UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended June 30, 2014

or

o **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 1-12297

Penske Automotive Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**22-3086739**
(State or other jurisdiction of	(I.R.S. Employer

incorporation or organization)	Identification No.)
2555 Telegraph Road, **Bloomfield Hills, Michigan**	**48302-0954**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code:
(248) 648-2500

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 x No o

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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 accelerated filer, large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

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

As of July 22, 2014, there were 90,227,127 shares of voting common stock outstanding.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

	June 30, 2014	December 31, 2013
	(Unaudited)	
	(In millions, except share amounts)	
ASSETS		
Cash and cash equivalents	$ 61.4	$ 49.8
Accounts receivable, net of allowance for doubtful accounts of $4.3 and $2.4	641.2	600.8
Inventories	2,615.9	2,518.3
Other current assets	111.4	88.4
Assets held for sale	52.4	107.3
Total current assets	3,482.3	3,364.6
Property and equipment, net	1,367.8	1,232.2
Goodwill	1,217.9	1,144.5
Franchise value	300.5	295.4
Equity method investments	354.7	346.9
Other long-term assets	19.1	31.9
Total assets	$ 6,742.3	$ 6,415.5
LIABILITIES AND EQUITY		
Floor plan notes payable	$ 1,717.3	$ 1,685.1
Floor plan notes payable non-trade	934.0	901.6
Accounts payable	435.1	373.3
Accrued expenses	314.4	262.6
Current portion of long-term debt	81.6	50.0
Liabilities held for sale	41.1	59.7
Total current liabilities	3,523.5	3,332.3
Long-term debt	1,006.8	1,033.2
Deferred tax liabilities	372.8	361.4
Other long-term liabilities	192.5	166.5
Total liabilities	5,095.6	4,893.4
Commitments and contingent liabilities (Note 9)		
Equity		
Penske Automotive Group stockholders equity:		
Preferred Stock, $0.0001 par value; 100,000 shares authorized; none issued and outstanding		
Common Stock, $0.0001 par value, 240,000,000 shares authorized; 90,228,977 shares issued and outstanding at June 30, 2014; 90,243,731 shares issued and outstanding at December 31, 2013		
Non-voting Common Stock, $0.0001 par value, 7,125,000 shares authorized; none issued and outstanding		
Class C Common Stock, $0.0001 par value, 20,000,000 shares authorized; none issued and outstanding		
Additional paid-in-capital	685.8	693.6
Retained earnings	906.1	799.2
Accumulated other comprehensive income (loss)	36.9	11.6
Total Penske Automotive Group stockholders equity	1,628.8	1,504.4
Non-controlling interest	17.9	17.7
Total equity	1,646.7	1,522.1
Total liabilities and equity	$ 6,742.3	$ 6,415.5

See Notes to Consolidated Condensed Financial Statements

Table of Contents

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(Unaudited) (In millions, except per share amounts)			
Revenue:				
New vehicle	$ 2,238.1	$ 1,894.0	$ 4,264.4	$ 3,610.8
Used vehicle	1,273.3	1,061.7	2,474.9	2,049.9
Finance and insurance, net	112.3	94.7	217.2	180.6
Service and parts	435.7	384.9	853.2	764.6
Fleet and wholesale	216.8	180.3	404.7	352.2
Commercial vehicles, car rental and other	130.5	15.0	240.3	21.8
Total revenues	$ 4,406.7	$ 3,630.6	$ 8,454.7	$ 6,979.9
Cost of sales:				
New vehicle	2,065.2	1,752.3	3,934.8	3,335.4
Used vehicle	1,183.0	982.0	2,297.6	1,892.9
Service and parts	175.6	153.7	345.9	312.2
Fleet and wholesale	213.7	177.7	397.2	345.4
Commercial vehicles, car rental and other	102.3	5.4	188.3	7.9
Total cost of sales	3,739.8	3,071.1	7,163.8	5,893.8
Gross profit	666.9	559.5	1,290.9	1,086.1
Selling, general and administrative expenses	513.2	432.7	1,001.0	839.8
Depreciation	17.5	14.7	34.0	29.0
Operating income	136.2	112.1	255.9	217.3
Floor plan interest expense	(11.6)	(10.7)	(22.7)	(20.8)
Other interest expense	(13.1)	(11.9)	(26.2)	(23.4)
Equity in earnings of affiliates	10.9	8.9	16.0	11.2
Income from continuing operations before income taxes	122.4	98.4	223.0	184.3
Income taxes	(41.1)	(34.9)	(75.2)	(63.2)
Income from continuing operations	81.3	63.5	147.8	121.1
Loss from discontinued operations, net of tax	(7.4)	(1.0)	(6.0)	(0.6)
Net income	73.9	62.5	141.8	120.5
Less: Income attributable to non-controlling interests	1.0	0.5	1.4	0.8
Net income attributable to Penske Automotive Group common stockholders	$ 72.9	$ 62.0	$ 140.4	$ 119.7
Basic earnings per share attributable to Penske Automotive Group common stockholders:				
Continuing operations	$ 0.89	$ 0.70	$ 1.62	$ 1.33
Discontinued operations	(0.08)	(0.01)	(0.07)	(0.01)
Net income attributable to Penske Automotive Group common stockholders	$ 0.81	$ 0.69	$ 1.55	$ 1.32
Shares used in determining basic earnings per share (Note 6)	90.4	90.3	90.4	90.3
Diluted earnings per share attributable to Penske Automotive Group common stockholders:				
Continuing operations	$ 0.89	$ 0.70	$ 1.62	$ 1.33
Discontinued operations	(0.08)	(0.01)	(0.07)	(0.01)
Net income attributable to Penske Automotive Group common stockholders	$ 0.81	$ 0.69	$ 1.55	$ 1.32
	90.4	90.3	90.4	90.4

Shares used in determining diluted earnings per share (Note 6)								
Amounts attributable to Penske Automotive Group common stockholders:								
Income from continuing operations	$	81.3	$	63.5	$	147.8	$	121.1
Less: Income attributable to non-controlling interests		1.0		0.5		1.4		0.8
Income from continuing operations, net of tax		80.3		63.0		146.4		120.3
Loss from discontinued operations, net of tax		(7.4)		(1.0)		(6.0)		(0.6)
Net income attributable to Penske Automotive Group common stockholders	$	72.9	$	62.0	$	140.4	$	119.7

See Notes to Consolidated Condensed Financial Statements

Table of Contents

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(Unaudited) (In millions)			
Net Income	$ 73.9	$ 62.5	$ 141.8	$ 120.5
Other Comprehensive Income:				
Foreign currency translation adjustment	16.8	1.5	26.1	(35.1)
Unrealized gain (loss) on interest rate swaps:				
Unrealized gain(loss) arising during the period, net of tax benefits		0.6	(0.2)	0.5
Reclassification adjustment for loss included in floor plan interest expense, net of tax provision of $0.7, $0.4, $1.5, and $1.1, respectively	1.2	0.6	2.3	1.7
Unrealized gain (loss) on interest rate swaps, net of tax	1.2	1.2	2.1	2.2
Other adjustments to Comprehensive Income, net	0.8	0.3	(3.2)	(1.2)
Other Comprehensive Income(Loss), Net of Taxes	18.8	3.0	25.0	(34.1)
Comprehensive Income	92.7	65.5	166.8	86.4
Less: Comprehensive income attributable to non-controlling interests	0.9	0.4	1.1	1.3
Comprehensive income attributable to Penske Automotive Group common stockholders	$ 91.8	$ 65.1	$ 165.7	$ 85.1

See Notes to Consolidated Condensed Financial Statements

Table of Contents

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
	(Unaudited) (In millions)	
Operating Activities:		
Net income	$ 141.8	$ 120.5
Adjustments to reconcile net income to net cash from continuing operating activities:		
Depreciation	34.0	29.0
Earnings of equity method investments	(14.5)	(10.2)
Loss from discontinued operations, net of tax	6.0	0.6
Deferred income taxes	6.5	25.8
Changes in operating assets and liabilities:		
Accounts receivable	(40.1)	5.6
Inventories	(61.9)	(139.9)
Floor plan notes payable	32.2	76.5
Accounts payable and accrued expenses	109.0	58.7
Other	(1.6)	7.4
Net cash provided by continuing operating activities	211.4	174.0
Investing Activities:		
Purchase of equipment and improvements	(72.9)	(70.2)
Purchase of car rental vehicles	(76.3)	(73.2)
Dealership acquisitions net, including repayment of sellers floor plan notes payable of $23.0 and $1.8, respectively	(86.2)	(30.7)
Other	24.9	(9.7)
Net cash used in continuing investing activities	(210.5)	(183.8)
Financing Activities:		
Proceeds from borrowings under U.S. credit agreement revolving credit line	572.6	491.7
Repayments under U.S. credit agreement revolving credit line	(562.6)	(519.7)
Repayments under U.S. credit agreement term loan		(12.0)
Proceeds from borrowings under car rental revolver	73.5	94.3
Repayments of car rental revolver	(39.4)	(12.2)
Net borrowings (repayments) of other long-term debt	(47.2)	(53.3)
Net borrowings (repayments) of floor plan notes payable non-trade	32.4	37.6
Repurchases of common stock	(15.5)	(15.8)
Dividends	(33.5)	(26.2)
Other	0.3	0.2
Net cash used in continuing financing activities	(19.4)	(15.4)
Discontinued operations:		
Net cash (used in)/provided by discontinued operating activities	(22.3)	16.5
Net cash provided by discontinued investing activities	54.0	2.6
Net cash used in discontinued financing activities	(1.6)	(11.4)
Net cash provided by discontinued operations	30.1	7.7
Net change in cash and cash equivalents	11.6	(17.5)
Cash and cash equivalents, beginning of period	49.8	43.8
Cash and cash equivalents, end of period	$ 61.4	$ 26.3
Supplemental disclosures of cash flow information:		
Cash paid for:		
Interest	$ 50.5	$ 47.0

Income taxes	48.3	11.4

See Notes to Consolidated Condensed Financial Statements

Table of Contents

PENSKE AUTOMOTIVE GROUP, INC.

CONSOLIDATED CONDENSED STATEMENT OF EQUITY

(Unaudited)
(Dollars in millions)

	Common Stock Issued Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Penske Automotive Group Stockholders Equity	Non-controlling Interest	Total Equity
Balance, January 1, 2014	90,243,731	$	$ 693.6	$ 799.2	$ 11.6	$ 1,504.4	$ 17.7	$ 1,522.1
Equity compensation	320,596		7.4			7.4		7.4
Repurchases of common stock	(335,350)		(15.5)			(15.5)		(15.5)
Dividends				(33.5)		(33.5)		(33.5)
Distributions to non-controlling interests							(1.2)	(1.2)
Purchase of controlling interest							0.2	0.2
Sale of subsidiary shares to non-controlling interest			0.3			0.3	0.1	0.4
Foreign currency translation					26.4	26.4	(0.3)	26.1
Interest rate swaps					2.1	2.1		2.1
Other					(3.2)	(3.2)		(3.2)
Net income				140.4		140.4	1.4	141.8
Balance, June 30, 2014	90,228,977	$	$ 685.8	$ 906.1	$ 36.9	$ 1,628.8	$ 17.9	$ 1,646.7

See Notes to Consolidated Condensed Financial Statements

PENSKE AUTOMOTIVE GROUP, INC.

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)
(In millions, except per share amounts)

1. Interim Financial Statements

Business Overview

Unless the context otherwise requires, the use of the terms PAG , we , us , and our in these Notes to the Consolidated Condensed Financial Statements refers to Penske Automotive Group, Inc. and its consolidated subsidiaries.

We are an international transportation services company, operating retail automotive dealerships, commercial vehicle distribution and car rental franchises principally in the United States, Western Europe, Australia and New Zealand, and employing approximately 19,900 people worldwide.

Automotive Dealership. We are the second largest automotive retailer headquartered in the U.S. as measured by the $14.7 billion in total revenue we generated in 2013. As of June 30, 2014, we operated 324 automotive retail franchises, of which 177 franchises are located in the U.S. and 147 franchises are located outside of the U.S. The franchises outside the U.S. are located primarily in the U.K. In the six months ended June 30, 2014, we retailed and wholesaled more than 236,000 vehicles. We are diversified geographically, with 61% of our total automotive dealership revenues in the six months ended June 30, 2014 generated in the U.S. and Puerto Rico and 39% generated outside the U.S. We offer over 35 vehicle brands, with 71% of our automotive dealership revenue in the six months ended June 30, 2014 generated from premium brands, such as Audi, BMW, Mercedes-Benz and Porsche. Each of our dealerships offers a wide selection of new and used vehicles for sale. In addition to selling new and used vehicles, we generate higher-margin revenue at each of our dealerships through maintenance and repair services and the sale and placement of higher-margin products, such as third-party finance and insurance products, third-party extended service contracts and replacement and aftermarket automotive products. We operate these dealerships under franchise agreements with a number of automotive manufacturers and distributors which are subject to certain rights and restrictions typical of the industry.

During the six months ended June 30, 2014, we acquired one U.S. franchise, BMW of Greenwich (CT), and one U.K. franchise, Skipton VW, were awarded four franchises and disposed of seven franchises including four in Bremen, Germany which were consolidated with our Hamburg operations. Additionally, in July, we invested $16.6 million for a 50% ownership interest in a group of BMW and MINI dealerships operating eight franchises in Barcelona, Spain.

Commercial Vehicle. On August 30, 2013, we acquired Western Star Trucks Australia, the exclusive importer and distributor of Western Star heavy duty trucks (a Daimler brand), MAN heavy and medium duty trucks and buses (a VW Group brand), and Dennis Eagle refuse collection vehicles, together with associated parts across Australia, New Zealand and portions of Southeast Asia. The business distributes vehicles and parts to a network of more than 70 dealership locations including three company-owned retail commercial vehicle dealerships.

Car Rental. We are the Hertz car rental franchisee in the Memphis, Tennessee market and certain Indiana markets. We currently manage more than fifty on- and off-airport Hertz car rental locations with approximately 6,800 vehicles in the fleet. Our car rental business complements our existing U.S. automotive dealership operations.

Penske Truck Leasing. We hold a 9.0% limited partnership interest in Penske Truck Leasing Co., L.P. (PTL), a leading provider of transportation services and supply chain management.

Basis of Presentation

The following unaudited consolidated condensed financial statements of PAG have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in our annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the SEC rules and regulations. The information presented as of June 30, 2014 and December 31, 2013 and for the three and six month periods ended June 30, 2014 and 2013 is unaudited, but includes all adjustments which our management believes to be necessary for the fair presentation of results for the periods presented. The consolidated condensed financial statements for the prior periods have been revised for entities that have been treated as discontinued operations through June 30, 2014, and results for interim periods are not necessarily indicative of results to be expected for the year. These consolidated condensed financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2013, which are included as part of our Annual Report on Form 10-K.

Table of Contents

Recent Accounting Pronouncements

In March 2013, the FASB issued ASU No. 2013-05, Foreign Currency Matters (Topic 830) Parent s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. ASU No. 2013-05 resolves the diversity in practice about whether Subtopic 810-10, Consolidation Overall, or Subtopic 830-30, Foreign Currency Matters Translation of Financial Statements, applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. This ASU was effective prospectively for the first annual period beginning after December 15, 2013. The adoption of ASU No. 2013-05 has had no effect on our consolidated financial position, results of operations, or cash flows.

In July 2013, the FASB issued ASU No. 2013-10, Derivatives and Hedging (Topic 815) Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The amendments in ASU No. 2013-10 permit the Fed Funds Effective Swap Rate to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. This ASU was effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of ASU No. 2013-10 has had no effect on our consolidated financial position, results of operations, or cash flows.

In July 2013, the FASB issued ASU No. 2013-11, Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. ASU No. 2013-11 resolves the diversity in practice regarding the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. This ASU was effective for the first annual period beginning after December 15, 2013. The adoption of ASU No. 2013-11 has had no effect on our consolidated financial position, results of operations, or cash flows.

In April 2014, the FASB issued ASU No. 2014-8, 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. ASU No. 2014-8 changes the requirements for reporting discontinued operations to only allow presentation of a disposal of an entity or component of an entity as a discontinued operation if it represents a strategic shift that has (or will have) a major effect on an entities operations or financial results. This ASU is effective for the first annual period beginning after December 15, 2014. We anticipate the adoption of ASU No. 2014-8 to result in fewer of our disposals qualifying for discontinued operations treatment.

In May 2014, the FASB issued ASU No. 2014-9, Revenue from Contracts with Customers (Topic 606) . This ASU supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, *Revenue Recognition*. ASU No. 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers using a five-step model that requires entities to exercise judgment when considering the terms of the contracts. This ASU is effective for us beginning after January 1, 2017 and can be adopted either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. We are currently assessing the impact the adoption of this update will have on our consolidated financial position, results of operations, and cash flows.

Discontinued Operations

We account for dispositions in our retail operations as discontinued operations when it is evident that the operations and cash flows of a franchise being disposed of will be eliminated from on-going operations and that we will not have any significant continuing involvement in its operations.

In evaluating whether the cash flows of a dealership in our Retail reportable segment will be eliminated from ongoing operations, we consider whether it is likely that customers will migrate to similar franchises that we own in the same geographic market. Our consideration includes an evaluation of the brands sold at other dealerships we operate in the market and their proximity to the franchise being disposed. When we dispose of franchises, we typically do not have continuing brand representation in that market. If the franchise being disposed of is located in a complex of PAG owned dealerships, we do not treat the disposition as a discontinued operation if we believe that the cash flows previously generated by the disposed franchise will be replaced by expanded operations of the remaining or replacement franchises.

Combined financial information regarding entities accounted for as discontinued operations follows:

Table of Contents

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Revenues	$ 29.6	$ 135.4	$ 76.2	$ 271.7
Pre-tax income (loss)	$ (8.0)	$ (1.6)	$ (16.2)	$ (0.6)
Pre-tax gain (loss) on disposal	$	$ 0.8	$ 14.8	$ 0.8

	June 30, 2014	December 31, 2013
Inventories	$ 29.2	$ 55.8
Other assets	23.2	51.5
Total assets	$ 52.4	$ 107.3
Floor plan notes payable (including non-trade)	$ 20.0	$ 43.6
Other liabilities	21.1	16.1
Total liabilities	$ 41.1	$ 59.7

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The accounts requiring the use of significant estimates include accounts receivable, inventories, income taxes, intangible assets and certain reserves.

Fair Value of Financial Instruments

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

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or model-derived valuations or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Our financial instruments consist of cash and cash equivalents, debt, floor plan notes payable, forward exchange contracts and interest rate swaps used to hedge future cash flows. Other than our fixed rate debt, the carrying amount of all significant financial instruments approximates fair value due either to length of maturity, the existence of variable interest rates that approximate prevailing market rates, or as a result of mark to market accounting.

Our fixed rate debt consists of amounts outstanding under our senior subordinated notes and mortgage facilities. We estimate the fair value of our senior unsecured notes using quoted prices for the identical liability (Level 2), and we estimate the fair value of our mortgage facilities using a present value technique based on our current market interest rates for similar types of financial instruments (Level 2). A summary of the carrying values and fair values of our 5.75% senior subordinated notes and our fixed rate mortgage facilities are as follows:

	June 30, 2014		December 31, 2013	
	Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**
5.75% senior subordinated notes due 2022	$ 550.0	$ 578.9	$ 550.0	$ 565.1
Mortgage facilities	130.4	131.2	118.6	117.0

Table of Contents

2. Inventories

Inventories consisted of the following:

		June 30, 2014		December 31, 2013
New vehicles	$	1,738.0	$	1,709.4
Used vehicles		643.4		589.2
Commercial vehicles		99.1		98.9
Parts, accessories and other		135.4		120.8
Total inventories		2,615.9	$	2,518.3

We receive credits from certain vehicle manufacturers that reduce cost of sales when the vehicles are sold. Such credits amounted to $11.3 million and $8.7 million during the three months ended June 30, 2014 and 2013, respectively, and $19.7 million and $16.4 million during the six months ended June 30, 2014 and 2013, respectively.

3. Business Combinations

We acquired two automotive retail franchises during the six months ended June 30, 2014. We acquired one Hertz car rental franchise market area and one automotive retail franchise during the six months ended June 30, 2013. During the six months ended June 30, 2014 we also made an additional investment in an entity previously accounted under the equity method. Our financial statements include the results of operations of the acquired entities from the date of acquisition. The fair value of the assets acquired and liabilities assumed have been recorded in our consolidated condensed financial statements, and may be subject to adjustment pending completion of final valuation. A summary of the aggregate consideration paid and the aggregate amounts of the assets acquired and liabilities assumed for the six months ended June 30, 2014 and 2013 follows:

	June 30,			
		2014		2013
Accounts receivable	$	0.7	$	0.3