# Rush Enterprises, Inc. Reports First Quarter 2022 Results, Announces $0.19 Per Share Dividend

April 26, 2022

- Revenues of $1.6 billion, net income of $92.5 million
- Earnings per diluted share of $1.43, excluding one-time gain related to Momentum JV
- Absorption ratio 136.3%
- Record first quarter financial results primarily due to strong Class 8 truck sales and aftermarket growth
- Board declares cash dividend of $0.19 per share of Class A and Class B common stock

SAN ANTONIO, April 26, 2022 (GLOBE NEWSWIRE) -- Rush Enterprises, Inc. (NASDAQ: RUSHA & RUSHB), which operates the largest network of commercial vehicle dealerships in North America, today announced that for the quarter ended March 31, 2022, the Company achieved revenues of $1.563 billion and net income of $92.5 million, or $1.60 per diluted share, compared with revenues of $1.232 billion and net income of $45.3 million, or $0.79 per diluted share, in the quarter ended March 31, 2021. On January 3, 2022, Cummins, Inc. and the Company closed on Cummins' acquisition of a 50% equity interest in Momentum Fuel Technologies that resulted in a $12.5 million gain. Excluding the one-time gain related to the joint venture transaction, the Company's adjusted net income for the quarter ended March 31, 2022 was $82.9 million, or $1.43 per diluted share. Additionally, the Company's Board of Directors declared a cash dividend of $0.19 per share of Class A and Class B Common Stock, to be paid on June 10, 2022, to all shareholders of record as of May 12, 2022.

"We are extremely proud of our strong financial results, including overall revenues and net profit, which were both first quarter records for our company," said W.M. "Rusty" Rush, Chairman, Chief Executive Officer and President of Rush Enterprises, Inc. "Our results were primarily driven by the continued strong economy and healthy consumer spending for much of the quarter. While new truck production capacity remained limited due to component part supply chain issues, our Class 8 new truck sales significantly outperformed the market. Our aftermarket revenues also greatly contributed to our financial results and were primarily driven by increased demand for parts and service support and our continued focus on our long-term aftermarket initiatives. Further, the acquisition of 19 dealership locations from The Summit Truck Group in the fourth quarter of 2021, and the gain on the sale in connection with the establishment of our joint venture with Cummins positively impacted our financial performance in the first quarter," said Rush.

"Currently, the economy remains healthy and there continues to be pent up demand for new commercial vehicles and aftermarket services caused by supply constraints over the last year. These factors should positively impact commercial vehicle and aftermarket sales throughout the remainder of 2022. Conversely, we are beginning to see elevated fuel prices negatively impact spot market rates and believe inflation and rising interest rates may begin to negatively impact consumer spending and capital expenditures across a variety of industries we support. We are carefully monitoring these and other economic factors that may impact industry demand moving forward. However, with the ongoing integration of our strategic initiatives into our newly acquired dealership locations, and our continued disciplined approach to expense management, we believe our financial results will continue to be strong in 2022," Rush said.

"It is important for me to recognize our employees for their unwavering commitment to our company and our long-term goals. A quarter like this simply would not have been possible without their outstanding contributions," Rush said.

## Operations

### Aftermarket Products and Services

Aftermarket products and services accounted for approximately 61% of the Company's total gross profit in the first quarter of 2022, with parts, service and collision center revenues reaching $543.3 million, up 30.7% compared to the first quarter of 2021. The Company achieved a quarterly absorption ratio of 136.3% in the first quarter of 2022, compared to 122.6% in the first quarter of 2021.

"In the first quarter, there was strong demand for maintenance and repair of existing vehicles in operation. This demand, combined with our growing technician work force, resulted in healthy parts and service activity from most market segments we support, particularly refuse, large national fleets and some energy customers," said Rush. "During the first quarter, we continued to expand and train our technician workforce, and we furthered our strategic initiatives by expanding our Xpress services, mobile service and contract maintenance offerings, all of which helped our aftermarket revenues grow," he added. "While parts supply constraints continue to impact the industry and limit our aftermarket growth somewhat, the scale of our nationwide parts inventory better equips us to manage parts shortages," said Rush.

"As we look ahead, we expect parts supply constraints to continue to impact the industry through at least the remainder of the year, but we also believe parts and service demand will remain strong throughout 2022. Additionally, we continue to expand our dedicated aftermarket sales team to support large national fleets as well as increase the size of our technician workforce. By leveraging the geographic and product breadth of our network and implementing our processes and strategic initiatives at our new locations, we believe our aftermarket results will substantially outpace the industry this year," said Rush.

### Commercial Vehicle Sales

New U.S. Class 8 retail truck sales totaled 51,347 units in the first quarter of 2022, down 7.3% over the same time period last year, according to ACT Research. However, the Company significantly outpaced the industry, selling 3,528 new Class 8 trucks in the first quarter, an increase of 17.8%

compared to the first quarter of 2021, and accounting for a 6.9% share of the new U.S. Class 8 truck market.

“While U.S. new Class 8 truck sales declined somewhat in the first quarter due to ongoing component parts supply chain issues, we experienced strong, broad-based demand from a wide variety of market segments, including over-the-road, construction and vocational customers. We are very pleased with our new Class 8 truck sales results in the first quarter despite continued production challenges that have limited the number of Class 8 trucks we have available to sell,” said Rush.

“Looking ahead, we believe production constraints caused by global supply chain issues will continue to negatively impact the new Class 8 truck market through the year, “said Rush. “Truck allocation by the manufacturers we represent will continue to limit our ability to meet the full demands of the market, but our backlogs remain strong, and we believe our results will outpace the industry in 2022,” said Rush.

New U.S. Class 4 through 7 retail commercial vehicle sales totaled 57,243 units in the first quarter of 2022, down 7.8% over the same time period last year, according to ACT Research. The Company sold 2,141 Class 4-7 medium-duty commercial vehicles in the first quarter, a decrease of 8.3% compared to the first quarter of 2021, which accounted for 3.7% of the U.S. Class 4 through 7 commercial vehicle market.

“In the first quarter, most of the medium-duty truck manufacturers we represent were still significantly limiting production, with some manufacturers increasing production of more profitable heavy-duty trucks instead of medium-duty trucks,” said Rush. “That said, we experienced strong, widespread demand from most market segments, especially vocational and municipalities. Looking ahead, we expect medium-duty truck production will remain constrained until at least later this year, and we believe our medium-duty truck sales results will be consistent with the industry in 2022,” he added.

The Company sold 2,395 used commercial vehicles in the first quarter of 2022, a 24.5% increase compared to the first quarter of 2021. “Strong demand for used trucks continued in the first quarter, with broad-based activity from most market segments we support. However, used truck values are beginning to retract from their historically high levels in 2021, and we believe used truck values will continue to moderate throughout the remainder of 2022. We believe softening spot rates will be offset by new truck production constraints resulting in healthy used truck demand for the remainder of 2022,” said Rush.

***Network Expansion***

In the first quarter, the Company expanded its network with Rush Truck Centers – Miami Northwest, which offers parts and used truck sales. “This new location strengthens our presence in a major trucking market and enables us to enhance the support we provide to customers in Florida,” said Rush.

Next week, the Company expects to close on a deal to acquire an additional 30% of Rush Truck Centres of Canada Limited, the largest International Truck dealer in Canada, bringing the Company’s total ownership of Rush Truck Centres of Canada Limited to 80%. “We have been integrating Rush Truck Centres of Canada’s 15 dealership locations to our network since 2019, and we are pleased to expand our investment, to further support cross-border transportation customers,” said Rush.

***Financial Highlights***

In the first quarter of 2022, the Company’s gross revenues totaled $1.563 billion, a 26.9% increase from $1.232 billion in the first quarter of 2021. Net income for the quarter was $92.5 million, or $1.60 per diluted share, compared to net income of $45.3 million, or $0.79 per diluted share, in the quarter ended March 31, 2021. On January 3, 2022, Cummins, Inc. and the Company closed on Cummins’ acquisition of a 50% equity interest in Momentum Fuel Technologies that resulted in a $12.5 million gain. Excluding the one-time gain related to the joint venture transaction, the Company’s adjusted net income for the quarter ended March 31, 2022 was $82.9 million, or $1.43 per diluted share.

Aftermarket products and services revenues were $543.3 million in the first quarter of 2022, compared to $415.7 million in the first quarter of 2021. The Company delivered 3,528 new heavy-duty trucks, 2,141 new medium-duty commercial vehicles, 481 new light-duty commercial vehicles and 2,395 used commercial vehicles during the first quarter of 2022, compared to 2,995 new heavy-duty trucks, 2,334 new medium-duty commercial vehicles, 395 new light-duty commercial vehicles and 1,924 used commercial vehicles during the first quarter of 2021.

Rush Truck Leasing operates 52 PacLease and Idealease franchises across the country with more than 8,800 trucks in its lease and rental fleet and more than 1,600 trucks under contract maintenance agreements. Lease and rental revenue increased 22.5% in the first quarter of 2022 compared to the first quarter of 2021. This increase was primarily related to the acquisition of the Summit Idealease locations in the fourth quarter of 2021.

During the first quarter of 2022, the Company repurchased $15.3 million of its common stock pursuant to its stock repurchase plan. In addition, the Company paid a cash dividend of $11.1 million during the first quarter.

“Throughout the first quarter, we remained focused on our long-term strategic initiatives and diligent expense management, resulting in record-high first quarter revenues and profitability,” said Rush. “Further, we are proud to continue to return value to shareholders while keeping a strong balance sheet and cash position,” he added.

***Conference Call Information***

Rush Enterprises will host its quarterly conference call to discuss earnings for the first quarter on **Wednesday, April 27, 2022, at 10 a.m. Eastern/9 a.m. Central**. The call can be heard live by dialing **877-638-4557 (U.S.) or 914-495-8522 (International)** or via the Internet at http://investor.rushenterprises.com/events.cfm.

For those who cannot listen to the live broadcast, the webcast will be available on our website at the above link until July 15, 2022. Listen to the audio replay until May 4, 2022 by dialing **855-859-2056 (U.S.) or 404-537-3406 (International)** and entering the **Conference ID 7877548.**

**About Rush Enterprises, Inc.**

Rush Enterprises, Inc. is the premier solutions provider to the commercial vehicle industry. The Company owns and operates Rush Truck Centers, the largest network of commercial vehicle dealerships in North America, with 139 locations in 23 states, including 125 franchised Rush Truck Center locations. These vehicle centers, strategically located in high traffic areas on or near major highways throughout the United States, represent truck and bus manufacturers, including Peterbilt, International, Hino, Isuzu, Ford, IC Bus and Blue Bird. They offer an integrated approach to meeting customer needs — from sales of new and used vehicles to aftermarket parts, service and body shop operations plus financing, insurance, leasing and rental.

Rush Enterprises' operations also provide CNG fuel systems (through its investment in Cummins Clean Fuel Technologies, Inc.), telematics products and other vehicle technologies, as well as vehicle up-fitting, chrome accessories and tires. For more information, please visit us at www.rushtruckcenters.com, www.rushenterprises.com and www.rushtruckcentersracing.com, on Twitter @rushtruckcenter and Facebook.com/rushtruckcenters.

*Certain statements contained in this release, including those concerning current and projected market conditions, sales forecasts, market share forecasts, the impact of the acquisition of certain dealership assets from The Summit Truck Group and anticipated demand for the Company's services, are "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Such forward-looking statements only speak as of the date of this release and the Company assumes no obligation to update the information included in this release. Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, competitive factors, general U.S. economic conditions, economic conditions in the new and used commercial vehicle markets, customer relations, relationships with vendors, inflation and the interest rate environment, governmental regulation and supervision, product introductions and acceptance, changes in industry practices, the duration and severity of the COVID-19 pandemic and governmental mandates in connection therewith, one-time events and other factors described herein and in filings made by the Company with the Securities and Exchange Commission, including in our annual report on Form 10-K for the fiscal year ended December 31, 2021. In addition, the declaration and payment of cash dividends and authorization of future share repurchase programs remains at the sole discretion of the Company's Board of Directors and the issuance of future dividends and authorization of future share repurchase programs will depend upon the Company's financial results, cash requirements, future prospects, applicable law and other factors that may be deemed relevant by the Company's Board of Directors. Although we believe that these forward-looking statements are based on reasonable assumptions, there are many factors that could affect our actual business and financial results and could cause actual results to differ materially from those in the forward-looking statements. All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligations or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events.*

-Tables and Additional Information to Follow-

**RUSH ENTERPRISES, INC. AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS**
(In Thousands, Except Shares and Per Share Amounts)

| | March 31, 2022 | December 31, 2021 |
|---|---|---|
| | (unaudited) | |
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 209,526 | $ 148,146 |
| Accounts receivable, net | 186,757 | 140,186 |
| Inventories, net | 1,111,067 | 1,020,136 |
| Prepaid expenses and other | 16,225 | 15,986 |
| Total current assets | 1,523,575 | 1,324,454 |
| Property and equipment, net | 1,265,601 | 1,278,207 |
| Operating lease right-of-use assets, net | 65,674 | 69,008 |
| Goodwill, net | 370,331 | 370,331 |
| Other assets, net | 96,367 | 77,977 |
| **Total assets** | $ 3,321,548 | $ 3,119,977 |
| **Liabilities and shareholders' equity** | | |
| Current liabilities: | | |
| Floor plan notes payable | $ 702,209 | $ 630,731 |
| Current maturities of finance lease obligations | 26,913 | 26,695 |
| Current maturities of operating lease obligations | 11,988 | 12,096 |
| Trade accounts payable | 171,119 | 122,291 |
| Customer deposits | 71,846 | 80,561 |
| Accrued expenses | 144,627 | 131,130 |
| Total current liabilities | 1,128,702 | 1,003,504 |
| Long-term debt, net of current maturities | 338,426 | 334,926 |
| Finance lease obligations, net of current maturities | 85,522 | 89,835 |
| Operating lease obligations, net of current maturities | 54,780 | 57,976 |
| Other long-term liabilities | 27,587 | 26,514 |
| Deferred income taxes, net | 141,492 | 140,473 |
| Shareholders' equity: | | |
| Preferred stock, par value $.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2022 and 2021 | – | – |

| | | |
|---|---|---|
| Common stock, par value $.01 per share; 60,000,000 Class A shares and 20,000,000 Class B shares authorized; 43,093,711 Class A shares and 12,597,341 Class B shares outstanding in 2022; and 43,107,867 Class A shares and 12,398,606 Class B shares outstanding in 2021 | 568 | 563 |
| Additional paid-in capital | 482,146 | 470,750 |
| Treasury stock, at cost: 531,969 Class A shares and 596,298 Class B shares in 2022; and 339,786 Class A shares and 492,052 Class B shares in 2021 | (52,248) | (36,933) |
| Retained earnings | 1,113,341 | 1,031,582 |
| Accumulated other comprehensive income | 1,232 | 787 |
| Total shareholders' equity | 1,545,039 | 1,466,749 |
| **Total liabilities and shareholders' equity** | $ 3,321,548 | $ 3,119,977 |

**RUSH ENTERPRISES, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
(In Thousands, Except Per Share Amounts)
(Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2022** | **2021** |
| | (Unaudited) | (Unaudited) |
| **Revenues** | | |
| New and used commercial vehicle sales | $ 935,719 | $ 747,719 |
| Aftermarket products and services sales | 543,263 | 415,737 |
| Lease and rental | 71,335 | 58,227 |
| Finance and insurance | 7,525 | 6,465 |
| Other | 5,360 | 3,658 |
| Total revenue | 1,563,202 | 1,231,806 |
| **Cost of products sold** | | |
| New and used commercial vehicle sales | 834,993 | 677,092 |
| Aftermarket products and services sales | 334,208 | 261,842 |
| Lease and rental | 48,561 | 48,058 |
| Total cost of products sold | 1,217,762 | 986,992 |
| **Gross profit** | 345,440 | 244,814 |
| Selling, general and administrative expense | 224,447 | 174,955 |
| Depreciation and amortization expense | 13,674 | 13,726 |
| Gain on sale of assets | 180 | 92 |
| **Operating income** | 107,499 | 56,225 |
| Other income | 14,064 | 919 |
| Interest expense, net | 1,219 | 507 |
| **Income before taxes** | 120,344 | 56,637 |
| Income tax provision | 27,891 | 11,304 |
| **Net income** | $ 92,453 | $ 45,333 |
| | | |
| **Earnings per common share:** | | |
| Basic | $ 1.65 | $ 0.82 |
| Diluted | $ 1.60 | $ 0.79 |
| | | |
| **Weighted average shares outstanding:** | | |
| Basic | 55,938 | 55,567 |
| Diluted | 57,912 | 57,734 |
| | | |
| **Dividends declared per common share** | $ 0.19 | $ 0.18 |

This press release and the attached financial tables contain certain non-GAAP financial measures as defined under SEC rules, such as Adjusted net income, Adjusted total debt, Adjusted net (cash) debt, EBITDA, Adjusted EBITDA, Free cash flow, Adjusted free cash flow and Adjusted invested capital, which exclude certain items disclosed in the attached financial tables. The Company provides reconciliations of these measures to the most directly comparable GAAP measures.

Management believes the presentation of these non-GAAP financial measures provides useful information about the results of operations of the Company for the current and past periods. Management believes that investors should have the same information available to them that management uses to assess the Company's operating performance and capital structure. These non-GAAP financial measures should not be considered in isolation or as a substitute for the most comparable GAAP financial measures. Investors are cautioned that non-GAAP financial measures utilized by the Company may not be comparable to similarly titled non-GAAP financial measures used by other companies.

| Commercial Vehicle Sales Revenue (in thousands) | Three Months Ended March 31, 2022 | March 31, 2021 |
|---|---|---|
| New heavy-duty vehicles | $ 546,141 | $ 449,997 |
| New medium-duty vehicles (including bus sales revenue) | 178,045 | 188,218 |
| New light-duty vehicles | 23,801 | 18,407 |
| Used vehicles | 185,673 | 88,343 |
| Other vehicles | 2,059 | 2,754 |
| **Absorption Ratio** | 136.3% | 122.6% |

**Absorption Ratio**

Management uses several performance metrics to evaluate the performance of its commercial vehicle dealerships and considers Rush Truck Centers' "absorption ratio" to be of critical importance. Absorption ratio is calculated by dividing the gross profit from the parts, service and collision center departments by the overhead expenses of all of a dealership's departments, except for the selling expenses of the new and used commercial vehicle departments and carrying costs of new and used commercial vehicle inventory. When 100% absorption is achieved, then gross profit from the sale of a commercial vehicle, after sales commissions and inventory carrying costs, directly impacts operating profit.

| Debt Analysis (in thousands) | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Floor plan notes payable | $ 702,209 | $ 550,304 |
| Current maturities of long-term debt | — | 135,523 |
| Current maturities of finance lease obligations | 26,913 | 26,448 |
| Long-term debt, net of current maturities | 338,426 | 369,587 |
| Finance lease obligations, net of current maturities | 85,522 | 93,584 |
| **Total Debt (GAAP)** | 1,153,070 | 1,175,446 |
| Adjustments: | | |
| Debt related to lease & rental fleet | (446,529) | (581,692) |
| Floor plan notes payable | (702,209) | (550,304) |
| **Adjusted Total Debt (Non-GAAP)** | 4,332 | 43,450 |
| Adjustment: | | |
| Cash and cash equivalents | (209,526) | (316,070) |
| **Adjusted Net Debt (Cash) (Non-GAAP)** | $ (205,194) | $ (272,620) |

Management uses "Adjusted Total Debt" to reflect the Company's estimated financial obligations less debt related to lease and rental fleet (L&RFD) and floor plan notes payable (FPNP), and "Adjusted Net (Cash) Debt" to present the amount of Adjusted Total Debt net of cash and cash equivalents on the Company's balance sheet. The FPNP is used to finance the Company's new and used inventory, with its principal balance changing daily as vehicles are purchased and sold and the sale proceeds are used to repay the notes. Consequently, in managing the business, management views the FPNP as interest bearing accounts payable, representing the cost of acquiring the vehicle that is then repaid when the vehicle is sold, as the Company's floor plan credit agreements require it to repay loans used to purchase vehicles when such vehicles are sold. The Company has the capacity to finance all of its lease and rental fleet under its lines of credit established for this purpose, but may choose to only partially finance the lease and rental fleet depending on business conditions and its management of cash and interest expense. The Company's lease and rental fleet inventory are either: (i) leased to customers under long-term lease arrangements; or (ii) to a lesser extent, dedicated to the Company's rental business. In both cases, the lease and rental payments received fully cover the capital costs of the lease and rental fleet (i.e., the interest expense on the borrowings used to acquire the vehicles and the depreciation expense associated with the vehicles), plus a profit margin for the Company. The Company believes excluding the FPNP and L&RFD from the Company's total debt for this purpose provides management with supplemental information regarding the Company's capital structure and leverage profile and assists investors in performing analysis that is consistent with financial models developed by Company management and research analysts. "Adjusted Total Debt" and "Adjusted Net (Cash) Debt" are both non-GAAP financial measures and should be considered in addition to, and not as a substitute for, the Company's debt obligations, as reported in the Company's consolidated balance sheet in accordance with U.S. GAAP. Additionally, these non-GAAP measures may vary among companies and may not be comparable to similarly titled non-GAAP measures used by other companies.

| EBITDA (in thousands) | Twelve Months Ended March 31, 2022 | March 31, 2021 |
|---|---|---|
| **Net Income (GAAP)** | $ 288,535 | $ 137,113 |
| Provision for income taxes | 88,855 | 39,578 |
| Interest expense | 2,482 | 4,752 |
| Depreciation and amortization | 53,302 | 56,852 |
| (Gain) loss on sale of assets | (1,520) | (1,844) |
| **EBITDA (Non-GAAP)** | 431,654 | 236,451 |
| Adjustment: | | |
| Interest expense associated with FPNP | 469 | (3,808) |
| **Adjusted EBITDA (Non-GAAP)** | $ 432,123 | $ 232,643 |

The Company presents EBITDA and Adjusted EBITDA, for the twelve months ended each period presented, as additional information about its operating results. The presentation of Adjusted EBITDA that excludes the addition of interest expense associated with FPNP to EBITDA is consistent

with management's presentation of Adjusted Total Debt, in each case reflecting management's view of interest expense associated with the FPNP as an operating expense of the Company, and to provide management with supplemental information regarding operating results and to assist investors in performing analysis that is consistent with financial models developed by management and research analyst. "EBITDA" and "Adjusted EBITDA" are both non-GAAP financial measures and should be considered in addition to, and not as a substitute for, net income of the Company, as reported in the Company's consolidated statements of income in accordance with U.S. GAAP. Additionally, these non-GAAP measures may vary among companies and may not be comparable to similarly titled non-GAAP measures used by other companies.

| | Twelve Months Ended | |
|---|---|---|
| **Free Cash Flow** (in thousands) | **March 31, 2022** | **March 31, 2021** |
| **Net cash provided by operations (GAAP)** | $ 416,790 | $ 664,308 |
| Acquisition of property and equipment | (179,933) | (119,644) |
| **Free cash flow (Non-GAAP)** | 236,857 | 544,664 |
| Adjustments: | | |
| Draws (payments) on floor plan financing, net | 151,905 | (238,495) |
| Proceeds from L&RFD | 46,305 | 80,333 |
| Principal payments on L&RFD | (92,691) | (179,423) |
| Cash used for L&RF purchases | 71,423 | — |
| Non-maintenance capital expenditures | 19,370 | 6,918 |
| **Adjusted Free Cash Flow (Non-GAAP)** | $ 433,169 | $ 213,997 |

"Free Cash Flow" and "Adjusted Free Cash Flow" are key financial measures of the Company's ability to generate cash from operating its business. Free Cash Flow is calculated by subtracting the acquisition of property and equipment included in the *Cash flows from investing activities* from *Net cash provided by (used in) operating activities*. For purposes of deriving Adjusted Free Cash Flow from the Company's operating cash flow, Company management makes the following adjustments: (i) adds back draws (or subtracts payments) on the floor plan financing that are included in *Cash flows from financing activities*, as their purpose is to finance the vehicle inventory that is included in *Cash flows from operating activities*; (ii) adds back proceeds from notes payable related specifically to the financing of the lease and rental fleet that are reflected in *Cash flows from financing activities*; (iii) subtracts draws on floor plan financing, net and proceeds from L&RFD related to business acquisition assets that are included in *Cash flows from investing activities; (*iv) subtracts scheduled principal payments on fixed rate notes payable related specifically to the financing of the lease and rental fleet that are included in *Cash flows from financing activities*; (v) subtracts lease and rental fleet purchases that are included in acquisition of property and equipment and not financed under the lines of credit for cash and interest expense management purposes; and (vi) adds back non-maintenance capital expenditures that are for growth and expansion (i.e. building of new dealership facilities) that are not considered necessary to maintain the current level of cash generated by the business. "Free Cash Flow" and "Adjusted Free Cash Flow" are both presented so that investors have the same financial data that management uses in evaluating the Company's cash flows from operating activities. "Free Cash Flow" and "Adjusted Free Cash Flow" are both non-GAAP financial measures and should be considered in addition to, and not as a substitute for, net cash provided by (used in) operations of the Company, as reported in the Company's consolidated statement of cash flows in accordance with U.S. GAAP. Additionally, these non-GAAP measures may vary among companies and may not be comparable to similarly titled non-GAAP measures used by other companies.

| **Invested Capital** (in thousands) | **March 31, 2022** | **March 31, 2021** |
|---|---|---|
| Total Shareholders' equity (GAAP) | $ 1,545,039 | $ 1,309,229 |
| Adjusted net debt (cash) (Non-GAAP) | (205,194) | (272,620) |
| **Adjusted Invested Capital (Non-GAAP)** | $ 1,339,845 | $ 1,036,609 |

"Adjusted Invested Capital" is a key financial measure used by the Company to calculate its return on invested capital. For purposes of this analysis, management excludes L&RFD, FPNP, and cash and cash equivalents, for the reasons provided in the debt analysis above and uses Adjusted Net Debt in the calculation. The Company believes this approach provides management a more accurate picture of the Company's leverage profile and capital structure and assists investors in performing analysis that is consistent with financial models developed by Company management and research analysts. "Adjusted Net (Cash) Debt" and "Adjusted Invested Capital" are both non-GAAP financial measures. Additionally, these non-GAAP measures may vary among companies and may not be comparable to similarly titled non-GAAP measures used by other companies.

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