

ASBURY AUTOMOTIVE GROUP INC

Form 10-Q

April 30, 2010

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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 March 31, 2010

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)

**(770) 418-8200**  
(Registrant's telephone number, including area code)

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 has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 April 28, 2010 was 32,727,856 (net of 4,776,930 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 data)****(Unaudited)**

	<b>March 31, 2010</b>	<b>December 31, 2009</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 29.4	\$ 84.7
Contracts-in-transit	69.4	61.8
Accounts receivable (net of allowance of \$1.7 and \$0.8, respectively)	89.8	79.0
Inventories	498.3	499.7
Deferred income taxes	7.9	8.6
Assets held for sale	28.4	30.3
Other current assets	55.0	51.5
Total current assets	778.2	815.6
PROPERTY AND EQUIPMENT, net	440.9	449.1
DEFERRED INCOME TAXES, net of current portion	77.4	84.4
OTHER LONG-TERM ASSETS	50.1	51.8
Total assets	\$ 1,346.6	\$ 1,400.9
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Floor plan notes payable trade	\$ 325.2	\$ 357.7
Floor plan notes payable non-trade	59.5	77.0
Current maturities of long-term debt	9.0	9.0
Accounts payable and accrued liabilities	139.3	148.2
Liabilities associated with assets held for sale	1.5	6.9
Total current liabilities	534.5	598.8
LONG-TERM DEBT	527.3	528.8
OTHER LONG-TERM LIABILITIES	32.3	29.7
COMMITMENTS AND CONTINGENCIES (Note 11)		
<b>SHAREHOLDERS EQUITY:</b>		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued or outstanding		
Common stock, \$.01 par value, 90,000,000 shares authorized; 37,500,929 and 37,200,557 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	459.4	457.3
Accumulated deficit	(126.4)	(133.8)
Treasury stock, at cost; 4,776,930 and 4,770,224 shares, respectively	(74.7)	(74.6)
Accumulated other comprehensive loss	(6.2)	(5.7)

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Total shareholders' equity	252.5	243.6
Total liabilities and shareholders' equity	\$ 1,346.6	\$ 1,400.9

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 March 31,	
	2010	2009
<b>REVENUES:</b>		
New vehicle	\$ 528.8	\$ 432.6
Used vehicle	252.4	208.2
Parts and service	152.8	158.8
Finance and insurance, net	26.0	20.5
Total revenues	960.0	820.1
<b>COST OF SALES:</b>		
New vehicle	493.0	405.4
Used vehicle	229.8	188.5
Parts and service	74.3	80.8
Total cost of sales	797.1	674.7
GROSS PROFIT	162.9	145.4
<b>OPERATING EXPENSES:</b>		
Selling, general and administrative	129.1	120.7
Depreciation and amortization	5.7	5.9
Other operating income, net	(0.4)	(0.4)
Income from operations	28.5	19.2
<b>OTHER EXPENSE:</b>		
Floor plan interest expense	(4.1)	(4.9)
Other interest expense	(9.5)	(9.8)
Convertible debt discount amortization	(0.4)	(0.5)
Total other expense, net	(14.0)	(15.2)
Income before income taxes	14.5	4.0
INCOME TAX EXPENSE	5.6	1.4
INCOME FROM CONTINUING OPERATIONS	8.9	2.6
DISCONTINUED OPERATIONS, net of tax	(1.5)	(2.3)
NET INCOME	\$ 7.4	\$ 0.3
<b>EARNINGS PER COMMON SHARE:</b>		
Basic		
Continuing operations	\$ 0.28	\$ 0.08
Discontinued operations	(0.05)	(0.07)
Net income	\$ 0.23	\$ 0.01

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<b>Diluted</b>		
Continuing operations	\$ 0.27	\$ 0.08
Discontinued operations	(0.05)	(0.07)
Net income	\$ 0.22	\$ 0.01
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>		
Basic	32.2	32.1
Stock options	0.7	
Restricted stock	0.2	0.2
Performance share units	0.1	0.1
Restricted share units	0.1	
<b>Diluted</b>	<b>33.3</b>	<b>32.4</b>

See accompanying Notes to Condensed Consolidated Financial Statements

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 7.4	\$ 0.3
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	5.7	5.9
Stock-based compensation	1.9	1.5
Deferred income taxes	8.1	0.1
Loaner vehicle amortization	1.6	2.2
Other adjustments, net	3.9	1.1
Changes in operating assets and liabilities, net of acquisitions and divestitures		
Contracts-in-transit	(7.6)	9.7
Accounts receivable	(17.5)	0.7
Proceeds from the sale of accounts receivable	5.8	5.4
Inventories	7.5	106.6
Other current assets	(12.9)	(11.1)
Floor plan notes payable trade	(32.0)	(65.0)
Floor plan notes payable trade divestitures	(5.9)	
Accounts payable and accrued liabilities	(9.2)	(16.3)
Other long-term assets and liabilities, net	1.5	1.0
Net cash (used in) provided by operating activities	(41.7)	42.1
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(3.4)	(2.2)
Proceeds from the sale of assets	9.6	3.2
Other investing activities	(0.2)	(0.4)
Net cash provided by investing activities	6.0	0.6
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Floor plan borrowings non-trade	90.2	61.5
Floor plan repayments non-trade	(107.6)	(103.3)
Floor plan repayments non-trade divestitures		(2.9)
Proceeds from borrowings		0.9
Repayments of borrowings	(2.2)	(54.7)
Purchases of treasury stock associated with net share settlement of employee share-based awards	(0.1)	(0.1)
Proceeds from the exercise of stock options	0.1	
Net cash used in financing activities	(19.6)	(98.6)
Net decrease in cash and cash equivalents	(55.3)	(55.9)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>84.7</b>	<b>91.6</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 29.4</b>	