

GROUP 1 AUTOMOTIVE INC

Form 10-Q

May 08, 2009

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**Form 10-Q**

- þ** **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended March 31, 2009**
- OR**
- o** **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: 1-13461**

**Group 1 Automotive, Inc.**  
*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**76-0506313**  
*(I.R.S. Employer  
Identification No.)*

**800 Gessner, Suite 500**  
**Houston, Texas 77024**  
*(Address of principal executive offices) (Zip Code)*

**(Registrant's telephone number, including area code)**  
**(713) 647-5700**

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this Charter) 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. (Check one):

Large accelerated filer ☐      Accelerated filer ☒      Non-accelerated filer ☐      Smaller reporting company ☐  
(Do not check if a smaller reporting company)

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

As of May 7, 2009, the registrant had 24,064,982 shares of common stock, par value \$0.01, outstanding.

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**GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

<u>Item 1.</u>	<u>Financial Statements</u>	3
	<u>Cautionary Statement about Forward-Looking Statements</u>	31
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	33
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	54
<u>Item 4.</u>	<u>Controls and Procedures</u>	55

**PART II. OTHER INFORMATION**

<u>Item 1.</u>	<u>Legal Proceedings</u>	55
<u>Item 1A.</u>	<u>Risk Factors</u>	55
<u>Item 6.</u>	<u>Exhibits</u>	56

<u>SIGNATURES</u>	57
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EX-31.1

EX-31.2

EX-32.1

EX-32.2

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEETS**  
**(In thousands, except per share amounts)**  
**(Unaudited)**

	<b>March 31, 2009</b>	<b>December 31, 2008 (As adjusted)</b>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,610	\$ 23,144
Contracts-in-transit and vehicle receivables, net	85,909	102,834
Accounts and notes receivable, net	55,522	67,350
Inventories	638,358	845,944
Deferred income taxes	17,321	18,474
Prepaid expenses and other current assets	33,044	38,878
Total current assets	851,764	1,096,624
PROPERTY AND EQUIPMENT, net	501,501	514,891
GOODWILL	500,306	501,187
INTANGIBLE FRANCHISE RIGHTS	154,564	154,597
OTHER ASSETS	19,996	20,815
Total assets	\$ 2,028,131	\$ 2,288,114
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
CURRENT LIABILITIES:		
Floorplan notes payable credit facility	\$ 478,613	\$ 693,692
Floorplan notes payable manufacturer affiliates	103,196	128,580
Current maturities of long-term debt	13,039	13,594
Accounts payable	71,752	74,235
Accrued expenses	86,012	94,395
Total current liabilities	752,612	1,004,496
LONG-TERM DEBT, net of current maturities	514,050	536,723
DEFERRED INCOME TAXES	7,021	2,768
LIABILITIES FROM INTEREST RATE RISK MANAGEMENT ACTIVITIES	46,658	44,655

OTHER LIABILITIES	27,486	27,135
Total liabilities before deferred revenues	1,347,827	1,615,777
DEFERRED REVENUES	8,979	10,220
STOCKHOLDERS' EQUITY:		
Preferred stock, \$0.01 par value, 1,000 shares authorized; none issued or outstanding		
Common stock, \$0.01 par value, 50,000 shares authorized; 26,102 and 26,052 issued, respectively	261	261
Additional paid-in capital	349,427	351,405
Retained earnings	445,462	437,087
Accumulated other comprehensive loss	(39,728)	(38,109)
Treasury stock, at cost; 2,024 and 2,106 shares, respectively	(84,097)	(88,527)
Total stockholders' equity	671,325	662,117
Total liabilities and stockholders' equity	\$ 2,028,131	\$ 2,288,114

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(In thousands, except per share amounts)****(Unaudited)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
		<b>(As adjusted)</b>
<b>REVENUES:</b>		
New vehicle retail sales	\$ 547,292	\$ 888,781
Used vehicle retail sales	224,859	303,995
Used vehicle wholesale sales	34,736	67,227
Parts and service sales	180,865	190,835
Finance, insurance and other, net	32,065	52,424
Total revenues	1,019,817	1,503,262
<b>COST OF SALES:</b>		
New vehicle retail sales	517,818	831,638
Used vehicle retail sales	200,253	270,412
Used vehicle wholesale sales	33,792	67,168
Parts and service sales	85,300	86,466
Total cost of sales	837,163	1,255,684
<b>GROSS PROFIT</b>	182,654	247,578
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	153,234	195,062
DEPRECIATION AND AMORTIZATION EXPENSE	6,508	5,817
<b>INCOME FROM OPERATIONS</b>	22,912	46,699
<b>OTHER INCOME AND (EXPENSES):</b>		
Floorplan interest expense	(8,962)	(12,008)
Other interest expense, net	(6,963)	(9,763)
Gain on redemption of long-term debt	7,381	409
Other income, net	3	350
<b>INCOME BEFORE INCOME TAXES</b>	14,371	25,687
<b>PROVISION FOR INCOME TAXES</b>	(5,996)	(9,782)
<b>INCOME FROM CONTINUING OPERATIONS</b>	\$ 8,375	\$ 15,905
<b>DISCONTINUED OPERATIONS:</b>		
Loss related to discontinued operations		(1,114)
Income tax benefit related to losses on discontinued operations		387
Loss from discontinued operations		(727)

<b>NET INCOME</b>	\$	8,375	\$	15,178
<b>BASIC EARNINGS (LOSS) PER SHARE:</b>				
Earnings per share from continuing operations	\$	0.37	\$	0.71
Loss per share from discontinued operations				(0.03)
Earnings per share	\$	0.37	\$	0.68
Weighted average common shares outstanding		22,704		22,409
<b>DILUTED EARNINGS (LOSS) PER SHARE:</b>				
Earnings per share from continuing operations	\$	0.37	\$	0.71
Loss per share from discontinued operations				(0.04)
Earnings per share	\$	0.37	\$	0.67
Weighted average common shares outstanding		22,923		22,548
<b>CASH DIVIDENDS PER COMMON SHARE</b>	\$		\$	0.14

The accompanying notes are an integral part of these consolidated financial statements.



Table of Contents**GROUP 1 AUTOMOTIVE, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Three Months Ended March 31,	
	2009	2008
	(As adjusted)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 8,375	\$ 15,178
Net loss from discontinued operations		727
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on repurchase of long-term debt	(7,381)	(409)
Depreciation and amortization	6,508	5,817
Deferred income taxes	6,138	3,010
Stock based compensation	2,237	1,677
Amortization of debt discount and issue costs	1,971	2,602
Tax effect from stock-based compensation	384	(30)
Other	(649)	327
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
Contracts-in-transit and vehicle receivables	16,910	37,415
Inventories	202,026	(85,189)
Floorplan notes payable manufacturer affiliates	(25,285)	(14,829)
Accounts payable and accrued expenses	(10,715)	814
Accounts and notes receivable	12,655	1,670
Deferred revenues	(1,241)	(1,411)
Prepaid expenses and other assets	5,569	11,752
Net cash provided by (used in) operating activities, from continuing operations	217,502	(20,879)
Net cash used in operating activities, from discontinued operations		(1,772)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of property and equipment	13,740	11,101
Purchases of property and equipment	(6,980)	(84,229)
Proceeds from sales of franchises	5,545	
Cash paid in acquisitions, net of cash received		(428)
Other	798	416
Net cash provided by (used in) investing activities, from continuing operations	13,103	(73,140)
Net cash used in investing activities, from discontinued operations		(20)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		

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Repayments on credit facility	Floorplan Line	(670,153)	(1,460,189)
Borrowings on credit facility	Floorplan Line	455,074	1,566,804
Borrowings on credit facility	Acquisition Line	60,000	
Repayments on credit facility	Acquisition Line	(50,000)	(70,000)
Repurchases of long-term debt		(13,481)	(17,762)
Principal payments of long-term debt		(1,050)	(397)
Principal payments on mortgage facility		(12,723)	(1,564)
Borrowings on mortgage facility			47,776
Proceeds from issuance of common stock to benefit plans		648	1,068
Tax effect from stock-based compensation		(384)	30
Debt issue costs		135	(365)
Borrowings of long-term debt related to real estate purchases			18,600
Dividends paid			(3,252)
Net cash provided by (used in) financing activities, from continuing operations		(231,934)	80,749
Net cash provided by financing activities, from discontinued operations			1,919
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		(205)	(45)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		(1,534)	(13,188)
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>		23,144	34,248
<b>CASH AND CASH EQUIVALENTS, end of period</b>		\$ 21,610	\$ 21,060

The accompanying notes are an integral part of these consolidated financial statements.

