AUTONATION, INC.

Form 10-Q

August 02, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

 $\mathbf{p}_{1934}^{\text{QUARTERLY}}$ REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF

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 þ 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 þ 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 b Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o

Emerging growth company o

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 b

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)

ASSETS CURRENT ASSETS: Cush and cash equivalents Secious		June 30, 2017	December 3 2016	1,
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 2,950.7 2,843.2 OTHER INTANGIBLE ASSETS, NET 615.1 598.2 OTHER NSSETS 409.8 392.5 OTHER ASSETS 1,149.0 1,500.0 Total Assets 409.8 392.5 OTHER INTANGIBLE ASSETS, NET 615.1 598.2 OTHER ASSETS 409.8 392.5 OTHER ASSETS 409.8 392.5 OTHER ASSETS 409.8 392.5 OTHER PASSETS 409.8 392.5 OTHER ASSETS 409.8 392.5 OTHER LASSETS AND EQUITEMENT EQUITY 409.8 392.5 Vehicle floorplan payable - trade 52.264.7 \$303.7 Vehicle floorplan payable - non-trade 61.50.9 492.0	ASSETS			
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1,527,9	PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$1.2 billion and \$1.1	2 050 7	28432	
OTHER INTANGIBLE ASSETS, NET 615.1 598.2 OTHER ASSETS 409.8 392.5 Total Assets \$10,149.7 \$10,060.0 LIABILITIES \$10,149.7 \$10,060.0 CURRENT LIABILITIES: *** \$2,264.7 \$2,308.8 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-tern debt 562.0 167.5 ** Other current liabilities 574.6 568.8 ** Total Current Liabilities 5,108.5 \$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 SHAREHOLDERS' EQUITY: ** -* Preferred stock, par value \$0.01 per share; 5,000,000 shares authorized; none issued - -	billion, respectively	2,930.7	2,043.2	
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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) 227.0 217.9 SHAREHOLDERS' EQUITY: - 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 1.2 1.2 shares issued at June 30, 2017, and December 31, 2016, including shares held in treasury 27.8 18.2 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		\$2,264.7	\$ 2,308.8	
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) 5HAREHOLDERS' EQUITY: 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 1.2 1.2 shares issued at June 30, 2017, and December 31, 2016, including shares held in treasury 27.8 18.2 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	Vehicle floorplan payable - non-trade	1,629.7	1,540.4	
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) 574.6 56.8 SHAREHOLDERS' EQUITY:		287.5	303.7	
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) SHAREHOLDERS' EQUITY:		790.0	942.0	
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) SHAREHOLDERS' EQUITY: 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 1.2 1.2 shares issued at June 30, 2017, and December 31, 2016, including shares held in treasury 27.8 18.2 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	· ·	562.0		
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DEFERRED INCOME TAXES OTHER LIABILITIES COMMITMENTS AND CONTINGENCIES (Note 12) SHAREHOLDERS' EQUITY: 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 Additional paid-in capital Retained earnings Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively Total Shareholders' Equity 99.5 91.5 91.7 91.7 91.7 91.7 91.7 91.7 91.7 91.7	Total Current Liabilities	6,108.5	5,829.2	
OTHER LIABILITIES COMMITMENTS AND CONTINGENCIES (Note 12) SHAREHOLDERS' EQUITY: 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 Additional paid-in capital Retained earnings Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively Total Shareholders' Equity 227.0 217.9 227.0 217.9 227.0 217.9 Common stock, par value \$0.01 per share; 1,500,000,000 shares authorized; 120,562,149 1.2 27.8 18.2 27.8 18.2 27.8 27.8 27.8 27.8 27.8 27.8 27.8 2	LONG-TERM DEBT, NET OF CURRENT MATURITIES	1,216.1	1,611.1	
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SHAREHOLDERS' EQUITY: 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 Additional paid-in capital Retained earnings Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively Total Shareholders' Equity SHAREHOLDERS' EQUITY:	OTHER LIABILITIES	227.0	217.9	
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 Additional paid-in capital Retained earnings Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively Total Shareholders' Equity — — — 1.2 27.8 18.2 3,319.0 3,133.3 (849.4) (842.4) 7.0 1.2 27.8 1.2 27.8	COMMITMENTS AND CONTINGENCIES (Note 12)			
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 Additional paid-in capital Retained earnings Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively Total Shareholders' Equity 1.2 27.8 3,319.0 3,133.3 (849.4) (842.4) 7,2498.6 2,310.3				
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Additional paid-in capital Retained earnings Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively Total Shareholders' Equity 27.8 18.2 3,319.0 3,133.3 (849.4) (842.4) 2,498.6 2,310.3			1.2	
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			1.2	
Treasury stock, at cost; 20,124,942 and 19,909,940 shares held, respectively Total Shareholders' Equity (849.4) (842.4) 2,498.6 2,310.3	Additional paid-in capital		18.2	
Total Shareholders' Equity 2,498.6 2,310.3	Retained earnings	3,319.0	3,133.3	
* •		(849.4)	(842.4)
Total Liabilities and Shareholders' Equity \$10,149.7 \$10,060.0	Total Shareholders' Equity	2,498.6	2,310.3	
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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		Six Months Ended	
	June 30,		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
TOTAL REVENUE	5,279.3	5,441.4	10,418.7	10,561.0
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
TOTAL COST OF SALES (excluding depreciation	4 452 2	4.500.6	0.770.0	0.002.2
shown below)	4,453.2	4,599.6	8,772.8	8,893.3
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	361.6dditional 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.		
		or the bitares outstanding.		

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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.

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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

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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 100,000 3.065006/14/10 Stock

Common 272,231 3.0632 06/14/10 Stock

Common 168,743 3.065606/14/10 Stock

Common 396,300 3.062706/15/10 Stock

Common 130,067 3.041806/15/10 Stock

Common 70,400 3.027806/16/10 Stock

Common 105,300 3.027006/16/10 Stock

Common 125,000 3.018006/16/10 Stock

Common 75,000 3.006706/17/10 Stock

Common 19,400 3.001006/17/10 Stock