

Risk Factors Comparison 2025-02-14 to 2024-02-16 Form: 10-K

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Our business, financial condition, results of operations, cash flows, and prospects, and the prevailing market price and performance of our common stock may be adversely affected by a number of factors, including the matters discussed below. Certain statements and information set forth in this Annual Report on Form 10-K, including, without limitation, statements regarding our strategic acquisitions, initiatives, partnerships, or investments, including AutoNation USA, AutoNation Finance, and AutoNation Mobile Service; statements regarding our investments in digital and online capabilities and mobility solutions; statements regarding our expectations for the future performance of our business and the automotive retail industry; **including during 2025, statements regarding the impact of the CDK Global (“CDK”) outage on our business and the availability of insurance or other sources of recovery,** as well as other written or oral statements made from time to time by us or by our authorized executive officers on our behalf that describe our objectives, goals, or plans constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical fact, including statements that describe our objectives, plans or goals are, or may be deemed to be, forward-looking statements. Words such as “anticipate,” “expect,” **“estimate,”** “intend,” “goal,” “target,” “project,” “plan,” “believe,” “continue,” “may,” “will,” “could,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Our forward-looking statements reflect our current expectations concerning future results and events, and they involve known and unknown risks, uncertainties and other factors that are difficult to predict and may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by these statements. These forward-looking statements speak only as of the date of this report, and we undertake no obligation to revise or update these statements to reflect subsequent events or circumstances. The risks, uncertainties, and other factors that our stockholders and prospective investors should consider include, but are not limited to, the following: Risks Related to Economic Conditions The automotive retail industry is sensitive to changing economic conditions and various other factors, including, but not limited to, unemployment levels, consumer confidence, fuel prices, interest rates, and tariffs. Our business and results of operations are substantially dependent on new and used vehicle sales levels in the United States and in our particular geographic markets, as well as the gross profit margins that we can achieve on our sales of vehicles, all of which are very difficult to predict. We believe that many factors affect sales of new and used vehicles and automotive retailers’ gross profit margins in the United States and in our particular geographic markets, including the economy, fuel prices, credit availability, interest rates, consumer confidence, consumer shopping preferences and the success of third-party online and mobile sales platforms, the level of personal discretionary spending, labor force participation and unemployment rates, the state of housing markets, vehicle production levels and capacity, auto emission and fuel economy standards, the rate of inflation, currency exchange rates, tariffs, manufacturer incentives (and consumers’ reaction to such offers), intense industry competition, the prospects of war, other international conflicts or terrorist attacks, global pandemics, severe weather events, product quality, affordability and innovation, the number of consumers whose vehicle leases are expiring, the length of consumer loans on existing vehicles, and the rise of ride-sharing applications. Changes in interest rates can significantly impact new and used vehicle sales and vehicle affordability due to the direct relationship between interest rates and monthly loan payments, a critical factor for many vehicle buyers, and the impact interest rates have on customers’ borrowing capacity and disposable income. Sales of certain vehicles, particularly trucks and sport utility vehicles that historically have provided us with higher gross profit per vehicle retailed, are sensitive to fuel prices and the level of construction activity. In addition, rapid changes in fuel prices can cause shifts in consumer preferences which are difficult to accommodate given the long lead-time of inventory acquisition. The imposition of new tariffs, quotas, duties, or other restrictions or limitations could increase prices for vehicles and / or parts imported into the United States and adversely impact demand for such vehicles and / or parts. Our vehicle sales, service, and collision businesses could also be adversely affected by changes in the automotive industry driven by new technologies, distribution channels, or products, including ride-sharing applications, subscription services, autonomous and electric vehicles, and accident avoidance technology. Approximately **16.0 million,** 15.6 million, **and** 13.9 million, **and** 15.1 million new vehicles, including retail and fleet vehicles, were sold in the United States in **2024,** 2023, **and** 2022, ~~and 2021,~~ respectively. Our performance may differ from the performance of the automotive retail industry due to particular economic conditions and other factors in the geographic markets in which we operate. Economic conditions and the other factors described above may also materially adversely impact our sales of parts and automotive repair and maintenance services and automotive finance and insurance products and our ability to approve / provide financing to customers. Risks Related to Vehicle Manufacturers and Other Third-Party Suppliers Our new vehicle sales are impacted by the incentive, marketing, and other programs of vehicle manufacturers. Most vehicle manufacturers from time to time establish various marketing and sales incentive programs designed to spur consumer demand for their vehicles, particularly during periods of excess supply and / or in a flat or declining new vehicle sales market. These programs impact our operations, particularly our sales of new vehicles. Since these programs are often not announced in advance, they can be difficult to plan for when ordering inventory. Furthermore, manufacturers may modify and discontinue these marketing and incentive programs from time to time, which could have a material adverse effect on our results of operations and cash flows. In prior years, our new vehicle unit volume and new vehicle gross profit on a per vehicle retailed basis were adversely impacted by certain manufacturers’ disruptive marketing and sales incentive programs based upon store-level growth targets established by those manufacturers (commonly referred to as “stair-step” incentive programs), which

result in multi-tier pricing and adversely impact our ability to compete with other dealers. If those manufacturers continue to use such incentive programs or if other manufacturers adopt similar incentive programs, our operating results could be adversely impacted. We are dependent upon the success and continued financial viability of the vehicle manufacturers and distributors with which we hold franchises. In addition, we rely on various third-party suppliers for key products and services. The success of our stores 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 design, manufacture, and allocate to our stores an attractive, high-quality, and desirable product mix at the right time and at the right price in order to satisfy customer demand. Second, manufacturers generally support their franchisees by providing direct financial assistance in various areas, including, among others, floorplan assistance and advertising assistance. Third, manufacturers provide product warranties and, in some cases, service contracts to customers. Our stores perform warranty and service contract work for vehicles under manufacturer product warranties and service contracts, and direct bill the manufacturer as opposed to invoicing the store customer. At any particular time, we have significant receivables from manufacturers for warranty and service work performed for customers. 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 stores. Our business, results of operations, and financial condition could be materially adversely affected as a result of any event that has a material adverse effect on the vehicle manufacturers or distributors that are our primary franchisors. The core brands of vehicles that we sell, representing approximately 88 % of the new vehicles that we sold in 2023-2024, are manufactured by Toyota (including Lexus), Honda, Ford, General Motors, BMW, Mercedes-Benz, Stellantis, and Volkswagen (including Audi and Porsche). **We As a result, we are subject to a concentration of risk in the event of, and our business could be materially adversely impacted by the financial distress, including bankruptcy, impacting one or more of these or other adverse event related to a major vehicle manufacturer— manufacturer or related lender or supplier.** Vehicle manufacturers may be adversely impacted by economic downturns or recessions, significant declines in the sales of their new vehicles, natural disasters, increases in interest rates, adverse fluctuations in currency exchange rates, declines in their credit ratings, liquidity concerns, labor strikes or similar disruptions (including within their major suppliers), supply shortages or rising raw material costs, rising employee benefit costs, vehicle recall campaigns, adverse publicity that may reduce consumer demand for their products (including due to bankruptcy), product defects, litigation, poor product mix or unappealing vehicle design, governmental laws and regulations (including fuel economy requirements), tariffs and other import product restrictions, the rise of ride-sharing applications, 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 materially adversely affect our ability to obtain or finance our desired new vehicle inventories, our ability to take advantage of manufacturer financial assistance programs, our ability to collect in full or on a timely basis our manufacturer warranty and other receivables, and / or our ability to obtain other goods and services provided by the impacted manufacturer. In addition, vehicle recall campaigns could materially adversely affect our business, results of operations, and financial condition. Our business could be materially adversely impacted by the bankruptcy of a major vehicle manufacturer or related lender. For example, (i) a manufacturer in bankruptcy could attempt to terminate all or certain of our franchises, in which case we may not receive adequate compensation for our franchises, (ii) consumer demand for such manufacturer's products could be materially adversely affected, (iii) a lender in bankruptcy could attempt to terminate our floorplan financing and demand repayment of any amounts outstanding, (iv) we may be unable to arrange financing for our customers for their vehicle purchases and leases through such lender, in which case we would be required to seek financing with alternate financing sources, which may be difficult to obtain on similar terms, if at all, (v) we may be unable to collect some or all of our significant receivables that are due from such manufacturer or lender, and we may be subject to preference claims relating to payments made by such manufacturer or lender prior to bankruptcy, and (vi) such manufacturer may be relieved of its indemnification obligations with respect to product liability claims. Additionally, any such bankruptcy may result in us being required to incur impairment charges with respect to the inventory, fixed assets, right-of-use assets, and intangible assets related to certain franchises, which could adversely impact our results of operations and financial condition. Further, we rely on various third-party suppliers for key products and services **to support our business, including CDK, the provider of our dealer management system ("DMS"), which supports our dealership operations, including our sales, service, inventory, customer relationship management, and accounting functions. Outsourcing to third-party suppliers reduces our direct control over the services rendered, as we do not have control over their business operations, governance, or compliance systems, practices, and procedures.** If those our suppliers fail to deliver products or services on a timely basis and at reasonable prices for any reason, **or if the third-parties' services are interrupted, disabled, sub-standard, or otherwise deficient, as they have been or may be in the future, our business continuity or recovery programs may not be sufficient to mitigate the harm that may result, and** we could face difficulties operating our business and suffer reputational harm, and our results of operations and financial condition could be adversely impacted. **See the risk factor, "We depend on information technology for our business and are subject to risks related to cybersecurity threats and incidents, including those affecting our third-party suppliers and other service providers. A failure of our information systems or any cybersecurity breaches or unauthorized disclosure of confidential information could have a material adverse effect on our business, disrupt our business, and adversely impact our reputation and results of operations" below for additional information on the CDK cyber incident in June 2024.** We are subject to restrictions imposed by, and significant influence from, vehicle manufacturers that may adversely impact our business, financial condition, results of operations, cash flows, and prospects, including our ability to acquire additional stores. Vehicle manufacturers and distributors with whom we hold franchises have significant influence over the operations of our stores. The terms and conditions of our framework, franchise, and related agreements and the manufacturers' interests and objectives may, in certain circumstances, conflict with our interests and objectives. For example, manufacturers can set performance standards with respect

to sales volume, sales effectiveness, and customer satisfaction or loyalty, and can influence our ability to acquire additional stores, the naming and marketing of our stores, our digital channels, our selection of store management, product stocking and advertising spending levels, and the level at which we capitalize our stores. Manufacturers also impose minimum facility requirements that can require significant capital expenditures. Manufacturers may also have certain rights to restrict our ability to provide guaranties of our operating companies, pledges of the capital stock of our subsidiaries, and liens on our assets, which could adversely impact our ability to obtain financing for our business and operations on favorable terms or at desired levels. From time to time, we are precluded under agreements with certain manufacturers from acquiring additional franchises, or subject to other adverse actions, to the extent we are not meeting certain performance criteria at our existing stores (with respect to matters such as sales volume, sales effectiveness, and customer satisfaction or loyalty) until our performance improves in accordance with the agreements, subject to applicable state franchise laws. Manufacturers also have the right to establish new franchises or relocate existing franchises, subject to applicable state franchise laws. The establishment or relocation of franchises in our markets could have a material adverse effect on the financial condition, results of operations, cash flows, and prospects of our stores in the market in which the franchise action is taken. Our framework, franchise, and related agreements also grant the manufacturer the right to terminate or compel us to sell our franchise for a variety of reasons (including uncured performance deficiencies, any unapproved change of ownership or management, or any unapproved transfer of franchise rights or impairment of financial standing or failure to meet capital requirements), subject to applicable state franchise laws. From time to time, certain major manufacturers assert sales and customer satisfaction performance deficiencies under the terms of our framework and franchise agreements. Additionally, our framework agreements contain restrictions regarding a change in control, which may be outside of our control. See “Agreements with Vehicle Manufacturers” in Part I, Item 1 of this Form 10-K. While we believe that we will be able to renew all of our franchise agreements, we cannot guarantee that all of our franchise agreements will be renewed or that the terms of the renewals will be favorable to us. We cannot assure you that our stores will be able to comply with manufacturers’ sales, customer satisfaction, loyalty, performance, facility, and other requirements in the future, which may affect our ability to acquire new stores or renew our franchise agreements, or subject us to other adverse actions, including termination or compelled sale of a franchise, any of which could have a material adverse effect on our financial condition, results of operations, cash flows, and prospects. Furthermore, we rely on the protection of state franchise laws in the states in which we operate and if those laws are repealed or weakened, our framework, franchise, and related agreements may become more susceptible to termination, non-renewal, or renegotiation. In addition, we have granted certain manufacturers the right to acquire, at fair market value, our automotive dealerships franchised by that manufacturer in specified circumstances in the event of our default under certain of our debt agreements.

Risks Related to Strategic Initiatives We are investing significantly in various strategic initiatives, including the planned expansion of our AutoNation ~~USA stores, our AutoNation Finance business, our AutoNation USA used vehicle stores~~, and our AutoNation Mobile Service business, and if they are not successful, we will have incurred significant expenses without the benefit of improved financial results. We have invested and will continue to invest substantial resources in marketing activities with the goals of, among other things, extending and enhancing the AutoNation retail brand and attracting consumers to our own digital channels. We are also investing significantly in various strategic initiatives, including the planned expansion of our AutoNation ~~Finance business, our AutoNation USA used vehicle stores, our AutoNation Finance business~~, and our AutoNation Mobile Service business. These strategic initiatives may be impacted by a number of variables, including customer adoption, availability of used vehicle inventory, demand for our branded products, market conditions, and our ability to identify, acquire, and build out suitable locations in a timely manner. There can be no assurance that these initiatives will be successful or that the amount we invest in these initiatives will result in improved financial results. If our initiatives are not successful, we will have incurred significant expenses without the benefit of improved financial results, and we may be required to incur impairment charges. If we are not able to maintain and enhance our retail brands and reputation or to attract consumers to our own digital channels, or if events occur that damage our retail brands, reputation, or sales channels, our business and financial results may be harmed. We have made significant investments to build an excellent reputation as an automotive retailer in the United States in a highly competitive industry. All of our Domestic and Import stores are unified under the AutoNation retail brand. We believe that our continued success will depend on our ability to maintain and enhance the value of our retail brands across all of our sales channels, including in the communities in which we operate, and to attract consumers to our own digital channels. Consumers are increasingly shopping for new and used vehicles, automotive repair and maintenance services, and other automotive products and services online and through mobile applications, including through third-party online and mobile sales platforms, with which we compete. We have invested and will continue to invest substantial resources on offering our vehicles and services through digital channels. There can be no assurance that our initiatives and investments in digital channels will be successful or result in improved financial performance. We face increased competition for market share from other automotive retailers and sales platforms, including electric vehicle manufacturers who sell directly to consumers, that have also invested substantial resources on offering their vehicles and services through digital channels. If we fail to preserve the value of our retail brands, maintain our reputation, or attract consumers to our own digital channels, our business could be adversely impacted. In addition, an isolated business incident at a single store could materially adversely affect our other stores, retail brands, reputation, and sales channels, particularly if such incident results in adverse publicity, governmental investigations, or litigation. The growing use of social media by consumers increases the speed and extent that information and opinions can be shared, and negative posts or comments on social media about AutoNation or any of our stores could materially damage our retail brands, reputation, and sales channels. We are subject to various risks associated with originating and servicing auto finance loans through indirect lending to customers, any of which could have an adverse effect on our business. We originate and service consumer auto finance loans through AutoNation Finance, our captive auto finance company. We are subject to various risks in this business, including the risk that our borrowers do not repay their loans and that the vehicle collateral securing the payment of their loans

may not be sufficient to ensure full repayment. Credit losses are an inherent risk of our auto loan portfolio, and changes in the availability or cost of financing, such as our securitized funding sources or warehouse facilities, to support the origination of auto loans receivable could adversely affect our results of operations. In addition, finance companies are highly regulated by governmental authorities, as discussed in the risk factors under the heading, “ Risks Related to Legal, Regulatory, and Compliance Matters. ” New laws, regulations, or governmental policies in response to climate change, including fuel economy and greenhouse gas emission standards, or changes to existing standards, could adversely impact our business, results of operations, financial condition, cash flow, and prospects. Concerns over the long- term impacts of climate change have led and will continue to lead to governmental initiatives aimed to mitigate those impacts. Consumers may also change their behavior as a result of these concerns. We will need to respond to new laws and regulations as well as consumer preferences resulting from climate change concerns which may affect vehicle manufacturers’ ability to produce cost effective vehicles. Laws and regulations enacted that directly or indirectly affect vehicle manufacturers (through an increase in the cost of production or their ability to produce satisfactory products) or our business (through an impact on our inventory availability, cost of sales, operations, or demand for the products we sell) could materially adversely impact our business, results of operations, financial condition, cash flow, and prospects. In addition, vehicle manufacturers are subject to government- mandated fuel economy and greenhouse gas, or GHG, emission standards, which continue to change and become more stringent over time. Significant increases in fuel economy requirements or new federal or state restrictions on emissions of carbon dioxide that may be imposed on vehicles and automobile fuels could adversely affect demand for vehicles, annual miles driven, or the products we sell. We are subject to numerous legal and administrative proceedings, which, if the outcomes are adverse to us, could materially adversely affect our business, results of operations, financial condition, cash flows, and prospects. We are involved, and will continue to be involved, in numerous legal proceedings arising out of the conduct of our business, including litigation with customers, wage and hour and other employment- related lawsuits, and actions brought by governmental authorities. Some of these lawsuits purport or may be determined to be class or collective actions and seek substantial damages or injunctive relief, or both, and some may remain unresolved for several years. ~~The We do not believe that the ultimate resolution of these matters will have a material adverse effect on our business, results of operations, financial condition, cash flows, or prospects. 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 business, results of operations, financial condition, cash flows, and prospects. Our operations are subject to extensive governmental laws and regulations. If we are found to be in purported violation of or subject to liabilities under any of these laws or regulations, or if new laws or regulations are enacted that adversely affect our operations, our business, operating results, and prospects could suffer. The automotive retail and finance industry, including our facilities and operations, is subject to a wide range of federal, state, and local laws and regulations, such as those relating to motor vehicle sales, retail installment sales, leasing, finance and insurance products, indirect auto financing, origination and servicing of consumer auto finance loans, vehicle protection products, advertising, licensing, consumer protection, consumer privacy, escheatment, anti- money laundering, the environment, vehicle emissions and fuel economy, health and safety, and employment practices. With respect to motor vehicle sales, retail installment sales, leasing, finance and insurance products, vehicle protection products, and advertising, we are subject to various laws and regulations, the violation of which could subject us to consumer class action or other lawsuits or governmental investigations and adverse publicity, in addition to administrative, civil, or criminal sanctions. With respect to our indirect auto financing and origination and servicing of consumer auto finance loans through our captive **auto** finance company, we are subject to extensive governmental laws and regulations relating to finance companies that could subject us to regulatory enforcement actions, including consent orders or similar orders where we may be required to revise the practices of our captive **auto** finance company, remunerate customers, or pay fines. In addition, as the assignee of consumer loans previously originated by third- party ~~independent~~ dealers prior to October 2023, our captive **auto** finance company could be named as a co- defendant in litigation initiated by consumers primarily against a specific dealer. Our captive **auto** finance company may also be involved in litigation with dealers or other third- party service providers, which could materially adversely impact our business, operating results, and prospects. With respect to employment practices, we are subject to various laws and regulations, including complex federal, state, and local wage and hour and anti- discrimination laws. We are also subject to lawsuits and governmental investigations alleging violations of these laws and regulations, including purported class action lawsuits, which could result in significant liability, fines, and penalties. See the risk factor “ We are subject to numerous legal and administrative proceedings, which, if the outcomes are adverse to us, could materially adversely affect our business, results of operations, financial condition, cash flows, and prospects ” above. The violation of other laws and regulations to which we are subject also can result in administrative, civil, or criminal sanctions against us, which may include a cease and desist order against the subject operations or even revocation or suspension of our license to operate the subject business, as well as significant fines and penalties. We currently devote significant resources to comply with applicable federal, state, and local regulation of health, safety, environmental, zoning, and land use regulations, and we may need to spend additional time, effort, and money to keep our operations and existing or acquired facilities in compliance therewith. In addition, we may be subject to broad liabilities arising out of contamination at our currently and formerly owned or operated facilities, at locations to which hazardous substances were transported from such facilities, and at such locations related to entities formerly affiliated with us. Although for some such liabilities we believe we are entitled to indemnification from other entities, we cannot assure you that such entities will view their obligations as we do or will be able to satisfy them. Failure to comply with applicable laws and regulations or the unfavorable resolution of one or more lawsuits, regulatory enforcement actions, or governmental investigations may have an adverse effect on our business, results of operations, financial condition, cash flows, and prospects. The Dodd- Frank Act established the CFPB, an independent federal agency funded by the United States Federal Reserve with broad regulatory powers and limited oversight from the United States Congress. Although automotive dealers are generally excluded from the Dodd- Frank Act, the CFPB could engage in additional, indirect regulation of automotive dealers,

in particular, their sale and marketing of finance and insurance products, through its regulation of automotive finance companies and other financial institutions. Further, the CFPB has supervisory authority over certain non- bank lenders, including automotive finance companies, such as our captive **auto** finance company. The CFPB can use this authority to conduct supervisory examinations or initiate enforcement actions and / or litigation to ensure compliance with various federal consumer protection laws. The CFPB, other federal agencies, state governmental authorities, and individuals could assert claims arising out of actual or alleged violations of law, which could expose us to significant damages or other penalties, including revocation or suspension of the licenses necessary to conduct business and fines, in addition to adverse publicity. The Dodd- Frank Act also provided the FTC with new and expanded authority regarding automotive dealers, and the FTC has implemented an enforcement initiative relating to the advertising practices of automotive dealers. In January 2024, the FTC published the **Combating- Combating** Auto Retail Scams Final Rule (“ CARS Rule ”), which prohibits certain automotive sales and marketing practices and establishes significant new dealer disclosure and record- keeping requirements broadly applicable throughout the car- buying process. The **FTC Fifth Circuit Court of Appeals** has ~~since stayed~~ **recently vacated** the CARS Rule **on procedural grounds, but the FTC could appeal such ruling or take other actions to reissue the CARS Rule in a manner that conforms with the Fifth Circuit ’ s judgment** original July 30, 2024 effective date, pending resolution of a judicial challenge to the Rule. ~~The ultimate probability of success, and the timing of the resolution of, the judicial challenge or other potential challenges to the CARS Rule’ s implementation is uncertain.~~ To the extent that the CARS Rule ultimately becomes effective **or that states enact similar requirements**, it would introduce **we may be subject to** new administrative burdens that would likely increase our costs and could ~~potentially~~ expose us to significant damages, other penalties, and / or adverse publicity. Regulation from the CFPB, other federal agencies, or state agencies could lead to significant changes in the manner that dealers are compensated for arranging customer financing, and while it is difficult to predict how any such changes might impact us, any adverse changes could have a material adverse impact on our finance and insurance business and results of operations.

Risks Related to Cybersecurity **We depend on information technology for our business and are subject to risks related to cybersecurity threats and incidents, including those affecting our third- party suppliers and other service providers.** A failure of our information systems or any ~~security~~ **cybersecurity breach breaches** or unauthorized disclosure of confidential information could have a material adverse effect on our business **, disrupt our business, and adversely impact our reputation and results of operations** . Our business is dependent upon the efficient operation of our information systems. We rely on our information systems to manage, among other things, our sales, inventory, and service efforts, including through our digital channels, and customer information, as well as to prepare our consolidated financial and operating data. The failure of our information systems to perform as designed or the failure to maintain and enhance or protect the integrity of these systems could disrupt our business operations, impact sales and results of operations, expose us to customer or third- party claims, or result in adverse publicity. Additionally, we collect, process, and retain sensitive and confidential customer information in the normal course of our business. ~~Our~~ **Despite the security measures we have in place and any additional measures we may implement in the future, our facilities and systems , and those of our third- party service providers, could experience security breaches, computer malicious software (malware, ransomware, and viruses) , lost or misplaced data, programming errors, human errors, acts of vandalism, or other events.** For example, several well- known retailers **and other large companies** have disclosed high- profile security breaches involving sophisticated and highly targeted attacks on their company’ s infrastructure or their customers’ data, which were not recognized or detected until after such retailers had been affected notwithstanding the preventative measures such retailers had in place. **In addition,** Any security breach or event resulting in the misappropriation, ~~we rely on~~ **loss, or other unauthorized disclosure of confidential information, whether by us directly or our third- party service providers to support our operations** , could ~~including~~ **CDK, the provider of our DMS. These third- party service providers, with whom we may share data, are subject to similar risks as we are relating to cybersecurity, privacy violations, business interruption, and systems, as well as employee failures. We do not have control over third- party service providers’ business operations, governance, or compliance systems, practices, and procedures, and management of multiple third- party service providers increases our operational complexity. Third- parties’ services have been and may in the future be interrupted, disabled, sub- standard, or otherwise deficient, including as a result of a cybersecurity incident, and we have in the past incurred, and may in the future incur, additional costs as a result, including disruption to our information systems and business operations and reputational harm. For example, in June 2024, we were notified by CDK that it was experiencing a cyber incident impacting its systems, including the systems necessary to support our DMS, which supports our dealership operations, including our sales, service, inventory, customer relationship management, and accounting functions (“ Core Functions ”). The incident resulted in outages of our DMS and Core Functions (the “ CDK outage ”), causing disruption and adverse impacts to our business, including our productivity. Access to our DMS and Core Functions was restored by the end of June 2024. Certain ancillary systems and integrations, such as those that help automate ordering, scheduling, payment, sales, and reporting processes, were restored by the end of July with residual impacts resolved by the end of the third quarter 2024. See “ Results of Operations ” in Part II, Item 7 of this Form 10- K for a discussion on the financial impact of the CDK outage to our 2024 results. Future cybersecurity incidents or other events involving our information technology systems or those of our third- party service providers may disrupt our information systems and business operations, result in the theft, misappropriation, loss, or other unauthorized disclosure of confidential information, damage our reputation, expose us to the risks of litigation and liability, ~~disrupt our~~ **or reduce our customers’ willingness to do** business **with us** , or otherwise **which could** adversely affect our **business, financial condition, and** results of operations. Risks Relating to our Indebtedness Our debt agreements contain certain financial ratios and other restrictions on our ability to conduct our business, and our substantial indebtedness could adversely affect our financial condition and operations and prevent us from fulfilling our debt service obligations. The credit agreement governing our revolving credit facility and the indentures relating to our senior**

unsecured notes contain covenants that limit the discretion of our management with respect to various business matters. These covenants place restrictions on, among other things, our ability to incur additional indebtedness, to create liens or other encumbrances, to make investments, and to sell or otherwise dispose of assets and to merge or consolidate with other entities. A failure by us to comply with the obligations contained in any of our debt agreements could result in an event of default, which could permit acceleration of the related debt as well as acceleration of debt under other debt agreements that contain cross-acceleration or cross-default provisions. If any debt is accelerated, our liquid assets may not be sufficient to repay in full such indebtedness and our other indebtedness. Additionally, we have granted certain manufacturers the right to acquire, at fair market value, our automotive stores franchised by those manufacturers in specified circumstances in the event of our default under our debt agreements. Under our credit agreement, we are required to remain in compliance with a maximum leverage ratio and a minimum interest coverage ratio. See “Liquidity and Capital Resources — Restrictions and Covenants” in Part II, Item 7 of this Form 10-K. If our earnings decline, we may be unable to comply with the financial ratios required by our credit agreement. In such case, we would seek an amendment or waiver of a covenant of our credit agreement or consider other options, such as raising capital through an equity issuance to pay down debt, which could be dilutive to stockholders. There can be no assurance that our lenders would agree to an amendment or waiver of a covenant of our credit agreement. In the event we obtain an amendment or waiver of a covenant of our credit agreement, we would likely incur additional fees and higher interest expense. As of December 31, 2023-2024, we had \$ 4-3 . 0-8 billion of total non- vehicle long- term debt, \$ 3 . 4-7 billion of vehicle floorplan financing, and \$ 209-801 . 4-5 million of non- recourse debt under our warehouse facilities. Our substantial indebtedness could have important consequences. For example: • We may have difficulty satisfying our debt service obligations and, if we fail to comply with these requirements, an event of default could result; • We may be required to dedicate a substantial portion of our cash flow from operations to make required payments on indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures, acquisitions, strategic initiatives, investments, and other general corporate activities; • A downgrade in our credit ratings could negatively impact the interest rate payable on certain of our senior notes and could negatively impact our ability to issue, or the interest rates for, commercial paper notes; • Covenants relating to our indebtedness may limit our ability to obtain financing for working capital, capital expenditures, acquisitions, investments, originating auto loans receivable, and other general corporate activities; • Covenants relating to our indebtedness may limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; • We may be more vulnerable to the impact of economic downturns and adverse developments in our business; • We may be placed at a competitive disadvantage against any less leveraged competitors; • Our variable interest rate debt will fluctuate with changing market conditions and, accordingly, our interest expense will increase if interest rates rise; • An increase in our leverage ratio could negatively impact the applicable margins on interest rates charged for borrowings under our revolving credit facility; and • Future share repurchases may be limited by the maximum leverage ratio and / or minimum interest coverage ratio described above. The occurrence of any one of these events could have a material adverse effect on our business, financial condition, results of operations, prospects, and ability to satisfy our debt service obligations. We are subject to interest rate risk in connection with our vehicle floorplan payables, revolving credit facility, commercial paper program, and warehouse facilities that could have a material adverse effect on our profitability. Our vehicle floorplan payables, revolving credit facility, and warehouse facilities are subject to variable interest rates, and the interest rate for our commercial paper notes varies based on duration and market conditions. Accordingly, our interest expense will fluctuate with changing market conditions and will increase if interest rates rise. Instability or disruptions of the capital markets, including credit markets, or the deterioration of our financial condition due to internal or external factors, could restrict or prohibit our access to capital markets and increase our financing costs. In addition, our net new vehicle inventory carrying expense (new vehicle floorplan interest expense net of floorplan assistance that we receive from automotive manufacturers) may increase due to changes in interest rates, inventory levels, and manufacturer assistance. We cannot assure you that a significant increase in interest rates or inventory levels or decrease in manufacturer floorplan assistance would not have a material adverse effect on our business, financial condition, results of operations, or cash flows. Risks Relating to Accounting Matters Goodwill and other intangible assets comprise a significant portion of our total assets. We must test our goodwill and other intangible assets for impairment at least annually, which could result in a material, non- cash write- down of goodwill or franchise rights and could have a material adverse impact on our results of operations and shareholders’ equity. Goodwill and indefinite- lived intangible assets are subject to impairment assessments at least annually (or more frequently when events or changes in circumstances indicate that an impairment may have occurred) by applying a fair- value based test. Our principal intangible assets are goodwill and our rights under our franchise agreements with vehicle manufacturers. A decrease in our market capitalization or profitability increases the risk of goodwill impairment. Negative or declining cash flows or a decline in actual or planned revenues for our stores increases the risk of franchise rights impairment. An impairment loss could have a material adverse impact on our results of operations and shareholders’ equity. **During 2024, we recorded non- cash impairment charges of \$ 12. 5 million associated with franchise rights at certain of our stores.** See Note 19 of the Notes to Consolidated Financial Statements for more information. Our minority equity investments with readily determinable fair values are required to be measured at fair value each reporting period, which could adversely impact our results of operations and financial condition. The carrying ~~value~~ **values** of our minority equity ~~investment~~ **investments** that ~~does do~~ not have a readily determinable fair ~~value~~ **values** ~~is are~~ required to be adjusted for observable price changes or impairments, both of which could adversely impact our results of operations and financial condition. Our minority equity investments with readily determinable fair values are required to be measured at fair value each reporting period. Changes in the fair values of the underlying equity securities could result in unrealized gains or losses related to these investments. A material decrease in the fair values of these equity investments could adversely impact our results of operations and financial condition. We have elected to measure our minority equity ~~investment~~ **investments** that ~~does do~~ not have a readily determinable fair ~~value~~ **values** using a measurement alternative permitted by accounting standards, and we

recorded ~~the these~~ equity investment ~~investments~~ at cost to be subsequently adjusted for observable price changes or impairment, if any. There may be future issuances of identical or similar equity securities by the same issuer that would result in observable price changes that could result in upward or downward adjustments to ~~this these~~ equity investment ~~investments~~. A material downward adjustment to or impairment of ~~these equity investments could adversely impact our results of operations and financial condition. During 2024, we identified an observable transaction for the issuance of similar equity securities of the same issuer of one of our equity investments and recorded a downward adjustment to this equity investment could adversely impact our results of operations and financial condition.~~ **\$ 8.4 million based on the observable price change**.

Risks Relating to our Stockholders Our largest stockholders, as a result of their ownership stakes in us, may have the ability to exert substantial influence over actions to be taken or approved by our stockholders. In addition, future share repurchases and fluctuations in the levels of ownership of our largest stockholders could impact the volume of trading, liquidity, and market price of our common stock. Based on filings made with the SEC through February ~~14-12, 2024~~ **2025**, William H. Gates III beneficially owns approximately ~~23-18.7-1~~ **7-1**% of the outstanding shares of our common stock, through holdings by Cascade Investment, L. L. C. (“ Cascade ”), which is solely owned by Mr. Gates. As a result, Cascade may have the ability to exert substantial influence over actions to be taken or approved by our stockholders, including the election of directors and any transactions involving a change of control. Based on filings made with the SEC through February ~~14-12, 2024~~ **2025**, ESL Investments, Inc. together with certain of its investment affiliates (collectively, “ ESL ”) beneficially owns approximately ~~10-8.6-3~~ **10-8.6-3**% of the outstanding shares of our common stock. As a result, ESL may also have the ability to exert substantial influence over actions to be taken or approved by our stockholders, including the election of directors and any transactions involving a change of control. In the future, our largest stockholders may acquire or dispose of shares of our common stock and thereby increase or decrease their ownership stake in us. Significant fluctuations in the levels of ownership of our largest stockholders could impact the volume of trading, liquidity, and market price of our common stock. In the aggregate, based on filings made with the SEC through February ~~14-12, 2024~~ **2025**, William H. Gates III and ESL beneficially own approximately ~~34-26.3-4~~ **34-26.3-4**% of our outstanding shares. Future share repurchases by the Company, together with any future share purchases by our affiliates, will reduce our “ public float ” (shares owned by non- affiliate stockholders and available for trading). Such reduction in our public float could decrease the volume of trading and liquidity of our common stock, could lead to increased volatility in the market price of our common stock, or could adversely impact the market price of our common stock.

General Risk Factors

Natural disasters and adverse weather events, including the effects of climate change, can disrupt our business. Our stores are concentrated in states and regions in the United States, including primarily Florida, ~~California, and Texas, and California~~, in which actual or threatened natural disasters and severe weather events (such as hailstorms, hurricanes, earthquakes, fires, tornadoes, snowstorms, and landslides) may disrupt our store operations, which may adversely impact our business, results of operations, financial condition, and cash flows. The effects of climate change may serve as a risk multiplier increasing the frequency, severity, and duration of natural disasters and adverse weather events that may affect our business operations. In addition to business interruption, the automotive retail business is subject to substantial risk of property loss due to the significant concentration of property values at store locations. We cannot assure you that we will not be exposed to uninsured or underinsured losses that could have a material adverse effect on our business, financial condition, results of operations, or cash flows. In addition, natural disasters and adverse weather events, including the effects of climate change, may adversely impact new vehicle production and the global automotive supply chain, which in turn could materially adversely impact our business, results of operations, financial conditions, and cash flows.