

AUTONATION, INC.  
Form 10-Q  
August 02, 2017

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

FORM 10-Q  
(Mark One)

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

For the quarterly period ended June 30, 2017

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: 1-13107

AutoNation, Inc.

(Exact name of registrant as specified in its charter)

Delaware 73-1105145  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

200 SW 1st Avenue, Fort Lauderdale, Florida 33301  
(Address of principal executive offices) (Zip Code)

(954) 769-6000  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former 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 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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 July 31, 2017, the registrant had 100,439,176 shares of common stock outstanding.



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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## AUTONATION, INC.

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)

|   | June 30,<br>2017 | December 31,<br>2016 |
|---|------------------|----------------------|
| <b>ASSETS</b>   |                  |                      |
| <b>CURRENT ASSETS:</b>  |                  |                      |
| Cash and cash equivalents   | \$52.5           | \$ 64.8              |
| Receivables, net  | 795.1            | 1,032.9              |
| Inventory   | 3,713.2          | 3,520.1              |
| Other current assets  | 85.4             | 97.0                 |
| Total Current Assets  | 4,646.2          | 4,714.8              |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1.2 billion and \$1.1 billion, respectively  | 2,950.7          | 2,843.2              |
| GOODWILL  | 1,527.9          | 1,511.3              |
| OTHER INTANGIBLE ASSETS, NET  | 615.1            | 598.2                |
| OTHER ASSETS  | 409.8            | 392.5                |
| Total Assets  | \$10,149.7       | \$ 10,060.0          |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                  |                      |
| <b>CURRENT LIABILITIES:</b>   |                  |                      |
| Vehicle floorplan payable - trade   | \$2,264.7        | \$ 2,308.8           |
| Vehicle floorplan payable - non-trade   | 1,629.7          | 1,540.4              |
| Accounts payable  | 287.5            | 303.7                |
| Commercial paper  | 790.0            | 942.0                |
| Current maturities of long-term debt  | 562.0            | 167.5                |
| Other current liabilities   | 574.6            | 566.8                |
| Total Current Liabilities   | 6,108.5          | 5,829.2              |
| LONG-TERM DEBT, NET OF CURRENT MATURITIES   | 1,216.1          | 1,611.1              |
| DEFERRED INCOME TAXES   | 99.5             | 91.5                 |
| OTHER LIABILITIES   | 227.0            | 217.9                |
| COMMITMENTS AND CONTINGENCIES (Note 12)   |                  |                      |
| <b>SHAREHOLDERS' EQUITY:</b>  |                  |                      |
| Preferred stock, par value \$0.01 per share; 5,000,000 shares authorized; none issued   | —                | —                    |
| Common stock, par value \$0.01 per share; 1,500,000,000 shares authorized; 120,562,149 shares issued at June 30, 2017, and December 31, 2016, including shares held in treasury | 1.2              | 1.2                  |
| Additional paid-in capital  | 27.8             | 18.2                 |
| Retained earnings   | 3,319.0          | 3,133.3              |
| Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively  | (849.4 )         | (842.4 )             |
| Total Shareholders' Equity  | 2,498.6          | 2,310.3              |
| Total Liabilities and Shareholders' Equity  | \$10,149.7       | \$ 10,060.0          |

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.



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AUTONATION, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In millions, except per share data)

|   | Three Months Ended<br>June 30, |                | Six Months Ended<br>June 30, |                 |
|---|--------------------------------|----------------|------------------------------|-----------------|
|   | 2017                           | 2016           | 2017                         | 2016            |
| Revenue:  |                                |                |                              |                 |
| New vehicle   | \$2,930.9                      | \$ 3,071.9     | \$5,727.1                    | \$5,872.1       |
| Used vehicle  | 1,201.1                        | 1,259.4        | 2,442.0                      | 2,501.0         |
| Parts and service   | 857.5                          | 834.7          | 1,702.6                      | 1,655.1         |
| Finance and insurance, net  | 228.8                          | 225.4          | 450.4                        | 448.5           |
| Other   | 61.0                           | 50.0           | 96.6                         | 84.3            |
| <b>TOTAL REVENUE</b>  | <b>5,279.3</b>                 | <b>5,441.4</b> | <b>10,418.7</b>              | <b>10,561.0</b> |
| Cost of sales:  |                                |                |                              |                 |
| New vehicle   | 2,792.7                        | 2,909.1        | 5,444.6                      | 5,560.1         |
| Used vehicle  | 1,126.6                        | 1,175.4        | 2,290.5                      | 2,326.0         |
| Parts and service   | 479.9                          | 473.1          | 954.0                        | 938.8           |
| Other   | 54.0                           | 42.0           | 83.7                         | 68.4            |
| <b>TOTAL COST OF SALES (excluding depreciation<br/>shown below)</b> | <b>4,453.2</b>                 | <b>4,599.6</b> | <b>8,772.8</b>               | <b>8,893.3</b>  |
| Gross Profit:   |                                |                |                              |                 |
| New vehicle   | 138.2                          | 162.8          | 282.5                        | 312.0           |
| Used vehicle  | 74.5                           | 84.0           | 151.5                        | 175.0           |
| Parts and service   | 377.6                          | 361.6          |                              |                 |

Additional 18,750 Shares  
underlying Non-Qualified  
Stock Options that are  
exercisable within 60 days of  
the date hereof, constituting  
in the aggregate less than 1%  
of the Shares outstanding.

CUSIP NO. 00651F108

Set forth on Schedule B is the aggregate number and percentage of Shares beneficially owned, if any, by each of the directors of Steel Holdings GP. Unless otherwise indicated thereon, each of the persons listed on Schedule B has (i) the sole power to vote and dispose of the Shares they beneficially own, if any, and (ii) the right to receive, or the power to direct the receipt of dividends from, or proceeds from the sale of, the Shares that they beneficially own, if any.

Each of the Reporting Persons, as a member of a “group” with the other Reporting Persons for purposes of Rule 13d-5(b)(1) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), may be deemed to beneficially own the Shares owned by the other Reporting Persons.

Item 5(c) is hereby amended to add the following:

(c) Schedule C annexed hereto lists all transactions in the Shares by the Reporting Persons since the filing of Amendment No. 22 to the Schedule 13D. All of such transactions were effected in the open market.

CUSIP NO. 00651F108

SIGNATURES

After reasonable inquiry and to the best of his knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

Dated: STEEL  
June 18, PARTNERS II,  
2010 L.P.

By: Steel  
Partners II  
GP LLC  
General  
Partner

By: /s/ Sanford  
Antignas  
Sanford  
Antignas  
Chief  
Operating  
Officer

STEEL  
PARTNERS  
HOLDINGS L.P.

By: Steel  
Partners  
Holdings  
GP LLC  
General  
Partner

By: /s/ Sanford  
Antignas  
Sanford  
Antignas  
Chief  
Operating  
Officer



STEEL  
PARTNERS LLC

By: /s/ Sanford  
Antignas  
Sanford  
Antignas  
Chief  
Operating  
Officer

/s/ Sanford  
Antignas  
SANFORD  
ANTIGNAS  
as  
Attorney-In-Fact  
for Warren G.  
Lichtenstein

/s/ Jack L.  
Howard  
JACK L.  
HOWARD

/s/ Sanford  
Antignas  
SANFORD  
ANTIGNAS  
as  
Attorney-In-Fact  
for John J.  
Quicke

CUSIP NO. 00651F108

SCHEDULE C

Transactions in the Securities  
of the Issuer  
Since the Filing of  
Amendment No. 22 to the  
Schedule 13D

Class of Securities Price Date of  
Security Purchased (\$) Purchase

STEEL PARTNERS II, L.P.

|                 |         |        |          |
|-----------------|---------|--------|----------|
| Common<br>Stock | 100,000 | 3.0650 | 06/14/10 |
| Common<br>Stock | 272,231 | 3.0632 | 06/14/10 |
| Common<br>Stock | 168,743 | 3.0656 | 06/14/10 |
| Common<br>Stock | 396,300 | 3.0627 | 06/15/10 |
| Common<br>Stock | 130,067 | 3.0418 | 06/15/10 |
| Common<br>Stock | 70,400  | 3.0278 | 06/16/10 |
| Common<br>Stock | 105,300 | 3.0270 | 06/16/10 |
| Common<br>Stock | 125,000 | 3.0180 | 06/16/10 |
| Common<br>Stock | 75,000  | 3.0067 | 06/17/10 |
| Common<br>Stock | 19,400  | 3.0010 | 06/17/10 |