

ASBURY AUTOMOTIVE GROUP INC

Form 10-Q

October 30, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from to

Commission file number: 001-31262

ASBURY AUTOMOTIVE GROUP, INC.

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

01-0609375
(I.R.S. Employer
Identification No.)

2905 Premiere Parkway NW Suite 300

Duluth, Georgia
(Address of principal executive offices)

30097
(Zip Code)

(678) 542-2700

(Registrant's telephone number, including area code)

622 Third Avenue, 37th Floor

New York, New York
(Former Name, Former Address and Former

10017
(Former Zip Code)

Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: The number of shares of common stock outstanding as of October 29, 2008, was 31,951,667 (net of 4,760,218 treasury shares).

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements.
ASBURY AUTOMOTIVE GROUP, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In millions, except share and per share data)

(Unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21.4	\$ 53.4
Contracts-in-transit	63.2	116.1
Accounts receivable (net of allowance of \$1.0 and \$0.7, respectively)	99.5	132.8
Inventories	696.8	770.0
Deferred income taxes	14.1	12.3
Assets held for sale	24.1	34.1
Other current assets	60.3	73.7
Total current assets	979.4	1,192.4
PROPERTY AND EQUIPMENT, net	479.9	238.6
GOODWILL	499.8	483.3
OTHER LONG-TERM ASSETS	105.4	102.0
Total assets	\$ 2,064.5	\$ 2,016.3
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable trade	\$ 451.4	\$ 193.7
Floor plan notes payable non-trade	111.8	480.2
Current maturities of long-term debt	48.9	1.7
Accounts payable and accrued liabilities	155.2	186.2
Liabilities associated with assets held for sale	8.0	9.9
Total current liabilities	775.3	871.7
LONG-TERM DEBT	608.5	473.9
DEFERRED INCOME TAXES	63.3	51.7
OTHER LONG-TERM LIABILITIES	26.5	34.8
COMMITMENTS AND CONTINGENCIES (Note 16)		
SHAREHOLDERS EQUITY:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized		
Common stock, \$.01 par value, 90,000,000 shares authorized 36,711,885 and 36,258,961 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	441.7	440.3
Retained earnings	225.4	219.4
Treasury stock, at cost; 4,760,218 and 4,677,261 shares held, respectively	(74.5)	(73.3)
Accumulated other comprehensive loss	(2.1)	(2.6)

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Total shareholders' equity	590.9	584.2
Total liabilities and shareholders' equity	\$ 2,064.5	\$ 2,016.3

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**ASBURY AUTOMOTIVE GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In millions, except per share data)

(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2008	2007	2008	2007
REVENUES:				
New vehicle	\$ 726.5	\$ 882.7	\$ 2,248.3	\$ 2,578.2
Used vehicle	277.9	370.8	916.6	1,130.7
Parts and service	182.0	174.7	548.1	521.0
Finance and insurance, net	34.2	41.7	111.7	122.8
Total revenues	1,220.6	1,469.9	3,824.7	4,352.7
COST OF SALES:				
New vehicle	676.9	819.1	2,097.9	2,394.1
Used vehicle	255.7	341.6	839.4	1,031.9
Parts and service	89.7	83.4	268.5	250.3
Total cost of sales	1,022.3	1,244.1	3,205.8	3,676.3
GROSS PROFIT	198.3	225.8	618.9	676.4
OPERATING EXPENSES:				
Selling, general and administrative	162.2	173.5	498.5	515.2
Depreciation and amortization	6.5	5.3	17.7	15.9
Other operating expense (income), net	(0.1)	(0.3)	1.6	2.2
Income from operations	29.7	47.3	101.1	143.1
OTHER INCOME (EXPENSE):				
Floor plan interest expense	(7.5)	(10.4)	(24.6)	(32.5)
Other interest expense	(10.9)	(9.1)	(29.4)	(30.1)
Interest income	0.1	0.9	1.4	3.9
Loss on extinguishment of long-term debt	(1.7)		(1.7)	(18.5)
Total other expense, net	(20.0)	(18.6)	(54.3)	(77.2)
Income before income taxes	9.7	28.7	46.8	65.9
INCOME TAX EXPENSE	2.6	9.4	16.9	23.2
INCOME FROM CONTINUING OPERATIONS	7.1	19.3	29.9	42.7
DISCONTINUED OPERATIONS, net of tax	(1.1)	(0.3)	(2.5)	(2.7)
NET INCOME	\$ 6.0	\$ 19.0	\$ 27.4	\$ 40.0
EARNINGS PER COMMON SHARE:				
Basic				
Continuing operations	\$ 0.22	\$ 0.59	\$ 0.94	\$ 1.30
Discontinued operations	(0.03)	(0.01)	(0.08)	(0.08)

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Net income	\$ 0.19	\$ 0.58	\$ 0.86	\$ 1.22
Diluted				
Continuing operations	\$ 0.22	\$ 0.58	\$ 0.93	\$ 1.27
Discontinued operations	(0.03)	(0.01)	(0.08)	(0.08)
Net income	\$ 0.19	\$ 0.57	\$ 0.85	\$ 1.19
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic	31.7	32.5	31.8	32.8
Performance share units	0.2	0.5	0.3	0.5
Restricted stock	0.2		0.1	
Stock options		0.2	0.1	0.4
Diluted	32.1	33.2	32.3	33.7

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**ASBURY AUTOMOTIVE GROUP, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In millions)****(Unaudited)**

	For the Nine Months Ended September 30,	
	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	\$ 27.4	\$ 40.0
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	17.7	15.9
Stock-based compensation	1.2	4.7
Deferred income taxes	9.7	6.2
Loss on extinguishment of long-term debt	1.7	18.5
Loaner vehicle amortization	5.4	5.1
Excess tax benefits from share-based payment arrangements		(1.6)
Other adjustments	6.5	9.6
Changes in operating assets and liabilities, net of acquisitions and divestitures		
Contracts-in-transit	52.9	27.9
Accounts receivable	18.4	8.7