

Risk Factors Comparison 2025-02-21 to 2024-02-16 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

Our business, financial condition, results of operations, cash flows, prospects, and the prevailing market price and performance of our common stock may be affected by a number of factors, including the matters discussed below. Certain statements and information set forth herein as well as other written or oral statements made from time to time by us or by our authorized officers on our behalf, constitute “ forward- looking statements ” within the meaning of the Federal Private Securities Litigation Reform Act of 1995. Words such as “ anticipate, ” “ believe, ” “ estimate, ” “ expect, ” “ intend, ” “ may, ” “ goal, ” “ plan, ” “ seek, ” “ project, ” “ continue, ” “ will, ” “ would, ” and variations of such words and similar expressions are intended to identify such forward- looking statements. We intend for our forward- looking statements to be covered by the safe harbor provisions for forward- looking statements contained in the Private Securities Litigation Reform Act of 1995, and we set forth this statement in order to comply with such safe harbor provisions. You should note that our forward- looking statements speak only as of the date of this Annual Report on Form 10- K or when made, and we undertake no duty or obligation to update or revise our forward- looking statements, whether as a result of new information, future events, or otherwise. Although we believe that the expectations, plans, intentions, and projections reflected in our forward- looking statements are reasonable, such statements are subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements expressed or implied by the forward- looking statements. The material risks, uncertainties, and other factors that our stockholders and prospective investors should consider include the following: Operational Risks Macro- economic and geo- political conditions. Our performance is impacted by geo- political conditions ~~such as the war in Ukraine~~ and by general economic conditions overall and in particular by economic conditions in the markets in which we operate. These economic conditions include levels of new and used vehicle sales, availability of consumer credit, changes in consumer demand, consumer confidence levels, fuel prices, demand for trucks to move freight with respect to PTS and PTG, the rate of inflation, personal discretionary spending levels, interest rates, and unemployment rates. When the worldwide economy faltered early in 2020, we were adversely affected, and we expect a similar relationship between general economic and industry conditions and our performance in the future. Any geo- political developments that adversely affect the economies of our markets will also likely affect us. Moreover, geo- political conditions, **including international conflict,** can affect the vehicle supply chain as has ~~recently~~ happened with the war in Ukraine. Certain vehicle manufacturers and suppliers ~~are have experienced, and may continue to~~ **experiencing experience,** difficulty sourcing certain parts which is further exacerbating the supply chain difficulties resulting from the demand for labor and the shortage of microchips and other components. Many of our market countries ~~are have recently~~ **experiencing experienced** a high rate of inflation. Inflation affects the price of vehicles, the price of parts, the rate of pay of our employees, the cost and availability of consumer credit, ~~and consumer demand,~~ **and our borrowing expenses.** ~~Used vehicle prices in particular have experienced periods of a high~~ **High** rate of inflation in recent years, and continued high rates of inflation may adversely affect consumer demand and increase our costs, which may materially and adversely affect us. Similarly, periods of rapid deflation in vehicle prices may materially and adversely affect our ability to profitably sell the affected vehicles. Adverse conditions affecting one or more significant automotive manufacturers or suppliers will affect us. Our success depends on the overall success of the automotive ~~and commercial vehicle industry~~ **industries** generally and in particular, on the success of the brands of vehicles that each of our dealerships sell. In ~~2023~~ **2024,** revenue generated at our BMW / MINI, Audi / Volkswagen / Porsche / Bentley, Toyota / Lexus, and Mercedes- Benz / Sprinter / smart dealerships represented 26 %, 22 %, ~~13-14~~ %, and 9 %, respectively, or ~~70-71~~ % in aggregate, of our total automotive dealership revenues. In addition, our retail commercial truck operations rely principally on Freightliner and Western Star trucks (both Daimler brands). **These manufacturers operate independently of us and we have no control over their operational decisions and future plans. We are subject to a concentration of risk in the event of adverse events or financial distress, including bankruptcy, impacting one or more of these manufacturers.** Significant adverse geo- political events, weather- related events, supply chain issues, or other events that interrupt vehicle or parts supply to our dealerships would likely have a significant and adverse impact on the **automotive or commercial vehicle industry industries** as a whole, including us, particularly if the events impact any of the manufacturers whose franchises generate a significant percentage of our revenue. ~~COVID~~ **In the first quarter of 2024, vehicle shipments of certain brands were delayed as a sub - 19 and component was determined to be violative of certain legal requirements relating to its place of origin. In March 2024, a cargo ship crashed into the war Francis Scott Key Bridge in Ukraine have impacted the Port of Baltimore resulting in closure of that port, which was the largest U. S. port by volume for deliveries of automotive vehicles and components. In April 2024, a Freightliner truck supplier experienced a fire at its facility. These events affected the timing of new vehicles deliveries to our dealerships and similar events may continue to similarly affect the timing of deliveries or aggregate availability of inventories, which may materially and adversely affect us. Other national and international events, conditions, and conflicts may** impact the supply of vehicles or parts to the ~~U. S. or U. K.~~ markets **in which we operate,** and our business could be materially adversely affected. The supply chain required to manufacture and supply parts for the vehicles we sell is highly complex and integrated. Any failure of that supply chain could materially and adversely affect us. ~~Our new vehicle days' supply is 39 as of December 31, 2023, compared to 25 as of December 31, 2022. While we expect to continue to have normal levels of used vehicles for sale (our used vehicle days' supply is 48 as of December 31, 2023, compared to 53 as of December 31, 2022), the lower supply of new vehicles has contributed to higher vehicle gross profit on new vehicles sold, which contributed to our higher overall profitability in recent years. While we expect increased new~~

vehicle availability, continued production. **Production** disruptions and supply shortages could result in suppressed new and used vehicle sales volumes which would impact the availability and affordability of new and used vehicles and may adversely affect us. **As Vehicle manufacturers exercise significant control over us and our success is largely dependent on the success of our manufacturer partners. Each of our new vehicle dealerships and distributor operations operate under franchise and other agreements with automotive manufacturers, commercial vehicle manufacturers, or related distributors. These agreements, and in certain cases, related framework agreements, govern almost every aspect of the operation of our dealerships and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons, including certain events outside our control such as accumulation of our stock by third parties. In certain cases, the they supply also limit our ability to acquire dealerships on a national, regional, and local basis, and from time to time, we are precluded from acquiring additional franchises of certain manufacturers, or subject to other adverse actions, to the extent we are not meeting specified 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. Without franchise or distributor agreements, we would be unable to sell or distribute new vehicles or perform manufacturer authorized warranty service. If a significant number of our franchise agreements are terminated, not renewed, or, with respect to our distributor operations, a competing distributor were introduced, we would be materially affected. Manufacturers also have the right to establish new franchises or relocate existing franchises, subject, in the U. S., to applicable state franchise laws. While we expect that we will be able to renew our franchise agreements in the ordinary course, we cannot guarantee that all of our franchise agreements will be renewed, that the terms of the renewals will be favorable to us or that the manufacturers will not take other adverse actions under our arrangements with them. It is also possible that our stores will not 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 the termination or compelled sale of a franchise, any of which could have a material adverse effect on our financial condition and results of operations. In addition to the control afforded to manufacturers as a result of our franchise and other agreements, we also rely on our manufacturer partners for many aspects of our business and the success of our dealerships is dependent, in large part, on their success. For instance, we rely on our manufacturer partners exclusively for new vehicle inventory, and our ability to successful sell new vehicles is dependent on the manufacturers' ability to design, manufacture and allocate to our dealerships a desirable mix of high- quality, competitively priced, technologically current and legally compliant vehicle inventories in quantities sufficient to meet our and our customers' demand. We also receive direct financial support and assistance from certain manufacturers and their affiliates, including captive finance companies, across various aspects of our business, including floorplan assistance and advertising assistance, and rely on manufacturers to pay us for warranty and service contract work for vehicles under manufacturer product warranties and service contracts where we directly bill the manufacturer instead of invoicing the customer directly. Our business, results of operations, and financial condition could be materially adversely affected as a result of any event that has improved, an adverse effect on the vehicle manufacturers on which we have experienced rely for inventory , support and payment, or in the event such manufacturers fail to maintain the goodwill associated with their respective brands, which adverse consequences may continue to experience, reduced new be wholly outside of our control. See the risks captioned " Adverse conditions affecting one or more significant automotive manufacturers or suppliers will affect us" above and " and Brand reputation" below used vehicle gross profit together with higher sales volumes.** The success of our commercial vehicle distribution and other business is directly impacted by availability and demand for the vehicles and other products we distribute. We are the exclusive distributor of Western Star commercial trucks, MAN commercial trucks and buses, and Dennis Eagle refuse collection vehicles, together with associated parts, across Australia, New Zealand, and portions of the Pacific. We are also the distributor of diesel and gas engines and power systems in these same markets. The profitability of these businesses depends upon the number of vehicles, engines, power systems, and parts we distribute, which in turn is impacted by demand for these products. We believe demand is subject to general economic conditions, exchange rate fluctuations, regulatory changes, competitiveness of the products, and other factors over which we have limited control. In the event sales of these products are less fewer than we expect, our related results of operations and cash flows for this aspect of our business may be materially adversely affected. The products we distribute are principally manufactured at a limited number of locations. In the event of a supply disruption, sufficient quantities of the vehicles, engines, power systems, and parts are not made available to us, or if we accept these products and are unable to economically distribute them, our cash flows or results of operations may be materially adversely affected. Australian economic conditions. Our commercial vehicle distribution and other operations in Australia and New Zealand may be impacted by local and regional economic conditions and in particular, the price of commodities such as copper and iron ore, which may impact the desire of our customers to operate their mining operations and replace their vehicle fleets. Adverse pricing concerns of those, and other commodities, may have a material adverse effect on our ability to distribute, and / or retail, commercial vehicles and other products profitably. These same conditions may also negatively impact the value of the Australian and New Zealand Dollar versus the U. S. Dollar, which negatively impacts our U. S. Dollar reported financial results and the pricing of products sold by Penske Australia, which are manufactured in the U. S., U. K., and Germany. Additional risks relating to PTS. PTS' business has additional risks to those in the retail business , including : Customers. PTS has a more concentrated customer base than we do and is subject to changes in the financial health of its customers, changes in their asset utilization rates, and increased competition for those customers. Workforce. PTS requires a significant number of qualified drivers and technicians, which may be difficult to hire, and is subject to increased compliance costs or work stoppages relating to those employees, particularly in regard to changes in labor laws and time of work rules regarding those employees. PTS contributes to several U. S. multi-

employer pension plans that provide defined benefits to approximately 2, 540-430 associates covered by collective bargaining agreements. If they withdraw or are deemed to withdraw from participation in any of these plans, then applicable law could require them to make withdrawal liability payments to the plan. If any of those plans were deemed to be underfunded, PTS could be subject to additional assessments, which could be substantial. Fleet risk. As one of the largest purchasers of commercial trucks in North America, PTS requires continued availability from truck manufacturers and suppliers of vehicles and parts for its fleet, which may be uncertain, in particular if a significant recall were to occur. PTS is affected by the same supply issues noted above and any failure of the supply chain resulting in limited availability of new trucks or parts may have a material adverse impact on PTS. In addition, because PTS sells a large number of trucks each year and is subject to residual risk for the vehicles it leases to customers, changes in values of used trucks affects- affect PTS' profitability. PTS also bears the residual risk on the value of its vehicles when a customer's lease for those vehicles expires or when its holding period for rental vehicles ends. If demand for used vehicles declines, PTS may obtain lower sales proceeds upon their sale. A reduction in proceeds from sales of used vehicles in PTS' fleet could cause them to sustain a substantial loss or require them to depreciate those vehicles at a more accelerated rate. Any reduction in the resale values of the vehicles in its fleet could adversely affect its profitability. Capital markets risk. PTS relies on banks and the capital markets to fund its operations and capital commitments. PTS has a significant amount of total indebtedness, which it uses in part to purchase its vehicle fleet and therefore, is subject to changes in, and continued access to, capital markets. Regulatory Requirements and Vehicle Mandates. Increasing efforts to control greenhouse gas emissions of carbon dioxide and certain other gases, referred to as greenhouse gases ("GHGs"), are likely to have an effect on PTS' (and PTG' s) business and results of operations. In particular, President Biden and Congressional leaders, as further discussed, well as California, New Jersey, and other states, have expressed support for policies limiting GHG emissions from vehicles through new regulations that require moving to zero-emission formats and/or the implementation of more stringent emissions controls. For example, original equipment manufacturers may be required to install additional engine components, additional aerodynamic features, or low rolling resistance tires to comply with fuel economy regulations, which may result in higher costs associated with more complex components and a shorter useful tread life for tires, increasing operating costs for customers, suppliers, and PTS. Additionally, the Advanced Clean Trucks rule, as adopted by the California Air Resources Board ("CARB Vehicles Emissions Regulation") and several other states, will require that certain truck manufacturers sell zero-emission trucks as an increasing percentage of their annual sales in these states from 2024 to 2035 (and likely beyond). Furthermore, the Advanced Clean Fleet rule, issued by CARB in April 2023, and which may be adopted in other jurisdictions, will require certain larger fleets, including PTS', to purchase zero-emission trucks to comprise an increasing percentage of their fleets from 2025 to 2042. On December 28, 2023, CARB announced that it would defer enforcement of the rule, which was scheduled to become effective on January 1, 2024, while its request for a waiver from the EPA to authorize the rule is pending. The EPA's three phase Clean Trucks Plan includes pledges to update current GHG standards to reflect market shifts to zero-emission technologies in certain segments of the heavy-duty vehicle sector and new, more stringent GHG emissions standards for heavy-duty engines and vehicles beginning as soon as model year 2027. The EPA initiated the first phase of the Clean Trucks Plan by issuing a final rule on December 20, 2022, which focuses on reducing emissions that form smog and soot and will apply to heavy-duty engines and vehicles beginning in model year 2027. Foreign, federal, state, provincial, and local lawmakers also are considering a variety of other climate change proposals, including prohibiting the use of certain substances with high "global warming potential." These and any other future requirements could result in higher prices for vehicles, diesel engines, materials, and fuel, as well as higher maintenance costs and uncertainty as to reliability and range of the new engines. Any of these-- the factors noted could increase operating costs in the transportation industry, which would directly affect PTS' and PTG' s customers and could reduce demand for vehicles. The new technology and legal requirements may also affect the resale values of these vehicles when PTS or PTG attempts to sell them in the future. Centralized Information Systems. PTS relies heavily on centralized information systems to process lease and rental transactions, manage its fleet of vehicles, account for its activities, and otherwise conduct its business. A failure of a major system, or a major disruption of communications between the system and the locations it serves, could cause a loss of reservations, interfere with PTS' ability to manage its fleet, impede real-time diagnostics of vehicles, slow leasing, rental, and sales processes, and otherwise adversely affect PTS' ability to manage its business. The COVID-19 pandemic disrupted our business, and any future pandemic could adversely affect us. The outbreak of the COVID-19 pandemic across the globe has adversely impacted each of our markets and the global economy, leading to disruptions to our business. Any future pandemic could impact production levels from our manufacturing partners, impose other unintended consequences, and require us to adjust our operations to conform to regulatory changes and consumer preferences in the evolving environment. Potential pandemic impacts could include changes in customer demand, our relationship with, and the financial and operational capacities of, vehicle manufacturers, captive finance companies and other suppliers, workforce availability, risks associated with our indebtedness (including available borrowing capacity, compliance with financial covenants, and ability to refinance or repay indebtedness on favorable terms), the adequacy of our cash flow and earnings and other conditions which may affect our liquidity, and disruptions to our technology network and other critical systems, including our dealer management systems and software or other facilities or equipment. Business disruption as a result of a future pandemic could also negatively impact the global economy and may materially affect our businesses as outlined above, or in other manners including global supply chain disruptions resulting in lower levels of vehicles and parts available for sale, all of which would adversely impact our business and results of operations. Strategic Risks Brand reputation. Our businesses and our commercial vehicle operations, in particular, as those are more concentrated with a particular manufacturer, are impacted by consumer demand and brand preference, including consumers' perception of the quality of those brands. A decline in the quality and brand reputation of the vehicles or other products we sell or distribute, as a result of events such as manufacturer recalls or legal proceedings, may adversely affect our business. If such events were to occur, the profitability of our business related to those manufacturers could be adversely affected. Our business is very competitive. We

generally compete with other franchised dealerships in our markets, used vehicle dealerships, private market buyers and sellers of used vehicles, an increasing number of internet-based vehicle sellers, electric vehicle manufacturers that sell **directly** to consumers, national and local service and repair shops and parts retailers with respect to commercial vehicles, distributors of similar products, and manufacturers in certain markets. Purchase decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market can lead to lower selling prices and related profits. If there is a prolonged drop in retail prices or if new vehicle sales are allowed to be made over the internet or otherwise without the involvement of franchised dealers, our business could be materially adversely affected. Changes to the retail delivery model, including increased digital retailer competition, efforts to sell vehicles **directly** outside the franchise system, and transition to an agency model of distribution ~~each~~ could adversely affect our business, results of operations, financial condition, and cash flows. Competition from online retailers. The automotive retail industry is experiencing competition in the used vehicle market from companies with a primarily online business model, including companies such as Carvana and others. ~~We and the other traditional automotive retailers are implementing digital retail strategies, providing consumers with online vehicle purchasing experiences, including at-home delivery. We also continue to develop technology solutions to improve the online buying experience.~~ We may face increased competition for market share with these non-traditional delivery models and digital retailers over time, which could materially and adversely affect our results of operations. We cannot be sure that our initiatives will be successful or that the amount we invest in these initiatives will result in our maintaining or enhancing our market share and continued or improved financial performance. Sales outside the franchise system. In recent years, new electric vehicle manufacturers have been able to conduct new vehicle sales outside of the franchised automotive system as new entrants. While the sales levels of these new entrants were approximately 4.6% of new vehicles in the U. S. and approximately 2.6% of new vehicles in the U. K. for the year ended December 31, ~~2023~~ **2024**, continued market share gains by manufacturers operating outside the franchise system may materially and adversely affect us. Moreover, while we expect continued good relations with our manufacturer partners, should U. S. franchise laws be repealed or amended to allow our existing manufacturer partners to effectively operate outside the franchised system, our results of operations may be materially and adversely impacted. Our franchised automotive dealers in the U. K., European Union, **Australia**, and Japan operate effectively without U. S. franchise law protections. Agency. ~~Beginning in 2023, we transitioned Mercedes-Benz U. K. dealerships to an agency model under which of selling new vehicles in these the dealerships, U. K. and a limited number of our other countries. We dealerships in Europe, receive a fee for facilitating the sale by the manufacturer of a new vehicle but do not hold the vehicle in inventory. Vehicles sold under this agency model are counted as new agency units sold instead of new retail units sold by us, and only the fee we receive from the manufacturer, not the price of the vehicle, is reported as new revenue (as opposed to previously recording all of the vehicle sale price as new revenue) with no corresponding cost of sale. The We continue to provide new vehicle customer service at our Mercedes-Benz U. K. dealerships, and the Mercedes-Benz U. K. agency model at this time has not changed our used vehicle sales operations or service and parts operations, although the long-term impact of the agency model at these dealerships as well as other agency models proposed by our manufacturer partners is remains uncertain. We believe transition to an agency model in the U. S. would be difficult for the manufacturers in light of U. S. franchise laws. See the Item 1. Business, "Regulations" and Item 1A. risk-Risk captioned Factors, "Sales outside the franchise system" above and "Other Regulatory Issues."~~ **Some of our key automotive manufacturer partners have either implemented our or announced plans to explore the agency model under which of selling new vehicles in these the dealerships, U. K. and a limited number of our other countries. We dealerships in Europe, receive a fee for facilitating the sale by the manufacturer of a new vehicle but do not hold the vehicle in inventory. Vehicles sold under this agency model are counted as new agency units sold instead of new retail units sold by us, and only the fee we receive from the manufacturer, not the price of the vehicle, is reported as new revenue (as opposed to previously recording all of the vehicle sale price as new revenue) with no corresponding cost of sale. The We continue to provide new vehicle customer service at our Mercedes-Benz U. K. dealerships, and the Mercedes-Benz U. K. agency model at this time has not changed our used vehicle sales operations or service and parts operations, although the long-term impact of the agency model at these dealerships as well as other agency models proposed by our manufacturer partners is remains uncertain. We believe transition to an agency model in the U. S. would be difficult for the manufacturers in light of U. S. franchise laws. See the Item 1. Business, "Regulations" and Item 1A. risk-Risk captioned Factors, "Sales outside the franchise system" above and "Other Regulatory Issues."** New mobility models and vehicle electrification will continue to result in rapid changes to the automotive and trucking industries. Shared vehicle services such as Uber and Lyft provide consumers with increased choice in their personal mobility options. The effect of these and similar mobility options on the retail automotive industry is uncertain and may include lower levels of new vehicle sales but with increasing miles driven, which could require additional demand for vehicle maintenance. Most major vehicle manufacturers have announced plans to electrify some or all of their new vehicle fleets in response to concerns about the environment and due to regulatory requirements to limit vehicle emissions. We expect to continue to sell electric and hybrid gas / **EVs electric vehicles** through our franchised dealerships; however, our service revenues may decline over time as these vehicles may require less physical maintenance than gas and hybrid vehicles due to the absence of certain parts systems. Conversely, increasing consumer adoption of **EVs electric vehicles** may present new service opportunities, including with respect to range maintenance and optimization, cooling protection, torque protection, **tire replacement**, battery replacement, and warranty on newly released models. The effects of the eventual adoption of driverless vehicles are uncertain. Technological advances are facilitating the evolution of driverless vehicles. While many manufacturers offer varying degrees of driver assistance technology, the timing of adoption of true driverless vehicles remains uncertain due to regulatory requirements, additional technological requirements, and uncertain consumer acceptance of these vehicles. The effect of driverless vehicles on the automotive retail and trucking industries is uncertain and could include changes in the level of new and used vehicles sales, the price of new and used vehicles, the levels of service required by driverless vehicles and the role of franchised dealers, any of which could materially and adversely affect our business. Key personnel. We believe that our success depends to a significant extent upon the efforts and abilities of our senior management and in particular, upon Roger Penske who is our Chair and Chief Executive Officer. To the extent Mr. Penske, or other key personnel, were to depart from our Company unexpectedly, our business could be significantly disrupted. Financial Risks Leverage. Our significant debt and other commitments expose us to a number of risks, including: Cash requirements for debt and lease obligations. A significant portion of the cash flow we generate must be used to service the interest and principal payments relating to our various financial commitments, including \$ ~~3.4~~ **8.0** billion of floor plan notes payable, \$ ~~1.6~~ **9** billion of non-vehicle long-term debt, and \$ ~~5.3~~ **3** billion of future lease commitments (including extension periods that are reasonably assured of being exercised and assuming constant consumer price indices). A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service or lease requirements or to a failure to meet specified financial and operating covenants included in certain of our agreements. If this were to occur, it may lead to a default under one or more of our commitments and potentially the

acceleration of amounts due, which could have a significant and adverse effect on us. Credit Availability. Because we finance the majority of our operating and strategic initiatives using a variety of commitments, including floor plan notes payable and revolving credit facilities, we are dependent on continued availability of these sources of funds. If these agreements are terminated or we are unable to access them because of a breach of financial or operating covenants or otherwise, we will likely be materially affected. Interest rate variability. The interest rates we are charged on a substantial portion of our debt, including the floor plan notes payable we issue to purchase the majority of our inventory, are variable, increasing or decreasing based on changes in certain published interest rates. Increases to such interest rates have resulted **in** and may continue to result in higher interest expense for us, which negatively affects our operating results. Because many of our customers finance their vehicle purchases, increased interest rates may also decrease vehicle sales due to affordability, which would negatively affect our operating results. Impairment of our goodwill or other indefinite-lived intangible assets has in the past had, and in the future could have, a material adverse impact on our earnings. We evaluate goodwill and other indefinite-lived intangible assets for impairment annually and upon the occurrence of an indicator of impairment. Our process and results for impairment testing of these assets is described further under "Impairment Testing" in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates. If we determine that the amount of our goodwill or other indefinite-lived intangible assets are impaired at any point in time, we would be required to reduce the value of these assets on our balance sheet, which **would-could** also result in a material non-cash impairment charge that could also have a material adverse effect on our results of operations for the period in which the impairment occurs. Performance of sublessees. In connection with the sale, relocation, and closure of certain of our **franchises-businesses**, we have entered into a number of third-party sublease agreements. The rent paid by our sub-tenants on such properties in **2023-2024** totaled approximately \$ **17-16.0-2** million. In the aggregate, we remain ultimately liable for approximately \$ **95-130.2-8** million of such lease payments including payments relating to all available renewal periods. We rely on our sub-tenants to pay the rent and maintain the properties covered by these leases. In the event a subtenant does not perform under the terms of their lease with us, we could be required to fulfill such obligations, which could have a significant and adverse effect on us. International and foreign currency exchange risk. We have significant operations outside of the U. S. that expose us to changes in foreign currency exchange rates and to the impact of economic and political conditions in the markets where we operate. As exchange rates fluctuate, our results of operations as reported in U. S. Dollars fluctuate. For example, if the U. S. Dollar strengthens against the British Pound, our U. K. results of operations would translate into less U. S. Dollar reported results. Sustained levels or an increase in the value of the U. S. Dollar, particularly as compared to the British Pound, could result in a significant and adverse effect on our reported results. Joint ventures. We have significant investments in a variety of joint ventures, including retail automotive operations in **Germany, Italy, and Spain**. We have a 28.9% interest in PTS. We expect to receive annual operating distributions from PTS and the other ventures and in the case of PTS, realize significant cash savings on taxes. These benefits may not be realized if the joint ventures do not perform as expected, or if changes in tax, financial, or regulatory requirements negatively impact the results of the joint venture operations. Our ability to dispose of these investments may be limited. In addition, the relevant joint venture agreement and other contractual restrictions may limit our access to the cash flows of these joint ventures. For example, certain of PTS' debt agreements allow partner distributions only as long as it is not in default under those agreements and the amount it pays does not exceed 50% of its consolidated net income, unless its debt-to-equity ratio is less than 3.0 to 1.0, in which case its distributions may not exceed 80% of its consolidated net income. Legal and Compliance Risks Vehicle **Emissions** manufacturers exercise significant control over us. Each of our new vehicle dealerships and distributor operations operate under franchise and other **Other** agreements with automotive manufacturers, commercial vehicle manufacturers, **Environmental Regulations. Federal and state governments and regulators in or our markets have increasingly placed restrictions** related distributors. These agreements govern almost every aspect of the operation of our dealerships and **limitations** give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons, including certain events outside our control such as accumulation of our stock by third parties. They also limit our ability to acquire dealerships on a national, regional, and local basis. Without franchise or distributor agreements, we would be unable to sell or distribute new vehicles **in an effort to combat perceived negative environmental effects. In response to concerns that emissions of carbon dioxide and certain other gases, referred to as "greenhouse gases" or "GHGs," may be contributing to warming of the Earth's atmosphere, climate change-related legislation and policy changes to restrict GHGs have been implemented, at state and federal levels in a manner that impacts or our perform manufacturer authorized business. The most significant of these regulations and other requirements are described above under Item 1. Business," Regulation" and " Vehicle Emissions Regulation". Significant increases in fuel economy requirements, new battery warranty standards, and new restrictions on emissions on vehicles and fuels could adversely affect prices, availability, and demand for the vehicles that we sell, which could materially adversely affect us. Such vehicles may also not be able to be produced in the quantities required, or, if produced, may not be able to be sold to consumers in light of customer reluctance to transition to EVs. Adoption of EVs will increasingly require the generation of additional electricity and nationwide electric charging infrastructures which may be unavailable in our markets. While increasing consumer adoption of EVs may present new service opportunities** .If a significant number of our franchise agreements are terminated, **including not renewed, or, with respect to standards-range maintenance and other regulatory requirements discussed above. The EPA optimization, cooling protection, torque protection, tire replacement, battery replacement, and warranty on newly released models, our service revenue per vehicle may decline over time has- as also recently proposed these EVs may require less physical maintenance than gas and hybrid vehicles due to the absence of certain parts systems** revise existing standards to reduce greenhouse gas emissions from heavy-duty vehicles in model year 2027 and set new, more stringent standards for model years 2028 through 2032. PTG sells new and used heavy- and medium- duty commercial trucks, parts and service, and offers collision repair services. PTS, with its broad product offering including full- service truck

leasing, contract maintenance, and truck rental, along with logistics services, is one of the largest purchasers of commercial trucks in North America. Should future regulations or consumer sentiment hinder our or PTS' ability to maintain, acquire, sell, service, or operate trucks, we may be adversely affected. Should additional states adopt CARB regulations, PTG and PTS could experience increased compliance costs, additional operating restrictions, or changes in demand for their products and services, which could have a material adverse effect on our business, financial condition and results of operations. New regulations, a competing distributor were introduced, we would be materially affected. For example, original equipment manufacturers may be required to install additional engine components, additional aerodynamic features or low-rolling resistance tires to comply with fuel economy regulations, which may result in higher costs associated with more complex components and a shorter useful tread life for tires, increasing operating costs for customers, suppliers, and our businesses. Foreign, federal, state, provincial and local lawmakers also are considering a variety of other climate change proposals, including prohibiting the use of certain substances with high "global warming potential." On January 20, 2025, President Trump signed Executive Order "Unleashing American Energy", which may have direct implications on the policies and regulations that impact the automotive and transportation industries. The Executive Order seeks to rescind waivers granted by the EPA for California's zero emission vehicle regulations with a focus on eliminating any "electric vehicle mandates" and terminating "state emission waivers that function to limit sales of gasoline-powered vehicles" and modify and / or eliminate certain GHG standards for trucks. As a result, the status of the emission regulations discussed above and the impact of the new presidential administration on these or other U. S. federal policies in this area remains uncertain.

Other Regulatory Issues. We are subject to a wide variety of regulatory activities and oversight, including: Governmental regulations, claims, and legal proceedings. Governmental regulations affect almost every aspect of our business, including the fair treatment of our employees, wage and hour issues, and our financing activities with customers. In California, previous judicial decisions have called into question whether long-standing methods for compensating dealership employees comply with the local wage and hour rules and may do so again. We could be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws or it is determined that long-standing compensation methods did not comply with local laws. Many laws and regulations applicable to our business were adopted prior to the introduction of online vehicle sales, the Internet and certain digital technology, generally. As a result, we are tasked with maintaining compliance in an uncertain regulatory environment. Claims arising out of actual or alleged violations of law which may be asserted against us or any of our dealers by individuals, through class actions, or by governmental entities in civil or criminal investigations and proceedings, may expose us to substantial monetary damages which may adversely affect us. Our financing activities with customers are subject to truth-in-lending, consumer leasing, equal credit opportunity, and similar regulations as well as motor vehicle finance laws, installment finance laws, insurance laws, usury laws, and other installment sales laws. In the U. K., the Financial Conduct Authority (the "FCA") regulates financial services firms and financial markets, including our activities in acting as broker for the financing of vehicle sales. The FCA is has announced that it will investigate **investigating** the historic use of discretionary commission arrangements ("DCAs") amid concerns that this practice may have been unfair to customers. The purpose of the investigation is to consider whether the historic use of DCAs caused customers to pay too much for their car loans and, if so, to consider potential remediation measures. The investigation is being undertaken after the Financial Ombudsman Service (a public body, which resolves financial complaints) determined that DCAs, in two separate cases which do not involve us, had caused financial losses to customers. We await the outcome of the FCA's investigation **which is expected in May of 2025**. Any regulatory or judicial outcome that ultimately results in the refund of historical commissions paid to us **or that reduces the commissions paid to us could materially and adversely affect us. On October 25, 2024, the U. K. Court of Appeal (the second highest court in the U. K.) issued a judgment in the case Johnson v Firstrand Bank Ltd, Wrench v Firstrand Bank Ltd and Hopcraft v Close Brothers Ltd, which required those lenders to repay those customers the commissions paid to the dealers for their vehicle finance agreements, determining that, in those cases, there was a duty to the customers to disclose the amount of the commissions paid to those dealers. We believe this judgment is contrary to existing guidance issued by the FCA, and the U. K. Supreme Court (the highest court in the U. K.) has granted the lenders permission to appeal the Judgment, with an expedited judgment by the Supreme Court expected in the first half of 2025. Our U. K. consumer lending partners now require us to disclose to customers the commissions we receive from financing the purchase of their vehicle. While the focus of the FCA's potential redress to customers, and the Judgment above, has been on the lenders and not dealers, we may experience changes to our processes and / or claims for repayment of historical commissions we have received from customers, which amounts could materially and adversely affect us.** Privacy Regulation. We are subject to numerous laws and regulations in the U. S. and internationally designed to protect the information of clients, customers, employees, and other third parties that we collect and maintain, including the European Union General Data Protection Regulation (the "EUGDPR") and the United Kingdom General Data Protection Regulation (the "UKGDPR"). Both the EUGDPR and UKGDPR, among other things, mandate requirements regarding the handling of personal data of employees and customers, including its use, protection, and the ability of persons whose data is stored to correct or delete such data about themselves. The state of California has a similar law **laws which includes** called the California Consumer Privacy Act, recently amended and enhanced effective January 1, 2023, by the California Privacy Rights Act (as so amended, the "CCPA"). In addition to enforcement authority granted to the California Attorney General, the CCPA established the "California Privacy Protection Agency," a dedicated state agency charged with the authority to audit and enforce privacy rules, among other responsibilities, and the CCPA permits a private right of action for certain violations of law. **Multiple Other other** U. S. states have also enacted comprehensive consumer privacy laws, and additional states may follow. These laws pose increasingly complex and rigorous compliance challenges, which may increase

our compliance costs and related risk. If we fail to comply with these laws or other similar regulations applicable to our business, we could be subject to reputational harm and significant litigation, monetary damages, regulatory enforcement actions, or fines in one or more jurisdictions. For example, a failure to comply with the UKGDPR could result in fines up to the greater of £ 17.5 million or 4 % of annual global revenues. Recalls. Legislative and regulatory bodies from time to time have considered laws or regulations that would prohibit companies from renting or selling any vehicle that is subject to a recall until the recall service is performed. Whether any such prohibition may be enacted, and its ultimate scope, cannot be determined at this time. If a law or regulation is enacted that prevents the sale of vehicles until recall service has been performed, we could be required to reserve a significant portion of our vehicles from being available for sale for even a minor recall unrelated to vehicle safety. In addition, various manufacturers have issued stop sale notices in relation to certain recalls that require that we retain vehicles until the recall can be performed, whether or not parts are then available. While servicing recall vehicles yields parts and service revenue to us, the inability to sell a significant portion of our vehicles could increase our costs and have an adverse effect on our results of operations if a large number of our vehicles are the subject of simultaneous recalls or if needed replacement parts are not in adequate supply. **Vehicle requirements. Federal and state governments....., we may be adversely affected.** Tariff and trade risk. **Changes or increased increases in tariffs, trade import product restrictions, and foreign the negotiation of new trade risks agreements, non- tariff trade barriers, local content requirements, uncertainty surrounding global trade policies, and the imposition of new or retaliatory tariffs against certain countries or covering certain products, including vehicles and parts may affect our competitive position and impair our ability to sell foreign vehicles and parts profitably . On February 1, 2025, President Trump issued executive orders imposing a 25 % tariff on certain product imports from Mexico and Canada, and a 10 % tariff on product imports from China, although certain of these tariffs have been temporarily stayed. Further, on February 10, 2025, President Trump implemented a 25 % tariff on imported steel and aluminum, proposed to be effective beginning on March 12, 2025, and has suggested the implementation of a 25 % tariff on imported automobiles. If maintained, these and other newly announced tariffs and the potential escalation of trade disputes are expected to broadly affect the automotive industry, including manufacturers of vehicles, parts and supplies. The extent of the tariffs and the resulting impact on general economic conditions and on our business are uncertain and depend on various factors, such as negotiations between the U. S. and affected countries, the duration of such tariffs, the responses of other countries or regions to such tariffs, the actual increases in the costs of imported vehicles, products and raw materials, and exemptions or exclusions that may be granted . Should tariffs increase and be sustained , we expect our inventory acquisition and carrying costs, and the production costs for many of our manufacturer and supplier partners, may be increased, which costs may be passed on to us and consumers through higher price-prices of for many new vehicles and certain parts we sell to. These increase-increased prices , which may adversely affect our new vehicle sales and related finance and insurance sales and may adversely impact demand for such vehicles and parts, potentially impacting our ability to sell them profitably .** Moreover, new rules in place after the Brexit accord between the European Union and the U. K. require varying levels of content in vehicles to originate in either the U. K. or the European Union to remain tariff free. If automotive manufacturers cannot meet these content rules, there may be import tariffs on any affected vehicles, which could adversely affect our U. K. results. Franchise laws in the U. S. In the U. S., state law generally provides protections to franchised vehicle dealers from discriminatory practices by manufacturers and from unreasonable termination or non- renewal of their franchise agreements. In many states, the laws require that new vehicle sales be conducted exclusively by automotive retailers (not manufacturers). Should U. S. franchise laws be repealed or amended to allow our existing manufacturer partners to effectively operate outside the franchised system, our results of operations may be materially and adversely impacted. See the risk factor captioned “ Sales outside the franchise system ” above. Changes in law. New laws and regulations at the state and federal level may be enacted which could materially adversely impact our business. For example, in December 2023, the U. S. Federal Trade Commission (the "FTC") announced its new Combating Auto Retail Scams ("CARS") Rule, which would change the way vehicles are advertised and sold in the U. S. The rule originally was to take effect in July 2024. However, **in light as a result of recent legal challenges, the FTC has delayed the rule was vacated in January 2025 's effective date pending resolution of related litigation. Similar** Once effective, the rules **or state laws** are expected to change industry-accepted practices with regard to sales and advertising, require a series of oral and written disclosures to consumers in regard to the sale price of vehicles, credit terms, and voluntary protection products, and impose burdensome recordkeeping requirements , all of which **could be imposed on our business** may lead to additional transaction times for the sale of vehicles, **could** complicate the transaction process , decrease customer satisfaction, and increase compliance costs and risk, among other effects . **These changes, which as well as any others that could be adopted,** could have a significant and adverse effect on us. Climate change and environmental regulations. Scientific evidence suggests that the globe is warming potentially resulting in an environment more prone to natural disasters, such as flooding **or wild fires** . To date, we have seen increases in our cost to insure against such risks, which costs could continue to increase should this trend continue. We are subject to a wide range of environmental laws and regulations, including those governing discharges into the air and water; the operation and removal of storage tanks; and the use, storage, and disposal of hazardous substances. In the normal course of our operations we use, generate, and dispose of materials covered by these laws and regulations. In the face of climate change, these laws could become more stringent. We face potentially significant costs relating to claims, penalties, and remediation efforts in the event of non- compliance with existing and future laws and regulations. Furthermore, should climate change continue, we expect further regulation of internal combustion engines and vehicle emissions which may affect the types of vehicles we sell and service. We cannot predict the future costs to our businesses for these developments. Accounting and disclosure rules and regulations. Significant changes to generally accepted accounting principles in the U. S. (" GAAP") could significantly affect our reported financial position, earnings, and cash flows upon adoption and effectiveness. **In addition For example, any a changes- change** to lease accounting could affect PTS customers' decisions to purchase or lease trucks, which could adversely affect their business if leasing becomes

a less favorable option. See the disclosure provided under “Recent Accounting Pronouncements” in Part II, Item 8, Note 1 of the Notes to our Consolidated Financial Statements for additional detail on accounting standard updates that could have an impact on us. In addition, we are subject to various reporting regimes in the U. S. and internationally. In the U. K., we are subject to the Climate- related Financial Disclosure Regulations which require disclosure of climate risks and opportunities, among other matters. **In Australia, we are subject to the mandatory climate- related financial disclosures under the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024.** We are also subject to California’s Climate Corporate Data Accountability Act and Climate- Related Financial Risk Act which require disclosure of emissions and other matters. Further, we are subject to the European Sustainability Reporting Standards which also require emissions and other disclosures, as well as any regulations regarding climate and sustainability disclosures eventually adopted by the U. S. Securities and Exchange Commission. We are also subject to regulations **and corporate financial reporting and auditing obligations** in other jurisdictions that we operate in. These multiple sets of disclosures standards are not yet clearly defined and require duplicative and sometimes conflicting disclosures **across our individual and consolidated business units, and the failure to comply with these standards may result in fines, penalties and reputational harm.** Compliance with these standards will subject us to additional ~~expense~~ **expenses** and compliance risk which may adversely affect our business.

Related parties. Our two largest stockholders, Penske Corporation and its affiliates (“Penske Corporation”) and Mitsui & Co., Ltd. and its affiliates (“Mitsui”), together beneficially own approximately 71 % of our outstanding common stock. The presence of such significant stockholders results in several risks, including: Our principal stockholders have substantial influence. Penske Corporation and Mitsui have entered into a stockholders agreement pursuant to which they have agreed to vote together as to the election of our directors. As a result, Penske Corporation has the ability to control the composition of our Board of Directors, which may allow it to control our affairs and business. This concentration of ownership coupled with certain provisions contained in our agreements with manufacturers, our certificate of incorporation, and our bylaws could discourage, delay, or prevent a change in control of us. Some of our directors and officers may have conflicts of interest with respect to certain related party transactions and other business interests. Roger Penske, our Chair and Chief Executive Officer and a director, holds the same offices at Penske Corporation. Robert Kurnick, Jr., our President and a director, is also the Vice Chair and a director of Penske Corporation and an Advisory Board member of PTS. Bud Denker, our Executive Vice President, Human Resources, is also the President of Penske Corporation. Each of these officers is paid much of their compensation by Penske Corporation. The compensation they receive from us is based on their efforts on our behalf; however, they are not required to spend any specific amount of time on our matters. The Vice Chair of our Board of Directors, Greg Penske, is the son of our Chair and also serves as a director of Penske Corporation. Michael Eisenson, one of our directors, is also a director of Penske Corporation and an Advisory Board member of PTS. Lisa Davis, one of our directors, is also an Advisory Board member of PTS. Kota Odagiri, one of our directors, is also an employee of Mitsui. Roger Penske also serves as Chairman of Penske Transportation Solutions, for which he is compensated by PTS. Penske Corporation ownership levels. Certain of our agreements have clauses that are triggered in the event of a material change in the level of ownership of our common stock by Penske Corporation, such as our trademark agreement between us and Penske Corporation that governs our use of the “Penske” name which can be terminated 24 months after the date that Penske Corporation no longer owns at least 20 % of our voting stock. We may not be able to renegotiate such agreements on terms that are acceptable to us, if at all, in the event of a significant change in Penske Corporation’s ownership. We have a significant number of shares of common stock eligible for future sale. Penske Corporation and Mitsui own approximately 71 % of our common stock, and each has two demand registration rights that could result in a substantial number of shares being introduced for sale in the market. We also have a significant amount of authorized but unissued shares. Penske Corporation has pledged a substantial portion of its shares of our common stock as collateral to secure a loan facility. A default by Penske Corporation could result in the foreclosure on those shares by the lenders, after which the lenders could attempt to sell those shares on the open market or to a third party. The introduction of any of these shares into the market could have a material adverse effect on our stock price.

General Risks We rely on third parties for the majority of our information systems and the availability and efficient operation of such systems is critical to the operation of our business. Our information systems are fully integrated into our operations, and we rely on them to operate effectively, including with respect to electronic interfaces with manufacturers and other vendors, customer relationship management, sales and service efforts, data storage, and financial and operational reporting. The majority of our systems are provided by or licensed from third- party vendors and suppliers; the most significant of which are the dealer management systems (“DMS”) and customer relationship management (“CRM”) systems used across our retail operations, which are provided by a limited number of suppliers. We also rely on third- party vendors to supply other key products and services to us and our customers. One or more of these third- party vendors or suppliers may experience financial distress, technology challenges, cybersecurity incidents, ransomware demands, programming errors, staffing shortages or liquidity challenges, file for bankruptcy protection, go out of business, or suffer other disruptions in their business, each of which could affect the vendors’ ability to provide services to us and our customers. If any of our vendors or suppliers fail to deliver their products or services for any reason, our business and results of operations and financial condition could be adversely impacted, and such failures may lead to broader disruptions or failures across our information systems which may expose us to customer, employee, manufacturing partner, governmental, or third- party claims or other legal liabilities. The failure of our information systems, the failure to protect the integrity of these systems, or the interruption of these systems as discussed herein or otherwise due to natural disasters, power loss, unexpected termination of our agreements, cyber- attacks, ransomware encryptions, or other reasons such as those which resulted from the CDK Cybersecurity Incident (described below), could significantly and adversely disrupt our business operations, impact our sales, service, inventory, customer relationship management, and accounting functions and otherwise adversely affect our results of operations. For example, on June 19, 2024, we became

aware that CDK Global, LLC (“ CDK ”), a third- party provider of information systems, including DMS software to support retail automotive and commercial truck dealership operations, was experiencing a cybersecurity incident and its systems were rendered inoperable (the “ CDK Cybersecurity Incident ”). Although we do not utilize CDK' s DMS in our U. S. or international automotive dealership operations, our Premier Truck Group business does utilize CDK' s dealer management system and was impacted by the CDK Cybersecurity Incident. In response to the CDK Cybersecurity Incident, we immediately took precautionary containment steps to protect our systems and commenced an investigation of the incident. PTG implemented its business continuity response plans and continued to operate without the DMS at all locations through manual or alternate processes developed to respond to such incidents. On July 2, 2024, PTG was able to reconnect all of its locations to CDK' s DMS servers and restore core functionality of the software platform. Even where business continuity responses and contingency plans, such as those noted above, are implemented to minimize disruptions caused by information systems failures, such mitigation efforts may result in decreased operational efficiencies and limit dealership productivity. Further, despite our efforts to assess, identify, and manage material risks from cybersecurity threats to our business and operations, including through evaluating key partners and third parties with whom we share our information as well as certain customer and employee information, we may not be able to protect our various systems from disruptions. Cybersecurity. In the ordinary course of our business, we receive confidential information about our customers, employees, associates, and vendors. We collect, process, retain, and in some cases share this information in the normal course of our business, and such information is collected and stored primarily in our core information systems, including our DMS and CRM platforms. Our internal and third- party systems, including our DMS and CRM systems, are under a heightened level of risk from state actors, cyber criminals or other individuals with malicious intent to gain unauthorized access to our systems and exploit the information, including the confidential information of our customers and employees, that we gather. Cyber- attacks, such as the CDK Cybersecurity Incident described above, and threats to information systems and network and data security are becoming increasingly diverse and sophisticated, with attacks increasing in frequency, scope, and potential harm. In addition, some of our software applications are utilized by third parties who, in turn, subcontract or otherwise outsource various processes and administrative functions to additional third parties. Such third parties may have access to confidential information that is critical to our business operations and services. While our information security program includes enhanced controls to monitor third party providers' security programs, these third parties are subject to their own risks of data breaches, cyber- attacks, and other events or actions that could damage, disrupt, or close down their networks or systems, which in turn may adversely impact our business operations. For an overview of certain of our efforts related to cybersecurity risk management, strategy, and governance and our written Information Security Program, see Item 1C. Cybersecurity. Despite the security measures we have in place or may implement in the future, we may be unable to fully detect, mitigate, or protect against cyber- attacks, ransomware attacks, computer viruses, security breaches, social engineering, malicious software, lost or misplaced data, programming errors, human errors, burglary, acts of vandalism, misdirected wire transfers or other events impacting us or our third- party service providers. Any security breach or event, whether by us directly or our third- party service providers, may result in an authorized party obtaining trade secrets, personally identifiable information or confidential information and may result in loss of revenue, increase the costs of doing business, harm our competitiveness, reputation or customer, vendor or manufacturer relationships, and have other negative operational impacts. In addition, such security breaches or events resulting in the loss or exposure of this information could result in liabilities and other significant financial exposures, including those derived from investigations, regulatory fines, penalties for violations of applicable laws and regulations, costs related to the remediation of ransomware events, litigation including consumer class actions, the imposition of penalties, or other means, any of which could have a material adverse effect on our business, results of operations or financial condition. In addition, our failure to respond quickly and appropriately to such a security breach, or our failure to adequately test and verify the remediation of security incidents involving third parties prior to reintegration into our information systems, could exacerbate the consequences of the breach. Property loss, business interruption, or other liabilities. Our business is subject to substantial risk of loss due to the significant concentration of property values, including vehicle and parts inventories at our operating locations; claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements. While we have insurance for many of these risks, we retain risk relating to certain of these perils, including through self- insurance, and certain perils are not covered by our insurance. Certain insurers have limited available property coverage in response to the natural catastrophes experienced in recent years. If we experience significant losses that are not covered by our insurance, whether due to adverse weather conditions or otherwise, or we are required to retain a significant portion of a loss, it could have a significant and adverse effect on us. Information technology. Our information systems are fully integrated into our operations, and we rely on them to operate effectively, including with respect to electronic interfaces with manufacturers and other vendors, customer relationship management, sales and service scheduling, data storage, and financial and operational reporting. The majority of our systems are licensed from third parties; the most significant of which are provided by a limited number of suppliers in the U. S., U. K., and Australia. The failure of our information systems to perform as designed, the failure to protect the integrity of these systems, or the interruption of these systems due to natural disasters, power loss, unexpected termination of our agreements, cyber- attacks, or other reasons could significantly and adversely disrupt our business operations, impact sales and results of operations, expose us to customer or third- party claims, or result in adverse publicity. Cybersecurity. As part of our business model, we receive sensitive information regarding customers, employees, associates, and vendors from various online and offline channels. We collect, process, retain, and in some cases share this information in the normal course of our business. Our internal and third- party systems are under a heightened level of risk from cyber criminals or other individuals

with malicious intent to gain unauthorized access to our systems and exploit the information, including sensitive personal information, that we gather. Cyber-attacks and threats to network and data security are becoming increasingly diverse and sophisticated, with attacks increasing in frequency, scope, and potential harm. In addition, some of our software applications are utilized by third parties who provide outsourced administrative functions. Such third parties may have access to confidential information that is critical to our business operations and services. While our information security program includes enhanced controls to monitor third party providers' security programs, these third parties are subject to their own risks of data breaches, cyber-attacks, and other events or actions that could damage, disrupt, or close down their networks or systems, which in turn may adversely impact our business operations. For an overview of certain of our efforts related to cybersecurity risk management, strategy, and governance and our written Information Security Program, see Item 1C. Cybersecurity. Despite the security measures we have in place, we may be unable to fully detect, mitigate, or protect against cyber-attacks, ransomware attacks, security breaches, social engineering, malicious software, lost or misplaced data, programming errors, human errors, acts of vandalism, or other events. Many companies have disclosed security breaches involving sophisticated cyber-attacks and ransomware attacks that were not recognized or detected until after such companies had been affected, notwithstanding the preventive measures they had in place. Any security breach or event resulting in the misappropriation, loss, or other unauthorized disclosure of confidential information or degradation of services provided by critical business systems, whether by us directly or our third-party service providers, could adversely affect our business operations, sales, reputation with current and potential customers, associates or vendors as well as other operational and financial impacts derived from investigations, litigation, the imposition of penalties, or other means. In addition, our failure to respond quickly and appropriately to such a security breach could exacerbate the consequences of the breach and efforts to prevent, detect, and mitigate data breaches and cyber-attacks subject us to additional costs.