

ASBURY AUTOMOTIVE GROUP INC  
Form 10-Q  
November 07, 2006

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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

For the quarterly period ended September 30, 2006

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

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**ASBURY AUTOMOTIVE GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**622 Third Avenue, 37th Floor  
New York, New York**  
(Address of principal executive offices)

**01-0609375**

(I.R.S. Employer Identification No.)

**10017**  
(Zip Code)

**(212) 885-2500**

(Registrant's telephone number, including area code)

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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, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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 November 3, 2006, was 33,442,119 (net of 1,537,576 treasury shares).

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**ASBURY AUTOMOTIVE GROUP, INC.**  
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**PART I. FINANCIAL INFORMATION****Item 1. Condensed Consolidated Financial Statements**

**ASBURY AUTOMOTIVE GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per share data)  
(Unaudited)

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 133,475	\$ 57,194
Contracts-in-transit	95,222	122,250
Accounts receivable (net of allowance of \$690 and \$1,216, respectively)	152,039	167,203
Inventories	715,458	709,791
Deferred income taxes	19,825	19,825
Prepaid and other current assets	59,698	57,419
Assets held for sale	12,451	51,498
Total current assets	1,188,168	1,185,180
PROPERTY AND EQUIPMENT, net	201,053	193,457
GOODWILL	449,785	457,405
OTHER LONG-TERM ASSETS	91,741	94,758
Total assets	\$ 1,930,747	\$ 1,930,800
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Floor plan notes payable manufacturer affiliated	\$ 293,928	\$ 204,044
Floor plan notes payable non-manufacturer affiliated	319,446	410,338
Current maturities of long-term debt	26,263	24,522
Accounts payable	64,610	72,432
Accrued liabilities	93,756	100,043
Liabilities associated with assets held for sale		26,847
Total current liabilities	798,003	838,226
LONG-TERM DEBT	456,283	472,427
DEFERRED INCOME TAXES	44,055	44,287
OTHER LONG-TERM LIABILITIES	30,090	28,094
COMMITMENTS AND CONTINGENCIES (Note 14)		
<b>SHAREHOLDERS EQUITY:</b>		
Preferred stock, \$.01 par value per share, 10,000,000 shares authorized		
Common stock, \$.01 par value per share, 90,000,000 shares authorized, 34,921,981 and 34,435,252 shares issued, including shares held in treasury, respectively	349	344
Additional paid-in capital	427,535	417,055
Retained earnings	191,073	148,986
Treasury stock, at cost; 1,537,576 and 1,586,587 shares held, respectively	(14,567)	(15,032)
Accumulated other comprehensive loss	(2,074)	(3,587)
Total shareholders equity	602,316	547,766
Total liabilities and shareholders equity	\$ 1,930,747	\$ 1,930,800

See Notes to Condensed Consolidated Financial Statements.



**ASBURY AUTOMOTIVE GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In thousands, except per share data)  
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>REVENUES:</b>				
New vehicle	\$ 913,194	\$ 891,491	\$ 2,652,347	\$ 2,535,068
Used vehicle	394,402	360,029	1,137,069	1,028,901
Parts, service and collision repair	171,652	165,126	513,576	474,798
Finance and insurance, net	41,198	40,133	120,042	114,687
Total revenues	1,520,446	1,456,779	4,423,034	4,153,454
<b>COST OF SALES:</b>				
New vehicle	848,979	830,005	2,466,609	2,360,850
Used vehicle	357,864	327,670	1,032,966	937,903
Parts, service and collision repair	83,843	81,780	253,587	233,421
Total cost of sales	1,290,686	1,239,455	3,753,162	3,532,174
<b>GROSS PROFIT</b>	<b>229,760</b>	<b>217,324</b>	<b>669,872</b>	<b>621,280</b>
<b>OPERATING EXPENSES:</b>				
Selling, general and administrative	174,996	168,395	512,360	486,947
Depreciation and amortization	5,076	4,930	15,164	14,390
Income from operations	49,688	43,999	142,348	119,943
<b>OTHER INCOME (EXPENSE):</b>				
Floor plan interest expense	(10,311 )	(6,533 )	(30,712 )	(20,521 )
Other interest expense	(11,225 )	(10,314 )	(33,268 )	(30,183 )
Interest income	1,523	163	3,271	598
Loss on extinguishment of long-term debt, net	(914 )	-	(914 )	-
Other income, net	400	14	1,225	455
Total other expense, net	(20,527 )	(16,670 )	(60,398 )	(49,651 )
Income before income taxes	29,161	27,329	81,950	70,292
<b>INCOME TAX EXPENSE</b>	<b>10,935</b>	<b>10,248</b>	<b>30,731</b>	<b>26,359</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>18,226</b>	<b>17,081</b>	<b>51,219</b>	<b>43,933</b>
<b>DISCONTINUED OPERATIONS, net of tax</b>	<b>(1,047 )</b>	<b>(2,128 )</b>	<b>(2,483 )</b>	<b>(3,354 )</b>
<b>NET INCOME</b>	<b>\$ 17,179</b>	<b>\$ 14,953</b>	<b>\$ 48,736</b>	<b>\$ 40,579</b>
<b>EARNINGS PER COMMON SHARE:</b>				
<b>Basic</b>				
Continuing operations	\$ 0.55	\$ 0.52	\$ 1.55	\$ 1.35
Discontinued operations	(0.03 )	(0.06 )	(0.08 )	(0.11 )
Net income	\$ 0.52	\$ 0.46	\$ 1.47	\$ 1.24
<b>Diluted</b>				
Continuing operations	\$ 0.54	\$ 0.52	\$ 1.51	\$ 1.34
Discontinued operations	(0.03 )	(0.07 )	(0.07 )	(0.10 )
Net income	\$ 0.51	\$ 0.45	\$ 1.44	\$ 1.24
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	33,258	32,737	33,087	32,644
Diluted	33,841	33,032	33,853	32,847

See Notes to Condensed Consolidated Financial Statements.



**ASBURY AUTOMOTIVE GROUP, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)  
(Unaudited)

	<b>For the Nine Months Ended September 30,</b>	
	<b>2006</b>	<b>2005</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 48,736	\$ 40,579
Adjustments to reconcile net income to net cash provided by operating activities-		
Depreciation and amortization	15,164	14,390
Depreciation and amortization from discontinued operations	209	1,405
Share-based compensation	3,258	
Amortization of deferred financing fees	1,759	1,606
Change in allowance for doubtful accounts	(526 )	(1,016 )
(Gain) loss on sale of discontinued operations, net	(2,076 )	416
Deferred income taxes	(1,221 )	