments. The following quantitative and qualitative information is provided about financial instruments to which we are a party at December 31, 2014, and from which we may incur future gains or losses from changes in market interest rates and foreign currency exchange rates. We do not enter into derivative or other financial instruments for speculative or trading purposes.

Hypothetical changes in interest rates and foreign currency exchange rates chosen for the following estimated sensitivity analysis are considered to be reasonable near-term changes generally based on consideration of past fluctuations for each risk category. However, since it is not possible to accurately predict future changes in interest rate and foreign currency exchange rates, these hypothetical changes may not necessarily be an indicator of probable future fluctuations.

The following information about our market-sensitive financial instruments constitutes a “forward-looking statement.” As of December 31, 2014, our 5.00% Notes, with an outstanding principal amount of $550.0 million, had a fair value and carrying amount of $534.9 million and $540.1 million, respectively. Our other fixed-rate debt, primarily consisting of real estate related debt, had outstanding borrowings of $158.1 million and $164.1 million as of December 31, 2014 and December 31, 2013, respectively. The fair value of such fixed interest rate borrowings was $186.4 million million and $190.0 million as of December 31, 2014 and December 31, 2013, respectively. The carrying value of the Company’s variable rate debt approximates fair value due to the short-term nature of the interest rates.

Interest Rates. We have interest rate risk in our variable-rate debt obligations. Our policy is to monitor the effects of market changes in interest rates and manage our interest rate exposure through the use of a combination of fixed and floating-rate debt and interest rate swaps.

We use interest rate swaps to adjust our exposure to interest rate movements, when appropriate, based upon market conditions. As of December 31, 2014, we held interest rate swaps with aggregate notional amounts of $563.0 million that fixed our underlying one-month LIBOR at a weighted average rate of 2.5%. These hedge instruments are designed to convert floating rate vehicle floorplan payables under our Revolving Credit Facility and variable rate Real Estate Credit Facility borrowings to fixed rate debt. We entered into these swaps with several financial institutions that have investment grade credit ratings, thereby minimizing the risk of credit loss. We reflect the current fair value of all derivatives on our Consolidated Balance Sheets. The fair value of interest rate swaps is impacted by the forward one-month LIBOR curve and the length of time to maturity of the swap contracts. The related gains or losses on these transactions are deferred in stockholders’ equity as a component of accumulated other comprehensive loss. These deferred gains and losses are recognized in income in the period in which the related items being hedged are recognized in expense. However, to the extent that the change in value of a derivative contract does not perfectly offset the change in the value of the items being hedged, the ineffective portion is immediately recognized in the results of operations. All of our interest rate hedges are designated as cash flow hedges. As of December 31, 2014, all of our derivative contracts were determined to be effective and net unrealized losses, net of income taxes, totaled $17.9 million. A 100 basis-point change in the interest rates of our swaps would have resulted in a $4.6 million change to our annual interest expense. During 2014, we entered into eight additional interest rate swaps with forward start dates between December 2016 and December 2018 and expiration dates between December 2019 and December 2020. In total, as of December 31, 2014, we were party to 15 interest rate swaps with forward start dates. The aggregate notional value of all 15 forward-starting swaps was $775.0 million and the weighted average interest rate of these swaps was 2.8%.

A summary of our interest rate swaps, including those in effect, as well as forward-starting, follows (dollars in millions).

	2014	2015	2016	2017	2018	2019	2020	2021
Notional amount in effect at the end of period	$563	$562	$712	$511	$560	$210	$9	$—
	2.62 %	2.56 %	2.75 %	2.62 %	2.72 %	2.61 %	2.89 %	1.84 %

Weighted average interest rate
during the period

As of December 31, 2014, we had $1,331.6 million of variable-rate floorplan borrowings outstanding, $58.0 million of variable-rate Real Estate Credit Facility borrowings outstanding, $69.7 million of Acquisition Line borrowings outstanding, and $183.7 million of other variable-rate real estate related borrowings outstanding. Based on the aggregate amount of variable-rate borrowings outstanding as of December 31, 2014, and before the impact of our interest rate swaps described below, a 100 basis-point change in interest rates would have resulted in an approximate $15.8 million change to our annual interest expense. After consideration of the interest rate swaps described below, a 100 basis-point change would have yielded a net annual change of $11.2 million in annual interest expense based on the variable-rate borrowings outstanding as of December 31, 2014. This interest rate sensitivity increased from 2013 primarily as a result of the increase in variable-rate floorplan borrowings.

Our exposure to changes in interest rates with respect to our variable-rate floorplan borrowings is partially mitigated by manufacturers' interest assistance, which historically has been influenced by changes in market based variable interest rates. We reflect interest assistance as a reduction of new vehicle inventory cost until the associated vehicle is sold. During the years ended December 31, 2014 and December 31, 2013, we recognized $45.1 million and $38.5 million of interest assistance as a reduction of new vehicle cost of sales, respectively. For the past three years, the interest assistance reduction to our new vehicle cost of sales has ranged from 87.3% of our quarterly floorplan interest expense in the first quarter of 2013 to 117.7% in the fourth quarter of 2014. In the U.S., manufacturer's interest assistance was 134.5% of floorplan interest expense in the fourth quarter of 2014. Although we can provide no assurance as to the amount of future interest assistance, it is our expectation, based on historical data that an increase in prevailing interest rates would result in increased assistance from certain manufacturers.

Foreign Currency Exchange Rates. As of December 31, 2014, we had dealership operations in the U.K. and Brazil. The functional currency of our U.K. subsidiaries is the British pound sterling (£) and of our Brazil subsidiaries is the Brazilian real (R$). We intend to remain permanently invested in these foreign operations and, as such, do not hedge against foreign currency fluctuations that may impact our investment in our U.K. and Brazil subsidiaries. If we change our intent with respect to such international investment, we would expect to implement strategies designed to manage those risks in an effort to mitigate the effect of foreign currency fluctuations on our earnings and cash flows. A 10% devaluation in average exchange rates for the British pound sterling to the U.S. dollar would have resulted in an $89.8 million decrease to our revenues for the year ended December 31, 2014. A 10% devaluation in average exchange rates for the Brazilian real to the U.S. dollar would have resulted in a $70.5 million decrease to our revenues for the year ended December 31, 2014.

Item 8. Financial Statements and Supplementary Data

See our Consolidated Financial Statements beginning on page F-1 for the information required by this Item.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures
Evaluation of Disclosure Controls and Procedures
As required by Rule 13a-15(b) under the Exchange Act, we have evaluated, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act) as of the end of the period covered by this Form 10-K. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based upon this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2014 at the reasonable assurance level.
Our management, including the principal executive officer and the principal financial officer, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the intentional acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.
Changes in Internal Control over Financial Reporting
During the three months ended December 31, 2014, there was no change in our system of internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.
Management’s Annual Report on Internal Control over Financial Reporting
Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed by management, under the supervision of our principal executive officer and principal financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the U.S., and includes those policies and procedures that:
(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets;
(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the U.S., and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our Consolidated Financial Statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. Accordingly, even effective internal control over financial reporting can only provide reasonable assurance of achieving their control objectives.
Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of

the Treadway Commission (COSO) in Internal Control-Integrated Framework.
Based on our evaluation under the framework in Internal Control-Integrated Framework, our management concluded that, as of December 31, 2014, our internal control over financial reporting was effective.

Ernst & Young LLP, the independent registered accounting firm who audited the Consolidated Financial Statements included in this Form 10-K, has issued an attestation report on our internal control over financial reporting. This report, dated February 24, 2015, appears on the following page.

Item 9B. Other Information
None.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Group 1 Automotive, Inc.

We have audited Group 1 Automotive, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Group 1 Automotive, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Group 1 Automotive, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Group 1 Automotive, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of Group 1 Automotive, Inc. and subsidiaries and our report dated February 24, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Houston, Texas
February 24, 2015

PART III
Item 10. Directors, Executive Officers and Corporate Governance

Executive Officers of Group 1
The following sets forth certain information regarding our executive officers as of February 24, 2015.

Name	Age	Position	Years with Group 1	Years of Automotive Experience
Earl J. Hesterberg	61	President and Chief Executive Officer	10	40
John C. Rickel	53	Senior Vice President and Chief Financial Officer	9.5	31
Darryl M. Burman	56	Vice President and General Counsel	8	17
Peter C. DeLongchamps	54	Vice President, Manufacturer Relations, Financial Services and Public Affairs	10.5	32
J. Brooks O'Hara	59	Vice President, Human Resources	15	34

Earl J. Hesterberg has served as our President and Chief Executive Officer and as a director since April 2005. Prior to joining us, Mr. Hesterberg served as Group Vice President, North America Marketing, Sales and Service for Ford Motor Company, a global manufacturer and distributor of cars, trucks and automotive parts, since October 2004. From July 1999 to September 2004, he served as Vice President, Marketing, Sales and Service for Ford of Europe, and from 1999 until 2005, he served on the supervisory board of Ford Werke AG. Mr. Hesterberg has also served as President and Chief Executive Officer of Gulf States Toyota, an independent regional distributor of new Toyota vehicles, parts and accessories. He has also held various senior sales, marketing, general management, and parts and service positions with Nissan Motor Corporation in U.S.A. and Nissan Europe, both of which are wholly owned by Nissan Motor Co., Ltd., a global provider of automotive products and services. Mr. Hesterberg serves on the Board of Directors of Stage Stores, Inc., a national retail clothing chain with over 800 stores located in 39 states where he is a member of the Corporate Governance and Nominating Committee and Chairman of the Compensation Committee. Mr. Hesterberg also serves on the Board of Trustees of Davidson College.

John C. Rickel was appointed Senior Vice President and Chief Financial Officer in December 2005. From 1984 until joining Group 1, Mr. Rickel held a number of executive and managerial positions of increasing responsibility with Ford Motor Company, a global manufacturer and distributor of cars, trucks and automotive parts. He most recently served as Controller, Ford Americas, where he was responsible for the financial management of Ford's western hemisphere automotive operations. Immediately prior to that, he was Chief Financial Officer of Ford Europe, where he oversaw all accounting, financial planning, information services, tax and investor relations activities. From 2002 to 2004, Mr. Rickel was Chairman of the Board of Directors of Ford Russia, and a member of the Board of Directors and the Audit Committee of Ford Otosan, a publicly traded automotive company located in Turkey and owned 41% by Ford.

Darryl M. Burman has served as Vice President and General Counsel since December 2006. From September 2005 to December 2006, Mr. Burman was a partner and head of the corporate and securities practice in the Houston office of Epstein Becker Green Wickliff & Hall, P.C. From September 1995 until September 2005, Mr. Burman served as the head of the corporate and securities practice of Fant & Burman, L.L.P. in Houston, Texas, specializing in the acquisition of automotive dealerships. Mr. Burman currently serves as a Director of the Texas General Counsel Forum - Houston Chapter and serves on the Board of the University of South Florida Foundation.

Peter C. DeLongchamps has served as Vice President, Financial Services and Manufacturer Relations since January 2012. He previously served as Vice President, Manufacturer Relations and Public Affairs from January 2006 through December 2011, and as Vice President, Manufacturer Relations from July 2004 through December 2005. Mr. DeLongchamps began his automotive retailing career in 1980, having worked for General Motors Corporation and BMW of North America, and holding various management positions in the automotive industry. Immediately prior to joining the Company in 2004, Mr. DeLongchamps was President of Advantage BMW, a Houston based automotive retailer. Mr. DeLongchamps also serves on the Board of Directors of Junior Achievement of Southeast Texas.

J. Brooks O'Hara has served as Vice President, Human Resources since February 2000. From 1997 until joining Group 1, Mr. O'Hara was Corporate Manager of Organizational Development at Valero Energy Corporation, an integrated refining and marketing company. Prior to joining Valero, Mr. O'Hara served for a number of years as Vice President of Administration and Human Resources at Gulf States Toyota, an independent regional distributor of new Toyota vehicles, parts and accessories. Mr. O'Hara is a certified Senior Professional in Human Resources (SPHR) and serves on the Board of the Houston Chapter of the American Red Cross.

Code of Ethics

We have adopted a Code of Ethics for Specified Officers, which is applicable to our principal executive officer and other senior financial officers, who include our principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Code, which we refer to as our Financial Code of Ethics, is available on our internet website at www.group1auto.com. To the extent required by SEC rules, we intend to disclose any amendments to this code and any waiver of a provision of the code for the benefit of our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, on our website within four business days following any such amendment of waiver, or within any other period that may be required under SEC rules from time to time.

Item 11. Executive Compensation

Pursuant to Instruction G to Form 10-K, we incorporate by reference into this Item 11 the information to be disclosed in our definitive proxy statement prepared in connection with the 2015 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of December 31, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Pursuant to Instruction G to Form 10-K, we incorporate by reference into this Item 12 the information to be disclosed in our definitive proxy statement prepared in connection with the 2015 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of December 31, 2014.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Pursuant to Instruction G to Form 10-K, we incorporate by reference into this Item 13 the information to be disclosed in our definitive proxy statement prepared in connection with the 2015 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of December 31, 2014.

Item 14. Principal Accounting Fees and Services

Pursuant to Instruction G to Form 10-K, we incorporate by reference into this Item 14 the information to be disclosed in our definitive proxy statement prepared in connection with the 2015 Annual Meeting of Stockholders, which will be filed with the SEC within 120 days of December 31, 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) List of documents filed as part of this Form 10-K:

(1) Financial Statements

The financial statements listed in the accompanying Index to Financial Statements are filed as part of this Form 10-K.

(2) Financial Statement Schedules

All schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and notes thereto.

(3) Index to Exhibits

Those exhibits required to be filed by Item 601 of Regulation S-K are listed in the Exhibit Index immediately preceding the exhibits filed herewith and such listing is incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 on the 24th day of February, 2015.

Group 1 Automotive, Inc.

By: /s/ Earl J. Hesterberg
Earl J. Hesterberg
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on the 24th day of February, 2015.

Signature	Title
/s/ Earl J. Hesterberg Earl J. Hesterberg	President and Chief Executive Officer and Director (Principal Executive Officer)
/s/ John C. Rickel John C. Rickel	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ John L. Adams John L. Adams	Chairman and Director
/s/ Lincoln da Cunha Pereira Filho Lincoln da Cunha Pereira Filho	Director
/s/ Stephen D. Quinn Stephen D. Quinn	Director
/s/ J. Terry Strange J. Terry Strange	Director
/s/ Max P. Watson, Jr. Max P. Watson, Jr.	Director
/s/ MaryAnn Wright MaryAnn Wright	Director

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS

Group 1 Automotive, Inc. and Subsidiaries — Consolidated Financial Statements

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Group 1 Automotive, Inc.

We have audited the accompanying consolidated balance sheets of Group 1 Automotive, Inc. and subsidiaries as of December 31, 2014, and 2013, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Group 1 Automotive, Inc. and subsidiaries at December 31, 2014, and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Group 1 Automotive, Inc.'s and subsidiaries internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 24, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas

February 24, 2015

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2014	December 31, 2013
	(In thousands, except per share amounts)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$40,975	$20,215
Contracts-in-transit and vehicle receivables, net	237,448	225,156
Accounts and notes receivable, net	151,330	135,058
Inventories, net	1,556,705	1,542,318
Deferred income taxes	11,062	21,150
Prepaid expenses and other current assets	37,699	24,041
Total current assets	2,035,219	1,967,938
PROPERTY AND EQUIPMENT, net	950,388	796,356
GOODWILL	830,377	737,303
INTANGIBLE FRANCHISE RIGHTS	303,947	301,505
OTHER ASSETS	21,561	16,376
Total assets	$4,141,492	$3,819,478
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floorplan notes payable — credit facility and other	$1,143,246	$1,143,104
Offset account related to floorplan notes payable - credit facility	(39,616)	(56,198)
Floorplan notes payable — manufacturer affiliates	307,656	346,572
Offset account related to floorplan notes payable - manufacturer affiliates	(22,500)	—
Current maturities of long-term debt and short-term financing	72,630	36,225
Accounts payable	288,320	254,930
Accrued expenses	172,463	140,543
Total current liabilities	1,922,199	1,865,176
LONG-TERM DEBT, net of current maturities	1,008,837	663,689
DEFERRED INCOME TAXES	141,239	152,291
LIABILITIES FROM INTEREST RATE RISK MANAGEMENT ACTIVITIES	25,311	26,078
OTHER LIABILITIES	65,896	47,975
COMMITMENTS AND CONTINGENCIES (NOTE 14)		
TEMPORARY EQUITY - Redeemable equity portion of the 3.00% Convertible Senior Notes	—	29,094
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, 1,000 shares authorized; none issued or outstanding	—	—
Common stock, $0.01 par value, 50,000 shares authorized; 25,724 and 25,746 issued, respectively	257	257
Additional paid-in capital	286,854	368,641
Retained earnings	852,057	776,101
Accumulated other comprehensive loss	(81,984)	(51,677)

Treasury stock, at cost; 1,385 and 1,432 shares, respectively	(79,174)	(58,147)
Total stockholders' equity	978,010	1,035,175
Total liabilities and stockholders' equity	$4,141,492	$3,819,478

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

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except per share amounts)		
REVENUES:			
New vehicle retail sales	$5,741,619	$5,224,921	$4,291,098
Used vehicle retail sales	2,324,868	2,039,428	1,756,918
Used vehicle wholesale sales	379,143	332,185	288,139
Parts and service sales	1,125,694	1,010,685	880,070
Finance, insurance and other, net	366,565	311,362	259,875
Total revenues	9,937,889	8,918,581	7,476,100
COST OF SALES:			
New vehicle retail sales	5,430,402	4,935,046	4,043,659
Used vehicle retail sales	2,151,346	1,878,549	1,610,912
Used vehicle wholesale sales	376,824	332,380	285,695
Parts and service sales	531,379	480,060	418,582
Total cost of sales	8,489,951	7,626,035	6,358,848
GROSS PROFIT	1,447,938	1,292,546	1,117,252
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	1,061,964	976,856	848,446
DEPRECIATION AND AMORTIZATION EXPENSE	42,344	35,826	31,534
ASSET IMPAIRMENTS	41,520	6,542	7,276
INCOME FROM OPERATIONS	302,110	273,322	229,996
OTHER EXPENSE:			
Floorplan interest expense	(41,614)	(41,667)	(31,796)
Other interest expense, net	(49,693)	(38,971)	(37,465)
Other expense, net	—	(789)	—
Loss on extinguishment of long-term debt	(46,403)	—	—
INCOME BEFORE INCOME TAXES	164,400	191,895	160,735
PROVISION FOR INCOME TAXES	(71,396)	(77,903)	(60,526)
NET INCOME	$93,004	$113,992	$100,209
BASIC EARNINGS PER SHARE	$3.82	$4.72	$4.39
Weighted average common shares outstanding	23,380	23,096	21,620
DILUTED EARNINGS PER SHARE	$3.60	$4.32	$4.19
Weighted average common shares outstanding	24,885	25,314	22,688
CASH DIVIDENDS PER COMMON SHARE	$0.70	$0.65	$0.59

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

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except per share amounts)		
NET INCOME	$93,004	$113,992	$100,209
OTHER COMPREHENSIVE INCOME (LOSS):			
Unrealized gain (loss) on foreign currency translation	(27,426)	(31,701)	1,843
Realized gain on foreign currency translation associated with disposition of foreign subsidiaries	1,178	—	—
Net unrealized gain (loss) on foreign currency translation	(26,248)	(31,701)	1,843
Unrealized loss on marketable securities, net of tax benefit of $0, $0, and $5, respectively	—	—	(8)
Net unrealized gain (loss) on interest rate swaps:			
Unrealized gain (loss) arising during the period, net of tax benefit (provision) of $6,692, ($3,667), and $7,634, respectively	(11,153)	6,112	(12,724)
Reclassification adjustment for loss included in interest expense, net of tax provision of $4,256, $4,182 and $4,241 respectively	7,094	6,969	7,068
Net unrealized gain (loss) on interest rate swaps, net of tax	(4,059)	13,081	(5,656)
OTHER COMPREHENSIVE LOSS, NET OF TAXES	(30,307)	(18,620)	(3,821)
COMPREHENSIVE INCOME	$62,697	$95,372	$96,388

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

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
	Shares	Amount					
	(In thousands)						
BALANCE, December 31, 2011	25,967	$260	$363,375	$591,037	$(29,236)	$(118,336)	$807,100
Net income	—	—	—	100,209	—	—	100,209
Other comprehensive loss, net	—	—	—	—	(3,821)	—	(3,821)
Purchases of treasury stock	—	—	—	—	—	(11,317)	(11,317)
3.00% Convertible Notes reclassification to temporary equity	—	—	(32,505)	—	—	—	(32,505)
Net issuance of treasury shares to employee stock compensation plans	(131)	(2)	(12,949)	—	—	12,036	(915)
Stock-based compensation	—	—	11,880	—	—	—	11,880
Tax effect from stock-based compensation plans	—	—	3,035	—	—	—	3,035
Cash dividends, net of estimated forfeitures relative to participating securities	—	—	—	(13,382)	—	—	(13,382)
BALANCE, December 31, 2012	25,836	258	332,836	677,864	(33,057)	(117,617)	860,284
Net income	—	—	—	113,992	—	—	113,992
Other comprehensive loss, net	—	—	—	—	(18,620)	—	(18,620)
Purchases of treasury stock			—	—	—	(3,554)	(3,554)
Treasury stock used in acquisition	—	—	27,689	—	—	52,709	80,398
Temporary equity adjustment related to 3.00% convertible notes	—	—	3,411	—	—	—	3,411
Net issuance of treasury shares to employee stock compensation plans	(90)	(1)	(12,137)	—	—	10,315	(1,823)
Stock-based compensation	—	—	13,849	—	—	—	13,849
Tax effect from stock-based compensation plans	—	—	2,993	—	—	—	2,993
Cash dividends, net of estimated forfeitures relative to participating securities	—	—	—	(15,755)	—	—	(15,755)
BALANCE, December 31, 2013	25,746	257	368,641	776,101	(51,677)	(58,147)	1,035,175
Net income	—	—	—	93,004	—	—	93,004
Other comprehensive loss, net	—	—	—	—	(30,307)	—	(30,307)
Purchases of treasury stock	—	—	—	—	—	(36,802)	(36,802)
Net temporary equity adjustment related to 3.00% and 2.25% Convertible Notes	—	—	(14,163)	—	—	—	(14,163)
	—	—	(118,044)	—	—	—	(118,044)

Repurchase of equity component of 3.00% Convertible Notes							
Call/Warrant equity settlement on 3.00% Convertible Notes repurchase	—	—	32,641	—	—	—	32,641
Conversion of equity component of 2.25% Convertible Notes	—	—	(20,789)	—	—	36,860	16,071
Call/Warrant equity settlement on 2.25% Convertible Notes conversion	—	—	33,772	—	—	(33,772)	—
Net issuance of treasury shares to employee stock compensation plans	(22)	—	(13,008)	—	—	12,687	(321)
Stock-based compensation	—	—	15,963	—	—	—	15,963
Tax effect from stock-based compensation plans	—	—	1,841	—	—	—	1,841
Cash dividends, net of estimated forfeitures relative to participating securities	—	—	—	(17,048)	—	—	(17,048)
BALANCE, December 31, 2014	25,724	$257	$286,854	$852,057	$(81,984)	$(79,174)	$978,010

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

GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2014	2013	2012
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$93,004	$113,992	$100,209
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	42,344	35,826	31,534
Deferred income taxes	12,319	22,412	13,282
Asset impairments	41,520	6,542	7,276
Stock-based compensation	16,012	13,899	11,931
Amortization of debt discount and issue costs	10,559	13,888	12,990
Loss on 3.00% Convertibles Notes repurchase	29,478	—	—
Loss on 2.25% Convertible Notes conversion and redemption	16,925	—	—
Gain on disposition of assets	(15,994)	(11,043)	(4,941)
Tax effect from excess stock-based compensation	(1,841)	(2,993)	(2,875)
Other	4,686	3,665	3,965
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:			
Accounts payable and accrued expenses	37,344	41,144	29,874
Accounts and notes receivable	(20,179)	(9,489)	(6,777)
Inventories	27,339	(241,871)	(278,232)
Contracts-in-transit and vehicle receivables	(10,530)	(18,974)	(29,091)
Prepaid expenses and other assets	(5,385)	1,941	2,448
Floorplan notes payable — manufacturer affiliates	(78,822)	83,203	33,248
Deferred revenues	(491)	230	(163)
Net cash provided by (used in) operating activities	198,288	52,372	(75,322)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash paid in acquisitions, net of cash received	(336,551)	(269,860)	(177,956)
Proceeds from disposition of franchises, property and equipment	144,597	102,186	39,197
Purchases of property and equipment, including real estate	(150,392)	(102,858)	(88,491)
Other	(4,705)	1,878	2,792
Net cash used in investing activities	(347,051)	(268,654)	(224,458)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on credit facility — floorplan line and other	7,832,014	6,379,328	5,700,108
Repayments on credit facility — floorplan line and other	(7,802,719)	(6,153,677)	(5,453,148)
Borrowings on credit facility — acquisition line	389,368	60,000	—
Repayments on credit facility — acquisition line	(379,681)	—	—
Borrowings on real estate credit facility	200	19,640	18,080
Principal payments on real estate credit facility	(9,917)	(8,597)	(2,406)
Net borrowings on 5.00% Senior Unsecured Notes	539,600	—	—
Debt issue costs	(1,881)	—	—
Repurchase of 3.00% Convertible Notes	(260,074)	—	—
Proceeds from Call/Warrant Unwind related to 3.00% Convertible Notes	32,697	—	—
Conversion and redemption of 2.25% Convertible Notes	(182,756)	—	—
Borrowings on other debt	91,137	10,289	275
Principal payments of other debt	(85,905)	(71,170)	(4,784)

Borrowings on debt related to real estate	111,979	55,345	70,685
Principal payments on debt related to real estate loans	(50,033)	(36,978)	(15,197)
Employee stock purchase plan purchases, net of employee tax withholdings	(321)	(1,822)	(915)
Repurchases of common stock, amounts based on settlement date	(36,802)	(3,553)	(11,317)
Tax effect from stock-based compensation	1,841	2,993	2,875
Dividends paid	(17,097)	(15,805)	(13,433)
Net cash provided by financing activities	171,650	235,993	290,823
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(2,127)	(4,146)	(1,288)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,760	15,565	(10,245)
CASH AND CASH EQUIVALENTS, beginning of period	20,215	4,650	14,895
CASH AND CASH EQUIVALENTS, end of period	$40,975	$20,215	$4,650
SUPPLEMENTAL CASH FLOW INFORMATION:			
Purchases of property and equipment, including real estate, accrued in accounts payable and accrued expenses	$21,166	$11,155	$6,045

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

1. ANNUAL FINANCIAL INFORMATION

Business and Organization

Group 1 Automotive, Inc., a Delaware corporation, is a leading operator in the automotive retailing industry with business activities in 14 states in the United States of America (“U.S.”), 16 towns in the United Kingdom (“U.K.”), and three states in Brazil. Group 1 Automotive, Inc. and its subsidiaries are collectively referred to as the “Company” in these Notes to Consolidated Financial Statements. The Company, through its regions, sells new and used cars and light trucks; arranges related vehicle financing; sells service and insurance contracts; provides automotive maintenance and repair services; and sells vehicle parts.

As of December 31, 2014, the Company’s U.S. retail network consisted of the following two regions (with the number of dealerships they comprised): (a) the East (41 dealerships in Alabama, Florida, Georgia, Louisiana, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, and South Carolina), and (b) the West (75 dealerships in California, Kansas, Louisiana, Oklahoma, and Texas). The U.S. regional vice presidents report directly to the Company's Chief Executive Officer and are responsible for the overall performance of their regions, as well as for overseeing the market directors and dealership general managers that report to them. In addition, as of December 31, 2014, the Company had two international regions: (a) the U.K. region, which consisted of 17 dealerships in the U.K. and (b) the Brazil region, which consisted of 17 dealerships in Brazil. The operations of the Company's international regions are structured similarly to the U.S. regions, each with a regional vice president reporting directly to the Company’s Chief Executive Officer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Use of Estimates

The preparation of the Company’s financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the balance sheet date and the amounts of revenues and expenses recognized during the reporting period. Management analyzes the Company’s estimates based on historical experience and various other assumptions that are believed to be reasonable under the circumstances; however, actual results could differ from such estimates. The significant estimates made by management in the accompanying Consolidated Financial Statements relate to inventory market adjustments, reserves for future chargebacks on finance and vehicle service contract fees, self-insured property/casualty insurance exposure, the fair value of assets acquired and liabilities assumed in business combinations, the valuation of goodwill and intangible franchise rights, and reserves for potential litigation.

Basis of Presentation

All business acquisitions completed during the periods presented have been accounted for using the purchase method of accounting, and their results of operations are included from the effective dates of the closings of the acquisitions. The preliminary allocations of purchase price to the assets acquired and liabilities assumed are assigned and recorded based on estimates of fair value. All intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

Revenues from vehicle sales, parts sales and vehicle service are recognized upon completion of the sale or service and delivery to the customer. Conditions to completing a sale include having an agreement with the customer, including pricing, and the sales price must be reasonably expected to be collected. The Company includes revenues from its collision center operations in parts and services sales.

The Company records the profit it receives for arranging vehicle fleet transactions, net, in other finance and insurance revenues. Since all sales of new vehicles must occur through franchised new vehicle dealerships, the dealerships effectively act as agents for the automobile manufacturers in completing sales of vehicles to fleet customers. As these customers typically order the vehicles, the Company has no significant general inventory risk. Additionally, fleet customers generally receive special purchase incentives from the automobile manufacturers and the Company receives only a nominal fee for facilitating the transactions. Taxes collected from customers and remitted to governmental agencies are not included in total revenues.

The Company arranges financing for customers through various institutions and receives financing fees based on the difference between the loan rates charged to customers and wholesale financing rates set by the financing institution. In addition, the Company receives fees from the sale of insurance and vehicle service contracts to customers. Further, through agreements with certain vehicle service contract administrators, the Company earns volume incentive rebates and interest income on reserves, as well as participates in the underwriting profits of the products. The Company may be charged back for unearned financing, insurance contract or vehicle service contract fees in the event of early termination of the contracts by customers. Revenues from these fees are recorded at the time of the sale of the vehicles, and a reserve for future amounts estimated to be charged back is recorded based on the Company's historical chargeback results and the termination provisions of the applicable contracts. While chargeback results vary depending on the type of contract sold, a 10% increase in the historical chargeback results used in determining estimates of future amounts which might be charged back would have increased the reserve at December 31, 2014 by $2.9 million.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and various other short-term investments with original maturities of three months or less at the date of purchase. As of December 31, 2014 and 2013, cash and cash equivalents excluded $62.1 million and $56.2 million, respectively, of immediately available funds used to pay down the Floorplan Line of the Revolving Credit Facility and the FMCC Facility (as defined in Note 11, "Credit Facilities"), which are the Company's primary vehicles for the short-term investment of excess cash. These amounts are reflected in the Company's Consolidated Balance Sheets as the offset accounts related to Floorplan Notes Payable - Credit Facility and Floorplan Notes Payable - Manufacturer Affiliates.

Contracts-in-Transit and Vehicle Receivables

Contracts-in-transit and vehicle receivables consist primarily of amounts due from financing institutions on retail finance contracts from vehicle sales and dealer incentives due from manufacturers. Also included are amounts receivable from vehicle wholesale sales.

Inventories

New, used and demonstrator vehicle inventories are carried at the lower of specific cost or market and are removed from inventory using the specific identification method in the Consolidated Balance Sheets. Parts and accessories inventories are valued at lower of cost (determined on a first-in, first-out basis) or market in the Consolidated Balance Sheets. Vehicle inventory cost consists of the amount paid to acquire the inventory, plus the cost of reconditioning, cost of equipment added and transportation cost. Additionally, the Company receives interest assistance from some of the automobile manufacturers. This assistance is accounted for as a vehicle purchase price discount and is reflected as a reduction to the inventory cost on the Company's Consolidated Balance Sheets and as a reduction to cost of sales in its Statements of Operations as the vehicles are sold. At December 31, 2014 and 2013, inventory cost had been reduced by $8.8 million and $9.0 million, respectively, for interest assistance received from manufacturers. New vehicle cost of sales was reduced by $45.1 million, $38.5 million and $33.9 million for interest assistance received related to vehicles sold for the years ended December 31, 2014, 2013 and 2012, respectively. The assistance over the past three years has ranged from approximately 87.3% of the Company's quarterly floorplan interest expense in the first quarter of 2013 to 117.7% for the fourth quarter of 2014.

As the market value of inventory typically declines over time, the Company establishes new and used vehicle reserves based on its historical loss experience and management's considerations of current market trends. These reserves are charged to cost of sales and reduce the carrying value of inventory on hand. Used vehicles are complex to value as there is no standardized source for determining exact values and each vehicle and each market in which the Company operates is unique. As a result, the value of each used vehicle taken at trade-in, or purchased at auction, is determined based on industry data, primarily accessed via the Company's used vehicle management software and the industry expertise of the responsible used vehicle manager. Valuation risk is partially mitigated by the speed at which the Company turns this inventory. At December 31, 2014, the Company's used vehicle days' supply was 33 days.

The Company incurs shipping costs in connection with selling parts to customers. The cost of shipping these parts is included in cost of sales on the Consolidated Statements of Operations.

Property and Equipment

Property and equipment are recorded at cost and depreciation is provided using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the estimated term of the lease or the estimated useful life of the asset. The amortization of assets recorded under capital leases is included with depreciation and amortization expense in the Consolidated Statement of Operations. Expenditures for major additions or improvements, which extend the useful lives of assets, are capitalized. Minor replacements, maintenance and repairs, which do not improve or extend the lives of the assets, are expensed as incurred. Disposals are removed at cost less accumulated depreciation, and any resulting gain or loss is reflected in current operations. The Company reviews long-lived assets for impairment at the lowest level of identifiable cash flows whenever there is evidence that the carrying value of these assets may not be recoverable (i.e., triggering events). This review consists of comparing the carrying amount of the asset with its expected future undiscounted cash flows without interest costs. If the asset’s carrying amount is greater than such cash flow estimate, then it is required to be written down to its fair value. Estimates of expected future cash flows represent management’s best estimate based on currently available information and reasonable and supportable assumptions. See Note 15, “Asset Impairments,” for additional details regarding the Company’s impairment of long-lived assets.

Goodwill

The Company is organized into four geographic regions, East and West regions in the U.S., the U.K. region and the Brazil region. The Company has determined that each region represents a reporting unit for the purpose of assessing goodwill for impairment. Goodwill represents the excess, at the date of acquisition, of the purchase price of the business acquired over the fair value of the net tangible and intangible assets acquired. Annually in the fourth quarter, based on the carrying values of the Company’s regions as of October 31st, the Company performs a fair value and potential impairment assessment of its goodwill. An impairment analysis is done more frequently if certain events or circumstances arise that would indicate a change in the fair value of the non-financial asset has occurred (i.e., an impairment indicator).

In evaluating its goodwill, the Company compares the carrying value of the net assets of each reporting unit to its respective fair value, which is calculated by using unobservable inputs based upon the Company’s internally developed assumptions. This represents the first step of the impairment test. If the fair value of a reporting unit is less than the carrying value of its net assets, the Company must proceed to step two of the impairment test. Step two involves allocating the calculated fair value to all of the tangible and identifiable intangible assets of the reporting unit as if the calculated fair value were the purchase price in a business combination. The Company then compares the value of the implied goodwill resulting from this second step to the carrying value of the goodwill in the reporting unit. To the extent the carrying value of the goodwill exceeds its implied fair value under step two of the impairment test, a non-cash impairment charge equal to the difference is recorded.

The Company uses a combination of the discounted cash flow, or income approach (80% weighted), and the market approach (20% weighted) to determine the fair value of the Company’s reporting units. Included in the discounted cash flow are assumptions regarding revenue growth rates, future gross margins, future selling, general and administrative expenses ("SG&A") and an estimated weighted average cost of capital ("WACC"). The Company also must estimate residual values at the end of the forecast period and future capital expenditure requirements. Specifically, with regard to the valuation assumptions utilized in the U.S. (which represents the Company's largest two reporting units) income approach as of October 31, 2014, the Company based our analysis on an estimate of industry sales of 16.6 million units in 2015 and a growth rate of approximately 1.0% a year thereafter back to a U.S. industry sales rate of 17.0 million units by 2017. For the market approach, the Company utilizes recent market multiples of guideline companies for both revenue and pretax net income weighted as appropriate by reporting unit. Each of these assumptions requires the Company to use its knowledge of (1) the industry, (2) recent transactions and (3) reasonable performance expectations for its operations. If any one of the above assumptions change or fails to materialize, the resulting decline in the estimated fair value could result in a material, non-cash impairment charge to the goodwill associated with the reporting unit(s).

At October 31, 2014, 2013 and 2012, the fair value of each of the Company’s reporting units exceeded the carrying value of its net assets (i.e., step one of the impairment test). As a result, the Company was not required to conduct the second step of the impairment test. However, if in future periods the Company determines that the carrying value of the net assets of one or more of its reporting units exceeds the respective fair value as a result of step one, the application of step two of the impairment test could result in a material non-cash impairment charge to the goodwill associated with the reporting unit(s). See Note 16, “Intangible Franchise Rights and Goodwill,” for additional details regarding the Company’s goodwill.

Intangible Franchise Rights

The Company’s only significant identifiable intangible assets, other than goodwill, are rights under franchise agreements with manufacturers, which are recorded at an individual dealership level. The Company expects these franchise agreements to continue for an indefinite period and, for agreements that do not have indefinite terms, the Company believes that renewal of these agreements can be obtained without substantial cost, based on the history with the manufacturer. As such, the Company believes that its franchise agreements will contribute to cash flows for an indefinite period and, therefore, the carrying amounts of the franchise rights are not amortized. Franchise rights acquired in business acquisitions prior to July 1, 2001, were recorded and amortized as part of goodwill and remain as part of goodwill at December 31, 2014 and 2013 in the accompanying Consolidated Balance Sheets. Since July 1, 2001, intangible franchise rights acquired in business combinations have been recorded as distinctly separate intangible assets. In accordance with guidance primarily codified within Accounting Standards Codification ("ASC") 350, Intangibles-Goodwill and Other, the Company evaluates these franchise rights for impairment annually in the fourth quarter, based on the carrying values of the Company’s individual dealerships as of October 31st, or more frequently if events or circumstances indicate possible impairment has occurred.

In performing its impairment assessments, the Company tests the carrying value of each individual franchise right that was recorded by using a direct value method discounted cash flow model, or income approach, specifically the excess earnings method. Included in this analysis are assumptions, at a dealership level, regarding the cash flows directly attributable to the franchise rights, revenue growth rates, future gross margins and future SG&A expenses. Using an estimated WACC, estimated residual values at the end of the forecast period and estimated future capital expenditure requirements, the Company calculates the fair value of each dealership's franchise rights.

As of October 31, 2014, 2013 and 2012, the Company determined that the carrying value of certain of the intangible franchise rights was greater than their fair value and as such, a $25.6 million, $5.4 million and $7.0 million pre-tax non-cash impairment was recognized, respectively. See Note 16, "Intangible Franchise Rights and Goodwill," for additional details regarding the Company's intangible franchise rights.

Income Taxes

Currently, the Company operates in 14 different states in the U.S., in the U.K. and in Brazil, each of which has unique tax rates and payment calculations. As the amount of income generated in each jurisdiction varies from period to period, the Company's estimated effective tax rate can vary based on the proportion of taxable income generated in each jurisdiction.

The Company follows the liability method of accounting for income taxes in accordance with ASC 740, Income Taxes. Under this method, deferred income taxes are recorded based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are realized or liabilities are settled. A valuation allowance reduces deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company has recognized deferred tax assets, net of valuation allowances, that it believes will be realized, based primarily on the assumption of future taxable income. As it relates to net operating losses, a corresponding valuation allowance has been established to the extent that the Company has determined that net income attributable to certain jurisdictions will not be sufficient to realize the benefit.

Fair Value of Financial Assets and Liabilities

The Company's financial instruments consist primarily of cash and cash equivalents, contracts-in-transit and vehicle receivables, accounts and notes receivable, accounts payable, credit facilities, long-term debt and interest rate swaps. The fair values of cash and cash equivalents, contracts-in-transit and vehicle receivables, accounts and notes receivable, accounts payable, and credit facilities approximate their carrying values due to the short-term nature of these instruments or the existence of variable interest rates. As of December 31, 2014, the Company's 5.00% Senior Notes had a carrying value of $540.1 million, and a fair value of $534.9 million. Of the $358.3 million and $280.2 million of other real estate related and long-term debt as of December 31, 2014 and December 31, 2013, respectively, $158.1 million and $164.1 million represented fixed interest rate borrowings. The fair value of such fixed interest rate borrowings was $186.4 million and $190.0 million as of December 31, 2014 and December 31, 2013, respectively.

For discussion on the fair value of the Company's interest rate swaps, refer to "Derivative Financial Instruments" below.

Fair Value of Assets Acquired and Liabilities Assumed

The fair values of assets acquired and liabilities assumed in business combinations are estimated using various assumptions. The most significant assumptions, and those requiring the most judgment, involve the estimated fair values of property and equipment and intangible franchise rights, with the remaining amounts attributable to goodwill, if any. The Company utilizes third-party experts to determine the fair values of property and equipment purchased, including real estate and its fair value model as discussed under "Intangible Franchise Rights" above to determine the fair value of intangible franchise rights acquired.

Derivative Financial Instruments

One of the Company’s primary market risk exposures is increasing interest rates. Interest rate derivatives, designated as cash flow hedges, are used to adjust interest rate exposures when appropriate based on market conditions.
The Company follows the requirements of guidance primarily codified within ASC 815, Derivatives and Hedging (“ASC 815”) pertaining to the accounting for derivatives and hedging activities. ASC 815 requires the Company to recognize all cash flow hedges on its balance sheet at fair value. The related gains or losses on these interest rate derivatives are deferred in stockholders’ equity as a component of accumulated other comprehensive loss. These deferred gains and losses are recognized in interest expense in the period in which the related items being hedged are recognized in interest expense. However, to the extent that the change in value of a derivative contract does not perfectly offset the change in the value of the items being

hedged, that ineffective portion is immediately recognized in other income or expense. Monthly contractual settlements of these swap positions are recognized as floorplan or other interest expense in the Company's accompanying Consolidated Statements of Operations. All of the Company’s interest rate hedges were designated as cash flow hedges and were deemed to be effective at December 31, 2014, 2013 and 2012.

The Company measures its interest rate derivative instruments utilizing an income approach valuation technique, converting future amounts of cash flows to a single present value in order to obtain a transfer exit price within the bid and ask spread that is most representative of the fair value of its derivative instruments. In measuring fair value, the Company utilizes the option-pricing Black-Scholes present value technique for all of its derivative instruments. This option-pricing technique utilizes a one-month London Interbank Offered Rate (“LIBOR”) forward yield curve, obtained from an independent external service provider, matched to the identical maturity term of the instrument being measured. Observable inputs utilized in the income approach valuation technique incorporate identical contractual notional amounts, fixed coupon rates, periodic terms for interest payments and contract maturity. The fair value estimate of the interest rate derivative instruments also considers the credit risk of the Company for instruments in a liability position or the counterparty for instruments in an asset position. The credit risk is calculated by using the spread between the one-month LIBOR yield curve and the relevant average 10 and 20-year retail rate according to Standard and Poor’s.

The Company has determined the valuation measurement inputs of these derivative instruments to maximize the use of observable inputs that market participants would use in pricing similar or identical instruments and market data obtained from independent sources, which is readily observable or can be corroborated by observable market data for substantially the full term of the derivative instrument. Accordingly, the Company has classified the derivatives within Level 2 of the ASC 820 hierarchy framework in Note 13, “Fair Value Measurements.” The Company validates the outputs of its valuation technique by comparison to valuations from the respective counterparties. See Note 4, "Derivative Instruments and Risk Management Activities," and Note 13, "Fair Value Measurements," for further details regarding the Company's derivative financial instruments and fair value measurements.

Foreign Currency Translation

The functional currency for the Company’s U.K. subsidiaries is the British pound sterling (£) and of our Brazil subsidiaries is the Brazilian real. The financial statements of all the Company’s foreign subsidiaries have been translated into U.S. dollars. All assets and liabilities of foreign operations are translated into U.S. dollars using period-end exchange rates and all revenues and expenses are translated at average rates during the respective period. The difference in the U.S. dollar results that arise from the translation of all assets and liabilities are included in the cumulative currency translation adjustments in accumulated other comprehensive income/loss in stockholders’ equity and other income/expense, when applicable. Upon disposition of the Company's investment in a foreign subsidiary, the Company removes the accumulated translation adjustment attributable to that subsidiary from equity and recognizes as a part of the gain or loss on the disposition transaction.

Factory Incentives

In addition to the interest assistance discussed above, the Company receives various dealer incentive payments from certain of the automobile manufacturers. These incentive payments are typically received on parts purchases from the automobile manufacturers and on new vehicle retail sales. These incentives are reflected as reductions of cost of sales in the statement of operations.

Earnings Per Share

The Company utilizes the two-class method for the computation of earnings per share ("EPS"). The two-class method requires a portion of net income to be allocated to participating securities, which are unvested awards of share-based payments with non-forfeitable rights to receive dividends or dividend equivalents. The Company’s restricted stock awards qualify as participating securities as each contain non-forfeitable rights to dividends. Income allocated to these participating securities is excluded from net earnings available to common shares. Basic EPS is computed by dividing net income available to basic common shares by the weighted average number of basic common shares outstanding

during the period. Diluted EPS is computed by dividing net income available to diluted common shares by the weighted average number of dilutive common shares outstanding during the period.
Advertising
The Company expenses the costs of advertising as incurred. Advertising expense for the years ended December 31, 2014, 2013, and 2012, totaled $73.8 million, $59.0 million and $54.1 million, respectively. Additionally, the Company receives advertising assistance from some of the automobile manufacturers. The Company must spend such advertising assistance on qualified advertising and is subject to audit and chargeback by the manufacturer. The assistance is accounted for as an advertising expense reimbursement and is generally reflected as a reduction of advertising expense, which is included in SG&A

expenses in the accompanying Consolidated Statements of Operations, as the vehicles are sold, and in accrued expenses on the balance sheet for amounts related to vehicles still in inventory on that date.

Advertising expense has been reduced by $16.6 million, $24.1 million and $23.7 million for advertising assistance earned related to vehicles sold for the years ended December 31, 2014, 2013, and 2012, respectively.

Business and Credit Risk Concentrations

The Company owns and operates franchised automotive dealerships in the U.S., the U.K. and Brazil. Automotive dealerships operate pursuant to franchise agreements with vehicle manufacturers. Franchise agreements generally provide the manufacturers or distributors with considerable influence over the operations of the dealership. The success of any franchised automotive dealership is dependent, to a large extent, on the financial condition, management, marketing, production and distribution capabilities of the vehicle manufacturers or distributors of which the Company holds franchises. The Company purchases substantially all of its new vehicles from various manufacturers or distributors at the prevailing prices to all franchised dealers. The Company's sales volume could be adversely impacted by the manufacturers' or distributors' inability to supply the dealerships with an adequate supply of vehicles. For the year ended December 31, 2014, Toyota (including Lexus, Scion and Toyota brands), BMW (including MINI and BMW brands), Honda (including Acura and Honda brands), Ford (including Ford and Lincoln brands), Nissan (including Infiniti and Nissan brands), General Motors (including Chevrolet, GMC, Buick, and Cadillac brands), Volkswagen (including Audi, Porsche, and Volkswagen brands), Hyundai (including Hyundai and Kia brands), Daimler (including Mercedes-Benz, smart and Sprinter brands), and Chrysler (including Chrysler, Dodge, RAM and Jeep brands) accounted for 26.7%, 11.5%, 11.3%, 10.9%, 9.4%, 6.4%, 6.1%, 5.5%, 4.5%, and 4.4% of the Company's new vehicle sales volume, respectively. No other manufacturer accounted for more than 3.0% of the Company's total new vehicle sales volume in 2014. Through the use of an open account, the Company purchases and returns parts and accessories from/to the manufacturers and receives reimbursement for rebates, incentives and other earned credits. As of December 31, 2014, the Company was due $86.1 million from various manufacturers (see Note 8, "Accounts and Notes Receivable"). Receivable balances from Toyota, General Motors, Daimler, BMW, Ford, Nissan, Volkswagen, Hyundai, Honda, and Chrysler represented 17.7%, 16.0%, 15.3%, 14.3%, 8.8%, 6.7%, 6.5%, 4.5%, 3.8%, and 3.2%, respectively, of this total balance due from manufacturers.

Statements of Cash Flows

With respect to all new vehicle floorplan borrowings, the manufacturers of the vehicles draft the Company's credit facilities directly with no cash flow to or from the Company. With respect to borrowings for used vehicle financing in the U.S., the Company finances up to 80% of the value of the used vehicle inventory and the funds flow directly to the Company from the lender. In the U.K., the Company chooses which used vehicles to finance and the borrowings flow directly to the Company from the lender. In Brazil, dependent upon the brand, the Company either finances up to 80% of the value of the used vehicle inventory or it chooses which used vehicles to finance and the funds flow directly to the Company from the lender. All borrowings from, and repayments to, lenders affiliated with the vehicle manufacturers (excluding the cash flows from or to manufacturer affiliated lenders participating in the Company's syndicated lending group) are presented within Cash Flows from Operating Activities on the Consolidated Statements of Cash Flows. In addition, all borrowings from, and repayments to, the syndicated lending group under the Revolving Credit Facility (as defined in Note 11, "Credit Facilities") (including the cash flows from or to manufacturer affiliated lenders participating in the facility) and borrowing from, and repayments to, the Company's other credit facilities are presented within Cash Flows from Financing Activities.

Cash paid for interest, including the monthly settlement of the Company's interest rate derivatives, was $80.2 million, $66.2 million and $55.8 million in 2014, 2013 and 2012, respectively. Cash paid for taxes, net of refunds, was $62.3 million, $49.0 million and $38.6 million in 2014, 2013 and 2012, respectively.

Stock-Based Compensation

Stock-based compensation represents the expense related to stock-based awards granted to employees and non-employee directors. The Company measures stock-based compensation expense at grant date based on the estimated fair value of the award and recognizes the cost on a straight-line basis, net of estimated forfeitures, over the employee requisite service period. The Company estimates the fair value of its employee stock purchase rights issued pursuant to the Employee Stock Purchase Plan using a Black-Scholes valuation model. The expense for stock-based awards is recognized as an SG&A expense in the accompanying Consolidated Statement of Operations.

Business Segment Information

The Company, through its regions, conducts business in the automotive retailing industry, including selling new and used cars and light trucks, arranging related vehicle financing, selling service and insurance contracts, providing automotive maintenance and repair services and selling vehicle parts. The Company has three reportable segments: the U.S., which includes the activities of the Company's corporate office, the U.K., and Brazil. See Note 21, “Segment Information,” for additional details regarding the Company’s reportable segments.

Self-Insured Medical, Property and Casualty Reserves

The Company purchases insurance policies for worker’s compensation, liability, auto physical damage, property, pollution, employee medical benefits and other risks consisting of large deductibles and/or self-insured retentions.

At least annually, the Company engages a third-party actuary to conduct a study of the exposures under the self-insured portion of its worker’s compensation and general liability insurance programs for all open policy years. In the interim, the Company reviews the estimates within the study and monitors actual experience for unusual variances. The appropriate adjustments are made to the accrual, based upon these procedures. Actuarial estimates for the portion of claims not covered by insurance are based on historical claims experience adjusted for loss trending and loss development factors. Changes in the frequency or severity of claims from historical levels could influence the Company’s reserve for claims and its financial position, results of operations and cash flows. A 10% increase in the actuarially determined estimate of aggregate future losses would have increased the reserve for these losses at December 31, 2014, by $2.1 million.

The Company’s auto physical damage insurance coverage is limited and contains two layers of coverage. The first layer is composed of a $10.0 million per occurrence company deductible with an annual maximum aggregate deductible of $30.0 million with no maximum payout. The secondary policy provides for an additional $10.0 million, maximum, in annual loss coverage after the Company has either incurred $20.0 million in company-paid deductibles related to hail loss, or incurred $5.0 million in company-paid deductibles related to any weather event other than hail.

For policy years ended prior to October 31, 2005, the Company’s workers’ compensation and general liability insurance coverage included aggregate retention (stop loss) limits in addition to a per claim deductible limit (“Stop Loss Plans”). Due to historical experience in both claims frequency and severity, the likelihood of breaching the aggregate retention limits described above was deemed remote, and as such, the Company elected not to purchase this stop loss coverage for the policy year beginning November 1, 2005 and for each subsequent year (“No Stop Loss Plans”). The Company’s exposure per claim under the No Stop Loss Plans is limited to $1.0 million per occurrence, with unlimited exposure on the number of claims up to $1.0 million that may be incurred. As of December 31, 2014, we have accrued $0.5 million and $20.3 million for our Stop Loss and No Stop Loss plans, respectively. The Company’s maximum potential exposure under its worker's compensation and general liability Stop Loss Plans totaled $34.9 million at December 31, 2014, before consideration of amounts previously paid or accruals recorded related to the Company’s loss projections. After consideration of the amounts paid or accrued, the remaining potential loss exposure under the Stop Loss Plans totaled $13.8 million at December 31, 2014.

Variable Interest Entity

In 2013, the Company entered into arrangements to provide a related-party entity that owns and operates retail automotive dealerships a fixed-interest-rate working capital loan and various administrative services for a variable fee, both of which constitute variable interests in the entity. The Company's exposure to loss as a result of its involvement in the entity includes the balance outstanding under the loan arrangement. The Company holds no equity ownership interest in the entity. The Company has determined that the entity meets the criteria of a variable interest entity (“VIE”). The terms of the loan and services agreements provide the Company with the right to control the activities of the VIE that most significantly impact the VIE's economic performance, the obligation to absorb potentially significant losses of the VIE and the right to receive potentially significant benefits from the VIE. Accordingly, the Company qualified as the VIE's primary beneficiary and consolidated the assets and liabilities of the VIE as of December 31, 2014 and 2013, as well as the results of operations of the VIE beginning on the effective date of the variable interests arrangements to December 31, 2013 and for the year ended December 31, 2014. The floorplan notes payable liability of the VIE is securitized by the new and used vehicle inventory of the VIE. The carrying amounts and classification of assets (which can only be used to settle the liabilities of the VIE) and liabilities (for which creditors do not have recourse to the general credit of the Company) included in the Company's consolidated statements of financial position for the consolidated VIE is as follows (in thousands):

	December 31, 2014	December 31, 2013 [1]
Current assets	$19,049	$24,170
Non-current assets	31,783	71,033
Total assets	$50,832	$95,203
Current liabilities	$16,374	$21,653
Non-current liabilities	15,955	25,374
Total liabilities	$32,329	$47,027

[1] The purchase price allocation for the VIE was finalized in the first quarter of 2014.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity, that raises the threshold for disposals to qualify as discontinued operations to include only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity’s operations and financial results. The amendments in this accounting standard update should be applied prospectively and are effective for annual periods, and interim periods within those years, beginning on or after December 15, 2014. Early adoption is permitted for disposals that have not been reported in financial statements previously issued. The Company does not expect a material impact of the ASU on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), that amends the accounting guidance on revenue recognition. The amendments in this ASU are intended to provide a framework for addressing revenue issues, improve comparability of revenue recognition practices, and improve disclosure requirements. The amendments in this accounting standard update are effective for interim and annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The Company is currently evaluating the impact the provisions of the ASU will have on its consolidated financial statements, but currently does not expect a material impact.

3. ACQUISITIONS AND DISPOSITIONS

During 2014, the Company acquired seven dealerships and was granted two franchises in the U.S. and also acquired one dealership and opened one dealership for an awarded franchise in Brazil. In addition, the Company acquired three dealerships in the U.K. (collectively, the "2014 Acquisitions"). Aggregate consideration paid for these acquisitions totaled $336.6 million, including associated real estate and new vehicle inventory. The U.K. vehicle inventory acquisition was subsequently financed through borrowings under the Company's credit facility with Volkswagen Finance, the U.S. vehicle inventory acquisition was subsequently financed through borrowings under the Company's FMCC Facility and the Floorplan Line, (each as defined in Note 11, “Credit Facilities”) and the Brazil acquisitions were financed through individual manufacturer captive finance companies. The purchase prices for the 2014 Acquisitions have been allocated as set forth below based upon the consideration paid and the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. The allocation of the purchase prices is preliminary and based on estimates and assumptions that are subject to change within the purchase price allocation period (generally one year from the respective acquisition date). Goodwill associated with the acquisitions was

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assigned to the U.S., U.K. and Brazil reportable segments in the amounts of $103.9 million, $16.8 million and zero, respectively.

	As of Acquisition Date
	(In thousands)
Current assets	$6,601
Inventory	131,878
Property and equipment	80,520
Goodwill & intangible franchise rights	183,449
Deferred tax asset	7,265
Total assets	$409,713
Current liabilities	$37,545
Long-term debt	13,250
Total liabilities	$50,795

The intangible franchise rights are expected to continue for an indefinite period, therefore these rights are not amortized. These intangible assets will be evaluated on an annual basis in accordance with Accounting Standards Codification ("ASC") 350. Goodwill represents the excess of consideration paid compared to the fair value of net assets received in the acquisitions. The goodwill associated with the 2014 Acquisitions relative to the U.S. reportable segment is deductible for tax purposes; however, the goodwill associated with the 2014 Acquisitions relative to the U.K. reportable segment is not currently deductible for tax purposes.

The following supplemental pro forma information provides revenue and net income had the acquisition date for each of the Company's 2014 acquisitions been January 1, 2013. The supplemental pro forma revenue and net income are presented for informational purposes only and may not necessarily reflect the future results of operations of the Company or what the results of operations would have been had the Company owned and operated these businesses as of January 1, 2013. The supplemental pro forma information does not take into account the dispositions described below.

	Year ended December 31,	
Supplemental Pro Forma:	2014	2013
	(in thousands)	
Revenue	$10,416,588	$9,770,291
Net income	$94,914	$126,237

During the year ended December 31, 2014, the Company disposed of seven dealerships and one franchise in the U.S. and three dealerships in Brazil. As a result of these dispositions including the associated real estate, a pre-tax net gain of $13.3 million was recognized for the year ended December 31, 2014. Aggregate consideration received for these dealerships totaled $144.6 million.

In February 2013, the Company purchased all of the outstanding stock of UAB Motors. At the time of acquisition, UAB Motors consisted of 18 dealerships and 22 franchises in Brazil, as well as five collision centers. In conjunction with the acquisition, the Company incurred $6.5 million of costs, primarily related to professional services associated with the Brazil transaction. The Company included these costs in SG&A in the Consolidated Statement of Operations for the year ended December 31, 2013. As discussed in Note 2, "Summary of Significant Accounting Policies and Estimates," in connection with this acquisition, the Company entered into arrangements that are variable interests in a VIE. The Company qualifies as the primary beneficiary of the VIE. The consolidation of the VIE into the financial statements of the Company was accounted for as a business combination. In addition, during 2013, the Company acquired certain assets of four dealerships in the U.K. and nine dealerships in the U.S. (collectively, the "2013 Acquisitions").

Aggregate consideration paid for the 2013 Acquisitions totaled $350.2 million, including $269.9 million of cash and 1.39 million shares of the Company's common stock. The consideration included amounts paid for vehicle inventory, parts inventory, equipment, and furniture and fixtures, as well as the purchase of some of the associated real estate. The vehicle inventory acquired in the U.K. acquisitions was subsequently financed through borrowings under the Company's credit facility with Volkswagen Finance, the vehicle inventory acquired in the U.S. acquisitions was subsequently financed through borrowings under the Company's FMCC Facility and the Floorplan Line, (each as defined in Note 11, “Credit Facilities”) and the Brazil acquisitions were financed through individual manufacturer captive finance companies. The Company also assumed debt in conjunction with certain of the acquisitions, of which $65.1 million was contemporaneously extinguished. In conjunction with the extinguishment, the Company recognized a loss of $0.8 million that is included in other expense, net on the Consolidated Statement of Operations for the year ended December 31, 2013. The purchase prices for the 2013 Acquisitions have been allocated as set forth below based upon the consideration paid and the estimated fair values of the assets acquired and liabilities assumed at the acquisition date. Goodwill associated with the acquisitions was assigned to the U.S., U.K. and Brazil reportable segments in the amounts of $56.2 million, $1.5 million and $129.4 million, respectively.

	As of Acquisition Date
	(In thousands)
Current assets	26,884
Inventory	164,655
Property and equipment	72,328
Goodwill & intangible franchise rights	305,876
Other assets	864
Total assets	$570,607
Current liabilities	123,025
Deferred income taxes	28,738
Long-term debt	68,639
Total liabilities	220,402

The intangible franchise rights are expected to continue for an indefinite period, therefore these rights are not amortized. These intangible assets will be evaluated on an annual basis in accordance with ASC 350. Goodwill represents the excess of consideration paid compared to the fair value of net assets received in the acquisitions. The goodwill associated with the 2013 Acquisitions relative to the U.S., U.K. and Brazil reportable segments is deductible for tax purposes.

The Company sold six dealerships and one franchise in the U.S. during the year ended December 31, 2013. Gross consideration received for these dispositions was $97.5 million. As a result of the dispositions, a pre-tax net gain of $10.2 million was recognized for the year ended December 31, 2013.

During 2012, the Company acquired 16 dealerships: six in the U.K. and ten in the U.S. Consideration paid for these dealerships totaled $178.0 million, including amounts paid for vehicle inventory, parts inventory, equipment, and furniture and fixtures, as well as the purchase of some of the associated real estate. The vehicle inventory acquired in the U.K. acquisitions was subsequently financed through borrowings under the Company's credit facility with Volkswagen Finance, while the vehicle inventory acquired in the U.S. acquisitions was subsequently financed through borrowings under the Company's FMCC Facility and the Floorplan Line, (each as defined in Note 11, “Credit Facilities”). In addition, during 2012, the Company terminated two franchises and sold three dealerships in the U.S. The company also closed one dealership in the U.K. Gross consideration received for these dispositions was $33.7 million. As a result of the dispositions, a pre-tax net gain of $1.5 million was recognized for the year ended December 31, 2012.

4. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

The periodic interest rates of the Revolving Credit Facility (as defined in Note 11, “Credit Facilities”), the Real Estate Credit Facility (as defined in Note 12, “Long-term Debt”), and certain variable-rate real estate related borrowings are indexed to the one-month LIBOR plus an associated company credit risk rate. In order to minimize the earnings variability related to fluctuations in these rates, the Company employs an interest rate hedging strategy, whereby it enters into arrangements with various financial institutional counterparties with investment grade credit ratings, swapping its variable interest rate exposure for a fixed interest rate over terms not to exceed the related variable-rate

debt.
As of December 31, 2014 and December 31, 2013, the Company held interest rate swaps in effect of $563.0 million and